



COUNCIL MINUTES

June 22, 2006

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 June 22, 2006 at 7:30 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Kyle Jones
Claudia Walters
Mike Whalen

COUNCIL ABSENT

Tom Rawles
Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Barbara Jones

(Mayor Hawker excused Councilmembers Rawles and Somers from the entire meeting.)

1. Review items on the agenda for the June 26, 2006 Regular Council meeting.

Conflicts of interest declared: 15f (Whalen); 19d (Whalen)

Items removed from the consent agenda: 11a

2. Discuss, consider and provide direction regarding a future utility bond election.

Capital Improvement Project Administrator Anthony Araza displayed a PowerPoint presentation and provided an extensive overview of the City of Mesa's Utility Bond Programs. (The PowerPoint presentation is available for review in the City Clerk's Office.) He reported that most of Mesa's utility projects are financed through voter-approved bonds, which authorize the City to issue debt instruments to pay for the capital improvements.

Mr. Araza highlighted the existing bond authorization derived from the March 2004 Utility Bond election (\$234.7 million), the Series 2005 Bond Sale (\$90.6 million), and the Series 2006 Bond Sale (\$105.4 million). He stated that following the 2006 Utility Revenue Bond Sale, an estimated \$39.2 million would remain in bond authorization for the Gas, Water and Wastewater Programs. Mr. Araza added that at the current rate of expenditures per month, such an amount would be depleted by July/August 2007, barring any emergency improvements.

Discussion ensued relative to the fact that the prior two bond sales included significant funding for the construction of the Greenfield Water Reclamation Plant and the associated pipelines for wastewater conveyance and treated reclaimed water; the expansion of the CAP Plant in east Mesa; and shared capital improvements with various local agencies.

Mr. Araza indicated that in November 2005, after several months of reviewing Mesa's capital improvement bond needs for FY 2006/07 through FY 2009/10, the Citizen Bond Committee recommended that the City move forward with \$279.4 million in utility bonds over the next four years for Water, Wastewater, Gas and Electric System improvements. He commented, however, that after evaluating the existing Utility Systems' bond authorization balances, the Bond Committee's recommendation, and impending capital projects, staff recommended that the Council place the following bond programs before Mesa voters:

- Water System - \$146 million
- Wastewater System - \$ 91.3 million
- Gas System - \$21.7 million
- Electric System - \$14.6 million (For a total of \$273.6 million)

Mr. Araza also spoke regarding the type of utility projects that would be included in the next bond election such as:

- Aging Infrastructure - \$115.7 million
- Utility Systems Expansion - \$103 million
- Educational Institutions - \$24.3 million
- Intergovernmental Agreements - \$21.28 million
- Utility/Street Projects - \$9.32 million

Mr. Araza concluded his presentation by noting that prior to a utility bond election, it is essential that Mesa residents be educated relative to the City's bond needs, the Bond Committee's recommendations, and are given the opportunity to provide feedback regarding this matter. He stated that once the informational meetings have been held, staff would present the results of the citizen input to the Council at a future Study Session. He added that it is staff's proposal that the utility bond election be held in March 2007 or May 2007.

In response to a question from Councilmember Jones, Utilities Manager Dave Plumb clarified that the proposed \$115.7 million earmarked for aging infrastructure projects includes only those items that are "known problems." He explained that upon completion of the utility distribution system assessment, staff would have a better understanding of which areas may require additional capital projects. Mr. Plumb added that it is not uncommon for the City to pay twice the cost for an emergency repair as it would for a planned infrastructure replacement program.

City Manager Christopher Brady stated that it is important to note that the City's utilities should be discussed in the sense of an enterprise fund, which is different from the Council's recent budget discussions regarding general fund activities. He noted that the enterprises, which represent business operations supported directly by revenues and fees, are capital intensive relative to the expansion of facilities and the maintenance of aging infrastructure. Mr. Brady added that the enterprises are driven by utility rates and should not be confused with property taxes or sales taxes.

Mr. Brady further commented that if the Council wished to proceed with a Special Bond Election for November 7, 2006, it would require the adoption of a resolution calling the election at the July 5, 2006 Regular Council meeting.

Councilmember Jones commented that as the former Chairman of the Mesa 2025: Financing the Future Citizen Committee, one of its primary objectives was that the City's utility systems would be operated as true enterprise funds. He acknowledged that it is not possible to achieve this goal at the present time, but looks forward to the day when it will become a reality.

Mayor Hawker noted that the City of Mesa "has done an excellent job" with its utility infrastructure over the years and said he would hate to see the utility systems deteriorate to the point that the City is required to expend significant funds to "play catch up." He questioned the financial impact on the City if the proposed bonds pass, but the utility enterprises are sold, for instance, within four years.

In response to Mayor Hawker's inquiry, Financial Services Manager Bryan Raines clarified that staff's financial model anticipates a continued utility bond program, and in particular, within the range that staff is recommending for the upcoming election. He explained that staff further anticipates issuing debt instruments annually for several years in order for Mesa to expand its utility infrastructure as previously mentioned by Mr. Araza. Mr. Raines added that staff continues to examine the transfer of revenue from the utilities into the general fund and said that staff is attempting to moderate such transfers as much as possible.

In response to a question from Mayor Hawker, Mr. Brady stated that postponing the Special Bond Election from November 2006 to May 2007 would provide staff with an opportunity to educate the public regarding the need for various utility projects that would significantly impact old and new neighborhoods in the community.

Further discussion ensued relative to the fact that the utility rate increases have been factored into the City's long-range financial forecast to pay for the bond authorizations; that future rate adjustments may be necessary upon completion of the utility distribution system assessment; and that \$110 million in proceeds from the future sale of Pinal County Water Farm land has been earmarked to the general fund for the payment of existing General Obligation bond debt.

Councilmember Whalen expressed concern that a November 2006 Special Bond Election may be too soon (in view of the recent failed property tax issue and approved sales tax increase) and suggested a more appropriate time would be March or May 2007. He acknowledged the importance of the proposed utility projects, but stressed that educating the community in this regard is also an important component of the process. Councilmember Whalen added that he is aware of various Public Safety projects that would be financed through General Obligation bonds and said that it may be convenient for the City to conduct public meetings to address the Utility and General Obligation bond projects at the same time.

Vice Mayor Walters commented that there appears to be "voter fatigue" in the community and said that the November 2006 General Election will include a multitude of ballot measures and candidate races. She questioned, because of that fact, whether the City would have an opportunity to "discuss" the utility bond issues with Mesa voters. Vice Mayor Walters also requested that staff reassess whether adequate funding has been factored into the bonding scenarios in order to satisfactorily complete the construction of various projects, for instance, in FY 2008/09 and FY 2009/10.

Councilmember Griswold concurred with Councilmember Whalen's comments that a November 2006 election would be a "hard sell" to Mesa voters. He also stressed the importance of not

only educating Mesa voters concerning the City's utility needs, but also seeking their feedback and input.

Mayor Hawker expressed support for two separate bond elections, one in November 2006 for the utility projects, and a later General Obligation bond election for Public Safety projects. He stated that the utility bond projects have been included in the financial forecast, are necessary and cost effective, and commented that if the projects are not completed, the City would incur additional costs over time. Mayor Hawker added that a utility bond election is "an easy sell," especially with aging infrastructure currently being repaired in various areas of the community.

Additional discussion ensued relative to impact fees and the manner in which they are used in association with utility projects; and the State law that addresses a moratorium on growth.

Mayor Hawker stated that because there is no Council consensus regarding a specific date for a Special Bond Election and since he would also like input from Councilmembers Rawles and Somers regarding this issue, he suggested that the item be brought back to the Council for further discussion and consideration at the July 29, 2006 Study Session.

3. Appointment of Kari Kent as Acting Neighborhood Services Manager.

City Manager Christopher Brady recommended that Assistant Development Services Manager Kari Kent be appointed as Acting Neighborhood Services Manager, a position that recently became vacant. He stated that he is impressed with Ms. Kent's managerial skills and is confident that she will perform her new duties in an effective and efficient manner.

It was moved by Vice Mayor Walters, seconded by Councilmember Whalen, that the appointment of Kari Kent as Acting Neighborhood Services Manager be approved.

Mayor Hawker declared the motion carried unanimously by those present.

Ms. Kent expressed appreciation to the Council and Mr. Brady for their support and said that she looks forward to working with Neighborhood Services staff, City management, and community leaders in her new role.

4. Appointments to boards and committees.

Councilmember Whalen noted that he received a telephone call from a member of the Planning & Zoning Board (P&Z) who expressed concern that Mayor Hawker did not appoint an architect to the Board. He commented that although he is not opposed to the Mayor's appointments at this time, it might be appropriate for the Mayor to consider a candidate with that specific type of expertise for future appointments.

Councilmember Griswold and Vice Mayor Walters concurred with Councilmember Whalen's comments.

Mayor Hawker recommended the following appointments to Boards and Committees:

PLANNING and ZONING BOARD

Pat Esparza – Term Expires June 30, 2009

POLICE DEPARTMENT PENSION BOARD

Floyd Smith – Term Expires June 30, 2010

TRANSPORTATION ADVISORY BOARD

David Wier – Term Expires June 30, 2009

It was moved by Vice Mayor Walters, seconded by Councilmember Whalen, that the Council concur with the Mayor's recommendations and the appointments be confirmed.

Mayor Hawker declared the motion carried unanimously by those present.

Mayor Hawker briefly reviewed a list of recommendations for City Council assignments to special boards and committees.

It was moved by Vice Mayor Walters, seconded by Councilmember Whalen, that the Council concur with the Mayor's recommendations for City Council assignments to special boards and committees.

Mayor Hawker declared the motion carried unanimously by those present.

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

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| Councilmember Jones: | National League of Cities' Public Safety and Crime Prevention Steering Committee meeting; Mesa Citizen Corps meeting; State Conference on Water. |
| Mayor Hawker: | National League of Cities' Finance, Administration and Intergovernmental Relations Committee meeting. |
| Councilmember Griswold: | Williams Gateway Airport Authority meeting; meeting with Fire Chief Harry Beck; Las Sendas neighborhood meeting. |

6. Scheduling of meetings and general information.

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

Monday, June 26, 2006 – 5:00 p.m. – Study Session

Monday, June 26, 2006 – 5:45 p.m. – Regular Council Meeting

Monday, June 26, 2006 – 5:50 p.m. – Special Council Meeting

Thursday, June 29, 2006 – 7:30 a.m. – Study Session

Wednesday, July 5, 2006 – TBA – Study Session

Wednesday, July 5, 2006 – 5:45 p.m. – Regular Council Meeting

Thursday, July 6, 2006, 7:30 a.m. – Study Session

Wednesday, July 12, 2006, TBA – Study Session

Wednesday, July 12, 2006, 5:45 p.m. – Regular Council Meeting

7. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

8. Items from citizens present.

There were no items from citizens present.

7. Adjournment.

Without objection, the Study Session adjourned at 9:05 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 22nd day of June 2006. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK