

***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 2, 2008
1:30 P.M.**

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

ALSO PRESENT: Ed Beasley, City Manager; Pam Kavanaugh, Assistant City Manager; Craig Tindall, City Attorney; and Darcie McCracken, Deputy City Clerk

1. LIGHT RAIL TRANSIT UPDATE

CITY STAFF PRESENTING THIS ITEM: Jamsheed Mehta, AICP, Transportation Director; and Ken Reedy, P.E., Deputy City Manager

This is an update regarding future plans for light rail in the City of Glendale.

One of the Council's goals is to provide high-quality services for citizens. Providing transportation options within the City will assist in achieving this goal.

In 2001, the Citizens of Glendale approved funding for transportation projects in the City of Glendale. One of these projects was light rail, extending from 43rd Avenue to downtown Glendale.

In 2004, the voters of Maricopa County approved funding for a 57-mile light rail/high capacity transit system. This includes federal and regional funds for a corridor from 19th Avenue in Phoenix to downtown Glendale. A major portion of the funding for this corridor needs to come from federal sources and from the cities of Glendale and Phoenix.

Major progress has been made in implementing light rail transit in the Valley: (1) On December 27, 2008, light rail service will start on a 20-mile starter line from Christown Spectrum Mall (formerly known as Christown Mall), through central Phoenix and Tempe, to Mesa; (2) right of way is now being purchased in Phoenix for an extension of the light rail transit line from Christown Spectrum Mall located at 19th Avenue and Bethany Home to 19th Avenue and Dunlap Avenue; and (3) an Alternative Analysis and an Environmental Impact Study are in the process of being completed for a fixed guideway transit system in the I-10 median from downtown Phoenix to 79th Avenue.

Since 2001, conditions have changed and alternatives to the 19th Avenue to downtown Glendale light rail transit corridor have been suggested. To address light rail transit corridor options, Valley Metro has completed a high level study in cooperation with the cities of Glendale and Phoenix. The study addresses the following corridors:

- A. Downtown Glendale: The Light Rail corridor to downtown Glendale was initially proposed in 2001. The corridor is five-miles long, with two miles in Glendale. Redevelopment of Glendale Avenue is also being considered as part of the City's "Glendale Centerline" visioning process. Input from the community will help determine the future form and transportation options on Glendale Avenue.
- B. I-10/Loop 101: The Loop 101 Corridor in Glendale has attracted commercial, businesses, sports, and entertainment venues with the potential to draw commuters, customers, and sports fans from across the Valley. It was, therefore, suggested that the Light Rail study include extending the high-speed option proposed along I-10 to continue along Loop 101 into the city of Glendale. This eight-mile extension of the I-10 line has two miles in Glendale. The large amount of employment projected for the Sports and Entertainment District will draw commuters from throughout the metropolitan region. Light Rail can provide a high-speed travel alternative to Glendale's Loop 101 corridor, linking it to downtown Phoenix, Sky Harbor, and other businesses and Arizona State University (ASU) in Tempe.
- C. ASU West Campus: A third alternative was the extension of Light Rail from Metrocenter along the I-17 and Thunderbird Road corridors to the ASU West Campus and Glendale Medical Complex area. This line is 6.6 miles, of which less than one mile is in Glendale. Development opportunities along this corridor are limited in Glendale.
- D. Glendale Avenue West: A westward extension of the downtown Glendale line was also considered, although it is not one of the choices for the initial expansion of Light Rail into Glendale. This is a long-range concept that may be considered as an extension of the downtown Glendale option at a later time. A new funding source would be needed for the Glendale Avenue west extension, as it would not be covered from current regional funding sources. The line would cross US-60 and the existing railroad tracks in downtown, then run five miles west to the Sports and Entertainment District. This alignment links Glendale's new entertainment and business center to historic downtown, and further links these two urban centers to businesses on Central Avenue and in downtown Phoenix.

Several factors need to be addressed while choosing a light rail corridor in Glendale.

Funding: Light rail projects in the Valley are funded from one or more sources. Glendale's corridor to downtown will cost \$375 million, with 15 percent regional

funds and 25 percent Glendale funds set aside in the budgets. Phoenix has not identified its share of the cost, and the federal share is not approved until Alternative Analysis is completed and reviewed by the Federal Transit Administration (FTA).

Federal Process: Before a locally preferred alternative can be identified, several studies and approvals from the FTA are required for federal funding. These studies include an Alternative Analysis, Draft Environmental Impact Study, and Environmental Assessment Report. Furthermore, federal criteria include demonstration of new ridership and cost effectiveness before federal funds can be released.

Coordination with Phoenix: All corridors leading into Glendale are routed through several miles within the City of Phoenix. As such, Phoenix needs to not only support a corridor that benefits Glendale, but one that also funds light rail within its boundaries.

57-Mile Regional Plan: The 2004 regional transportation plan established a 57-mile light rail system and identified a mix of likely funding sources to complete the plan. If Glendale chooses a corridor that requires more miles than the original five-mile corridor to downtown Glendale, a revision of the regional plan will be required to keep the number of miles and the regional-federal funds within the plan budget.

Should the City of Glendale and the City of Phoenix wish to re-prioritize regional funding for a light rail corridor, the request would need to be submitted to the Maricopa Association of Government (MAG) Transportation Policy Committee (TPC). This Committee would then need to submit the proposed change to the Regional Public Transportation Authority Board (RPTA), The State Transportation Board, and the Maricopa County Board of Supervisors for a recommendation. The TPC would consider these changes and take action. The MAG Regional Council maintains authority to approve the MAG Regional Transportation Plan and the Transportation Improvement Program.

Light rail transit would provide residents an alternative energy efficient mode of transportation.

Light rail transit would provide commuters, entertainment patrons, and sports fans a reliable form of transportation through congested conditions.

Light rail transit can enhance new development and encourage redevelopment.

Light rail transit/high capacity transit corridors have been presented to and approved by the voters of Glendale and the voters of Maricopa County.

Annual meetings on the GO Transportation Program have included information on light rail transit.

Additional public participation opportunities will be available as part of the corridor development process.

Light rail capital costs are in the range of \$73 million per mile.

Light Rail projects typically rely on about 50 percent federal funds, with the balance coming from regional funds and local jurisdictions. Currently, the regional plan includes only 15 percent of the funding for a light rail corridor in Glendale.

The FTA looks for new ridership projections and cost effectiveness of the project before committing federal participation in the project. If the cost is too high relative to the number of new riders projected, the federal agency could either not fund the project, or could ask that Glendale consider less expensive transportation alternatives – such as Bus Rapid Transit.

Glendale has programmed GO transportation funds for its share of light rail costs in Glendale based on the original plan to connect to downtown Glendale. However, Phoenix has not programmed funds for this corridor.

This presentation is provided as an update regarding the future plans for light rail in the City of Glendale.

Mr. Mehta provided the summary. He acknowledged that the process to develop and fund Light Rail was very complex. In addition, while they are working to bring all pertinent information to Council, many of the key decisions will be made by other public agencies and jurisdictions. He added they will be working closely with the other agencies to ensure that the corridor they choose is the corridor that the agencies are willing to support. He explained that this presentation was for information only.

Councilmember Lieberman commented that one of the engineering problems he sees was bringing the Light Rail over I-17. He explained that he does not see a practical way in which it can be done considering all the traffic. Mr. Mehta stated that they were at the highest planning level and therefore had not looked at that scenario. However, there were engineering solutions that would have to be explored and that ADOT would have to approve. Councilmember Lieberman asked if ADOT had any funding since it was mentioned that neither Phoenix nor the federal government had available funding. Mr. Mehta stated the funding established in the transit life cycle program was from Glendale, Phoenix, Prop 400 and federal monies. Councilmember Lieberman asked about the rumors that Light Rail might terminate at Westgate. Mr. Mehta explained their information came by studies done by Metro Rail, and he noted that there was an eight mile extension from 79th Avenue at I-10 to the Loop 101 freeway and north along the 101 coming up to the sports entertainment district.

Councilmember Goulet asked a question as to the federal funding aspect. He inquired if these types of project would be viewed by Washington in a different light considering the economic climate. He also asked for clarification on why locations like ASU West and Downtown Glendale were considered differently. Mr. Mehta explained the starter line received its federal funding allocation in 2005. At that time an assumption was

made on the available funding sources and determined that federal funds would be available for the Regional Transportation Plan for half the cost of the entire 57 mile layout. It was further determined that the section coming into downtown Glendale had about 15% regional monies and about 50% federal monies. However, if things were to change, there will be some sort of an impact, although that would be difficult to predict. Mr. Mehta commented on the location differences. He explained that areas such as Thunderbird Road were developed completely with medical complexes and many other businesses. The Downtown Glendale corridor has many vacant lots and existing underdeveloped areas that might be more affordable to develop.

Vice Mayor Martinez commented that he had believed Glendale Avenue was not slated for Light Rail because of space issues as well as the types of business established along the corridor. He asked if there was now a possibility that it could extend to 59th Avenue. Mr. Mehta explained that the studies done did not focus on alignment details but focused on assumptions for the project and specific decisions being made. Vice Mayor Martinez asked Mr. Mehta if a comparison of the Light Rail System to the Rapid Transit System was available. Mr. Mehta replied that data was available; however, not with any degree of confidence. He added that Bus Rapid Transit is essentially a large bus and believes it would be less expensive. Vice Mayor Martinez asked if there was a separate account set aside for Light Rail and if so how much was in there. Mr. Mehta explained that in the capitol improvement program, they have the first five years and the GO program has the full 25 years out. He noted that the budget for the ongoing components identified is \$28 Million for Glendale's portion.

Mayor Scruggs asked Mr. Mehta to expand on what the \$28 Million ongoing cost would cover. Mr. Mehta explained that the \$28 Million ongoing cost program extends out over 25 years. He noted that it will cover a little over \$1 million dollars a year for operation and maintenance cost.

Councilmember Clark asked for clarification on the original 57 mile plan and its allocation to Glendale. Mr. Mehta explained the 57 mile plan on the map. He stated that the two mile portion in question was in the capitol improvement program as well as the ongoing section component. Councilmember Clark asked if they were to change where the two mile plan in Glendale would be developed, would the funding transfer. Mr. Mehta replied, yes.

Councilmember Clark inquired as to the red lines on the map. She asked how or when they appeared, because she did not remember seeing them on the original transportation plan. Mr. Mehta agreed that they were not on the original plan; there have been some changes suggested since 2001 created by Arizona State University, Phoenix and Glendale. He explained that they were all exploring options and alternatives to the plan. Councilmember Clark asked Mr. Mehta how much of a factor Phoenix would play in determining Glendale's fate. Mr. Mehta stated that no formal discussions on that level have occurred.

Councilmember Clark commented on discussions against Light Rail coming to Glendale Avenue because of it being too narrow. She also discussed the reverse discrimination issue if they were to move it north or south. She stated that she was glad to find that there might be a possibility that METRO believes Glendale Avenue is feasible. She indicated that this was a very important issue that requires many discussions and encouraged public participation.

Councilmember Clark expressed her displeasure in learning that the Mayor had hosted a private meeting with property owners who have interest in Light Rail along Loop 101,

believing this should be a public and open process and should be given thoughtful consideration by the citizens of Glendale. She did not know which site was more agreeable since she could see negative and positive issues for both sites. She noted that it was shown that anywhere Light Rail was extended it revitalized the area and created redevelopment. She said that this was consistent with the Council's goals to redevelop Glendale Avenue. She explained that in a perfect world she would like for Light Rail to connect Arrowhead, Downtown and the Sports Entertainment District; however, the cost would be tremendous. She reiterated her call for the opinions from the residents of Glendale as to what's best for their community. She also commented that if they decide to choose the Loop 101 for Light Rail, it could make it harder for Glendale residents to secure jobs in the area since non-residents would be able to travel greater distances for the same jobs.

Mayor Scruggs addressed some of Councilmember Clark's concerns. She agreed that this topic was very important to the city and citizens of Glendale and should have come before the Council a long time ago. She said that she herself had been advocating for it; however, she by herself cannot bring anything to the agenda. Additionally, for the last year, interested parties along the Loop 101 have been approaching city staff and herself about the possibility of Light Rail. She explained that these interested parties were seeking information and clarification on what was being said about Light Rail. She stated that as the chair of the Regional Public Transportation Authority she had asked the executive directors of the two agencies to present information and details to anyone who had any interest. She noted that she had supplied the booklet used in that meeting to staff when she heard that this topic was finally coming to a workshop.

Mayor Scruggs explained that the ballot that was voted on excluded Lamar and Glenn Drive because of opposition and Department of Justice approval. The ballot approved the Light Rail on arterial streets but not on Glendale Avenue. She indicated that she had heard some say they do not have to pay attention to what the ballot indicates; however, she believes this to be a serious infraction. Therefore, because of how the ballot reads, she believes there will not be Light Rail on Glendale Avenue. She stated that she believes there should be a public process to decide what is in the best interest of the City of Glendale. She added that she does not want to waste time going to the voters until it is known if any changes would occur, specifically since the City of Phoenix controls 50% of the vote at METRO. She discussed the preliminary planning which was slated to start in 2009. She explained that they could no longer delay this and assume there was still enough time for exploration, when in reality, they did not have a lot of time. The planning process for a light rail corridor is at least ten years and the current plan indicates that we would build our project in 2017, so Glendale is already behind in the planning process.

Mayor Scruggs commented on Councilmember Clark's issue regarding lack of jobs in the Westgate area for local residents if Light Rail was introduced. Mayor Scruggs relayed that she had been told that approximately 25,000 jobs would be located in the area but was later corrected with a much greater figure of 75,000 jobs. She said that ultimately while it was a good thing to try and enhance opportunities for Glendale residents, there also needs to be a balance for people and businesses to relocate in the area that will have all this employment opportunity. She reiterated that they need to start discussions as soon as possible on what will benefit Glendale now and in the future, while understanding that making decisions that only encompass Glendale boundaries and do not recognize the interests of the rest of the cities will not generate a single dollar from the federal government.

Mayor Scruggs indicated that she did have a personal preference on this topic and

believes the I-10/Loop 101 option is the only one that made sense and stands a chance of having financial participation from the City of Phoenix and the federal government. She explained that Light Rail could not go on Glendale Avenue unless it was voted on again. Bethany and Northern Avenues would require buying out residences. The only logical answer in her view would be along the Loop 101. She stated that at this point because of all the environmental planning that takes place, they can not simply ask the citizens to pick a line on the map and choose Light Rail. She said that they need to be extremely serious on what they have a chance of building and what it can do for the community. She noted that after that assessment, they would take the idea to Phoenix and to the public. She added that she will not vote for any money from the Glendale budget until she knows Phoenix has committed and knows where the Light Rail will go.

Councilmember Lieberman commented that he would have liked to have a copy of the booklet before hand. Mayor Scruggs replied that she had submitted it to staff and it was their responsibility to provide copies. City Manager Ed Beasley interjected that he had received the information on Monday.

Councilmember Lieberman discussed the dealerships on Glendale Avenue. He stated that it was true that when Light Rail was first discussed, Glendale Avenue was not a realistic option, however, that has since changed. He related information on old railroad tracks being buried under Glendale Avenue and how it was used in the past. He indicated what was now owned on Glendale Avenue by the business owners as well as what was owned by the city. Therefore, it makes sense to bring Light Rail to Glendale Avenue because of the recent changes and goals the Council has for the Centerline project. Mayor Scruggs restated her view that they needed to make a decision as to what had the greatest chance of being accepted and benefiting the city. She indicated that in her view, their only clear choice was to take I-10 from 79th Avenue to Loop 101 and drive it up north. She added that other cities were already preparing their own plans so time was of the essence because of the intense competition between cities.

Councilmember Knaack stated her agreement with Mayor Scruggs. She said that she would have liked for Light Rail to come up Glendale Avenue, however, realistically, she does not see it happening. She noted that she does not think Phoenix will agree to fund it.

Councilmember Frate commented that the two major issues have always been Phoenix first and funding. He stated that he had said all along that they need to wait and see what Phoenix decides first. He noted that having it on Glendale Avenue was great; however, they still have not decided how to cross I-17, not to mention how costly it would be. He explained that most of his constituents recommend having it go through Westgate, the airport and downtown Phoenix. He stated that looking at alternatives was not a bad thing. He noted that discussions need to start now to ensure partnerships with other cities to create something that will benefit both Glendale as well as other cities. He agrees to take the route that can be most successful and of least resistance. He noted that it all came down to showing the government ridership of critical mass which translates to secure funding.

Councilmember Clark stated that it was not about having a pragmatic vote and then selling it to people; it was about having two issues at hand, whether to have Light Rail at Westgate or along Glendale Avenue. She explained that 70% of people who live in Glendale do not work in Glendale; therefore, there would be ridership if Light Rail was put somewhere in downtown Glendale. She stated that she did not appreciate how this was turning into using scare tactics in order to help make a decision. She explained that they could either look at it in terms of putting it were the tourists go to generate

more tax dollars or in terms of meeting the needs of Glendale's residents. She suggested making the decision to develop the Light Rail where it would serve the residents best and if Phoenix does not support it, then they will try another way and make it work.

Councilmember Frate commented that it was not even known what will be in the downtown area in the next 25 years. He stated that all new development was expanding to the west and north. He said that they need to think of the future and believes that the citizens were open to that.

Vice Mayor Martinez commented that he too believes that without Phoenix's support, it will be difficult to have Light Rail because of all the necessary funding. Mayor Scruggs reiterated that she was not trying to leave the citizens out of the process; however, it made sense to first see what Phoenix will support and commit to in dollars before reaching out to the public. She noted that Mr. Mehta had stated that any route offered would have to undergo vigorous analysis; therefore, it makes sense to at least submit a route that you think might have a chance. Vice Mayor Martinez agreed. He related how difficult the first Light Rail phase was for Phoenix. He explained that he sees many difficulties in approving modifications to business, homes and streets around Glendale Avenue which the affected citizens and the City of Phoenix might not accept. He suggested possibly using Rapid Transit as an alternative for Glendale Avenue. He stated that his decision today would be to start discussions with the City of Phoenix and see what they would support and then go from there.

Councilmember Goulet commented that initially Light Rail meant the salvation or assistance for downtown Glendale, however, that was before Westgate was developed; consequently, Glendale Avenue cannot compete with the explosion of commercial business and entertainment establishments to the west as well as what is slated to come in the future. He explained that people do not only want Light Rail for jobs but for other reasons as well. Additionally, extending it out along the I-10 was a very sound future development prospect and believes it is what a weighted vote would support. He acknowledged that he does not see downtown Glendale as being able to draw employers. He explained that having the Light Rail requires many components, such as parking, which was limited in downtown. He asked Mr. Mehta to expand on the shuttle service he mentioned before. Mr. Mehta responded that the shuttle operation was to be a short shuttle between Light Rail in Phoenix at 19th Avenue and downtown Glendale, instead of the continuous rail service linking downtown Glendale to downtown Phoenix. Councilmember Goulet restated that he believes the western area provides the best possibility of where future employment opportunities and commercial ventures will be developed, therefore, also the best chance of being accepted by the City of Phoenix.

Mayor Scruggs stated that at the present time, the City of Glendale was carrying \$19 Million in debt to support the projects in western Glendale as well as another \$13 Million when the city starts paying for the baseball stadium. Therefore, to say it was developers' interests that drive the decision for Light Rail in the west seems unfounded. It is more accurate to believe that it was in the best interest of the city and its residents to make a success of the area, which has many projects that need to be successful in order to provide the revenue to serve all the residents in the City of Glendale. She agreed with Councilmember Frate's statement that possibly 25 years from now, downtown Glendale might not be there because of everything moving to the west. She stated that her opinion and decision on this matter, was her opinion, which means that she was not deciding for everyone, but only expressing her honest outlook on the situation at hand. She encourages everyone else to do the same. However, while everyone is expressing their views, she just hopes they don't get left out of having Light

Rail somewhere in the city.

Councilmember Lieberman related how in earlier times the rail system worked in downtown Glendale. He inquired if the City of Phoenix was seeking funds to add three more miles on 19th Avenue North. Mr. Mehta stated that Phoenix was funding that portion all themselves.

Vice Mayor Martinez commented on correspondence from staff to the City of Phoenix which stated that they had still not made a decision or programmed any funds for this corridor. He hopes that I-10 will appeal to them since they have not made any decisions.

Councilmember Frate commented that he hopes after today's workshop they hear from their constituents as to their thoughts on this complicated process. He asked for the public to please contact them and voice their opinions on this matter.

Mayor Scruggs indicated that the way things were set up now, construction is to begin in Glendale in 2014. She explained that with this type of project, that was a very short amount of time. She summarized the Council's consensus on this item, stating that the majority of the Council finds that the more realistic option is for the Light Rail to develop west. Council would like staff to begin working with the City of Phoenix as soon as possible to receive a determination as to whether Phoenix was willing to support the west route or any other possibilities and report back to Council.

Councilmember Clark asked if they would need to hold another election to approve the decision of the Council since the Transportation GO voter ballot approved a wide corridor and not a corridor out west. Mr. Craig Tindall, City Attorney, stated that the Transportation ballot was an advisory ballot of where the voters thought the corridor should go. Therefore, it was not mandated. He added that transportation projects take many years and things change along with time, therefore, transportation elections are only advisory in nature and not legally binding. Councilmember Clark commented that this was very interesting to learn now and believes the citizens would also be interested in learning how this process works especially since most thought what they had voted on was binding.

Mayor Scruggs agreed with Mr. Tindall, however, had also inquired if they should bring this item back to the voters before learning how the process works. She stated that to do something different would be to go through a major plan amendment and a very long public process.

Councilmember Knaack explained to the business and property owners on Glendale Avenue that this was only a new direction that they were exploring for obvious reasons. She noted that they were not abandoning them but looking for opportunities that will benefit all residents in the future.

Councilmember Lieberman reiterated that he would still like Light Rail to go on Glendale Avenue. Mayor Scruggs explained that one never knows what will happen or what they will decide. She noted that they might find that they approve Glendale Avenue. Councilmember Clark asked what kind of direction staff will provide the City of Phoenix. Mayor Scruggs reiterated her previous statement when she provided direction to staff earlier.

Mr. Ed Beasley, City Manager, stated that staff will begin discussion with the City of Phoenix as soon as possible.

2. ENTERPRISE FUND PROCESS

CITY STAFF PRESENTING THIS ITEM: Ken Reedy, P.E., Deputy City Manager; Roger S. Bailey, P.E., Utilities Director and Art Lynch, Deputy City Manager

This is a request for the City Council to review the report on the Enterprise Fund process as requested during the April 15, 2008 Budget Workshop.

The report addresses three specific elements related to the Enterprise Fund: (a) Overview of the Enterprise Funds; (b) Indirect Cost Transfer to General Fund; and, (c) Ten-Year Capital Improvement Program.

The Enterprise Fund process addresses the Council's strategic goal of a city that is fiscally sound by ensuring that revenue streams are sufficient to meet our obligations and that the budget process continues with full disclosure of true costs and realistic analyses.

During the April 15, 2008 Budget Workshop, the Council requested that a review of the city's Enterprise Fund Process be completed and that staff provide a report and presentation on the findings.

Enterprise Funds are used to account for the acquisition, operation and maintenance of city facilities and services that are entirely or predominantly supported by user charges. This is a generally accepted accounting practice that is widely used by municipal operations across the country. These funds operate in a manner comparable to private enterprises and are set up by cities to encapsulate all of the costs associated with a given service and set fees to recover the costs of that service.

The certified public accounting firm of Heinfeld, Meech & Company was engaged to evaluate how the city calculates indirect costs to the city's four Enterprise Funds: water, sewer, sanitation, and landfill. As part of the requested scope of work, an evaluation was completed regarding the financial implications of eliminating the indirect cost transfer and/or the Enterprise Funds.

The Heinfeld, Meech & Company evaluation found that an indirect cost allocation approach is a generally accepted budget and financing practice that cities and other government entities commonly use. They have confirmed that this approach is a reasonable and valid method for allocating the costs of support services provided to Enterprise Funds and is widely used by other Arizona municipalities.

The city utilizes an Indirect Cost Allocation Model to allocate indirect costs to individual divisions or departments in the most equitable and cost effective way possible. If the city chose to eliminate the indirect cost allocation method, the General Fund would have to subsidize these funds with approximately \$7.1 million in operating costs on an ongoing basis or the Enterprise Funds would have to provide staff for these services.

The city's Capital Improvement Plan (CIP) is a ten-year roadmap for creating, maintaining and paying for Glendale's present and future infrastructure needs. The CIP outlines project costs, potential funding sources and estimated future operating costs associated with each capital improvement. The plan is designed to ensure that capital improvements will be made when and where they are needed, and that the city will have the funds to pay for and maintain them.

The water and sewer Enterprise Funds require significant capital assets to function (i.e. water lines, water and sewer treatment plants, etc.). Without the use of Enterprise Funds to account for the full costs of these services, adequate funding might not be provided for the future replacement of these assets.

Staff provided the Mayor and Council with a report which provided information regarding the Enterprise Fund Process on November 18, 2008. The report was attached to the council communication for this item.

At the April 15, 2008 Budget Workshop, the Council requested that a review of the city's Enterprise Fund process be completed and that staff provide a report and presentation on the findings.

This presentation was for information only.

Mr. Bailey provided the summary and asked for any questions.

Councilmember Frate asked for further clarification on the federal rules and guidelines. Mr. Bailey stated that early on in 1972 when the clean water act was adopted by the federal government, many states and cities received grants to fund and build water and waste water facilities. The federal government at that time stipulated that agencies that received grants had to charge fees so that eventually they would be self sustaining and be able to continue to upgrade and maintain these facilities. Most of these agencies set up their operations like enterprises so they could be self supportive.

Councilmember Frate asked what happens once it is paid back. Mr. Lynch explained that it did not change because they still had reporting responsibilities under the single audit act. It was incorporated under the tax law change that occurred in 1986. He added that if you receive federal grants, you have to report the full cost of those grants including allocation of indirect and direct costs to give the federal government a clear picture of how the funds are used.

Mayor Scruggs asked for clarification if the city needs to follow federal guidelines regarding the operation of the infrastructure. She questioned how the topic of doing away with the enterprise fund got started. Mr. Lynch reiterated that grant reporting is a federal requirement. He added that any additional costs are allocated internally at a lower cost rather than contracting them out to private business. He explained that accounting aspects were not federally directed; only grants were.

Councilmember Lieberman stated that there were strict federal guidelines that needed to be followed in order to allow the use of the enterprise funds system within our accounting practices in the city. Mr. Lynch stated that he was correct as it pertains to federal activities. The accounting and financial reporting was basically the governmental accounting and financial reporting standards that are identified as recommended best practices. He added that the federal government audits city records just like they do private corporations.

Mr. Lynch provided a summary of what the certified public accounting firm of Heinfeld, Meech & Company was engaged in and how they evaluate how the city calculates indirect costs to the city's four Enterprise Funds: water, sewer, sanitation, and landfill. He noted that as a part of the requested scope of work, an evaluation was completed regarding the financial implications of eliminating the indirect cost transfer and/or the Enterprise Funds. He added that they will evaluate if the city is following general accepted accounting principals and qualify the opinion. They have been the city's auditor for the past five years. In addition, it has been confirmed that this approach is a reasonable and valid method for allocating the costs of support services as well as concluded that Glendale has maintained a competitive rate structure. In addition, it has established a stable, strong economic base as well as maintaining good financial coverage ratios and strong financial operations that maintain the essential elements of liquidity. He explained that Glendale has earned a double A rating, which is a very high rating.

Councilmember Clark inquired as to which facility enterprise funds received the federal grants. Mr. Reedy responded that only some did. Councilmember Clark asked if they received federal grants in the 70's and 80's, did that create an umbrella effect so that the entire enterprise fund is now subject to these federal mandates with regard to reporting. Mr. Reedy replied that they had not made that requirement specifically. He noted that the city created an enterprise fund and then had to comply with the accounting principals. Mr. Lynch interjected stating that the enterprise fund was not broken up into pieces by individual plants but reported as an entire water and sewer system. He added that the best practices for efficient financial reporting are practices that are followed whether there is a grant present or not. Councilmember Clark asked if there were any practices that don't require cost. Mr. Lynch stated that best practices acknowledge if there is not the ability to bear those costs, even if those costs still exist, then as a result, there must be a subsidy provided for those costs somewhere.

Mr. Reedy explained and provided the example of many cities in the eastern United States that didn't create enterprise funds because they had huge systems before the federal government came along and offered grants. Most did not need to create an enterprise fund in order to meet the federal grant requirement. However, early in 1972 when the Clean Water Act was adopted by the federal government, many states and cities were offered grants, which created the obligation to maintain the systems forevermore. He indicated that they set up rate structures that would recover the operational cost. The federal government's design grant process was to create a model

that required cities to properly treat their enterprise as a business, and try to recover those costs as part of operations, so that the customers do not have extraordinary cost added to their water and sewer service.

Mr. Bailey reported on a nine-city survey that concluded Glendale has the lowest costs charged to the enterprise fund. Mayor Scruggs inquired if the survey only reported that Glendale had fewer employees being paid out of the general fund than the City of Phoenix which was much bigger. Mr. Bailey stated that these were absolute numbers since the figures were not broken down by units. Mr. Reedy explained that this was not intended to show if their costs were better or worse, rather to show how many cities do this and what they charge.

Mr. Reedy provided a summary of the city's Capital Improvement Plan 10 year program for creating, maintaining and paying for Glendale's present and future infrastructure needs. The CIP outlines project costs, potential funding sources and estimated future operating costs associated with each capital improvement. The plan is designed to ensure that capital improvements will be made when and where they are needed, and that the city will have the funds to pay for and maintain them. He summarized the need to develop a ten year plan. He explained that it takes a long time to do some of these projects; therefore, tracking this plan over a ten year period is much more likely to produce the best outcome than if they had a shorter period. He noted that a ten year plan affords them greater planning capability than if they adopted a five year plan. Mayor Scruggs asked if a 15 year plan represented a greater benefit to today's taxpayers. Mr. Reedy explained that the ten years was about the right number for this process because if you went too far out, you're asking today's customers to pay for something that they may not benefit from.

Councilmember Frate asked if in a perfect world and Glendale were to be built out, would the numbers continue to go up even though the population remained the same. He asked if there was ever a time where increases stopped or became stable. Mr. Reedy responded that that was a good question. Although, he would like to think that things will stabilize in time, he has not seen it in his life time. However, one could expect that once growth stops your costs go back to replacement cost and issues related to inflation. Mr. Lynch agreed that costs won't necessarily go down because the rate will ultimately be made out of the materials, labor cost, overhead and those types of factors. He provided an analogy using a loaf of bread, citing that bread cost have not gone down but up because of materials and labor.

Councilmember Frate commented on water rates increasing even if citizens try and keep their costs down. He thanked staff for taking the time to educate the public how the system works and how it was all part of doing business. He indicated how other cities had also raised their rates within weeks of Glendale doing so out of necessity. Mr. Reedy agreed. Additionally, he stated that operating cost, regulatory requirements, demand for additional services and debt service are the four causes that drive the rates.

Mr. Lynch stated that they had finished their presentation and would take any questions.

Mayor Scruggs asked if anyone need to explore this further.

Vice Mayor Martinez commented that he had received more than enough information and was satisfied with the process as it was presented.

Councilmember Frate asked what they were doing to maintain and slow the double digit increases. He asked if they had programs for utility people to come up with ideas to save citizens money. Mr. Reedy explained that they had examined information analysis compiled from across the world of what other people were doing to keep their rates low. They analyze replacement cost as well as the best timing for replacement materials so as to capture the maximum amount of value. He noted that they had a whole array of analysis going on all the time including how they can improve the capitol improvement plan.

Mr. Bailey added that they had also taken a look at the CIP program since the down turn in the economy and pushed projects back and established a ten year program. He explained that they had pushed back more than \$150 Million out of the schedule that was previously presented. Mayor Scruggs asked how those savings would impact rate increases. She inquired if it would impact the 11% rate increase by pushing the \$150 million back. She also inquired if it made any difference in the rate to the business or resident if improvements are paid for by revenue bonds versus general obligation bonds. Mr. Reedy explained that they had not done their rate setting as of yet; therefore, they do not know what the impact will be by pushing back the \$150 million. Nonetheless, moving projects out reduces the potential for increases; however, there are still other factors to consider with costs continually going up. He stated that both the general obligation bonds and revenue bonds were paid for by revenue, not with property taxes, so it does not make any difference.

Mayor Scruggs remarked that she had a family of two people without a swimming pool and had just written a water bill check for \$120.00 dollars for one month of service. She said that it did not include the 11% increase. She explained that she had hoped that by looking at the enterprise funds there might be a solution or resolution that had not yet been explored. However, if everyone was satisfied with the process, they can put this to rest. She reiterated her concerns for this rate increase that will greatly affect some residents.

Councilmember Lieberman stated that his bill was \$138.40 for two people.

Councilmember Knaack mentioned that she had a family of four and her bill was only \$85 a month.

Councilmember Frate stated that his bill was \$78.

Mayor Scruggs remarked that she would not rule out being billed incorrectly as her parent's home was or that she may have a leak. However, this still continues to be of great concern to her.

ADJOURNMENT

The meeting was adjourned at 4:15 p.m.