

***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
DECEMBER 20, 2005
1:30 P.M.**

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

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

1. INTERGOVERNMENTAL PROGRAMS DEPARTMENT 2006 STATE LEGISLATIVE AGENDA AND 2005 FEDERAL PROGRAM WRAP-UP

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

This is a request for the City Council to review and provide direction on the 2006 state legislative agenda and to review the accomplishments of the 2005 Coordinated Federal Program.

2006 State Legislative Agenda

- The Council-approved legislative agenda defines the City of Glendale's priorities for the upcoming legislative session and will guide the city's lobbying activities at the Arizona State Legislature. The Intergovernmental Programs staff recommends prioritizing the legislative agenda to key principles to allow the city to have a stronger, more consistent message on the items of greatest priority. The proposed priority principles for consideration are described in the report that was provided to the Council at the meeting.
- The Intergovernmental Programs staff will come before the Council on a regular basis throughout the session to obtain policy direction on bills and amendments that may be introduced.
- The city's legislative agenda is a flexible document and may change, based on activities at the Legislature and with Council direction.

2005 Coordinated Federal Program

- The purpose of the Program is to have a coordinated plan to affect federal legislation and regulation as it relates to the interests of the City of Glendale and its residents, and to structure a coordinated effort of all federal issues in one department that has authorization to manage the city's federal agenda.
- The wrap-up will provide the Council with the opportunity to review the results and accomplishments of the first year of the federal program.

2006 State Legislative Agenda

- The 2006 state legislative agenda includes policy statements intended to protect and enhance the quality of life for Glendale residents by maintaining local decision-making authority.
- Throughout the legislative session, policy direction will be sought on bills relating to the financial stability of the city, public safety issues, promoting economic development, managing growth and preserving neighborhoods.

2006 State Legislative Agenda

- Prior to each legislative session, the Intergovernmental Programs staff seeks Council adoption of the city's state legislative agenda.
- The 47th Legislature's Second Regular Session is set to begin on Monday, January 9, 2006. Governor Janet Napolitano will give her State of the State address on this same day.

2005 Coordinated Federal Program

- At the February 1, 2005 Workshop, the Council approved the first Program, which included the purpose, goals and strategy for a sustainable program and a federal legislative agenda for 2005.
- The Program document delineates what issues, topics and specific items into which the city wants input. The federal agenda may include grant opportunities, line-item appropriations, statute changes and regulation revisions. In addition, the Program contains a plan and strategy for sustaining a long-term city federal program.

2006 State Legislative Agenda

- The key principles of the proposed state legislative agenda are to preserve and enhance the city's ability to deliver quality and cost-effective services to citizens and visitors; address quality of life issues for Glendale residents; enhance the Council's ability to serve the community by retaining local decision-making authority; and to maintain state legislative and voter commitments for revenue sources.

2005 Coordinated Federal Program

- The Program provides the venue for the city to focus on federal issues of concern to the community, which will enhance the ability of the city to deliver superior services and to address quality of life issues for the residents of Glendale.
- The city was the recipient of \$150,000 from the Community Oriented Policing program for technology and infrastructure costs associated with the construction of the Regional Public Safety Training Facility.
- The city was also the recipient of \$220,000 for the sustainment of the Metropolitan Medical Response System program.
- Through direct contact with Arizona's Congressional Delegation, the Department of Housing and Urban Development reversed a rule disallowing the use of federal funds to pay air conditioning bills for low-income residents and their families.
- The city successfully engaged Congress directly in the Community Development Block Grant discussion, asking that the mechanism by which the program is funded not change, thereby allowing the funds to continue to be utilized by the city to the greatest advantage of the residents.

Staff is requesting the Council to provide policy direction on the proposed City of Glendale 2006 state legislative agenda and to review the 2005 Glendale Coordinated Federal Program.

Glendale Coordinated Federal Program

Ms. Skabo explained the Glendale Coordinated Federal Program has two primary purposes, to affect federal legislation and regulation as it relates to the interests of the City of Glendale and its residents and to structure a coordinated effort of all federal issues in one department that has authorization to manage the city's agenda. She reviewed the goals and objectives for 2005, 1) to build and strengthen relationships and develop a consistent presence with the Arizona delegation and other key members of Congress and the Executive Branch and its agencies; 2) Develop a sustainable plan and strategy that coordinates all city federal needs; 3) leverage city resources; and 4) affect federal legislation, whether that be regulations, statutes or funding opportunities.

She explained the first goal has two components, relationship building and establishing a consistent presence. She said their relationship building efforts focused on Glendale's congressional representation, other members of Congress, and other agency staff, in particular from the Department of Homeland Security and Department of Justice. She stated they had a number of in-person visits with Congress in Washington, attended professional conferences where a number of Congressional or Agency contacts were expected to attend, sent a considerable number of letters concerning a variety of issues, and Mayor Scruggs met with Congressman Pastor and Congressman Franks as well as Senators McCain and Kyle. With regard to the second goal, Ms. Skabo said they consolidated all federal contact through the IGR Department to ensure a consistent message was conveyed to the city's Congressional Delegation. She stated they monitored, updated and actively worked on issues for city departments, established a strategy for accomplishing legislative goals, and implemented a plan for avoiding intra-department, inter-city, and local/state conflicts. She stated the third goal was accomplished by employing city staff in strategy development and implementation of the federal agenda and issues, coordinating Homeland Security Grant funding project submissions and utilizing expertise in other organizations such as the NLC, USCM and other municipalities. Ms. Skabo explained their intention in the first year of the program was to focus more on the first three goals than on the fourth goal; however, they were actually quite successful this year in affecting federal legislation. She stated all cities in the west valley worked diligently to ensure Luke Air Force Base was not placed on the BRAC list. She said, while the city's Community Development Block Grant lost some funding, it did not lose as much as was initially feared. She said HUD regulations on air conditioning use were changed as a direct result of Mayors and Council Members in Maricopa County contacting their congressional delegation and then the Delegation working directly with HUD. She stated they were successful in getting language added to the Homeland Security authorization bill that protected the Metropolitan Medical Response System program. She said the City of Glendale also received direct line item appropriations, \$150,000 for the city's Regional Public Safety Training Facility and \$220,000 for the Metropolitan Medical Response System.

Mayor Scruggs commended Ms. Skabo on all they were able to accomplish in less than one year's time.

Councilmember Frate asked who they should thank for the funding for the MMRS. Ms. Skabo said a lot of cities around the country helped preserve the funding, but Chief Burdick and his staff and Battalion Chief Chris Dechant were instrumental.

Mayor Scruggs noted, while many cities throughout the country were at risk, Glendale became the lead agency on the issue. She said Ms. Skabo represented the program, as did Glendale's Fire Department personnel, preserving the funding for all cities in the nation. She thanked Ms. Skabo and Chief Burdick and their staff for the tremendous effort they put forth on behalf of citizens across the nation.

Vice Mayor Eggleston asked if they contacted the city's Congressional Delegation at their offices in Arizona. Ms. Skabo said, while they always try to make contact with the delegates when they are known to be in Arizona, it is not always possible so they travel to Washington to meet with them there. She stated they also contact staff members in Washington because they are the ones who work day to day on the projects.

Mayor Scruggs noted she and Ms. Skabo met with Congressman Franks and she met with Senator Kyl and in both instances they expressed a serious interest in assisting Glendale with its Regional Safety Training Facility and homeland security needs, specifically surrounding the major events coming to the city. She said Congressman Pastor has also been very supportive over the years.

Councilmember Goulet agreed Ms. Skabo and her staff have accomplished a great deal. He asked if they are working with other cities to affect federal legislation. Ms. Skabo said it depends on the issue, explaining there are issues where working with a coalition of cities makes sense and other issues where Glendale works primarily alone.

Councilmember Clark congratulated Ms. Skabo on the development of a very strong federal representation program, stating it serves the city very well. She asked if there is any intention to reach out to other west valley cities to solicit their support on programs that benefit all of the cities. Ms. Skabo said it would be simple to implement such efforts if directed to do so by the Council. She noted they solicited letters from all west valley cities concerning the Public Safety Training Facility indicating their support of the project. She agreed it makes sense to work with other west valley cities, particularly those that do not have an IGR Department of their own. Mr. Beasley said they always make an effort to work with other cities on regional issues, but there may be situations where conflicts exist; therefore it is best handled on a case-by-case basis. Councilmember Clark expressed her opinion the city should attempt to partner with other cities when the opportunity to do so arises.

Mayor Scruggs said she has signed on along with other Mayors throughout the valley on a number of issues.

Glendale Legislative Program

Ms. Tranberg stated the session will convene January 9 and, despite the leader's aim for an 82-day session, they anticipate it being a very contentious year. She said 1,400 bill files have been opened as of the beginning of December, which is double the number usually introduced by that time. She said there is also an anticipated \$750 million budget surplus, which will likely stimulate discussions on budget issues.

Ms. Tranberg presented two legislative principals and eight policy statements on issues related to cities, stating they will become the foundation on which they will do legislative advocacy. She said the primary legislative principals are to deliver quality and cost effective services to Glendale citizens and visitors and serve Glendale residents by retaining local decision making authority and maintaining state legislative and voter commitments for revenue sources. She stated the first legislative priority is financial sustainability, explaining the city supports retention of State Shared Revenue and Income Tax Revenues at the 15 percent distribution level and opposes any efforts to reduce or cap the amount of State Shared Revenue distributed. She said they also support the full disbursement of levels of existing revenue streams and directed funding sources and oppose diversion of the funds by the legislature. She stated they also oppose unfunded mandates and encourage the legislature to evaluate the fiscal impact of measures before the issues are considered.

Councilmember Martinez asked Ms. Tranberg if she has heard of any steps planned by the Legislature to reduce the amount of State Shared Revenue. Ms. Tranberg said she has heard speculation that bills will be introduced relating to State Shared Revenue. She stated one, in particular, calls for a cap on the amount of State Shared Revenue distributed to cities since revenues are coming in so high.

Ms. Tranberg continued her presentation, stating the city will continue its efforts to maintain the ability to execute economic development projects and enhance the range of economic development mechanisms available for cities and town. With regard to Land Use Planning, she said their priorities are to maintain local authority in land use policies, encourage citizen involvement in planning and zoning processes and oppose efforts to impede growth management or restrictions to redevelop under-performing areas. She said they support efforts to preserve the mission viability of Luke Air Force Base, retain existing state statutes, compatible land uses, and efforts to limit encroachment while ensuring the capability of future mission expansions. She stated they support efforts to preserve and enhance the quality of life in neighborhoods and encourage active citizen involvement in the development of public policy. She stated they support preserving and enhancing the city's ability to strategically plan for and respond to emergencies. In terms of transportation, she said they support the voter approved Proposition 400 and regional coordination on transportation issues, oppose efforts that limit local control in transportation decision-making processes or that hinder the implementation of Proposition 400, and support efforts to grant cities and towns additional tools to provide for transportation improvements. She said they also support efforts to ensure the wise use of natural resources and promote environmentally sensitive and sustainable development.

Councilmember Goulet commented on Court rulings concerning eminent domain and condemnation, asking Ms. Tranberg if she anticipates any moves to promote legislation that will make it more difficult for cities to deal with land issues. Ms. Tranberg said they have heard bills will be introduced as a result of the Kilo versus New London Supreme Court case, but it should not impact eminent domain in Arizona.

Vice Mayor Eggleston commended Ms. Tranberg on the city's Legislative Link program.

2. FY 2005-06 FIRST QUARTER REPORT ON THE GENERAL FUND

CITY STAFF PRESENTING THIS ITEM: Mr. Art Lynch, Deputy City Manager, Mr. Ray Shuey, Chief Financial Officer and Ms. Sherry Schurhammer, Management and Budget Director

This is a request for the City Council to review the Fiscal Year 2005-06 first quarter report on General Fund (GF) revenues and expenditures.

The Fiscal Year 2005-06 first quarter report on the GF is consistent with the Council's goal of ensuring the city's financial stability through timely reviews of expenditures and revenues.

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

The GF's first quarter revenue budget and actuals are as follows (in 000s):

	<u>FY 2005/06 Budget</u>	<u>FY 2005/06 Actuals</u>
City Sales Tax	\$ 13,914	\$ 13,939
State Income Tax	\$ 4,933	\$ 5,728
State Sales Tax	\$ 4,602	\$ 5,546
State Motor Vehicle In-Lieu	\$ 2,216	\$ 2,653
Highway User Revenue Funds	\$ 3,793	\$ 4,014
Primary Property Tax	\$ 920	\$ 181
All Other	<u>\$ 6,367</u>	<u>\$ 7,675</u>
TOTAL	\$ 36,745	\$ 39,736

As the preceding list shows, Fiscal Year 2005-06 first quarter GF revenue receipts are almost \$3 million, or 8% more than budgeted.

City sales tax receipts account for almost 38% of the city's total GF revenue budget.

City sales tax collections for the first quarter came in better than expected, with actuals exceeding budget by \$25,000.

Fiscal Year 2004-05 city sales tax collections for the first quarter were \$12.5 million. Therefore, Fiscal Year 2005-06 collections of approximately \$13.9 million are \$1.4 million, or 11.4%, ahead of Fiscal Year 2004-05 first quarter collections.

State-shared revenues account for 32% of the city's total GF revenue budget.

State-shared revenue collections for the first quarter were \$13.9 million, an amount that is almost \$2.2 million, or 18.5%, more than expected. Each of the three components of state-shared revenues performed very well, as the following detailed information shows:

- State income tax collections were \$795,000, or 16%, ahead of budget;
- State sales tax collections were \$944,000, or 20.5%, ahead of budget; and
- Motor vehicle in lieu collections was \$436,000, or 20%, ahead of budget.

Fiscal Year 2004-05 state-shared collections for the first quarter were almost \$11.9 million. Therefore, Fiscal Year 2005-06 collections of \$13.9 million are \$2 million, or about 17%, ahead of Fiscal Year 2004-05 first quarter collections.

Highway User Revenue Funds (HURF) is revenue commonly known as the gas tax, although there are several additional transportation related fees that comprise this revenue source. This revenue source exceeded the Fiscal Year 2005-06 first quarter budget for HURF by \$220,000, or almost 6%.

There is a notable one-time source of revenue reflected in the Fiscal Year 2005-06 first quarter actuals. The sale of parcels at the Northern Crossing development generated approximately \$853,000 in the first quarter.

The Fiscal Year 2004-05 full-year budget and actuals for the GF operating and pay-as-you-go (PAYGO) capital expenditures are as follows (in 000s):

	<u>FY05 Budget</u>	<u>FY05 Actuals</u>
GF Salaries/Benefits	\$ 26,761	\$ 25,348
GF Non-Personnel	\$ 14,549	\$ 10,757
GF Debt Service (leases)	\$ 1,294	\$ 2,233
PAYGO Capital	<u>\$ 1,495</u>	<u>\$ 138</u>
TOTAL	\$ 44,099	\$ 38,476

Salary savings for the first quarter of Fiscal Year 2005-06 totaled \$1.4 million.

Non-salary savings for the first quarter of Fiscal Year 2005-06 totaled almost \$3.8 million.

At the end of the first quarter of Fiscal Year 2005-06, the budget-basis GF fund balance was just under \$57 million.

This is a status report on the GF through the end of Fiscal Year 2005-06. No Council action is required on this report.

Mr. Beasley thanked the Mayor and Council for their guidance and support in regards to developing the city's budget and financial strategies. He said the city again has a strong financial report for the quarter, pointing out expenditures were conservative and revenue streams were strong. He noted this is the ninth time they have made a quarterly report and each time it has come back very strong. He said this good news is not a matter of accident, but a matter of having conservative plans, good policies, and taking advantage of opportunities. He commended city staff in the departments throughout the city as a whole, stating they have worked diligently to keep expenditures down and to generate revenue. He reported GF ongoing revenue has grown 26%, from \$116 million to \$146 million, noting that the fund balance in FY 2002-03 was \$6.7 million and is now at \$57 million.

Ms. Schurhammer explained that the first quarter report covers the reporting period of July, August and September of 2005. She said, overall, they have a very good report, with GF revenues exceeding budget and overall expenditures coming in less than budget.

She said the city is \$3 million or 8% ahead of budget in terms of overall GF revenue, with state shared revenues doing exceptionally well. She explained staff was not surprised by the remarkable performance since Council prudently set this year's state shared revenue budget at \$47 million, which is almost \$2.75 million less than actuals received last fiscal year. She said Council set the revenue budget lower than last year's actuals in order to prepare for the estimated loss of about \$3.5 million in FY 2006-07 due to the mid-decade census. She said the Arizona Department of Revenue estimates Glendale will receive \$44.8 million just from state income tax and state sales

tax, stating that amount increases to almost \$54 million when the expected motor vehicle in lieu revenue is included. When compared to the city's \$47 million budget for state shared revenue this fiscal year, it is clear that there is plenty of room to absorb the estimated decline due to the mid-decade census without negatively impacting the city's budget.

She said HURF revenue is doing well, noting it typically comes in more heavily during the last half of the fiscal year. She stated this source is about \$220,000 or almost 6% ahead of budget, a reflection of the fact that show consumers are buying gas regardless of its price.

She explained that primary property tax revenue comes in mostly during the second and fourth quarters, therefore staff is not surprised that actuals to date are less than the amount budgeted for the first quarter. She stated the All Other category is about \$1.3 million or 20% ahead of budget at this point primarily due to strong collections for developer permits and fees and franchise fees, as well as some one-time revenue related to a parcel sale at the Northern Crossing development. She said the revenue from various license fees is lower than expected because most of the revenue in this category comes in after January.

Mr. Lynch explained the All Other Category is doing well partly because of the revenue generated by the Northern Crossing development. He said parcel sales since FY 2002-03 total \$12.3 million, and city sales tax receipts since late FY 2003-04 total \$1.8 million total, for a total of \$14.1 million in total revenue from this development. He stated a previously non-performing, incompatible property is now performing and is quite compatible to the community's needs, offering a viable amenity that enhances the quality of life for the city's residents. He stated revenues collected should exceed the city's investment by the end of the third quarter of the current fiscal year, noting that the city is one year ahead of the anticipated timeframe for project completion. He thanked the Mayor and Council for their support and encouragement in completing the project.

Councilmember Clark said Northern Crossing has been a tremendous success and everyone is to be congratulated. She stated, however, she does not want to give a false impression, asking how much of the \$14.1 million in revenue can be attributed to the first quarter of FY 2005-06. Mr. Lynch responded that the first quarter of this fiscal year generated \$852,767 in parcel sales and \$338,350 in city sales tax receipts.

Councilmember Martinez asked if any parcels remain to be sold. Mr. Lynch said a couple shops and pads are still available, however, the parcels will not be sold outright. He said the remaining pads would be leased, with two thirds of the revenue on the leases for those pads coming to the city. He confirmed all parcel sales transactions have been completed.

Ms. Schurhammer continued her presentation, reviewing a year-to-year comparison of city sales tax revenue for the first quarter. She reported Glendale is about \$1.4 million or 11% ahead of last fiscal year's first quarter collections, noting that city sales tax receipts are expected to total \$55.6 million, which are about \$3 million more than last fiscal year's collections.

She next displayed a year-to-year comparison of state shared revenues, stating the city is about \$2 million or 17.2% ahead of last year's collections for the first quarter. She noted the city is doing especially well in sales tax and income tax. She said the city could expect state income tax revenue to increase next fiscal year because the state collected 28.9% more in personal income tax during in 2005, when compared to 2004. She noted that state shared income tax revenue that the city will receive next fiscal year will reflect the state's income tax receipts in 2005.

Councilmember Clark said the numbers lag two years behind, giving the city two years to prepare when the economy is not performing as well as expected. She asked if a baseline number could be used when discussing state shared income tax revenue. Ms. Schurhammer said she has a history of Glendale's state shared income tax collections over the last five years that she could later provide for the Council. She said the state decreased the distribution percentage used to calculate municipal allocations for three years and therefore the historical figures are also skewed somewhat. Councilmember Clark requested a copy of the history.

Mr. Shuey said the General Fund fund balance shows sustained strength. He said by the end of the first quarter the GF fund balance was at \$57.7 million prior to accounting for the national events set aside and a one-time transfer in of revenue. He explained the Council requested a set aside of \$5 million of the GF fund balance for national events; this set aside will occur over the course of the fiscal year, with one quarter, or \$1.25 million, being transferred to the national events fund, each quarter. Also occurring during the first quarter was a one-time transfer into the GF of \$500,000 for the sale of property at 99th Avenue and Camelback Road. He said, consequently, the city's fund balance as of the end of September totals \$56.9 million.

Councilmember Martinez brought up the issue of people not paying sales tax on rental properties, asking if the city can do anything to ensure those payments are made. Mr. Shuey said the city actively pursues leads it receives and produces its own leads by comparing its records against the county assessor's records.

Councilmember Clark said the strength of the city's budget highlights the importance of quality job creation, stating quality jobs generate more state income tax revenue, as well as city sales tax revenue.

Vice Mayor Eggleston pointed out that salaries and benefits expenses were close to the amount budgeted for the first quarter, but non-personnel expenditures were almost \$4 million less than the amount budgeted. He asked if future charges would make that number decrease. Ms. Schurhammer said in the past that category appears to have a

slower start to spending, but spending increases as the year proceeds. She said that a large portion of the funds budgeted in the non-personnel category is related to contracts and timed payments that may or may not occur evenly over the fiscal year.

Councilmember Frate thanked staff for providing the quarterly reports to Council, stating it gives them a good idea of where the city is going.

ADJOURNMENT

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