



MESA 2025: FINANCING THE FUTURE CITIZEN COMMITTEE

February 23, 2005

The Mesa 2025: Financing the Future Citizen Committee met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on February 23, 2005 at 5:30 p.m.

COMMITTEE PRESENT

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

COMMITTEE ABSENT

Mayor Hawker, Ex-Officio
Pat Esparza
Mark Killian
Scott Rhodes

STAFF PRESENT

Various Members

1. Follow up on items from last meeting.

Chairman Jones welcomed everyone to the meeting and excused Committeemembers Killian, Rhodes and Esparza from the meeting as well as Ex Officio Member Hawker. He noted that at the last meeting, numerous citizens shared their opinions and offered suggestions to the Committee. He stated that it is now time for the Committeemembers to decide schedule wise how they are going to bring together all of the information they have accumulated and prepare recommendations for the City Council.

Chairman Jones said that they need to determine what they want to do as a City and emphasized that there is "no quick fix" for Mesa's problems. He added that they also need to determine how they wish to discuss priorities and identify the roles and responsibilities of City government. He stated the opinion that it was important for the citizens to have an opportunity to learn about the various departments and what it costs to operate them. He encouraged the members of the Committee to provide input and referred to a letter from Committeemember Rhodes that was included in the members' packets. The Chairman said that in Committeemember Rhodes' absence, he will read the contents of his letter into the record:

“Dear All:

I apologize that I will not be able to attend the meeting this evening. As I will not be there to do so in person, I would like to express my opinion with respect to the agenda item for our next steps in moving toward our recommendations. I’m not sure how to interpret that agenda item. The way it is written, I assume the proposal is to first set expenditure priorities, then talk about alternative revenue sources. If so, I respectfully disagree and would like to offer an alternative. Starting with the discussion of priorities is tantamount to admitting defeat before we even get started. As I have stated before, I think our priorities have already been set by other citizens’ committees whose recommendations were approved by the Council. It would be wrong, in my opinion, for our Committee to revisit those issues or put some elements ahead of others in terms of priority – that’s the Council’s job, not only the current Council but future Councils too as we move toward build out. I suggest our mission should be limited to devising parameters for expenditures, revenues and debt that will guide the current Council and future Councils as they do the job of establishing priorities. On a practical level, I’m concerned that the prioritization issue will bog us down as a Committee and lead to discussions only tangentially related to our true purpose. I suggest the following alternative for our next steps: Revenue and debt, including both current methods and alternatives, expenditure principles. After we have developed our principles, I suggest we ask all or some of the City departments to come back to us for a brief focused discussion on the impact of our suggestions on their work and future needs. Then I suggest one or more public hearings.” Scott Rhodes.

2. Approval of minutes from previous meeting.

It was moved by Committeemember White, seconded by Committeemember Huber, that the minutes of the Financing the Future Committee be approved.

Carried unanimously.

3. Discuss initial processes for creating the Committee’s recommendations:

- a. Prioritizing City services and programs.
- b. Developing revenue alternatives

Chairman Jones noted that the Committee has received a lot of information over the last year and said it is now time to start to look at how the Committee is going to go about reaching its goal. He stated that they first have to identify what they intend to do and how they would like to move forward. He added that he has requested additional information from staff so that the Committee can determine what they need to do as a City. He commented that there is no “one fix cure” and therefore it is important for the Committee to determine priorities that they feel are the responsibility of City government. He noted that one of the best things about the process is that the public has had the opportunity to get a picture of all the departments and their particular operations.

Committeemember Huber stated that he read Committeemember Rhodes’ e-mail earlier and agrees with the order that HE has outlined. He added that although he is not sure that they should be limited to those two issues, he would agree that the order should be first looking at the revenue streams and then at the expenditures to determine whether they need prioritizing. He reiterated that they should first look at the revenue streams and the various financial models. He commented that they have the ability to request that staff run certain forecasts through the models with various types of revenue streams.

Committeemember Griswold said he disagrees that the citizens' groups have set the priorities and stated that he served on the 2025 Committees and they were told to "dream big" and he kept saying "but what about the costs." He noted that no financial restraints were placed on any of the plans and he believes they are now paying the price. He suggested that they place some financial restraints on wonderful plans that would build a beautiful city but added that just like a car, you purchase one that you can afford.

Chairman Jones added that at the very least there should be a price tag associated with the costs.

Committeemember Adams agreed that it is vitally important that someone (the Committee or the Council) revisit a number of the plans and put some "fiscal reality" into them. He said he knows that someone on the Committee stated in the past that they should go about the process based upon the General Plan that was approved at the ballot box, and stated that although that would be an ideal scenario if finances were not an issue, he does not believe that anybody can say with certainty that the General Plan would have passed at the ballot box if there had been a price tag affixed to it. He added that he also agrees with Mr. Rhodes' comment regarding the fact that the Committee's involvement in specifically prioritizing certain City services could "bog" them down. He added that in his opinion the best thing they can do as a Committee would be to design a system of budgeting that will allow any City Council from time to time to determine priorities, adjust those priorities and fund appropriately. He stated that he doesn't believe anyone would disagree with the fact that Police, Fire and Public Safety/Emergency Response are number one priorities but added that they need to identify a method of budgeting. He questioned whether there were more efficient ways to operate as a City and whether Mesa could incorporate some techniques that other cities are using effectively. He emphasized the importance of determining what they can do to create a budget process that is completely transparent so that the average citizen, let alone a City Councilmember, can understand the budget and the "ins and outs" of all the details. He added that they need to identify the expenditure principles, determine what they expect the budget process to look like and establish procedures by which they can determine whether monies are being spent in the most efficient and effective manner possible.

Committeemember Kavanaugh stated that he generally agrees with Committeemember Rhodes' approach to the process and commented that public policy making or setting priorities for municipal government is always a dynamic structure. He said that there is always movement in public policy and they have a series of benchmarks in place. He explained that in recent years with the General Plan that incorporated the Economic Development Plan, Parks & Recreation, Transportation elements and all the other elements that were contained within the General Plan such as housing, the City has a whole series of Master Plans and other subject areas that went through extensive public policy processes and were either approved by the Council or, in some cases, by the voters. He commented that what may be a priority for us today, ten years from now it may not be since needs change.

Committeemember Kavanaugh noted that they are aware of the fact that a huge gap exists in what the City is currently providing for services and they pretty much know what the current revenue is. He emphasized the importance of identifying alternative revenue sources and developing budgeting and expenditure principles. He added that he believes that the outcome based budget is an important and helpful one because as priorities change, they can still focus on what the City is getting for its money, what the community is receiving in terms of public value for the money that's allocated. He noted that the allocation choices will vary again as needs change and additional public input occurs. He said he hopes that the Committee can suggest a set of principles that will

serve as an “over-arching them” with City government – that there is outcome based budgeting and there is measurable public value that they can look to from the policy decisions that are made.

Committeemember McNichols said he arrived late at the meeting but believes he is hearing that that the Committee is considering giving guidelines to the Council or those who make decisions on a regular basis rather than dealing with the issue on hand, how to finance the future of the City. He commented that the Committee has not been asked to identify which programs are good and which are bad, but rather how can they come up with the money to accomplish whatever it is the Council or the other Committees or citizens decide they want to do. He emphasized that there is too much money needed and too little money on hand. He expressed the opinion that the City has done a fine job dealing with the resources and the needs that they have had at their disposal in the past. He added that the City is “holding it together” but what they need to move forward into the future and provide citizens the services they desire and deserve, is more money. He added the opinion that the Committee’s task is to identify methods for the City to obtain the resources they need and said their role is to serve as a “resource group.” He commented that he believes they have a revenue problem, not a priority or an expense problem and they have been asked to help guide the City and determine how to obtain sufficient funding. He said that if the money that is raised in any given year is too much money, it can go into surplus and that guides the Council in their decision making the next time they approve a budget. He emphasized the importance of addressing the revenue side of the City’s budget.

Committeemember Grant said he agrees that the Committee has been charged with looking at the revenue side of the budget and noted that it is going to change from year to year so it will be difficult to make long-term decisions because of many factors that will take place. He stated that he believes they may be able to move forward with some recommendations (although maybe not down to the exact dollar) but said that one of the primary focuses is financing creativity.

Committeemember Wood concurred that revenues are their primary area of concern rather than finding fault with the various departments and how they spend their dollars. She added that Parks, for example, has done the best they can with what they have and noted that a property tax will not be a “be all/end all” solution.

Committeemember Jackson agreed that the Committee needs to address both revenues and expenses and said that the City has a need for revenues to provide services. He commented that perhaps the Committee can add some creativity to the way some things are done. He added that he likes the idea of looking into privatization to determine whether it would be more cost efficient.

Committeemember Schroeder expressed the opinion that the Committee has not seen enough over the last year upon which to make choices regarding how monies are spent. She added that they have seen a lot of attempts to reduce government but said that none have worked. She said that the City needs to become more efficient and rather than recommend items that should be cut, they should be recommending that staff use their resources to become more efficient and effective.

Committeemember Holtz agreed that the Committee needs to look at revenues first and revalidate what has been heard. He agreed that monies will be “short” despite the possible implementation of a property tax and added that he believes citizens are looking at them to review the \$2.5 billion in expenditures and make some recommendations; determine whether they are really getting value for City services. He added the opinion that the \$2.5 billion is an exaggerated amount but said they need to be able to come up with some ideas, particularly regarding the big dollar items, such as land purchases.

Committeemember Benza stated that she agreed with Committeemember McNichols that their job is to determine how to finance the future. She said she does not believe it is their job to go through every program and decide which are good and which are bad. She commented that quite frankly that is why she elected her Councilman, to make those types of determinations. She added that the citizens of Mesa have said what kind of city they want to live in and although she does believe there are some things that could be done more efficiently, she believes that is up to the Council to handle. She agreed with Committeemember White's comment regarding the fact that a property tax alone will not fix the problem and the Committee has to look at other ways to generate revenues. She expressed the opinion that one of the mistakes they made as a community was approving the elimination of the tax on food. She noted that Mesa is one of only three communities without a tax on food. She suggested that this is just one area that should be looked at, restoring a tax of food. She added the opinion that sales tax revenues are not going to generate the income they need to finance the City.

Chairman Jones thanked the speakers for their input and discussed the fact that dynamics have changed and Mesa can no longer rely on sales taxes. He added that for 60 years the City relied on revenues from the utility and there are many people who are no longer comfortable with doing that. He emphasized that they cannot keep cutting, cutting, cutting because they will not be able to maintain an acceptable level of service. He also emphasized the importance of public "buy-in" and expressed the opinion that it is the goal of the Committee to come up with a plan that makes the community comfortable that whatever monies are being spent to operate the City are being used in the best possible manner.

Committeemember Schroeder discussed the fact that the City is going to reach build-out and said it is time for a real serious hard look at the issues, including build-out and sustaining the quality of life in Mesa. She commented that Mesa used to have a retail sales base sixty years ago, it was a City looking to grow, but now they are looking at a City approaching build-out and they need to keep that in mind.

Chairman Jones stated that when they talk about build-out, they discuss having development paying its own way, but noted that once build-out has occurred, they will still have to go back in and rebuild the roads and infrastructure as it deteriorates. He reported that development fees are not going to cover all of those costs and said they need to take a good hard look at having enough funds available when it is time to rebuild a pipeline, etc.

Committeemember Adams stated that there are two ways to finance operations, one is to increase revenues (and if you are in a business you accomplish that by increasing sales) and another way to finance operations is internal savings. He commented on the fact that the City of Phoenix, which has a stable property tax, is now selling signage (advertising) on their fire trucks to generate revenue. He expressed the opinion that it would be logical in order to take care of Mesa's long-term financial health that they put in place a systematic way of budgeting that identifies real priorities. He added that private management or public/private partnerships with utilities should be further reviewed and added that many states have successfully utilized outsourcing and introduced competition into City services. He stated that there are significant changes that can be made and they need to develop a systematic way of spending money in the City of Mesa that is "hard coated" into the budget year after year and can still be adjustable, can still be changed by the current City Council, the current political leadership, who are the ones ultimately held accountable. He agreed that they need to provide a system that is transparent and that recognizes that there is no amount

of revenue that can satisfy the ultimate desire to spend. He spoke in strong support of reforming the budget process.

Committeemember McNichols commented that he is not suggesting that they become the “tax and spend” Committee. He said he believes that the Council does not have the tools right now and they need more at their disposal. He added that their hands are tied, and they just don’t have the resources to do what needs to be done. He discussed the eroding infrastructure problem and agreed that development doesn’t pay for the “new stuff” to be repaired, it just pays for new stuff to be installed and as time goes on, the “new stuff” becomes “old” as well and in need of repair. He said they really do have a compounding deterioration of the City infrastructure and stressed the importance of ensuring that the City has sufficient flexibility in the future to fix spring leaks and/or whatever else comes along. He added the opinion that it would be extremely difficult to put parameters around a City Manager and say “this is the way you are going to present your budget” and questioned how they can bind future Councils to a process that later on they may not like and choose not to follow. He reiterated the importance of providing them with the tools to work with and then trust them with those tools until they make a mistake and then vote them out of office and put someone else in.

Committeemember Griswold reported that Mesa is the 3rd most efficient city in the west, right behind Las Vegas and Arlington. He commented that people do not trust government and agreed that a transparent, citizen-friendly budget, would be a step in the right direction. He said that manpower must be reduced because benefits and insurance are going up so fast that for every dollar spent on salary, almost another dollar is being spent on benefits. He stressed the importance of investing in technology, machinery and whatever pays for itself in a very few years. He added that this is a challenge they should present to the department heads -- “how do we do that?” He said they have to look at some areas ask some hard questions and identify/obtain revenue flexibility. He noted that if the City is constantly “reinventing” itself, it is “dying” and said they must put the question to the department heads, “how do we do this?”

Committeemember Holtz commented that he believes it is going to be pretty straight forward, to determine revenues and resources. He said he believes that one of the reasons the Committee was formed is because the City realized that a \$2.5 billion bill was coming forward and they need to look at that and come up with a variety of ideas so that the citizens will trust government. He added that there must be a way to communicate with the citizens of Mesa and added that the area of concentration should be what the City says it wants to spend. He said that perhaps the Committee should talk with the City’s development office and tell them to look at businesses in an effort to create jobs, not just generate sales taxes.

Committeemember Jackson expressed the opinion that the City is not doing what it should to attract industry and is too dependent upon sales tax. She stated that if a property tax was in place, they would be motivated to bring in industry and create jobs.

Committeemember Schroeder agreed with Committeemember Jackson’s comments and reported that as a member of the City’s Economic Development Committee they spent a lot of time on this issue and said that retail sales do not make a lot of sense to her. He emphasized that it is the way the structure is set up.

Committeemember Jackson stated that industry generates jobs, larger homes and property taxes.

Committeemember White said that that would also help the City's bond rating because there would be a stable source of revenues.

Committeemember Grant discussed the possibility of putting together a report of items/issues that they agree on and disagreed on. He stated that at some point in time they owe it to the citizens to try and come up with a way to crystalize the different main topics.

Committeemember Huber concurred and suggested that revenues be listed at the #1 item and the first focus of the Committee. He added that they should look at City services but added that perhaps they could look at expenditures next and create an agenda and timeline. He emphasized the importance of identifying a deadline and said they have to look to see whether they have sufficient time to accomplish everything they want to accomplish.

Chairman Jones stated that that is exactly what he is looking for, a method of tackling this issue.

Committeemember Huber expressed the opinion that they begin with revenues and go from there.

Chairman Jones said that they have to make the public comfortable with what they are doing. He added that prioritizing is not a real good choice of words and told the members that when he first came on board as a member of the Council, he approved an \$850,000 million budget that he didn't even understand. He added that the Committee needs to talk about revenues and ways to reduce the outflow without reducing services. He said that these are the types of suggestions he is looking to obtain from the members of the Committee.

Committeemember Adams agreed that the members of the Committee have an idea of what the end product should look like. He added that the Mayor said he hoped they would come up with a Charter change that would go to the ballot. He said he would not like to spend a lot of time developing guidelines, he would like to present the City Council with a product. He added the opinion that they can implement budget processes in the Charter (*"The City Council must by XX date issue a prioritized list of City services that are most important to this particular City Council"*). He further stated that they could say that the City Council is required to identify all possible sources that could provide efficient City services. He said he believes there are some examples of budgetary processes that they could potentially include in an end product that would go to the City Council and then they would make the political decisions (including some revenue decisions). He added that the Council will have the authority accept the Committee's recommendations or not. He emphasized the importance of determining what it is they want to produce for the City Council and deciding whether they are going to develop guidelines and/or fundamental changes and in what form.

Committeemember Griswold stated that during his three years on the Council he has seen lots of guidelines and reports and said he believes it is time that recommendations be made. He noted that "capping" has its own problems and he would like the Committee to come up with some "marching orders." He said he believes they need to "shrink government down to a lean organization" and then find the money to fund it. He commented on the fact that the City hired a lot of people and they think they have "jobs for life" but that is changing. He added that perhaps they should come up with a different hiring method and said the City does not have "at will" positions in many areas and discussed difficulties associated with firing employees.

Committeemember McNichols stated that they could break the Committee down into two or three sub-committees and have them come back with ideas on what they should do and how to do it.

He added that one group could address what form this would take and another would look at approaching the revenue side while still another could approach the expenditure side. He said that they could make recommendations for each major topic area and added that since everyone has ideas, perhaps they should have some sub-committee assignments and the members can focus on specific areas and come back with recommendations.

Committeemember Holtz asked whether they were looking for a motion this evening regarding what they are going to do over the next few months. He noted that they have to look at the \$2.5 billion expenditure and come back with recommendations and look at current City expenditures to give people the idea of whether the City is correctly spending money. He added that they also need to come up with recommendations and guidelines and some of those recommendations may result in Charter changes or some kind of cap on expenditures.

Committeemember Grant expressed the opinion that they should tackle the expenditure side first.

Committeemember Huber said he believes that the Committee has to develop an entire timeline that goes beyond the next step. He added that he is still fine with discussing revenues first. He stated the opinion that they should have a motion at some point that says "here is what our agenda and/or timeline will be and here's what we are going to attack." He said that despite all of the departmental presentations, he does not feel qualified to say anything in detail about a department. He agreed that the Committee needs to send a recommendation that is meaningful and has enough force to gain voter support.

Chairman Jones emphasized the importance of sharing ideas, gathering information from citizens, looking at particular ideas and discussing the pros and cons of what they will do. He added that staff can also be requested to provide data showing the results of the various scenarios. He said they need to set base lines, develop formulas and set principles.

Committeemember Kavanaugh expressed the opinion that the Committee needs to focus on three areas, the first being the revenue side. He noted that they have seen a whole menu of revenue tools utilized by other cities and added that they have to look at a property tax and decide aye, nay or indifferent. He said they have to determine whether the sales tax on food should be reinstated. He noted that the Quality of Life quarter cent sales tax is set to expire and stated that they need to develop recommendations regarding that issue (do they recommend that it be continued at the same rate? Do they recommend that it continue at an increased rate? Do they recommend that a portion of the tax or all of it be designated for specific purposes the way some communities do as far as transportation and public safety? Do they ask for an impact fee on streets and roads?)

Committeemember Kavanaugh commented that the second subset is based on presentations they have heard, the research that can be done or that has already been done. He said they need to determine whether there are innovations in other communities that they should recommend the City review. He noted that staff constantly looks at different ways of doing things, but said there is always something more to learn. He added that the innovation is either the use of technology, privatization or partnering with other entities that could result in a savings.

Committeemember Kavanaugh stated that the third issue has to do with budget principles and stressed the importance of having the opportunity to absorb the budget book. He said that it is a fascinating, challenging work that really enunciates the issue that the budget should create public value and it cannot always be assumed that this is the case, it is a work that needs to be constantly evaluated. He stated that perhaps they as a Committee may be able to recommend to the Council

in the form of a report or Charter changes budget triggers or philosophies (“Here is the approach that we recommend you as a City take; What public value is your department creating and does it continue to do so?”). He expressed the opinion that they should run some models and get some idea of what they are really talking about, what are some of the innovations that they could recommend that the City explore. He reiterated the importance of absorbing the budget book and said that perhaps they will be able to articulate a set of budget principles that either become a Charter change to accompany the tax increases or it may just remain a budget philosophy that they ask the Council to adopt as a policy for staff to follow. He added that in this way, the public will be able to look at the work they have done and realize that they have reviewed the entire budget, that they understand there is a serious gap and are recommending various revenue methods that other communities use (innovations that other communities have used to create savings and efficiencies in government and a set of principles that the Committee hopes will guide the City toward build-out.)

Committeemember Griswold discussed the City Council’s Annual Retreat and displayed a report that contained sixty programs that received the least support. He noted that there are a lot of good programs and some of them are actually mandated. He suggested that the members of the Committee review the report.

Committeemember Grant asked whether it would make any sense to try and put together a coalition of the different ideas they have so that City staff can begin to digest it and understand what the impacts could be in their area.

Chairman Jones suggested that at the next meeting each member of the Committee bring forward possible ideas that they have garnered, information they have received regarding possible ways to improve and streamline, private/public partnerships, etc. – whatever methods they believe are viable. He stated that they would discuss them at the next meeting, provide staff an opportunity to digest and work on them and then at the following meeting, they could pursue the revenue side of those options. He recommended that they e-mail their ideas to Denise in order to save time and said that she will place the items on the next agenda.

Committeemember Holtz expressed the opinion that the first thing that needs to be done is to identify the gap (revenues versus expenditures). He added that if they want to look at this as an action plan, they should ask staff to run the model to show what the various revenue options would generate and break out the \$2.5 billion forecast so they can look at the numbers side-by-side. He added that they also have to look at what they could do with current City expenditures and lastly, they need to develop some recommendations and perhaps guidelines that would be set into ordinance form.

Chairman Jones asked whether any members of the Committee were uncomfortable with providing recommendations to Denise within the next week or so to allow discussion of the items at the next meeting. There were no objections voiced.

In response to a request for clarification from Committeemember Adams relative to whether Committeemember Holtz is referring to the shortfall amount (\$2.5 billion) that has been reported to the Committee cumulatively. Committeemember Holtz confirmed that was what he was referring to. He noted that following all of the presentations, the underlying theme that surfaces is the \$2.5 billion shortfall. Committeemember Adams expressed the opinion that it will be important to make sure that they add up the shortfalls from every presentation they heard and Committeemember Holtz agreed. Committeemember Adams commented that the information was clearly well thought out by City staff who put a lot of time and effort into identifying the various shortfalls.

There was a motion and second to look at the gap in revenue versus expenditures; have staff run a model to determine what the various revenue options are; review the \$2.5 billion shortfall; look at what they could do with current City expenditures and develop some recommendations and guidelines.

Chairman Jones commented that as far as the City's current revenues, they can run the models. He added that they are looking at possible ways to improve or close the gap and stated that running the models to see how they work out with the revenues will be of great benefit. He said that they can change the parameters to see what that does to the revenues and finally they need to come up with guidelines and principles (possible Charter changes).

Committeemember Huber suggested that they clarify the last point to state that the guidelines are budgeting spending principles or guidelines.

Discussion ensued relative to the fact that there are three parts, that the gap is revenue and expenditure profiling by year, not just that they need \$10 million over the next five years; the importance of looking at current City expenditures because the forecast is so different than the current City expenditures; and developing recommendations and possible ordinances.

The motion failed for lack of a majority vote.

Committeemember Grant moved that the Committee gather ideas and have City staff begin looking at them for their future budgets; that a dialogue take place regarding how they should finance the City from a philosophical point of view (what revenue streams should they have as a City); that they look at the expenditures and make sure they iron item out and understand what the different expenditures will be for the various departments based on the information provided them; and that (based on the fact that they then understand what the revenue streams and expenditures are going to be) they provide recommendations to the Council to move forward.

In response to a request for clarification, Committeemember Grant stressed the importance of providing City staff as much direction and time as possible. He added that they need to ask them as many questions up front as possible so they can begin to gather the information. He commented that the more time they give City staff to look at the information requests and conduct research, the better chance they have of getting answers that they are all comfortable with.

Chairman Jones said that the motion then is to present staff with as many questions, ideas, proposal, etc. as possible so that they have time to look at both the revenue and expenditure sides as well as the principle guidelines.

Committeemember Grant concurred with that summation.

Discussion ensued relative to looking at forecasted revenues and current revenues separately; the importance of identifying the "gap" under current revenue streams; discussing budgeting practices and setting up a budget system.

Chairman Jones requested a re-reading of the motion, which stated: *"To gather ideas that City staff looks at for future budgets; enter into a dialogue on how to finance the City from a philosophical point of view; look at expenditures and make sure they are "ironed out;" understand the revenues and expenditures and provide recommendations to the City Council to move forward."*

Chairman Jones commented that the only addition he would make is *“to look at the gaps to make sure that the gap issue is addressed.”*

The motion was seconded and approved by the members of the Committee.

4. Review a summary of the City’s unfunded forecasted budget request.

Financial Services Manager Bryan Raines and Budget Director Jamie Warner addressed the Committee regarding this agenda item. Mr. Raines commented on the \$2.5 billion shortfall and said he hasn’t had the opportunity to add up all of the total numbers over time but he believes that the summary sheet that was given to the Committeemembers this evening is a beginning. He said that the figure may be \$2.5 billion or it may not and they will figure that out as they move forward.

Mr. Warner provided an overview of the materials (graphs, charts, etc.) distributed to the members of the Committee.

Discussion ensued relative to the fact that the capital portion of the Quality of Life tax expires in July 2006 (quarter cent); the fact that a lot of the department’s presentations included requests for items needed to maintain the current levels of service (bare bones) and cannot be considered “wish lists;” Budget Adjustment Requests (BAR’s); and the fact that staff will be presenting additional information on an on-going basis regarding this issue.

Chairman Jones thanked staff for their presentation.

5. Current issues/miscellaneous items.

Chairman Jones advised that he had requested that staff put together a list, as far as break outs of actual savings, but because of insufficient lead time, they were not able to provide the “full blown list” but did provide a list of the savings the City has realized over the last three years. He reported that since Fiscal Year 2001-02, the City has made a number of reductions in both staff and services and over the three fiscal years, the City has realized approximately \$51.5 million in budget cuts. He noted that more than 125 positions have been eliminated and, in addition to the eliminated positions, the City continues to carry more than 200 vacancies at any given time. He noted that during these times ongoing operational costs and service demands from customers have continued to rise. He said that the following represents a sampling of items/programs that have been cut:

- Eliminated the D.A.R.E. Program.
- Eliminated the G.R.E.A.T. Program.
- Reduced contract street sweeping.
- Eliminated some bus routes.
- Reduced the purchase of Library materials. More than a million in a single year.
- Reduced the Speed Hump Program.
- Delayed the Fire Fighter Academy and the hiring of a civilian position.
- Reduced the Kids’ Can Program
- Reduced the City’s Custodial Contract, which includes employees emptying their own trash. That alone saved over \$135,000.
- Eliminated the Public Art Program.
- Reduced hours at Red Mountain Multi-Generational Center and Jefferson Recreation Center

- Reduced Open Gym Programs.
- Reduced maintenance at City parks and retention basins.
- Eliminated several special events in the City.
- Reduced aquatic lessons, swim hours and holiday operations.
- Eliminated Friday competitive practice so there are four days a week instead of five.
- Reduced Neighborhood Clean Sweep Program.
- Reduced the frequency of the Open Line Newsletter with the utility bills.
- Delayed the PC cycle replacement or computer replacement from three to four years.
- Reduced and eliminated selected employee safety training.
- Further restricted employee training, travel and overtime.
- Eliminated employee participation in on-site degree programs.

Chairman Jones reiterated that the above listed cuts resulted in an approximate \$51.5 billion in savings. He added that although a considerable amount of cuts have been made, there are still a lot of things they need to do to improve.

In response to a question from Committeemember Adams, Chairman Jones explained that as far as the 125 positions he referred to above, they represented existing full-time positions that were funded but then, because of budget restraints, were not filled and those funded positions were eliminated.

Chairman Jones commented that the members of the Committee will be provided copies of the partial list outlined above.

6. Items from citizens present.

Karen Whitmer, Publisher of the Mesa Tribune, addressed the Committee and advised that she is not a citizen of Mesa but she is a very large employer in the City and receives one of the City's largest utility bills each month. She said that her business' mission is to be concerned about what happens to the community and to try and make it better. She added that her business thrives or fails depending on whether the City of Mesa thrives or fails.

Ms. Whitmer stated that she was asked to speak this evening by a group of concerned citizens who want to make sure that one of the things the Committee puts in its "tool kit" as it goes forward dealing with the dilemma the City is facing is incentives for development that returns more than merely paying for itself. She said she heard someone say that it is important that development pay for itself and expressed the opinion that based on Mesa's current situation, they should be looking at getting some development that does more than just pay for itself, development that subsidizes the interests of the citizens who are already here.

Ms. Whitmer advised that she was also asked to raise the issue of Riverview and emphasize its importance as an opportunity for Mesa. She said she believes that Riverview is one of the tools she referred to earlier and added that it will create job opportunities and a revenue stream that will help mitigate the kind of property tax that citizens are going to be asked to pay. She requested that the Committee keep Riverview in the "tool kit." She emphasized the importance of focusing on the revenue issue and added the opinion that by focusing too much on the expenses they get away from what the vision for the community needs to be. She said she believes there are a lot of ways to demonstrate to people in the community that they have a well run City as far as expenses and added that all they have to do is look at the other cities across the country and what they

benchmark, what they spend on parks per capita, what they spend on roads per capita, what they spend on infrastructure per capita, etc. She stated that she believes it would be good to establish what the City wants to be and then build a budget for the next 25 years that gets them there. She ended by saying that she admires the work that the Committee is carrying out.

Richard Tracy also addressed the Committee and said he was upset about an article by Laurie Roberts that he read this morning in the Arizona Republic. He read one line of the article which stated, *"The deal was done in secret, in fact secrecy is standard operating procedure for City preparing to give a copious amount of public cash to the developer."* He said that the author is not an ignorant woman, she has been a writer for a long time and he has read many of her articles. He added that she is, however, dishonest. He commented on the fact that the City of Mesa lost the stadium and probably 100 restaurants that would have opened as a result of that venue. He noted the loss of employment and revenue that also resulted and said that there were also 30 golf courses and over 50 hotels that were also negatively impacted. He stated the opinion that Mesa is going to wind up having a tremendous gridlock. He said that Mesa has a chance to land Bass Pro Shop and the people who want to keep the City from getting it are going to get an award from their friends while Bass Pro Shop may go right across the river onto the Indian Reservation and once again, Mesa will lose out on a tremendous opportunity. He commented that he is tired of seeing Mesa lose out and said there should be a "truth squad" established that puts out correct information when lies like the ones in the Arizona Republic are printed.

David Douthett also addressed the members of the Committee and expressed the opinion that within a few years the country is going to enter into a recession that will never end. He discussed the fact that solar powered equipment is not manufactured anywhere in Arizona and added that electric cars are not available in this country. He said the City should select a location in Mesa that can become involved in building solar power hardware and battery systems (with accompanying hardware) and added that this will place the City far ahead of other municipalities because the recession is going to reduce energy levels. He added that the cost of natural gas is also going to increase because supplies are limited and reported that just this past year the price of oil has increased by 50% and said that it is never going to come down. He also cautioned the Committee not to allow people to expand into the southeast valley building gas-powered houses.

Charles Wahlheim announced that there are only 19 Bass Pro Shops in the world, making them a very unique business and destination point and added that it is 165,000 square feet of outdoorsmen's heaven. He commented on the large number of hunters and fisherman who reside in Arizona and said that Bass Pro Shop is going to be a "magnet" that draws people from all over the state as well as outside the state. He added that they should categorize it the same way they categorize the new Arts Center, as a revenue generator and huge amenity for the City of Mesa.

Chairman Jones thanked all of the speakers for their comments.

7. Schedule next meetings:

Wednesday, March 9, 2005, 5:30 p.m.

Wednesday, March 23, 2005, 5:30 p.m.

8. Adjournment.

Without objection, the Mesa 2025: Financing the Future Citizen Committee adjourned at 7:49 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 23rd day of February 2005. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

lgc