



MESA 2025: FINANCING THE FUTURE CITIZEN COMMITTEE

December 8, 2004

The Mesa 2025: Financing the Future Citizen Committee met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on December 8, 2004 at 5:30 p.m.

COMMITTEE PRESENT

Kyle Jones, Chairman
Kirk Adams
Jill Benza
Pat Esparza
Don Grant
Rex Griswold
Greg Holtz
Aaron Huber
Eric Jackson
Dennis Kavanaugh
Robert McNichols
Scott Rhodes
Robin White

COMMITTEE ABSENT

Mark Killian
Pat Schroeder

EX-OFFICIO MEMBER

Keno Hawker, Mayor

STAFF PRESENT

Various Members

1. Follow up on items from last meeting.

Chairman Jones asked whether anyone wished to comment on any items from the last meeting or pose any questions relative to the discussions that took place. There being none, the Chairman moved on to the next agenda item.

2. Approval of minutes from the previous meetings.

It was moved by Committeemember White, seconded by Committeemember Jackson, that the minutes of the previous meetings be approved.

The motion carried unanimously by those present.

3. Presentation by the Neighborhood Services Department.

Neighborhood Services Manager Lisha Garcia addressed the members of the Commission and said their department has been described as being “the department that raises the tide so that other departments can sail so much freer. She stated that they take care of the City’s neighbors and mitigate fiscal impacts of other departments and taxpayers so that an investment in Neighborhood Services makes very good sense. She introduced the members of her staff.

Ms. Garcia highlighted a power point presentation on the Neighborhood Services Department. (See handout contained in packet for entire dialogue.)

Chairman Jones thanked Ms. Garcia for her presentation.

Committeemember Griswold commented on the fact that the Escobedo neighborhood is 60+ years old and most of the homes do not have air conditioning, they were built as temporary housing for the flyers at Falcon Field and are still being used. He asked whether staff has considered entering into a partnership with Habitat for Humanity to redevelop them into home ownership.

Ms. Garcia stated that right now they are looking at a number of options and added that they received a small grant to study their options and the consultant is currently working on developing the different options to look at partnerships with private developers, Habitat for Humanity and other non-profits. She said they have lots of options including projects that might happen as a result of what is occurring in the downtown area.

Committeemember Griswold commented on the goal to reach self-sufficiently and expressed the opinion that if they have to replace roofs and air conditioners and perform a huge amount of maintenance, that goal may not be achieved. Ms. Garcia responded that it is their goal to try.

Committeemember Huber commented on the fact that the revenue started to decline after 1999 and it looks like it correlates with the opening of the Superstition Springs Mall. He asked for some information on this.

Shelly Allen stated that that could be a very good reason why a lot of the larger retail components have opened out east. She explained that they compare themselves to the malls the same way they have their anchor tenants (Dillard’s, Robinsons, etc.) and noted that their anchor is Brown & Brown Chevrolet at this point in time. She commented that the auto dealership brings in the same kind of revenue stream. She added that as far as comparing the two, it could be the result of a number of things. She said they did not lose any retail.

Committeemember Huber asked whether the same type of situation would occur (decrease in revenues) if they opened new things on Dobson and those types of areas. Ms. Allen stated the opinion that revenue might decrease in the area but it would also increase in other areas and hopefully offset the decrease. She advised that their goal is to bring people to the downtown area rather than the outlying areas.

Ex-Officio Member Hawker commented on the fact that according to the Census data provided by staff there are 50,000 unoccupied units in the City of Mesa. Mr. Petrie responded that between 2000 and 2005 either that many units were constructed and/or were vacant as of 2000 when they did the Census. He noted that the figure includes apartments, mobile homes, RV's, the entire gamut. Mr. Hawker asked what other municipalities are looking at rental units and conducting inspections and what ideas are there to make that self-sustaining revenue wise.

Mr. Petrie stated that the biggest success story regarding rental units has been the City of Los Angeles. He said they experienced many of the same problems the City has for the last 20 years and 5 years ago they went to a citizen vote on a systematic rental inspection program, a grassroots effort by those people who live in the substandard units. He stated that they set up a program where they charged \$1 per unit per month to fund it and they would conduct a systematic inspection every third year. He noted that they look at the basic life safety issues, the basic plumbing, and the basic mechanical, just to make sure they are self-sufficient units.

Mr. Hawker asked whether a charter change would be required to implement that type of a program and Mr. Petrie said he believed it would be.

Committeemember Adams noted that the documentation indicates a shortfall over 20 years of almost \$47 million. He said that obviously a majority of that comes from staffing shortfalls according to the forecast. He asked how many additional full time employees (FTE's) that represented and Ms. Garcia said 35. She explained that in order to determine that number each division calculated out based on current service levels of need what they think they would be needing in operations and services over different periods of time. She added that she has those calculations and will see that the Committee receives copies.

Committeemember Adams referred to page 13 of the handout regarding the ICMA number and said he assumes that number of expenditures per capita for Code Compliance is an average (\$5.60). Mr. Petrie confirmed that that is the average of what cities with populations over 100,000 that belong to ICMA spent per capita. He noted that their figure of \$4.17 would be lower if they used the ICMA numbers since they don't include their fleet costs but the City does. Committeemember Adams asked whether the ICMA provides any data as to the correlation of the effectiveness and money spent per capita and Mr. Petrie stated that they have recommended practices. He added that they present booklets that show success stories among various cities that have tried different methods. Committeemember Adams requested that he obtain a list of the cities that use that number or that are part of the ICMA to get an idea of which cities are involved. Mr. Petrie said there were approximately 40 cities and Ms. Garcia stated that they would research the matter and bring a list forward.

Committeemember Adams also discussed the Escobedo apartments and asked what kind of options they were considering. Ms. Garcia responded that the challenge they have with the Escobedo apartments is the fact that they have used Federal resources in those buildings and at one time it was a Federal Housing Authority. She said that triggers the Uniform Relocation Act and so the City would have to do a one for one replacement of the families who live there. She added that that limits their ability and they are looking at the best way to provide the one to one replacement and at the same time refurbish and redo. She noted that there are lots of different options that they can explore through partnerships and low income tax credits and said the consultant is working on that at the current time.

Committeemember Griswold concurred with Ex-Officio Member Hawker's comments and said he believes Mesa is one of the largest growing cities in the United States with no slum landlord laws. He added that if someone complains that they have been without water or heat for a week, there's nothing the City can do because it is his understanding that we can't go inside a house. Ms. Garcia confirmed that they are not allowed to enter the building. She stated that they have seen an increase in slum landlord activity coming from other valley cities to Mesa because our enforcement is not as strict as other cities.

Committeemember Rhodes commented on Code Compliance and said he is having a difficult time understanding why that function is part of the Neighborhood Services Department rather than part of the City Attorney's Office, since they are talking about enforcement of the law. He said he was previously advised that Code Compliance staff tries to resolve some of the issues short of actual enforcement but in other areas of law there are also attempts to resolve things short of actual enforcement. He stated that he was aware of an incident where Code Compliance tried to resolve a matter and ultimately turned it over to the Prosecutor's Office and they refused to prosecute. He expressed the opinion that this represents a waste of time and effort and added that although he is not saying that he can prove there is inefficiency, it appears evident to him that any enforcement issue should go through the legal department.

Ms. Garcia said it is her understanding, from an organizational point of view, that the Neighborhood Services Department was created in 2000 with the idea of having a proactive neighbor holistic approach and making the department the point of contact for the registered neighborhoods in order to achieve voluntary compliance. She added that they also provide proactive solutions through Code Compliance and other Neighborhood Services departments. She stated that it is looked at more from a neighborhood perspective than an enforcement perspective.

In response to a question from Committeemember Rhodes, Mr. Petrie commented that very few cases have ever been returned to Code Compliance by the City Prosecutor's office. He said sometimes they return them because they require additional information. He noted that they mostly enforce the Property Maintenance Codes, which carry civil penalties and go to a Civil Hearing Officer. He reported that very few cases end up with civil citations and they try to give everyone every opportunity to comply short of that.

Committeemember Grant commented on Code Compliance's future expectations for financial needs and noted that a lot of the homes that are 20+ years old are not in Homeowner Associations whereas 25 or 20 years from now, a lot of them will be. He said older homes with HOA's most likely need less help from the City because they are internally monitored. He asked whether they factored that issue in the budgetary numbers.

Mr. Petrie responded that they did not factor that in but said it is obvious in those communities, such as Dobson Ranch, that it needs less effort from the Code Compliance Division than surrounding areas. He stated that large homeowner's associations are usually successful, but not always, and noted that Alta Mesa has been trying to get the City to do more enforcement in that area for them.

Committeemember Grant commented on the fact that alleys still exist despite the fact that Solid Waste does not use them for pickup and as they are used less and less for that

purpose, people tend not to maintain them. He said they do receive some help from the Maricopa County Adult Program as far as an alley clean up program. Committeemember Grant asked whether adjacent property owners would be allowed to purchase the alleys since they are no longer used for garbage collection. Mr. Petrie said that in order to do that all of the property owners who have access to the alley have to approve it. He added that the City would be very much in favor of turning those alleys back to them but invariably someone has access to the alley for a boat or an RV and unless there is 100% buy in, the land can't be dedicated back.

Committeemember Holtz said that he has found that in his area (west Mesa) it is actually faster and less expensive to have Code Compliance deal with the problems rather than seek the services of an attorney. He said it is much easier for Code Compliance to deal with neighborhood issues.

Committeemember McNichols said that he heard that the IRS estimates that \$35 million is lost to the City in programs that are available in the Human Service category and asked whether this was correct. Ms. Garcia explained that it is the Earned Income Tax Credit, and it's not that it is lost to them, it's just that they haven't been able to tap in to help people apply for their income tax and get refunds and then they receive a credit, which is immediately credited to them. She stated that that credit amount available to Mesa is what the IRS estimates at about \$35 million.

Chairman Jones thanked staff for their presentation.

4. Hear from representatives of Mesa's Human Service Agencies.

Debra Duvall and John Giles addressed the members of the Commission regarding this agenda item. Ms. Duvall said that she is a Mesa citizen who is active in the community and interested in the wellbeing of all its citizens. Mr. Giles stated that he serves on the United Way Board and added that it is a privilege to assist in the presentation.

Ms. Duvall and Mr. Giles highlighted a presentation for the members of the Committee. (Detailed information contained in the packets.)

Chairman Jones thanked Ms. Duvall and Mr. Giles for their presentation and distributed material on the Care Partnership, a small operation serving a large number of people with very little money. He noted that the City is using \$1.1 million of general fund dollars towards non-profits and also funneling CDBG (Community Development Block Grant) funds to projects. He said they can choose where the funds go, such as street lighting.

Committeemember Huber asked if they increased the amount of funds the City gives to the non-profits, would the Federal funds match increase and vice versa, if they decreased them, would the Federal funding go away.

Ms. Duvall said if the City increased its funding, without a doubt that would provide additional dollars that non-profits could leverage. She said her concern is that future population projections show that there is going to be a greater need for service. She added that any kind of additional resources that are made available in the community would be leveraged to the same degree or greater than current amounts have been. She reported that that amount has been significant, \$51 million.

Committeemember Rhodes commented on the fact that a lot of Federal matching opportunities have caps to them and asked whether someone could provide the Committee with a figure of how much matching opportunity the City is missing at the current funding level. He said they indicated that they are interested in not just maintaining the status quo and asked what funding amount they would like to receive from the City of Mesa.

Mr. Giles reported that funding was approximately \$1.2 million of the general fund about three fiscal years ago and Ms. Duvall added that it is approximately 20% below that at the current time.

Chairman Jones said he thought they were at the \$1.1 million mark now and Mr. Giles responded that it is even less than that, it took a dip of about 14% one year and it's down even more. He stated that he remembers it was about \$1.2 million but then corrected himself and said it was \$1.8 million before the cut.

Ms. Duvall commented that she and Mr. Giles were there because they are volunteers on probably any number of agencies between the two of them so they are speaking to the Committee as community volunteers who are interested in what occurs and they care about the citizens.

Mr. Giles said that the only thing he would point out is that the graph is disturbing because it shows that the monies being spent are decreasing while the population is increasing. Mesa is becoming a poorer and poorer community and the needs of the community are not in sync with relation to the population. He said that Mesa is becoming more and more a location for those who need low-income housing.

Committeemember Holtz noted that they are talking about less than a million dollars going out to the agencies while there's leverage applied in the amount of \$800 million. He said a philosophy exists that it's not the role of government to be involved in human services and you hear a lot about that. He added that from a practical standpoint there are 200,000 affected by these agencies, almost 45% of the City's population. He stated that even if people don't agree with funding these types of agencies, the fact of the matter is that these types of services probably will be used by us at one time or another in our lifetime. He pointed out that corporations look at how agencies work in a City to upgrade the quality of life. He said his bottom line is that they are talking about less than one million dollars out of \$800 million revenue, and that amount is very small.

Committeemember Kavanaugh stated that they sometimes forget that the role of government is the public health, safety and welfare of the residents. He added that Mesa is unique in many ways from other communities because it is highly privatized and have taken it to the private sector. He said it is their philosophy that the private sector should bear the load for the services. He noted that the graph illustrates a dramatic regression in the City's obligations here and therefore he does not believe it is immoral to partner with the private sector to provide the services. He said the private sector plays a much larger role than the public sector but there is a role for the City to play with the funds they have.

He also discussed demographics and the aging population and said it's not just population growth and inflation, it's the change in nature and characteristics of the population that will help fund the needs of all City services, particularly human services, as the population ages.

He added that that is going to change the mix and demands for the community and he hopes that the Committee, in viewing the presentation, will understand that this is an important economic sector of the community. He complimented Ms. Duvall and Mr. Giles on their presentation and expressed appreciation to all of the agencies that came together on this matter. He further stated that they are aware of the human needs but the economic impact is there as well and that should be considered in the deliberations.

In response to a question from Ex-Officio Member Hawker, Ms. Garcia said that they are having a difficult time maintaining the level of service that they currently provide. She said if the United Way raised \$6 million, the agencies would be able to provide the same level of service to the community that they provided in previous years but a number of the agencies have to cut back on the number of persons served or eliminate particular programs because the organization would be unable to provide them the same level of service.

Mr. Hawker asked whether they really needed to be a municipal contribution for the matching money and Ms. Garcia responded in the affirmative. She added that other east valley cities are putting dollars into these agencies on behalf of their citizens. She said if the City of Mesa did not contribute, she didn't know how they could justify that to the cities of Scottsdale and Tempe and the Town of Gilbert, etc. who are funding Mesa agencies. She asked how they tell them we're not going to participate as a city in the funding but we expect your city to continue to do so.

Mr. Hawker asked if they knew the dollar magnitude of the collaborative relationships and Ms. Garcia said she did not but she would provide that information at a later time.

Mr. Giles commented that another challenge that the United Way faces is that people are changing the way they give money. He stated that it used to be, around ten years ago, that people would make a donation to the United Way and allowed the organization to allocate the money as they saw fit. He noted that today people have pet charities and agencies with less appeal than others are under tremendous funding stress right now.

Committeemember Rhodes said that Committeemember Kavanaugh made some excellent points regarding the fact that Mesa follows a private sector approach to human resources and an excellent case has been made for providing more financial support, either in leveraged dollars to get more Federal dollars or just direct support. He added, however, that it occurs to him that because of the way this has been done traditionally, there is an element of government and looking back at prior presentations, he is disappointed that he didn't hear about the City's efforts to tap into and form meaningful coalitions with their greatest asset, the private sector non-profit human service agencies. He stated that he didn't hear how City dollars were being spent by employees reaching out to them and wonders whether they are getting the "best bang for the buck."

Committeemember Holtz commented on the fact that only two people work on administering the contracts and ensuring that the agencies perform as expected and asked how much two people can be expected to do. He said that the Housing and Human Services Board does quite a bit of that but they are not doing it on a full time basis. He agreed that there is a lot to be gained by having some people in the City try to harvest some of the dollars to help formulate collaborations.

Committeemember White stated that she appreciates the job the department carries out and complimented them on their presentation. She stressed the importance of getting more and more people involved and thinking outside of the box.

Committeemember Adams agreed with Committeemember Kavanaugh's remarks about the good job the City has done working with the non-profit agencies and developing a highly privatized model. He said he wonders whether the Committee should look into how they can even further privatize some of the functions that the City carries out so well or similar services being provided so effectively and efficiently by the private agencies. He stated that that might be a source of funds that are not currently being tapped into by the private agencies. He also noted that at each of the Committee's meetings they discover more and more shortfalls and said the income pie is not growing as fast as the expenses are coming in. He encouraged them to quickly claim their piece of the pie and come up with a specific number as to what they think they need. He said if they put down what they think their shortfall is, that will help them as they begin to divide up the pie, which may not be big enough for anyone.

Mr. Giles responded that Committeemember Adams' question is a good one and deserves a thoughtful response. He said they will work on that and come back with a number they believe is worthy of their consideration.

Housing Specialist Nicole Kennedy said that what they do in Human Services is work in partnership with local and regional partners. She said their local partners are the non-profits that they contract with and concurred that a large component of what they do is contract management. She reported that they manage 19 contracts for 36 various programs with limited staff. She noted that they have no administrative staff and they borrow financial staff from the Community Revitalization Division. She said she does try to work in partnership with them and recognizes the great contribution they provide to the City of Mesa.

Committeemember Rhodes suggested that staff prepare a supplement to the report that would tell them what opportunities they think are missing because of the current funding (more than just the additional staff). He said he would like to know what they believe they could do and what benefits could be brought to increase the quality of the partnership. He added that he would like to know what it would take for them to best utilize the non-profits and maximize its return to the entire community.

Ms. Kennedy said that they would provide that information to the Committee.

Committeemember McNichols asked what the \$1.1 million and \$1.8 million is being used for and Ms. Kennedy said the approximate \$1 million is allocated strictly to the non-profit agencies. She added that they are direct allocations to the non-profits to provide their services and no administrative overhead is taken out of that. She reported that out of their total general fund budget, the administrative portion is about \$151,000 or 6%.

Committeemember McNichols asked whether they would rather see that amount go up than the staffing level at the City. Ms. Duvall responded that they are concerned about the youngsters and families who are seeking service and said based on the presentation that they heard earlier, it seems to her that they might want to look at both sides.

Committeemember McNichols asked whether the dollars would be best spent on direct contributions or through supporting those agencies through additional City staff.

Ms. Kennedy said that staff can look into that and provide the Committee with some options and Ms. Duvall commented that it is important to determine how to better leverage both of them.

Chairman Jones thanked all of the speakers for their presentation. He also expressed his appreciation to the room full of people who he said are tremendous assets to the community. He said the City truly appreciates the service they provide and thanked them for attending the meeting.

(Chairman Jones declared a brief recess and the meeting reconvened at 7:33 p.m.)

5. Presentation of the City's Financial Forecast.

Bryan Raines, Jamie Warner and Chuck Odom addressed the Committee regarding this agenda item.

Mr. Raines said they felt it prudent to provide the Committee with the same status report they presented to the City Council. Mr. Raines, Mr. Warner and Mr. Odom highlighted a brief power point presentation on this item. (See handout for detailed presentation.)

Chairman Jones thanked them for their comments.

Committeemember McNichols asked what their assumption was for revenue forecasting and whether it grows by a certain factor or is maintained at the current level. Mr. Raines said that they have approximately 1,000 revenue codes and they look at them in groupings and individually based on the size of the revenue codes. He concurred that the revenue stream for all intents and purposes is relatively flat compared to growth and expenses.

Mr. Warner noted that they had factored in utility rate increases that matched the BPI plus population growth for each year and referred them to page 2 of the handout.

Chairman Jones said that additional discussion will occur relative to this item in the future.

6. Current issues/miscellaneous items.

Chairman Jones referred to a handout they received, a report of the Arizona Town Hall that took place the last part of 2003. He stated that he found it to be interesting reading.

Committeemember Rhodes said that he attended the Town Hall and Ex-Officio Member Hawker was the moderator. He advised that the intent was to do something a little bit different and noted that previous Town Halls discussed taxation and expenditures. He reported that this Town Hall was intended to focus on the process of fiscal planning and it ended up being a very interesting discussion as it got into who should be making the decisions and how citizens can measure the success of using governmental dollars for various programs. He commented that at the State level there are some programs that seem to exist forever and nobody knows whether they are doing what they are supposed to be doing. He added that one of the purposes of the Town Hall was to get into that, find out

how they work, who does the fiscal planning and who is ultimately accountable. He stated they wanted to determine how both the government and citizens can learn how well the government is doing at achieving its goals through the use of public funds. He said it turned out to be a very interesting discussion, which resulted in some good recommendations.

5. Items from citizens present.

Mr. Ernie Johnson addressed the members of the Committee and said that a certain amount of credit should be given to a third set of organizations that work on the problems discussed, the neighborhood organizations. He noted that they operate with volunteers and do not incur any expenses for the City.

Chairman Jones thanked Mr. Johnson for his comments.

7. Schedule next meetings:

Wednesday, January 12, 2004, 5:30 p.m.
**Presentation on Citywide Technology and CIP Issues*

Wednesday, January 26, 2005, 5:30 p.m.
**Discussion of Revenue and Tax Issues*

8. Adjournment.

Without objection, the Mesa 2025: Financing the Future Citizen Committee adjourned at 7:57 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Mesa 2025: Financing the Future Citizen Committee meeting of the City of Mesa, Arizona, held on the 8th day of December 2004. 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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