

DRAFT MINUTES

**CITY OF GLENDALE
CITIZEN BOND ELECTION COMMITTEE
CITY HALL
4th FLOOR CONFERENCE ROOM
5850 W. GLENDALE AVE.
GLENDALE, ARIZONA 85301
MAY 16, 2023
5:30 p.m.**

1. Call to Order

The meeting was called to order at 5:37 p.m.

2. Roll Call

Roll call was conducted.

Members Present: Lisa Baker, Committee Chair
Jim Brodnax, Committee Member
Connie Kiser, Committee Member
Sam McConnell, Committee Member
Michael Socaciu, Committee Member

Members Absent: Alicia Rubio, Committee Vice Chair
Helena Johnson-Bodine, Committee Member

Other Attendees: Vicki Rios, Assistant City Manager
Levi D. Gibson, Director, Budget and Finance
Amy Lindsey, Budget Administrator
Jamsheed Mehta, Assistant City Manager
Shahid Abbas, Director, Transportation
Purab Adabala, Transportation Planning Administrator, Transportation
Tom Carlson, RBC Capital Markets
William DeHaan, Greenburg Traurig (via Zoom)

3. Citizen Comments

None.

4. Approval of April 18, 2023 Minutes

A motion was made by Committee Member Michael Socaciu, second by Committee Member Connie Kiser, to approve the Citizen Bond Election Committee April 18, 2023 meeting minutes as written.

**AYE: Committee Chair Lisa Baker
Committee Member Jim Brodnax
Committee Member Connie Kiser
Committee Member Sam McConnell
Committee Member Michael Socaciu**

**Other: Committee Vice Chair Alicia Rubio (ABSENT)
Committee Member Helena Johnson-Bodine (ABSENT)**

5. Overview of the City's Budget Process and Capital Improvement Plan (CIP)

Presented by: Levi D. Gibson, Director, Budget and Finance

Presented by: Amy Lindsay, Budget Administrator

Ms. Lindsay gave a presentation, which included information on the following:

Budget Overview

- Budget Process
 - Staff Prepares 5-Year Financial Forecast
 - Develop Base Operating Budget Requests
 - Develop and Balance CIP
 - Present Draft Budget
 - Council Adopts Final Budget
 - Staff Prepares Budget Book
- Budget Components
 - Revenues
 - Expenditures: Operating, CIP, Debt Service, Contingency
- Balanced Budget: Expenses equal to Revenues plus Fund Balance
- FY23-24 Total Budget Appropriation: \$1.26 billion
 - Operating Budget: \$595 million (47%)
 - Capital: \$430 million (34%)
 - Contingency: \$137 million (11%)
 - Debt: \$ 98 million (8%)
- FY23-24 Operating Budget: \$595.1 million

CIP Overview

- Elements of a Capital Improvement Plan
 - Assets valued over \$50,000 with a useful life of 5 or more years
 - Land, buildings, streets, and improvements, plants, large equipment
 - Ten-Year Plan (only FY23-24 is adopted as part of the FY23-24 Budget)
 - Projects in Years 1 to 5 have identified funding sources
 - The City's Financial Policy:
 - Improve existing assets
 - Replace existing assets as needed
 - Construct new assets
- CIP Funding Sources
 - Enterprise Funds
 - Water/Sewer:
 - Funding can come from G.O. Bonds, revenue bonds, revenue obligations, or cash financing
 - Debt service paid from future Water/Sewer fee revenue
 - Landfill: Paid by Landfill user fees
 - Solid Waste: Paid by Solid Waste user fees
 - General Obligation Bonds (G.O. Bonds)
 - Debt issuance must be authorized by the Voters
 - Streets, Public Safety, Parks, Government Facilities, Open Space/Trails, Libraries, and Flood Control
 - Debt service paid by Secondary Property Tax
 - Pay-As-You-Go: Cash-funded projects
 - Transportation Sales Tax
 - Half-cent sales tax
 - Improve service for all modes of transportation
 - Highway User Revenue Funds (HURF)
 - Restricted Special Revenue Fund
 - Right of Way acquisition, construction, reconstruction, maintenance, and repair
 - Development Impact Fees
 - One-time charges to developers for new development

- New or expanded infrastructure
- Grants
 - Federal or state grant funding
 - Often require a City match contribution to the project
- 10-Year Draft CIP by Project Type: \$1,619.6 million / Departmental breakout was provided.
- 10-Year Draft CIP by Funding Source \$1,619.6 million / Source breakout was provided.

6. General Obligation (G.O.) Bonds

Presented by: Vicki Rios, Assistant City Manager

Presented by: Levi D. Gibson, Director, Budget and Finance

Mr. Gibson gave a presentation on General Obligation (G.O.) Bonds, which included the following:

- G.O. Bonds
 - Paid for using Secondary Property Tax. Assumes a flat levy.
 - Must be authorized by voters
 - Constitutional limits
 - Based on Net Assessed Full Cash Value
 - Outstanding G.O. debt may not exceed:
 - 20% for combined water, sewer, public safety, streets, transportation, open space and parks; within the City boundaries
 - 6% for general municipal purposes
 - 2021 legislation allows for repurposing bond authority. This has to be voted upon and authorized by the voters.
- Property Tax
 - The levy is a dollar amount that is set by the state. The rate is the percentage applied. Property values multiplied by the rate results in the levy.
 - Primary Levy Limit
 - Can be used for any General Fund expense
 - Allowable 2% increase per year
 - Secondary Levy Limit
 - Debt service on G.O. bonds only
 - Currently flat levy. A slight growth is assumed for construction.
 - Glendale's Property Tax is comprised of (approximately):
 - Schools 61%
 - City of Glendale (Primary Levy) 4%
 - City of Glendale (Voter Approved) 14%
 - County 14%
 - Special Districts 7%
 - An example of a Property Tax Bill for a home was displayed which showed the rate and levy for 2021 versus 2022.
- Debt Management Policy
 - Adopted by City Council in October 2020.
 - The City Council will not authorize the issuance of new G.O. bonds if the levy amount required to pay the debt service on the existing G.O. bonds plus the new G.O. bonds exceeds the amount of the current year's tax levy plus an amount of up to 2% per year for new growth (i.e. new property added to the tax rolls)
 - Existing G.O. Debt Service + New G.O. Debt Service must be less than or equal to the Current Levy + 2% Growth
 - Council is recognizing a policy of managing the City within its means and trying to keep the levy flat.

- The following charts were displayed and explained:
 - Secondary Property Tax History: FY15 through FY24
 - G.O. Debt Service Capacity – Principal and Interest: 2023 through 2042

Committee Member Brodnax commented on the increase in the levy when property values increase. Ms. Rios explained the tax rate was floated, based on the levy, to maintain a relatively flat rate. Mr. Gibson showed the secondary property tax history since FY15. Mr. Carlson explained how tax rates fell, except for new construction.

Committee Member Socaciu asked if the percentage of the primary and secondary tax rates to overall taxes collected were increasing or decreasing. Ms. Rios said it did go down, but not by very much. Mr. Gibson said the percentage changed last year on the schools and education line, because the state eliminated the state aid to education rate.

Committee Member Socaciu asked if City Council could change its Debt Management Policy. Ms. Rios said Council adopted the policy by resolution in October 2020. She said Council could change the resolution, but it would have to be done via public process. Committee Member Socaciu asked how long a change could take. Ms. Rios said it would depend on if Council wanted to conduct public outreach or how long notice would be given. She said most of the time, it would be a workshop and then a few weeks later or a month later would go to a voting meeting. Committee Member Socaciu said this was a worry people had, that Council could change its policy. Mr. Gibson noted staff asks if Council reaffirms its budget policy, as part of the budget process. Committee Member Socaciu suggested using the median home value in each district, in outreach to the public, as there was quite a bit of variation in the City.

Committee Member Socaciu asked what would happen if the voters did not vote to pass any proposed bonds. Ms. Rios said the City would issue debt based on its existing authority, for planned projects. She said eventually if the all of the authority was used, the tax rate would have to be dropped to a lower amount. Committee Member Socaciu asked if it could be shown how much the tax rate would drop, on an average property tax rate per district, if bonds were not issued. He said it might be good to see it was a minimal amount of authority, so the public could see it was a negligible increase to pass the bonds. Committee Member Brodnax said the City's property tax was actually the smallest part of the tax bill.

Mr. Carlson said if voters did not approve the bonds, the projects would be delayed or other funds would need to be found. He said there was an implicit cost as well, to not approve the bonds, as roads and other facilities would get worse. Ms. Rios indicated that future project costs would increase as deterioration increased over time. Mr. Carlson said the cost of a G.O. Bond was less than the cost of inflation for construction.

Chair Baker asked for examples of general municipal purposes for which G.O. Bond funds could be used. Mr. Gibson said it would include construction of a city building.

Committee Member Brodnax asked if the City had a library tax. Mr. Gibson said it did not and said the county had a library tax.

7. Presentation: Role Committee

Presented by: William DeHaan, Greenburg Traurig

Mr. DeHaan relayed information regarding the Purpose and Role of the Bond Committee:

- Review Financial Information
 - Understand the City's Capital Improvement Plan

- Review Ballot Language
 - Make recommendations to City Council
- Community Outreach
 - Member of the Bond Committee
 - Private citizen / resident of Glendale

Committee Member Socaciu indicated, if the voters would did not approve the bonds, eventually the City would have to increase the tax rate in order to fund the CIP projects over time. He asked if this was clearly communicated in the ballot language. He said, initially the rate would go down, however at some point; the tax rate would have to increase to collect the needed funds or the projects would have to be abandoned altogether. He said the public could then see they could pay \$50 more a year now, versus more later. Ms. Rios said regarding property taxes, if the voters did not authorize new authority, all authority was used, and all debt was paid off, then there was no secondary property tax. She said if the voters did not approve the G.O Bonds, the funds would have to be raised somehow, possibly by raising sales tax or fees. She said the property taxes were very restricted and could only be used for G.O. debt service. She said if there was no G.O. debt to pay as it was paid off, then the tax would go away. Committee Member Socaciu said the secondary tax would go away, but the primary tax would have to be increased. Ms. Rios said it could. She said Council could raise the primary tax, but could raise sales tax. Committee Member Socaciu asked if this was communicated effectively to the voters. Ms. Rios said even if the primary property tax was raised to its maximum allowable level, it would not be enough to pay the debt service. She said it would have to be a different type of tax increased. Committee Member Socaciu asked if this was made clear to the residents. Ms. Rios, explained, because of state legislation, by law, the ballot has to say approval of the bond will result in a property tax increase sufficient to pay the debt.

Committee Member Socaciu indicated the voters should be aware they will have to pay more if the bonds were not passed and should know it was the best way with the least impact to fund the projects. Mr. DeHaan said the City could not specifically say this to voters, but the Committee Members could. He explained though, that once Council decided to move forward with the election, the Committee Members could not advocate as on behalf of the Committee. He said, as a private citizen, a pro-statement letter could be written. Mr. DeHaan said a Political Action Committee (PAC) could be set up and provided general information on establishing a PAC, which was more effective. Ms. Rios said once Council called for the bond election, City staff was in the role of educating and informing the public. She said City staff could not use City resources to advocate for the bonds, however, the Committee Members could advocate as private citizens.

Committee Member Brodnax commented on the challenges City Council would face if the bond failed.

8. Presentation on the City's G.O. Bond Funded Streets Capital Projects

Presented by: Levi D. Gibson, Director, Budget and Finance

Presented by: Shahid Abbas, Director, Transportation

Presented by: Purab Adabala, Transportation Planning Administrator, Transportation

Mr. Abbas presented information on the City's Streets Projects, which included information on the following:

- Elements of a CIP
- Non-Capital Street Maintenance
 - Pavement Management Program
 - Pavement Deterioration and Life Cycle Costs
 - Pavement and Rating System
 - Pavement Condition and Funding
- Arterial Reconstruction Program
- G.O. Bond Funded Streets Capital Projects

- Projects Requiring Additional Voter Authorization
- Streets G.O. Bond Remaining Voter Authorization
- 2020 G.O. Bond Election – Ballot Language

Committee Member Socaciu asked for clarification on the Pavement Condition Index number that was the goal for the City, the cost, and timeframe to achieve. Mr. Abbas provided explanation.

Committee Member Brodnax asked about Northern Avenue and if Phoenix paid for its portion of any road construction. Mr. Adabala explained the responsibility between Glendale and Peoria regarding Northern Avenue.

9. Next Meeting

Presented by: Vicki Rios, Assistant City Manager

It was agreed that the next regular meeting of the Citizen Bond Election Committee will be held on June 6, 2023 at 5:30 p.m. in the 4th Floor Conference Room, located at 5850 West Glendale Avenue, Glendale, Arizona, 85301.

10. Adjournment

A motion was made by Committee Member Michael Socaciu, second by Committee Member Connie Kiser to adjourn the meeting at 6:56 p.m.

**AYE: Committee Chair Lisa Baker
Committee Member Jim Brodnax
Committee Member Connie Kiser
Committee Member Sam McConnell
Committee Member Michael Socaciu**

**Other: Committee Vice Chair Alicia Rubio (ABSENT)
Committee Member Helena Johnson-Bodine (ABSENT)**

The Citizen Bond Election Committee meeting minutes of April 18, 2023 were submitted and approved this 16th Day of May 2023.

Levi D. Gibson
Director, Budget and Finance