

COUNCIL MINUTES

June 29, 2006

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 June 29, 2006 at 7:30 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Tom Rawles
Scott Somers
Claudia Walters
Mike Whalen

COUNCIL ABSENT

Kyle Jones

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Barbara Jones

Mayor Hawker excused Councilmember Jones from the entire meeting.

1. Review items on the agenda for the July 5, 2006 Regular Council meeting.

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

Conflicts of interest declared: 4e and f (Hawker)

Items removed from the consent agenda: None

Items deleted from the agenda: None

2. Hear a presentation on Salt River Project Transmission Line Planning.

Utilities Manager Dave Plumb introduced Salt River Project (SRP) representatives, Frank Lamphere, Manager of Transmission Line Design, and Joe Giles, Senior Analyst in the Transmission System Planning Department, who were present to provide information on transmission line planning.

Mr. Giles advised that his presentation updates information presented to the Council approximately one year ago. He displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) that highlighted an overview of the electric system, the Long Range Forecast and Plan, and the Six-Year Electric System Plan for the City of Mesa.

Mr. Giles stated that the objective of transmission line planning is to direct additional energy into the grid and then transport the energy within the grid. He advised that SRP's goals include

being able to meet the needs of growth in their service territory, providing adequate infrastructure for reliability, and to proactively address system development. Mr. Giles noted that SRP's megawatt (MW) load of 2,500 in 1984 increased to 5,000 MW in 2000 and is projected to be 10,000 MW in the years 2015 to 2020. He added that the MW load is expected to reach 17,000 MW at "buildout" in 2040.

Mr. Giles reviewed the existing distribution stations and those that are planned in the Mesa area in order to meet future demands. He noted that the Williams Gateway Airport area and the General Motors' property are variables for which future energy demands are presently unknown.

In response to a question from Councilmember Griswold regarding the undergrounding of lines, Mr. Giles stated that SRP's standard is to install overhead lines. He added that 69kV lines are buried when a community designates aesthetic funds for that purpose or a developer agrees to fund the additional expense. He explained that the cost of an underground installation is approximately ten times greater than an overhead installation.

Councilmember Griswold expressed concern relative to a "high-end" development that is planned in his district that is presently identified for overhead lines. He suggested that installation of underground lines would be more cost effective if installation occurred at the same time that streets are being addressed.

Mr. Lamphere concurred that underground installation is more cost effective when the streets are being constructed. He noted that the high price of copper impacts the cost of underground lines, and he added that prices for all materials associated with the installation are escalating. Mr. Lamphere reported that the estimated cost for underground installation is \$3 million per mile.

Mr. Giles advised that SRP's public process includes notification to all homeowners within a quarter mile of the proposed power line route. He said he would contact the developer of the 720-acre site identified by Councilmember Griswold. Mr. Giles confirmed that if a developer wished to fund the installation of underground lines, SRP would contribute an amount equal to the cost to install overhead lines.

Discussion ensued relative to the fact that the 230kV line from the Browning Substation is certificated; that no upgrade is planned for the line from the Browning substation to Rogers at the present time; that SRP's ten-year plan has been filed with the Corporation Commission; that SRP's website provides up-to-date information regarding future plans; that Pinal County has the potential to develop to a size equal to that of Phoenix; that additional power generation could be required in the future, but no plans presently exist to address the need; and that SRP has diverse sources of power generation.

Mayor Hawker stated that the City plans to examine the options available regarding the possible sale of Mesa's electric distribution system. He said that he would have additional questions regarding this issue in the future.

Mayor Hawker thanked the SRP representatives for the update.

3. Discuss, consider and provide direction regarding a future Utility Revenue Bond election.

Capital Improvement Projects Administrator Anthony Araza displayed a PowerPoint presentation (a copy is available for review in the City Clerk’s Office) regarding a possible Utility Revenue Bond election. He advised that the bond authorization limit established in the existing financial forecast was \$290 million over a five-year period, consisting of \$39 million in existing authorization and \$251 million of new bonds. Mr. Araza noted that the Citizen Bond Committee recommended \$273 million in Utility Bonds for design, land acquisition and construction activities based on project estimates developed in early 2005. He said that at the direction of Council staff reviewed the project estimates and established a new base for 2006 that applies a one-time weighted 13.6 percent increase for inflation, which adjusts the Citizen Bond Committee’s recommendation of \$273 million to a total of \$310 million, as listed below:

	<u>Bond Committee Recommendation</u>	<u>Amount Adjusted for Inflation</u>
Water	\$ 146,000,000	\$ 165,631,000
Wastewater	91,350,000	103,548,600
Gas	21,730,000	24,460,280
Electric	14,600,000	16,360,000

Mr. Araza outlined two options that staff prepared for Council consideration:

Option #1 Defers \$59 million in order to stay within the existing financial forecast of new Utility Revenue Bond authorization in the amount of \$251 million.

Water Program

Desert Wells Groundwater Facility.	\$ 6.82 million
Construction of the waterline from the CAP canal to the future site of new South CAP Treatment Plant.	15.36 million

Wastewater Program

4 mgd expansion of the Southeast Water Reclamation Plant.	\$ 22.72 million
Replace aging infrastructure.	9.66 million

Electric Program

Upgrade of the Kellwood station.	\$ 2.16 million
Upgrade of the Fraser station.	1.36 million

Gas Program

Gas main extension – Sossaman, from Baseline to Southern.	\$ 494,000
Main extension in the area of 80 th Street and McDowell Road.	\$ 476,000

Total \$ 59.05 million

The new amounts for the Utility Revenue Bond election under Option #1 would total approximately \$251 million as listed below:

Water	\$ 143,484,000
Wastewater	71,177,600
Gas	23,495,136
Electric	12,844,000

Option #2 Maintain all projects and implement a utility rate increase to address the additional debt service incurred as a result of increasing the Utility Revenue Bonds to a total of \$310 million.

A two percent utility rate increase would be implemented in 2010/11 in addition to the three percent increase presently included in the forecast.

The Utility Revenue Bonds for Option #2 would total \$310 million as follows:

Water	\$ 165,631,000
Wastewater	103,548,600
Gas	24,460,280
Electric	16,360,000

Mr. Araza advised that staff is seeking Council direction relative to establishing the date of the proposed Utility Revenue Bond election and the bond dollar amounts to be placed on the ballot.

City Manager Christopher Brady emphasized that the City is required to complete the projects that are being deferred in Option #1, and he explained that the deferral equates to delaying the projects to a later date. He noted that both options enable the City to stay within the framework of the existing financial forecast. Mr. Brady expressed the opinion that future bond elections should be held at least one year prior to the expiration of the existing bond authorization in the event that the City is required to address an emergency situation. He requested that Utilities Manager Dave Plumb explain the possible consequences of deferring the projects.

Mr. Plumb advised that all of the projects proposed for deferral are in the Master Plan. He noted that the Water projects relate to the development of the General Motors' property, which has not developed as quickly as anticipated. Mr. Plumb stated that the deferrals in the Wastewater program reflect a slower than projected growth in wastewater loads, and he added that the funding to replace aging infrastructure was only an estimate. He reported that the results of Water, Wastewater and Gas system assessments, which are scheduled for implementation in the coming year, would impact future capital programs. Mr. Plumb said that the deferred Electric projects addressed the conversion of some of the City's 4kV systems to 12 kV. He added that these projects were late in the schedule and therefore a deferral should not pose a problem. Mr. Plumb also reported that as a result of El Paso Natural Gas increasing the line pressure in their system, the two Gas projects are not necessary at the present time.

Discussion ensued relative to the fact that an emergency requiring additional funding could be addressed by calling another bond election; that the bonds could be authorized but not sold; that Option #2 requires a utility rate increase of five percent in fiscal year 2010/11; and that the rate increase would be three percent in subsequent years.

Vice Mayor Walters expressed support for including approximately \$10 million in bonds designated to address aging infrastructure.

Further discussion ensued relative to the fact that the Utility Revenue Bond proposal includes projects related to Arizona State University (ASU) Polytechnic for Wastewater projects (\$7 million) and Water projects (\$11 million); that an additional \$15 million for ASU Polytechnic would be addressed by a future General Obligation Bond election for a total of \$33 million in bonds; that utility rate increases would continue in order to address future infrastructure requirements; that the City is obligated to provide utility services to annexed areas of the City; that growth in the City of Mesa is presently not paying for itself; and that \$260 million in Utility Revenue Bonds should be placed on the November 2006 ballot.

Councilmember Whalen requested that the City Attorney's Office provide public education guidelines relative to the future Utility Revenue Bond election.

City Attorney Debbie Spinner advised that staff has direction to place the call for a November 2006 Utility Revenue Bond election on the July 5th Regular Council meeting agenda, and that she would investigate whether the action could be divided into four separate votes.

Additional discussion ensued relative to the fact that the Utility Revenue Bonds could be authorized but not sold; that the gas and electric systems should be maintained in order to ensure that the systems are saleable in the event the Council decides to take that action in the future; and that the possible sale of the gas and electric systems would be studied by the Council-appointed Auditor when that position is filled.

Mayor Hawker stated that the July 5th Regular Council meeting agenda would include consideration for calling a November Utility Revenue Bond election in the amount of \$260 million. He thanked staff for the presentation.

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

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| Councilmember Whalen: | Meeting regarding a power line siting case. |
| Mayor Hawker: | Maricopa Association of Governments (MAG)
Regional Council Meeting. |
| Councilmember Griswold: | Ceremony in honor of the Milk Bone Corporation's
donation to the Police Department's Canine Program.
Arizona Department of Transportation (ADOT) meeting
regarding McDowell Road. |

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Wednesday, July 5, 2006, TBA – Study Session

Wednesday, July 5, 2006, 5:45 p.m. – Regular Council Meeting

Thursday, July 6, 2006, 7:30 a.m. – Study Session

Wednesday, July 12, 2006, 2:30 p.m. – Transportation Committee Meeting

Wednesday, July 12, 2006, TBA – Study Session

Wednesday, July 12, 2006, 5:45 p.m. – Regular Council Meeting

Thursday, August 10, 2006, 7:30 a.m. – Study Session

Monday, August 14, 2006, TBA – Study Session

Monday, August 14, 2006, 5:45 p.m. – Regular Council Meeting

6. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

7. Items from citizens present.

There were no items from citizens present.

8. Adjournment.

Without objection, the Study Session adjourned at 9:20 a.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 29th day of June 2006. 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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