

# City of Glendale

5850 West Glendale Avenue  
Glendale, AZ 85301



## Meeting Minutes - Final

Tuesday, March 24, 2015

1:30 PM

Budget Workshop

Council Chambers - Room B3

## 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. [15-207](#)****FY15-16 BUDGET WORKSHOP**

Staff Contact: Tom Duensing, Director, Finance and Technology

*Mr. Duensing said there will be a review of overall budget strategy, property taxation, compensation, benefits and FY16 budget initiatives, a review of FY16-25 CIP, review of general fund sub-funds restructure and future policy items. He also reviewed the budget calendar and the dates of the upcoming meetings during the budget process. He recapped the prior discussions that have been held, including the PSPRS rate for FY15-16, the general fund stabilization, fund balance policy, inter-fund loan reclass and capital lease payoff. Mr. Duensing explained they are focusing on general fund stabilization, which includes discussions about revenues, operations, capital improvement plan and general fund sub-fund restructure.*

*Mr. Duensing spoke about the budget strategy for the general fund and they intend to bring forward a balanced general fund budget. This means revenues will be equal to or greater than expenditures. This means they do not anticipate using fund balance, as it is considered a one-time funding source. He said they intend to bring forth a balanced budget where revenues and other funding sources equal or exceed expenditures.*

*Mr. Duensing said the budget strategy assumptions concerning revenue is a 2 percent increase in the primary property tax levy, no utility rate increases and no changes in the sales tax rate. He wanted to focus on the impact to the city if they do not take advantage of the 2 percent increase. He also said for expenditures, there will be no reductions in service levels, the budget also absorbs increases in MOU costs, a 2.5 percent increase in non-represented employee pay, and increases in employer benefits and has minimal operating cost increases.*

*Mr. Duensing next went back to the December 2014 long range forecast. He explained the figures presented show the structural deficit being eliminated over the next five years. He said there is one remaining \$5 million payment due to the NHL. He also said the capital lease payment of \$3.3 million per year through FY 17-18 will be pulled out of the expenditure request. This will make this a little bit better. He explained his recommended goal is to get the fund balance up to \$50 million at the end of five years.*

*Mr. Duensing first discussed property taxes. He provided a short history of the property taxes and went over legislation which has impacted calculation of property taxes. He also said there are legal limits on property taxes. He also said there is public notification that will be posted on the city's website for the 2% levy increase. He explained a Glendale*

resident's property tax bill and said the city portion of that bill is about 14 percent. This 14 percent consists of a primary property tax levy and a voter approved secondary property tax levy. He said the primary tax levy is the funding source for general fund operations. The secondary property tax levy is revenue the city uses to pay off the general obligation bonds. He provided a copy of a property tax bill and explained the various figures.

Mr. Bowers wanted to call attention to the 3 percent. He explained the 11 percent was voted on by the taxpayers and there is nothing they can do about that figure. He said Council needs to consider the 2 percent increase added to the 3 percent, because those funds cannot be recovered after the fact.

Mr. Duensing discussed the impact of Proposition 117. He explained some of the assumptions staff used in the long range forecast. He said they anticipated taking advantage of the 2 percent and he will show the financial impact of this 2 percent increase. He said in the example provided, there will be an increase of only \$3.29 on property assessed at \$144,000. He said there would be no increase in the secondary tax.

Councilmember Tolmachoff asked if the \$3.29 increase assumes there was no increase in the assessed value.

Mr. Duensing said this assumes use of the primary assessed value in 2014 which was used to set the 2015 levy grows from \$133,000 to \$140,000. He said that is the maximum that voters approved. He said the primary assessed value should not go up greater than 5 percent. He said this is just the base for the calculation of a property tax rate. He said if the primary assessed value were to go down, they could still set a rate that increases the levy by 2 percent. He explained the methodology has changed with Proposition 117.

Mayor Weiers mentioned a scenario where the bills might be higher but the rate was not increased. He said what Mr. Duensing has explained is the exact opposite of that.

Mr. Duensing said the rate is just a calculation in order to get that levy.

Councilmember Sherwood said he thought several years ago the rate needed to be above 2 percent to hold the levy amount the same. He asked if they could use a rate higher than 2 percent to get the same number.

Mr. Duensing said the 2 percent limit is a 2 percent increase in the total levy and there is no limitation on the rate.

Mr. Duensing provided figures showing the actual levy. He also provided figures for Council review for FY15-16 showing a 2 percent levy increase and figures showing no levy increase. He said with the current levy of \$5.3 million, if there is no levy increase, the question becomes why does the current levy grow to \$5.4 million. He explained the answer is new property coming onto the rolls. He said they follow the philosophy that you set the levy and set the rate based on the current property on the rolls and then you add in new construction beyond that. He explained the changes in the secondary figures also showed increases which were new construction. He said following this philosophy, even if they select the no levy increase option, they will still have to advertise on the website that the property tax levy may increase. This is a state law requirement. He also explained that individual properties may vary.

*Mr. Duensing next spoke about the levy impact of bringing new properties onto the rolls and showed specific numbers regarding the 2 percent increase. He went over property tax rates. He explained the focus today is on the levy itself and not the rate.*

*Mayor Weiers said right now they are not contemplating changing the sales tax so not having a 2% increase would be giving the citizens something.*

*Mr. Bowers said it was a small amount of money to be distributed over a very large budget. He said the money is then part of the base next year and the year after that, and it continues to impact the budget. It will help balance the budget and increase the city's reserve.*

*Mayor Weiers asked if this is something that would appease the citizens because of the sales tax increase and show that some of it would be ending.*

*Councilmember Tolmachoff said the city's overall property tax rate is substantially higher than Peoria. She said Peoria is in better shape financially than Glendale, as well. She said the perspective is that property taxes are higher in Glendale and she said it may hurt the city.*

*Mr. Brown discussed employee compensation and benefits for FY15-16. The overview included non-represented, fire and police represented employee compensation. It also included benefits available to all employees as well as medical, dental and vision rates. He said all of these costs have been built into the budget. Mr. Brown explained the FY15-16 budget includes a 2.5% market adjustment salary increase to all non-represented employees, including those employees that have reached the top of their salary range. The five year forecast includes a 2.5 % salary increase each year for non-represented employees. He said Phase 1 of the compensation analysis compressed the salary ranges from 60 percent to 40 percent and made the city more comparable with other agencies and best practices. This was implemented on October 1 and this resulted in 157 employees receiving a base pay increase to the new range minimum, for a total cost of \$397,405. Phase 2 includes a compensation study to review the current compensation structure. A consultant will analyze job classifications and pay ranges, review employee placement within the pay ranges and the results will be brought before Council for direction.*

*Mr. Brown said Fire represented employee compensation MOU costs is included in the budget and forecasts. Those employees are due for a market adjustment of 5 % on June 30th. There is also a Fire Captain market adjustment of 2.5 % due as well. He explained there will be a 5 % step increase for those not at the top of their salary range. There are also vacation conversion, specialty pays, retiree health savings account contributions, succession pay, uniform and safety equipment allowances and sick leave and wellness incentives in that agreement.*

*Mr. Brown said Police represented employee compensation MOU costs are also included in the budget and forecasts. Compensation is comparable to other jurisdictions. There is a 5 % increase for employees not at the top of their pay range. A police officer market adjustment of 5% is due on June 30th. Also included in the agreement are specialty pays, succession pay, deferred compensation city contributions and uniform and safety equipment allowances.*

*Mr. Brown said benefits provided to all employees include military leave, sick and vacation accrual rates, bereavement leave, education incentives and health and wellness.*

Mr. Brown provided information regarding full-time medical rates and said each year the claims are reviewed and premiums are adjusted. He also said dental and vision contracts will be coming for Council approval in April. He went over specific figures for each plan provided under dental and vision insurance.

Councilmember Sherwood asked if two years ago the city health plan was extended by one year.

Mr. Brown said that the plan had been extended a few years ago, however the medical plan went out for bid in 2013 and in 2014 the City entered into a five year agreement for plan administration through BCBS of AZ.

Mr. Brown said that was correct.

Mr. Brown provided information to Council about the medical, dental and vision rates for part-time employees.

Councilmember Turner asked if the city picks up 75 % and the employee pays 25 % and asked if that was changing.

Mr. Brown said that is not changing at this time because they are grandfathered into the new health insurance laws.

Councilmember Turner asked what were the percentages for part-time employees.

Mr. Brown said it was 55 % city coverage and 45% for the employee.

Councilmember Tolmachoff asked if the grandfathered status is year to year.

Mr. Brown said the grandfathered status remains intact until the city makes any major changes in the plan. He said one major change would be modifying the employer/employee contribution percentages.

Mr. Brown explained the under age 65 retiree medical rates have increased approximately 7 percent. He said they have blended the retirees in with the regular employees to try and keep costs low. He said the city's rates are fairly consistent with the State Retirement rates. He also provided the over age 65 retiree medical rates and retiree dental and vision rates.

Mr. Duensing said the next part of the presentation will focus on the FY2016-2025 capital improvement plan. He would like Council feedback on possible changes to the CIP. He asked for Council input on whether projects should be reduced or eliminated altogether, should projects be increased or added, and should the timing of projects be moved up or deferred. He explained up to now the focus has been on the city's operating budget. He said the CIP is a ten year plan for publicly financed assets and these are non-recurring expenditures such as land, buildings, streets and improvements. He said these are assets that are valued at over \$50,000 and have a useful life of five years and over. Although this is a 10 year plan, projects in years 1 through 5 have identified funding sources.

Mr. Duensing said the CIP process began in October 2014 and requests were due in November 2014. CIP operating impacts were considered when developing the operating fund forecasts. He explained that only FY15-16 is adopted as part of the FY15-16 budget. When the FY15-16 budget is adopted, it will include carry forward appropriation

as CIP are usually not able to be completed in a year. Those carry forward amounts are estimated in April and will be part of the FY15-16 tentative and final budget requests. This minimizes the amount of carry forward appropriations so staff can be as accurate as possible. Mr. Duensing compared the CIP and operating budgets. He said usually the CIP precedes the operating budget process. Operating impacts of CIP projects are included in the five year fund forecasts and the FY15-16 budget requests. The FY15-16 tentative budget will include operating budget requests, CIP budget requests with the carry forward requests. The final budget includes operating budget requests and CIP budget requests with carry forward requests. The total in the final budget cannot exceed the tentative budget.

Mr. Duensing went over the highlights of the ten year CIP. The total of the 10 year CIP is \$740 million with 168 total projects. That number does not include carry forward projects. He said notable projects include the Westgate parking garage at \$46 million and rail system at \$61 million. The funding source for the Westgate project is General Obligation Bonds and the funding source for the rail system is the Transit Sales Tax. Mr. Duensing highlighted the FY15-16 CIP projects. The total cost is \$73.4 million with 71 identified projects. He said the largest project is the transit center and park and ride facility at a cost of \$12.8 million. That will be funded with transportation grants. He said other notable projects for FY15-16 were the transit center and park and ride facility, pavement management, sewer line projects, landfill north construction, Arrowhead WRF improvements, parking garage at Westgate, purchase of sanitation trucks, Cholla Water Plan improvements and the library automated book distribution machine.

Councilmember Aldama asked if the \$7 million in the HURF fund was all the city had in that fund.

Mr. Duensing said that cost can be cash financed to avoid interest costs. He said there is an additional \$2 million for pavement management financed from the Transportation Sales Tax.

Mr. Friedline said that \$7.3 million is on a cash basis and they are working to see how far out they can extend that without having to go to bonds. He said there is also a \$2 million contribution through the GO funds. The pavement management plan update will come before Council in the next few months and at that time; they will try and bring a better picture of the HURF funds over the next five year period.

Councilmember Aldama asked when that process is completed, if that will determine where the additional \$2 million will go.

Mr. Friedline said that was correct.

Councilmember Sherwood asked if they are still looking at an accelerated pavement management program over the next three years at about \$9 million.

Mr. Friedline said that is correct.

Councilmember Sherwood asked if that will put the city in a better position with the street program.

Mr. Friedline said there are still main arterial streets that need to be addressed for reconstruction and those will be addressed during their future presentation.

Councilmember Sherwood said that was probably the biggest complaint from

constituents.

Councilmember Turner asked how many spaces they were looking at in the Westgate parking garage.

Mr. Duensing said he believed it was about 4,000.

Mr. Friedline said it is a very complicated project and has asked Transportation and Engineering to work together to come up with a number of spaces that need to be programmed into the parking garage.

Councilmember Turner said he was very happy to hear that. He spoke about the issues regarding the number of spaces needed and if the casino is built and how that will affect the parking garage. He asked if it was possible to do the garage in phases on a demonstrated as needed basis and if there were alternatives to having a parking garage. He also said he hoped they were taking a look at how long the Cardinals were committed to playing at that location when considering the garage.

Mr. Friedline said one focus is the capital cost per space for the garage and he will try and keep costs as low as possible.

Councilmember Turner said they also need to be aware of the cost to constituents for this project.

Councilmember Chavira asked about development impact fees and asked where the automatic book machine would go.

Mr. Duensing said the book machine was \$564,000 and another \$500,000 set aside for library books.

Councilmember Chavira asked Mr. Strunk to go over how the costs were broken down.

Mr. Strunk said there are two requests from Community Services. He wanted to increase their request of Development Impact Fee funds to \$500,000 to benefit all three of the libraries. There would be a balance between digital and regular book items. He said the city is not in a position to construct a new branch library at this time. He said they hoped to locate an automated book distribution machine in Heroes' Regional Park area. This would allow 24 hour access to library materials. He showed Council a short video on how this machine would work.

Councilmember Chavira said they would love to have a library, but are trying to think outside the box to accommodate the residents in the southern Glendale neighborhoods.

Mr. Strunk said that is what they are proposing.

Councilmember Chavira said these machines are very easy to operate and accessible to everyone.

Mr. Strunk said it is fully connected to the greater library system and citizens can order materials and reserve books. He said patrons can even pay fines or fees owed with this system.

Councilmember Chavira said this is not stand alone. He said this would be a part of the city's library system and would be a great tool. He said staff is trying to provide services

*to those citizens.*

*Mr. Strunk said it does not replace the human contact part of city service, but they are trying to meet the needs of the residents.*

*Mayor Weiers asked how many different machines are there like this.*

*Mr. Beck said there are only a handful of vendors, but the unit they are looking at can hold up to 3800 items.*

*Mayor Weiers asked if the \$500,000 was based on the 3800 item model.*

*Mr. Beck said that was correct.*

*Mayor Weiers said it seemed like a lot of money for a box.*

*Mr. Strunk clarified there will be some features of the structure that may have to be modified, so there may be engineering and parking issues. He said the costs may be up to \$560,000.*

*Mayor Weiers asked if it was similar to the technology used by Red Box.*

*Mr. Strunk said that was correct.*

*Mayor Weiers asked if this machine took payments, if there would be a security issue with the facility being accessible 24 hours a day.*

*Mr. Strunk said there is always a chance of that occurring. He said other cities with the box sitting outside have had some of these issues, but this box would be housed inside a structure and would be somewhat like an ATM and the rest of the machine would be secured within the building.*

*Mayor Weiers said there is nothing out at that particular location at 3 a.m.*

*Councilmember Chavira did some research on this. He said this machine follows Debold technology, which is the largest provider of ATM machines. He said this machine would be much more secure than a Red Box machine.*

*Mayor Weiers asked if there were any machines like this in the valley.*

*Councilmember Chavira said Glendale would be at the forefront of technology on this issue.*

*Mayor Weiers asked if there was one in the valley that he could see.*

*Councilmember Chavira said there was not a machine like this in the valley.*

*Councilmember Sherwood said this was a great project and was curious why they got so detailed on this one item.*

*Councilmember Chavira said he did.*

*Councilmember Sherwood asked if they were going to go into such detail on any of the other items.*

*Mr. Duensing said they could.*

*Councilmember Chavira said he wanted to get a little more into detail with this item because it is a new concept.*

*Councilmember Aldama asked if the 10 year CIP process was part of the pavement plan.*

*Mr. Friedline said the pavement plan would probably project out four years.*

*Councilmember Aldama asked if the pavement index process would bring the city streets up to standard.*

*Mr. Friedline said no, but the goal would be to have a pavement index close to 70 or above. He said they will provide more information to Council during their upcoming presentation in June. He said this is a positive funding source.*

*Councilmember Aldama said the streets in the Ocotillo District require specific construction and asked if the index process would cover those streets that need that work.*

*Mr. Friedline said yes it will. He said they will be able to share which streets need reconstruction.*

*Councilmember Aldama said he just wanted everyone to be aware of that.*

*Councilmember Sherwood said there hasn't been enough money to spend on that in the last few years. They are tripling the money over the next few years and it will help the Councilmembers let constituents know where the money is going.*

*Vice Mayor Hugh said they are looking forward to a variety of options for the parking garage. He asked if they are limited to where they put it and can put it in a cheaper location.*

*Mr. Friedline said they are first going to look at how many spaces they need and then will be looking at many options.*

*Councilmember Tolmachoff asked if the landfill north construction the \$4.6 million cost was capital the city had or if it was going to be bonded.*

*Mr. Duensing said that has been identified to be bond funded.*

*Mr. Duensing said the CIP Project Summary Report provides a list of projects by fund and the CIP Project Detail Report provides a listing of the projects by fund and detailed project information. He said staff will provide any additional information Council requires about this.*

*Mr. Duensing explained the General Fund sub-fund consolidation. He said it is normal to have 1 or 2 General Funds, and he would like to consolidate the city's 23 sub-funds. He said it is difficult to provide good projections if there are so many sub-funds. He said combining those funds would make it easier for transfers and easier for staff. He said they would reclassify to separate funds, including 4 special revenue funds and 3 internal service funds. He said this will eliminate multiple inter-fund transfers and it simplifies and standardizes forecasting, budgeting and accounting. The budget resolution*

*incorporates consolidation. Mr. Duensing provided a list of fund names and his proposal of where those funds should be located. He proposed the city has one General Fund and one General Fund sub-fund, which will be the vehicle replacement activities. The reason for this is the City Code requires the vehicle replacement fund be a separate fund. He explained this will simplify the accounting and long range forecasting.*

*Councilmember Tolmachoff asked if the categories will remain, but everything will just be in one fund.*

*Mr. Duensing said that was correct. He provided an example to explain it more in depth.*

*Councilmember Aldama asked which process would be the most transparent.*

*Mr. Duensing said the current process is less transparent and is very confusing and it is difficult to budget this way. He said he had never seen this sub-fund process before.*

*Councilmember Aldama said the new procedure is a better process and will be more transparent for the community.*

*Mr. Duensing said these budget workshops have focused on policy direction and asked if there was anything else Council would like to discuss from a policy standpoint. He also mentioned the budget workshop on April 14th will contain a lot of detail.*

*Mayor Weiers said given time, they will have more questions.*

*Mr. Duensing also went over the next steps in the budget process. He said the detailed budget book distribution will be available around April 3rd. He said a lot of work has been put into preparation of the CIP information this year. April 14th is an all-day budget workshop and April 21st will be a half day budget workshop if it is needed. Tentative budget adoption will occur on May 26th and final budget adoption and property tax levy hearing will occur on June 9th. Property tax adoption will occur on June 23rd.*

*Councilmember Aldama asked about service level enhancements.*

*Mr. Duensing said the budget will show no new service level enhancements, but also will not show any decrease in levels of service. He said they are working toward a balanced budget and not living above their means. He also said they need to bring in resources greater than expenditures.*

*Councilmember Aldama asked if staff would speak to that and if they would have the opportunity to bring the increased service levels to him during this budget process.*

*Mr. Duensing said they could bring those forward for consideration. He reminded Council that additional services means additional resources and that directly competes with financial stability.*

*Councilmember Aldama said it was also important that there would not be a reduction in services.*

*Mayor Weiers said there was consensus to move forward.*

## **ADJOURNMENT**

*The meeting adjourned at 3:16 p.m.*

