



COUNCIL MINUTES

May 30, 2019

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 30, 2019 at 7:34 a.m.

COUNCIL PRESENT

John Giles
Mark Freeman*
Jennifer Duff
Francisco Heredia
David Luna
Kevin Thompson
Jeremy Whittaker

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

*Vice Mayor Freeman participated in the meeting through the use of telephonic equipment.

1. Review and discuss items on the agendas for the June 3, 2019 Regular and Special Council meetings:

All of 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: None

In response to a question posed by Mayor Giles regarding agenda item 5-I (**Mesa Drive Improvements Project – Phase 2 (8th Avenue to Main Street) Construction Manager at Risk (CMAR), Guaranteed Maximum Price (GMP) (District 4)**) City Engineer Beth Huning stated the project will start around the first part of July, taking approximately 18 months. She described the project which will include pavement, water, gas and undergrounding power. She pointed out Mesa Drive is a mature street and there are often unexpected delays. She mentioned the project will start at the intersection of Mesa Drive and Broadway Road with utility work, adding most of the utility work in the intersection will be completed at night.

City Manager Christopher Brady stressed this is more than just a street project; it is a regional project that includes gas, water, wastewater and electric, and addresses all the infrastructure.

Ms. Huning stated there will be more work on Broadway to Wilbur on the west and Lesueur on the east. She explained on 1st Avenue there is another project to address east and west of Mesa Drive to include some curb and sidewalk improvements.

Mr. Brady commented there has been discussion on what is happening on 1st Avenue from Lesueur to Mesa Drive. He stated during these projects the City tries to work with adjacent properties to help with the costs. He added during the project while the traffic is interrupted from tearing up the streets, other improvements are looked at to see if they can be addressed at the same time.

In response to a question from Councilmember Luna regarding whether conduit for dark fiber will be placed at the same time, Ms. Huning responded QUAD-DUCT is being laid in these areas and there has been a tremendous amount of coordination with private and public utilities to get everything done at the same time.

In response to a series of questions by Councilmember Duff regarding the start date and notification to residents of the project, Ms. Huning reiterated the anticipated start date and replied she can provide a more detailed description to post on Facebook. She also confirmed her staff is proactive regarding notification being provided to residents and businesses well in advance of the beginning of construction.

Responding to a question by Mayor Giles regarding the age of the infrastructure underground, Ms. Huning stated the infrastructure is well over 30 years old.

City Treasurer Ryan Wimmer displayed a PowerPoint presentation (**See Attachment 1**) and discussed item 1-a (**A public hearing on the proposed Fiscal Year 2019/20 Budget and the proposed Fiscal Year 2019/20 Secondary Property Tax Levy**) on the Special Council Meeting Agenda.

Mr. Wimmer explained the majority of Mesa property tax dollars go to Mesa Public School Districts, but also goes to surrounding school districts as well. He stated a little less than 9% of property tax goes to the City of Mesa. (See Page 2 of Attachment 1)

Mr. Wimmer pointed out there are two types of property tax: Primary, which Mesa does not have, can be used for any general operations of the city; and secondary property tax, which is restricted to debt service on general obligation bonds that are approved by voters for a specific purpose. He provided the formula to calculate the property tax levy. (See Page 3 of Attachment 1)

Mr. Wimmer reported property values continue to increase, and presented a chart showing values for the past 10 years. He explained each property has two values; the full cash value and the limited property value. He stated the limited property value is the basis for calculating your taxable value. He stated the gap between the two means the taxable value of city property should increase for several years before the two come together. (See Page 4 of Attachment 1)

Mr. Wimmer identified the taxable value as the net assessed value, which is the amount that gets taxed. He added from last year to this year there was an increase of 7%; and 4% of that increase was due to appreciation of existing property value. He pointed out new property and new construction accounts for 3% of that year-to-year growth. He stated new infrastructure broadens the tax base and spreads out the impact of the tax levy. (See Page 5 of Attachment 1)

Mr. Wimmer reminded Council in November 2018 voters passed two General Obligation bonds; one for public parks and culture, one for public safety. He explained with regard to the median homeowner's annual impact, the current levy is \$129. He clarified if the two initiatives were

passed, the impact to the median valued property would be estimated to go up \$50, anticipating the levy for Fiscal Year (FY) 2019/20 would be \$179. (See Page 6 of Attachment 1)

Mr. Wimmer stated looking forward to FY 2019/20, due to the collection rates on properties being higher, the interest rates being lower than anticipated, the City was able to pay more principal in the early years of bond issuances, which saves on interest costs over the life of the bonds, and the effect is the actual proposed impact to the median valued property will be \$157 instead of the \$179. (See Pages 7 and 8 of Attachment 1)

Mr. Wimmer supplied the five-year history of the levy and the tax rate. He stated there is a proposed adjustment upward this year due to new properties. (See Page 9 of Attachment 1)

Mr. Brady stated the goal is to maintain a fairly level tax levy, even if adjustments need to be made, so the property owner's tax bill does not increase. He pointed out if your home value goes up, the rate will go down.

Mr. Wimmer added the proposed tax rate in FY 2019/20 is lower than in FY 2015/16. He reviewed the calendar for the secondary property tax levy and budget adoption. (See Page 10 of Attachment 1)

Mr. Brady pointed out for the \$196 million in authorizations for the next few years, the final cost to the average homeowner will be \$28 instead of \$50 per year.

In response to a question by Councilmember Duff regarding the percentage of the secondary property tax rate last year, Mr. Wimmer said the change in full cash value increased 9.9%. He added there is a lag of a few years.

Responding to a question by Councilmember Heredia as to what the median homeowner cost is, Mr. Wimmer stated the taxable value is \$132,000, which translates to a full cash value of \$182,000, and a median sale value of \$228,000. He clarified the two values on the tax card are the limited value and full cash value.

Mayor Giles thanked staff for the presentation.

2. Acknowledge receipt of minutes of various boards and committees:

2-a. Human Relations Advisory Board meeting held on April 24, 2019.

2-b. Museum and Cultural Advisory Board meeting held on March 28, 2019.

2-c. Transportation Advisory Board meeting held on March 19, 2019.

It was moved by Councilmember Luna, seconded by Thompson, that receipt of the above-listed minutes be acknowledged.

Upon tabulation of votes, it showed:

AYES – Giles-Freeman-Duff-Heredia-Luna-Thompson-Whittaker

NAYS – None

ABSENT – None

Carried unanimously.

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

| | |
|---------------------|--|
| Mayor Giles: | Acknowledged Passing of former Councilmember and Assistant Police Chief Michael Whalen |
| Councilmember Duff: | United States Global Leadership Luncheon |
| Councilmember Luna: | United States Global Leadership Luncheon |

4. Scheduling of meetings and general information.

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

Monday, June 3, 2019, 5:15 p.m. – Study Session

Monday, June 3, 2019, 5:45 p.m. – Regular Council Meeting

Monday, June 3, 2019, 5:50 p.m. – Special Council Meeting

5. Adjournment.

Without objection, the Study Session adjourned at 8:07 a.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, 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 30th day of May 2019. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

Hm/la
(Attachments – 1)

Secondary Property Tax

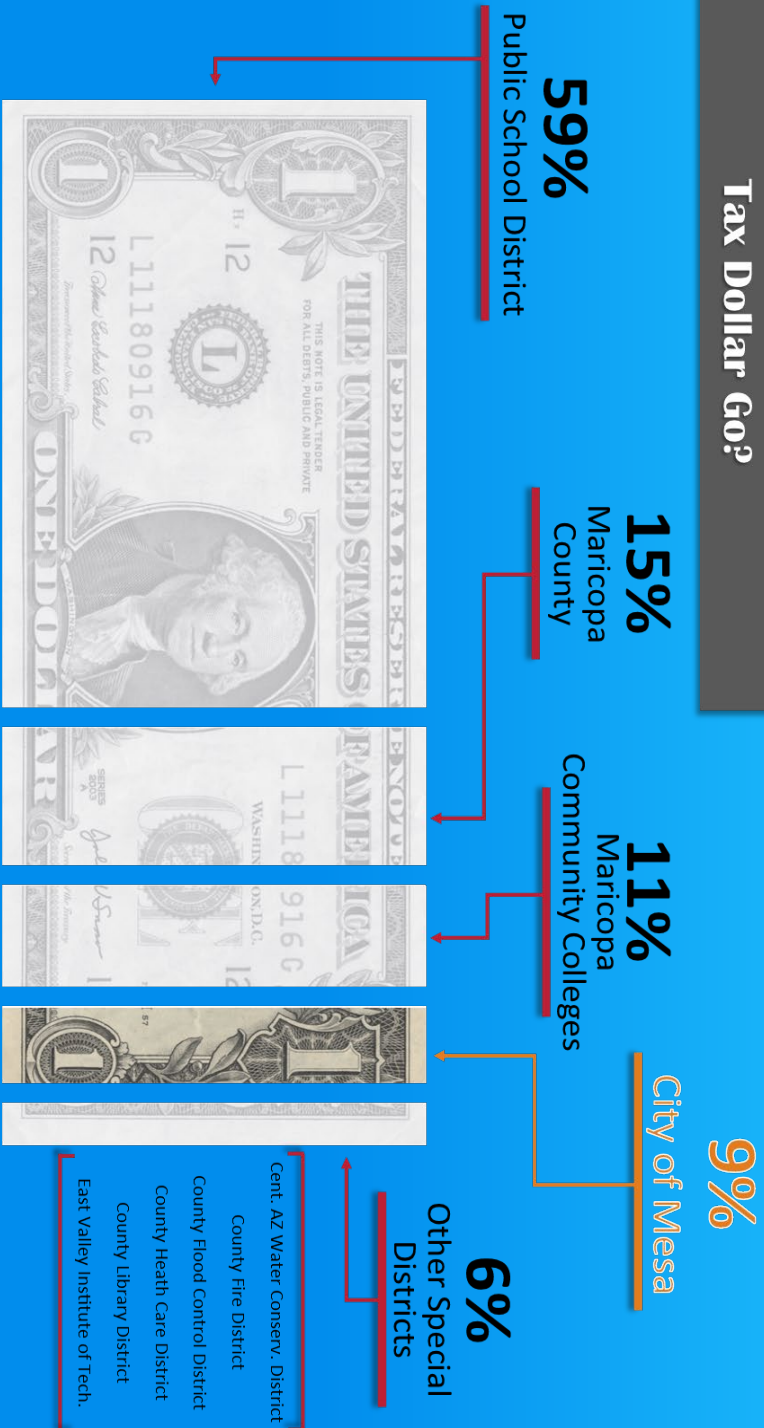
FY 2019-20

May 30, 2019

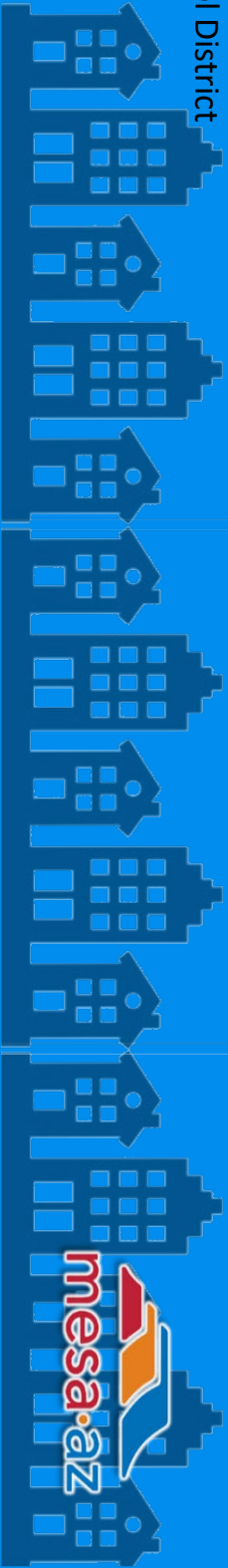
Ryan Wimmer, Treasurer



Where does a Mesa Resident's Property Tax Dollar Go?



Note:
 Mesa Public
 School District



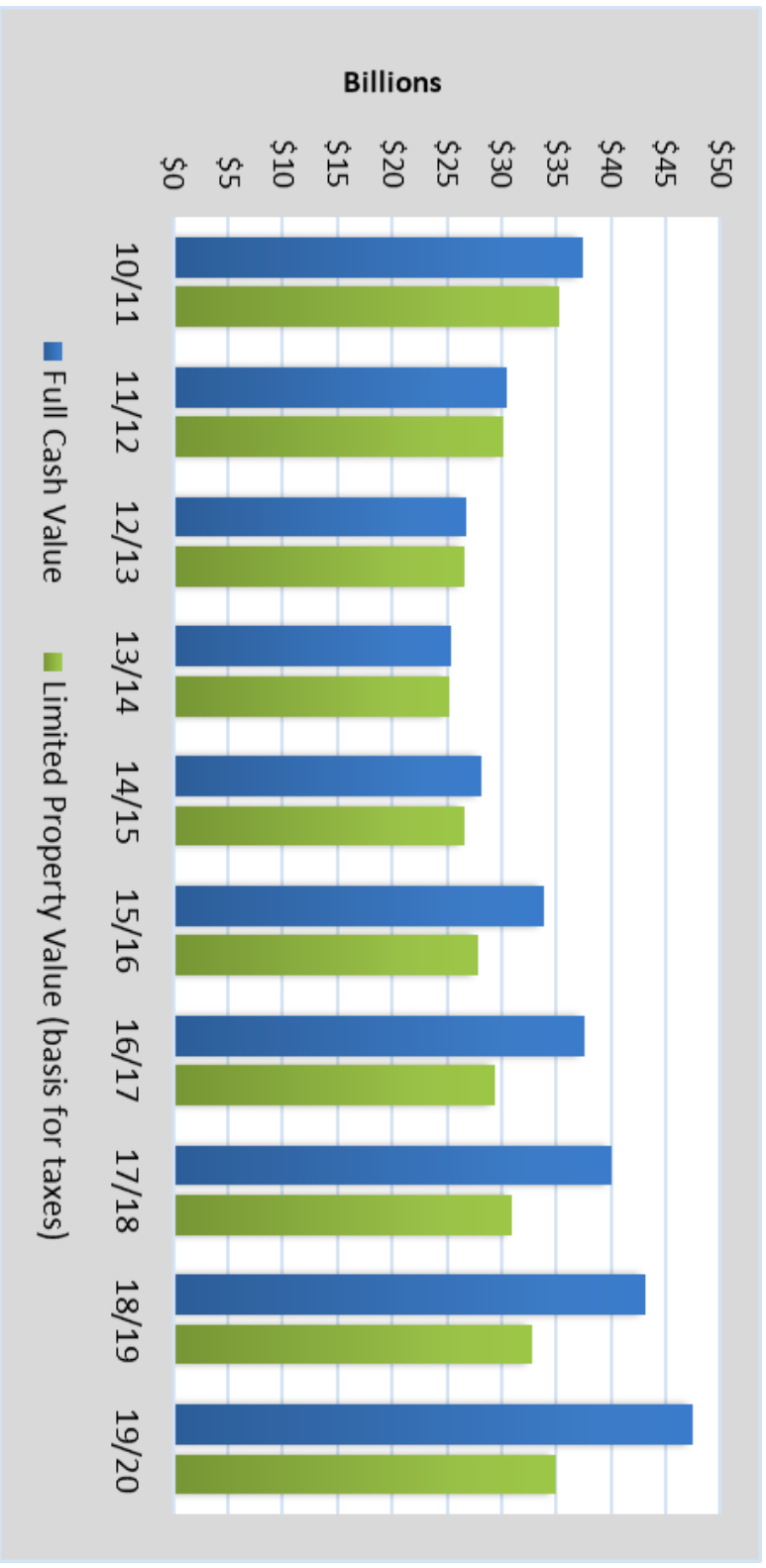
Property Tax Types

| Type | Permitted Use |
|-----------|--|
| Primary | General City operations (parks, libraries, public safety, etc.) |
| Secondary | Debt service on General Obligation (G.O.) bonds approved by voters |

Formula:

$$\text{Property Value} \times \text{Tax Rate} = \text{Tax Levy}$$

Mesa Property Value by Fiscal Year



Property Value Increase FY18/19 to FY19/20

| | FY18-19 | FY19-20 | \$ Change | % Change |
|--|----------------|----------------|----------------|----------|
| Net Assessed Value (NAV) (taxable value) | \$3.28 Billion | \$3.52 Billion | +\$238 Million | +7% |
| <i>Appreciation of Existing Property</i> | | | +\$136 Million | +4% |
| <i>New Property</i> | | | +\$102 Million | +3% |

Formula:

$$\text{Property Value} * \text{Tax Rate} = \text{Tax Levy}$$

2018 General Obligation Bond Authorizations

| Purpose | Authorization |
|-------------------|----------------------|
| Parks and Culture | \$111 million |
| Public Safety | \$ 85 million |
| Total | \$196 million |

Median Homeowner Annual Impact

Current Levy (FY 18-19)

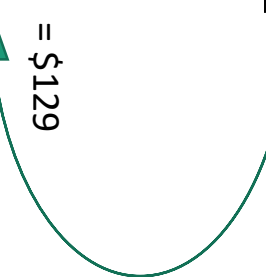
= \$129

2018 Election Publicity Pamphlet Estimate

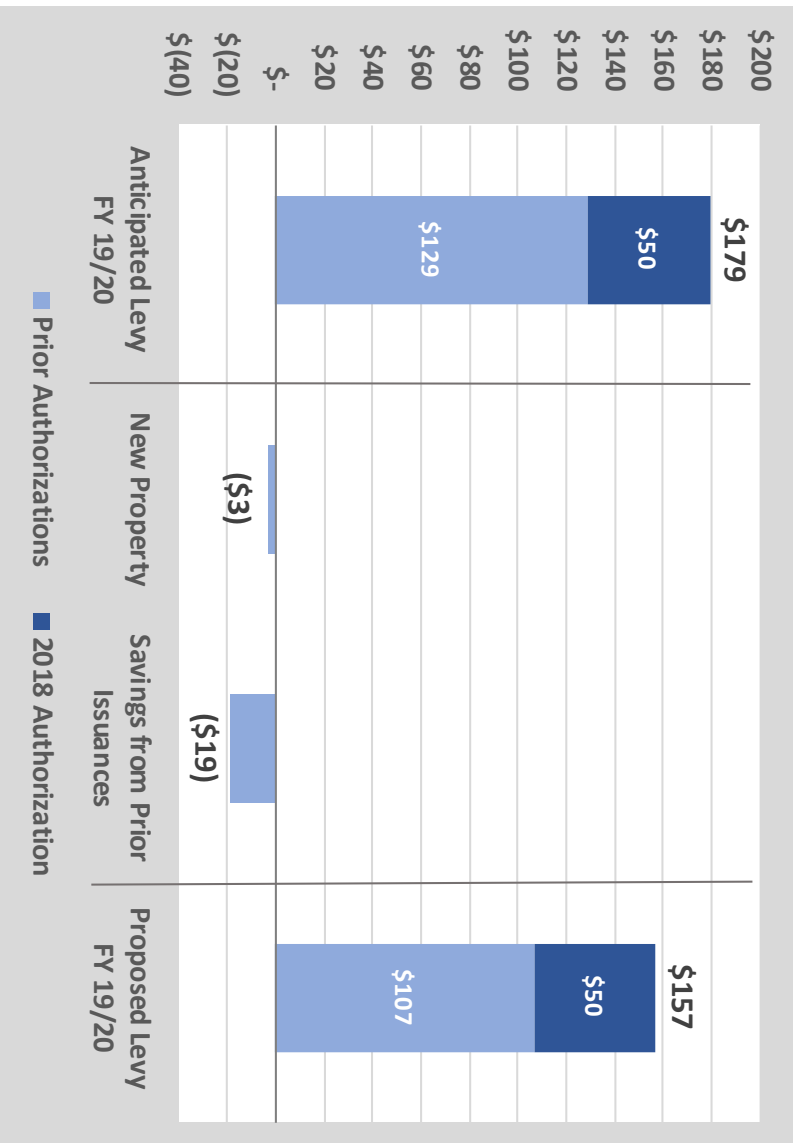
= \$ 50

Anticipated Levy (FY19-20)

= \$179



Annual Impact to Median Homeowner



- Savings from Prior Issuances due to:
1. Interest rates lower than assumed
 2. Collection rate higher than assumed
 3. Savings from #1 and #2 used to structure new issuances to pay more principal in early years

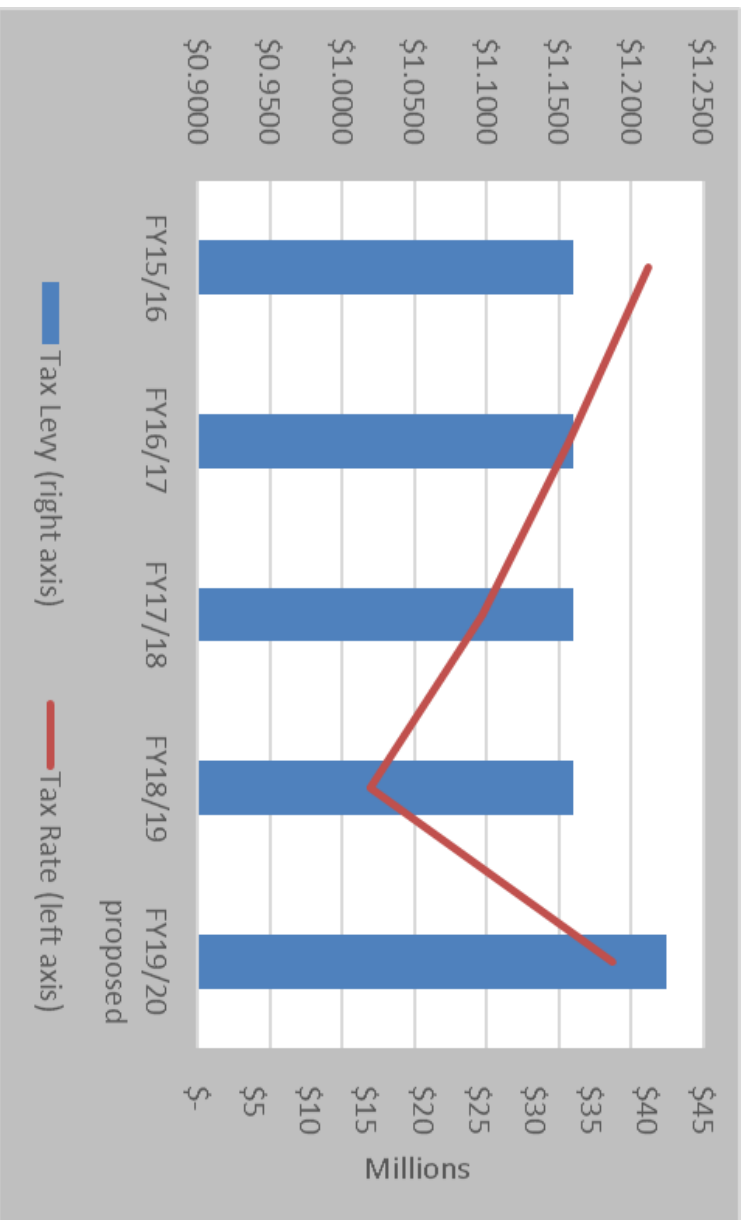
Proposed Levy and Rate

| | FY18-19 | FY19-20 Anticipated | FY19-20 Proposed |
|--|----------------|--------------------------------|-----------------------------|
| Secondary Property Tax Levy (Taxable Value * Tax Rate) | \$33.4 million | \$46.9 million | \$41.7 million |
| Secondary Property Tax Rate (per \$100 of Taxable Value) | \$1.0201 | \$1.4501 | \$1.1870 |
| Annual Cost to Median Homeowner | \$129 | \$179 | \$157 |

Formula:

$$\text{Property Value} \times \text{Tax Rate} = \text{Tax Levy}$$

Proposed Levy and Rate 5-Year Comparison

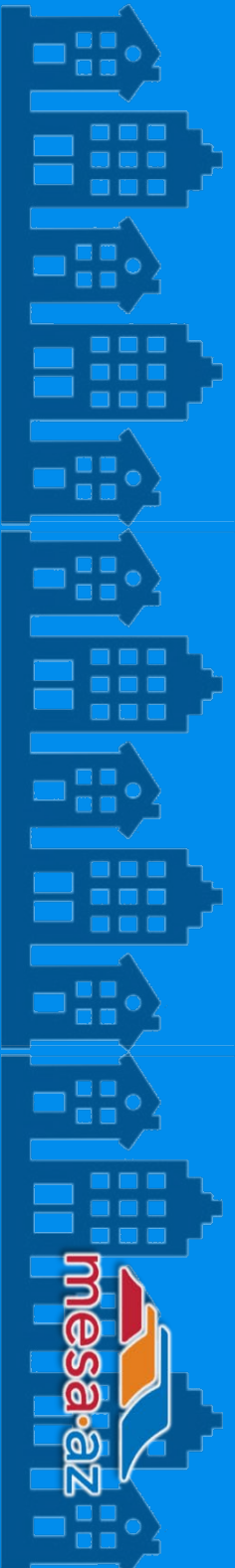
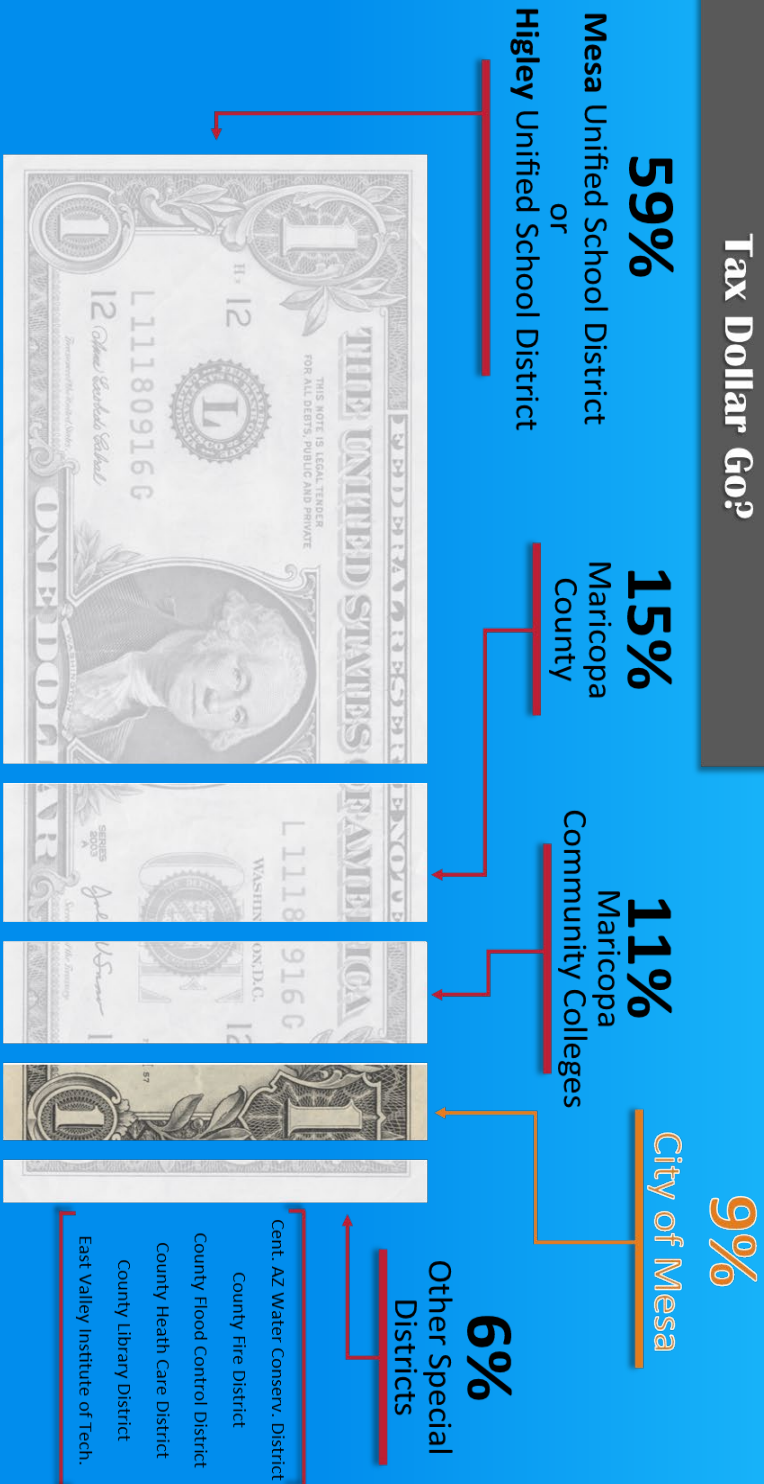


Calendar

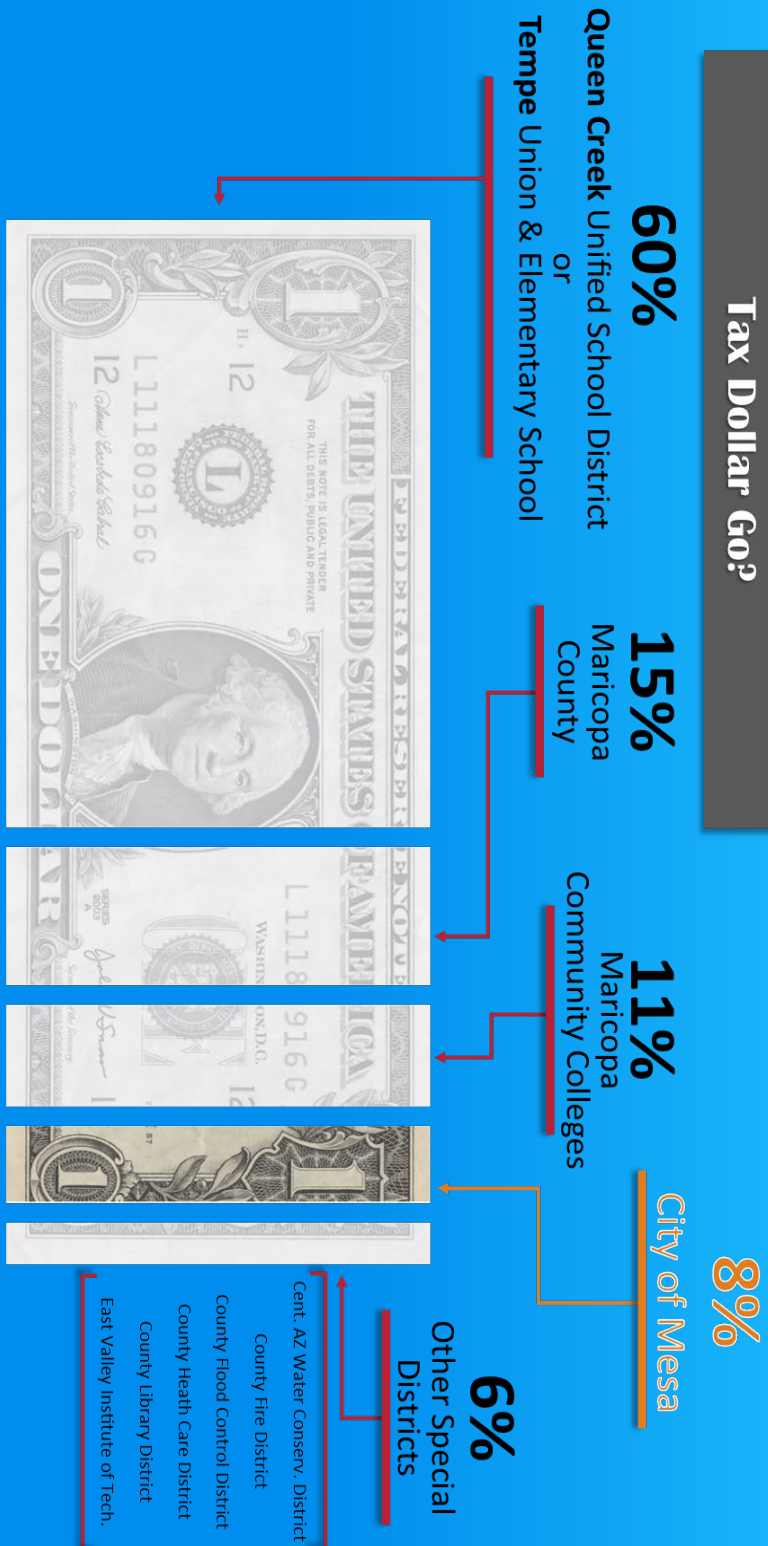
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|---------|--|
| June 3 | Public Hearing on Annual Budget and Secondary Property Tax Levy |
| June 17 | Final Adoption of Annual Budget Adoption of Secondary Property Tax Levy |



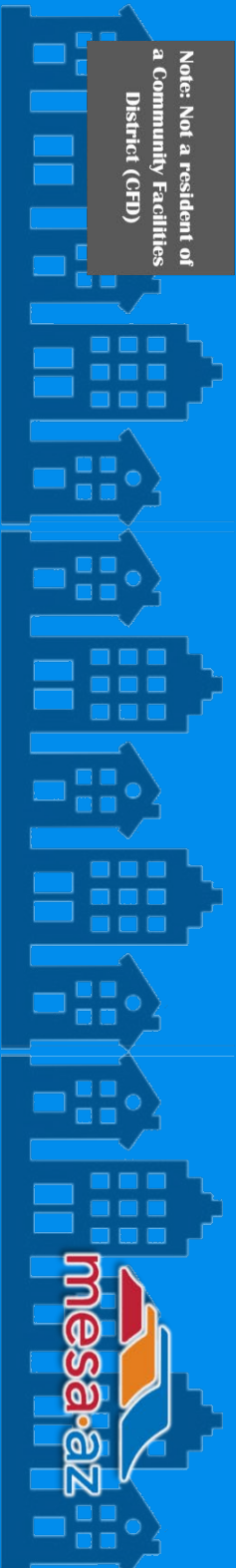
Where does a Mesa Resident's Property Tax Dollar Go?



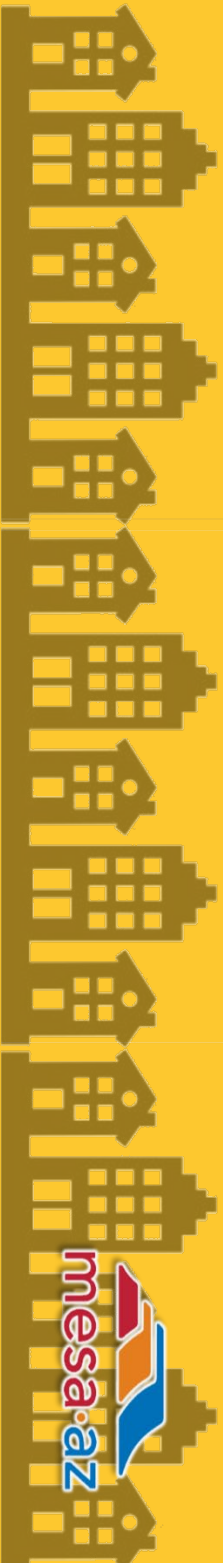
Where does a Mesa Resident's Property Tax Dollar Go?



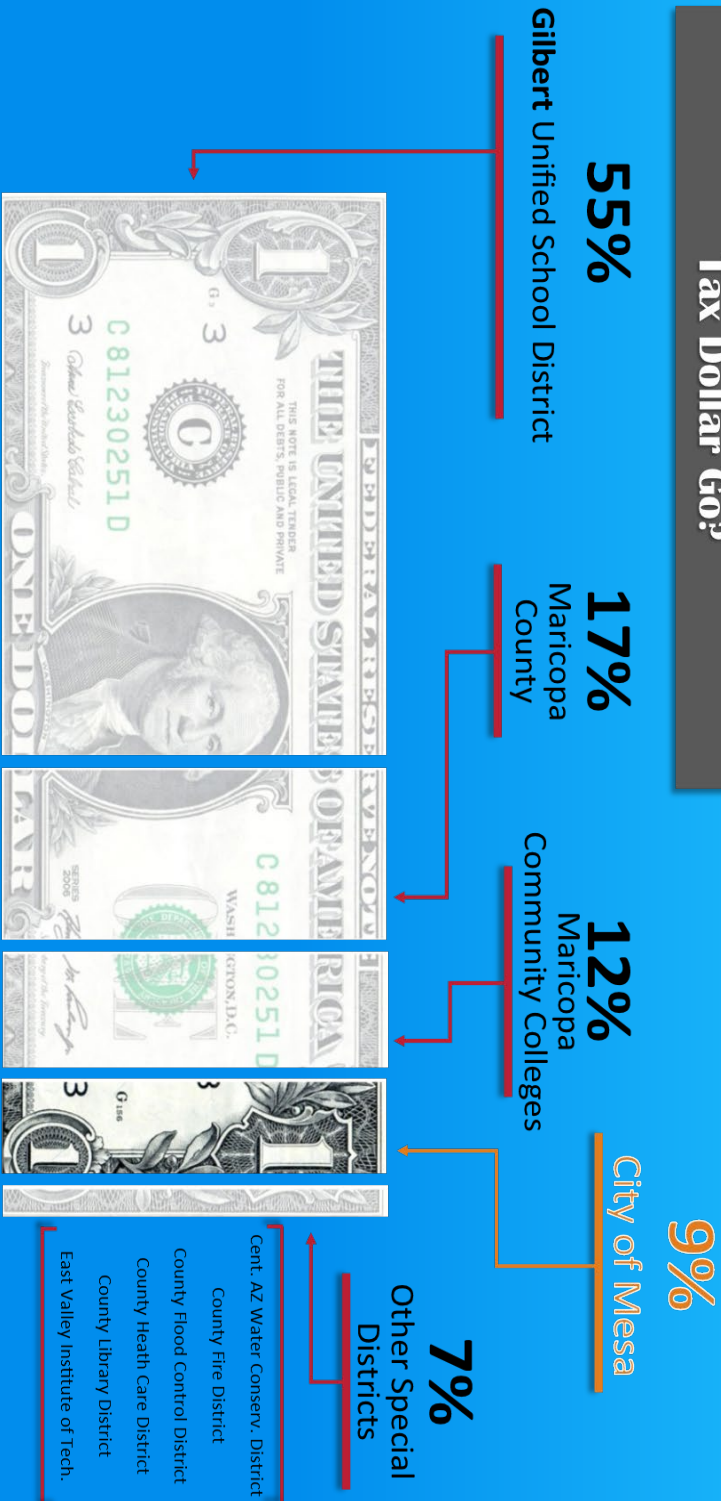
Note: Not a resident of a Community Facilities District (CFD)



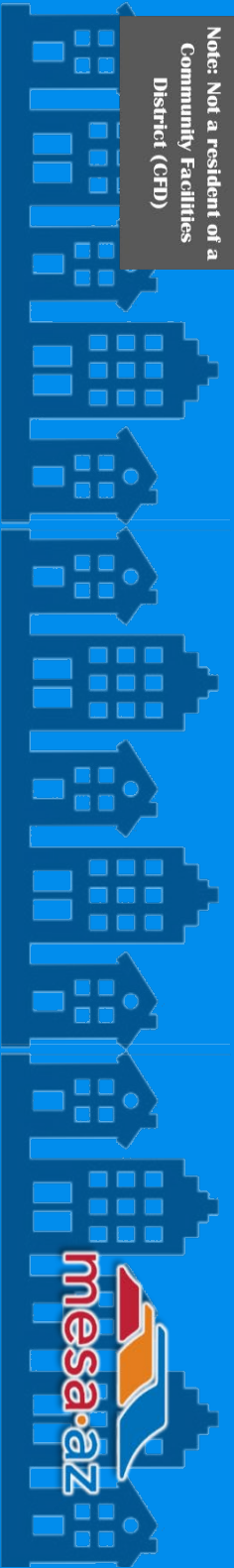
Where does a Mesa Community Facilities District (CFD) Resident's Property Tax Dollar Go?



Where does a Mesa Resident's Property Tax Dollar Go?



Note: Not a resident of a Community Facilities District (CFD)



Where does a Mesa Community Facilities District (CFD) Resident's Property Tax Dollar Go?

