



COUNCIL MINUTES

September 11, 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 11, 2008 at 10:35 a.m.

COUNCIL PRESENT

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

COUNCIL ABSENT

Dennis Kavanaugh

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

(Mayor Smith excused Councilmember Kavanaugh from the entire meeting.)

1. Hear a presentation, discuss and provide direction on the Property and Public Liability Trust Fund, including 2008/2009 insurance renewals.

City Attorney Debbie Spinner introduced Risk Management Claims Analyst Barry Hegrenes and John Chino, the City of Mesa's insurance broker, who were prepared to address the Council relative to this agenda item.

Ms. Spinner referred to a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and provided an extensive update regarding the Property and Public Liability Trust Fund. She reported that the City, through the Fund, pays all costs resulting from liability claims such as attorney's fees, litigation costs and insurance premiums. Ms. Spinner displayed a graph depicting the City's contributions to the Fund and noted that since 2004, approximately \$4 million to \$4.2 million has been contributed on an annual basis. She commented that the City typically pays an estimated \$1 million to \$1.5 million per year for all claims from cases that are paid from the Fund.

Responding to a series of questions from Mayor Smith, Ms. Spinner clarified that the balance of the Property and Liability Trust Fund is typically in the \$9 million range. She stated that in addition to the above-cited costs, the Fund also pays outside counsel costs and the salaries of the litigation team within the City Attorney's Office.

Mayor Smith requested that staff provide the Council a reconciliation of the costs and contributions associated with the Fund.

Budget and Research Director Chuck Odom clarified that a \$12 million balance is generally maintained in the Property and Liability Trust Fund annually.

Ms. Spinner continued with her presentation and offered an analysis of the insurance premiums that have been paid on an annual basis since FY 1999/2000. Her comments included, but were not limited to, the following: that such costs, which have steadily increased, peaked in FY 2006/2007 (\$1.3 million); that in FY 2007/2008, the City saved approximately \$200,000 in premiums (\$1.15 million) and increased its insurance coverage; and that this year, although the City may not realize the previous level of cost savings, staff recommends obtaining quotes to possibly increase the City's policy limits.

Ms. Spinner highlighted her office's recommendations regarding upcoming insurance renewals in November of this year as follows:

Excess Liability Insurance

- The City is currently self-insured for the first \$2 million for any incident resulting in a liability claim against the City and is paid for out of the Property and Public Liability Trust Fund.
- Claims in excess of \$2 million would be submitted to the City's Excess Liability carrier.
- Mesa has not made a claim on its Excess Liability carrier since 2001.
- Mesa's current coverage: Self-insured retention (SIR) - \$2 million; Excess Liability coverage - \$35 million.
- Staff conducted research on Chandler, Scottsdale, Tempe and Phoenix, which revealed that Mesa's SIR's \$2 million level is consistent with those communities and the City's Excess Liability coverage is slightly below.

Ms. Spinner stated that staff recommends that the insurance broker obtain quotes for Excess Liability coverage with the following variables: SIR - \$2 million; Policy limit (Per occurrence): \$25 million, \$45 million and \$50 million.

Discussion ensued relative to the fact that in the past few years, staff has considered \$1 million, \$1.5 million and \$3 million SIR coverage levels; that when the market was tight and rates continued to rise, staff increased the SIR level as a cost savings measure; and that last year, the City sought bids at \$1 million and \$1.5 million and determined that there would be no cost savings; and that staff recommends SIR coverage at a rate of \$2 million.

Mayor Smith stated that the Council supports staff's recommendations.

Property Insurance (including boiler and machinery)

- The City has approximately \$600 million in property assets that are covered by this insurance.
- Mesa currently carries property insurance with a policy limit of \$200 million (per occurrence) and a \$50,000 deductible.
- Since 2001, the City has made two claims under this policy.

Ms. Spinner stated that staff recommends that the City's insurance broker solicit bids for property coverage, including boiler and machinery coverage, with the following variables:

Deductible - \$50,000 and \$100,000; and Policy limit (per occurrence): \$200 million and \$300 million.

Responding to a question from Mayor Smith, Mr. Hegrenes clarified that the deductible would be paid by the specific department that experienced a loss.

Councilmember Somers commented on the fact that Mesa is “a safe community” relative to its geographical location and said that it is unlikely that a significant number of the City’s \$600 million in property assets would be destroyed by natural disasters (i.e., floods or earthquakes). He inquired if there would be a cost savings to the City if the policy limit was reduced to \$100 million (per occurrence).

Mr. Hegrenes acknowledged that given the risks that currently exist in the geographical area that encompasses Mesa, one peril/incident would most likely not cause more than \$200 million worth of property damage. He explained that the standard policy limit is typically 40% to 50% of the insurable assets and added that there would be a cost savings to the City to lower the policy limit to \$100 million (per occurrence).

Ms. Spinner said that per Council direction, staff could obtain quotes for policy limits of \$100 million, \$200 million and \$300 million. She explained that staff’s recommendation was to address the possibility of a major catastrophe occurring in Mesa such as a gas explosion.

Mr. Chino advised that to the best of his recollection, the difference in insurance premiums between a policy limit of \$100 million and \$200 million would be less than \$5,000.

Mayor Smith directed that the insurance broker obtain quotes for property coverage with deductibles of \$50,000 and \$100,000 and policy limits (per occurrence) of \$100 million, \$200 million and \$300 million.

Airport Liability

- The insurance covers third-party liability claims arising from airport operations at Falcon Field (i.e., runway maintenance issues, slip and fall in the terminal).
- Such insurance was purchased because the Excess Liability coverage excludes airport issues.
- The City’s current coverage is a \$0 deductible and a \$50 million (per occurrence) policy limit.
- In FY 2007/08, the City paid \$24,000 for a \$50 million policy limit with a \$0 deductible.

Ms. Spinner stated that staff recommends obtaining quotes for Airport Liability insurance with the following variables: Deductible - \$0 and \$1 million; policy limits (per occurrence) of \$50 million and \$100 million.

Mayor Smith stated that he was comfortable with the City’s current coverage.

Ms. Spinner clarified that the insurance broker would obtain quotes for Airport Liability insurance with a deductible of \$0 and policy limits (per occurrence) of \$50 million and \$100 million.

In response to a question from Councilmember Richins, Mr. Hegrenes advised that the City would require the applicants that are sponsoring special events on City property to provide written proof that they have obtained the necessary insurance and named the City of Mesa as an additional insured.

Aircraft Hull and Liability Insurance

- Aircraft Hull insurance covers the City's aircraft and equipment for property damage loss.
- Aircraft Liability insurance covers third-party liability claims arising from aircraft operations.
- The City's insurance costs totaled \$130,000 (for both coverages) and in 2006/07, \$194,000.
- The current Aircraft Hull coverage includes a \$25,000 deductible (aircraft in motion) and a \$1,000 deductible (aircraft not in motion). Policy limit (per occurrence) is the stated value of the aircraft.
- The current Aircraft Liability coverage includes a \$0 deductible and a policy limit of \$50 million (per occurrence).

In response to a question from Mayor Smith, Mr. Chino explained that it is rare to have an Aircraft Liability deductible, although staff recommends obtaining quotes for a \$1 million deductible to measure the cost. He added that concerning the Aircraft Hull coverage, the \$1,000 (not in motion) deductible is a standard that would be seen on 99 out of 100 policies.

Mayor Smith stated that he is comfortable with staff's recommendations relative to the Aircraft Hull coverage with the following variables: Deductible - \$25,000 (in motion) and \$1,000 deductible (not in motion); Policy Limit – stated value of aircraft; and also the Aircraft Liability coverage with the following variables: Deductible - \$0 and \$1 million; and Policy Limits (Per occurrence) - \$50 million and \$100 million.

Mayor Smith thanked everyone for the presentation.

2. Hear a presentation, discuss and provide direction on procedures for Council Committees.

City Attorney Debbie Spinner provided a brief overview of the process undertaken by the previous Council to form a subcommittee that addressed various issues related to Council Committees. She explained that the subcommittee considered what type of issues should be presented to Council Committees, the kind of information staff seeks to obtain from the Committees, and the manner in which items would be placed on a Council Committee agenda.

Ms. Spinner reported that as a result of this process, staff amended the City Code pertaining to Council Committees and commented that the Council approved guidelines for conducting Council Committee meetings. She noted that the current Council has the ability to review the Code and the guidelines and make any changes they deem appropriate. Ms. Spinner also explained that Council Committee meetings are subject to the Open Meeting Law and indicated that a quorum of the Committee (two of the three members) may not discuss any item that is likely to come before the Committee. She added that an item may be placed on the agenda by the Chairperson, two Committeemembers, the Mayor or the City Manager.

In response to a question from Councilmember Richins, Ms. Spinner clarified that two Committeemembers may discuss their interest in placing an item on an agenda, but they cannot engage in a substantive discussion regarding the merits of the issue. She said that the Committeemembers could also inform the City Manager or a staff liaison of their interest in placing an item on the agenda.

Ms. Spinner indicated that the subcommittee also determined that if a Council Committee recommended denial of a particular item, that it would have the authority to not forward the matter on to the full Council. She added that the only exceptions include the setting of utility rates and any other matters required by law that require Council action.

Mayor Smith thanked Ms. Spinner for the presentation and said that he would like additional time to reflect on the current guidelines for conducting Council Committee meetings.

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

Planning Director John Wesley introduced Zoning/Civil Hearing Administrator Gordon Sheffield and Development Services Special Projects Manager Laura Hyneman, who were prepared to respond to any questions the Council may have. He also acknowledged various representatives of DMB Mesa Proving Grounds LLC, who were present in the audience.

Mr. Wesley referred to a document entitled "Mesa Proving Grounds Community Plan," copies of which were distributed to the Council. (The document is available for review in the City Clerk's Office.) He reported that the purpose of today's presentation is to familiarize the Council with the Community Plan (CP) for the Mesa Proving Grounds Planned Community (PC) District by proceeding through a hypothetical review process of a Development Unit Plan (DUP) and Site Plan Review. Mr. Wesley explained that Development Unit 2 would be used for this exercise, which would include not only planning and zoning elements, but also the potential for modifications to various engineering standards. He added that the development of the CP "sets the stage" for all future development that occurs in the PC District.

Mr. Wesley provided an extensive analysis of the DUP review process and reported that the initial issues staff would consider include whether the proposal is consistent with the intended character for the Development Unit as established in the CP, what Land Use Groups (LUGs) are permitted in the Development Unit, and how much of each LUG is allowed in the Development Unit.

Discussion ensued relative to the Land Use Budget for the PC District, which would include, but is not limited to, a maximum of 15,000 dwelling units and 20 million square feet of non-residential space; that if residential is deemed mixed use, the residential units would count against the total number of dwelling units; that it is anticipated that approximately 25,000 to 50,000 jobs would be created in the area; and a comparison of minimum/maximum dwelling units and gross floor area of non-residential space.

City Engineer Elizabeth Huning addressed the Council and reported that staff is in the process of reviewing five master plans that encompass the entire 3,200 acres of the Mesa Proving Grounds development. She explained that staff would also review master plans specific to each of the nine Development Units. Ms. Huning commented that in addition, staff would review the

sizing of the infrastructure based upon their knowledge of what is planned to be developed in a unit and phase the construction of the infrastructure so that it supports not only that development, but also what is proposed in the future.

Councilmember Somers stated that he would prefer that staff plan for the maximum number of jobs and residential units in the initial stages of the development so that the infrastructure does not have to be “torn out” in the future.

City Manager Christopher Brady commented that staff does not intend to build infrastructure (i.e., underground utilities, streets) that would not accommodate future growth at the Mesa Proving Grounds site. He noted, however, that it is important to “find a balance” between what the market suggests it can support at that time as opposed to building infrastructure at a higher capacity in order to accommodate growth without having to reconfigure the infrastructure.

In response to a question from Mayor Smith, Ms. Huning clarified that although staff is currently reviewing the five master plans, in her opinion, the CP does establish a framework to address the issues outlined by Councilmember Somers and Mr. Brady.

Mayor Smith stated that Mesa has the responsibility to “create that balance” so that the marketplace has an opportunity to thrive, while ensuring that the City does not under build and “choke up” development in the future.

Mr. Brady noted that Ms. Huning would make a presentation at a future Study Session regarding the master plans that she previously alluded to.

In response to a question from Councilmember Richins, Mr. Wesley explained that a Transit Plan has not yet been proposed for the development. He stated, however, that the CP contains language that addresses planning/preparing for transit use in the future.

Mayor Smith suggested that perhaps staff could identify potential transit corridors in the area so that the City could plan for the necessary infrastructure. He said that such efforts could possibly eliminate the need to relocate utility lines, for example, if light rail was introduced into the area in the future.

Mr. Richins requested that staff provide the Council detailed information regarding transit infrastructure options (i.e., bus stops, light rail) that may be incorporated into the Mesa Proving Grounds development at a future time.

Mr. Wesley continued with his presentation and reported that as part of the Development Unit Plan review, staff would assess whether the proposed street types, parks and open spaces are consistent with the CP. He explained that additionally, staff would determine whether the “build to lines” are designated for LUGs, General Urban (GU) and Urban Center (UC). Mr. Wesley added that staff would further consider whether the street design plans and the Development Unit Design Guidelines are consistent with the CP.

In response to a question from Mayor Smith, Ms. Hyneman clarified that the Development Unit Design Guidelines would remain established for the life of the project and said that all future development would be reviewed by staff to ensure compliance with such guidelines.

Further discussion ensued relative to the fact that the PC District is the zoning for the Mesa Proving Grounds property; that the CP implements the zoning and is also the principal reference for implementation and review of future development within the site; the process by which the CP could be amended; the fact that the Development Unit Plan review process includes a pre-submittal review by staff, citizen participation and notice, and consideration and approval by the Planning and Zoning (P&Z) Board; and that the final steps in the Site Plan review process include platting and site plan approval, design review and assessing the plan's consistency with the CP, DUP and General Development Standards.

Mr. Wesley referenced a proposed site plan in Development Unit 2 and highlighted the various criteria that staff would consider as part of their site plan review.

In response to a question from Councilmember Richins, Development Services Department Director Christine Zielonka stated that it is anticipated that certain staff members within various City departments would become "content experts" with regard to the CP document to ensure that the Mesa Proving Grounds development moves forward in an expedited manner.

Additional discussion ensued relative to the fact that the CP would consolidate the functions of the Design Review Board (DRB) and the Planning and Zoning (P&Z) Board; and that it is anticipated that the existing P&Z Board would be presented the various Mesa Proving Grounds cases on a regular basis and become the "gatekeeper" of the development.

Councilmember Richins suggested that if the DRB does not participate in the review process for the Mesa Proving Grounds development, that it might be appropriate for the Mayor to appoint citizens to the P&Z Board who have expertise in architecture and design.

Councilmember Somers requested additional information from staff and DMB concerning the job-to-resident ratio that is anticipated in the area and also potential salary ranges.

Councilmember Richins further requested that the glossary of terms in the PC document include a definition for the word "sustainability."

Mayor Smith expressed appreciation to staff and the representatives of DMB for their efforts and hard work with regard to the creation of the PC document.

4. Acknowledge receipt of minutes of various boards and committees.

- a. Downtown Development Committee meeting held on June 5, 2008.
- b. Economic Development Advisory Board meeting held on August 5, 2008

It was moved by Councilmember Somers, seconded by Vice Mayor Jones, that receipt of the above-listed minutes be acknowledged.

Mayor Smith declared the motion carried unanimously by those present.

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

Councilmember Richins: Rio Tinto Mine Tour

6. Scheduling of meetings and general information.

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

Thursday, September 18, 2008, 7:30 a.m. – Study Session

Monday, September 22, 2008, TBA – Study Session

Monday, September 22, 2008, 5:45 p.m. – Regular Council Meeting

Mr. Brady also commented that if there were no objections from the Council, the December 15, 2008 Regular Council meeting would be moved to December 8, 2008.

7. Items from citizens present.

There were no items from citizens present.

8. Adjournment.

Without objection, the Study Session adjourned at 12:31 p.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 11th 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

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