

COUNCIL MINUTES

May 1, 1998

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 May 1, 1998 at 7:30 a.m.

COUNCIL PRESENT

Mayor Wayne Brown
Pat Gilbert
John Giles
Joan Payne
Wayne Pomeroy
Claudia Walters

COUNCIL ABSENT

Dennis Kavanaugh
Joan Payne

COUNCIL-ELECT PRESENT

Jim Davidson
Keno Hawker
Pat Pomeroy

STAFF PRESENT

Pauline Backer
Joan Baier
Wayne Balmer
Neal Beets
Denise Bleyle
Jerry Brouwer
Linda Crocker
Bob DeLeon
Jerry Dillahey
Glen Gorke
Joe Holmwood
Mike Hutchinson
Barbara Jones
Harry Kent
Karl Kohlhoff
Wayne Korinek
Ron Krosting
Dorinda Larsen
Larry Lines
Rich Lorig
Greg Marek
Jeff Martin
Elizabeth Miller
Frank Mizner

STAFF PRESENT (Cont.)

Keith Nath
Ruth Ann Norris
Ellen Pence
David Plumb
Bryan Raines
Andrea Rasizer
Tom Remes
Becky Richardson
Sharon Seekins
Jenny Sheppard
Mindy White
Larry Woolf
Others

OTHERS PRESENT

Bev Hart
Richard Morrison
Robbie Sherwood
Others

Mayor Brown excused Councilmembers Kavanaugh and Payne from the meeting.

Mayor Brown announced that beginning with this meeting, all future Council Study Sessions and Policy Sessions will be televised live on the City's Cable station, Channel 11. Mayor Brown expressed appreciation to Assistant to the City Manager Ellen Pence, and Video Production staff members Rob McBride, Glen Stephens, Steve Schmidt and Chris Beasley for their efforts in ensuring the success of the televised meetings.

1. Review items on the agenda for the May 4, 1998 Regular Council meeting.

All of the items on the agenda were reviewed by Council and staff with no formal action taken. There was specific discussion relative to the following agenda items:

3. Conduct a public hearing on the following proposed annexations:
 - a. **A98-1** The Southwest corner of East University Drive and North Merrill Road. Initiated by staff.
 - b. **A98-2** East of Signal Butte Road from East Broadway Road south along the CAP Canal to East Southern Avenue and East Meridian Drive.

Community Development Manager Wayne Balmer informed the Council that both of the above listed proposed annexations have been requested by property owners in the area. Mr. Balmer explained that the property owners prefer to develop their land as part of Mesa rather than the County.

5. Consider the following contracts:
 - *g. Mesa/Gilbert South Water Reclamation Plan Lift Station.

In response to a question from Vice Mayor Gilbert, Public Works Manager Harry Kent advised that staff will highlight a brief presentation on this agenda item at the May 4, 1998 Regular Council Meeting.

Mayor Brown advised that this item will be removed from the Consent Agenda.

7. Consider the following resolutions:
 - *a. Approving the use of the Scalloped Street assessment laws to complete the street improvements along Old Gilbert Road and East Hermosa Vista Drive.

In response to a question from Councilmember Walters, Councilmember Giles advised that he and Mr. Kent attended a meeting with the neighbors in an effort to reach an acceptable solution to their concerns. Councilmember Giles stated that the neighbors were cooperative and understanding of the City's safety concerns and that the engineering portion of the project will proceed. Councilmember Giles added that neighbors' concerns relative to preserving citrus trees will be discussed and addressed at a later time. Councilmember Giles commented that this item may remain on the Consent Agenda.

2. Hear a proposal, discuss and consider the acquisition of certain Roosevelt Water Conservation District (RWCD) assets by Mesa.

Utilities Manager David Plumb and Richard Morrison, representing the Roosevelt Water Conservation District (RWCD), addressed the Council relative to this agenda item. Mr. Plumb referred to map displayed in the Council Chambers and advised that the proposed agreement between the City of Mesa and the RWCD involves two components, water and power. Mr. Plumb informed the Council that the RWCD is proposing to grant Mesa the exclusive right to use approximately 1/3 of their canal (111,496 acre feet/year) and 1/3 of their Central Arizona Project (CAP) pipeline (36,000 acre feet/year), phased in over a period of 15 years. Mr. Plumb noted that at the end of the 15- year period, Mesa would permanently retain the right to use the capacity, which may be used to deliver water to users other than RWCD.

Mr. Plumb stated that should the RWCD not be available to transport the City's water, the City would be required to construct a pipeline to transfer CAP or other water from its source to any off-river discharge sites at an estimated cost of \$22.6 million.

Discussion ensued relative to significant benefits to be realized by the City of Mesa as a result of the agreement; increasing demands on the RWCD Canal in the future to transport water to areas south of Mesa, and the fact that the City of Mesa will receive groundwater credits for every acre foot of water delivered to the RWCD.

Mr. Plumb noted that the RWCD is also proposing that the City of Mesa be allowed to utilize the RWCD's wells as recovery wells and added that the RWCD plans to construct and deed to Mesa a low-head hydroelectric plant with an operating capacity of 860 kW. Mr. Plumb noted that the RWCD has pledged to cooperate with Mesa to ensure that water is delivered to the plant to enable the facility to operate at maximum efficiency throughout the year.

Additional discussion ensued relative to the fact that Mesa would be responsible for operating and maintaining the hydroelectric plant; the fact that plant ownership would provide Mesa the ability to market any power generated or utilize it for the City's own purposes; estimated power output, and staff's recommendation that the power generated by the plant be sold directly to Salt River Project (SRP).

Mr. Plumb informed Council that for each acre foot of water that is delivered, the RWCD will agree to reduce its groundwater pumping by one acre foot and added that Mesa will receive recharge credits based upon this reduced groundwater pumping. Mr. Plumb explained that the credits will allow the City to meet State Department of Water Resource requirements for use of renewable water supplies and will provide added operational flexibility.

In response to a question from Vice Mayor Gilbert, Mr. Morrison stated that the benefit to the RWCD will be the use of CAP water over a fifteen year period of time, which will assist in reducing the overall cost of water delivered to RWCD farmers. Mr. Morrison added that the City of Mesa will receive credits for the water used by the RWCD.

Vice Mayor Gilbert complimented staff on their efforts to conserve, protect and maximize the City of Mesa's water supplies.

In response to a question from Mayor Brown, Assistant City Manager Mike Hutchinson advised that staff will initiate efforts to finalize the proposed agreement and will present the final document to Council at a future meeting.

Mayor Brown thanked Mr. Plumb and Mr. Morrison for their presentation.

a. Legislative Issues

Assistant to the City Manager Jeff Martin, Special Assistant to the City Council Jenny Sheppard, and Utilities Manager David Plumb addressed the Council relative to this agenda item.

Mr. Martin informed the Council that House Bill 2663 will require public power entities to open their service territories to competition in the sale of electric generation service and confirms the authority of the Arizona Corporation Commission (ACC) to open the service territories of public service corporations to competition in the sale of electric generation service.

Mr. Martin noted that the proposed legislation was heard by the full Senate of the Whole and is being forwarded to the Conference Committee where a variety of changes are anticipated. Mr. Martin advised that Speaker of the House Jeff Grosscost is the sponsor of House Bill 2663 and noted that pursuant to rules adopted by the ACC, public service corporations will be required to open 20% of their retail customer load by December 31, 1998 and their entire load within a two year period of time.

Discussion ensued relative to a possible rate reduction; the fact that public power entities would be required to adopt regulations to protect consumers against abusive or unfair business practices; required public education programs; the fact that the legislation includes a variety of mandates, and an agreement between Salt River Project (SRP) and Arizona Public Service (APS) to superimpose the rate making procedure from the ACC on legislative bodies for both SRP and the City Council, and the fact that future Council decisions relative to electric rates will be subject to stringent judicial review and scrutiny.

Mr. Martin discussed staff's opinion that the City's existing ordinance requirements for rate adoptions is sufficient and discussed staff's intention to continue to work with legislators relative to this important issue. Mr. Martin informed the Council that Speaker of the House Jeff Grosscost has been extremely helpful throughout the process.

In response to a question from Councilmember Walters, Mr. Martin advised that this issue has generated a large amount of public and political interest, and noted that public perception is that a rate reduction in electric rates will occur. Mr. Martin stated that a wide variety of issues remain to be addressed and expressed the opinion that the process will take longer to complete than originally anticipated.

Mr. Martin commented that there are no guarantees that a rate reduction will occur and noted that the current legislation does not contain a rate reduction clause. Mr. Martin added that it is possible that a rate reduction may be coordinated in the future with the ACC and said that the bill, in final form, may mandate a rate reduction.

Mayor Brown thanked Mr. Martin for the update on this issue.

b. Utility billing system improvements.

Special Assistant to the City Manager Jenny Sheppard provided the Council with a brief synopsis of utility billing improvements which are being recommended to bring the City's billing services into line with established practices of other local public power entities and to better prepare the City's Electric Utility to enter into the competitive deregulated electric service market.

Ms. Sheppard reported that members of a Billing Enhancement Team, consisting of staff from Customer Service Operations, the Information Services Department, Utility Operations Administration and the Management Services Department, have compiled the following recommended billing enhancements: 1) provide an Interactive Voice Response (IVR) system for utility customers, which would allow customers to access their accounts, make payments, request changes, and perform a variety of other services via fax or e-mail through an automated telephone system; 2) provide changes as required by law, such as the unbundling of the electric rate charges on customers' monthly utility billing statements; 3) provide a more flexible, aesthetically pleasing bill, utilizing variable sized fonts for improved readability, the use of very large fonts for the visually impaired, and the use of Spanish for the convenience of the City's Hispanic customers; 4) provide a summary billing option which will provide one billing statement for all of the customers' service locations serviced by City of Mesa utilities; 5) provide a budget payment plan option which would provide customers with a payment option allowing equal payments of their City of Mesa utility bills; 6) provide an option for customers to select their payment due date to assist utility customers with special budgeting situations; 7) provide an option for customers to pay by check over the phone, and 8) provide an option for customers to make payments via third-party companies located in local retail businesses.

Ms. Sheppard noted that it will take approximately 13 months to implement the above listed enhancements and estimated that completion will occur by April 1999. Ms. Sheppard emphasized that the enhancements represent initial changes and added that future billing and customer services needs will be continually reviewed and evaluated for improvement purposes. Ms. Sheppard added that future recommendations will be presented to the Council for their consideration.

Mayor Brown thanked Ms. Sheppard for the presentation.

4. Discuss and consider proceeding with an electric utility rate unbundling study.

Utilities Manager David Plumb briefly outlined a proposal to enter into an agreement for consulting services to analyze the City of Mesa's electric rates, unbundle the cost of services, and propose rates to meet the revenue requirements of the City. Mr. Plumb added that an analysis of stranded cost issues related to the current power supplies of the City will also be provided.

Mr. Plumb informed the Council that the electric rate charged to Mesa customers is composed of three elements: 1) the cost of the electricity (generation); 2) the cost of delivering the electricity to the Rogers Substation (transmission), and 3) the cost of delivering the electricity from the Rogers Substation to the customer's home or business (distribution). Mr. Plumb also explained that the term 'unbundling' refers to the process of 'breaking out' the three costs of supplying power to the customer. Mr. Plumb noted

that Mesa's electric rates will undergo unbundling and that new rates, which will reflect changes in the City's business as a result of the rate deregulation, will be adopted.

Discussion ensued relative to the fact that a Request for Proposals (RFP) was developed and forwarded to 12 firms and that 11 responses were received; the fact that a six-person panel reviewed all of the bids and selected four companies to be interviewed; respondent presentations and panel evaluations, and the fact that the panel selected Economic and Engineering Services, Inc. (EES, Inc.). Mr. Plumb recommended that the City enter into an agreement with EES, Inc. for Electric Utility Rate Unbundling Consulting Services.

Vice Mayor Gilbert recommended that the Chairman of the Utility Committee and possibly private industry representatives participate in the activities of the Deregulation Committee for the purpose of gaining knowledge regarding this critical issue. Mayor Brown suggested that Vice Mayor Gilbert's recommendations be discussed at a future Council Policy Session.

It was moved by Vice Mayor Gilbert, seconded by Councilmember Giles, that this item be placed on the agenda of the May 4, 1998 Regular Council Meeting agenda for Council consideration and action.

Mayor Brown declared the motion carried unanimously by those present.

5. Consider limiting prescheduled and items from citizens present speakers to 3 minutes.

Mayor Brown commented that this item has been previously discussed by the members of the Council and added that it is anticipated that the Council's decision to televise Study Sessions will result in increased speaker participation at the meetings. Mayor Brown requested additional Council input relative to this agenda item.

In response to a question from Vice Mayor Gilbert relative to polling speakers to determine their speaking limit requirements, Mayor Brown confirmed that as the Mayor, he will retain the discretionary ability to grant additional time on a case by case basis.

Councilmember Giles spoke in support of the 3-minute limitation and questioned whether televising the 'Items from citizens present' agenda item at the Regular Council Meetings should be resumed. Mayor Brown indicated support for continuing the current format for citizen input at untelevised Study Sessions following the Regular Council Meetings.

In response to a question from Councilmember Walters, Mayor Brown advised that citizens may address Council Study Session items under both the 'Items from citizens present' and 'Prescheduled public appearances' agenda items. Mayor Brown added that citizens may also contact members of the Council directly to discuss various agenda items. Mayor Brown emphasized that items on Council Study Session agendas allow staff an opportunity to provide Council with information and address specific Council questions and concerns.

It was moved by Vice Mayor Gilbert, seconded by Councilmember Walters, that allotted speaker times for both the 'Prescheduled public appearances' and 'Items from citizens present' agenda items be limited to three minutes per speaker.

Mayor Brown declared the motion carried unanimously by those present.

6. Acknowledge receipt of minutes of meetings of various boards and committees.

- a. Design Review Board meeting held April 22.
- b. Historic Preservation Committee meeting held April 9.

It was moved by Councilmember Giles, seconded by Councilmember Pomeroy, that receipt of the above listed minutes be acknowledged.

Mayor Brown declared the motion carried unanimously by those present.

7. Discuss and consider phasing of the Main Street Streetscape Project.

Mayor Brown indicated that he had a potential conflict of interest in connection with the matter now under discussion which he wanted recorded in the minutes of the meeting and because of such conflict of interest, he would refrain from voting upon or otherwise participating in any manner in connection with same.

Vice Mayor Gilbert indicated that he had a potential conflict of interest in connection with the matter now under discussion which he wanted recorded in the minutes of the meeting and because of such conflict of interest, he would refrain from voting upon or otherwise participating in any manner in connection with same.

Councilmember Pomeroy indicated that he had a potential conflict of interest in connection with the matter now under discussion which he wanted recorded in the minutes of the meeting and because of such conflict of interest, he would refrain from voting upon or otherwise participating in any manner in connection with same.

Mayor Brown, Vice Mayor Gilbert, and Councilmember Pomeroy left the meeting during the discussion of this agenda item. Councilmember Giles served as Acting Chairman of the meeting in their absence.

Public Works Manager Harry Kent briefly discussed a proposed phasing schedule for the Main Street Streetscape Project and recommended that the Council approve a two-phased plan. Mr. Kent informed the Council that a second option, to construct the project in multiple phases with construction limited to one side of Main Street at a time, would require an extensive amount of construction time. Mr. Kent informed the Council that every effort will be expended to ensure that impacts on businesses as a result of the Streetscape Project are minimal. Mr. Kent added that the bid award for the project is scheduled to occur on May 21, 1998.

In response to a question from Vice Mayor Gilbert, Redevelopment Director Greg Marek advised that a meeting with the Voit Companies has been tentatively scheduled to discuss the old Bank One remodeling project and the proposed construction of a parking garage directly behind the building. Mr. Marek noted that the Voit Companies has indicated that construction of the parking garage would occur during the holiday season and emphasized that this timing would result in parking problems which would negatively impact businesses in the Town Center area.

Discussion ensued relative to the importance of citizen input and providing business owners with accurate information relative to the Streetscape Project; weekly project team meetings that are currently taking place to ensure a successful project; Voit Companies' intention to complete the proposed parking garage by early 1999; staff's opinion that in order to meet all the City requirements, including those of the Downtown Development Committee (DDC), a more realistic completion date would be late 1999; and a recommendation that staff consider scheduling joint Council/DDC meetings in an effort to compress the amount of time required for final approval of the project.

Councilmember Walters emphasized the importance of ensuring that contractors involved in the Streetscape Project are extremely sensitive and responsive to the needs and concerns of businesses owners in the Town Center area throughout the entire construction period.

Councilmember Giles thanked Mr. Kent and Mr. Marek for their input. Mayor Brown, Vice Mayor Gilbert and Councilmember Pomeroy rejoined the meeting.

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

Mayor Brown advised that there were no reports on meetings and/or conferences attended.

9. Scheduling of meetings and general information.

City Manager Charles Luster advised that the meeting schedule is as follows:

Monday, May 4, 1998 - Special Council Meeting to Convene an Executive Session (prior to the Council Study Session)

Monday, May 4, 1998 - Council Study Session

Monday, May 4, 1998, 5:45 p.m. - Regular Council Meeting

Thursday, May 6, 1998, 4:00 p.m. - Council Policy Session

Friday, May 7, 1998, 7:30 a.m. - Council Study Session

10. Prescheduled public opinion appearances (maximum of three speakers for five minutes per speaker).

Mayor Brown advised that there were no prescheduled public opinion appearances.

11. Items from citizens present (maximum of three speakers for five minutes per speaker).

Mayor Brown- advised that there were no items from citizens present.

12. Adjournment.

The meeting adjourned without objection at 9:02 a.m.

Carried unanimously.

WAYNE BROWN, 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 1st day of May 1998. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this ____ day of _____ 1998

BARBARA JONES, CITY CLERK