

# COUNCIL MINUTES

May 18, 2006

The City Council of the City of Mesa met in a Special Council Meeting in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 18, 2006 at 7:30 a.m.

## COUNCIL PRESENT

Mayor Keno Hawker  
Rex Griswold  
Kyle Jones  
Tom Rawles  
Janie Thom  
Claudia Walters  
Mike Whalen

## COUNCIL ABSENT

None

## COUNCIL-ELECT PRESENT

Scott Somers

## OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Barbara Jones

1. Introduction of one of the following ordinances (depending on the outcome of the May 16, 2006 election) and setting May 25, 2006, as the date of the public hearing on these ordinances:

- a. Amending Article IV and Article VI of the City Privilege and Excise Tax Code to Increase the Transaction Privilege and Use Taxes from 1.5% to 1.75%; or
- b. Amending Article IV and Article VI of the City Privilege and Excise Tax Code to Decrease the Transaction Privilege and Use Taxes from 1.5% to 1.25%.

City Attorney Debbie Spinner advised that agenda item 1a is being brought forward for introduction, and she noted that the date of the public hearing and Council consideration of the ordinance has been changed from May 25, 2006, to June 5, 2006, which complies with the City Charter requirement that the ordinance be considered at a Regular Council Meeting. She noted that Council approval on June 5<sup>th</sup> would implement a July 5, 2006, effective date for the ordinance. Ms. Spinner explained that the transaction privilege tax would be effective on July 1, 2006, due to the fact that the ballot language approved by the voters designates July 1, 2006 as the effective date. She added that the use tax was not included in the ballot language, and therefore the use tax would increase on July 5, 2006, which is 30 days following approval of the ordinance as required by State law.

In response to a series of questions from Mayor Hawker, Audit and Tax Collection Administrator Roger Okin advised that special forms would be provided for reporting use tax at the existing rate for the first five days of July. He said that a notice would be provided to the taxpayers, and he explained that a similar process is utilized for collecting taxes on "grandfathered" or pre-

existing transactions. Mr. Okin explained that a firm's out-of-state purchases between the dates of July 1<sup>st</sup> and July 5<sup>th</sup> at a sales tax rate lower than the City's sales tax rate would be subject to the City's use tax. He expressed the opinion that very few taxpayers would be impacted, and he added that staff anticipates that the timing of the rate change would not pose a significant problem.

Responding to a question from Councilmember Whalen, Mr. Shafer explained that the use tax does not expire on June 30<sup>th</sup>, and therefore the same tax rate continues to be in effect until July 5<sup>th</sup>.

It was moved by Vice Mayor Walters, seconded by Councilmember Whalen, that the ordinance amending Article IV and Article VI of the City Privilege and Excise Tax Code to increase the tax rate from 1.5% to 1.75% be introduced and that June 5, 2006, be established as the date for the public hearing.

Carried unanimously.

2. Take action on the following resolutions.

Financial Services Manager Bryan Raines displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) relative to staff's annual proposal for the sale of bonds that were previously approved by the voters. He stated that the bond debt service was reflected in all of the budget forecasts presented to the Council and to the Financing the Future Committee in the past 18 to 24 months. Mr. Raines outlined the process and timeline related to the sale of the bonds. He advised that the proposal is for the sale of \$126,785,000 in General Obligation (G.O.), Utility Revenue and Highway User Revenue (HURF) bonds. Mr. Raines further stated that in an effort to streamline the long-term bond debt, staff is considering G.O. bond refunding in the amount of \$26,650,000 and Utility bond refunding and restructuring in the amount of \$64,175,000. He said that Capital Improvement Project Administrator Anthony Araza and the City's financial advisor, Larry Given of Peacock, Hislop, Staley & Given, Inc., were present to provide additional information.

Mr. Araza reviewed the bond categories, and he reported that 80 percent of the total bond sale of \$126,785,000 is for contractually obligated projects. He noted that following the 2006 Utility Revenue bond sales, the City would be critically short on remaining authorization for Utility bond categories, and he added that the Council may wish to discuss the possibility of a future Utility Bond election. He said that approximately 75 percent of the wastewater bonds would be directed to the Greenfield Water Reclamation Plant and the associated transmission pipelines. Mr. Araza stated that the City's \$9,710,000 G.O. bond sale is the lowest in several years, and he advised that the G.O. debt issuance averaged approximately \$14 million in each of the past five years. He noted that HURF bond debt is paid with highway user revenues received from the State, and he added that after exhausting the remaining HURF authorization, staff is recommending that future street capital projects not be funded with HURF bonds.

Mr. Raines advised that the portion of G.O. bond authorization designated for Public Safety is related to the new City Court and Police Technical Services buildings. He added that the City's per capita debt level is one of the lowest in the State when compared to other cities.

Mr. Given also addressed recent media reports that indicated that the City of Mesa has an excessive amount of debt. He stated that the reports were untrue, and he confirmed that the City of Mesa has one of the lowest per capita debt levels in the State of Arizona.

In response to a series of questions from Mayor Hawker, Mr. Raines advised that staff proposes to address the requirement for Proposition 400 matching funds with a combination of sales tax revenues, future G.O. bond issues and possibly future excise taxes. He advised that impact fees would be recomputed again next year to include new construction and completed projects. Mr. Raines confirmed that the Greenfield Water Reclamation Plant would be included in a future calculation of impact fees.

Mayor Hawker noted that the State is considering legislation relative to the assessment of impact fees, and he recommended that the City of Mesa should consider implementing impact fees based on the projected cost to provide future services rather than reacting to actual costs.

Responding to a question from Councilmember Rawles, Mr. Raines stated that the balance of the voter-approved G.O. bond authorization could remain unused, and that a future G.O. bond election could include a dedicated repayment source. He said that the amount of G.O. bonds proposed for sale this year is lower than in previous years due to the fact that the City does not have the operating funds required to maintain the projects after construction has been completed.

Mr. Araza noted that approximately \$2.5 million of the proposed G.O. bond sale addresses projects for which the City is contractually obligated.

In response to a question from Councilmember Rawles, City Manager Christopher Brady noted that existing staff would be able service the projects included in the proposed G.O. bond issuance. He advised that delaying the issuance of the G.O. bonds would delay the new City Court Building, which would delay the Police Technical Services Building which, in turn, would place a hold on the chilled water line project for the downtown area. Mr. Brady explained that staff plans to recommend to the Council that dollars designated for future land purchases for fire stations be reallocated to enable the construction of a new fire station. He added that delaying the Downtown Fire Operations Center would impact moving forward with the agreement with Mesa Community College for the downtown campus.

Councilmember Rawles said that the purpose of his question was to highlight the problems that resulted from the City's practice of issuing bonds without an identified repayment source. He stated the opinion that these projects were important, and he suggested that the Council move forward to approve the G.O. bond sale as proposed by staff.

Councilmember Griswold requested that staff provide a comparison of the bond debt per capita by bond category for Valley cities and the City of Tucson.

Responding to a question from Councilmember Thom, Mr. Given addressed the issue of restructuring and refunding by advising that compressing the retirement schedule would shorten the terms of the G.O. bonds and streamline the debt service schedule. He said that the Utility bonds are being restructured to streamline the debt service without extending the life of the bonds. Mr. Given advised that the bond refunding and restructuring would provide "present value" dollar savings.

Vice Mayor Walters noted that the Council recently implemented new court user fees in order to address the costs related to the planned new court building.

In response to a question from Councilmember Jones, Mr. Given reported that the City has been on a "ratings alert" or a "ratings downgrade potential" with Moody's for the past three years. He expressed the opinion that the election results would not impact the City's Standard and Poor's rating, but he stated that he could not predict the impact of the election results on the Moody's rating.

Councilmember Jones noted that staff's discussions with the rating agencies should include the fact that the Council plans to identify a repayment source for future bonds. He added that the proposed bond sale presently being discussed has been planned for some time.

Mr. Given confirmed that this was the typical timeframe in which the City's annual proposal for the sale of bonds is brought forward for Council consideration.

In response to a question from Councilmember Thom, Mr. Given explained that the rating agencies analyze and compare the ratios of similar cities in order to determine the bond rating.

Mr. Araza advised that July 10, 2006 is the deadline for calling a November 2006 Utility bond election.

- a. Ordering the sale of \$105,400,000 principal amount of City of Mesa Utility Revenue Bonds, Series 2006; and authorizing the reimbursement from bond proceeds of certain advances on construction projects – Resolution No. 8711.

It was moved by Vice Mayor Walters, seconded by Councilmember Rawles, that Resolution No. 8711 be adopted.

Carried unanimously.

- b. Ordering the sale of \$9,710,000 principal amount of City of Mesa General Obligation Bonds, Series 2006; and authorizing the reimbursement from bond proceeds of certain advances on construction projects – Resolution No. 8712.

It was moved by Vice Mayor Walters, seconded by Councilmember Rawles, that Resolution No. 8712 be adopted.

Carried unanimously.

- c. Ordering the sale of \$11,675,000 principal amount of City of Mesa Highway User Revenue Bonds, Series 2006; and authorizing the reimbursement from bond proceeds of certain advances on construction projects – Resolution No. 8713.

It was moved by Vice Mayor Walters, seconded by Councilmember Griswold, that Resolution No. 8713 be adopted.

Carried unanimously.

3. Items from citizens present.

There were no items from citizens present.

4. Adjournment.

Without objection, the Special Council meeting adjourned at 8:10 a.m.

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KENO HAWKER, MAYOR

ATTEST:

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BARBARA JONES, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Council Meeting of the City Council of Mesa, Arizona held on the 18<sup>th</sup> day of May 2006. I further certify that the meeting was duly called and held and that a quorum was present.

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BARBARA JONES, CITY CLERK

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