

Office of Economic Development
Economic Development Advisory Board
MEETING MINUTES

Date: December 6, 2005: 7:30 A.M.

MEMBERS PRESENT

Patricia Schroeder
Mike Garcia
Brian Campbell
Raul Cardenas
Jim LeCheminant
Vern Mathern
Steve Shope
Ted Wendel

EX-OFFICIO

Mayor Keno Hawker (excused)
Mike Hutchinson
Charlie Deaton
Jack Sellers

STAFF PRESENT

Betsy Adams
Wayne Balmer
Harold Decker
Catherine Ji
Teri Killgore
Richard Mulligan
Tom Reyes
Scot Rigby
Claudia Whitehead

GUESTS

Roc Arnett
Lois Yates

MEMBERS ABSENT

Bob Pothier (excused)

Chair Pat Schroeder called the December 6, 2005 meeting of the Economic Development Advisory Board to order at 7:30 A.M. in the Mesa City Plaza Building, Room 170.

Chair Schroeder called for a motion to approve the minutes from the meetings held October 4, 2005 and November 9, 2005 (with minor corrections to October 4, 2005 minutes).

MOTION: Jim LeCheminant moved that minutes from October 4, 2005 and November 9, 2005 be approved.

SECOND: Vern Mathern.

DECISION: Passed unanimously.

Chair Schroeder asked for comments on the helicopter tour.

Mr. Ted Wendel commented that it was enlightening to see the expanse of the community, what's happening in southeast Mesa and the opportunities that are there for development.

Mr. Jack Sellers commented that it certainly gives you a different perspective to see what's happening from that vantage point.

Chair Schroeder turned the meeting over to City Manager Mike Hutchinson.

1. Diversification of City's Revenue Base

Financing the Future Citizens Committee

Mr. Hutchinson reported the progress of work being done on the city's revenue structure. It is always an interesting process to try to get the revenue structure more appropriate for the size and type of city that Mesa has become.

Financing the Future Citizens Committee made a report several months ago to the City Council and recommended the primary property tax and sales tax increase be placed on the ballot. They also recommended the city review selling the Water Farms asset in Pinal County, hire a City Auditor to review City programs and several other budget related recommendations. The City Council has been discussing these in greater detail over the last month. They are very hard issues and quite confounding. The staff and the majority of the Council are going on a path of a property tax/sales tax ballot in May 2006. An outside group did a survey and came back with some fairly startling results in some aspects. The most interesting results were that when they polled the voters, 60% of them did not know that the City had a financial problem. On property tax, 40% were supportive of a primary property tax. Also, when asked on dedicating a property tax to police and fire as some communities have done, it didn't move any of the polling numbers. The poll showed some interesting statistics on the demographics of the voters, as a high number of those residents being 50 and older. The Council has been pondering that information and the staff has provided them with more detailed information and alternative scenarios. There have been approximately 12 or 13 that have been worked through. We have also prepared a list of programmatic cuts that would have to take place if there were no tax changes implemented by the voters. As it sits today, the Council is looking at a couple of things and one is asking the voters to impose a 1.8% sales tax rate, which is an increase from our current 1.5% sales tax rate. The second is all future general obligation bonds will be repaid with secondary property taxes. The third is to start selling a portion of the Pinal County Water Farm and use the funds to repay bond debt. This could generate approximately \$225 million over ten years.

The City Council had a discussion at a Study Session and several of them have asked that the primary property tax be put back on the table for further discussion with the potential that it would be put on the ballot in May. A lot of work being done at the staff level. We are making progress. The goal is to get the election called at the December 19 meeting, so the election would be set for May 2006.

Mr. Vern Mathern asked if the .30% included the Quality of Life sales tax?

Mr. Hutchinson responded that the Quality of Life Tax will sunset in July and would reduce the sales tax to 1.25% if not approved in May. If approved, the Quality of Life sales tax would remain at .25% with a large portion of the .30% would be for our transportation plan. A property tax has to be held in May by order of State statute.

Chair Pat Schroeder asked for comments from the Board as to whether they wanted to go forward with any recommendations, etc.

Mr. Mathern suggested that they go forward with the plan for the 1.8% increase in the sales tax for May and later go back to educate the public for the property tax.

Mr. Hutchinson commented that every four or five years a group of citizens look at what the bond needs are. The committee has reported to the City Council. The Council has accepted the report and has had some discussion about the various bond requests. They are broken down into utility and general obligation bonds. There is the potential of putting the utility revenue bond, which are water, wastewater, electric and gas bonds on the May election and the general obligation bonds in November. There could be a problem getting them on the County ballot in November as they would be tied a secondary property tax. The Council is debating that and split on when to put them on the ballot.

Mr. Sellers expressed concern over the forecast that the Williams Gateway Airport could be the economic engine of the entire East Valley. Without the proper financing the city is not going to have the ability to make that happen.

Mr. Hutchinson expressed the need for the property tax, land sold in Pinal County and the GO debt to be backed by a secondary property tax.

Mr. Brian Campbell commented that with respect to bond debt that already exists and that was previously authorized by the voters, is it not true that by virtue of that authorization the City Council has the power to pass, without another vote, a secondary property tax to pay for those bonds, and expect those services to be delivered? Why are we beating ourselves up over going to the public again, when instead of closing services the officials need to do what they are suppose to do? He also commented that if the public didn't understand the first time around what they were voting for, are they really going to understand the second time around? I'd like to give my fellow citizens a little more credit than that. Is that even being discussed?

Mr. Hutchinson responded that the voters may be more apt to think the secondary property tax is appropriate if they have the chance to vote on it. They can say that they see the project and we want the project, and are willing to pay a secondary tax.

Mr. Steve Shope asked if the public votes it down, does that close the opportunity for the elected officials to implement the secondary property tax?

Mr. Campbell responded that it was his understanding that it would, if they voted down one of the projects, but for the projects they voted for, then that power does exist. If there is a lack of political will of our elected officials to carry out what the public has already said they wanted, then he is puzzled as to why we are generating a lot of effort that this Council could do by their selves.

Mr. Wayne Balmer commented that we have almost 12,000 acres in Pinal County that we could sell. We bought this land in the 80's between Coolidge and Eloy along the highway. We are the biggest single landowner in that area. We paid an average of

\$2,500 per acre and now land in that area is going for around \$25,000. With the urban growth going on in that area we will see demand for that property in the future.

Mr. Balmer also commented that everyone is looking to Williams Gateway Airport. Mesa has taken a look at how the airport is financed and has proposed a cut of \$2 million from the budget toward WGA and leaving in \$500,000. That would leave WGA struggling. Mesa has invited Phoenix to join the partnership and contribute \$1.25 million from each.

Mr. Dick Mulligan asked, how does the City get a return on its' investment from Williams Gateway Airport without a property tax? Out of the Economic Development budget we would have to cut our participation in GPEC of around \$175,000 and cut an additional \$400,000 out of a \$1.4 million budget.

Mr. Charlie Deaton asked to see what the commercial property would bring in the way of a primary property tax. Car dealers would rather see a property tax instead of a sales tax increase.

Mr. Mike Garcia commented that the public should be made aware that it is not all going to be put on the backs of residential property owners, but also on commercial property owners.

Mr. Campbell commented that there seemed to be a consensus that the system needs to be fixed. We have a proposal from the Financing the Future Committee to fix the system. My belief is that the message should be sent to the council a) The system needs to be fixed and b) I personally do not believe that cutting services, whether it is to WGA, soccer fields or whatever, is an option or shouldn't be an option.

Chair Schroeder commented that the Board seemed to be struggling with a consensus. What message do you want to send back to the City Council or do you want to just be quiet at this point?

Mr. Mathern stated that he thought the Board should help the Council make a decision.

Mr. Garcia commented that the Board should stand behind the Financing the Future Committee's recommendations. They spent countless hours studying the issues and making the recommendations. It's like a corporation hiring a consultant to say here is our issues and problems, now design a solution and paying half a million dollars to do so, and then putting it in the trash can. These folks came up with a very valid proposal and we have already taken a stance that we have supported that position. I would like to see us recommend continuing support and incorporate not cutting any services to reinforce our position.

Mr. Shope recommended that preserving the Quality of Life is absolutely essential. Cutting services is a slippery slope and once you start going down it you can't get back up because you start losing jobs.

MOTION: Brian Campbell moved that the EDAB Board reiterate our strong support for the Financing the Future Committee's approach to fix the problem, which needs to be fixed. In addition, strongly urge the City Council to

resist, wherever possible, the cutting of critical services and do everything within their power to retain a Quality of Life in the city.

SECOND: Dr. Ted Wendel.

DECISION: Passed unanimously.

Chair Schroeder suggested doing this quickly.

Mr. Mulligan volunteered to prepare a letter from the Economic Development Advisory Board, signed by the chair, to go to the City Council in support of the recommendation being made by the Board.

2005 Citizen Bond Committee

Covered in the above discussion.

Mesa Likely Voter Survey

Chair Schroeder encouraged the Board to look over the survey material in the packet. She commented that she liked what she read.

2. Workforce Development

GPEC Workforce Development Task Force

Mr. Mulligan has served on the GPEC Workforce Development Task Force and commented that the material in the packet is delving into several public policies on Workforce Development. He wanted to make the Advisory Board aware of several initiatives that are going on out in the region.

A draft report was prepared that went to the GPEC Board of Directors for review. This Task Force consisted of a number of folks from the private sector and the GPEC Board of Directors. The questions asked are, what's our role in workforce development and what can we do? This is an educational piece to take back to GPEC's Board that says here's the players, here's the situation and some initial sets of recommendations.

Regional Workforce Housing Task Force

Mr. Gregg Holmes, who is the past chair of GPEC, is heading up a regional workforce/housing task force. It includes a whole variety of stakeholders who are concerned about what is happening and what has happened in the housing market in the last couple years. We have a high percentage of the population who spend more than 30% of their income toward housing. This leaves a whole lot less available for disposable income to be productive in our own regional economy.

Mesa has one of the lowest percentages of the workforce with a four-year college degree in comparison to our neighbors. We do well in terms of volume based on population, but it doesn't help Mesa with having a knowledgeable workforce. We must have the type that Google is looking for, folks with good educational backgrounds.

3. State Legislation

Business Improvement Districts

See the material in the packet.

Enterprise Zone Reauthorization

Mr. Mulligan commented that the next Legislative Session begins in January. From time to time we have legislation where sunset clauses come into effect. That is true for the Enterprise Zone Authority that the State Department of Commerce has. They need to get the Enterprise Zone reauthorized for another set period, otherwise it will sunset at the end of this legislative session. We have been in conference calls with the different stakeholders that have been working on it. Representative Huffman is going to be the sponsor for this legislation going forward. His sense was that this legislation session will not be as keen on economic development initiatives because the legislature did a whole lot last session. The mindset is that they have taken care of economic development issues and it's not as important this session.

Retail Tax Incentive Agreements – ARS 9-500.11

Mr. Mulligan shared with the Board that during the summer a variety of entities approached us wanting the City to contribute monies towards some retail developments. New legislation was passed last session stating municipalities can't do sales tax rebate deals as part of development agreements quite the way we used to. State Legislation requires that we now go to the City Council 14 days prior to bringing a development agreement forward so there is a public notice that it is going to happen. Cities also cannot consider the items an emergency vote or emergency clause, they must have it on the public agenda in order to move it forward. Additionally, approval requires a 2/3 Council majority vote.

Mesa's practice has always been that we do our due diligence, a good analysis, and we involve third parties to help us confirm that revenue streams will be there. We then track how the deals go after the fact. We have different rules to follow now and we can't go forth with a tax incentive without demonstrating that the deal couldn't have been won without the incentive. Then you have to take it to the City Council the right way. You may see some of that in the future with deals over the next quarter.

4. Executive Director's Report

Mr. Mulligan pointed out several highlights. There has been a lot of activity with some of the key business sites around the community. He referred to the report in the packet and if there were any questions to let him know.

The new hospital that IASIS is building on Crismon and Southern is already generating some new development. Economic development has been interfacing with developers about two new major sized medical office buildings that will be built by two different

developers adjoining the hospital. The first is 100,000 square feet and the second came into plan review with an 80,000 square foot building. However, upon learning about the first building, the second developer is coming back with a 100,000 square foot building also.

The Stapley Corporate Center has opened their first office building at Stapley and Baseline. The former Bank One Building, now called One McDonald Center, has opened downtown and several more are coming out by the hospital. We anticipate that sometime next year we will see our Class "A" office space eclipse 3%.

5. Future Focus

Moving Arizona Forward: Strategies for Success

Chair Schroeder referred to the handout regarding the initiative from the Department of Commerce called Moving Arizona Forward. They have been conducting a number of meetings around the state.

Mr. Mulligan commented that the state has been embarking on coming up with a ten - year economic development strategy. They have scheduled various listening sessions around the state and have broadly asked what people think the state should be doing in terms of economic development. The sessions have been lightly attended. One of the better opportunities for input might come through the EDAB Board. The State will take some of the initial feedback and create some guiding principals. The purpose is to tie the economic development strategy to smart growth principals. The process will go on through the remainder of the fiscal year.

6. Other Business: Public and Board Comments

Chair Schroeder reminded the EDAB Board of the following meetings coming up.

- AAED Competitiveness – Best Practices Forum: December 8
- MCC/SRP – Competing with Talent: High Technology Manufacturing's Future in Great Phoenix: January 12, 2006
- Next EDAB Meeting: February 7, 2006

Mr. Scot Rigby made a presentation to Mr. Hutchinson and expressed appreciation from the Board and Staff for his service to the City.

Mr. Hutchinson thanked everyone for all their hard work over the years. He expressed his thanks to Mr. Mulligan, Mr. Balmer, staff and Board members and stated what a pleasure it has been to serve on the Board.

Mr. Mulligan announced his acceptance of a job offer with the City of Chandler as their new Economic Development Director. His last day will be December 30 along with Mr. Hutchinson. Mr. Mulligan said it has been a real pleasure. Mr. Hutchinson has been the finest City Manager he has ever worked with and has had a terrific staff also. It has been a marvelous experience. He also thanked the many volunteer Board members.

Mr. Hutchinson commented that the new City Manager, Chris Brady, will be moving to Mesa the week after Christmas. He will start on January 3rd. The interim Director will be decided on in the next few days. Chris Brady will have the flexibility to put people in the spots that he wants to.

Mr. Raul Cardenas gave a brief update on the MCC Planning Activity. There will be more information as time moves on.

Mr. Hutchinson noted that the walls are up for the new Cinemark Theater going in at Riverview at Dobson. The Council introduced the ordinance December 6 and hopefully will approve the final site plan.

Mr. Garcia commented that at Site 17 a healthcare facility is being considered for that area, but doesn't give any vitality or livelihood to the downtown area.

Mr. Mulligan commented that to his knowledge there has not been any deal put together.

Mr. Sellers commented that he was on a trip to Guaymas this past weekend for an Arizona Corporation Commission meeting. There are some exciting things happening with our Sister City. Guaymas has a new marina in the downtown area that will become a part of the coastal highway that is also under construction.

7. Adjournment

It was noted that the next EDAB meeting would be held February 7, 2006.

There being no further business, Chair Schroeder adjourned the meeting at 8:59 A.M.

Submitted By:

Wayne Balmer,
Acting Economic Development Director