

COUNCIL MINUTES

May 19, 2003

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 19, 2003 at 4:30 p.m.

COUNCIL PRESENT

Mayor Keno Hawker
Dennis Kavanaugh
Rex Griswold
Kyle Jones
Janie Thom
Claudia Walters
Mike Whalen

COUNCIL ABSENT

None

OFFICERS PRESENT

Paul Wenbert
Debbie Spinner
Barbara Jones

Councilmember Walters participated in the entire meeting through the use of telephonic equipment.

1. Review items on the agenda for the May 19, 2003 Regular Council Meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Items placed on the consent agenda: 12

Items removed from the consent agenda: 7f

Items withdrawn from the consent agenda: 9l

2. Discuss and consider issues related to the FY 2003/04 and FY2004/05 budget.

a. Update on the Arizona State Retirement System contribution rate.

Assistant to the City Manager Jim Huling addressed the Council and reported that an estimated 373,000 employees from various State, city, county and school agencies are enrolled in the Arizona State Retirement System (ASRS). He explained that beginning July 1, 2003, the proposed contribution rate for employers and employees is expected to rise from 2.49% to 10.4%, resulting in a \$4.1 million increase in the City of Mesa's contributions to the program.

Mr. Huling commented that throughout the current Legislative session, he and other lobbyists have encouraged Legislators to agree to a two-year "phase-in" contribution period which would lessen the financial impact on the contributing agencies. He noted, however, that a major area of concern includes whether the phasing in of the contributions would be considered a diminishment or impairment of the public retirement benefits. Mr. Huling added that the retirement system must be based on actuarial methods and assumptions that are consistent with generally accepted standards, and that the ASRS actuary has not been willing to concur, at the request of the Legislature, that the phased-in contribution period would be actuarially sound. He further commented that both of these matters require further consideration and stated that that even if Governor Napolitano receives the Bill, it is likely to be vetoed in its current form.

Discussion ensued relative to the fact that if Mesa's ASRS contributions are not phased in over two years, for FY 2003/04, the City would need an additional \$1.5 million to add to the already budgeted \$2.6 million; that in FY 2004/05, the City is fully funded to the level that has been identified; that the 229 City positions which are not funded in FY 2003/04 have been factored out of the City's ASRS calculations; that the proposed increase in contributions is due, in part, to the declining stock market, as well as the ASRS's lower than projected investment returns, and the process that is used by the ASRS to determine its rates.

Mayor Hawker thanked Mr. Huling for his presentation.

b. Stability pay

Budget Director Jamie Warner addressed the Council and referred to a report entitled "Stability Pay Forecast," copies of which were distributed to the members of the Council. (See Attachment 1.) He explained that the forecasted payout for stability pay is based upon an assumption of 60 full-time employees (FTEs) retiring each year for FY 2003/04 through FY 2004/05; that the reduction in the number of retirements annually that have received stability pay reflects the estimated impact from the DROP program for Police and Fire personnel; that the number of participants receiving stability pay has decreased over the last four years, on average, by 82 participants and over the last six years by 76 participants per year; that the annual cost for stability payout is based on an average annual decline in participants; that the growth in average payment amounts has increased by 9.1% over the last five years and is attributed to cost of living increases, an increase in the stability percentage in the system, as well as promotions or special pay adjustments for participating individuals; that it is forecasted that the amount of annual growth will decline as more participants reach the maximum payout percentages, and that stability pay is scheduled to end in either FY 2018/19 or FY 2019/20.

Mayor Hawker reiterated his comments from a previous Study Session and stated that he would prefer a performance-based system whereby employees are hired and advanced through a merit system. He noted, however, that because stability pay was considered a condition of employment at one time, he would recommend that it be continued until it eventually reaches a zero balance in FY 2018/19 or FY 2019/20.

Councilmember Walters concurred with Mayor Hawker's recommendations. She commented that in studying this issue, she contemplated the idea of capping the maximum amount of stability pay that an employee could receive, but stated that in conferring with the City Attorney's Office, she learned that the City could be in legal jeopardy if an employee challenged the City regarding this issue. Councilmember Walters added that eliminating stability pay altogether

would damage the morale of many fine employees who were promised the benefit as a part of their employment package with the City.

Vice Mayor Kavanaugh expressed support for Mayor Hawker's recommendation. He stated the opinion that the current Council has the legal obligation to uphold the decisions of prior Councils and added that to terminate the stability pay program at this time would raise serious liability issues for the community.

Councilmember Whalen concurred with the comments of his fellow Councilmembers. He also noted that a large percentage of City employees do not receive stability pay and that there is a sense of inequity among the employees which must be addressed in the future as well.

Councilmember Thom explained that she was unaware of the fact that employees other than public safety personnel were eligible to receive stability pay. She noted that although some employees receive only nominal amounts of stability pay (\$1200-\$1500), other upper level management employees receive as much as \$16,000 annually. Councilmember Thom suggested that a temporary reduction in stability pay, with a cap of \$5,000 at the higher pay ranges, may be appropriate until Mesa's budget shortfall is resolved.

Councilmember Jones concurred with Vice Mayor Kavanaugh's comments that this Council has the legal and moral obligation to continue to maintain the stability pay program which was adopted by a previous Council. He also voiced concerns regarding the necessity of achieving more equitable compensation for all City employees.

Councilmember Griswold stated that he would reluctantly support the continuation of the stability pay program. He suggested the possibility of rolling stability pay into an employee's regular salary and thereby capping the stability pay allotment.

In response to Councilmember Griswold's comments, City Attorney Debbie Spinner clarified that there are currently a series of unanswered questions regarding stability pay and the legality of changing, amending or eliminating it altogether. She stated that it would be necessary for the Court to ultimately decide such issues.

Mayor Hawker stated that it is the consensus of the Council that the stability pay program remain in effect as it currently exists.

3. Appointments to boards and committees.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Griswold, that the Mayor's recommended appointments, as outlined in Attachment 2, be approved and that the Mayor's appointments be confirmed.

Carried unanimously.

4. Acknowledge receipt of minutes of boards and committees.

- a. Historic Preservation Committee meeting held April 10, 2003.
- b. Transportation Advisory Board meeting held April 15, 2003.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Walters, that receipt of the above-listed minutes be acknowledged.

Carried unanimously.

5. Hear reports on meetings and/or conferences attended.

The following members of the Council provided brief updates on various meetings/conferences they attended as follows:

Councilmember Thom
Councilmember Griswold
Mayor Hawker

Community Advisory Panel Meeting
ADOT Neighborhood Meeting
MAG Executive Committee Meeting

6. Scheduling of meetings and general information.

Deputy City Manager Paul Wenbert stated that the meeting schedule is as follows:

Thursday, May 22, 2003, 7:30 a.m. – Study Session

Thursday, May 29, 2003, 7:30 a.m. – Study Session

Monday, June 2, 2003, TBA – Study Session

Monday, June 2, 2003, 5:45 p.m. – Regular Council Meeting

Thursday, June 5, 2003, 7:30 a.m. – Study Session

Thursday, June 5, 2003, 9:30 a.m. – Fire Committee Meeting

Thursday, June 12, 2003, 7:30 a.m. – Study Session

7. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

8. Adjournment.

Without objection, the Study Session adjourned at 5:30 p.m.

KENO HAWKER, MAYOR

ATTEST:

BARBARA JONES, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 19th day of May 2003. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

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Attachments