



**MINUTES OF THE
GLENDALE CITY COUNCIL BUDGET WORKSHOP SESSION
Council Chambers – Room B3
5850 West Glendale Avenue
January 21, 2014
9:00 a.m.**

PRESENT: Vice Mayor Yvonne J. Knaack and Councilmembers Norma S. Alvarez, Ian Hugh, Manuel D. Martinez, Gary D. Sherwood, and Samuel U. Chavira

ABSENT: Mayor Jerry P. Weiers

ALSO PRESENT: Brenda Fischer, City Manager; Sam McAllen, Interim Assistant City Manager; Michael Bailey, City Attorney; and Pamela Hanna, City Clerk

CALL TO ORDER

WORKSHOP SESSION

1. GENERAL FUND BUDGET BALANCING
PRESENTED BY: Tom Duensing, Executive Director, Financial Services

The purpose of this item is to provide Council with information relative to the General Fund budget balancing process. Staff is seeking guidance from Council for short-term and long-term options and potential solutions to reduce and eliminate the projected General Fund structural deficit.

Mr. Duensing discussed the agenda for today's meeting, which included reviewing the December 17th Council consensus, presenting the budget calendar, presenting the general fund structural deficit and reviewing balancing areas, options and potential solutions. Mr. Duensing said that staff was directed to take a dual approach by looking at both short-term and long-term options and potential solutions to budget issues. He listed the budget workshops currently scheduled and said additional workshops might be necessary.

Mr. Duensing next reviewed the general fund structural deficit that was presented at the December 17, 2013 meeting. He said the first three years in the five year forecast, there is a structural deficit averaging \$14 million annually. After the expiration of the sales tax, it is anticipated the structural deficit will average \$30 million over the next two years. He went over the FY14-15 fiscal year funds. He explained governments adopted contingency

funding in order to appropriate funds for unanticipated needs. He said this is an important tool and the city cannot anticipate everything that is going to happen.

Ms. Fischer asked Mr. Duensing to explain to the Council what the city's policy is on the contingency. Mr. Duensing said the city's policy is to set aside contingency funding equaling 10 percent of total General Fund revenue. He said they have tried to come up with a number for the contingency that makes sense given the city's financial situation. He said they have set a 5 percent contingency for now.

Vice Mayor Knaack asked what that will do to the city's bond ratings. Mr. Duensing said there are many factors that go into a bond rating. They will look at financial stability and the level of contingency the city is adopting. He said other governments in the state have adopted zero contingency. He said he didn't know if the 5 percent contingency would enhance or reduce the city's bond rating, but if the city has financial stability and contingency funding, that goes toward the city's financial stability that the bond raters take into consideration.

Mr. Duensing said if the city has a spending deficit of \$17.2 million, we would be spending our savings account better known as the fund balance. He said the spending at this level would cause the ending fund balance to be a little less than zero. He said they need to come up with both short and long term options. He said the total annual surplus/deficit number should always be above zero.

Mr. Duensing next referred to a pie chart titled "Where does the money go"? He explained the four categories of expenses as follows: Personnel Costs; Supplies, Services, and Capital Outlay; Contractual Expenditures, and Contingency. He said discussion will center around evaluating debt and contractual expenditures, expenditure reductions, and revenue enhancements. At this time, he was talking only about expenditures. He said approximately 25 percent of expenses are contractual expenditures, which include the Jobing.com arena and Camelback Ranch agreements.

Councilmember Martinez asked if Mr. Duensing could give percentages for the pie chart slide indicating the city's expenditures by categories. Mr. Duensing said the piece of the pie currently being discussed is contractual and debt obligations at about 25 to 30 percent of total expenditures, which is about \$50 million dollars. Mr. Duensing said the smallest piece, which is contingency funding, is about 5 percent. He said the largest piece of the pie chart is 55 to 60 percent personnel related expenses and supplies and services is about 15 percent. He said this just represents expenditures.

Mr. Duensing next discussed addressing the structural deficit. He said when government addresses structural deficits, there are only three options. Councilmember Martinez asked again what each slice of the pie chart represents as he felt it should add up to 100 percent. Mr. Duensing said he did not have the exact percentages with him, but he would bring that information back.

Mr. Duensing reiterated that governments have three options when addressing structural deficits and those were increasing revenue, decreasing expenditures, or a combination of the two. He said there are no additional options and they will examine increasing revenue, decreasing expenditures, and a combination of the two. He said he will go over how each option will affect the structural deficit as they go through this process. He explained that short-term options will be defined as anything that can be implemented in the current year, FY13-14, or during the budget process which affects FY14-15. He said long-term options are beyond FY14-15. He said those will be more strategic in nature. He explained if they have opportunities to increase revenues and reduce expenditures, it is always advantageous to do it early. He said this buys time. Waiting will cause you to spend your savings and fund balance.

Mr. Duensing then went over short and long term options. Short term options included reducing or eliminating contingency funding, adjusting or removing expenditures such as salary increases, increasing administrative inter-fund changes to enterprise funds, reducing or eliminating services or service levels and liquidating assets. Long term options included seeking new revenue sources, reviewing current property and sales tax which included continuation of the sales tax increase at predetermined levels, reinventing Glendale city government through stakeholder input and evaluation of alternative service delivery models including liquidation of additional assets, and reevaluate/renegeotiate current contractual obligations and debt structure. He said some of these options could fit into either the short term or long term categories. If opportunities present themselves, they would also act upon them as soon as possible to try and save money now.

Mr. Duensing explained the budget balancing adjustment summary. He said they will be using an interactive tool which will allow them to input data and see the impact of decisions over the long term. He said they are looking at three areas for budget balancing. Those include debt/contractual expenditure restructures, revenue enhancements, and expenditure reductions. He said staff will continue to evaluate all three areas and will bring items to budget workshops for Council feedback.

Councilmember Martinez asked if anything had been identified up to this point. Mr. Duensing said they have identified a couple of opportunities so far, but they wanted to present this information at a very high level at this workshop and will come back with as much detail as Council requests. He said they have been coming up with ideas and would like to discuss these ideas at a staff level and then bring them to Council for consideration at future budget workshops.

Mr. Duensing first discussed debt/contractual expenditure restructuring. He said for FY14-15, the total contractual expenditures are about \$54 million. That figure is broken down into debt service, capital lease payments, inter-fund loans and other contractual amounts. He said the capital lease payments are done as of FY17-18. He said this obligation can be prepaid if they had the ability. He said there have been discussions with their financial advisory and bond attorney and asked if they can prepay or refinance the Municipal Property Corporation or MPC obligations. He said after these discussions it is clear that the city has very few options with the MPC debt. He said they will recommend modifying the

inter-fund loan rate. He also said they will continue to review agreements they have for options.

Mr. Duensing then discussed inter-fund loan interest rates in more detail. He said the general fund currently repays two inter-fund loans which total \$45 million. The first loan is \$25 million from the landfill and sanitation funds and the second is \$20 million from the water and sewer fund, the IT replacement fund, and the vehicle replacement fund. He said each of these loans has a term of 25 years. Staff proposes changing these loans from fixed rate to variable rate and will tie that to the city's rate of return on its investments. The interest rate will be reset each year and we would keep the same principal amortization. He said this will result in excess of \$1 million savings per year in the general fund.

Councilmember Sherwood wanted to make it clear to the public that the interest being paid is internal, between the other funds and the general fund. Mr. Duensing said the answer is yes. He said this can be modified every year, so if the city had a windfall, this could be paid off immediately. Councilmember Sherwood said this is just a savings to the general fund and the interest rate is a better deal than they could have gotten elsewhere. Mr. Duensing said that was correct. He said if a variable rate is charged and the rate of return goes to 5 percent, the funds that loaned the general fund money would be better off than the way it is currently structured. He said the way things are structured now is fairer. Other governments even charge zero interest on inter-fund loans. He said the goal is to be fair, use best practice, and do what made the most sense.

Vice Mayor Knaack said the public needs to understand they don't want to balance the budget on the backs of the enterprise funds and it is not fair. She said Mr. Duensing's explanation of this process is the right thing to do.

Ms. Fischer said the presentation today was structured to receive Council feedback and direction at the end of each segment of the presentation and asked to pause now to get Council feedback. She asked what was Council's direction on having a variable interest rate on the inter-fund loans and bringing back to the next workshop the interactive spread sheet that will show the effect.

Vice Mayor Knaack said she was in favor and there was Council consensus to move forward on this.

Mr. Duensing next discussed revenue enhancements and said staff will always continue to examine the city's fee structures and said they will come forward with fee adjustments in the future. He said on December 17th, revenue was discussed in four major categories, local taxes; intergovernmental revenues; fees, licenses, and permits; and other. The other category contains the revenue for internal service support that is provided the other funds. He said the local taxes category is the most controllable revenue and is the biggest part of the general fund revenue budget.

Mr. Duensing reviewed local tax and said forecasts are the city will bring in about \$5.3 million in primary property taxes. He said these funds can be used to support any

operating costs in the general fund. He said on December 17th, Council was presented the five-year forecast and assumed the City would take advantage of a 2 percent increase in the levy each year. He asked if that was still acceptable.

Vice Mayor Knaack asked when was the last time they raised their primary property tax in the city. Mr. Duensing said they raised the primary property tax effective for this current fiscal year. He said prior to that, the policy of the Council was to hold the rate steady. He said when you hold a property tax rate steady, as the property valuations go up or down, it impacts the amount of the levy. He provided an example to the Council. He said the 2 percent levy would increase the amount the property owner's pay by 2 percent. Vice Mayor Knaack confirmed that Mr. Duensing was asking if Council was still in agreement with the direction provided at the December 17th meeting to proceed with the 2 percent increase.

Councilmember Martinez said he thought back in the 2000's that they decreased the property rate. Mr. Duensing said he would have to look at this and bring it back. He said it was possible since assessed valuations exploded during that time period. He provided another example. Councilmember Martinez said it seemed to him when the values were increasing he said there were two or three years that they had decreased the rate. Vice Mayor Knaack said they did decrease the secondary property rate for several years. Councilmember Martinez said that must have been what he was thinking of.

Councilmember Sherwood clarified that they were not doing anything with the rate; they were just talking actual collection. Mr. Duensing said they are talking about the amount they want to set the levy at and then let the rate float. He said they would take the whole increase or decrease in assessed valuation out of the equation and they focus on the amount the property taxpayers actually pay on their property tax bills. He said they assumed 2 percent in their forecast. He said they are looking for consensus to proceed with that 2 percent. He said property taxes would increase in the primary levy by 2 percent. Councilmember Sherwood said so added onto the 5.3 is that what you are taking it off from. Mr. Duensing said if they said let's hold the levy steady, that 5.3 would become about \$5.2 million. He said there are always a lot of discussions on property taxes and primary property tax rate. He said he wanted to bring this up and talk about it so they can move forward and the impact on the general fund is slight. He said if Council consensus was to hold the levy steady, they would go back and take the primary property tax figures down by the 2 percent, which would increase their structural deficit by about \$100,000 a year and then develop the budget around that. Councilmember Sherwood said 2 percent of the 5.3 is about \$106,000. He said by doing this, they would increase that take by \$100,000. Mr. Duensing said the 5.3 presented back on December 17th assumes that 2 percent. He said if they have consensus otherwise, they would go back and reduce the amount of primary property tax levy.

Ms. Fischer asked Mr. Duensing if he included the 2 percent every year in the five year forecast so it would be compounded. Mr. Duensing said yes.

Vice Mayor Knaack said there was Council consensus to leave it at the 2 percent.

Mr. Duensing next discussed secondary property tax. He said they can only use secondary property tax on voter approved debt service payments. He said these funds cannot be used for operating costs. He said there was a recommendation to examine the secondary levy to address the deficit and that option is unavailable at this time. Councilmember Sherwood asked if there were any debt that had not been refinanced and was there an opportunity for savings. Mr. Duensing said the focus here is on the general fund and the savings for municipal property corporation debt was minimal. He said the idea has been brought up to see if this debt can be serviced with secondary property taxes. He said the consensus among their bond counsel and financial advisor is no. He said back in about 2012, the city refinanced a significant amount of the municipal property corporation debt to save money. He said the financial advisor said there are a couple of additional municipal property corporation issuances that the city could possibly refinance, but the financial advisory said it would not save the city any money and it may cost the city money. He said at this point, they choose not to go forward and refinance what is remaining of the municipal corporation debt.

Mr. Duensing next discussed the city sales tax, which will generate about \$84 million in FY14-15. He explained the city's current sales tax structure and the options available. He said the forecast presumes the .7% sales tax expires in 2017. He said options available are taking no action and let it expire, or change the sales tax rate now or sometime in the future. He said each .1% generates about \$3.4 million in additional revenue assuming the \$5,000 exemption is still in effect.

Councilmember Martinez asked if an increase would have to go to the voters. Mr. Bailey said historically, it would not have to go to the voters. He said the genesis of the tax itself did have to go to the voters, but the incremental changes were at the discretion of the City Council.

Councilmember Sherwood said the tax increase set by the previous Council did not go to a vote. He said there was a referendum. He said there have been discussions on this and when you look at the numbers past the expiration of the tax, he said they have to get rid of the sunset clause on this tax and they can't afford to let the tax sunset. He said they may have to consider even a tenth or so more. He said it will probably be a combination of cuts and increases. He said the obvious choice is that the expiration of the tax has to go away.

Councilmember Martinez said he was thinking of the sunset. He said the public was told the tax ended in five years and he thought it had to go back to the voters.

Vice Mayor Knaack said when they did the tax, the only reason it had a sunset date was to make it more palatable to residents. She said it shouldn't have had a sunset date on it. She said it was not realistic to think they would have been in good enough shape to let that tax expire. She supports getting rid of the sunset clause and leaving in the \$5,000 exemption. She said as far as increasing the tax, she would like to get more information on it.

Councilmember Chavira said after looking into this and speaking with staff, it all depends on how the economy is doing. He is in favor of lifting the sunset to maintain the tax.

Councilmember Alvarez said when the voters voted for the tax to expire in 2017. Vice Mayor Knaack said this was not voted on, the tax was a decision of Council. Councilmember Alvarez asked what was voted on. Vice Mayor Knaack said citizens voted on whether to keep the tax or not keep the tax and the vote was to keep the tax. Councilmember Alvarez asked to keep the tax how long. Vice Mayor Knaack said it was in for five years. Councilmember Alvarez said it was misleading to the public if they told them five years and now Council changes their minds. Councilmember Alvarez said the voters would need to give permission to let Council do this again. Vice Mayor Knaack said it could go to a vote, but the Council has the ability to make that decision. Councilmember Alvarez said to her it is misleading. The people voted for something and now that the city doesn't have the money, it's now Council's decision to change it.

Ms. Fischer said the voter initiative was to overturn it and it failed. She said it wasn't that the voters approved it to continue, but their attempt to overturn it did not pass. She also asked Mr. Duensing to go back to slide number 5. Ms. Fischer explained for FY17-18, when the tax expires, the ending fund balance jumps from negative \$27 million to negative \$58 million. She said staff would like to highlight the fact that if it is the Council's decision on a long term basis is not to let the sales tax expire and there is no other voter initiative that overturns it, they have a problem even getting to FY17-18. She said the city will be \$27 million insolvent before even getting to FY17-18. She said since this is one of their major revenue sources, they had the obligation of bringing it to Council for discussion whether or not they wanted to do something prior, because they might not make it that far.

Councilmember Martinez said the big elephant in the room has been the sunset when the time came. He said he has thought about it from time to time. After seeing what it would do if they did away with it, he will not support doing away with it. He said there is no way the city can get by without having that. He said he didn't know how they could come close to a balanced budget or even provide basic services without it, including public safety. He said he didn't see any way around it. He said he would think twice about increasing it that would be almost a last resort. He said if they can't find it anywhere else, but at this point, he would not be in favor of increasing it.

Councilmember Hugh said when the Council voted, they told the public it was temporary and even that caused uproar. He said he isn't willing to throw in the towel and keep the tax forever. He said they should be working toward the goal of getting rid of the tax. He said if not, they should put it on a ballot and leave it up to the voters.

Councilmember Alvarez said she is not in favor of making a decision as a Councilmember. She said it should be up to the voters. She knows it would hurt services, but the taxpayers should not be responsible for paying more taxes for Council's mistakes.

Vice Mayor Knaack asked Mr. Bailey how they move from this point as the majority of the Council said they would not like to sunset the tax. Mr. Bailey said this would need to come back to an evening meeting for a vote at a later date.

Councilmember Sherwood said it would take a lot of creative financing to get the city to the point where the tax will sunset. He said he knew they would be given a lot of options to correct the budget. He said this has to move forward with this as the gap is so big if the tax sunsets. He said they have a history, especially in their secondary property tax of increasing and decreasing as needed and they have to consider once they have the opportunity to decrease any of the taxes, that they would do that. He said in the past, they weren't looking at revenue streams because they were flush with money, but they owe it to the citizens to look at every possibility to bring revenue into the city and not at the citizens' expense. He said moving from a bedroom community to a destination that was to take the tax burden off the citizens. He said it hasn't worked well to date. When the city was a bedroom community, all the taxes were paid by local businesses and citizens. When the city became more of a destination, more of the tax burden was placed on the corporations that move here. He said the sales tax is just critical that they keep it. He said the taxpayers voted for Council to do the right things and there isn't time to take it to the voters. He said just looking at the figures today; the deficit will be double in just three years.

Councilmember Alvarez said according to the organizational chart, the citizens or taxpayers are the bosses. She said they need to take it to the voters. She said they have done things the voters did not like and it is time they started listening and presenting things to the voters.

Councilmember Hugh said Councilmember Sherwood was right and he was looking forward to at all the options that staff provides.

Mr. Duensing clarified that one of the options going forward was to include the assumption that the sales tax will continue beyond the 2017 expiration date.

Vice Mayor Knaack replied yes.

Councilmember Martinez commented that they did not talk about alternative service delivery or adjusting or eliminating proposed merit increases. He said this is okay and he would consider this at the end if they had to. He said there are some tough choices to make, but some of those could come at the end when they discuss what needs to go.

Vice Mayor Knaack thanked Mr. Duensing for presenting the revenue generator. She said they are not only looking at reductions, but at revenue as well. He said it has to be a balanced outlook from all of them. She said they have to think of both sides.

Mr. Duensing next discussed the expenditure reductions. He said staff has done a lot of work in this area. Today, they are looking at both short-term and long-term solutions. He said long-term items might not be easy to implement. He said the long-term solution ideas

need to be reviewed from a strategic level. He said some approaches the city has used in the past such as spreading reductions evenly aren't appropriate anymore. He said some of the expenditure reduction options include alternative service delivery, adjust/eliminate contingency funding, and adjust/eliminate proposed merit increases.

Mr. Duensing discussed alternative service delivery in more detail, which included eliminating or reducing services or providing services through an alternative method. He said this could include privatization or shared services

Ms. Fischer discussed further slide 6, "Where does the money go"? She said the contractual expenditures are not going to change. She said they do not want to eliminate the contingency funding because the city needs to be prepared for whatever may happen. She also said the supplies, services, and capital outlay section was already very low for a city this size. She said personnel costs are nearly 60 percent of the budget. She said this includes salaries, benefits and everything else for personnel costs. She said with such a large cost, they have to look at the alternative service issue. She wanted to give Council a frame of reference before they get further into this discussion and the list they are going to present next. She said they are not asking Council's feedback on this list at this time. She said they needed to have a public discussion about what they need to look at and what other cities have done for the past few years to try and balance their budgets. After today's discussion, she will assign staff to do some high level research for some best practices and try to learn from the mistakes of others.

Mr. Duensing next discussed some alternative service delivery options. He said they have looked at what other cities are doing as well as reviewing what Glendale has done in the past. He said the list is just a brainstorm list of ideas to look at. He said he is looking for direction from Council if they should begin looking at the services provided and alternative service delivery.

Councilmember Martinez said he has no problem looking at privatization, staff doing some research then staff coming back to Council, but he added a word of caution. He said just recently he read an article in a magazine and in the local newspaper about some of the pitfalls of privatization. He said sometimes people see privatization as the solution to their problems, but at times it won't solve the problems and will only cause more problems and service delivery gets to the point where it is not acceptable to the residents. He wanted to add that as a caution.

Councilmember Chavira commented that he is not for privatization. He said they do have to look at this, however. He said it is one thing to look into it, but it could be very dangerous to implement it. He said Ms. Fischer stated earlier this is an opportunity to review best practices and what other cities have done.

Councilmember Sherwood said this is the only slice of the pie they are able to do anything with and it is the largest piece of the pie. He hopes there are opportunities to provide the same or better service for less cost. He said it would also take some of the burden off the

support services as well, less payroll, less HR. He said nothing should be left on the table and they need to look at everything. He also said the time is now and it is a must.

Councilmember Alvarez agreed they need to look at it, not that she would support it. She said the more information they get the better. She asked if the custodial services are already outsourced. Ms. Fischer said they have some internal and external employees. She said as vacancies occur, they have converted those vacant positions over to the contracted company. Councilmember Alvarez said she has never seen city buildings look as bad as they are now. She said outsourcing does not impress her if this is the way it is going to be. She also said the parks look awful. She said they do need to get all the information they need.

Councilmember Hugh said he wants to look at all the information.

Vice Mayor Knaack said they need to look at government and what government is supposed to do. She said in the good years, the city was fortunate to develop so many amenities and good things. She said the city has reached the point where they need to look at what government is supposed to do. There are several mandated services the city has to provide regardless, such as the court and public safety. She said they don't want to lay people off or hurt amenities but they need to look at what they can do. She said they need to make very tough decisions now. She said she thought they had direction to move forward with this.

Ms. Fischer said she didn't want to create unrealistic expectations. She said the city is at a point in their financial distress that service delivery issues will be noticed by the citizens. She said if Council and staff work together, she believes there will be less impact on the public than if the city reaches insolvency and a third party has to come in and make these decisions. She said they will be making the best decisions possible for both the employees and the citizens.

Councilmember Martinez said over the past few years, they have done away with some of the nice to have things like services done because they had the money and could afford it. He said unfortunately the city is now faced with some very difficult decisions and it comes down to having a certain amount of dollars and you can only provide certain services and they have to provide the basic services that have been mentioned, those the city must have. He said it will be difficult, but it is something they must do.

Ms. Fischer said they also need to look at more than just bringing it to zero. She said if the national economy were to take another downturn, it would be magnified in the city. She said they need to start a pattern of making revenue higher than expenditures to rebuild the saving account. She asked they keep that in mind as they complete this process.

Mr. Duensing said, based on Council feedback, they will go through and identify and prioritize services for Council to review. He said this will be a lengthy process and he anticipates multiple public meetings and discussions. He said they will come back on February 4th to present additional detail for ideas for revenue and savings including looking at alternative service delivery options. He presented a budget balancing

adjustment summary which is an interactive model that will be used to run a possible scenario and see what would happen. He said using this interactive tool, we will show the public and the Council the impact of the decisions they are making.

Vice Mayor Knaack said this will be a useful tool.

Mr. Duensing appreciated the feedback he received and looked forward to coming back to discuss more of these items.

Councilmember Hugh said they talked about the primary property tax. He asked if Mr. Duensing was going to recommend that the secondary property tax be increased. Mr. Duensing said the secondary property tax services are for general obligation debt. He said legislation was recently passed that they can only levy the amount of debt service expenditures that they are going to incur. He said they will set the secondary levy based on the amount of debt service the city needs to pay. He said their hands are tied on this. He said they will come back to Council to show the general obligation debt service expenditures anticipated for next year. He said that is what they would do to set the secondary property tax levy. He said he did not have the information on what the payments were going to be for the current G.O. bonds. He said he does not anticipate additional G.O. bonds issuance this year. He said the only amounts they were going to levy are for the current amount of general obligation bonds outstanding.

Councilmember Hugh asked if he saw any indication of the bonds they already have going up. Mr. Duensing said before answering, he would like to give them actual information and at this moment, he was not sure. He speculated it was going to remain steady over the next few years and as debt issuances are paid off, it will go down. He said he will bring that to the next budget workshop.

Councilmember Sherwood said he had an idea he would explore with Mr. Duensing later regarding the G.O. bonds that was brought up by some bond experts. On the revenue side, he asked if they had some large entities coming into town that will provide a large expected income, are they factoring that into the revenue side. He said he is factoring in those on the revenue side and not leaving anything out on the expenditure side. He asked if there were possibilities on the revenue side that the city hasn't put into the model yet.

Mr. Duensing said when they forecast sales taxes, they forecast anticipated growth. He said for FY14-15, they forecasted a little more than 3 percent in growth. He said that amount exceeds general inflationary increases. He said that assumes the tax base will grow. He said if a business comes into the city and they anticipate a significant increase, they may adjust their forecast for that increase. If there is nothing on the horizon, they will be conservative. He said 3.3 percent is about his limit of conservative and he would like to make that smaller. He said the City has done a good job of attracting businesses here. At this point, he still feels comfortable with that forecast. He said if they calculate accurately the impact of significant growth, they may see growth of more than 3.3 percent. However, he said they will always try and be conservative.

Councilmember Sherwood further discussed the possibility of new growth and the potential revenues to the city. Mr. Duensing said they will be conservative in his estimation of any growth.

Vice Mayor Knaack appreciated Mr. Duensing's comments that he will estimate on the conservative side.

ADJOURNMENT

The meeting was adjourned at 10:30 a.m.