



COUNCIL MINUTES

September 25, 2008

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 September 25, 2008 at 7:30 a.m.

COUNCIL PRESENT

Mayor Scott Smith
Alex Finter
Dina Higgins
Kyle Jones
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

(Items were discussed out of order, but for purposes of clarity will remain on the agenda as listed.)

1. Convene an Executive Session.

1a. Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal, or resignation of a public officer, appointee or employee of the City. (A.R.S. § 38-431.03A (1))

1. City Magistrate Interviews

1b. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding all contracts involving the development of the Mesa Proving Grounds that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))

1. Mesa Proving Grounds, approximately 3,200 acres of the former General Motors Proving Grounds facility, located generally at the southeast corner of Elliot and Ellsworth Roads.

It was moved by Vice Mayor Jones, seconded by Councilmember Somers, that the Council adjourn the Study Session at 7:31 a.m. and enter into an Executive Session to discuss and consider Agenda Item 1a.)

Carried unanimously.

2. Adjourn Executive Session.

(At 8:51 a.m., the Executive Session adjourned and the Council reconvened the Study Session.)

3. Hear a presentation, discuss and provide direction on the Master Plans for the Mesa Proving Grounds.

City Engineer Beth Huning reported that at a previous Study Session, Traffic Engineer Alan Sanderson provided an overview of the Streets/Transportation Master Plan for the Mesa Proving Grounds (MPG) development. She explained that today she would highlight the Storm Water, Water, Wastewater and Non-Potable Water Master Plans.

Ms. Huning displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and briefly reviewed various documents associated with the MPG development and the manner in which they govern the infrastructure as staff proceeds through a Planned Community District (PCD). She noted that the project is established through the Community Plan (CP), which includes sections pertaining to the infrastructure; the Master Reports, which encompass the infrastructure for the entire 3,200 acre site; and the Development Unit Plans (DUP) and subsequent Site Plans within the DUP.

Ms. Huning stated that with regard to the Storm Water Master Plan, staff considers offsite and onsite flows and commented that the developers of new projects are obligated to collect the storm water that flows onto their property from elsewhere, convey it through the site, and manage it back to its historic outfall. She also spoke regarding the management of various storm water offsite flows in the MPG area by the City of Mesa and the Flood Control District of Maricopa County (See Attachment 1). Ms. Huning advised that the developer recently submitted an onsite retention plan, which is considered a work in progress, and said the model assumes that some of the upper DUPs do not reflect onsite retention. (See Attachment 2) She added that every site is required to retain the 100 year, two-hour storm in Mesa, which is the City's standard.

Discussion ensued relative to proposed water retention options in and around Development Unit 5, (the site of the Gaylord resort project); and a comparison of large central retention basins and urban decentralized basins.

Ms. Huning commented on the Water Master Plan and said that the entire MPG site is located within one of Mesa's water system zones. She explained that water to the site would primarily be fed from the City's new water treatment plant located at Signal Butte and Elliot Roads and said that the facility is master planned to provide 30 million gallons/day to the development. Ms. Huning added that when the plant is out of service and the City cannot access Central Arizona Project (CAP) water due to, for instance, a drought, groundwater wells would be available as a backup supply.

Further discussion ensued relative to the fact that the reservoirs located in the Desert Wells groundwater facility to the south of the plant would provide water to the development when the CAP plant is off line; water demand at build-out; that the Water Master Plan is based on the Mesa 2025 General Plan, which projects densities for the Levine site, Pacific Proving Grounds and other areas; and that the water projections for the MPG site are 3,000 acre feet more than what was originally projected in the Mesa 2025 General Plan.

Ms. Huning offered a brief overview of the Wastewater Master Plan and reported that the MPG site would be served through the construction of future sewer lines along Warner and Ray Roads. (See Attachment 3) She explained that initially, Ray Road would be the only sewer line in place and stated that staff and DMB are working on an interim plan to move the wastewater to Ray Road so that it can be conveyed to the Greenfield Water Reclamation Plant.

Administrative Services Director Kathryn Sorensen clarified that the City would continue to send reclaimed water flows to the Gila River Indian Community and said that Mesa would receive CAP water in exchange. She noted that the CAP water Mesa receives in exchange for delivering effluent to the Indian Community comes with the legal distinction of being effluent.

Ms. Huning further spoke regarding the Non-Potable Water Master Plan and said that the developer proposes to use Mesa's exchange water (i.e., the effluent that the City exchanges with the Indian Community for CAP water). She explained that for every five gallons of effluent that the developer receives from the City, it would give Mesa four gallons of CAP water. Ms. Huning advised that the City would take a portion of the allocation from the exchange water out of the CAP canal, and at the point where the water is to be treated for the potable water system, such allocation would be separated into a purple pipe system (i.e., non-potable water system) for irrigation. She added that the two major irrigation sources include the golf course in Development Unit 5 and the Great Park.

Additional discussion ensued relative to the fact that the Arizona Department of Water Resources prefers that the water from two different legal sources (CAP water and effluent water) that is transported to the MPG site not be comingled; and that staff is considering the following options: Option 1, CAP and effluent water would comingle (staff's preference), or Option 2, a second pipeline would be built to parallel the raw CAP waterline.

Ms. Huning further reviewed potential DU/Site Plan changes, such as densities affecting the flow projections and demands; commented that the order of development could change; additional non-potable water uses (i.e., a second golf course, changes in turf/land acreages, floodway); and highlighted the current status of the various master reports.

In response to a question from Councilmember Higgins, City Manager Christopher Brady clarified that the City intends to create a separate and distinct utility for the non-potable water system. He also stated that it would be necessary to determine the cost to extend the lines of such a system outside the MPG development area.

Mayor Smith thanked staff for the presentation.

4. Hear a presentation, discuss and provide direction on economic development issues associated with the Mesa Proving Grounds.

Economic Development Project Manager Scot Rigby introduced Grady Gammage, Jr., an attorney with Gammage and Burnham, representing DMB, and Alan Maguire, an economist with The Maguire Company.

Mr. Gammage reported that today's presentation is a detailed review of the economic and job generating impacts of the Mesa Proving Grounds (MPG) proposal that is embedded in DMB's General Plan Amendment and Planned Community Development (PCD) zoning. He explained that DMB retained Elliott D. Pollack & Company and The Maguire Company to work on the project and said that Mr. Maguire would present the fiscal impact analysis, which was prepared by Pollack & Company.

Mr. Maguire displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and explained that the flow of a region's economy is derived through the establishment of base industries (i.e., manufacturing, tourism), the spending by base industries and the benefits to local market industries (i.e., retail, construction, business services and government). He stated that multipliers are important in governmental analysis in order to capture the full extent to which certain operations impact the economy. Mr. Maguire also commented that multipliers are based on employment levels, industry output, productivity, wages and spending patterns. He added that the effect of multipliers is direct (permanent jobs held by employees of a subject company), indirect (jobs created in industries that provide goods and services to the subject company) and induced (jobs created by the spending of the wages of direct and indirect employees).

Discussion ensued relative to the fact that the economic and fiscal impact analysis was divided into one-time construction and ongoing operations; that the value of the construction is converted into required construction jobs; that the multipliers capture the indirect and induced activity; that the MPG development is a massive long-term project expected to continue for decades; and that the fiscal impact of the construction would result in Mesa directly receiving primary revenues (construction, sales tax) and secondary revenues (i.e., employee spending sales tax, personal income tax, unemployment insurance tax, gas tax).

Mr. Maguire highlighted the assumptions used in the analysis for the MPG development (14.5 million square feet of office space, 4,000 hotel rooms, 1.2 million square feet of retail and 15,000 residential units) and also reviewed the project costs, which are estimated at more than \$9.3 billion. He also commented that over the life of the construction cycle, primary revenues would equate to approximately \$135.7 million and \$20 million in secondary revenues (in current 2008 dollars). Mr. Maguire added that the economic impact of the MPG operations include 91,815 jobs and \$4.5 billion in wages.

Extensive discussion ensued relative to the scenario that if 8.6 million square feet of commercial space is developed at the MPG site, 19,934 estimated direct jobs (higher density and higher wage) would be supported under the MPG plan or 17,216 estimated direct jobs under Mesa's current General Plan; that the 8.6 million square feet was an arbitrary number selected by Pollack & Company for the fiscal analysis and not the "aspirational goal" of 20 million square feet of commercial space; that the City's General Plan does not contain job number assignments for the MPG site, but has a job number goal for the entire City; comparable office

development in the surrounding communities; and a comparative analysis of jobs per capita and jobs per household using the scenarios of 20 million square feet of commercial space and 8.6 million square feet of commercial.

Mayor Smith stated the opinion that the Gaylord development would not only significantly impact the MPG site, but also lay the foundation to bring other types of development and growth into the area.

In response to a question from Councilmember Somers, Mr. Gammage clarified that the assumption of 14.5 million square feet of office space at the MPG site over the next 40 years is “a more aggressive and optimistic development expectation” than any developer in the Phoenix area has ever accomplished. He stated that the major factors that would support such an assumption include, but are not limited to, the close proximity of the Phoenix-Mesa Gateway Airport, freeway construction in the area, and the location of ASU Polytechnic.

Councilmember Somers offered several suggestions with regard to the Mesa Proving Grounds Community Plan and said he would provide staff with those revisions.

Mayor Smith thanked everyone for the presentation.

5. Hear a presentation, discuss and provide direction on the proposed Planned Community District for the Mesa Proving Grounds.

Planning Director John Wesley stated that staff is moving forward with the October 6th introduction and October 20th adoption of the ordinance related to the Planned Community District for the Mesa Proving Grounds. He also noted that staff and the applicant have been working to make adjustments to the document and said he anticipates the Council would be provided a revised redlined document for their input and review next week.

City Manager Christopher Brady commented that in addition to the zoning document that Mr. Wesley is referring to, staff is also working on the Development Agreement, which the Council will discuss at the upcoming Executive Session. He said that staff would like to provide the Council with the most up-to-date document at the October 2nd Study Session so that they have an opportunity to review it thoroughly prior to its introduction on October 6th.

Mayor Smith thanked staff for the update.

6. Hear a presentation, discuss and provide direction to authorize the pre-payment of 1996 Mesa Municipal Tax Bonds – Series A.

Deputy City Manager Bryan Raines reported that the Municipal Development Corporation (MDC) is an appointed group of citizens responsible for overseeing the administration of tax-exempt bond expenditures to acquire City assets. He explained that such assets include the Pinal County Water Farm, Mesa City Plaza Building, downtown parking garages and the Chicago Cubs Spring Training facilities. Mr. Raines advised that all of the MDC debts have been paid off with the exception of the spring training baseball facilities, which is a variable rate bond debt and due to expire in 2016 when the City’s contract with the Chicago Cubs terminates.

Mr. Raines stated that staff proposes to utilize available Enterprise Fund balances to pre-pay and eliminate the remaining \$9.97 million spring training facilities debt obligation. He noted that the City's General Fund would annually reimburse the Enterprise Fund for the foregone interest earnings until such time as the principal balance is retired. Mr. Raines commented that as a result of such a transaction, the Enterprise Fund would be held harmless, the debt would be removed from the City's books, and the members of the MDC would transfer ownership of the spring training facilities to the City of Mesa.

Mayor Smith commented that it was his understanding that staff set aside reserves in the Enterprise Fund and are proposing to utilize a portion of those funds to pay off the spring training facilities debt. He stated that the City would restore those reserves as the funds become available. Mayor Smith also noted that although the Enterprise Fund reserves would be lowered, in staff's opinion, it is appropriate to do so because the City has sufficient remaining reserves and the proposal would not raise the City's internal risk to an unacceptable level.

Mr. Raines concurred with Mayor Smith's comments and added that the Enterprise Fund balance is high enough that staff firmly believes that the reduction of the \$9.97 million to pay off the debt would not jeopardize the Fund.

In response to a question from Councilmember Richins, Mr. Raines explained that staff's proposal would save Mesa taxpayers \$116,000 for the debt to continue as currently structured (by avoiding annual fees and remarketing expenses) or \$395,000 if a fixed rate refunding were pursued.

Budget Director Chuck Odom added that the cash flow savings to the General Fund would be approximately \$1.2 million to \$1.3 million annually (\$1.7 million this year, \$1.9 million next year).

It was moved by Councilmember Richins, seconded by Councilmember Kavanaugh, that staff be directed to move forward with the proposal as outlined by Mr. Raines.

Carried unanimously.

Mayor Smith thanked everyone for the presentation.

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

Mayor Smith:	"Three for Free Event" at Mesa's Museums
Councilmember Richins:	Montana Smart Growth Coalition Conference
Vice Mayor Jones:	Dinner meeting with the City Manager of Upper Hut, New Zealand, one of Mesa's Sister Cities
Councilmember Higgins:	Tour of new ASU Polytechnic building

8. Scheduling of meetings and general information.

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

Thursday, September 25, 2008, 5:30 p.m. – Joint Meeting with the Mesa Public School Board

Saturday, September 27, 2008 – National Emergency Preparedness Event

Thursday, October 2, 2008, 7:30 a.m. – Study Session

Thursday, October 2, 2008, 9:00 a.m. – Audit & Finance Committee Meeting

Thursday, October 2, 2008, 1:30 p.m. – Public Safety Committee Meeting

9. Items from citizens present.

Kenneth Sollfrank, 30559 Ironbark Court, Temecula, California, recounted his involvement in a recent traffic stop in Mesa when his vehicle was impounded because, according to the arresting officer, he had failed to pay a fine for a suspended license 15 years ago. He stated that although he paid the fine in 1994, the Mesa Police Department failed to release his vehicle to him. Mr. Sollfrank requested assistance from the Council to resolve this matter.

City Manager Christopher Brady said that he would meet with Mr. Sollfrank to address his concerns.

10. Reconvene into Executive Session.

The Council adjourned the Study Session at 10:48 a.m. and reconvened an Executive Session to discuss and consider Agenda Item 1b.)

11. Adjournment.

Without objection, the Study Session adjourned at 10:48 a.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, 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 25th day of September 2008. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK