

# COUNCIL MINUTES

March 17, 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 March 17, 2005 at 7:30 a.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  
Debbie Spinner  
Barbara Jones

### 1. Review items on the agenda for the March 21, 2005 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: 3d (Griswold); 4e, 4f (Hawker)

Items removed from the consent agenda: 6k, 6l, 6m, 7a and 9a

### 2. Discuss and consider the status and issues related to the upcoming biennial budgets (FY 05/06 & 06/07):

#### a. Preliminary projections for FY 05/06 & 06/07 budget

City Manager Mike Hutchinson reported that the City of Mesa is facing serious budget issues this year and said that despite the best efforts of all City departments to minimize service reductions, a \$5 million shortfall currently exists in the upcoming FY 05/06 and 06/06 Biennial Budget Plan. He introduced Financial Services Director Bryan Raines and Budget Director Jamie Warner who indicated they were prepared to respond to any questions the Council may have.

Mr. Raines explained that with the exception of utility and impact fee revenues, Mesa's other revenue opportunities have improved and are projected to grow through the biennial period. He provided a short synopsis of the forecasted utility revenues and stated that solid waste revenue estimates are on target, although weather-dependent revenues (i.e., water, wastewater, natural

gas and electricity) are down. Mr. Warner advised that with regard to expenditures, the City is experiencing increased costs in its utilities due to ongoing maintenance and added that natural gas revenues have increased \$4 million as a result of pass through commodity costs being higher than originally estimated.

Discussion ensued relative to budgeted building permit revenues; impact fees for FY 05/06 and 06/07; groundwater recharge credits; significant funding issues for the upcoming biennial budget; and budget challenges.

Vice Mayor Walters commented that for several years, Mesa's employees have been asked "to shoulder more and more responsibility" due to the hiring freeze within the organization and are now faced with no cost of living increase, as well as increases to their Arizona State Retirement System contributions and health care costs. She stated that she wanted to make sure that a message goes out from the Council that staff is appreciated and acknowledged for their efforts and hard work. Vice Mayor Walters added that she is concerned that the community is unaware of staff's dedication and also how dire the City's financial outlook has become.

Mr. Hutchinson thanked Vice Mayor Walters for her kind comments and stated that in the next 30 days, staff would continue to "explore all possible options" in an effort to balance the budget.

Further discussion ensued among the Council wherein additional information was requested from staff including, but not limited to, a breakdown of costs versus revenue for the proposed utility rate increases; a bid process for Park Ranger services; associated costs to the City with regard to providing low income housing and implementing Block Grants; response to false burglar alarm calls; property sales in Mesa; the Pinal County water farm; the City's potential cost recovery relative to youth Parks and Recreation programs and scholarships; the impact of extending the Quality of Life sales tax in order to fund the repair/maintenance of City streets; a reduction in the number of Code Compliance FTEs; street lane rentals; and whether the City should seek full cost recovery for non-residents participating in classes at the Mesa Arts Center.

b. Recommendation to offer employment severance packages to eligible employees.

Mr. Hutchinson recommended that the Council approve the immediate implementation of a voluntary severance program for retirement and non-retirement eligible employees (on or before June 30, 2005). He explained that the program savings would be assured by reducing personal service-related expenditures within the participating department by at least twice the cost of each participant's incentive package from the time of departure through the end of FY 05/06. Mr. Hutchinson added that his office would give final approval of all requests for voluntary severance.

It was moved by Councilmember Griswold, seconded by Councilmember Whalen, that employment severance packages be offered to eligible employees.

Councilmember Jones stated that with regard to the senior level employees who accept the severance package, he suggested that it would be unnecessary to bring in their replacements at the same salary level.

Mayor Hawker commented that although he philosophically agrees with Mr. Hutchinson's recommendation, he would prefer to delay a vote on the motion until such time as he has obtained additional information concerning this item.

Vice Mayor Walters voiced concerns regarding a potential “brain drain” of those employees who will be retiring. She also concurred with Mayor Hawker’s suggestion to postpone a vote on this issue until the March 21, 2005 Study Session.

Mr. Hutchinson assured the Council that the City of Mesa has many experienced employees who can assume the positions of those individuals who accept the severance package. He also stated that in addition to the Human Resources Division and the Financial Services Department, the impacted departments would assess the organizational/financial impacts of each individual request.

Councilmembers Griswold and Whalen withdrew their motion and second to the motion.

Councilmember Whalen stated that the offering of the severance package would provide employees with less tenure the opportunity to prove themselves and advance in the organization.

In response to a question from Councilmember Thom regarding potential policy changes concerning retirees who work for the City as consultants or part-time employees, Mr. Hutchinson clarified that he would continue to use such individuals on various projects within the organization when the need arises. He noted that the Arizona State Retirement System prohibits employees from working full time for a municipality for at least one year after they retire.

Vice Mayor Walters stated that in her opinion, it is a “win-win situation” when a former City employee, who has familiarity with the organization and specific expertise, comes to work for Mesa on a part-time basis.

c. Budget review schedule.

Mr. Hutchinson provided a brief overview of the proposed upcoming budget hearings as outlined in the March 15, 2005 Budget Preparations Memo.

Mayor Hawker thanked staff for the presentation.

3. Discuss and consider the Council Finance Committee’s recommendation to provide a rebate of previously collected utility revenues.

(Councilmember Whalen left the meeting at 9:55 a.m.)

Assistant Financial Services Manager Jenny Sheppard reported that the Finance Committee and the Council previously requested that staff present alternatives for a utility adjustment for rate increases that the City imposed last August. She briefly highlighted various alternatives proposed by staff including the Flat Amount Adjustment, the Actual Multi-Line Adjustment, and the Actual One-Line Adjustment. (See the February 22, 2005 Finance Committee meeting minutes for a detailed description of the three options.)

Ms. Sheppard commented that at the January 20, 2005 Study Session, Council directed staff to begin to implement the “beginning of the bill period” methodology for future rate changes and advised that staff has already begun that process relative to the next rate adjustment period. She noted that Mesa follows common utility industry rate change methodology used by most

municipalities and commented that the City was unable to even consider an alternative methodology until December 2003 when the utility billing customer information system was modified.

Discussion ensued relative to the fact that staff estimates the effect of historical rate implementation practice (as opposed to the "beginning of the bill period") is approximately \$758,000; and that staff has not accounted for that amount in the previously discussed \$5 million budget shortfall.

Councilmember Rawles commented that staff's implementation of the utility rate increase last year was consistent with Mesa's historical billing practice for many years, but noted that it was just different from what some of the Councilmembers thought they were doing. He indicated that is the reason for the suggested refund, not because anybody did anything wrong. He noted, as Chairman of the Finance Committee, the members considered whether to make a recommendation to the Council that the City issue a refund and secondly, the most appropriate alternative. Councilmember Rawles advised that the Committee preferred the Actual One-Line Adjustment, however, Vice Mayor Walters was opposed to the motion because she wanted to be consistent in her opposition to any rebate. He added that in his opinion, an adjustment to the utility bills of the City's customers should be made not only prospectively, but also retrospectively for the previous year.

It was moved by Councilmember Rawles, seconded by Councilmember Thom, that the Finance Committee's recommendation to provide a rebate of previously collected utility revenues be approved and that the Actual One-Line Adjustment be implemented.

City Attorney Debbie Spinner advised that her office was requested to research if the City offered a refund to its utility customers, which was legally adopted and implemented, whether it would be a violation of the gift clause as contained in the Arizona Constitution. She stated that in her opinion, it would not be a violation; however, she commented that the Council should also be aware of the fact that there is no specific statute or case law addressing such an issue and explained that the City is "treading on a new area."

Mayor Hawker commented that staff would be required to do "too much work" in order to return a minimal amount of money to the City's utility customers that would then be placed back into the budget next year. He acknowledged Councilmember Rawles for bringing the issue to the Council's attention, but said he does not see a sufficient benefit to the City to proceed with the refund just because of something the Council inadvertently did to begin with.

Vice Mayor Walters commented that when the issue first arose, Councilmember Rawles made the Council aware of something it had not considered before. She stated that it was not that the City had changed its practices or done something wrong, but when she became aware of the situation, she felt it was appropriate to address it on a prospective basis and not retrospectively. Vice Mayor Walters advised that she did not support the motion at the Finance Committee meeting and would not do so today.

Councilmember Thom stated that this matter is not a situation where the City would mail checks to the utility users, but would rather issue a credit to their accounts. She explained that the revenue shortfall created by this action occurred due to a lack of rain and the City's inability to sell as much water as it normally would.

Further discussion ensued relative to the “beginning of the bill period rule;” the fact that the Actual One-Line Adjustment would take approximately 240 man-hours to complete, with the May 2005 billing cycle being the earliest possible bill presentation for this alternative; and that the Actual Multi-Line Adjustment would entail approximately 960 man-hours performing extensive programming efforts.

Councilmembers Griswold voiced support for the motion and noted that “Mesa is a better city” for correcting this item and “doing what is right.”

Councilmember Rawles commented that the refund is justified on the basis that the City inadvertently “took money from its utility customers that it did not intend to take” and would now credit those monies to their accounts.

Mayor Hawker stated that Councilmember Rawles’ argument is fairly compelling and that he would now support the motion. He commented that once the idea of a refund was brought to the Council’s attention and it was determined that it would cost an estimated \$13,000 in staff time to implement the \$758,000 in refunds, even though the City would be collecting those monies in the next six months when the utility rates were increased again, he simply cannot compete with Councilmember Rawles’ logic that it is “probably the right thing to do.”

Vice Mayor Walters noted that if she takes Mayor Hawker’s comment as a moral argument, she would need to go back and look at every year she has been a Councilmember and refund Mesa’s utility customers for all of the past utility rate increases. She stated that she does not feel she has acted in an immoral manner regarding this issue and added that she finds it challenging that that is the argument.

Councilmember Rawles responded to Vice Mayor Walters’ comment and stated that he is not inferring that she or anyone else on the Council is immoral and is merely saying that the City “took money that it did not intend to take and the right thing to do is to give it back.”

Mayor Hawker clarified that he supports the motion, but emphasized that if the staff costs to implement the refund were greater than \$758,000, it would make no sense financially.

Mayor Hawker called for the vote.

Upon tabulation of votes, it showed:

AYES - Hawker-Griswold-Jones-Rawles-Thom  
NAYS - Walters  
ABSENT - Whalen

Mayor Hawker declared the motion carried by majority vote of those present.

4. Discuss and consider recommendations #1 and #2 in the Ad Hoc Redevelopment Advisory Committee report.

City Manager Mike Hutchinson recommended that because of time constraints, this item be continued to the March 24, 2005 Study Session.

5. Acknowledge receipt of minutes of boards and committees.

- a. Design Review Board meeting held March 2, 2005.
- b. Economic Development Advisory Board meeting held February 1, 2005.
- c. Fire Committee meeting held January 20, 2005.
- d. General Development Committee meeting held February 17, 2005.
- e. Transportation Advisory Board meeting held February 15, 2005.
- f. Transportation Committee meeting held February 24, 2005.

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

Mayor Hawker declared the motion carried unanimously by those present.

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

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

7. Scheduling of meetings and general information.

City Manager Mike Hutchinson stated that the meeting schedule is as follows:

Monday, March 21, 2005, TBA – Study Session

Monday, March 21, 2005, 5:45 p.m. – Regular Council Meeting

Wednesday, March 23, 2005, 7:30 a.m. – Dobson Ranch Homeowners Association Joint Meeting

Thursday, March 24, 2005, 7:30 a.m. – Study Session

Thursday, March 24, 2005, 9:30 a.m. – Transportation Committee Meeting

8. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

9. Adjournment.

Without objection, the Study Session adjourned at 10:30 a.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 17<sup>th</sup> day of March 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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