

City of Glendale

5850 West Glendale Avenue
Glendale, AZ 85301



Meeting Minutes - Final

Tuesday, March 17, 2015

9:30 AM

Budget Workshop and regular Workshop combined

Council Chambers

City Council Workshop

Mayor Jerry Weiers

Vice Mayor Ian Hugh

Councilmember Jamie Aldama

Councilmember Samuel Chavira

Councilmember Gary Sherwood

Councilmember Lauren Tolmachoff

Councilmember Bart Turner

CALL TO ORDER**Rollcall**

Present 7 - Mayor Jerry Weiers, Vice Mayor Ian Hugh, Councilmember Jamie Aldama, Councilmember Samuel Chavira, Councilmember Gary Sherwood, Councilmember Lauren Tolmachoff, and Councilmember Bart Turner

Also present were Richard Bowers, Acting City Manager; Jennifer Campbell, Assistant City Manager; Michael Bailey, City Attorney; and Pamela Hanna, City Clerk.

WORKSHOP SESSION

1. [15-176](#) UPDATE ON POTENTIAL RELOCATION OF THE FOOTHILLS BRANCH LIBRARY

Staff Contact and Presented By: Erik Strunk, Director, Community Services

Staff Contact and Presented By: Michael Beck, Chief Librarian

Mr. Strunk said they are asking for further direction from Council regarding sale of the Foothills Library. He said six public meeting were held on this item and 395 people signed in as attending those meetings. He also said a special website was created for public input as well as a public hotline. He said the public comment received has been overwhelmingly in opposition to the sale. Each of the three boards and commissions voted not to sell the library. Mr. Strunk thanked Midwestern University and their Executive Management Team for their work on this issue, members of the boards and commissions for conducting the public meetings and the residents who attended the meetings and provided input.

Mayor Weiers said he appreciated staff's efforts on this issue.

Councilmember Aldama thanked Mr. Strunk and staff for doing such a great job on this issue.

Councilmember Chavira said it was difficult to effectively handle such a controversial issue, and commended staff on doing such a good job.

Councilmember Tolmachoff thanked Mr. Strunk and Mr. Beck for the good job they did on this issue. She was pleased that the public got involved and had their voices heard.

Councilmember Turner thanked staff, boards and commissions and the Council for all the efforts on this issue. He appreciated Midwestern University for proposing the sale at a time when the city was under great financial stress. He complimented the public for the communication he has received on this issue.

Councilmember Aldama thanked all the citizens who provided input on this issue.

Councilmember Chavira said it was important for the citizens to be heard and thanked all those who attended the meetings.

Councilmember Sherwood said he has seen the passion citizens have for their libraries.

All the Councilmembers received many emails, phone calls and letters. He said Midwestern has been a great partner over the years, and they still are. He hoped to have further opportunities to partner with Midwestern in the future. He said the citizens have been heard.

Mayor Weiers asked the boards and commissions chairs to make brief statements.

John Krystek, Parks and Recreation Commission, said they had unanimous support for not selling the library and not one person spoke in favor of the sale. He said the public felt it was a cutback in library services. He appreciated the public participation and thanked the Council.

Carol Ladd, Arts Commission, said letting the public speak is the message the Council should be proud of and she thanked the Council for that.

Karen Aborn, Library Advisory Board, appreciated Council allowing the boards and commissions to host the public meetings. She is proud of the citizens and the behavior they exhibited on this emotional and volatile issue. She said Council understands how the community feels.

Mayor Weiers said there was no consensus to move forward with the sale of the library.

Councilmember Turner said the comments have shown him that libraries are important to the citizens. He said this experience has had all of them thinking about libraries of the future. He said the southern and western part of Glendale does not have library service. He said the media center located at Westgate is an underutilized facility with a lot of the most up to date technology already located in the facility. He requested that staff look at adapting the original proposal for a library at the aquatics center into a library facility at the media center. He would also like staff to look at grant opportunities and co-sponsorships with any of the sports teams or anyone who might have an interest in working on this project. He envisioned some sort of a magnet library to provide library services for residents in that area.

Councilmember Chavira thanked Councilmember Turner for bringing this item to both him and Councilmember Aldama. He said he would like to see the same energy for this new project as he has seen with the Foothills Library project.

2. [15-071](#)

UPDATE ON TAX SIMPLIFICATION

Staff Contact: Tom Duensing, Director, Finance and Technology

Staff Presenter: Tom Duensing, Director, Finance and Technology

Staff Presenter: Vicki Rios, Assistant Finance Director

Guest Presenter: Mr. Tom Belshe, Deputy Director, League of Arizona Cities and Towns

Mr. Duensing said this item is presented for information and staff is not seeking specific feedback. He said this is an update on tax simplification that was passed by state legislation in 2013.

Ms. Rios said this legislation was to be effective in 2014, but some aspects have been delayed.

Mr. Tom Belshe, League of Arizona Cities and Towns, said all audits will now be done under the Department of Revenue (DOR), and city employees will participate in that process. An auditor training manual has been created and auditor training has been

completed. At this time, initial field audit requests are being processed. He said they hope to work with the department of revenue to have taxpayer education and training. Changes are also being made to the online portion of sales tax collection within the department of revenue and new programming is being implemented specific to the needs of cities and towns. He said there is now a plan in place to begin collecting that information in the future.

Mr. Belshe explained that the department of revenue made some assumptions about legislation that has passed over the last few years regarding the contracting industry, however, those assumptions were not the intent of the bills when they were passed. The league worked with the DOR to clarify these issues and it provides the security to the cities and towns and the definitions that the contracting industry needed. The contracting clarification included maintenance, repair, replacement and alteration (MRRRA), which are smaller, handyman type jobs, and these are the people they targeted to pay retail at the point of sale. This is important to the city because they want to make sure contractors are paying for goods and services in the cities where they are doing the work. There was discussion about what to do with the subcontractors who do both MRRRA work and larger construction jobs. They came up with requirements that have to be met if a business is doing MRRRA type work. To pay at retail, you must meet these criteria. If you are over those criteria, you will be considered construction contracting and you have to file your taxes in the place where you do the work.

Mr. Belshe explained to qualify as a residential alteration that is tax based on materials, the value of the original contract must be no more than 25 percent of the current full cash value per the county assessor website. If the full cash value changes between the bid and the contract, the higher value is used. For all other types of contractors, to qualify as a non-residential alteration that is taxed based on materials, three criteria must be met. These criteria include the original contract price is greater than \$750,000, the scope of the job alters more than 40 percent of the existing square footage and the scope of the job adds more than 10 percent of the original square footage as new square footage to the building. This was supported by the legislature and the DOR.

Mr. Belshe said they are providing a hold harmless provision for those businesses that did not understand the legislation. All contracts/bid created by the last day of the month 60 days after enactment will be written as honored if a contract was based on prime contracting and honored as prime contract, and if a contract was reasonably believed to be MRRRA, it will be honored as MRRRA. Regarding existing materials inventory, to recover the tax due for all inventory that was purchased exempt by an unlicensed MRRRA contractor, the first \$10,000 in inventory is exempted from use tax, remaining inventory is subject to tax and can be paid in one of three ways. Those are as use tax in one lump sum, based on the business location, as use tax, but spread over 12 months, or as the materials are used up, based on the retail tax rate applied to purchase price, where the job is being done.

Mr. Belshe explained the technology portion of the project has been the most difficult. He said they have come up with a timeline and now have plans for transition, communication, technology, testing, and reporting on this project. He also said there is an IGA in progress that has a tentative adoption date of July 1, 2015.

Councilmember Tolmachoff asked if there are resources for people unsure of what category they fall into.

Mr. Belshe said that is being addressed in the transition and communications part of the plan. They hope to have ongoing seminars with cities and towns and the industries

involved to clarify any questions.

Councilmember Sherwood said these businesses will no longer be audited by more than one city. He also said businesses will only have to send their money into one place. He said this is different than what they had before and it will take a little time to get used to it, but it is better than the way it was.

Mr. Belshe said the audits will be done by the DOR and they are hopeful this will make it easier for the taxpayer and the state will be able to collect more revenue.

Mayor Weiers asked about the difference between what was agreed on last year and what the agreement is today. He said there were differences in costs to the city.

Mr. Belshe said there are costs in the budget relating to collecting TPT on behalf of cities and towns.

Mayor Weiers asked for an estimation of what that cost is for Glendale.

Mr. Belshe said it will be evenly split between the counties, cities and towns, and they hope to get that exact figure out soon. He also explained the DOR was not ready to take on the licensing of taxpayers, but they are working on that.

3. [15-181](#)

WEST PHOENIX/CENTRAL GLENDALE HIGH-CAPACITY TRANSIT STUDY UPDATE

Staff Contact: Jack Friedline, Director, Public Works

Staff Presenter: Cathy Colbath, Deputy Director, Public Works

Staff Presenter: Brian Friedman, Director, Economic Development

Staff Presenter: Jon Froke, Planning Director

Guest Presenter: Wulf Grote, Director of Planning and Development, Valley Metro

Ms. Colbath introduced Wulf Grote, Director of Planning and Development, from Valley Metro.

Mr. Grote provided a short history of transit growth over the last 25 years. He said population has doubled and was 3.8 million in 2010. The Valley has made a significant investment in public transportation and miles of operation have tripled, with 31 million annual revenue miles. He also said transit boarding has quadrupled with 72 million annual passengers. He said light rail ridership have exceeded all expectations, and exceeded the opening year forecast by 34 percent. They are already nearing 2020 ridership projections. Currently, there are 44,000 riders per weekday and during the Super Bowl; they reached an all-time high ridership of 126,000.

Mr. Grote also discussed development along the light rail. The total investment is \$6.9 billion, with 16,500 residential units and 3,500 hotel rooms. He also provided some information on the future transit system and estimated completion dates for several projects. He said the current phase is alternatives analysis and their goal is to develop a recommendation for what type of transit should be developed and where the route should be located in Glendale. He also said they are expecting federal funds assistance for this project. He said working with the community is an extremely important component of this project and he provided a list of organizations that have been involved in the process.

Mr. Grote said they have chosen three routes to focus on that will run through Glendale and they are still looking at light rail transit or rapid bus transit. He said there are many

considerations for this project, including right of way and historic property impacts. He said they want to keep the community engaged in the next phases of this process. He provided survey results of business and property owners in two focus areas in downtown and along Glendale Avenue. He said most respondents indicated promoting economic development and improvement was a priority. Also, they said some type of improved transit will benefit the city and at this time light rail was the preferred choice.

Ms. Colbath said this is a long-term project that will improve mobility for those who rely on public transit and those looking for other transit options. This project will improve connectivity to existing light rail, downtown Glendale and west Phoenix as well as connecting to major activity centers. Younger workers are looking for a live/work/play environment and this can be provided by a light rail project. This project provides several methods of funding, including transportation sales tax and federal funds. Not completing this project in Glendale will lead to federal and regional dollars being awarded to projects outside the city. Transit projects also support economic development and land use planning.

Mr. Friedman said light rail will have significant impacts on Glendale. Light rail in the east valley has resulted in 170 projects and \$6.9 billion in capital investment. Positive economic impacts include increases in tax revenue, property values and employment. The return on investment over a 20 year period of an enhanced transportation investment is \$3.7 billion for every \$1 billion spent.

Mr. Froke said the route alternatives under consideration will have a direct positive impact on the Glendale Centerline. He said this will broaden the view of downtown, establish economic partnerships, develop a new core identity for the downtown area and create an ongoing redevelopment strategy for the Glendale Centerline. He explained there are 92 vacant land parcels ready for redevelopment in the centerline area. Vacancy rates are higher in the downtown area.

Ms. Colbath said a core internal project team is being development that will determine a comprehensive approach and best practices. The team will include members from the Transportation, Economic Development and Planning departments. As the project develops, other departments will be added to the team. They will also engage a community working group to provide input and create a dialogue to occur about this project. They would like to use a community working group to discuss the downtown options currently being studied. Staff will work with Valley Metro to select a diverse group to determine best practice. This is a diverse stakeholder engagement opportunity as they develop advisory recommendations for public meetings. The results from the group will be presented to Council later this year. Ms. Colbath invited Council to participate with the team in research tours to conduct site visits and attend conferences and symposiums regarding transit oriented development, light rail communities, sustainability, urban planning and community redevelopment.

Ms. Colbath provided a timeline for this project, which included Valley Metro technical analysis through fall 2015, ongoing Valley Metro outreach, establishing a community working group and holding meetings, Council update meetings, research tours and study conclusion and Council action in late 2015 or early 2016. Staff is seeking consensus to continue moving forward with the public outreach and stakeholder engagement plan as presented.

Councilmember Tolmachoff asked about the selection process for the committee and who will oversee selection of the committee members.

Ms. Colbath said there will be an application process to ensure a wide range of members

are selected. City staff will work with Council on member selection.

Councilmember Tolmachoff asked if they were looking for one person from each district.

Ms. Colbath said it would be a collaborative effort to get well-rounded representation from the city with many different viewpoints.

Councilmember Tolmachoff asked how much was budgeted for the facilitator for these meetings.

Ms. Colbath said they would go through Valley Metro for a facilitator.

Mr. Grote said he did not know the exact amount for the facilitator, but said money has been budgeted and they do this routinely with other projects.

Councilmember Tolmachoff asked how many of the 44,000 riders were paying riders.

Mr. Grote said they do keep records of fare payment. He said fare compliance is about 95 percent.

Councilmember Tolmachoff said that was an increase from numbers she had heard.

Mr. Grote said they were roughly around 95 percent and they have more people checking fares. He said they have to balance putting more security people out there with the return they will get.

Councilmember Aldama asked if Phoenix decided to move west with their light rail, would Glendale lose federal funds if they don't move the light rail north.

Mr. Grote said this will be a discussion of both Glendale and Phoenix moving forward and hoped they can reach an agreement that is cost effective and reaches the most passengers. He hoped Glendale and Phoenix can move forward at the same time with an agreed upon route.

Councilmember Aldama asked if there were any federal business recovery grants in Phoenix or Mesa as a result of their light rail.

Mr. Grote said he did not believe there were any.

Councilmember Turner said it is important to keep in mind that the purpose of light rail is for the uses of daily life and the route they choose needs to support that. He said voters are committed to bringing light rail to downtown Glendale and the Council needs to support that. He felt it was crucial to have walking distance access to the light rail from 43rd Avenue to 51st Avenue along Glendale and that is the area where the best opportunities for development are located. He said the Grand Avenue option does not provide opportunities for people to use it for their daily lives and there are few economic development opportunities there due to the railroad tracks barrier.

Mr. Grote said all three alternatives do come to downtown Glendale.

Councilmember Turner said he would like to make sure they get as much input as possible regarding the routes, but said he was disappointed in the low survey returns. He also said they need to look ahead when choosing a route so any future routes that goes farther west will work for the city.

Councilmember Sherwood said the \$6.9 mentioned earlier was during the economic downturn. He said he is excited about involvement in this project and said this may very well be the Council's most important decision during their first term of office whether your term began two years ago or this year. He spoke about the process Phoenix went through with their light rail. He is excited about the trips they will be taking to see how light rail has worked for other cities. He said helping businesses during the construction phase is very important.

Councilmember Chavira wanted to highlight economic development and the attention to the small businesses in Glendale. He said this is an investment in Glendale's future. He said this will bring vitality to the west valley.

Councilmember Aldama encouraged having more than 25 people on the committee for a rich dialogue. He also asked to include residents and business owners in the downtown districts.

4. [15-178](#)

FY15-16 BUDGET WORKSHOP

Staff Contact: Tom Duensing, Director, Finance and Technology

Mr. Duensing said he is seeking direction on four separate items. He is asking for Council direction on how to treat an inter-fund advance, a capital lease payoff, feedback on a proposed fund balance policy and direction on a choice that needs to be made regarding PSPRS. He is presenting items that Council needs to take action on. He spoke about two areas cited in the March 2014 Standard & Poor's report. S&P rated the GO bonds at that time and cited Glendale very weak budget flexibility due to a negative available fund balance in FY2012 and 2013. He explained S&P also said the city has very strong liquidity and listed that as strength. He said they view fund balance as the savings account. He said the report cited adequate liquidity, which means the city has cash sitting in the general fund. He said the negative \$4.8 million unassigned fund balance is what S&P sees as weak budget flexibility.

Mr. Duensing recommends the city needs 25 percent of ongoing general fund revenue, roughly \$50 million, as an adequate general fund, fund balance. He also explained the city needs to have adequate ongoing revenue to cover ongoing costs. Mr. Duensing said the city does have a fund balance policy and that policy states there will be a minimum unassigned fund balance which is 10 percent of projected annual ongoing revenues. There should also be an additional operating reserve, with a goal of 15 percent, and those two figures together equal the 25 percent. The proposal brought before Council today is to reclassify the inter-fund advance, pay off the capital lease and redefine the fund balance policy to total 25 percent.

Councilmember Sherwood said the 2.6 percent negative general fund at the end of June 2014 and the unassigned fund balance of negative \$4.8 million, and asked if those two could be tied together.

Mr. Duensing said negative \$4.8 million in 2014 is the exact gap unassigned fund balance of \$4.8. One is presented in millions and one is presented in thousands. Mr. Duensing said there is currently a \$39 million cash advance balance from the enterprise funds in FY10-11 and FY11-12. Repayments are appropriated each year through 2037 and there is a defined repayment schedule. The proposal is to reclassify the inter-fund advance to a transfer. This transaction does not increase or decrease cash balances in any fund and does not increase or decrease budget basis fund balances in any fund. He explained they would like to bring back every year annual budget transfers to the enterprise funds. This year they will be recommending a \$600,000 transfer back to the enterprise funds. He said this transfer would pull the liability off the balance sheet.

Vice Mayor Hugh asked which enterprise funds the cash came from.

Mr. Duensing said the cash came from the water and sewer enterprise funds, the landfill enterprise funds and the sanitation enterprise funds.

Vice Mayor Hugh asked why they set the repayments up on a payment plan.

Mr. Duensing said it was set up on a payment plan with interest, but was not here at the time that was done, so he was unsure of the reason why.

Vice Mayor Hugh said he understood the money was already gone, and asked how this would affect the enterprise funds.

Mr. Duensing said staff proposes to process cash transfers back from the general fund to the three enterprise funds. He said it is an accounting reclassification. He said they have reviewed this approach with the City's audit firm and several finance professionals.

Vice Mayor Hugh asked if the audit firm had any problems with this transfer.

Mr. Duensing said the audit firm does not have a problem with it.

Mayor Weiers asked if any other cities were doing this.

Mr. Duensing said there are cities that are doing this, but Glendale would treat this as a one-time transaction.

Mr. Duensing continued and said the benefits include increasing the city unassigned fund balance by \$39 million. He explained the unassigned fund balance is a financial indicator that the rating agencies look at. He said the negative unassigned fund balance has held the city back in the past. This transfer moves the city closer to the goal of the 50 percent fund balance. He said doing this will increase the unassigned fund balance to about \$34 million from the current negative \$4 million.

Councilmember Turner said it was his understanding that the decision to restore that money to those enterprise funds is still a Council decision each year.

Mr. Duensing said it is the same, however, they classify it. Council can choose to appropriate a set repayment that is on a schedule or not appropriate the set repayment. Similarly, Council can choose to appropriate or not to appropriate a transfer each year. Regarding the cash flow, the transaction proposed does not substantially change the cash position in each fund.

Councilmember Turner said the commitment is based on what the Council wants and not based on the terminology used, but by changing terminology, the city receives other benefits. He asked what other concrete benefits the city might receive from doing this.

Mr. Duensing said if they had done this last year, unassigned fund balance would not have been negative in the financial reports. The city refinanced a significant portion of its debt, and if there had been a bond upgrade, the city could have saved more than the \$47 million actually realized. He said positive unassigned fund balance is an indicator of stability. If the City is financially stable, those who invest in the city's bonds are investing in a city is more financially stable.

Councilmember Tolmachoff said she understands this would remove this item as an obligation.

*Mr. Duensing said that was correct. He said it was up to the Council whether funds are transferred from the general fund into the enterprise fund
Councilmember Tolmachoff asked if the Council had to continue to make the decision on repaying this debt for the next 22 years left on the loan.*

Mr. Duensing said that was correct and it was up to Council's discretion whether or not this debt would continue to be paid every year. His recommendation was to continue to pay back the enterprise funds in lieu of a set repayment schedule.

Councilmember Tolmachoff asked if Mr. Duensing had a project for the fund balance at the end of this fiscal year.

Mr. Duensing said at the end of the year, the general fund should probably break even.

Mayor Weiers asked if they would be paying the enterprise fund back when they could.

Mr. Duensing said that was correct.

Councilmember Sherwood asked where they keep track of the balance owed to the enterprise funds on the books.

Mr. Duensing said if it is on the balance sheet or if there is a set repayment scheduled, this acts as an advance with a set repayment schedule. He said this transaction completely takes it off the books. He said with this, they will disassociate a balance with a repayment schedule.

Councilmember Sherwood asked if they would just keep track of the monies owed to the enterprise funds on the side.

Mr. Duensing said in the annual budget book, they will identify the need for an annual transfer back from the general fund to the enterprise fund.

Councilmember Sherwood asked if the goal was to pay the money back, when they will know when to stop repayment.

Mr. Duensing said it would come off and they would never know, unless they choose to track it. He said if they track it, then the liability will be put back on the books and putting an additional \$50 million in the general fund will take additional time. This will add additional time for the city to become financially stable.

Councilmember Chavira asked if doing this will elevate the city's credit rating.

Mr. Duensing said that is the hope. He said the city's financial advisors have said to go back to the rating agencies for another rating review as early as late summer.

Councilmember Chavira said Glendale is the 5th largest city in Arizona and 72nd in the country. He said if this is one of the things the city has to do to move forward then he agreed this was the way to go.

Councilmember Aldama said if they leave everything the way it is, the loan will be repaid. He asked if they go with staff recommendations, would the Council be able to vote to

guarantee to pay the money back, and just look every year at how much was paid back.

Mr. Duensing said that was correct and the Council does take a vote every year on whether the city pays its inter-fund advance payments.

Councilmember Aldama said Councilmember Turner was correct in his statement that the character of the Council can change at times. He said they can take a vote to guarantee this will be paid, but the next Council can change that.

Mayor Weiers said this Council cannot tie the hands of future Councils. He said this does give the city a chance to move ahead without spending any money.

Councilmember Tolmachoff asked what the consequences might be to the enterprise funds if a future Council chose to stop repaying this money.

Mr. Duensing said if Council decided to stop payment, adjustments would have to be made in the enterprise funds. He explained the reasons the adjustments were first made from the enterprise funds is that they are financially healthy.

Councilmember Tolmachoff asked if it would include rate increases.

Mr. Duensing said that was a possibility, and there were a number of ways to do that.

Councilmember Tolmachoff asked what promises were made to the taxpayer. She said the money went to the NHL.

Mayor Weiers said the money is still being paid back, but the difference is it is just being listed differently.

Mr. Duensing said that was correct.

Councilmember Turner said whether they leave this classified as an advance or reclassify it as a transfer, whether or not money moves from the general fund to the enterprise funds, is a decision that the Council makes year after year.

Mr. Duensing said that is exactly correct. He said any repayment is appropriated annually by the Council and Council can choose to do this under either scenario at any point.

Councilmember Turner said regardless of how this debt is classified, he is comfortable making this change and said it was in the best interest of the city's long-range financial picture.

Mr. Duensing next discussed the capital lease secured by the GRPSTC facility. He recommended if Council takes action to classify this as a transfer then the General Fund will have adequate unassigned fund balance to pay off the capital lease early. He said currently there is \$9.9 million outstanding in capital lease payable, and payments are about \$3.3 million a year. If the city is able to increase the unassigned fund balance to \$34 million, he recommended immediately paying \$9.2 million to pay off the lease. He said this will save the city about \$700,000 in interest and those \$3.3 million payments will not have to be budgeted for the next three fiscal years. He said this will facilitate bringing forward a balanced budget where the ending fund balance exceeds the beginning fund balance.

Councilmember Sherwood asked how that lease back money was used.

Mr. Duensing said the original transaction funded a real estate purchase and public safety vehicles. He said that transaction was financed by a bank and that repayment schedule is a written agreement with the bank.

Councilmember Tolmachoff asked if it was possible to take the \$3.3 million and have it go back to the enterprise funds.

Mr. Duensing said they could do that, and it is up to Council's discretion.

Mayor Weiers said they also need to take into consideration the PSPRS issue as well.

Councilmember Sherwood clarified that the \$3.3 is already budgeted for the next three years, so paying it off in a lump sum of \$9.2 million will only save the city the \$700,000 cash after the three year period.

Mr. Duensing said the city could have unassigned fund balance and Council can pay back the enterprise funds any amount desired. He noted Councilmember Sherwood is correct.

Mr. Duensing said with the pay off the capital lease, it brings the unassigned fund balance to an estimated \$25 million calculated against the June 30, 2014 fund balance. He explained that fund balance would need to grow to \$50 million and, per policy, that growth should take place over five years. Therefore, an additional \$5 million should be set aside each year to reach that goal. He said revenues exceed expenditures about \$5 million a year and that would be built into the annual budget process to set those funds aside to reach financial stability.

Mr. Duensing recommends the city needs a revised fund balance policy to protect the city's financial interests. He recommends a fund balance policy which requires Council action to be able to utilize the fund balance. With that policy, those funds could be committed and assigned and can only be uncommitted or unassigned through formal Council action. He said adequate fund balance buys the city time during economic downturn or in case of unexpected expenditures and gives the city financial protection. He said the plan to reach 25 percent in five years is revenue in excess of budgeted expenditures of \$5 million over the next five years. This requires holding the line on expenditures and may require reduction in appropriated contingency currently at \$5 million.

Mr. Duensing said the city must decide FY15-16 PSPRS contribution rates by March 31st. He said Council has two options. Option one is a phased in approach which has a lower cost initially. It is \$3.5 million less than the higher option in FY15-16; however, there is a decrease in the funded status of the plan. Option two is a no phased in approach, which has a higher cost initially. It \$3.5 million more than lower option in FY15-16; however, there is an increase in the funded status of the plan. There are lower contributions in future years than the phased in approach. Staff recommendation is to take the no phased in approach.

Mayor Weiers asked about the difference in cost between the two options.

Mr. Duensing said he did not have those figures readily available. Mr. Duensing said the Hall case ruling in January 2015 rolled back employee contributions into PSPRS consistent with the provisions of SB1609, which became effective in June 2011. He explained it rolled back member contribution increases and rolled back changes to permanent benefit increases (COLAs). The anticipated impact is \$4 million in additional

expenses per year beginning in FY16-17. He said this expense was not forecast, but will have to be dealt with.

Mr. Duensing said reclassifying inter-fund advance would require Council action and he anticipates bringing forward a resolution. He also recommends if Council reclassifies the inter-fund advance that they also pay off the capital lease. He asked for feedback on the fund balance policy and said a policy would be passed as part of the budget process. He said he didn't think they needed Council action regarding the PSPRS contribution rate.

Councilmember Sherwood said he agreed with reclassifying the inter-fund advance and paying off the capital lease. He also agreed with getting the fund balance to \$50 million, but cautioned it might be a year to year decision until the financial situation was better. He said they might need more information regarding the PSPRS situation. He spoke about Risk Management being more aware of pending lawsuits and the financial burden it may cause the city.

Councilmember Aldama said they all want to bring financial stability to the city. He said the proposals today get them a little closer to that goal. He supports all of the proposals.

Vice Mayor Hugh said he had concerns about reclassifying the inter-fund advance. He said the fees they charge are part of the enterprise funds and he wanted to make sure the city is charging rates that are fair to the consumers.

Councilmember Tolmachoff said she agrees with the proposals, but has not had time to go back and see what promises were made to taxpayers.

Mayor Weiers said they are not voting today, but giving Mr. Duensing direction. He said they did have a consensus at this point. He did say they need to try and figure out a way to pay the PSPRS lump sum up front to save the city millions of dollars.

Mr. Duensing said that is a viable strategy and is what is best for the city for financial stability. He agreed with Mayor Weiers' comments.

Mayor Weiers said he had confidence in Mr. Duensing's ability to find that strategy.

Councilmember Chavira said this was a sound financial strategy.

Mr. Duensing next discussed the calendar of budget meetings and said staff will be ready to answer any questions.

Mayor Weiers said there were no questions and the consensus was to move forward.

5. [15-183](#)

CITY MANAGER RECRUITMENT

Staff Contact: Jim Brown, Director, Human Resources and Risk Management

Mr. Brown said the purpose of this item was to have discussion and seek direction on the selection of an executive search firm for the recruitment of the city manager. He said the scope of work can vary, depending on the firm selected, however, most executive recruitments include development of a candidate profile, advertising campaign and recruitment brochure, recruitment of candidates, candidate interviews and evaluation, referencing top candidates, recommendation, final interviews and background checks and negotiations. He said timeframes vary, but the process may take 90 to 120 days.

Mr. Brown said the Mercer Group has over 25 years of experience in executive searches and has worked with Goodyear, Fountain Hills and Austin, Texas. He said the Mercer Group has successfully worked with Glendale in the past. Their fee and expenses would be about \$24,500. This does not include travel and process costs for candidates the city might incur. Mr. Brown said Slavin Management Consultants, Inc. also has over 25 years of experience and work with Chandler, Bisbee and Gilbert, Arizona. Their fees and expenses total \$24,008. Mr. Brown said the city has successfully used CPS Executive Search in the past and CPS has worked with Chandler, Gilbert and Paradise Valley. Their professional fee and expenses are \$24,000. The approximate cost for the city manager recruitment will be about \$24,500 for the recruitment search firm and candidate travel and other city expenses of about \$5,000. Mr. Brown provided a side by side comparison for each of the firms for the Council's review. He said they all come highly recommended and are among the top executive search firms in the country. He said all of these firms have a two year guarantee. If the selected city manager were to move on, the firm would conduct a search again for the city and charge only for expenses, not the professional fee.

Mayor Weiers asked if any of those firms had been used in the last 3 or 4 years.

Mr. Brown said it has been about 5 years since the city used CPS and the city used the Mercer Group prior to that.

Councilmember Sherwood asked if Bob Murphy had a guarantee.

Mr. Brown said Mr. Murphy's guarantee was only for one year.

Councilmember Sherwood asked if the \$24,000 included travel expenses for the candidates.

Mr. Brown said the costs listed were for the firms' professional fee and travel expenses. The city would have to reimburse the candidates for their air fare, hotel expenses and those types of expenses.

Councilmember Aldama said he didn't believe any of the selected firms were local to Arizona, and asked if that was by design.

Mr. Brown said it was not by design. He said all of the firms have a western region program manager that would work with the city. He said both Slavin and the Mercer Group have recruiters that work in the state of Arizona. He provided the names of the representatives from each group who would work with the city on the selection process.

Mayor Weiers asked where the pool of potential candidates came from.

Mr. Brown explained candidates were located all over the country. He said the expenses of the selected firm would be less if the representative was local. He said the costs provided by the firms for expenses were the maximum costs that might be incurred. Councilmember Chavira said even though the search firms are located out of state, they have local representatives to assist the city.

Councilmember Tolmachoff asked if any of the firms had candidate success statistics.

Mr. Brown said he does not have any of that type of data, but does know of several successful recruitments in the valley by these firms.

Vice Mayor Hugh asked if Mr. Bowers has had a chance to look at these.

Mr. Bowers said all three firms are top notch and they will find a very professional experience with any of them. He said having someone who is close to Arizona might help with their understanding of the community, but they are all very good choices.

Councilmember Aldama said Councilmember Tolmachoff's question was very good. He asked if it was customary to have representatives from the firm in the audience.

Mr. Brown said no representatives were present during the last recruitment selection process, but if Council wished, they could bring a representative to speak with the Councilmembers.

Mayor Weiers asked if the Councilmembers could have websites on for the firms so they could review that as well.

Mr. Brown said websites were included in the packet of information.

Councilmember Aldama asked if it would be appropriate for the Councilmembers to call the firms and ask specific questions that they may have.

Mr. Brown said as they are in the bidding process, it is not inappropriate to ask questions.

Mr. Bailey said if that was the case, the questions should be going through Human Resources.

Councilmember Aldama asked if Council would like to do that.

Mayor Weiers suggested having the Councilmembers present their questions over the next week and Mr. Brown could present the answers at the next workshop.

Councilmember Sherwood said the resumes are in the material they were provided. He noticed with the Mercer Group and Slavin has mostly smaller cities. CPS had worked with larger cities. He said each group looks good and they should make a decision rather than delay the process anymore. He said his first choice was CPS.

Councilmember Chavira said all the choices were appropriate, but he was inclined to choose CPS. He said he wanted to expedite the process, but not cut corners.

Mr. Bowers said most of the work these firms do is with smaller cities as they have more turnovers. The larger cities, like Glendale, might get a candidate at the pinnacle of their career.

Councilmember Turner said the reason they might work more often with small cities is the smaller cities are not able to do recruitment such as this internally. Cities of this size have been outsourcing this type of recruitment for many years. He asked what an outside firm brings to Glendale that could not be accomplished internally.

Mr. Brown said these firms bring a pool of city manager candidates. He said a firm might know of a candidate that is not actively looking for a new position, but may have reached out to the firm for potential openings. Those recruitment firms are also able to reach out personally to many of these candidates, which the city is unable to do.

Councilmember Turner asked if the firms also do outreach such as the city might do.

Mr. Brown said they do mass mailings and brochures, websites and other types of communication to attract potential candidates.

Mr. Bowers said the International City Manager's Association is the place to look for candidates. He said getting the word out might be more effective through recruitment firm, rather than by word of mouth.

Councilmember Chavira said ICMA has all the relationships and they know who to call. Hiring a recruitment firm also brings in third party impartiality.

Councilmember Aldama said there is a will to move quickly on this issue. He has no problem with the three firms, but does have some specific questions.

Councilmember Hugh agrees with Councilmember Aldama, and has no problem with any of the recruitment firms. He said a little additional time to ask the questions might be beneficial in making a decision.

Mayor Weiers said that sound like the consensus right there.

Councilmember Tolmachoff said Slavin did provide more information than the other firms and that stood out. She said Slavin has worked with cities of various sizes, including cities larger than Glendale. She was impressed that they included that extra information.

Councilmember Turner asked what it meant by any additional costs for stakeholder engagement.

Mr. Brown said that is up to the Council as they work with the selected firm. He said some cities have a meet and greet with business leaders in the community, there might be meetings with executive level staff, or other types of sessions with a candidate. He said there might be costs for overnight stays, funding a meet and greet or other such costs.

Councilmember Sherwood said the city will be on its 7th city manager in three years. He said he had no problem leaving the decision up to the Human Resources Director. He said Slavin and CPS had very professional responses.

Mr. Brown said the three firms all have excellent reputations for bringing in quality candidates who stay for the long term. He said if the Council has questions to ask of the candidates, he is happy to pass those along.

Mayor Weiers said he thought there were questions to be asked before a decision was made.

Councilmember Aldama asked for a deadline for the questions.

Mayor Weiers said he hoped it would be by the end of the week.

Mr. Brown agreed with the end of the week.

CITY MANAGER'S REPORT

The City Manager had nothing to report.

CITY ATTORNEY'S REPORT

The City Attorney had nothing to report.

COUNCIL ITEMS OF SPECIAL INTEREST

Councilmember Sherwood said he would like to see a presentation by public safety on where they stand their statistics and performance prior to the end of the budget meetings.

Mayor Weiers wished everyone a Happy St. Patrick's Day.

Councilmember Sherwood offered his condolences to Mr. Bowers.

MOTION TO GO INTO EXECUTIVE SESSION

The meeting moved to Executive Session at 1:29 p.m.

It was moved by Councilmember Sherwood, and seconded by Councilmember Chavira, to move into Executive Session. The motion carried by the following vote:

Aye: 7 - Mayor Weiers, Vice Mayor Hugh, Councilmember Aldama, Councilmember Chavira, Councilmember Sherwood, Councilmember Tolmachoff, and Councilmember Turner