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OFFICE OF THE CITY CLERK

COUNCIL MINUTES

March 31, 2011

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 31, 2011 at 7:33 a.m.

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

(Items were discussed out of order, but for purposes of clarity will remain as listed on the agenda.)

1. Review items on the agenda for the April 4, 2011 Regular Council meeting.

All the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: none

Items removed from the consent agenda: 5c

Purchasing Administrator Jim Ruiz advised that staff's recommendation as to item 3a (Carniceria La Constancia II) was for denial and that the application may be withdrawn. He said that Council would be provided an update at the Regular Council meeting.

Transit Services Director Mike James displayed a PowerPoint presentation **(See Attachment 2)** regarding item 5a (Approving & Authorizing the City Manager to Enter into an Agreement with Valley Metro Rail, Inc., to Fund the Gilbert Road Light Rail Transit Extension Planning Study) on the Regular Council Meeting Agenda. He reported that the Maricopa Association of Governments (MAG) approved the Gilbert Road extension as an “Illustrative Project” and the Metro approved an agreement to conduct a Planning Study pending City Council approval.

Mr. James briefly highlighted the justifications for the project as follows:

- Strong ridership demand
- Good regional bus connections
- Access to freeways
- Supports economic development and revitalization efforts
- Preferred location for intermodal facilities

Mr. James reported that 71% of Light Rail users originated from areas east of Mesa Drive. (See Page 2 of Attachment 2).

Mr. James advised that the Metro prepared a scope of work initiating planning for the 1.9 mile extension and will also manage the Study that will be conducted by HDR Inc. He said that funding for the study will come from one-time transit credits. He explained that the outcome of the study will provide a better understanding of engineering issues in the corridor as well as an estimate for future funding. (See Page 3 of Attachment 2).

Responding to a series of questions from Councilmember Finter, Mr. James explained that the Planning Study would allow staff to determine what issues will need to be addressed during construction and the impacts it would have on property. He said that once the study was completed, the next step would be to obtain funding.

Discussion ensued regarding the updating and relocation of utilities at Main Street and Gilbert Road. Mr. James explained that the relocation of utilities was not part of the light rail extension, however, it will be an added benefit should the extension of the light rail to Gilbert Road be approved.

Responding to a question from Councilmember Finter, Planning Director John Wesley explained that it is anticipated that a Light Rail stop at Gilbert Road and Main Street will create an opportunity for redevelopment.

Councilmember Finter commented that there are some concerns from business owners regarding easements and acquisitions.

Mayor Smith clarified that the purpose of the study was to determine how the extension of the Light Rail could be implemented and what challenges would need to be addressed. He said that there may be a misunderstanding among business owners, as no decisions have been made regarding the implementation of the Light Rail extension to Gilbert Road.

Councilmember Finter advised that a business owner had been informed that the City was going to hold his Sign Permits and not allow any improvements until he signed over easements and moving agreements for the future Light Rail.

Responding to Councilmember Finter’s comments, Mayor Smith stated that the information provided to the business owner was incorrect and premature. He added that the City Manager would be following up on this issue and it would be corrected.

Mayor Smith thanked staff for the presentation.

2-a. Hear a presentation and discuss the Phoenix-Mesa Gateway Airport Economic Benefits.

Lynn Kusy, Executive Director for Phoenix-Mesa Gateway Airport, advised that an Economic Impact Analysis of the Airport had been conducted a number of years ago with the assistance of the Arizona State University (ASU) School of Business. He said that due to the significant amount of growth at the Airport, ASU was again engaged to conduct another analysis. He introduced Dr. Lee McPheters from the ASU School of Business who would provide a presentation on the findings of the Economic Impact Analysis.

Dr. McPheters displayed a PowerPoint presentation **(See Attachment 1)** on the economic impact of the Phoenix-Mesa Gateway Airport. He explained that in an economic analysis of an airport the amount of commercial and industrial activity was taken into consideration. He indicated that the Phoenix-Mesa Gateway Airport provides a positive growth environment that includes a large amount of economic activity. He said that Arizona had experienced 3 consecutive years of job loss however, the airport had actually added jobs. He reported that the economic impact of the Phoenix-Mesa Gateway Airport was $685 million and that the airport supported over 4,000 jobs. (See page 2 of Attachment 1)

Dr. McPheters advised that 44 different employers are located at the Airport, most of which relate to passenger traffic or general aviation activity. He said that 82% of the jobs at the Airport are from the private sector which includes research firms and medical transport services. He reported that the total income earned by employees at the airport is $68 million and is re-circulated within the local community. (See Page 3 & 4 of Attachment 1).

Dr. McPheters reported that Airport revenues generated from employers, as well as capital improvements, totaled over $309 million in 2010. He said that in the last 3 years over $100 million was invested in the Airport with 60% of that investment coming from the private sector. He remarked that job creation attracted private capital. (See page 5 of Attachment 1)

Dr. McPheters briefly highlighted a three year summary of Airport Capital Projects and stated that the Economic Impact Study completed in 2008 compared to the study conducted in 2010 indicated that employment at the Airport was up by 45%. He pointed out that while Arizona as a state was losing jobs, the Airport was adding jobs as well as increasing sales and revenues. (See Page 6 & 7 of Attachment 1)

Dr. McPheters advised that Allegiant Airlines is the major employer and source of economic impact at the Airport with over 300,000 deployments. He reported that airline visitors spent a total of $68.9 million and created almost 1,000 jobs in the hospitality sector which included hotels, motels and restaurants. He remarked that this amount of spending indicates that the Airport and surrounding area is successful in attracting visitors. He added that this 85% increase was due in large to the presence of Allegiant Airline. (See Page 12 & 13 of Attachment 1)

Dr. McPheters stated that the bottom line economic benefit total was $685 million, in addition to the 4,000 jobs that have been created by the Airport. He said that over 1,000 jobs are actually located on the Airport, while another 1,000 jobs are located off the Airport. He added that an additional 2,000 jobs are created by secondary spending. He explained that on any given day there are over 4,000 people in the area that will spend $189,000, which supports these jobs year round.

Dr. McPheters advised that a straight line projection of economic activity based on a per-passenger ratio had been prepared. He explained that if enplanements were to increase to 850,000 the economic impact at the Airport would exceed $1.5 billion and if the Airport exceeded 2,200,000 enplanements there was the potential for an estimated economic impact of $4 billion. (See Page 15 of Attachment 1)

Dr. McPheters expressed his appreciation to the Mesa Convention and Visitors Bureau, who shared their information regarding visitor spending and activity. He remarked that the heart of the airport is the visitors that help to generate jobs on and off the Airport.

Mayor Smith remarked that the growth in the area of the Airport was unique and incredible. He said that he was unaware of any other example in the country where an Air Force facility had been converted into an extremely successful reliever/commercial airport. He stated that he thought the future was bright for Gateway and that hopefully fuel costs would not have a negative impact on the airlines. He added that many visitors use Allegiant Airlines and these visitors bring new business and new money into the City's economy.

Councilmember Kavanaugh expressed his appreciation for the report and said the success story of the former Air Force base and Airport is a remarkable one. He reported that the National League of Cities has chosen the Airport for its National Convention which will be in Arizona in the fall. He added that it is nice to be recognized by the National League of Cities as a leading example of a base reuse in this country.

Vice Mayor Somers also expressed his appreciation for the report and said that it was important for the Council as well as the citizens of Mesa to hear this report. He remarked that this Base Realignment and Closure (BRAC) Air Force Base was turned into an economic engine that created almost 4,200 jobs, provided $188 million in payrolls and $685 million in total revenue. He stated that the City needed to continue to support and further develop the strategic plan for the Phoenix-Mesa Gateway region in order to bring in 100,000 high wage jobs. He said the additions of Able Engineering and First Solar have assisted in attracting and creating jobs in Mesa.

Mayor Smith commented that people open businesses in areas where they believe the business will be successful. He said that if an area is perceived to be a success, the decision for businesses to establish in that area is easier. He added that the decision made by Able Engineering to locate at the airport was based on other successes in the area. He expressed his appreciation for the report and noted that the increases were not an accident as there was a momentum in the Phoenix-Mesa Gateway area that built upon itself.

City Manager, Christopher Brady, requested that Dr. McPheter provide a forecast on the economy of Arizona.

Dr. McPheter reported that the analysts following the Arizona economy were disappointed when the revised 2010 job growth numbers were released. He explained that at the end of 2010, there was some optimism as it appeared that Arizona was one of the top 10 states for job growth. Dr. McPheter stated that the revised numbers have completely changed that impression and that 2010, in fact, was the third consecutive year for job loss.

Dr. McPheter further noted that Arizona was just beginning to see job growth and was still at the bottom with respect to job creation. He commented that Arizona was capable of producing 100,000 jobs a year. He stated this year, however, there could be approximately 30,000 jobs created.

Dr. McPheter also indicated that home prices were still declining, which had an effect on consumers as the main components of their wealth included their 401(K) investments and the value of their homes. He advised that stock prices have increased but not to previous levels.

Dr. McPheter, in addition, explained that over the past 40 years, consumer spending had grown 3.6% each year and that for 2010, consumer spending nationally was up by only 1.8%. He remarked that consumers are spending “at half speed,” businesses are reluctant to hire and consumers are having difficulty obtaining credit.

Dr. McPheter further reported that Arizona had experienced a job loss of 12% when the remainder of the country was at 6%. He noted that this situation makes the growth at Phoenix-Mesa Gateway even more striking. He further noted that some purchases could not be put off forever and that people seem to be buying durable goods. He said the economy is still struggling, however, slow positive growth in 2011 could be expected. He commented that there are debates among his colleagues and forecasters as to whether there will be any single family building beyond what has already occurred.

Mr. Brady thanked Dr. McPheter for the report and remarked that it was important to know what the situation for the State was in order to make decisions. He added that Mesa was committed to leading the way in job creation.

2-b. Hear a presentation and discuss the FY 2010/11 budget update and the FY 2011/12 Forecast.

Assistant Budget Director Candace Cannistraro, displayed a PowerPoint presentation **(See Attachment 3**) updating the Budget Estimate for the Fiscal Year 2010/2011 and the Budget Forecast for the Fiscal Year 2011/2012. She advised that some changes had occurred based on the 2010 census, as well as three additional months of revenue. She explained that there are some trends that have been strengthening and therefore some of the forecasts have been recalculated.

Ms. Cannistraro reported that previously the budget was based on the 2005 census which estimated the population of Mesa to be 448,096. She advised that the 2010 census indicates that the population of Mesa is now estimated to be 439,041. She stated that a decrease had been anticipated and would not affect the State Shared Revenues. (See Page 3 of Attachment 3)

Discussion ensued relative to Mesa’s proportion of the State Shared Revenue being higher than anticipated.

Ms. Cannistraro reported that the original estimated impact was approximately negative $5 million and the revised impact is negative $4.4 million which is a difference of $602,000 in revenue that was not included in the original estimate. She advised that over the last few months there had been some strengthening trends in regards to Sales Tax, Vehicle License Tax and Municipal Court Revenue and they will now be included in next year’s Forecast. She added that originally Local Sales Tax for the year was estimated to be a negative $6.4 million and that after the revision the year-end estimate is now a negative $5.7 million which is below the previously budgeted amount. (See Pages 4, 5 & 6 of Attachment 3)

Ms. Cannistraro explained that pulling all revenues together the year end budget for the City will be a negative $5.3 million. She added that while this was a negative $5.3 million it was an improvement from the previous conditions. (See Page 7 of Attachment 3)

Ms. Cannistraro advised that the negative balance would carry over into the year 2011/2012 and at this time the estimated revenue for the year 2011/2012 is a negative $3.8 million. She pointed out that the City was still projecting an increase in the City Sales Tax and that Urban Revenue Sharing had a 2 year delay in the receipts to the City. She said that while the other revenue streams would recover Urban Revenue Sharing would have a delayed recovery.(See Page 7 of Attachment 3)

Discussion ensued regarding the scheduled and anticipated impact of the Urban Revenue Sharing decline from year to year.

In response to a series of question from Councilmember Kavanaugh, Assistant to the City Manager Scott Butler explained that as long as the Legislature was in session there was a risk of losing Shared Revenue. He reported that no proposals have been presented that include a decrease in Shared Revenue. He advised that this was due to the legal challenge regarding the Arizona Cities and Towns where the Court ruled that a super majority vote of the Legislature would be required to decrease Shared Revenue. Mr. Butler, in addition, said that the House Appropriations Committee was scheduled to meet at 9:00 a.m. today to unveil what was believed to be a compromised budget that has been negotiated between the Governor, the Speaker and the President. He noted that not having seen the budget, it could not yet be determined what impacts may be included in the budget and how they will relate to Cities and Towns.

Mayor Smith advised that he participated in a stakeholders group regarding impact fees and that one of the issues was in regards to SB 1525 and how it relates to tax collections. He said that SB 1525 would require a credit against future revenues for impact fees paid. He explained that if someone paid an Impact Fee then Construction Sales Tax and potential Shared Revenue would be offered as a credit against the paid Impact Fees. He remarked that this would be a very dangerous shift from capital collection into an operating account.

Mr. Butler stated that the version of SB1525 that passed the Senate did include a provision requiring a credit against future revenues. He said there is some discussion going on related to softening that provision but the provision has not yet been completely removed. He advised that the City is researching other General Fund offsets that could go against Capital Projects, including construction sales. He indicated that the associations representing the home builders were attempting to acquire General Fund Revenue and receive a credit. He noted that Impact Fees were used to build fire stations and the City assumes the financial responsibility of staffing and equipping the fire station.

Mayor Smith stated that the City assumes the risk of building and staffing a fire station up front in anticipation of growth. He remarked that other cities have built and staffed stations, incurring Capital expenditures and General Fund obligations in the anticipation of growth. He said if the growth does not occur the cities are stuck with the expenditures without the offsetting growth that would pay for the stations. He explained that SB1525 indicates that the City will assume the risk of building and staffing fire stations and if there is an increase in Shared Revenues resulting from growth in the area those funds would be applied against the Impact Fees. He added that the funds that would have been used to pay for firefighters and police officers would now be refunded against the Impact Fees.

Discussion ensued regarding the direct wholesale changes surrounding SB1525, the impact it would have on the City as it relates to sales tax used to staff facilities and the potential for decreasing services.

Ms. Cannistraro continued with the presentation and reported that the 2010/11 shortfall, including the revised revenues is negative $5.3 million. She said that the negative $5.3 million shortfall would carry over into 2011/2012 and included an additional decline of negative $3.8 resulting in a total two-year General Fund Revenue shortfall of negative $14.4 million. (See Page 11 of Attachment #3)

Ms. Cannistraro advised that the Expenditure Pressures had not experienced much change. She reported that there had been increases to the Arizona State Retirement System as well as the Public Safety Retirement System. She stated that the main pressure was the Employee Benefit Trust which is the City's medical and dental expenses. She said it was expected that there would be an increase of $4 million in medical costs and an additional $8.9 million increase in 2011/2012. She added that each year into the future there would be an additional $2.4 million for medical costs based on the current number of employees.

Mr. Brady advised that beginning this year employees would start realizing significant increases on their part of the health care costs. He advised that what is presented is the City's share but that there were also costs to the employees as a result of rising health care costs. He said that some proposed plan changes and amendments that would mitigate some of the increases would be brought back to the Council.

Responding to a question from Councilmember Finter, Mr. Brady explained that the goal was to have an 80/20 split where the City would contribute 80% of the costs of the health benefits program and the employee would contribute 20%. He explained that this would occur over a three year period of time to allow for some significant stepped up cost changes. He reported that for the last 3 or 4 years the additional costs had not been passed onto the employees in an effort to try and not impact employees during a time when pay reductions were taking place. He added that the City had been using the Trust Fund balance to pay for the additional cost and it has now been used down to a point where the consultants are concerned.

In response to a question from Councilmember Richins, Mr. Brady explained that instead of taking contributions from the General Fund or from the employees to cover health care costs the Trust Fund balance had been used. He stated that now with the pressure of the 13% a year increase in health care costs it is necessary to increase the employee contributions in order to maintain the Trust Fund.

Ms Cannistraro advised that the Employee Benefit Trust would be brought back to Council in April to discuss the cost containment of the plan. She said that by taking advantage of some different programs there could be some cost reductions.

Mr. Brady explained that the Trust Fund was different from the General Fund in that a certain amount of fund balance needed to be maintained in order to cover all the claims received during the year. He added that employees could see a significant increase and in the event that costs were not as high as expected adjustments could be made in October when the budget is brought back to Council.

In response to a question from Councilmember Richins, Budget Director Chuck Odom explained that 2 years ago there had been a huge spike in health care costs. He said that instead of reacting to a possible one time trend the Trust Fund had been used responsibly until the new health care cost trend could be determined.

Mr. Brady commented that the utilization of funds, including the addition of covering dependants up to the age of 26 had an impact on the costs of healthcare benefits. He said some plan changes would be brought back before the Council.

In response to a question from Mayor Smith, Ms. Cannistraro explained that Mass Transit Expenditures had experienced some one time savings as a result of some of the the regional routes that were coming online in Mesa. She said the City was allowed to apply the savings as a credit in 2010/2011 and this represents a one time savings that would need to be made up in 2011/12. (See Page 10 of Attachment 3)

Discussion ensued regarding the Legislature eliminating State funding and Arizona being one of two states in the nation that did not receive Transit Funds.

Ms. Cannistraro reported that the results of the pressures left the City with a two-year General Fund shortfall of negative $32.8 million. (See Page 11 of Attachment 3)

Discussion ensued relative to the ongoing shortfall of a negative $5.3 a year, which was calculated in a two-year budget shortfall, as well as in a two-year budget solution.

Ms. Cannistraro explained that in 09/10 there was a one time savings of $22.2 million in expenditures that were a result of City department cut backs, changes in operations and changes in procedures. She said that this savings provided for one time savings that was applied to the shortfall the City was now experiencing in 2010/11 and anticipated in 2011/12.

Ms Cannistraro advised that the revised two-year net budget shortfall was a negative $7.4 million. She said that the negative $7.4 million in 11/12 represented the current level of services that the City did not have revenues identified to maintain. (See Page 12 of Attachment 3)

Mr. Brady stated that it is projected that at the end of the fiscal year 2010/11 combining the shortfall, revenues, additional expenditures and health benefit costs the City will be a negative $7.7 million short in the budget. He said the good news was that there was savings from the prior year of over $22 million. He stated that because of this savings there was time to wait and see how the economy responded. He advised that there were signs of improvement and it was estimated that at the end of this fiscal year, the City would be $17 or $18 million ahead of what was expected as it relates to available resources. He explained that for next year an additional negative $9 million loss of revenue along with projected expenditures of over $16 million would total a negative $25 million budget shortfall. (See Page 11 of Attachment 3)

Ms Cannistraro commented that over a 5 year period the City had cut $113 million in personnel commodities.

Mr. Brady said that the previous large cuts reduced the level of what departments would now be able to cut therefore, cutting $7 million would be a challenge. He said that going forward the City would not be able to provide the same types of service or provide them in same manner it had 3 or 4 years ago. He advised that over the next few weeks proposals will be presented on how to address the $7 million shortfall as a whole by eliminating vacant positions, restructuring and reassignments. He noted that a reduction in workforce was not anticipated.

Ms. Cannistraro briefly highlighted the revenues that are at risk and will be monitored as follows:

- Highway User Revenue Fund (HURF) up to $4.3 million
- Impact Fees
- State Shared Revenues
- Community Development Block Grant (CDBG)

Ms. Cannistraro advised that in the City of Mesa there were 23 positions that were funded by the Community Development Block Grant (CDBG).

In response to a question from Councilmember Richins, Ms. Cannistraro explained that the CDBG provided an estimated $1.2 million to the City. She advised that contingency plans in the event that the CDBG funding should go away were being explored.

Ms. Cannistraro outlined some of the other outstanding issues that would continue to be monitored and brought back to Council as follows:

- Health care costs
- Fuel prices
- Restoration of employee compensation

Mr. Brady recommended that the outstanding issues be brought back to Council in order to assess where the City stands as far as revenue. He added that restoration of employee compensation could not comfortably be addressed today, however, it is a possibility if there continued to be improvement in the future.

In response to a question from Councilmember Richins, Mr. Brady explained that back in 2009 there had been a 2% across the board reduction in pay for all employees. He said that to restore that 2% would cost $4 million and the City would need that $4 million to recur over a long period of time. He advised that the Council would also hear from employee groups regarding the restoration of merit pay which is eligible to employees who have not reached the top of their pay range. He stated that approximately 50% of the City’s employees are currently at the top of their pay range and would not be eligible for a pay raise. He indicated that the 50% that would receive pay raises would cost the City an additional $4 million on an annual basis. He also said that the difficulty is that the $4 million is a compounding amount. He added that there is a possibility that the pay raise could be done one year if there is sustainable revenue.

Mayor Smith commented that the compensation program for the public service area was a system based on skill development, for example a Police Officer's pay commiserates his or her skill level. He said as a result of the current financial situation certain groups of employees have taken a disproportionate cut that has prevented them from receiving their advancement. He added that as an employee they have served, grown and increased their skill level which under normal circumstances the compensation plan would have recognized. He suggested that instead of a blanket merit pay, that certain groups who may have been disproportionately and negatively impacted be addressed.

Councilmember Richins reiterated the statements made by Mr. Brady regarding the City needing to have a sustainable revenue source or a sustainable reduction in expenses in order to cover employee compensations.

Councilmember Finter commented that all departments had been asked to participate in a 5% reduction exercise and that some departments were proposing an increase in fees. He remarked that there is a $7 million deficit that needed to be overcome and he would like to have more clarification in the future regarding the 5% reductions and fee increases.

Mr. Brady advised that all the departments that are impacted by budget reductions would be coming before the Council. He said that the departments were asked to provide 5% budget reductions, however, many departments will not be recommending any reductions and not a single department was able to provide a full 5% reduction.

Mayor Smith said that the City once had assistance from the State and Federal Government for specific mandated services that the City must continue to provide. He stated that the citizens would now be faced with additional costs as the fees relating to the mandates would be adjusted.

Discussion ensued regarding the 5% reduction and how each department would be making a presentation highlighting the proposal for the reductions and changes and contributions that their department will make to address the negative $7.4 million shortfall without a reduction in workforce.

Councilmember Finter reiterated the statements made by Mr. Brady in regard to each department making a presentation on how to address the negative $7.4 million as a cumulative amount.

Mr. Brady said that there is currently a plan that is believed will addressed the negative $7.4 million shortfall. He added that the departments are working on their presentations to bring to Council that will include a background of their proposals.

Ms. Cannistraro advised that 2 to 3 budget presentations are scheduled along with the Study Sessions throughout the month of April. She said that some departments would not have any budget reductions in this cycle. She added that on April 28th the Budget Summary would be presented and Council will see where the budget stands as far as the negative $7 million shortfall. (See Page 17 of Attachment 3)

In response to a question from Vice Mayor Somers, Mr. Brady explained that the departments Council would be hearing from were the ones that were impacted the most by the negative $7.4

million shortfall. He stated that if there were other areas that the Council would like to hear from those departments could be added to the schedule. He added that some departments were remaining as they are today and did not have any changes to their budget.

Ms. Cannistraro said that there are additional departments not scheduled that had changes in their budgets, however, the changes were a savings that they identified and not a reduction. She added that a list would be provided to Council outlining what each department's particular reductions would be.

Discussion ensued regarding scheduling for Councilmembers who will be out of town in April.

Mr. Brady advised that a proposed budget would need to be before the Council by May 1, 2011.

Mayor Smith thanked staff for the presentation.

Mayor Smith advised that the time was now 9:23 a.m. and there will be a 7 minute break. The Study Session resumed at 9:30 a.m.

2-c. Hear a presentation and discuss the secondary property tax levy.

Budget Director Chuck Odom displayed a PowerPoint presentation highlighting the estimated 2011/12 Secondary Property Tax Levy. He said that the Secondary Property Tax could only be used for debt service. He outlined the Secondary Assessed Valuation of the past 3 years as follows:

- 2009/10 - $4,749,617,000
- 2010/11 - $4,094,037,000 (13.8%)
- 2011/12 - $3,164,277,000 (22.7%)

Mr. Odom advised that there had been a decline of 22.7 % in the assessed valuation which would have an effect on the current Levy. **(See Page 2 of Attachment 4)**.

Mr. Odom advised that the property tax rate for 2010/11 on an average home price of $181,000 was $.3454 which provided a Levy of $64.52. He explained that the average home price was now $139,913 and in order to achieve the same Levy amount the tax rate rate would need to be $.4469. (See Page 3 of Attachment 4).

Discussion ensued relative to the amount of tax collected from the citizens based on the approved Bond Package which is used to pay the fixed debt service amount of $14,141,000.

Mr. Odom displayed a chart comparing Local Property Tax rates of other cities in the Valley. He said that from a total and secondary standpoint Mesa was well below the average in relation to Local Property Tax rates. (See Page 4 of Attachment 4)

Mr. Odom also displayed a comparison of the General Obligation (G.O.) Bond Debt per resident based on the new population, outstanding G.O. Bond Debt, as well as the percentage of G.O. Debit Limit utilized. He indicated that the City's G.O. Bond Debt was significantly below that of comparable cities. (See Page 5 of Attachment 4)

Vice Mayor Somers pointed out that the population of Mesa is more than half of that of Scottsdale and that the Bond Debt in Scottsdale is more than twice the amount of Mesa's however the percentage of G.O. Debt Limit was comparable. He remarked that this was because the valuation of Scottsdale is twice what it is in Mesa which is more reason to focus on "Building a Better Mesa." He said bringing in high wage jobs and reviewing the City's strategic and economic plans are essential in raising the quality of life in Mesa.

Mr. Odom advised that the Secondary Property Tax Levy would be brought back to the Council for official action at the second Council meeting in July. He said that the Secondary Property Tax would need to be completed within 14 days after Council adopts the legal budget.

Discussion ensued regarding other cities that were also facing a reduction in assessed valuations.

Mayor Smith commented that Council would continue to work carefully to try to ensure that the citizens' tax bills do not change and the citizens are aware of the amount of taxes they will pay every year.

Mayor Smith thanked staff for the presentation.

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

3-a. Sustainability & Transportation Committee meeting held March 7, 2011.

3-b. Audit, Finance & Enterprise Committee meeting held March 10, 2011.

3-c. Museum and Cultural Advisory Board meeting held January 27, 2011.

It was moved by Vice Mayor Somers, seconded by Councilwoman Higgins, that receipt of the above-listed minutes be acknowledged.

Carried unanimously.

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

Councilmember Kavanaugh: Mesa Arts Center, Mesa Public Schools Musical Groups

Vice Mayor Somers: Opening of Skyline Aquatics Center,
Maricopa Association of Governments (MAG) Meeting

5. Scheduling of meetings and general information.

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

April 2, 2011, 9:00 a.m. – Falcon Field Airport Open House

April 2, 2011, 6:15 a.m. – El Tour de Mesa

April 2, 2011, 10:00 a.m. – Annual Torch Ride for Special Olympics

6. Items from citizens present.

There were no items from citizens present.

7. Convene an Executive Session.

It was moved by Councilmember Kavanaugh, seconded by Councilmember Glover, that the Council adjourn the Study Session at 9:53 a.m. and enter into an Executive Session. The motion carried unanimously.

7-a. Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A (4)). Discussion or consultation with designated representatives of the City in order to consider the City's position and instruct the City's representatives regarding negotiations for the purchase, sale, or lease of real property. (A.R.S. §38-431.03A (7))

1. Chicago Cubs Spring Training
2. Waveyard

7-b. Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal, or resignation of a public officer, appointee or employee of the City. (A.R.S. 38-431.03A (1))

1. Redistricting Commission

8. Adjournment.

Without objection, the Executive Session adjourned at 11:23 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 31st day of March 2011. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

bdw
(attachments – 4)

Phoenix-Mesa Gateway Airport

PhxMesa **Gateway** Airport

Economic Benefits

FY 2010

March 31, 2011
Dr. Lee McPheters
W.P. Carey School of Business
Arizona State University

a **Gateway** Airport

TOTAL ECONOMIC BENEFITS* (FY 2010)

- 4,191 Total Jobs Supported
- $187.7 Million Total Payroll
- $685.0 Million Total Revenues

* Includes all "multiplier" effects and impact of Capital Project expenditures of $36.4 million.

a Gateway Airport

ON-AIRPORT EMPLOYERS

44 Employers On The Airport

- Air Passenger Services
- Auto Rental, Food Service & Retail
- FBO Services, Fuel, Supplies
- Education & Pilot Training
- Air Medical Transport
- Advanced Simulation, Research
- Administration & Government

a Gateway Airport

ON-AIRPORT EMPLOYERS

1,145 Jobs On The Airport

- 676 Private Sector Jobs
- 259 Capital Project Jobs
- 210 Public Sector Jobs
- 82% Private Sector Jobs
- $68.1 Million Income Earned

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ON-AIRPORT REVENUES

$309.5 Million Revenues

- $190.6 Million Private Sector
- $36.4 Million Capital Projects
- $82.5 Million Public Sector

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THREE YEAR SUMMARY AIRPORT CAPITAL PROJECTS

Source	FY 2008	FY 2009	FY 2010	TOTAL
Airport	$15.8 ml	$17.6 ml	$13.0 ml	$46.5 ml
Private	$14.3 ml	$25.6 ml	$23.3 ml	$63.1 ml
TOTAL	$30.1 ml	$43.2 ml	$36.4 ml	$109.6 ml

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ON AIRPORT: 2010 VS. 2008
(NO CAPITAL PROJECTS, 2010 DOLLARS)

2008 Revenues (millions)	**$123.6**
2010 Revenues (millions)	**$273.2**
Percent Change 2010/2008	***121%***
2008 Airport Employment	**612**
2010 Airport Employment	**886**
Percent Change 2010/2008	***45%***

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AIRLINE VISITORS

- 342,047 enplanements
- 211,915 Airline Visitors
- $335 Spending per Visitor
- $66.4 Million Visitor Spending
- 990 Off-Airport Jobs Created

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VALUE OF ARRIVING AIRLINER

Passengers per Aircraft	133
Percent Visitors	62%
Visitors per Aircraft	82
Spending per Visitor	$335
Economic Value	$27,470

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GENERAL AVIATION VISITORS

- 22,043 GA Visitor Days
- 14,130 GA Visitors
- $2.5 Million Visitor Spending
- 33 Area Jobs Created

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AIR VISITORS: 2010 VS. 2008

2008 Spending (millions)	$37.1
2010 Spending (millions)	$68.9
Percent Change 2010/2008	*86%*
2008 Visitor Employment	527
2010 Visitor Employment	1,024
Percent Change 2010/2008	*94%*

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TOTAL REVENUES

Source	Revenues
On - Airport Activity	$309.5 million
Air Visitors	68.9 million
Primary Benefits	*378.5 million*
Secondary Benefits	306.5 million
TOTAL BENEFITS	$685.0 million

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INCOME AND EMPLOYMENT

Source	Earnings	Jobs
On-Airport	$68.1 million	1,145
Air Visitors	24.3 million	1,024
Primary Benefits	*92.4 million*	*2,169*
Secondary Benefits	95.3 million	2,022
TOTAL BENEFITS	$187.7 million	4,191

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DAILY ECONOMIC BENEFITS
PHOENIX-MESA GATEWAY AIRPORT

- $1.8 Million Daily Revenues
- 4,191 Area Jobs Supported
- $189,000 Visitor Spending
- 4,673 Air Visitors to Area

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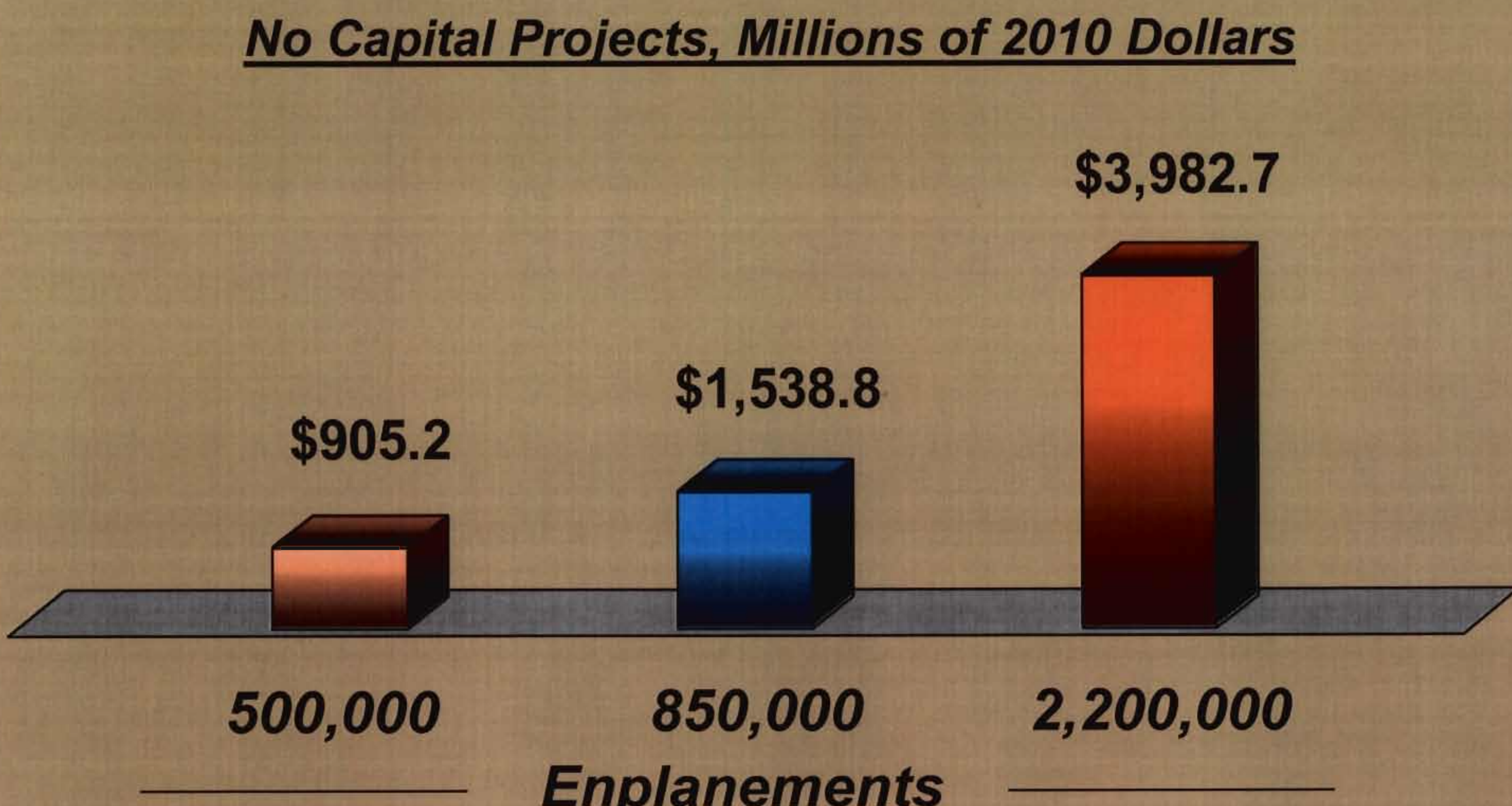
FUTURE ECONOMIC BENEFITS
PHOENIX-MESA GATEWAY AIRPORT



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DATA SOURCES

Phoenix-Mesa Gateway Airport
Arizona Department of Commerce
Surveys of airport employers
Surveys of aircraft owners
Surveys of airline passengers
Behavior Research Center, Inc.
Mesa Convention and Visitors Bureau
U. S. Department of Commerce
U. S. Department of Transportation

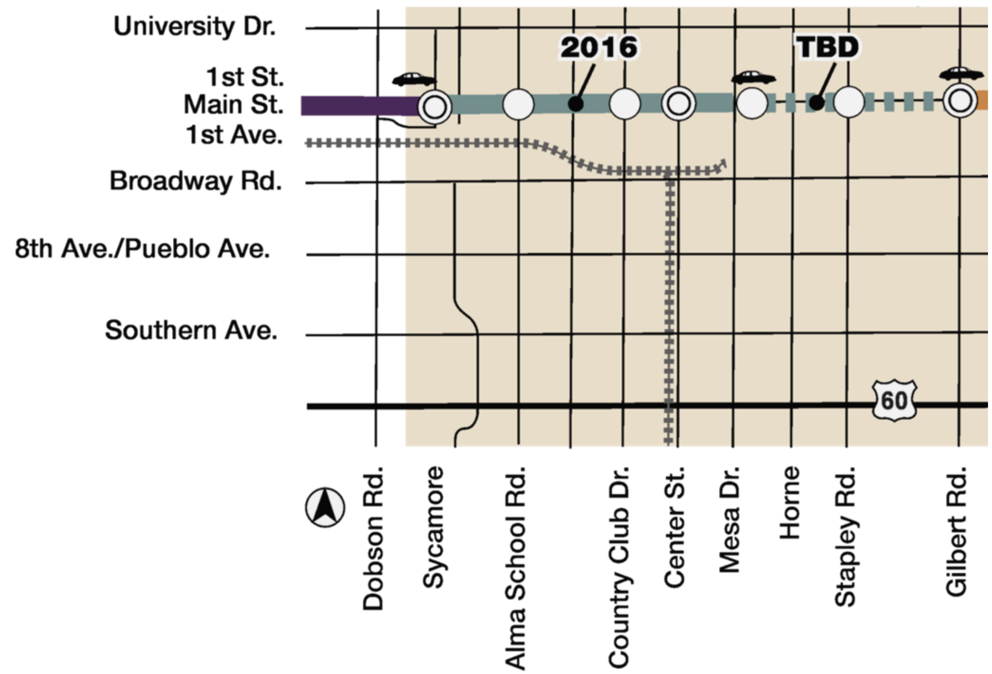
Prepared By
W. P. Carey School of Business
Arizona State University

Gilbert Road LRT Planning Study

Study Session
March 31, 2011

Background

- **May of 2009** – Council approved the Locally Preferred Alternative (LPA) and Alternatives Analysis (AA)
  - Extending to Mesa Dr. (2016)
  - Extending to Gilbert Rd. (Unfunded)

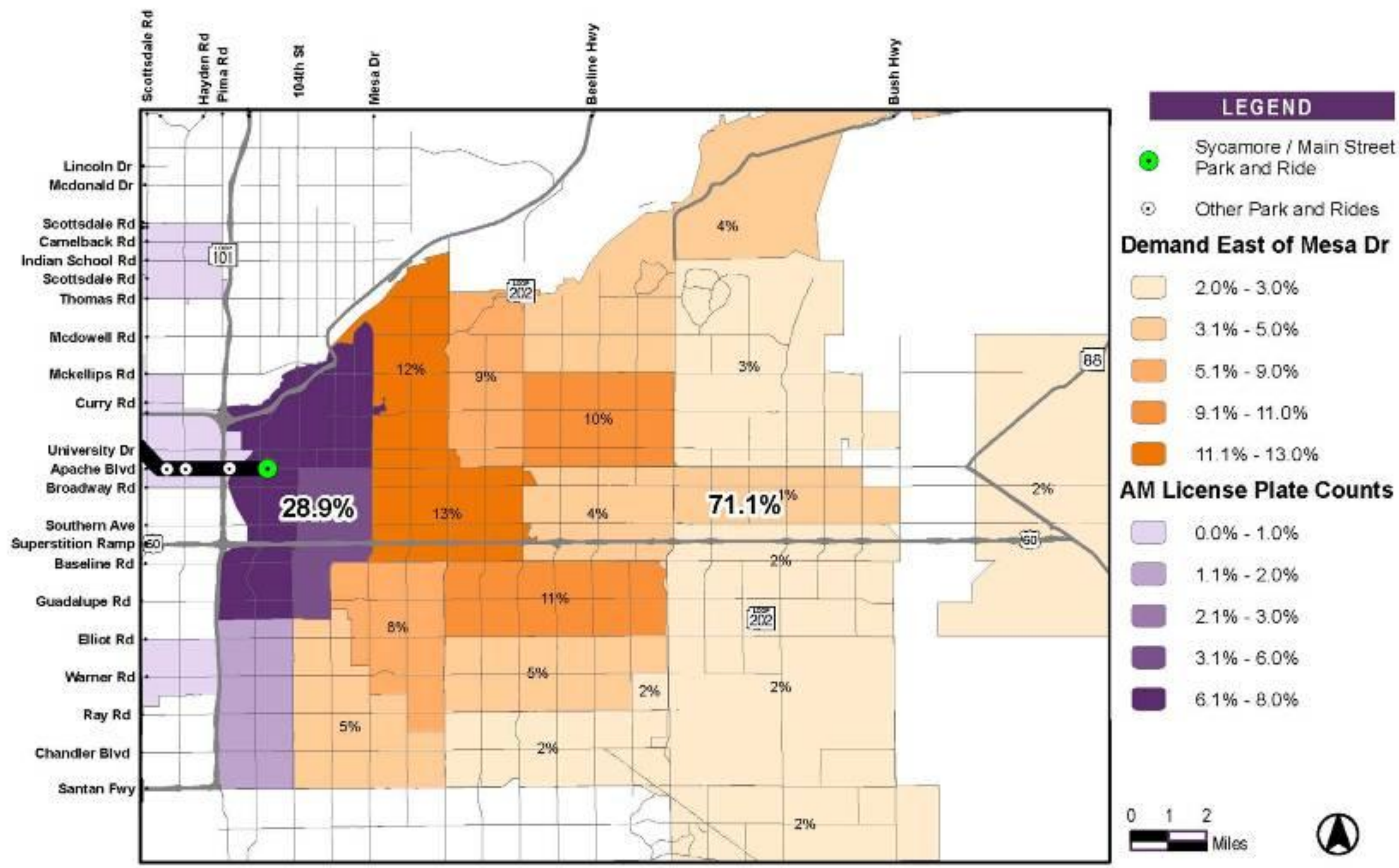


- **July 2009** – MAG approved the Gilbert Road extension as an "Illustrative project" in the Regional Transportation Improvement Plan (TIP) .
- **March 23, 2011** – METRO Approved an agreement to conduct the study pending City Council Approval.

Project Justification

- **Gilbert Rd. extension characteristics:**
  - Strong ridership demand
  - Good regional bus connections
  - Access from two regional freeways
  - Supports economic development & revitalization
  - Preferred location for intermodal facilities:
    - Park-and-ride
    - Transit Center
    - Bicycle & Pedestrian connections with the Consolidated Canal

Ridership Demand



Next Step in Planning

- METRO has prepared a scope of work to initiate planning for the 1.9 mile extension
- METRO will manage the Study to be conducted by HDR Inc. in an amount not to exceed $500,000
- Funding for the study come from one-time transit credits
- The 18-month Study includes:
  - Project definition
  - Conceptual engineering
  - Identifying key environmental factors
  - Community outreach

Key Outcomes

- The study will identify key planning and engineering issues within the corridor
- Provide cost estimates for identifying future funding
- Identify engineering opportunities to reduce future construction risk
- Allow METRO and Mesa to move forward with the federal environmental phase upon completion

City of Mesa

FY 2010/11 Budget Estimate
FY 2011/12 Forecast

March 31, 2011

Presented by the Budget & Research Office

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Changes Since the Last Forecast

- 2010 Census data has been received.
  - State Shared Revenues have been recalculated, resulting in an increased revenue projection for FY 11/12.
- Three additional months of revenue data have been received.
  - Both local and State revenue trends have been evaluated and found to be strengthening, resulting in an increased revenue estimate for FY 10/11 that carries into FY 11/12.

2010 Census Impact on State Shared Revenues

Mesa population estimate:

Benchmarked to 2005 census	448,096
Benchmarked to 2010 census	439,041

	Estimated Impact	Revised Impact	Difference
State Shared Sales Tax	$ (1,950,000)	$ (1,709,000)	$ 241,000
Urban Revenue Sharing	$ (2,249,000)	$ (1,988,000)	$ 261,000
Vehicle License Tax	$ (835,000)	$ (735,000)	$ 100,000
	$ (5,034,000)	$ (4,432,000)	$ 602,000

Note: Budget Office estimated impacts based on original revenue estimates.

Revenue Review – FY 10/11

- City total sales tax is down $5.7M through January sales from budgeted amount.
- General Fund portion of the city sales tax is down $5.0M so far this year from the budgeted amount.
- While City sales tax receipts continue to be below the adopted budget, the anticipated variance appears to be improving.

Revenue Review - FY 10/11 continued

- City Sales Tax – FY 10/11
  - The year-end estimate was 6.4% below the annual budget, $6.8M.
  - The revised year-end estimate is 5.7% below the annual budget, $6.0M.
- State Sales Tax and Vehicle License Tax strengthened over the last few months.

Revenue Review - FY10/11 Continued

- Municipal Court revenues
  - Original estimate included a partial return of activity.
  - Activity appears to be more rapidly returning to previous experience levels.

FY 10/11 General Fund Revenue

	FY 10/11 Budget	FY 10/11 Mar. 2011 Estimate	FY 10/11 Budget vs. Estimated
City Sales Tax	$ 105,518,000	$ 99,522,000	$ (5,996,000)
State Sales Tax	$ 33,617,000	$ 33,118,000	$ (499,000)
Vehicle License Tax	$ 17,153,000	$ 14,399,000	$ (2,754,000)
Licenses & Permits	$ 8,188,000	$ 8,929,000	$ 741,000
Charges for Service	$ 11,475,000	$ 11,337,000	$ (138,000)
Fines & Forfeitures	$ 11,256,000	$ 13,652,000	$ 2,396,000
Urban Revenue Sharing	$ 43,608,000	$ 43,608,000	$ -
Miscellaneous Revenues	$ 6,527,000	$ 7,456,000	$ 929,000
	$ 237,342,000	$ 232,021,000	$ (5,321,000)

(Excludes grants and land sales.)

FY 11/12 General Fund Revenue

	FY 10/11 Mar. 2011 Estimate	FY 11/12* Mar. 2011 Projection	FY 10/11 Estimated vs. FY 11/12 Projected
City Sales Tax	$ 99,522,000	$ 102,896,000	$ 3,374,000
State Sales Tax	$ 33,118,000	$ 33,321,000	$ 203,000
Vehicle License Tax	$ 14,399,000	$ 14,184,000	$ (215,000)
Licenses & Permits	$ 8,929,000	$ 9,143,000	$ 214,000
Charges for Service	$ 11,337,000	$ 11,116,000	$ (221,000)
Fines & Forfeitures	$ 13,652,000	$ 13,652,000	$ -
Urban Revenue Sharing	$ 43,608,000	$ 37,057,000	$ (6,551,000)
Miscellaneous Revenues	$ 7,456,000	$ 6,854,000	$ (602,000)
	$ 232,021,000	$ 228,223,000	$ (3,798,000)

*Includes adjustment for official census results

(Excludes grants and land sales.)

Two Year General Fund Revenue Shortfall

		(in millions)
Shortfall in 10/11 revised revenues		$ (5.3)
Continued Shortfall in 11/12 revenues	$ (5.3)	
Additional shortfall in 11/12 forecasted revenues	$ (3.8)	
Shortfall in 11/12 generated fund revenues		$ (9.1)
Total two-year shortfall in general fund revenues		$ (14.4)

General Fund Expenditure Pressures

	FY 10/11	FY 11/12	FY 12/13
Arizona State Retirement		$ 676,319	$ 379,000
Public Safety Retirement		$ 1,958,000	$ 2,000,000
Employee Benefit Trust	$ 2,400,000	$ 8,886,526	$ 2,400,000
Worker's Compensation		$ 1,228,622	$ 1,514,000
Mass Transit			
Fixed Route		$ 764,000	
Ride Choice		$ 264,000	
Other Impacts		$ 700,000	
Vehicle Replacement		$ 1,556,000	
Elections			$ 415,000
	$ 2,400,000	$ 16,033,467	$ 6,708,000

As presented in February forecast.

Two-Year General Fund Budget Shortfall

(in millions)

	Revenues	Expenditures	Total
FY 10/11	$ (5.3)	$ 2.4	$ (7.7)
FY 11/12	$ (9.1)	$ 16.0	$ (25.1)
	$ (14.4)	$ 18.4	$ (32.8)

Two-Year Net Budget Shortfall
General Fund

	(in millions)
Revised Two-Year Budget Shortfall	$ (32.8)
09/10 Savings and Fund Balance	$ 25.4
Revised Net Two-Year Budget Shortfall	$ (7.4)

State Shared Revenues Still at Risk

- Highway User Revenue Fund (HURF) diversion included in Governor's budget.

- Impact Fees
  - Contributions toward debt service.

Community Development Block Grant (CDBG) at Risk

- FY 10/11- House proposal to eliminate 62% of funding .
- FY 11/12 - President proposal to eliminate 7.5% of funding. House Republican Study Committee recommending elimination.
- Preliminary budget assumes continuing current level of funding, but the City is working on contingency plans.

Other Outstanding Issues

- Health care costs will continue to be monitored. An overview is scheduled to be presented in April.
- Fuel prices will continue to be monitored. A fuel reserve will be identified to address possible needed adjustments.
- The City will evaluate future restoration of employee compensation.

Department Budget Presentations

- Each study session scheduled during the month of April will include presentations from the departments.
- April 28th will include a summary of recommended budget reductions and status of the budget shortfall.

Scheduled Budget Presentations

City Council Study Sessions

Monday	April	4	Police Municipal Court
Thursday	April	7	Library Parks, Recreation and Commercial Facilities Arts and Culture
Thursday	April	14	Falcon Field Fire Transit
Monday	April	18	Transportation Development and Sustainability/Environmental Fee
Thursday	April	21	Solid Waste Energy Resources Water Resources
Thursday	April	28	TPT Fee/Benefits/CIP Budget Summary

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Estimated 2011/12 Secondary Property Tax Levy

March 31, 2011

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Secondary Assessed Valuation

- 2009/10 - $4,749,617,000
- 2010/11 - $4,094,037,000 (13.8%)
- 2011/12 - $3,164,277,000 (22.7%)

Maintain Average Secondary Property Tax Levy

	Levy
• Current 2010/11 Rate = $0.3454	
$181,000 home @ $0.3454 =	$62.52
• Estimated 2011/12 Rate = $0.4469	
$139,913 home @ $0.4469 =	$62.52
Average Impact	**($0.00)**

Current Comparative Local Property Tax Rates

	Secondary	Primary	Total
Mesa	$0.3454	$0.0000	$0.3454
Chandler	$0.8522	$0.3292	$1.1814
Gilbert	$1.1500	$0.0000	$1.1500
Glendale	$1.3699	$0.2252	$1.5951
Phoenix	$0.9368	$0.8832	$1.8200
Scottsdale	$0.5140	$0.3836	$0.8976
Tempe	$0.8824	$0.5176	$1.4000
Avg. (excl Mesa)	$0.9509	$0.3898	$1.3407

March 31, 2011
Study Session
Attachment 4
Page 5 of 5

Comparing G.O. Debt per Resident

	Population*	Outstanding Bond Debt**	Bond Debt per Resident	Percent of G.O. Debt Limit
MESA	439,041	$276,560,000	$630	22.4%
GILBERT	208,453	$195,320,000	$937	28.1%
GLENDALE	226,721	$219,425,000	$968	39.6%
PHOENIX	1,445,632	$1,631,804,070	$1,129	33.3%
CHANDLER	236,123	$449,790,000	$1,905	49.3%
SCOTTSDALE	217,385	$578,190,000	$2,660	26.5%
TEMPE	161,719	$475,833,706	$2,942	66.1%

*Population data from the 2010 census data.

**Arizona Department of Revenue - 2009/10 Fiscal Year.