

COUNCIL MINUTES

May 23, 2002

The City Council of the City of Mesa met in a Budget Review Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 23, 2002 at 7:30 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Jim Davidson
Bill Jaffa
Dennis Kavanaugh
Claudia Walters
Mike Whalen

COUNCIL ABSENT

Pat Pomeroy

OFFICERS PRESENT

Mike Hutchinson
Debbie Spinner
Barbara Jones

COUNCIL-ELECT PRESENT

Rex Griswold
Kyle Jones
Janie Thom

1. Budget process overview.

City Manager Mike Hutchinson addressed the Council and reported that this proposed budget has been the most difficult budget to balance throughout his tenure with the City. He commented on the fact that the City initiated a two-year budget process last year; the fact that the Council adopted additional budget cuts to the FY 2001-02 budget last fall due to the economic downturn; and the fact that at the start of this process, the City's budget was significantly out of balance with last year's projections. Mr. Hutchinson thanked staff for their efforts concerning the proposed budget and noted that staff endeavors to reflect the Council's priorities throughout the budget process.

Mr. Hutchinson commented on the difficulties associated with meeting the increasing demands for City services and he outlined several key issues that will be discussed during the budget hearings, including neighborhood speed humps, bus service, neighborhood services, technology improvements, public safety programs and infrastructure improvements at Williams Gateway Airport.

Mr. Hutchinson outlined the schedule of budget hearings and the Council adoption process. He stated that although the currently proposed budget is not in balance, staff anticipates offering additional recommendations to balance the budget at the Council budget hearing on Tuesday, May 28, 2002.

Councilmember Walters commented on the two-year budget process and the possibility of confusion arising due to projections that were made a year ago relative to the FY 2002-03 budget. She requested that throughout the budget presentations, that staff clearly differentiate between actual departmental reductions as opposed to reductions of previous projections.

2. Planning/Development overview.

Planning Director Frank Mizner referred to a map on display in the Council Chambers that depicted nine specific areas of the City that staff anticipates will sustain significant development during the next two years. Mr. Mizner discussed the nine areas, including: 1) various commercial development is occurring in the Baseline Road/Greenfield Road/Higley Road area including retail, office, industrial and apartment development; 2) the Falcon Field area is expected see development in all directions surrounding the airport in addition to the planned Longbow project; 3) the Las Sendas area is expected to see additional residential development and limited commercial development; 4) residential development and limited commercial development is occurring in the Brown Road/Ellsworth Road area; 5) the Broadway/Southern corridor near Crismon/Signal Butte is expected to sustain residential development and limited neighborhood type commercial development; 6) significant residential development is occurring along the Baseline/Guadalupe corridor near Crismon/Signal Butte and significant commercial development is expected to follow; 7) residential development is occurring in the area east of General Motors and additional adjacent areas are expected to be annexed into the City and developed residentially; 8) the far southeastern area of the City is expected to see additional industrial type development; and 9) the Williams Gateway Area is expected to see significant industrial development. Mr. Mizner noted that development in the General Motors area is expected to occur in three to five years.

Mr. Mizner provided an historical overview of Mesa's population and geographic growth and residential development trends since 1930. He referred to maps and charts on display in the Council Chambers that illustrated the City's population and geographic growth, Maricopa County jurisdictional areas including County islands, the existing and projected freeway systems, and the City's existing housing stock. He noted that the City's current population is approximately 430,000 and its geographical size is approximately 128 square miles.

Mr. Mizner discussed projected future growth of the City, the East Valley area and the State. He stated that Mesa is essentially land-locked from future peripheral growth with the exception of an area bordering Pinal County and added that future growth will be focused on existing undeveloped land within the City's planning area and redevelopment projects. Her reported that pursuant to Maricopa Association of Governments (MAG) projections, the City's growth rate will slow from 3% to 1% by the year 2025. He added that the neighboring communities of Gilbert and Chandler will continue to see rapid population growth during this period. He added that the Pinal county area adjacent to Mesa and Queen Creek is also projected to sustain long-term growth.

3. Financial update/forecast.

Budget Director Jamie Warner addressed the Council and provided a brief update concerning the status of the FY2001-02 budget. He reported that revenues are presently forecast at \$514.3 million and that \$604.3 million was budgeted, representing a 15% reduction. He further reported that sales tax revenue is down approximately \$4.1 million, revenue from licenses and permits is down approximately \$7.6 million, State Shared Revenues are down approximately \$1 million; and Enterprise Revenues including Utility Impact fees and electricity resales are down \$56.4 million. Mr. Warner reported that although budget cuts of \$78.7 million were implemented during the fall of 2001, revenues are \$89.9 million less than what was budgeted. He added that the ending fund balance for FY 2001-02 is presently forecast at \$37 million.

Mr. Warner outlined forecasted revenues for FY 2002-03 and advised that although \$620.6 million in revenue for FY 2002-03 was originally budgeted in conjunction with the biennial budget, total

revenues for FY 2002-03 are presently forecast at \$544 million. He noted that sales tax revenue growth is presently forecast at 3.5% over FY 2001-02; that licenses and permits revenue (including impact fees) is forecast at \$17,820,000 which is a 24.7% decrease from what was originally budgeted in conjunction with the biennial budget, that State Shared Revenues is presently forecast at \$121.5 million which is a 4.9% reduction from what was originally budgeted. Mr. Warner outlined significant changes in expenditures for FY 2002-03 from the biennial budgeted amount, including: 1) commodity purchases for electric and gas declined \$34.7 million without electric resales and lower commodity costs for natural gas; 2) departments have identified \$36.3 million in budget reductions; 3) the Quality of Life Half Cent sales tax capital budget increases \$30 million by utilizing cash to complete projects instead of financing the construction; 4) forecast expenditures for FY 2002-03 are reduced \$41 million from the original amount budgeted in conjunction with the biennial budget. Mr. Warner reported that based upon an ending fund balance of \$34 million, the projected budget for FY 2002-03 remains \$5.7 million out of balance (expenditures exceeding revenues).

Councilmember Jaffa expressed concerns regarding a further reduction of the City's ending fund balance.

Mr. Warner also reported on staff's efforts to develop a financial forecast system software that will integrate with the City's existing financial software. He noted that the forecast system is being designed to provide a 7-year forecast of fund balances, revenues, expenditures and also incorporate the CIP program and associated operation and maintenance expenses. He identified other benefits the system would provide and stated that additional resources are required to enable the system to make projections through year 2025. He added that a budget adjustment request will be subsequently presented to the Council requesting additional expenditures of \$105,000 to purchase computer hardware for the forecast system.

Mayor Hawker commented on his previous requests for development of a financial forecast system and stated approval regarding staff's efforts in this regard. He stated that the key benefit to a long-range forecast system is to ensure that the City has the long-term financial ability to operate, maintain and otherwise sustain programs and projects that are implemented. He stated the opinion that the system will be a "wonderful tool" for long-term financial planning.

4. Quality of Life Program.

Finance Director Larry Woolf addressed the Council and provided a brief historical overview regarding the Quality of Life Program. Mr. Woolf reported that since August of 1998, the City has collected \$125 million in Quality of Life sales tax; spent \$69 million to date; earned interest income of approximately \$6.5 million, and retains an existing balance of \$62 million. He identified the five major programs that benefit from Quality of Life funding including library and parks, public safety and response, arts and cultural, transportation activities and freeway acceleration.

Mr. Woolf discussed various projects and programs that were fully or partially funded during FY 2001-02 from Quality of Life funds, including: 1) Sunday hours at the Dobson and East Mesa Libraries; 2) construction, operation and maintenance of Valencia Park; 3) construction of Augusta Ranch; 4) construction of Brimhall pool and operation and maintenance of Brimhall and Stapley pools; 5) recent completion of Phase 4 of Red Mountain Park and operation and maintenance of the park; 6) various after school and youth and recreational sports programs; 7) on-going hiring of 12 police officers each year (for a 10 year period); 8) completion of the joint police and fire training facility; 9) 13 additional firefighters hired for station #217 (total of 52 firefighters hired to date); 10)

design phase completed and construction phase begun on Mesa Arts Center; 11) construction of transit shelters and bus pull out bays; 12) design phase completed and construction phase begun on the transportation maintenance facility; 13) purchase of additional buses and funding of bus routes; and 14) acceleration of the 202 freeway through Mesa.

Mr. Woolf stated that \$48.6 million in Quality of Life expenditures is budgeted during FY 2002-03. He discussed various major programs and projects that will be fully or partially funded during FY 2002-03, including: 1) ongoing youth and library programs; 2) expansion of the East Mesa Library; 3) development of the Aquatics facility; 4) Arizona Museum for Youth project; 5) Skyline Park; 6) Augusta Ranch; 7) Falcon Field Pool renovations; 8) hiring of 12 additional police officers plus additional funding for police and fire department capital; 9) full-year construction of Mesa Arts Center; 10) additional transit shelters and bus pull out bays; 11) completion of the transit maintenance facility; and 12) completion of the accelerated 202 freeway segment from Gilbert Road to Higley Road. Mr. Woolf stated that the Quality of Life ending fund balance for FY 2002-03 is projected at \$45 million.

Mr. Woolf commented on the impacts of the economic downturn and stated that staff has evaluated a "slow down" approach with respect to a number of quality of Life programs and projects.

Deputy City Manager Debbie Dollar commented on the impacts of reduced sales tax revenue growth on the Quality of Life Program and advised that staff recommends delaying the design phases of Skyline Pool and Countryside Recreation Center for at least one year. She discussed other options available to trim the program and stated that staff will proceed cautiously with Quality of Life projects and provide the Council with regular updates concerning the financial status of the Quality of Life Program. She added that staff is confident that every project that has been initiated at this point can be maintained and funded at the appropriate level.

Discussion ensued regarding the future reduction of the Quality of Life tax from ½ cent to ¼ cent in July 2006 and the ability of the program to fund ongoing operation and maintenance expenses of the various projects, programs and staff implemented by the program.

Mayor Hawker urged staff to quantify the ongoing operation and maintenance expenses associated with existing and future Quality of Life projects and stressed the importance of the Council considering this information in conjunction with future projects.

Councilmember Jaffa stressed the importance of ensuring that Quality of Life funds are used for the purposes intended by Mesa voters.

Councilmember Walters voiced support regarding staff's recommendations to proceed cautiously and slowly with respect to future Quality of Life projects and stressed the importance of ensuring that projects and programs are sustainable.

Vice Mayor Davidson stated support concerning the proposed slowdown of capital expenditures for future Quality of Life projects but also stressed the importance of ensuring that operation and maintenance expenses associated with the Mesa Arts Center are not delayed or otherwise compromised.

5. Capital Improvement Program.

Capital Improvement Project (CIP) Administrator Anthony Araza addressed the Council and referred to a handout and maps provided to the Councilmembers outlining the five-year CIP program and illustrating the locations of the various planned projects. He stated that the various projects are grouped by five categories, transportation; parks, recreation and culture; public safety; utility projects; and general government. Mr. Araza reported that the total CIP amount budgeted for FY 2002-03 is \$216,194,978 and noted that this amount also includes capital purchases, fire trucks, police helicopters, utility lines, land acquisitions and City cost share with developers and other government agencies that the City has intergovernmental agreements with. He noted that approximately 72% of the CIP budget for FY 2002-03 is for construction activity including the Mesa Arts Center, the East Mesa Library expansion, the Museum for Youth projects, Fire Station 201, continued infrastructure improvements to the 800 MHz radio system, the transit maintenance facility, expansion of the CAP water treatment plant, and various arterial street projects due to the acceleration of the Red Mountain Freeway.

Mayor Hawker commended Mr. Arraza regarding the maps and corresponding data provided to the Councilmembers regarding the 5-year CIP program.

6. City Clerk's Office.

City Clerk Barbara Jones and Deputy City Clerk Linda Crocker addressed the Council concerning this budget presentation. Ms. Jones reported that the Clerk's Office' proposed budget for FY 2002-03 is \$1,055,390, which includes an increase of approximately \$400 thousand to accommodate a November 2002 Special Election (concerning Mesa's General Plan) and the possibility of a Special Election in March 2003.

In response to a question from Councilmember Kavanaugh regarding the cost of a Special election in September 2003 concerning the Multipurpose Facility referendum issue, Ms. Jones reported that she was advised by County officials that the cost of this election would be approximately \$60,000. She added that Budget Director Jamie Warner advised her that if the election is conducted, the cost could be paid from contingency funds.

Ms. Jones discussed various budget cuts and significant changes made within the department including condensing Council minutes when appropriate to compensate for unfunded staff, and automation improvements made to minimize staff time relative to election procedures.

Discussion ensued regarding the fact that City elections are restricted to four designated dates throughout the year; the fact that the Clerk's office administers the Public Safety Retirement System for the City, and the fact that the workload associated with this responsibility recently increased due to a legislative change in the system.

In response to a question from Councilmember Kavanaugh concerning the possibility that dispatch personnel will be added to the Public Safety Retirement System which will further increase the City Clerk's workload associated with this responsibility, Deputy City Manager Debbie Dollar reported that this issue is currently being studied and it is anticipated that the increased workload will result in additional costs.

Discussion ensued regarding the costs associated with the recent "run-off" (General) election.

In response to a question from Councilmember Walters regarding staff's analysis of the costs associated with an all-mail ballot versus a traditional election, Ms. Jones stated that the recent

election will provide a basis to analyze this issue due to the fact that early voting represented 84% of the votes cast. She added that Phoenix often conducts run-off elections by mail when only one district is affected.

7. City Attorney's Office.

City Attorney Debbie Spinner, Acting City Prosecutor Kevin Hayes and Management Assistant I Carla Wagner addressed the Council concerning this budget presentation. Ms. Spinner advised that the City Attorney's budget encompasses two responsibility centers (RCs), the City Attorney's Office and the Prosecutor's Office. Ms. Spinner reported that the City Attorney's original recommended budget was reduced \$1.6 million, which includes a reduction of full-time employees (FTEs) from 52.5 to 50.5.

Ms. Spinner commented on the significant changes made within the City Attorney's RC to facilitate budget cuts including transferring five FTEs and insurance premiums to the self-insurance fund (\$853,521), and reducing the City's contribution to the self-insurance fund (\$620,975). She also discussed the significant changes made within the City Prosecutor's RC including not filling the City prosecutor's position until October 1, 2002 (\$28,000) and delaying the addition of two FTEs, an Assistant City Prosecutor and a DUI Legal Services Specialist (\$105,380).

In response to questions from Mayor Hawker concerning the self-insurance fund, Ms. Spinner reported that the City is self-insured to \$2 million and reinsured from \$2 - \$10 million, and that the fund's current balance (April 30, 2002) is \$16.5 million. She added that staff anticipates that transferring costs to this fund will be a short-term budget solution.

Mayor Hawker voiced concerns regarding depleting the self-insurance fund for the purpose of balancing the budget and maintaining the City's General Fund balance.

Mr. Hutchinson spoke in support of transferring costs associated with the self-insurance program to the fund and added that staff hopes to rebuild the fund in the future.

Councilmember Kavanaugh also voiced support regarding the proposed transfer of costs associated with the self-insurance program to the fund and stated that it is typical for governmental entities and private companies to pay staff costs associated with the claims process from self-insurance funds. He added that he is supportive of increasing the fund balance in the future.

Councilmember Walters stated that although she is not opposed to transferring related costs to the self-insurance fund, she would not favor a reverse transfer of these costs back to the City Attorney's budget in the future. She voiced concerns regarding maintaining a sufficient fund balance and requested that further analysis of this issue be conducted and that the Self-Insurance Board also consider the issue.

8. City Court.

Presiding City Magistrate Walter Switzer and Court Administrator Kathy Barrett addressed the Council concerning this budget presentation. Judge Switzer commented on the Court's proposed budget for FY 2002-03 (\$5,996,106) and reported that personnel costs were reduced to effectuate budget cuts including two unfunded clerk positions (\$78,534); reducing the use of temporary

employees (\$8,500); and reducing the use of Pro Tem Judges (\$4,000). He further reported that staff proposes to eliminate payments of jury fees to potential jurors not selected to serve, which will result in a savings of \$3,000.

In response to a question from Councilmember Kavanaugh concerning the cramped conditions that exist in the City Court and City Prosecutor's offices, Judge Switzer advised that although a reduction in the number of traffic citations issued during the past year has helped stabilize the Court's space needs, a crisis situation is expected to occur within a three-year period if the Court facilities are not expanded. He commented on the on-going growth of the City and noted that all other Valley municipalities are expanding their Court facilities. He added that law enforcement continues to expand and that the Court must be responsive to law enforcement.

Discussion ensued concerning the fact that photo red light citations have significantly reduced in the last year, and the impacts associated with process serving of photo traffic complaints.

In response to a question from Councilmember-Elect Griswold concerning the Court's collection of past-due fines, Judge Switzer reported that the Court implemented the use of a collection service in February of 2001 which has resulted in increased collections of past due fines. He noted that Mesa's collection rate greatly exceeds Phoenix's rate.

Mr. Hutchinson commented on the space needs of the Court and reported that staff is presently conducting an analysis of this issue and anticipates proposing that a joint bond issue in conjunction with law enforcement be presented to the voters in 2004.

Discussion ensued regarding the costs associated with future expansion of the Court and City Prosecutor's facilities.

Councilmember-Elect Jones commented on his recent inspection of the Municipal Court facilities and voiced concerns regarding the cramped conditions that exist.

Mayor Hawker commented on the Council review and reappointment process associated with City Judges.

9. Electronic Streets/Customer Service.

Electronic Streets and Licensing Director Dan Brewer, Customer Service Tax and Licensing Director Don Ayers and Management Assistant II Ed Archibald addressed the Council concerning this budget presentation. Mr. Brewer and Mr. Ayers commented on the significant changes associated with the E-Streets, Licensing and Customer Service proposed budget (\$6,723,587), including: 1) the delayed hiring of a Cable TV-Telecom Administrator (cut of \$71,821); 2) funding of two Call Center and two Field Representatives (increase of \$160,094); 3) funding of three positions currently working on the Customer Information System (increase of \$151,922); 4) funding for additional credit card fees due to increased usage by customers (increase of \$100,000); and 5) funding for remote meter reading (increase of \$50,000).

Discussion ensued regarding the increased use and rising costs associated with customers utilizing credit cards for payment of utility accounts, the fact that the fees associated with accepting credit

cards are 1.87% for Mastercard and Visa, 2.2% for American Express and 2.4% for Discover; and the fact that restrictions are associated with offering discounts for cash payments.

Mr. Ayers reported that staff recommends discontinuing the acceptance of American Express and Discover cards because of the costs associated with these cards.

Mayor Hawker suggested that the issue of accepting credit card payments for utility accounts be considered in more detail during a future Study Session.

In response to a question from Councilmember Kavanaugh concerning the issue of multiple trenching and staff's progress in developing a utility co-location ordinance, Mr. Brewer reported that staff's efforts concerning this issue have been delayed due to limited personnel resources.

Discussion ensued regarding the recent Federal Communications Commission (FCC) ruling and supporting Court ruling that internet service and modem rental are no longer considered cable television service and therefore no longer subject to the 5% fee provided to municipalities for use of ROW and other services; the fact that staff anticipates an annual revenue loss of \$300,000 as a result of this ruling; the fact that the ruling also eliminates municipal jurisdiction regarding customer complaints; and the fact that internet service is no longer categorized as telecommunications service and is now considered information service.

10. Community Services.

Community Services Manager Wayne Korinek, Parks and Recreation Director Joe Holmwood, Arts and Cultural Director Gerry Gerber and Convention and Community Center director Rhett Evans addressed the Council concerning this budget presentation.

Mr. Korinek noted that mid-year the Department suffered a \$2.3 million reduction and the additional \$1 million reflects a total of an approximate \$3 million. He said that they have 12 carry over projects and some of them are significant such as the Mesa Arts Center. In addition, there are new projects. He discussed the Parks and Recreation are and said that they are going to have reductions in programs, namely the Kids Can and Safety Towns, which is in conjunction with the Mesa Public Schools, the Police Department and the Transportation Division. He said that the biggest section within the entire budget in terms of reductions has to do with capital improvements and purchases of equipment.

Discussion ensued relative to needed maintenance on pools, the remaining fencing to be put in at the Dobson Ranch Golf Course, and the fact that three phases remain to be done, a reduction in sprinkler and irrigation systems, and a reduction in the hours of operation at the Multi-Generational Center.

Mr. Korinek also discussed the Arts and Cultural Division and said that there will be reductions in the service levels at the Mesa Art Center. He added that the number of free concerns will be reduced by nine and one of the musical plays that is put on at the Mesa Youth Theater. He stated that one or two smaller exhibits will be cancelled at the Mesa Southwest Museum. He also informed the Council that they have reduced the overall recommendation of 4% for community aide applicants including the Mesa Historical Museum. Mr. Korinek briefly discussed the library and a number of proposed cost reductions in that area. He advised that they plan to reduce the hours of operation at the Mesa Centennial Center as well.

Mr. Korinek responded to a series of questions relative to the various departments and proposed reductions. Mayor Hawker thanked him for his presentation.

11. General Services.

Don Pfohl and Karen Kille addressed the Council and stated that Rich Lorig is out of town but he is the manager of General Services and asked them to make the presentation. Mr. Pfohl outlined the different divisions within the Department and management staff.

Ms. Kille said that since the two year budget was prepared, some changes have occurred. She noted that they had originally a \$60 million budget overall for General Services and said that with the adjustments that are made for next fiscal year, they had a \$2.1 million decrease for an overall proposed budget of \$57 million. She added that included in that are two positions that are unfunded as a result of the adjustments and the positions are the Human Resources Recruiter and Communications Technical II.

Discussion ensued relative to travel and in-service education; a reduction in the amount of money that is put every year into a Non-Capitalized Asset, which is an asset but below the capital limit; a capital reduction for service monitors; three primary reductions in the Information Services Area, i.e. internet access, E-recruiting and customer time support and productivity due to eliminating some file server storage. She added that in Fleet Support the budget has been reduced by \$85,000 as a result of lower than anticipated fuel cost and changes in transit services. She also reported that in Safety Services, they provide OSHA with training for Lock-out/Tag out and they use video tapes and online training which have been cut from the budget. She said they will provide the training but will not have some of the tools and aides they could be using to provide that training. She also discussed postage and said that although the budget contains a 2.5% increase, they are anticipating an average rate increase of 9%.

Mr. Pfohl and Ms. Kille responded to a series of questions relative to the different departments and budget reductions. Mayor Hawker thanked them for their presentation.

12. Miscellaneous issues.

City Manager Mike Hutchinson stated the opinion that it would be best to hold a bond election in the Spring of 2004 and suggested that a Committee be formed to look at a whole series of program areas and then present that to the voters hopefully at that primary election. He discussed the court building and staff vacancies that exist as well as space needs and necessary repairs to City buildings. He added that they are recommending that the vacant Council Assistant position be filled to provide the Council with the necessary support. He noted that they have deferred the City Marketing Campaign and are doing everything they can to maintain the level of service in their office.

13. Neighborhood Services.

Bryan Raines addressed the Council relative to this agenda item and said that they would like to keep the Merry Main Street event going and added that it has grown tremendously. He said that they have reduced the bi-monthly neighborhood newsletter to a monthly one, reducing the cost by 50%. He stated that they are not going to fund two Neighborhood Outreach staff, which will slow down the activities in the Opportunity Zone area. He noted that Federal funding has leveled off and

said that historically those funds have been used to provide Section 8 Housing and Rehabilitation of Housing.

Discussion ensued relative to the fact that the department has increased the number of Section 8 certificates over the last couple of years; the fact that some grant requests for additional certifications have been applied for; the fact that the Arizona Affordable Housing Profile has identified that the City is in need of an additional 9,000 affordable housing units; the fact that the Code Compliance Department continues to be very active and out of the 36,000 notes that were issued last year, less than 1,000 ever made it to the citation stage; plans to come on line with the Code Compliance Building Safety Program; redevelopment activity in the downtown area. He also pointed out that with the lack of an Outreach Coordinator, the City's Neighborhood Registration Program will suffer.

Mr. Raines responded to a series of questions from the Council relative to the various programs and proposed cut.

14. Development Services.

Development Services Jack Friedline stated that his department is rather large and complex and consists of nine divisions. He reported that their \$78 million budget has been reduced by \$4.8 million to \$73 million. He added that of the \$4.8 million in reductions, \$968,000 of that is in Personal Services, make up 19.5 positions that are frozen. He discussed the impacts of the 10% vacancy rate in the department. He also advised that \$2.9 million of the \$4.8 million is in purchase of capital and of that 23 are vehicles and 13 are various pieces of equipment.

Discussion ensued relative to the fact that at the current time there are 11 positions just in Building Safety that are vacant; overtime has been dramatically decreased and a reduction is proposed in the frequency of evening services.

Mr. Friedline said that as the Council is aware, the City had an issue with the City of Tempe eliminating some of the service that came into Mesa and with that the City funded the Baseline Route #77 and also our Southern Route #61 at a total cost of \$126,500. He added that they also deferred quite a large amount of money for HVAC replacements in five City Buildings.

Mr. Friedline responded to a variety of questions from the Council relative to the activities in the various departments and overall reductions and impacts.

Jeff Martin addressed the Council relative to Light Rail Transit and noted that Staff intends to provide a comprehensive overview in made to late June on this issue. He said staff will be seeking Council direction relative to the City's participation in the first 20 miles of the Light Rail Project and noted that about 1.1 mile of that project actually extends into Mesa. He stated that staff is anticipating that all the money that the City will spend on Light Rail next fiscal year will actually be Federal dollars.

Mayor Hawker thanked Mr. Friedline and Mr. Martin for their presentation.

15. Utilities.

Utilities Manager Dave Plumb addressed the Council relative to this agenda item and reported that the budget that was adopted by the Council for 02-03, originally as part of their two year budget,

wad \$131,700,000. He added that adjustments have been made in the amount of \$42,300 and of that approximately \$32 million is a reduction in the cost f electric and gas compared to what staff thought they would be paying when the budget was prepared two years ago. He noted that there are 13 unfunded positions that have been deferred and that amounts to a savings of three quarters of a million dollars.

Mr. Plumb added that they have deferred all of their capital investments, vehicles and equipment and said that there are 20 different trucks that are being deferred. He said they are also deferring some upgrades to the City's gas meters, piping and SCADA system, which is the Supervisory Control and Data Acquisition that monitors the City's electric, water, wastewater and natural gas systems. He advised that they are reducing the Natural Gas Appliance Rebate and Call Up Advertising Program b approximately \$44,000 and have had a very substantial reduction, almost a half million dollars, in consulting.

Discussion ensued relative to deferred upgrades to the Robson Electric Substation, a \$100,000 deferment in the purchase of electric underground wire and transformers, a reduction in the amount of water meters that are installed, the fact that the department deferred some payment of the RWCD debt as well as some capital investments in water and wastewater infrastructure.

Mr. Plumb responded to a series of questions from the Council relative to the proposed reductions and anticipated impacts.

16. Rate and fee adjustments.

Mr. Plumb and Kari Kent from Development Services addressed the Council relative to this agenda item.

Wastewater

Mr. Plumb advised that staff is proposing a 5% increase for water and wastewater;

Natural Gas

Mr. Plumb stated that staff is proposing a 6% increase for natural gas;

Residential Solid Waste

Mr. Plumb said that staff is proposing a 6% increase for solid waste;

Assistant Development Manager Kari Kent addressed the Council and provided justification for the increase in the solid waste fees. She added that they are also proposing a rate increase in the green barrel program with the monthly fee going from \$3.50 to \$3.75. She said that staff would also like to continue to offer residents the ability to have an extra barrel and said they are proposing that the fee be increased from \$7 to \$8 per month.

Discussion ensued relative to increases in the bulky item collection program, the appliance recycling program, and the homeowner landfill program.

Mayor Hawker thanked everyone for their input and presentations.

17. Adjournment.

Without objection the meeting adjourned at 10:40 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 Budget Review Session of the City Council of Mesa, Arizona, held on the 23rd day of May, 2002. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK