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OFFICE OF THE CITY CLERK

COUNCIL MINUTES

March 25, 2010

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 25, 2010 at 7:45 a.m.

COUNCIL PRESENT	COUNCIL ABSENT	OFFICERS PRESENT
Mayor Scott Smith	None	Christopher Brady
Alex Finter		Debbie Spinner
Dina Higgins		Linda Crocker
Kyle Jones		
Dennis Kavanaugh		
Dave Richins		
Scott Somers		

(Mayor Smith excused Councilmember Kavanaugh from the meeting at 7:55 a.m. Councilmember Kavanaugh returned to the meeting at 9:04 a.m.)

1. Hear a presentation, discuss and provide direction on the proposed funding recommendations for FY 2010/2011 CDBG/HOME/ESG Programs.

City Manager Christopher Brady reported that over a year ago, the City of Mesa was awarded $9.6 million from the Neighborhood Stabilization Program (NSP). He explained that since that time, staff has successfully worked with various nonprofit organizations to implement the program and focus their efforts on the 85204 Zip Code area.

Mr. Brady advised that because there was a significant amount of NSP funding remaining, staff recommends not utilizing the level of Community Development Block Grant (CDBG) monies for the City's housing program that they have in the past. He stated that the additional NSP funds would afford the City the opportunity to work with nonprofit organizations to "bring on additional capacity" to participate in the housing program.

Mr. Brady further commented that in response to the Council's objective to focus on economic development in the downtown area, staff also recommends that more than $400,000 in CDBG funding be shifted from the housing/public service area to the Economic Development and Neighborhood Services Departments. He stated that the Utilities Departments would contribute an additional $250,000 to support such efforts. Mr. Brady added that staff would continue to review various Code Compliance and Neighborhood Services programs that offer outreach to neighborhoods in CDBG-eligible areas.

In response to a question from Mayor Smith, Mr. Brady clarified that although the Council originally directed that the NSP funds be restricted to the 85204 Zip Code area, they could redefine the area.

Councilmember Kavanaugh expressed concern that the ratio of CDBG funding in the public sector is "over balanced" as compared to the private sector. He stated that the funds the City provides to private nonprofit organizations leverage significant monies from other sources. Councilmember Kavanaugh also commented that relative to the CDBG applications, the City is not funding any "bricks and mortar type of projects" from nonprofits and said that the City and those organizations might "lose out" on a substantial amount of leveraged funds for such projects.

Councilmember Kavanaugh further remarked that regarding the Home Investment Partnerships Program (HOME) applications, it appears that the focus on funding is insignificant change. He stressed the importance of the Council and staff examining whether this shift in funding is consistent with the City's housing plan. He added that there are many housing needs in Mesa outside the 85204 Zip Code area and said he would appreciate the Council having an opportunity to discuss the matter at a future Study Session.

(Mayor Smith excused Councilmember Kavanaugh from the meeting at 7:55 a.m.)

Mayor Smith stated that the Council was provided a detailed list of staff's proposed funding recommendations. He suggested that instead of staff making a detailed presentation, it might be a better use of time for the Councilmembers to offer their input and direction and for staff to bring back their final recommendations at a future date.

In response to a question from Vice Mayor Jones, City Attorney Debbie Spinner clarified that he should not discuss or participate in the allocation of funds to any nonprofit organization with whom he has an ongoing business relationship.

Housing and Revitalization Director Carolyn Olson and Neighborhood Services Department Director Ray Villa addressed the Council relative to this agenda item.

Ms. Olson displayed a PowerPoint presentation **(See Attachment 1)** and provided a brief overview of the FY 10/11 Federal Entitlement allocations for the CDBG, HOME and Emergency Shelter Grant (ESG) Programs. (See Page 2 of Attachment 1) She also highlighted the eligible activities for each of the programs. (See Pages 3 and 4 of Attachment 1)

Ms. Olson, in addition, offered a short synopsis of the proposed funding recommendations for various nonprofit organizations and City departments. (See Pages 4 through 9 of Attachment 1)

Ms. Olson explained that the public comment period relative to the funding recommendations begins March 31, 2010 and ends April 30th. She said that on April 19th there would be a second public hearing and noted that any comments submitted would be forwarded to the Council and the Department of Housing and Urban Development (HUD). Ms. Olson added that at the April 19th Council meeting, the Council would adopt resolutions to approve the 2010 projects/allocations, the 2010/11 Annual Plan, the Consolidated Plan for 2010/14, and an Analysis of Impediments to Fair Housing.

Councilmember Richins commented that like other communities, the City of Mesa uses CDBG dollars to “supplant” rather than “supplement” General Fund dollars. He stated that such action “goes against the principle” of what HUD is attempting to accomplish through the CDBG Program.

Councilmember Richins further remarked that over the years, City Councils have discussed “Mesa getting out of the housing business,” but never defined what that means. He suggested that it might be appropriate for the Council to pursue such a process and develop a plan in that regard.

Councilmember Somers responded that the previous Council determined that they no longer wanted the City to provide direct service (i.e., owning/renting property) to moderate and low-income individuals at the Escobedo Apartments. He noted, however, that the Council did not oppose helping non-governmental organizations in their mission to rehab houses and provide low-to-moderate housing. Councilmember Somers added that on an overall basis, staff’s funding recommendations would assist in removing certain barriers that have obstructed growth in the downtown area and also create jobs.

Councilmember Higgins remarked that of the $3.4 million in available funding, staff recommends that $1.8 million be allocated to the City of Mesa. She stated that the City is losing the ability to leverage funding and added that the recommendations also reflect a lack of funding for seniors and the disabled community.

In response to a question from Councilmember Richins, Mr. Brady clarified that if the Council makes changes to the proposed funding recommendations, such actions would not impact the public hearing process.

Councilmember Richins commented that the Council is also making determinations relative to the City’s General Fund monies and said if they determine that an item should be funded by the General Fund as opposed to the CDBG, the Council would have the ability to do so.

Discussion ensued relative to the fact that for the last three years, the City has utilized CDBG funds for the operation and maintenance of the Washington Activity Center; and that it might be appropriate for the Council to consider transferring certain positions that are currently funded by CDBG dollars to the General Fund if it were determined that such positions are important to the community and should be maintained on a long-term basis.

Councilmember Richins suggested that the City is missing out on an opportunity for nonprofit organizations to leverage CDBG dollars with regard to Mesa’s housing program.

Councilmember Finter expressed concern that the City is starting with a $19 million deficit in completing its budget.

Mayor Smith clarified that the City does not have a deficit, but rather a shortfall between budget revenues and expenses.

Vice Mayor Jones stated that he would prefer to see the City allocate NSP grant monies to nonprofit organizations “with a good track record” so that they could leverage the funds from

other sources. He also suggested that the City manage the housing program and allow outside contractors to perform the rehab work.

Mr. Brady responded that the City does, in fact, act as project manager for the NSP and contracts with private contractors to perform the rehab work. He added that the City also ensures that the contractors comply with HUD regulations.

Councilmember Richins noted that he would prefer nonprofit and for-profit organizations assuming the City's duties relative to leveraging the funding.

Mayor Smith inquired if Councilmember RIchins was suggesting that instead of the City hiring a contractor, those responsibilities be turned over to a nonprofit organization and the City would manage the nonprofit.

Councilmember Richins confirmed the Mayor's statement.

Mr. Brady responded that staff would be open to the Council's suggestions, but cautioned that a nonprofit must still comply with the Federal government's rules and regulations. He added that the City "struggles" with regard to how far it should "step out" of the oversight process.

Vice Mayor Jones further commented that it would be necessary for a number of nonprofits, at considerable cost to them, to upgrade the hoods on the cooking stoves in their facilities in order to meet City Code.

Mayor Smith expressed appreciation to staff for their efforts and hard work to implement various Council priorities and objectives in the last year, such as economic development and focusing on the central core of the City. He also suggested that if any of his fellow Councilmembers had questions or concerns regarding the proposed funding recommendations, that they meet with Mr. Brady and staff in the next week.

2. Hear a presentation, discuss and provide direction on the Water/Wastewater Utility Capital Improvement Program.

Mr. Brady reported that the City's Enterprise services, consisting of water, wastewater, gas and electric, are funded by the users of those various activities. He noted that revenue bonds are used to fund those capital projects into the future and stated that when the Council reviews the proposed rates for this year and beyond, future rate increases are driven by the debt service schedules to pay off previous and new bond debt.

Mr. Brady commented that Water Resources staff has identified savings in existing projects and also made the decision to delay certain "growth related projects." He noted that this would result in a positive manner by keeping anticipated utility rates down for the next few years.

Mr. Brady further remarked that today's presentation is looking out into the future beyond the current authorization of bond funds, the majority of which, staff anticipates, would be spent by the end of next year. He stated that in the fall, staff would come back for additional bond authorization, which has already been scheduled and planned. Mr. Brady added that because of the current construction market and the postponement of certain construction activity related to growth, the request for additional authorization would be less than staff originally anticipated.

Councilmember Somers stated that as an east Mesa resident, he had a series of concerns he would like staff to address during their presentation. Those items included:

- Construction of a future surface water treatment plant at Signal Butte and Elliott. Due to the current downturn in the economy, the City has realized significant savings with regard to construction costs. By not pursuing a project such as this now, would the City pay more in the future.
- What is the City's capacity for water as it relates to attracting jobs/economic development in southeast Mesa.
- How would the delay of "growth related projects" impact Mesa's ability to attract economic development in the Gateway area.

Water Resources Department Director Kathryn Sorensen introduced Water Distribution Superintendent Jake West, Assistant Director of Wastewater Program Richard Bradford and Wastewater Treatment Plant Superintendent Ronnie Lopez.

Ms. Sorensen displayed a PowerPoint presentation **(See Attachment 2)** and briefly listed the responsibilities of the Reclaimed Water Program:

- Respond to customers' needs.
- Collect wastewater and deliver it to treatment plants.
- Ensure the quality of wastewater does not harm the collection system or the treatment plants.
- Process wastewater into reclaimed water.
- Deliver reclaimed water for beneficial use.

Ms. Sorensen noted that the replacement value of the Reclaimed Water System is approximately $2.5 billion. She also outlined areas in which the Reclaimed Water Program supports various Council Strategic Initiatives. (See Pages 2 and 3 of Attachment 2)

Ms. Sorensen expanded on the functions related to the above-listed activities. (See Pages 5 through 16 of Attachment 2)

In response to a question from Councilmember Somers, Ms. Sorensen clarified that staff works hard to coordinate any reclaimed water projects with other City departments (i.e., Transportation, Water and Gas). She also noted that although the condition of the small sewer lines is important, staff is currently focusing their efforts on the large lines at Baseline and Southern and also inspecting/rehabbing 145,000 linear feet of sewer line over 30" in diameter and 30 years old.

Mr. West reported that there are approximately 11 square miles within the City's active management plan area for the sewer system that are still on septic and not on Mesa's sewer system. He stated that a large portion in east Mesa is in the County, as well as an area that is served by the Arizona Water Company.

Ms. Sorensen advised that it was staff's goal to no longer have septic systems within Mesa's boundaries. She explained that this is a very difficult and complicated issue and stated that staff is working on a plan to resolve the matter. Ms. Sorensen said that when more research has

been completed, staff would present their ideas to the Transportation and Infrastructure Committee in this regard.

Discussion ensued relative to the fact that the County must approve the installation or repair of septic systems on parcels located in the County; that when it is necessary to replace a septic system, staff endeavors to enforce City Code provisions that the property owner hook into the City's sewer system; and various requirements and costs associated with a property owner connecting to the City's sewer system.

Councilmember Higgins stated that with regard to property owners requesting to be annexed into Mesa, perhaps staff could include a provision in the current requirements that they must hook into the City's sewer system.

Mr. Brady concurred that that was an issue staff should consider with regard to unincorporated areas, especially if the City has already installed sewer lines nearby.

In response to a question from Councilmember Finter, Ms. Sorensen stated that the reclaimed water from the Southeast Water Reclamation Plant is delivered to the Gila River Indian Community or to the Superstition Springs Golf Course for irrigation. She noted that if neither one of those options is available, the water is sent to the 91st Avenue Water Reclamation Plant or discharged into the East Maricopa Floodway.

(Councilmember Kavanaugh returned to the Study Session at 9:04 a.m.)

Ms. Sorensen continued with her presentation and highlighted current and future options for the City to make beneficial use of its reclaimed water. (See Page 17 of Attachment 2)

In response to a question from Mayor Smith, Mr. Brady clarified that it was staff's goal to devise some type of reclaimed water system at the Northwest Water Reclamation Plant, after which time they would address the matter of installing landscaping at the facility.

Councilmember Kavanaugh commented that during his prior tenure on the Council, plans were in place for significant landscaping, screening and public art at the Northwest Water Reclamation Plant. He noted, however, that due to certain reversals in public policy and personnel, the plans were not implemented.

Mr. Brady assured the Council that staff intends to bring back those plans for further discussion and consideration.

Mayor Smith stated that because new water and wastewater infrastructure would be constructed in the Mesa Proving Grounds and Gateway area in the near future, the City should be planning now to make use of the reclaimed water in those areas.

Ms. Sorensen further highlighted a number of Reclaimed Water Program projects that staff would like to see included as part of the 2010 bond authorization proposal. (See Pages 20 through 23 of Attachment 2)

Ms. Sorensen concluded her presentation by stating that $87 million would be required for the Reclaimed Water Program's capital needs over the next four years (i.e., lifecycle replacements and ensuring reliability for existing customers). She noted, however, that because $50 million remains in existing bond authorization, the amount of the bond authorization requested for 2010 is $37 million.

Mayor Smith stated that regarding the $37 million in requested bond authorization, he wanted to ensure that there was sufficient capacity within the Reclaimed Water Program so that if a major employer wanted to develop in southeast Mesa sooner than staff anticipated, the City would have adequate funding to provide the necessary services (i.e., installing additional sewer lines) and not lose out on the development opportunity.

Mr. Brady responded that if a significant level of economic activity and development began to occur and it did not appear that the four-year bond authorization would provide sufficient funding, staff would recommend coming back in two years and requesting another bond authorization to pick up those costs.

Ms. Sorensen summarized that the Water Resources Department is requesting $37 million in bond authorization for the proposed Wastewater Program and $96 million in bond authorization for the Water Program.

Mayor Smith thanked staff for the presentation.

3. Acknowledge receipt of minutes of various boards and committees.

a. Community & Neighborhood Services Committee meeting held on February 23, 2010
b. Transportation & Infrastructure Committee meeting held on February 24, 2010

It was moved by Councilmember Somers, seconded by Vice Mayor Jones, that the above-listed minutes be acknowledged.

Carried unanimously.

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

Councilmember Somers:	Attended a neighborhood meeting regarding drainage issues in the area of Elliot and Signal Butte; Skyline Aquatics Facility Groundbreaking Ceremony
Councilmember Higgins:	Conducted a tour of the City Council Chambers with 30 German exchange students

5. Scheduling of meetings and general information.

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

Thursday, March 25, 2010, 6:30 p.m. – District 1 "Building Stronger Neighborhoods" meeting

Saturday, March 27, 2010, 8:00 a.m. – District 6 Pancake Breakfast, Fire Station 205

Saturday, March 27, 2010, 8:00 a.m. – Grand Opening of the Mesa Grande Interpretive Trail

6. Items from citizens present.

There were no items from citizens present.

7. Adjournment.

Without objection, the Study Session adjourned at 9:52 a.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, 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 25th day of March, 2010. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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(attachments – 2)