

COUNCIL MINUTES

April 19, 2007

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 April 19, 2007 at 7:30 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Kyle Jones
Tom Rawles
Scott Somers
Claudia Walters
Mike Whalen

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Barbara Jones

Mayor Hawker excused Councilmember Whalen from the remainder of the meeting at 8:51 a.m.

1. Hear a presentation, discuss and provide direction on the application and approval process for the painting of City property.

Lead Neighborhood Outreach Director Mike Renshaw addressed the Council regarding a request from Dave Richins, Executive Director of the West Mesa Community Development Corporation, to allow volunteers to paint a mural on the City-owned bridge that spans the Tempe Canal on Southern Avenue. He advised that an investigation by staff revealed that the City has no policy or process in place that would facilitate this type of volunteer activity. Mr. Renshaw reported that the General Development Committee (GDC) considered this request in December of 2006 and directed staff to examine alternatives that did not include the painting of a mural image or words. He stated that the revised proposal was presented to the Community and Neighborhood Services Committee on April 2, 2007, which resulted in a recommendation for a program that would allow volunteer groups to paint City property with a City-approved palette of solid colors.

Mr. Renshaw stated that the requirements for a proposed Community Volunteer Painting Program includes the submission of a completed application form and a project design sketch to the Neighborhood Services Volunteer Coordinator along with a letter from the sponsoring entity indicating that each volunteer has signed a Waiver of Liability form. He noted that the process is similar to the existing procedures utilized for other volunteer efforts in the City.

Mr. Renshaw advised that the project guidelines require the utilization of a City-approved color palette that consists of no more than three colors: a base color that comprises a minimum of 70 percent of the surface and two accent colors. He noted that text identifying the neighborhood, such as "Mesa Grande," could also be included. Mr. Renshaw said that staff recommends that

the City adopt the same color palette utilized by the Arizona Department of Transportation (ADOT). He outlined the application process proposed by staff:

- The Neighborhood Services Volunteer Coordinator receives and processes the completed application.
- The appropriate Council Office is notified that the application was received and a copy is provided to the Council Assistant.
- All City departments impacted by the volunteer activity are notified (Utilities, Transportation, etc.).
- Based on feedback received, the Volunteer Coordinator approves the application or requests additional information.
- The applicant is notified of the application's approval or denial within fourteen business days.

Mr. Renshaw said that staff's recommendation is that the program be limited to a maximum of five projects in the first year. He added that existing City staff would be able to facilitate the activity, which could include setting and removing traffic barricades and monitoring work being performed in a City right of way. Mr. Renshaw stated that the volunteer group would be required to assume responsibility for the on-going maintenance of the painting, including the removal of graffiti or repairing any damage within ten days after receiving notification from the City. He noted that the volunteer group represented by Mr. Richins is also requesting an exemption from the proposed City color palette in order to utilize donated paint in colors of lime green and purple.

In response to concerns expressed by Mayor Hawker, Deputy City Manager Jack Friedline confirmed that the project proposed by Mr. Richins would require the closure of one lane of traffic. Mr. Friedline explained that staff is recommending approval of the program on a trial basis, and he added that ensuring the safety of volunteers is a priority issue.

Discussion ensued relative to the fact that the applicant would be the primary contact for the volunteer group; that Mr. Richins, the representative of the West Mesa volunteer group, is considered to be the applicant for the proposed project; and that a failure by the West Mesa volunteer group to address graffiti or repairs within the ten-day notification period would result in City staff returning the site to its original condition at a cost of approximately \$100.

Responding to a comment by Councilmember Rawles, Mr. Renshaw stated that the policy regarding this program could be revised to require that the City maintain a file of the completed Waiver of Liability forms for all volunteers.

Volunteer Coordinator Katie Brown came forward to address the Council and said that she is usually present at Saturday morning volunteer activities. She added that any person present who has not completed a waiver form would be requested to do so. Ms. Brown also noted that anyone under the age of 18 or anyone refusing to complete a waiver would not be allowed to participate in the volunteer activity.

Councilmember Rawles stated the opinion that any person who has not signed a waiver form should be asked to leave the site.

Further discussion ensued relative to the fact that the City would maintain copies of the completed waiver forms on file; that the proposed policy could include a requirement that the volunteer group be registered with the Neighborhood Services Office; and that staff recommends approval of a one-year pilot program.

Councilmember Rawles expressed the opinion that the original volunteer group should agree to pay the cost to return a site to its original condition if the group fails to address graffiti or damage to the painted surface within the ten-day notification period.

Vice Mayor Walters noted that the cost to remove graffiti on City property is an existing expense regardless of whether or not the site was painted by a volunteer group.

In response to questions from Vice Mayor Walters, City Attorney Debbie Spinner explained that the prohibition of City employee participation in volunteer projects is based on provisions of the *Fair Labor Standard Act*, and she noted that exceptions could be made on a case-by-case basis in instances when the employee is volunteering in an area unrelated to his or her employment.

Vice Mayor Walters stated the opinion that the proposed painting project should utilize the City-approved color palette.

Councilmember Griswold noted that volunteers working to clean trails have saved the City a considerable amount of money. He suggested that the appropriate Councilmember be made aware of projects proposed for that district.

Mr. Richins responded to a question from Mayor Hawker by advising that the bridge project would involve a pressure wash of the surface and a special primer coat before applying the paint. He added that the West Mesa Community Development Corporation has a one million dollar liability policy in place and that the City of Mesa is named as an "additional insured." Mr. Richins said that his organization would be willing to sponsor other volunteer groups in the City in order to eliminate insurance liability issues. He noted graffiti abatement has resulted in most City bridges having painted surfaces.

Councilmember Rawles expressed concern regarding the types of organizations that could apply for a volunteer project.

Ms. Spinner stated that a volunteer group would be defined by the area in which the group is located within the City.

Responding to comments by Vice Mayor Walters, Mr. Renshaw advised that the name printed on the site would reflect a City-designated historic district or sub-area, and he stated that the names of registered neighborhoods would not be permitted on the painted surfaces of the projects. He added that staff was seeking Council approval of the concept and that staff would incorporate the Council's suggestions before the program is implemented.

Further discussion ensued relative to the fact that the program should require that paint be in the City-approved color palette; and that black lettering could be utilized with the stipulation that black paint would not comprise 30 percent of the painted area.

City Manager Christopher Brady stated that the Council has provided direction and that the program would require the use of paint in the City-approved color palette.

Councilmember Griswold requested that the Council receive an update after the West Mesa bridge project has been completed.

Mayor Hawker summarized that staff is directed to revise the program in the following areas:

- Require utilization of the City-approved color palette with black paint permitted for lettering.
- Require that the names painted on the project identify a designated sub-area or historic district of the City.
- Include additional controls and monitoring of the volunteers.

Mayor Hawker thanked staff for the presentation.

2. Hear a presentation and discuss compensation and benefit issues.

Acting Human Resources Director Gary Manning introduced Assistant Human Resources Director Donna Salemi. He displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to provide information regarding compensation and benefit issues.

Mr. Manning advised that a comprehensive Market Salary Survey of Valley cities is conducted every two years to benchmark key positions and to ensure that the City's salaries remain competitive. He explained that the process is critical to recruitment efforts and employee retention. Mr. Manning noted that employers, including the City of Mesa, find it increasingly difficult to attract qualified candidates and that a nationwide labor shortage is anticipated to transform the workforce in the next few years as a result of an increasing number of "baby boomer" retirements.

Mr. Manning reported that the City's turnover rate in Fiscal Year 2005/06 was 12.65 percent, which was significantly higher than in prior years. He stated that an organization's cost to replace and train a new employee is approximately twice the amount of the annual salary of the exiting employee. Mr. Manning added that employee turnover improved in 2006/07 to a rate of 8.57 percent. He advised that the survey results determined that City of Mesa salaries were seven percent below the market average and that 72 percent of the City's classifications were behind the market average. Mr. Manning provided data regarding the salary increases proposed by other Valley cities, and he outlined the following recommendations for City of Mesa employees:

- Provide a five percent salary increase (for employees below the market average).
- Implement a three percent Cost of Living Adjustment.

Mr. Manning advised that approximately eight percent of the City's employees utilize the Tuition Reimbursement Program and that the amount of the reimbursement is proposed to increase from \$2,200 to \$2,800 per calendar year.

In response to a question from Councilmember Griswold, Mr. Manning confirmed that an organization with a high turnover rate incurs significant expenses to recruit and train new employees.

Responding to concerns expressed by Mayor Hawker that 28 percent of the employees are above the market average, Mr. Brady stated that most of these positions were within the market range. He noted that included in the "28 percent" are several positions that were filled in the past year for which the salary ranges were adjusted on an individual basis in order to attract candidates. Mr. Brady said that staff would review the few positions that might be at a higher salary than the market average to determine if any adjustments are necessary. He also noted that the proposal has an effective date of July 1st and therefore, the City could continue to lag behind the market average as other cities are also in the process of implementing wage and cost-of-living increases. Mr. Brady added that the greatest impact on the City would be in the area of Public Safety, particularly in view of the recent announcement by the City of Phoenix of an intent to hire 1,000 police officers during the next few years.

Mr. Manning clarified that an individual receiving the maximum salary in a range is "red-circled," which means that the individual is not eligible to receive a merit increase unless the salary range is adjusted to reflect a higher market average.

Mayor Hawker stated that an individual receiving a "higher than market" salary could also be performing at a higher level and therefore be deserving of a higher salary.

In response to comments by Vice Mayor Walters, Mr. Manning stated that staff would provide additional information regarding the "28 percent" relative to the percentage of employees above market average and those at the market average.

Mr. Manning continued the PowerPoint presentation by addressing the Tuition Refund Program and noted that this program was a key factor in attracting and retaining good employees.

Responding to a question from Councilmember Somers, Mr. Manning advised that the City funds academic coursework that relates to positions available within the City of Mesa.

Councilmember Somers stated the opinion that the City should offer tuition reimbursement equal to the tuition cost of one semester at Arizona State University.

Mayor Hawker suggested that the tuition reimbursement policy be addressed during budget discussions.

Mr. Manning advised that under the current Industrial Injury Program (IIP), Fire and Police employees are charged 16 to 22 hours of sick or vacation leave when absent from work as the result of an on-the-job injury. He explained that the Industrial Injury Program is a "benefit" rather than an "entitlement," which the City is not required to offer. Mr. Manning said that IIP provides a benefit greater than that offered by Worker's Compensation in that the employee could receive up to 90 percent of his or her take-home pay. He stated that a proposed change to the current policy states that an employee admitted to the hospital on the day of the injury would not be charged for leave hours. Mr. Manning added that IIP has been a contentious issue with some employees and that staff would continue to work with employee groups regarding the program.

Vice Mayor Walters expressed concern regarding the issue as it relates to Public Safety personnel who are routinely sent into dangerous situations. She stated the opinion that these employees should not be required to take sick or vacation leave when an injury occurs on the

job. Vice Mayor Walters added that she would be more reluctant to provide benefits to those individuals who attempt to extend their medical leave beyond a reasonable length of time.

Councilmember Whalen concurred with many of the comments made by Vice Mayor Walters. He stated the opinion that part of the problem is that all work-related injuries are treated in the same manner, and he suggested that a committee be organized to review these cases.

Ms. Salemi advised that management is establishing partnerships with employee groups in order to evaluate the program and to gain a better understanding of the situations.

In response to a request from Vice Mayor Walters, Ms. Salemi stated that staff would provide information to the Council regarding a timeline in which this issue would be addressed. She clarified that the City continues to utilize the State-mandated, no fault Worker's Compensation Program for many employee injuries.

Discussion ensued relative to the fact that staff would seek advice from medical professionals regarding various types of injuries; and that Banner Health provides specialized industrial health services.

Mr. Salemi outlined the following objectives of the employee benefit program:

- Cost consistency for both the employee and the City.
- Moving toward cost recovery.
- Restructuring the premiums to reduce/eliminate the subsidies to "richer" plans.
- Maintaining a competitive posture.
- Educating plan participants regarding effective use of the plan.

Ms. Salemi advised that new Federal accounting regulations require that the City disclose the future costs for Other Post Employment Benefits (OPEB). She reported that the City's initial actuarial accrued liability for OPEB is estimated at \$295 million over a thirty-year period, and she noted that the affect on the City's financial status is unknown. Ms. Salemi added that an actuarial study is required every two years.

Mr. Brady advised that the actuarial liability for the City of Tempe, a city that is half the size of the City of Mesa, is estimated at \$300 million. He stated that Mesa's estimated liability has been disclosed to the bond rating agencies.

Further discussion ensued relative to the fact that \$1 million is being set aside this year in the Employee Benefit Trust to address the issue; that the source of the \$1 million was savings realized by premium restructuring; and that there has been no direction from the government regarding in which account these funds are to be maintained.

Ms. Salemi provided an overview of the employee benefit costs. She noted that on July 1st, contributions to both the State Retirement System and the Public Safety Retirement System would increase. Ms. Salemi added that restructuring the insurance premiums results in an anticipated increase to the Employee Benefit Trust Fund from the current level of \$10 million to \$12.9 million next year and \$14 million in the following fiscal year.

In response to a question from Vice Mayor Walters, Mr. Brady advised that Public Safety employees of several Valley cities are being allowed to convert sick leave hours to salary for a period of three years in order to increase their retirement benefit calculation. He said that utilization of sick leave by Mesa employees is currently being studied, and he noted that the practice of converting sick leave time to salary could incur costs to the City that are presently unknown.

Mayor Hawker thanked staff for the presentation.

3. Hear a presentation and discuss Parks, Recreation and Commercial Facilities budget issues.

Parks and Recreation and Commercial Facilities (PRCF) Director Rhett Evans introduced Fiscal Analyst Sue Deck and he noted that Bud Page, Chairman of the Parks and Recreation Board, was also present in the audience.

Mr. Evans displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to provide an update on the department's reorganization, staffing and Commercial Facilities programs. He noted that the December 2006 Citywide reorganization separated Commercial Facilities, Parks and Recreation and Administration from the Community Services area to form one department. Mr. Evans reported that streamlining the operation has reduced the number of full-time employees (FTEs) from 280.3 in 2005/2006 to 264.8 in 2006/2007, and he projected a total of 261.3 FTEs in 2007/2008. He reviewed the new organizational structure (see Attachment 1) and introduced Assistant PRCF Director J. D. Dockstader, who oversees the Business Operations. Mr. Evans noted that Adult Sports and Park Maintenance are now included under Commercial Operations, which is managed by Assistant PRCF Director Kelly Rafferty. He added that Mike Holste serves as Assistant PRCF Director for Recreation Program Operations. Mr. Evans recognized the efforts of department employees that resulted in reduced costs and increased revenues.

Cemetery

Mr. Evans reported that the Cemetery Operations face many challenges and opportunities. He said that the challenges include sustaining operations through build-out with increased operating costs and a lack of capital funding. He added that the opportunities include the planned expansion of the facility, the location of the facility in an affordable market and the fact that the facility enjoys a good reputation.

Ms. Deck summarized the revenues, expenses, cost recover and fund balances for Cemetery Operations (see Attachment 2) for 2004/2005 and 2005/2006 and the projections through 2024/2025.

In response to a question from Mayor Hawker, Acting Budget Director Chuck Odom advised that the Cemetery fund balance is restricted and that one portion is for perpetual care and the other addresses operations.

Ms. Deck stated that a 5.5 percent return on investment is required in order for perpetual care to be sustainable.

Mr. Brady summarized that Cemetery operations are presently sustainable and would continue to be sustainable in the future.

Responding to a question from Councilmember Rawles, Ms. Deck confirmed that the cemetery is self-sustaining and is able to address both direct and indirect costs.

Councilmember Rawles noted that all indirect costs for City operations need to be factored into the budget. He requested that staff provide him with information on the percentage of indirect costs when the data is available.

Mr. Odom noted that the financial data provided does not include the amount of interest earned on the fund balances.

Golf

Mr. Evans continued the presentation by addressing the golf operations and noted that the number of golf rounds have remained static. He stated Dobson Ranch is an aging course and that the challenges of the operation include increased capital investment for facilities and equipment, higher operating costs and a lack of operational and capital reserves. Mr. Evans said that renewal of the food and beverage contract in 2007 provides an opportunity to generate additional revenues along with increased sponsorship sales. He reported that Dobson Ranch was rated as the eighth best public course in the State.

Ms. Deck reviewed the financial data and projections for the golf operations (see Attachment 3), and she noted the impact of debt service in the period of 2008 through 2011.

In response to a question from Councilmember Griswold, Mr. Evans stated that he would attempt to locate past survey data that indicated the percentage of Riverview golfers who were non-Mesa residents.

Hohokam Stadium & Fitch Baseball Complex

Mr. Evans stated that spring training at the Hohokam Stadium and Fitch Baseball Complex generates a significant economic impact for the City. He noted that many challenges face the City with regard to these facilities including rising debt service, aging facilities and equipment, increased capital needs and operational costs. Mr. Evans reported that the recent contract renewal for concessions, merchandise and catering generated a substantial increase in revenues (from approximately to \$1.6 million in 2006 to an estimated \$2.4 million in 2007). He advised that the Chicago Cubs lead all major league teams in spring training attendance, and he added that the Cub's presence in Mesa provides the City with a highly marketable product. Mr. Evans advised that staff continues to seek additional sponsorship opportunities, and he added that spring training operations in other Valley cities are being studied in an effort to determine the best practices that could be implemented in Mesa.

Ms. Deck stated that the final spring training revenue figures for 2006/2007 are not yet available and that the amount listed is an estimate. She explained that Operations & Maintenance expense is calculated at 3.4 percent, and she noted that the amount of debt service increases significantly during the 2008 through 2012 timeframe.

In response to a series of questions from Councilmember Somers, Recreation Coordinator Dave Dunne, who has responsibility for managing the Stadium, reported that a 2003 survey indicated that more than fifty percent of the spring training attendees were from out of state and that each visitor stayed in a Mesa hotel for approximately five days. He added that the Cactus League recently conducted an economic impact survey, the results of which are scheduled to be announced next week. Mr. Dunne explained that the League obtained the survey data by interviewing more than 400 fans at two Cactus League games in each city.

In response to concerns expressed by Mayor Hawker and Councilmember Somers that the economic impact was insufficient compared to the City's investment, Mr. Brady advised that staff plans to survey other Valley cities regarding the financing model utilized for stadiums.

Vice Mayor Walters stated the opinion that the Cubs would continue to hold spring training in the City of Mesa, and she noted that an economic impact of \$20 million has a multiplier effect in the community.

Councilmember Rawles stated that March sales tax revenues could be an indicator of the economic impact of spring training. He noted that obtaining accurate numbers is a difficult process, and he added that many people attending spring training games may already spend the winter months in Mesa. Councilmember Rawles expressed the opinion that although local businesses benefit from spring training, the benefit should not be subsidized by the General Fund.

Councilmember Somers suggested that the impact of increased passenger service at Williams Gateway Airport be included in the data regarding spring training.

Convention Center and Amphitheatre

Mr. Evans noted that the aging Convention Center is experiencing increased competition from new facilities in the Valley. He stated that the increased capacity at the Amphitheatre and additional sponsorships have enabled the facility to increase attendance.

Ms. Deck highlighted the financial data and noted that although revenues are projected to increase each year, the increased amount of capital and maintenance expenses would affect the amount of cost recovery.

Mr. Evans explained that the profit in 2005/2006 reflects the fact that there was a minimal amount of capital outlay expense in that year and that the aging facility would require additional expense in the future.

Councilmember Jones suggested that the financial data for the Convention Center and the Amphitheatre be reported separately for each facility. He also expressed concern regarding the fact that several Marriott Hotel guests experienced problems with Amphitheatre concert attendees, which resulted in the Marriott issuing refunds to their guests.

Mr. Evans stated that he would provide separate revenue figures for the Amphitheatre, but he noted that the Operations and Maintenance expense is difficult to report separately for the reason that the same staff services both facilities. He noted that the Convention Center generates the majority of the profit. Mr. Evans explained that the an outdoor, general admission

facility such as the Amphitheatre attracts a different type of concert demographic than does an indoor venue.

Councilmember Jones stated the opinion that the revenue generated by the Amphitheatre may not be sufficient to overcome the negative impact of the concerts on the neighborhood and the hotel.

Councilmember Rawles complimented staff for the improved quality of the financial data. He noted that the majority of convention centers throughout the country do not make a profit, and he added that the economic impact of events at the facilities should be considered. He also suggested that in view of the negative impact of concerts on the neighborhood and the hotel, the City might consider alternative uses for the Amphitheatre land.

Mayor Hawker thanked staff for the presentation.

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

Vice Mayor Walters: Governor's Arts Award event.

Councilmember Somers: Arizona State University program on urban government.

Mayor Hawker: Presentation at Arizona State University program.

5. Scheduling of meetings and general information.

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

Thursday, April 19, 2007, 8:30 a.m. – Audit and Finance Committee Meeting

Monday, April 23, 2007, 3:30 p.m. – Public Safety Committee Meeting

Thursday, April 26, 2007, 7:30 a.m. – Study Session

Thursday, April 26, 2007, 11:30 a.m. – Lunch Meeting with the Town of Fountain Hills

Thursday, May 4, 2007, 7:30 a.m. – Study Session

Monday, May 7, 2007, TBA – Study Session

Monday, May 7, 2007, 5:45 p.m. – Regular Council Meeting

Thursday, May 12, 2007, 7:30 a.m. – Study Session

6. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

7. Items from citizens present.

There were no items from citizens present.

8. Adjournment.

Without objection, the Study Session adjourned at 9:57 a.m.

KENO HAWKER, MAYOR

ATTEST:

BARBARA JONES, 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 19th day of April 2007. 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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Attachments (5)