



CITY COUNCIL REPORT

MEETING DATE: 08/13/2019
SUBMITTED FOR: Chris Anaradian, Assistant City Manager
DEPARTMENT: City Manager's Office

Subject

REVIEW AND DISCUSS POTENTIAL SALE OF GLENDALE MEMORIAL PARK CEMETERY

Presented by: Chris Anaradian, Assistant City Manager
James Milanese, Engineering Administrator

Purpose and Recommended Action

Discussion with the City Council on the potential sale of the Glendale Memorial Park Cemetery.

Background

The Glendale Memorial Park Cemetery was established in 1900 by the Glendale Cemetery Association. In 1962 the City of Glendale agreed to take over ownership of the cemetery, presumably as it was struggling financially. The original 1962 Agreement, adopted by Resolution 647 New Series has no restrictions on the sale of the property or its assets and specifies that the city could divert any excess cemetery revenues to other city uses. (Attachment 1)

In 1985, the City created by ordinance, a Cemetery Perpetual Care Fund (CPCF) that had not previously existed. (Attachment 2) At that time, all revenues derived from cemetery sales were to be deposited into the CPCF, with all expenses coming from the General Fund. In 2003, the Council adopted Ordinance 2330 which directed that only interest earnings on the balance be deposited into the CPCF. The balance in the CPCF at that time was approximately \$4.5M. The Ordinance also restricted the use of the CPCF to expansion or capital enhancement until all plots were sold. The Ordinance further directed that all revenues and expenses of the cemetery be recorded in the General Fund. In the same year, the cemetery was restricted to Glendale residents and their immediate families.

The cemetery for many years has cost the City more to operate than it earned in revenue, and operations relied on subsidy in the form of direct and indirect financial support. The cemetery is primarily a traditional land burial operation while the market has transitioned to ash burial and following the downturn of the economy, cemetery marketing operations were minimal. In the last fiscal year, the cemetery had an operating budget of \$220,816, expensed \$229,239, and had total revenues of \$199,231. The cemetery is also indirectly supported by the Landfill, Solid Waste, and Transportation funds in the form of Equipment, Supervision, and administrative assistance. The cost of this support is estimated to be at least \$30,000 per year. Researching past budgets demonstrates from FY 1987 - 2002 the cemetery received General fund subsidies totaling \$3,469,357. Most years, the cemetery operated at a financial loss and received ongoing direct financial subsidies and indirect operational subsidies, minimally estimated at \$50,000 annually.

In 2018, the City contracted with Johnson Consulting, a Scottsdale based cemetery and mortuary consultant, to review the operations of the Glendale Memorial Park Cemetery and to make recommendations for the future operations. The report recommended two options:

1. Significant investment in physical structures (columbariums and the like), extensive training for staff, and revisions of operations. It was expected that with these improvements the cemetery

could become near revenue neutral.

2. Privatization to an established industry professional entity with the necessary expertise and connections to maintain the cemetery as viable. This option would stabilize and enhance the level of service of the cemetery.

Subsequent to consultation with the City Council in Executive Session, the City amended the agreement with Johnson Consulting to develop a plan to sell the cemetery. Working with City staff, the consultant developed a marketing plan and a list of qualified buyers. On May 2, 2019, the City authorized Johnson Consulting to engage the potential buyers. On June 5, 2019, the City received one offer, from John Hassett of Serenity Memorial Group located in Bullhead City, AZ and operating the Desert Lawn Cemetery and Funeral Home. That offer was in the amount of \$100,000.

Analysis

Serenity Memorial Group currently operates three funeral homes, one cemetery, a crematory, and a pet funeral home/cemetery in Mohave County. Serenity Memorial Group is owned by an Arizona family with roots in Phoenix and Sun City/El Mirage. The purchase of the Glendale Memorial Park Cemetery is part of their business plan to expand into Maricopa County where they have family ties. The firm has established a new corporation, Glendale Memorial Park Cemetery LLC to effectuate the purchase of the cemetery and to honor the historical context of Glendale's Cemetery.

The sale terms developed by city staff with the advice of our consultant include, transfer of all facilities, some assets, contracts, and \$3.8 million from the CPCF in order to ensure continued operation of the cemetery generationally. The majority of the \$3.8 million will be placed in a true Cemetery Perpetual Card Fund regulated by ARS Title 32, Chapter 12, Articles 1–6, which contains over 90 prescriptive sections including strict third part fiduciary controls to hold and protect the principal of the CPCF. A small portion will be placed in a merchandising trust account, which is also regulated by ARS. It is anticipated that this will significantly increase the profitability of the managed interest earnings for the fund..

Glendale Memorial Park Cemetery LLC has agreed to continue operations and keep the name of Glendale Memorial Park Cemetery and to offer preferential pricing and terms for Glendale residents. Private cemeteries are more highly regulated than municipal cemeteries which makes any attempt at re-development or other uses highly impractical and unfeasible.

The City will retain the remaining approximately \$2,000,000 of the fund. This amount is in excess of the needs of the cemetery and can be used elsewhere to support the general operations of the city.

The cemetery currently has one full time employee paid for via the General Fund. The employee has 15 years of service with Glendale, the majority of which has been spent in the streets maintenance division. Staff are requesting that the associated appropriations for the FTE be transferred to the Street Maintenance division, which is funded by HURF.

Finally, the brokerage fee of \$25,000 for Johnson Consulting Group will be paid for out of the proceeds of the sale through escrow.

Community Benefit/Public Involvement

The sale of the cemetery will lead to several benefits for the City and the Glendale community:

1. It will allow staff to focus on core services. The cemetery is currently managed as a joint operation between the Transportation and Field Operations departments, neither of which has the expertise or focus to manage this operation.
2. It will protect the General Fund and other city funds from continued operational subsidies.

The negative profitability of the cemetery is not likely to improve under City ownership, as opposed to a full-service funeral business.

3. Enhanced customer service through the devotion of industry professionals that are motivated by industry best practices, competition, continuing education and the ability to cater to the unique requests of individual families that have a range of concerns and needs. For example, currently the cemetery only allows burials on Tuesday-Thursday; the new business model will allow for burials seven days per week along with expanded programming for Memorial Day, Veterans Day, etc.

4. Capacity and longevity will be enhanced as the business plan identified by Mr. Hassett includes creating additional capacity in the form of efficient use of underutilized sections of the property and expansion to meet market trends and customer requests.

5. Cultural, genealogical and historical context of the cemetery will be enhanced as Mr. Hassett business plan supports increased efforts at cataloguing; the practice of documenting and interpreting important community history.

Attachments

Power Point Presentation (added 8/9/19)

Resolution 647 - Attachment 1

Cemetery perpetual Care Fund - Attachment 2
