

# COUNCIL MINUTES

November 8, 2005

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 November 8, 2005 at 3:10 p.m.

## COUNCIL PRESENT

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

## COUNCIL ABSENT

None

## OFFICERS PRESENT

Mike Hutchinson  
Barbara Jones  
Joe Padilla

1. Hear a presentation from Mesa Chamber of Commerce representatives on the results of a recent poll on budget matters.

Charlie Deaton, President of the Mesa Chamber of Commerce, reported that the Chamber recently commissioned a survey through HighGround, Inc. regarding a variety of City of Mesa budget issues. He explained that regardless of the survey results, the Chamber supports the Mesa 2025: Financing the Future Citizen Committee's recommendation that the Council consider placing a primary property tax on the ballot for voter consideration. Mr. Deaton commented that Mesa would eventually be faced with the need for such a tax, whether its citizens approve such a ballot measure now or in the future. He also stated that the survey results reflected that many Mesa residents were unaware of the purpose of the Financing the Future Citizen Committee or its recommendations and stated that it would be appropriate for the Council and the Chamber to educate the public regarding the City's current financial difficulties.

Chuck Coughlin, President of HighGround, displayed a PowerPoint presentation in the Council Chambers and provided a detailed overview of the public opinion survey conducted by his firm in conjunction with Margaret Kenski, a Tucson-based pollster. He reported that between October 3<sup>rd</sup> and 16<sup>th</sup>, 2005, 400 municipal voters (who participated in the last two City elections) and 200 General Election voters (who did not participate in the municipal election cycle) were surveyed relative to a series of financial challenges facing the City. Mr. Coughlin highlighted the key survey questions as well as the answers elicited by the respondents. He noted, by way of significance, that 42.3% of those surveyed had not seen, read or heard about the City conducting an election next year on several City bonds and tax issues, and said that 62.5%

were unaware of the Mesa 2025: Financing the Future Citizen Committee's report and recommendations.

Mr. Coughlin indicated that the survey also conducted an initial trial ballot. He explained that the participants were first surveyed relative to the ballot issues and stated that after hearing pro and con arguments regarding each matter, were subsequently surveyed. Mr. Coughlin stated that the results of the ballot questions are as follows:

- **Increase the half-cent sales tax to fund transportation improvements and general government services – 32.3% (Definitely Yes); 20% (Yes); 10.7% (Probably No); 20% (Definitely No).**
- **Approval of a City primary property tax (as recommended by the Mesa 2025: Financing the Future Citizen Committee) – 22.7% (Definitely Yes); 18% (Probably Yes); 14.8% (Probably No); 35.8% (Definitely No).**
- **Approval of General Obligation bonds to fund City infrastructure improvements – 64.1 % (Yes); 23.8% (No).**

Discussion ensued relative to the age demographics of Mesa voters in the last municipal election; that 74% of the City's voters are 50 years of age or older; that Mesa has a significantly lower voter participation in the younger age categories as compared to the surrounding communities; that it may be appropriate for the City to conduct an outreach campaign to educate younger voters regarding the serious financial challenges facing the City; and the credibility rating of various organizations (as contained in the survey) including Mesa firefighters, Mesa Community College, Mesa Fraternal Order of Police, Mesa Chamber of Commerce, and the East Valley Partnership.

Mr. Coughlin concluded his presentation by commenting that because of the survey results, in his opinion, it would be difficult for the City to receive approval from Mesa voters for a primary property tax. He said that with "skyrocketing" housing prices and increased assessed valuations on homes, Mesa residents may be reluctant to "give yet another taxing authority the means to increase their property taxes under these circumstances." Mr. Coughlin noted that other factors that might influence such an opinion include the increased cost of gasoline and home heating fuel, and various inflationary pressures placed on the economy due to the recent hurricanes and the situation in Iraq. Mr. Coughlin added that in his estimation, voters might be supportive of a sales tax increase because it would be associated with discretionary spending on their part.

Mr. Coughlin responded to a series of questions from the Council regarding the survey. His comments included, but were not limited to, the fact that an analysis was performed of various combinations of responses given in the survey and that the proposal Mesa voters were most willing to accept at this time was a combination of the General Obligation bonds and a sales tax increase. He indicated that there were "electoral cohorts" who were opposed to the primary property tax in such an extreme manner and added that it could jeopardize support for the bonds and sales tax package. Mr. Coughlin added that the City's "excessive spending" was a primary issue of concern for the individuals who responded to the survey.

Mayor Hawker expressed appreciation to Mr. Deaton and Mr. Coughlin for their presentation.

2. Update of new revenue forecasts from the State of Arizona.

Budget Director Jamie Warner provided a brief overview of the projected State Shared revenues for the City of Mesa. He explained that the revenues are comprised of individual income tax and sales and use taxes. Mr. Warner commented that in FY 2006/07, it is anticipated that Mesa will experience an increase of approximately \$3 million in State Shared revenues (the State's formula for income tax distribution has a two-year lag), but noted that it would be a one-time enhancement only. He also commented that Mesa's forecasted growth rate is below that of the State due to the anticipated results of the mid-decade census and noted that such results, which are scheduled to be completed for FY 2006/07, are expected to produce a reduction in Mesa's percentage of State Shared revenues as compared to other Arizona communities that are growing at a faster rate than Mesa.

a. Local Sales Tax History

Financial Services Director Bryan Raines referred to a document that demonstrates Mesa's sales tax revenue per resident adjusted for inflation at a constant 1%. (See Attachment 1.) He explained that Mesa's economic downturn, which began in FY 99/00, and the subsequent limited change in sales tax revenues per resident (since FY 02/03) reflects the increased retail competition in the East Valley and the ease by which Mesa residents can access such developments.

In response to a question from Mayor Hawker, Mr. Raines advised that staff would endeavor to gather information from Chandler, Gilbert and Tempe regarding whether their respective sales tax revenues per resident have increased while Mesa's has declined.

3. Update and discuss the Quality of Life Sales Tax program.

Mr. Raines referred to a 10-page packet of spreadsheets outlining the Quality of Life Sales Tax Program and provided an extensive overview of the program from its inception in FY 98/99 to the present. (The complete packet is available for review in the City Clerk's Office.) He stated, among other things, that the program is currently in its eighth year (of a 12-year program); that from a budget perspective, the program has been significant in that it has provided the necessary funding to hire Public Safety personnel, construct facilities and implement various services that the City may not otherwise have been able to afford; and that this year, staff anticipates spending approximately \$258 million through the program for operation and capital expenses.

Mr. Raines offered a comparative analysis of the original Quality of Life Program (which was summarized on the ballot and submitted to Mesa voters in May 1998) and the current program relative to expenditures (operations and capital), annual sales tax revenue, local government investment, interest income, revenues over/under expenses, and ending account balance. He spoke further regarding the operations and capital summary of the Library, Parks and Cultural Programs, Public Safety Programs, and Transportation Programs.

Mayor Hawker thanked staff for their efforts and hard work to provide the Council with spreadsheets that demonstrate the original concept of the Quality of Life Program and the manner in which it has matured over time. He stated that in particular, he is pleased with the increase in expenditures to the Public Safety Program.

Vice Mayor Walters commented that the Quality of Life Program was “a well designed mechanism” for building and funding projects and hiring Public Safety personnel. She said that the ballot clearly stated that specific items would be funded through the program, including the capital and ongoing operational costs.

In response to Vice Mayor Walters’ comments, Mr. Raines noted that the Quality of Life Program has been adjusted and modified over the years and advised that some of the original capital projects, as well as various Parks operations, have been eliminated. He noted that such changes occurred in order to adjust for changes in the economy.

Mr. Raines further responded to a series of questions from the Council regarding various components contained in the spreadsheets.

Mayor Hawker thanked Mr. Raines for the presentation.

4. Discuss and consider the proposed Pinal County Water Farm Land Release Program.

Due to time constraints, this item was continued to a future Study Session.

5. Update on secondary property tax issues.

Due to time constraints, this item was continued to a future Study Session.

6. Discuss Taxpayer Bill of Rights (TABOR).

Due to time constraints, this item was continued to a future Study Session.

7. Discuss, consider and provide direction on recommended budget reductions.

Due to time constraints, this issue was continued to a future Study Session.

8. Discuss, consider and provide direction on the Mesa 2025: Financing the Future Citizen Committee’s recommendation regarding an enhanced audit function.

Due to time constraints, this item was continued to a future Study Session.

9. Items from citizens present.

Sheila Sweegart, 656 North Grand, addressed the Council and discussed the importance of the Council supporting the recommendations of the Mesa 2025: Financing the Future Citizen Committee. She urged the members, in particular, to consider placing a City primary property tax on the ballot.

10. Adjournment.

Without objection, the Study Session adjourned at 4:23 p.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 Study Session of the City Council of Mesa, Arizona, held on the 8th day of November 2005. 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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