



MESA 2025: FINANCING THE FUTURE CITIZEN COMMITTEE

May 26, 2004

The Mesa 2025: Financing the Future Citizen Committee met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 26, 2004 at 6:30 p.m.

COMMITTEE PRESENT

Kirk Adams
Pat Esparza
Don Grant
Rex Griswold
Greg Holtz
Aaron Huber
Eric Jackson
Dennis Kavanaugh
Mark Killian
Robert McNichols
Scott Rhodes
Patricia Schroeder
Robin White

COMMITTEE ABSENT

Chairman Kyle Jones
Jill Benza

STAFF PRESENT

Mike Hutchinson

EX-OFFICIO MEMBER

Keno Hawker, Mayor

(It was noted that Rosa Cantor has resigned from the Committee.) Committeemember Kavanaugh served as Acting Chairman in the absence of Chairman Jones.

1. Follow up on items from last meeting.

There were no questions or discussion under this agenda item.

2. Approval of minutes from previous meetings.

It was moved by Committeemember McNichols, seconded by Committeemember Grant, that the minutes of previous meetings be approved. The motion carried unanimously by those present.

Carried unanimously.

3. Presentation by the City of Mesa Community Services Department.

Community Services Manager Joe Holmwood addressed the members of the Committee and introduced his division managers Mark Woodard and Geri Fathauer. He explained that the Community Services Department is very complex and diversified and includes Parks & Recreation, Arts & Cultural Divisions, the Libraries and Centennial Hall/Convention Center. He said that they all work closely together in trying to fulfill the department's mission, which he outlined.

Mr. Holmwood reviewed the contents of a power point presentation (see handout for specific details) and noted that the department is all about servicing people. He introduced staff present at meeting and recognized Debby Yukolis who he said did a lot of work in putting the presentation together.

Mr. Holmwood discussed the mission of the various divisions; provided a historic perspective; noted that approximately 190,000 visitors followed the Chicago Cubs training/games and contribute over \$20 million to the economy with over \$2.2 million gross dollars generated from novelties and food dollars for the sixteen games; expenditures for the various divisions and financial/operational/staffing challenges; milestones; confirmed that the department's 2000-01 budget had expenditures of \$29 million from the General Fund, \$1.3 million from the Quality of Life tax and \$2.9 million from impact fees and the fact that during that same year the Arts & Cultural Division had expenditures in the amount of \$9.7 million from the General Fund and \$274,000 from the Quality of Life Tax; and his intention to provide the Committee with data relative to increases in expenditures from 1995 to the present as well as information relative to how many Little League, Pop Warner and soccer teams they have had over the last five years.

Additional discussion ensued relative to market research and the importance of continuing to survey customers to identify needs; technological needs; transportation issues; spending priorities; performance outcomes and cost recovery; budget forecasts for each division; the fact that the Centennial Center lost \$1.6 million last fiscal year and the fact that the Center has always had a loss and the fact that although they have improved the subsidy over the years, they are not there yet; the fact that he estimates revenues of \$2.3 million and expenses in the amount of \$3 million for a City investment of \$600,000; the fact that Mr. Holmwood has not seen a convention center that is profitable, they are typically 75% subsidized and in this case, they are 25% subsidized with a bed tax at the back end so they are showing a profit; the fact that in 2000, Price-Waterhouse estimated a \$6 million positive impact as a result of the Convention Center; the fact that approximately 100,000 additional square feet is needed in order to attract midsize conventions or markets that would attract attendees who would stay three or four days at a particular site; and the importance of having beds nearby for visitors and the possibility of enticing hotels with tax breaks; the importance of determining the best overall vision for the City;

Committeemember Killian said he would like to see the correlation between the costs and the increasing expenditures and the utilization of all resources.

Committeemember Huber requested that he be provided information relative to the percentage of the total cities' budgets/benchmarks compared to Mesa.

Committeemember Griswold commented that Colorado Springs doesn't own their own facilities, they are private enterprises, and asked whether the local business people provided the convention facilities they have at no cost. Mr. Evans responded that they do not have a convention center that is run by a municipality, they primarily rely on the hotels.

Mr. Evans confirmed that the City has the highest per capita in arts of any of the cities including Colorado and Arizona (14) and the highest cultural funding in the same areas. He added that they also have the largest number of employees (triple Tempe's staffing level). Mr. Evans stated that they did not have the number of employees for Denver and was curious to see that because they have four theaters and according to their revenues, they appear to have a very strong program. He said they gave staff a figure of 9, which is probably their administrative staff.

Ex Officio Member Hawker said he would like to know on the whole Quality of Life Sales Tax what the quarter cent that is going to continue will really be able to fund. He added that if they thought it was going to be Quality of Life funds but now it has to be shifted to the General Fund, he would like to know that so that the Committee can program that information in.

Committeemember Adams requested that staff research the number of events that Colorado Springs conducts to attract people compared to the City of Mesa's Convention Center. Mr. Evans said that he would get the information from their Convention and Visitor's Center.

Committeemember Killian stressed the importance of attracting hotels and restaurants to the downtown area.

Committeemember Griswold commended Mr. Evans and his management team and said that he has taken a \$1.5 million subsidy down to \$600,000. He added that a continuing problem is noise generated by the amphitheater. He said there are some possibilities that exist regarding tie ins with Mesa Community College down the road and there might be some cost sharing, similar to what they do with the schools.

Committeemember White commented on the differences between the Amphitheater income and the whole facility and asked whether there are any monies owing on that facility or the Convention Center. Mr. Evans responded that he did not believe so, it was built in 1970. He said he would confirm that fact.

Mr. Evans, responding to an additional question from Committeemember Killian, said that as far as true conventions (two to three night stays), they are doing approximately 43 a year. He added that they hold approximately 200 to 300 small events a year.

In response to question from Committeemember Killian, Mr. Holmwood reported that the City has 13 pools, 13 at Junior High Schools where the arrangement is that the City builds and operates the pools but the School District donates the land it's on. He added that in those facilities where they have winter time use (some of the high schools have their swim teams swimming in some of the summer months) but if the pool is required to have heat, then the School District pays the pocket cost, but the total maintenance and operation is handled by the City. He stated that the dilemma is that 8 or 9 of the 13 facilities are old and in need of repair.

Committeemember Killian asked if there was any advantage to having the schools and the City get together to share costs for libraries and using the existing libraries in the high schools as branch facilities and perhaps expanding within the schools.

Mr. Holmwood responded that a number of years ago some exploration was done in this area. He said the issue, as he understands it, has to do with the daytime use of school facilities and design. He noted

that they have done some interesting and successful cooperative projects with the schools (Jefferson and Webster Elementary Schools).

Mr. Holmwood also responded to questions relative to the bond issues that failed approximately 3 or four years ago and expressed the opinion that there was not a complete understanding of what was contained in the package. He added that the Council even went back a second time with a reduced version and that was defeated as well. He said there were some issues floating around that had nothing to do with Parks and he believes it was the wrong time and place.

Committeemember Kavanaugh commented that there was a campaign that misled voters into thinking that if they approved the bond issues, there would be a property tax. He said they were looking for monies to acquire land for parks, the development of parks, and development of the Mesa Grande area, which again can be a major economic engine tourism generator. He stated that the theme of the erroneous campaign was "if you pass this, Mesa will impose a property tax."

Committeemember Griswold noted that General Obligation bonds have to be guaranteed and if the City was unable to pay for them out of the General Fund, a property tax could be imposed. He added that although this is a very unlikely scenario, which has never occurred, the attorneys decided that language to that effect had to be included on the ballot so as a result the voters turned down the bonds and the City has been playing catch up ever since. He agreed that there is a lack of understanding regarding what a General Obligation bond really is.

Committeemember Griswold pointed out that in 1989 they started the Ranger Program, which he supports. He asked how many rangers they currently have and what are their functions and salaries.

Mr. Holmwood responded that they have approximately 10 full time Rangers at the current time at an annual cost of \$630,000. He said when they were first organized, the goals were education, visibility in the parks, assistance in the parks and enforcement. He added that the original concept was to focus on the six or seven central parks because they were getting neighborhood complaints about activities that were occurring there. He said as the parks expanded, so did the demands of the neighborhoods, so the number of Rangers was expanded as high as 15 full time employees, but due to budget reductions, that number was reduced to 10. He commented on the atmosphere of safety they create and said they serve as the eyes and ears for the Police Department, which gets involved in heavy-duty problems. He added that there is variety of activities that they get involved in. He said he would provide the Committee with information regarding their salary range.

Committeemember McNichols said he appreciated the comparisons between other cities and said he believes they are starting to see different departments using different cities to make their comparisons on and they might not be valid comparison cities for some department's purpose. He stated that he just wanted to ask the group whether they are comfortable jumping around from city to city making comparisons department by department, or whether they should ask the department heads to only use the cities they choose or expand the group of cities to include others.

Acting Chairman Kavanaugh commented on the fact that the cities are so dissimilar and in certain subject areas it is a challenge for a division manager to try and find equivalents. He said he understood what Committeemember McNichols was saying but also saw the difficulties involved.

Committeemember McNichols said he thought the cities were selected based on population and proximity or some other similar characteristics.

Committeemember Rhodes stated that this is a good point and noted that sometimes the cities are not responsive and sometimes they don't fit in but to the extent possible, he would like to see all the departments respond using the cities they asked them to use. He said if they want to add cities for specific reasons, then they can do so and let the Committee know, but for the sake of consistency, he would like everyone to use the same comparison cities.

Ms. Bleye advised that she will get a copy of the original list of cities and provide it to staff and the members of the Committee.

In response to a question from Committeemember Rhodes, Ex Officio Member Hawker stated that the 2000 study gave the City some benchmarking to determine the spin off for the \$6 million figure previously mentioned. He added that they also looked at room nights and what the Convention & Visitors' Bureau brings in and said some of that perpetuates the tourist industry and some of it actually makes payments at HoHoKam Stadium. He noted that the Center was originally built to be a community meeting area and added that although they were not originally allowed to serve liquor there, a citywide referendum was passed so they could. He expressed the opinion that in order to be profitable, they should keep the amphitheater and bulldoze the Convention Center but added that it wouldn't put together the whole package of what they want to do to be as a community and meet needs for community meeting space as well as conferences.

Committeemember Rhodes commented that there may be many good reasons why certain projects/programs lose money but philosophically they add something to the community. He asked whether any benchmarks were set for those types of programs. Mr. Hawker responded generally not because part of it is how do you benchmark for that. He asked who they would count and who would evaluate the situations and said it is difficult to benchmark your own projects. He said he isn't saying that it shouldn't be attempted, but the "devil is in the detail" and trying to figure out a method to accomplish that. He noted that it is a difficult task.

Committeemember Griswold stated that he asked the same questions when he assumed office, whether or not the hotels could handle the 43 good conventions a year if the center wasn't operational, etc. He said those are hard questions but things that have to be looked at to determine whether the investment is worth it. He noted that the Convention Center's air conditioning units are old and so is the roof and other items so everything must be carefully considered.

Acting Chairman Kavanaugh asked if there were any final questions. Mr. Hawker said that Committeemember Rhodes raised a good topic, that they can look at this as a financial aspect – here's revenues and here's expenses – but they also have to look at what is the goal for the City of Mesa, have that target in the mix and agree as a group that they are going to finance this type of quality community.

Acting Chairman Kavanaugh thanked everyone for their input.

4. Current issues/miscellaneous items.

There were no items discussed under this agenda item.

5. Schedule next meetings:

Wednesday, June 9, 2004, 6:30 p.m. – Tour of the Community Services Department

Wednesday, June 23, 2004, 6:30 p.m. – Presentation by the City Attorney's Office and City
Manager's Office

6. Adjournment.

Without objection, the Mesa 2025: Financing the Future Citizen Committee adjourned at 8:32
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 26th day of
May 2004. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

lgc