



COUNCIL MINUTES

April 17, 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 April 17, 2008 at 7:31 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Kyle Jones
Tom Rawles
Scott Somers
Darrell Truitt
Claudia Walters

COUNCIL ABSENT

Mike Whalen

COUNCIL-ELECT PRESENT

Alex Finter

OFFICERS PRESENT

Christopher Brady
Alfred Smith

(Mayor Hawker excused Councilmember Whalen from the entire meeting.)

(Councilmember Somers arrived at the meeting at 8:27 a.m.)

1. Review items on the agenda for the April 21, 2008 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest declared: 5i, 5j, 5k, 5l, 5m, 5n, 7a (Hawker); 5m, 5n, 7a (Whalen)

Items removed from the consent agenda: 3f, 3g, 6h and 7a

Items added to the consent agenda: None

Items deleted from the consent agenda: None

2. Hear a presentation and discuss the Enterprise Document Management project. (Related to Item 5h on the April 21, 2008 Council agenda.)

Manager of Technology and Innovation Alex Deshuk reported that City Manager Christopher Brady has brought together the Communications Department, the Information Technology Department (ITD) and the Management Performance and Accountability Office to assist the City of Mesa through a partnership with business and technology. He explained that the team would focus the organization's technology on business results and not "technology for technology sake."

Mr. Deshuk advised that the future of technology at the City is to align its information technology with business “from the top down.” He explained that IT staff endeavors to implement Citywide initiatives, reduce silos of automation and address strategic departmental solutions. Mr. Deshuk noted that staff would also focus on business process and improvement and present options to the “businesses” (i.e., City departments and divisions) that, in turn, would determine which alternatives best suit their needs.

Mr. Deshuk further commented that projects brought forward to the Council for consideration would have measurable results (i.e., return on investment, cost savings) and be delivered on time and on budget. He also stated that the Deputy City Managers and department managers/directors would provide executive sponsorship on all of the key initiatives.

Assistant Chief Information Officer Diane Gardner reported that document management means different things to different people (i.e., scanning paper to electronics, routing processes and records retention). She explained that the initial goals of the Enterprise Document Management project were to improve response time, contain paper documents, provide access to information in a timely manner and maximize the City’s records retention capabilities.

Ms. Gardner remarked that in 2006, the City committed \$1.5 million to the Enterprise Document Management (EDM) System, at which time staff focused on purchasing the hardware and software, obtaining storage for “an enterprise view” of the program and also selecting various City departments to implement the system and test its capabilities. She stated that staff is now requesting that the Council authorize the purchase of additional hardware and software, at a cost of \$256,000, to expand the EDM System (Item 5h). Ms. Gardner explained that such funding would allow 12 additional City departments to utilize the tools and benefit from the system. She also advised that it is important to “re-purpose” the information via the City’s website to anyone who may require access to the EDM System.

Extensive discussion ensued relative to a number of successes achieved through the implementation of the EDM System by the Mesa Municipal Court, the City Prosecutor’s Office and the Planning Division; that the existing system capacity has been utilized to begin implementations in Building Safety and Human Resources; the processes by which IT systems/technologies are upgraded; that the City intends to stay current with technology, but not be on the leading edge; and the cost savings to the City with regard to the implementation of the EDM System.

Mayor Hawker thanked staff for the presentation.

3. Hear a presentation, discuss and provide direction on the annexation process. (Related to Items 6e, 6f and 6g on the April 21, 2008 Council agenda.)

Deputy Building Safety Director Tammy Albright displayed a PowerPoint presentation (A copy is available for review in the City Clerk’s Office) and provided a brief historical overview of the proposed changes to the annexation process as directed by the Council. She explained that such changes would allow all parcels located within a County island to be annexed and also require that property owners requesting City services apply for annexation. Ms. Albright stated that the goals of the new process consist of encouraging sustainable development, requiring development to pay for itself, removing the incentive to develop in the County prior to annexation, and creating a stronger partnership between the City and the County.

Ms. Albright advised that at the April 21, 2008 Council meeting, three ordinances would be introduced relative to the annexation process. Their adoption would result in the following action: 1.) Modify Title 9, which would remove the waiver that allows single family properties of less than one acre to not be responsible for offsite improvements; 2.) Modify the "Terms and Conditions for the Sale of Utilities," which would remove those sections that allow a property owner to receive City services without annexation; and 3.) Modify Title 11, which would change the zoning ordinance so that it refers to the new Annexation Guidelines.

Ms. Albright further commented that at the May 5, 2008 Council meeting, the Council would be asked to take action on a resolution adopting a new Annexation Equity Fee, modify the Annexation Application Fee, adopt the new Annexation Guidelines and also adopt the above-referenced ordinances. Ms. Albright added that the effective date of the ordinances and resolutions is July 1, 2008.

Discussion ensued relative to various meetings at which the annexation process was discussed, including the Transportation & Infrastructure Committee, the City Council, the Audit & Finance Committee (in February, recommended a 100% cost recovery fee relative to the annexation application and at a subsequent meeting in March, decreased the amount to 50%) and the Planning & Zoning Board (in February, recommended a 100% cost recovery fee).

Principal Planner Laura Hyneman offered an extensive analysis of the three annexation scenarios that currently exist in the City of Mesa's planning area. Those scenarios include the following: vacant property without County permits; developed property or property that has obtained County permits; and property located within Mesa's planning area but not within a County island, or where annexation is not an option (i.e., not located in a County island or where service challenges exist).

Ms. Hyneman indicated that staff proposes to implement fee changes that apply only to property developed in the County or to property that may be annexed into Mesa. She explained that staff has established an Annexation Agreement, which is similar to the City's Utility Service Agreement, and said that the agreement includes the required offsite improvements (in lieu costs) that property owners would pay as part of their annexation.

Further discussion ensued relative to the proposed annexation application fee changes; that previously, staff based the fee on the size of the proposed annexation (\$270 for areas under 5 acres and \$540 for areas over 5 acres); that staff proposes to establish a base fee of either 50% cost recovery (\$1,300) or 100% cost recovery (\$2,600) and for each additional property owner that joins into the annexation application, there would be a 10% increase in the fee; that the base fee includes staff time to process the annexations; that staff is not proposing changes to the Transportation and Infrastructure Appeal Fee, but simply combining the preparation fee and hearing fee into one appeal fee of \$1,500; that the new Annexation Equity Fee would be charged for developed property that is equal to the same fees as property developing in Mesa; and that at the May 5, 2008 Council meeting, the Council would approve either a 50% cost recovery fee or 100% cost recovery fee relative to the annexation application.

Ms. Hyneman offered two scenarios regarding the manner in which the proposed annexation fees would be applied. She also reviewed staff's course of action relative to notifying property owners who have already submitted annexation applications concerning the proposed fee changes.

Mayor Hawker thanked staff for the presentation.

4. Hear a presentation and discuss the Baseline Siphon project emergency procurement.

City Engineer Beth Huning displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and reported that earlier this year, staff initiated work on the Baseline Siphon project (Project 03-083-001) to repair the sanitary sewer that crosses under the 101 Freeway at Baseline and Price Roads. She explained that currently, an estimated 20 million gallons of wastewater are being bypassed daily as it flows west out of the City toward the 91st Avenue Wastewater Treatment Plant.

Ms. Huning advised that upon inspection of the facility after it was drained, staff found two existing unlined concrete, underground structures in the pipeline that were significantly deteriorated and not shown on the "as built" drawings for the freeway. She referred the Council to a series of photographs demonstrating the area in which the structures were discovered and highlighted the repairs that must be completed.

Ms. Huning commented that staff authorized an emergency procurement so that the contractor could complete the required work on the project. She said that staff's request to increase the contract amount to make the necessary repairs would be included on one of the Council meeting agendas in May. Ms. Huning added that the contract amount is \$2.9 million, of which approximately half has been allocated to perform the bypass wastewater pumping operation.

Ms. Huning further reported that in order to make the necessary repairs to the pipeline, staff has chosen the installation of cured-in-place liners in order to stabilize the structures and ensure the reliability of the wastewater collection system. She explained that in addition to the \$2.9 million contract amount and a 10% contingency of \$294,145.02, staff estimates that the cost to complete the repairs is approximately \$490,000. Ms. Huning assured the Council that staff continues to work with the contractor to resolve the matter, has ordered the necessary liners and anticipates that the project would be completed on time.

Mayor Hawker thanked Ms. Huning for the presentation.

5. Hear a presentation, discuss and provide direction on the Utilities Department budget issues and future rate adjustments.

Deputy City Manager/Acting Utilities Department Manager Jack Friedline addressed the Council and introduced staff members present at the meeting. He displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and offered an extensive update of the Utilities Department's proposed FY 2008/09 budget, comprised of the Electric, Gas, Water and Wastewater Divisions. Mr. Friedline explained that the City endeavors to operate the four divisions from more of a business perspective and stated that the Utilities Department has decentralized its Administration and Resources Divisions to accommodate those "businesses" and gain greater consistency relative to the Department's processes and efficiencies.

Mr. Friedline highlighted a budget summary of the Electric Program, consisting of the projected FY 2007/08 and proposed FY 2008/09 beginning fund balances, revenues, expenditures, transfers out and ending fund balances. He commented that the comparable revenues and expenditures reflect "good business practices" for the Electric enterprise and a capital program

that would be enhanced over time. Mr. Friedline also reviewed a series of Capital Improvement Program (CIP) (Bond) projects scheduled for the Electric utility such as the conversion of the electric system from 4kV to 12kV (\$3.5 million), transmission improvements along University Drive (\$1 million), and the replacement of approximately 600 vault lids associated with the utility's distribution system (\$688,900).

Discussion ensued relative to City of Mesa Electric Utility total kilowatt consumption; that of the Electric Program's FY 2008/09 proposed operating budget of \$29,243,983, \$19.7 million is earmarked for the purchase of power; the execution of capital and maintenance programs consistent with a needs assessment report; the expiration of the AEPCO power contract in December 2008 and the submission of a new contract to the Council in May; and a monthly electric bill comparison in FY 2007/08 between Salt River Project (SRP) and City of Mesa residential and non-residential customers.

Mr. Friedline reviewed a budget summary of the Gas Program and addressed the projected FY 2007/08 and proposed FY 2008/09 beginning fund balances, revenues, expenditures, transfers out and ending fund balances. He cited a Budget Adjustment Request (BAR) for a two-person crew to perform maintenance on gas distribution and service lines due to increased growth in the southeast Valley and especially in the Magma area. Mr. Friedline also advised that major Gas Division CIP projects include new gas line and service extensions (\$3.2 million), infrastructure replacement (\$1.2 million) and gas mains and services (\$1 million).

Further discussion ensued relative to the fact that of the Gas Program's FY 2008/09 proposed operating budget of \$40,199,038, \$25 million would be allocated toward gas purchases; a monthly gas bill comparison in FY 2007/08 between Southwest Gas and City of Mesa residential and non-residential customers; that the Gas Division is working to improve infrastructure reliability; the possibility of an alternate rate for the Magma area; and a possible November 2008 election to request voter approval to grant a franchise to Southwest Gas Corporation

Mr. Friedline also highlighted a budget summary of the Water Program that consists of the projected FY 2007/08 and proposed FY 2008/09 beginning fund balances, revenues, expenditures, transfers out and ending fund balances. He reported that major CIP projects for the Water Division include the South CAP Reservoir and Pump Station (\$18 million), water line replacements (\$10 million), the Val Vista Treatment Plant and transmission water main repair (\$7 million) and the installation/replacement of wells and equipment (\$4 million).

Additional discussion ensued relative to the fact that of the Water Program's FY 2008/09 proposed operating budget of \$58,496,127, \$7.5 million would be expended for the purchase of water; that a major transmission line that goes from the Val Vista Water Treatment Plant to service Phoenix and Mesa will be off line from October of 2008 until April of 2009; that in FY 2008/09, the Water Master Plan would be updated; that there would be a water commodity savings due to the State's wet winter; and that Mesa has an outstanding water resources portfolio.

Mr. Friedline further offered a budget summary of the Wastewater Program, which included the projected FY 2007/08 and proposed FY 2008/09 beginning fund balances, revenues, expenditures, transfers out and ending fund balances. He explained that the Wastewater Division's CIP projects include the rehabilitation of wastewater lines (\$13.7 million), Mesa's

shared interest in the 91st Avenue Wastewater Treatment Plant (\$12.3 million), updating various reclamation plants (\$4.2 million) and the installation of new wastewater lines (\$2.7 million).

Further discussion ensued relative to the fact that of the Wastewater Division's FY 2008/09 proposed operating budget of \$52,001,966, \$29 million is earmarked for capital expenditures; the recharge of a Granite Reef underground storage facility; the Gila River Indian Community Water Exchange; the Wastewater Asset Management Plan; Wastewater Master Plan update; and the diversion of additional flow to reclamation plants to increase Mesa's reclaimed water portfolio.

Budget and Research Director Chuck Odom displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and provided a brief overview of current and future utility rate adjustments. He reported that staff typically produces mid-range financial models in December when they prepare mid-range/long-range forecasts and set utility rates for the coming years. Mr. Odom explained that prior to 2006, staff would "sweep" most all of the ending fund balances from the various utility enterprises into the City's General Fund. He noted, however, that per the direction of Council, staff has now established "a new philosophy" with regard to targeting the transfer amounts out into the future.

Mr. Odom referred to a document entitled "Current Model Summary After 2008/09" and offered a detailed statistical analysis of proposed electric, water and wastewater rate increases as forecasted by the Major Utility Program. (See Attachment 1.) He also presented two other rate adjustment models entitled "Scenario – 1 Summary" and "Scenario – 2 Summary" for Council consideration." (See Attachments 2 and 3.) Mr. Odom stated that staff recommends Scenario – 2.

Vice Mayor Walters commented that with regard to the electric utility, her philosophy isn't that Mesa's rate cannot increase, but rather that the City remain competitive in its rates with SRP. She stated the opinion that staff's recommended 1.5% electric rate adjustment every year (Scenario – 2) may not be sufficient because of inflationary increases for employees that would be greater than such an adjustment.

City Manager Christopher Brady clarified that unless the Council objects to Scenario – 2, that option would become part of staff's assumption relative to determining utility rate adjustments and transfer amounts in the future. He also noted that Scenario – 2 would not affect the utility rate increases that the Council is being asked to adopt in the upcoming fiscal year.

Mayor Hawker thanked staff for the presentation.

6. Hear a presentation, discuss and provide direction on Planning Division budget issues.

Planning Director John Wesley displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and reported that although the overall caseload for the Planning Division is high, submittal activity has begun to slow, case sizes are smaller and there has been a decline in revenues. He highlighted a series of graphs and offered a comparative analysis of pre-submittals from FY 2005/06 to the present; the activity level of first submittals for Planning & Zoning (P&Z) applications; the total number of P&Z Board actions; and the Division's revenues, expenditures and cost recovery between FY 2004/05 and FY 2007/08.

Mr. Wesley explained that with regard to the Planning Division's FY 2008/09 budget, staff's original budget forecast in January of this year called for 21% cost recovery. He commented that the program goal was later adjusted to 30% to 40% cost recovery, with a target level for FY 2008/09 of 30%. Mr. Wesley stated that a budget adjustment of \$1.128 million from the original forecast is necessary in order to meet such a target. He noted that the adjustments proposed to meet this funding level include the reduction of various services and commodities (\$320,000) and also personnel reductions (\$808,000), consisting of 11 Full Time Employees (FTEs) and 2 part-time employees.

Discussion ensued relative to the fact that the Planning Division's organizational structure is being revised, which would result in the areas of Current Planning and Plan Review being combined; that instead of being functionally organized by discipline (i.e., P&Z Board, Design Review Board), Development Review teams would be established that would be responsible for cases throughout the entire process from pre-submittals through Plan Review.

Mr. Wesley further spoke regarding the Planning Division's FY 2008/09 proposed fee increases for Zoning Applications, Design Review, Pre-submittals, and Council Use Permits. He commented that there would be minor modifications to Board of Adjustment fees and no changes to platting fees. Mr. Wesley noted that such fees would result in an estimated \$191,000 increase in revenues. He also stated that based on such fee increases, staff proposes to retain three of the FTEs that the Division would otherwise lose. He added that this would allow full minimum staffing for the Development Review teams as well as maintain staffing in the GIS area to prepare for the 2010 Census.

In response to a question from Vice Mayor Walters, Mr. Wesley clarified that staff met recently with the Development Advisory Forum relative to these issues and said that the group expressed concern regarding the proposed fee increases due to the current downturn in the economy. He said that the proposed fee increases have been included on the April 21, 2008 Council agenda for adoption and added that he anticipates individuals from the development community would address the Council at that time.

Mr. Brady commented that although he appreciates the development community's concern with regard to the proposed fee increases, the City of Mesa is simply attempting to maintain "an average" of similar fees imposed by other Valley communities.

Further discussion ensued relative to the fact that the fee increases would not become effective until July 1, 2008; and that it would be appropriate for the current and future Councils to engage in further discussions regarding the issue of cost recovery as related to various Planning processes.

Mayor Hawker expressed appreciation to Mr. Wesley for the presentation.

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

- a. Historic Preservation Committee meeting held on February 14, 2008.
- b. Mesa Housing Authority Governing Board meeting held on April 3, 2008.

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

Mayor Hawker declared the motion carried unanimously by those present.

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

There were no reports on meetings and/or conferences attended.

9. Scheduling of meetings and general information.

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

April 17, 2008, 9:00 a.m. – Transportation & Infrastructure Committee Meeting

April 17, 2008, 6:30 p.m. – District 6 “Building Stronger Neighborhoods” Event

April 21, 2008, TBA – Study Session

April 21, 2008, 5:45 p.m. – Regular Council Meeting

Councilmember Somers stated that due to family commitments, he would be unable to attend the April 21st Council meeting.

10. Items from citizens present.

There were no items from citizens present.

11. Adjournment.

Without objection, the Study Session adjourned at 10:13 a.m.

KENO HAWKER, 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 17th day of April 2008. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK