



COUNCIL MINUTES

May 5, 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 May 5, 2011 at 7:33 a.m.

COUNCIL PRESENT

Scott Smith
Alex Finter
Christopher Glover
Dina Higgins
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Kari Kent
Debbie Spinner
Linda Crocker

1-a. Hear a presentation, discuss and provide direction on the 11/12 utility rate adjustments.

Deputy Budget Director Candace Cannistraro displayed a PowerPoint presentation (**See Attachment 1**) updating the utility rate recommendation for the FY 2011/12. She reported that there has been an increase in water and wastewater accounts and stressed the importance of maintaining the infrastructure. She also reported on the drastic decrease in water consumption over the past few years which has resulted in lower than anticipated revenues. (See Page 3 of Attachment 1)

Ms. Cannistraro remarked on the numerous vacant homes in the City that do not have any water usage. She stated that because the water utility is based on consumption rather than a standard base charge the City is experiencing a significant reduction in revenue directly related to the number of vacant homes in the area. She displayed a chart that reflected the percentage of vacancies in Maricopa County by census year. (See Page 5 of Attachment 1)

Ms. Cannistraro briefly reviewed the utility costs per residential account and said that utility costs in Mesa are lower in comparison to other municipalities in the area. (See Page 7 of Attachment 1)

Ms. Cannistraro described possible options to help correct the water revenue shortage. She said one option would be to continue with the current variable rate based model and increase the rate by 7.5%. She advised that another option would be to implement a minimum water fee that includes 3,000 gallons of water per month with a rate increase of 6.8%. In addition, she said that the charges for wastewater would be based on 2,000 gallons per month and would include a rate increase of 5.8% for the next 3 years.

Discussion ensued regarding a minimum base charge that would include 3,000 gallons of water usage per month as well as the implementation of an affordability program for those that may be negatively impacted by a minimum base charge.

Responding to a question from Councilmember Kavanaugh, Water Resources Department Director Kathryn Sorensen explained that many of the water accounts on foreclosed homes are not active. She said water consumption on foreclosed homes is under the 3,000 gallon minimum and therefore the banks are only paying a small portion towards the cost of the utility. She added that a larger portion of the actual cost of the utility could be captured by implementing a minimum base charge.

Mayor Smith commented that because of the inactivity of foreclosed homes the current rate model is a weakness as it is based on activity and is not set up to handle a significant drop in usage.

Ms. Cannistraro stated that services are provided to a home whether it is occupied or not and there are costs associated with those services.

Councilmember Richins expressed his support for implementing a base fee and rates based on the amount of water used. He said this would provide a way to achieve true conservation and cover the costs of the infrastructure regardless of whether the home is occupied or not.

Ms. Sorensen stated that Water Resources is seeking a balance and believes that the proposal is a step towards obtaining that balance.

In response to a series of questions from Councilmember Finter, Ms. Sorensen explained that one of the differences in "on project" and "off project" water systems is commodity costs. She said that ground water is used basically for "peaking" and is uncommon in the City's water system. She advised that the majority of the costs for Water Resources are generated from the operation of the surface water treatment plant. She also advised that the Revenue Enforcement Program is preparing to take appropriate action in cases where locks have been cut and water is used on vacant homes.

Ms. Cannistraro reported that staff is recommending that a minimum charge be implemented that includes the first 3,000 gallons of water. In addition, she advised that all Utility Ordinances will be before the Council on June 6 and scheduled for adoption on June 27. She said that on May 16 Council will be asked to adopt the Notice of Intent which will serve as public notice of the review and adjustment of utility rates.

Further discussion ensued regarding the minimum base charge of 3,000 gallons that would affect 98% of the water accounts.

Ms. Sorensen explained that the average customer uses 10,000 gallons of water per month and would experience a rate increase of 6.8%.

City Manager, Christopher Brady said that if the bill structure is not changed the percentage of rate increase will be 7.5% and would require the 3,000 gallon user to pay more each month.

Mayor Smith said if a customer was conserving water they would still be using more than 3,000 gallons per month. He said with this structure the City would be able to capture the inactive accounts without disproportionately impacting low water users.

Ms. Cannistraro advised that the chart that illustrates the average annual homeowner charges in surrounding municipalities was revised to reflect the correct median home values and property tax information for each area. **(See Attachment 2)** She pointed out that some municipalities have not yet taken action on their water rates or are currently pending action however, the chart serves as a good benchmark.

Mayor Smith commented that it is difficult to do comparisons with other municipalities due to different variables such as income and taxes.

Mr. Brady commented that the other cities are feeling the same pressures that Mesa is however, Mesa's rate increase is still lower than surrounding cities.

Ms. Sorensen stated that the pressures that have been placed on the City are a national trend. She stated that standards that are expensive undertakings include the replacement of aging infrastructure, coping with growth and the Clean Water and Safe Drinking Water Acts.

Mr. Brady commented that the new Greenfield Plant is currently one of Water Resources largest expenses. He said that the Town of Gilbert is partnering with the City on the Greenfield Plant and will also be realizing some of those expenses and pressures.

Councilmember Kavanaugh remarked that the proposal has been improved since it was originally presented. He expressed his concerns regarding the minimum base charge and said that the philosophy of the country has been that you pay for what you use.

Councilmember Richins commented that he is hopeful that the City will continue to work towards a rate structure that will provide dedicated funding to maintain the infrastructure and allow customers to handle conservation issues based on the water they use.

Ms. Sorensen stated that the new water rate structure is a first step towards finding a balance and the Department will continue to explore the ideas that have been presented today.

Mayor Smith remarked that homeowners pay their mortgage payment even if they are not currently staying in the home. He explained that this is similar to the water rates in that the home is attached to the system and whether is it used or not there are basic cost associated with being attached to the system.

Vice Mayor Somers said that the revenue from the water utility also pays for services like police and fire protection. He said with a minimum water fee Water Resources would be able to cover more of the debt service costs.

Mayor Smith thanked staff for the presentation.

1-b. Hear a presentation and discuss the City of Mesa debt issuance and management policy.

Budget Director Chuck Odom displayed a PowerPoint presentation (**See Attachment 3**) highlighting some of the Debt Issuance and Management Policies. He stated that in 2008 Council formally adopted 10 long-standing City policies. He said the fourth policy pertains to the City of Mesa's debit, how decisions are made and how the City operates financially.

Mr. Odom advised that the Debt Issuance Policy states that long-term debt will not be used to fund current operations and will match the useful life of capital project funds. He added that General Obligation and Revenue bond debt service payments should be structured and remain consistent from year-to-year. (See Page 3 of Attachment 3)

Mr. Odom reported that the City receives authorization to sell bonds from the citizens by way of elections. He said the three main types of bonding available for cities to fund capital projects are General Obligation Bonds (GO), Utility Revenue Bonds (UR) and Highway User Revenue Bonds (HURF). He added that HURF bonds are from excise tax funds.

Discussion ensued regarding the HURF excise tax funds which are from the HURF pool of shared revenues and are derived from guest taxes collected at the State level.

Mr. Odom said there are two types of GO Bonds, the first one states that the City can issue a GO Bond for specific purposes not to exceed 20% of the secondary assessed valuation. He stated that the second GO Bond is for libraries and shall not exceed 6% of the secondary assessed valuation. (See Page 5 of Attachment 3) He advised that UR Bonds have no statutory limitation and are only limited by what the debit covenants are in relation to the rate paid for that debit. (See Page 6 of Attachment 3)

Mr. Odom displayed the Bond Authorization Summary (See Page 8 of Attachment 3) and advised that prior available authorization between all of the bonds totals nearly \$413 million. He stated that \$83.3 million will be issued this year, leaving a balance of approximately \$330 million. He pointed out that the City does have General Obligation authority that is pre-2008.

Mr. Brady said that the issue is that the Bonds were voter approved and previous Councils chose not to sell these Bonds as they were being paid from sales tax out of the General Fund.

Mayor Smith stated that Council prior to 2008 chose not to impose a Secondary Property Tax. He said if this Council chose to issue the Bonds a determination would need to be made as to whether or not to impose a Secondary Property Tax or to continue to have them paid with General Fund monies.

Councilmember Kavanaugh commented that Council does have the ability to levy a Secondary Property Tax on the existing GO Bond debit or on bonds that have been sold under the prior authorizations.

In response to a question from Councilmember Finter, Mr. Odom explained that authorization was provided by voters and does not “sunset” under the law of the authorization. He stated that whether Council decides to issue against the authorization or not the authorization will continue to exist. He said that in previous discussions Council decided not to levy a Secondary Property Tax.

Mr. Brady stated that research would need to be conducted to determine when the Bonds were voted on and approved.

Mayor Smith said that if the Bond was pre-2008 the idea was that it would be paid out of the General Fund and if it was post 2008 it would be paid from a Secondary Property tax. He added that the issue is determining how the Bond debit will be repaid.

Mr. Odom advised that in the GO Bond category there is approximately \$103.3 million in existing authorization after the 2011 series issuance. He said that approximately \$71.5 million of 2008 authorization and \$32 million pre-2008 authorization is left. Mr. Odom briefly highlighted a comparison of the GO Debit of surrounding municipalities. He stated that the percentage of GO debt that has been used is approximately 5% of the secondary valuation and approximately 22.4% of the limit that the City is allowed. (See Page 9 of Attachment 3)

In response to a question from Councilwoman Higgins, Mr. Odom explained that there is an estimated 78% of the capacity of the GO debit remaining.

Councilmember Finter remarked that Mesa does not have the amount of debt that other cities have and that the citizens should be aware of how well the City manages debt.

Mr. Odom displayed a chart reflecting the existing GO debt payments received from the General Fund and tax supported GO Debit issued since 2008. (See Page 10 of Attachment 3)

Discussion ensued regarding the City of Mesa being the only city that pays for debit service out of the General Fund.

Mr. Odom continued with the presentation and displayed a comparative chart of local property tax rates. (See Page 11 of Attachment 3) He said that the City of Mesa tax rates are well under the average of all comparative cities.

Councilwoman Higgins remarked that the property tax chart was misleading due to the fact that the City of Mesa does not use its Primary Property Tax to pay debit.

Mayor Smith remarked that Mesa’s structure creates a much lower property tax burden and all charts in the presentation should be considered in order to obtain a complete perspective of the challenges that other cities may not face.

Mr. Brady commented that water revenue is a stable resource however, the City needs to have a more diverse opportunity for revenue and broaden the sources that fund local government so it is not totally reliant on one source of revenue. He added that property tax helps provide a balance.

Responding to a question from Councilmember Finter, Mr. Odom explained that the rating agency upgraded the City's ratings last year based on how well the City's debt and fund balances have been managed.

Mayor Smith stated that there are thousands of properties that have no revenue contact with the City except for utility rates. He said this includes large and small businesses where the City provides a substantial amount of public safety services.

Mr. Odom displayed a comparison of individual utilities and the existing utility revenue debit payment. He also provided a comparison of all bond debt per resident compared to other cities. He said graphically the City of Mesa compares favorably with neighboring communities. (See Pages 12 & 13 of Attachment 3)

In response to a question from Councilmember Kavanaugh, Ms. Cannistraro advised that copies of the policies that are published in the Executive Budget book will be provided to Council.

Discussion ensued regarding formal policies and practices that the Council may not know exist.

Mayor Smith thanked staff for the presentation and advised that there will be a short break. The Study Session resumed at 8:45 a.m.

1-c. Hear a presentation, discuss and provide direction on a Convenience Store Ordinance.

Assistant Chief of Police John Meza displayed a PowerPoint presentation (**See Attachment 4**) summarizing the Convenience Store Ordinance that is based on Crime Prevention Through Environmental Design (CPTED) Principles. He thanked staff, the stakeholders and the Arizona Food Marketing Alliance for their cooperation throughout the Convenience Store Ordinance process.

Mayor Smith thanked Chief Meza for working diligently with the stakeholders to develop the Convenience Store Ordinance.

Chief Meza briefly outlined the goals of the Convenience Store Ordinance which include; deterring crime through prevention strategies, improve safety and conserve limited police resources. (See Page 3 of Attachment 4)

Chief Meza advised that there are two recommended options for the Convenience Store Ordinance and that both options require the convenience stores to have a Certificate of Registration that identifies a responsible party. He said both options also require that all new and remodeled stores comply with all security measures. He explained that Option 1 is a full compliance option with a variance that requires all stores to abide by all security measures listed, unless the store can articulate a valid reason to diverge from the required security measures. He stated that if a Crime Prevention Specialist finds there is a valid reason for a store's inability to comply with the Ordinance, the Chief of Police can issue a variance. He added that if a store continues to experience problems, the Chief of Police may require additional security measures that target the specific criminal activity at that store. (See Page 5 & 6 of Attachment 4)

Chief Meza reported that Option 2 is a service use model with a variance and is the Option preferred by the stakeholders. He explained that Option 2 is based on yearly police calls for services and incorporates two levels of enhanced security measures based on the number of calls for service over a four year period. He advised that all stores will be required to register through the Crime Prevention Officer and will be evaluated and certified on a yearly basis. He stated that if calls for service range between 0-29 the convenience store will not be required to incorporate any security measures, however the store will be provided recommendations for crime prevention. He added that currently there are 103 stores that would fall into the 0-29 range of calls for service. (See Page 7 of Attachment 4)

Chief Meza briefly highlighted the list of required safety measures for convenience stores that average 30-69 calls for service per year. He advised that currently there are approximately 25 stores that fall in the 30-69 range of calls for service. (See Page 8 of Attachment 4)

Chief Meza advised that stores with 70 or more calls for service per year would be required to meet all the enhanced safety measures, as well as additional requirements such as surveillance cameras, alarm systems, drop safes, outdoor trash area lighting, and locking beer coolers between the hours of 2:00 a.m. – 6:00 a.m. He stated that monetarily Option 2 will have a higher impact and would focus on the stores that are experiencing problems. He added that there are approximately 19 stores that experience 70 or more calls for service per year.

Mr. Brady remarked that at 70 or more calls for service per year police are responding to a specific store at least once a week.

Chief Meza said that the additional security measure clause, as well as the variance clause, is included in Option 2. He stated that the industry had been concerned that they would not have the ability to ask for a variance. In addition, he said that the Police Department's goal is to link the security measures with the type of crime that is occurring.

Chief Meza advised that the ability to report crimes online is currently in the implementation phase and will be presented to the Public Safety Committee. He stated that the Police Department is researching ways to provide community awareness through the use of CrimeReports.com, as well as sharing crime prevention strategies using Facebook and Twitter. He added that the Convenience Store Ordinance is just a part of some of the strategies that the Police Department is exploring in regards to crime prevention.

In response to a question from Mayor Smith, Chief Meza explained that Option 1 would be the simplest approach for the Police Department to manage as all stores would be required to abide by the same criteria however, he expressed his personal support for Option 2 as it is the Option that the Industry supports.

Responding to a question from Councilwoman Higgins, Chief Meza explained that when an Ordinance is based on a number of calls for service there is a possibility that crime would not be reported. He said that historical data was used to develop an overall picture of the crimes that are occurring at specific convenience stores. He stated that if a store was "off the charts" in regards to the number of calls for service, the Police Department would work with that store to prevent the possibility of crimes going unreported.

Councilmember Kavanaugh remarked that there have been significant changes made to the Options and expressed his support for Option 1, as it is easy to understand and offers the best opportunity to create a safe environment. He said that he believes that Option 2 creates a disincentive to report crimes and could become a problem in administering. He expressed his appreciation for the work that has been accomplished in the development of the Options presented.

Councilmember Finter advised that he had an opportunity to utilize CrimeReports.com to assist an individual who was asking about a particular neighborhood. He also expressed his support regarding the online reporting system that will be presented to the Public Safety Committee.

Councilwoman Higgins expressed her support for Option 1 and said that the full compliance requirements do not seem unreasonable.

Vice Mayor Somers commented on an incident where his wife's credit card was stolen and used at a Circle K. He said with the assistance of surveillance video the Police Department was able to make an arrest, therefore he expressed his support for Option 1 and the flexibility it allows.

Mayor Smith expressed his support of Option 2 as it is the Option recommended by the Police Department and the stakeholders. He said that Option 1 "flies in the face" of what Council requested, which was input from the stakeholders. He also stated that the hardship variance for financial reasons does not address the purpose of crime prevention.

It was moved by Councilwoman Higgins, seconded by Councilmember Kavanaugh to move forward with Option 1.

Councilmember Finter commented that he is not in support of Option 1 based on the recommendation of Chief Meza.

Councilmember Kavanaugh commented that Option 1 is different from the Option that was originally presented to Council.

Mayor Smith called for the vote.

Upon tabulation of votes, it showed:

AYES - Glover-Higgins-Kavanaugh-Somers
NAYS- Smith-Finter-Richins

Mayor Smith declared the motion carried by majority vote.

1-d. Hear a presentation, discuss and provide direction on adoption of an Energy Code.

Development and Sustainability Director Christine Zielonka introduced Development Services Special Project Manager Laura Hyneman and said that the presentation will consist of a review of the proposed Energy Code. She advised that the evaluation of the Energy Code was funded by the Energy Efficiency Conservation Block Grant Stimulus Project.

Ms. Hyneman displayed a PowerPoint presentation (**See Attachment 5**) and described the Energy Code development process. She said that the Energy Code applies to all new construction and new components replaced during a remodel or addition. She advised that on a remodel the entire building would not need to be brought into conformance. (See Page 3 of Attachment 5)

In response to a question from Vice Mayor Somers, Ms. Hyneman explained that products that do not meet the energy efficiency requirements can still be purchased. She said that because more people are making energy efficiency a priority more products are becoming available that meet the energy code standards. She added that energy efficient products are now affordable.

Ms. Hyneman advised that the Energy Code applies to heating, ventilation, air conditioning equipment, water heaters and lighting. She said that builders and designers can select and use a simple set of prescriptive measures or computer modeling software to determine the compliance options. (See Page 5 of Attachment 5)

Ms. Hyneman reported that the sub-committee recommended the adoption of the 2009 Energy Code. She also reported that stakeholders are currently building in compliance with the 2006 Energy Code. She said that the 2006 code establishes a minimum baseline for energy efficiency on all new construction and is commonly used throughout the Valley. In addition, she said products are readily available and the 2006 code would fit seamlessly with the City's building codes. She advised that the 2009 code is more stringent, has greater savings results and is similar to the code programs of Energy Star and Salt River Project (SRP). She added that the 2009 code would require some minor amendments to the City Codes regarding the calculations for ventilation standards.

In response to a question from Councilwoman Higgins, Ms. Hyneman explained that the calculations for ventilation standards are already part of the 2009 Energy Code. She said that if the 2006 Energy Code is adopted a request will be made to include the new calculations for ventilation standard.

Ms. Hyneman advised that the Department of Energy issued a Technical Assistance Grant and briefly reviewed the costs to build in compliance with the 2006 and 2009 Code. She also highlighted the annual heating and cooling costs and reported that the average building savings based on the 2006 Code is 5% and the average savings based on the 2009 Code is 15.2%. (See Page 7 of Attachment 5)

Discussion ensued regarding the energy efficient products that are being used and the amount of annual savings reported from using energy efficient products.

Ms. Hyneman commented that the 2009 Code offers testing and sealing options and is supported by the Development Services Department in order to demonstrate the level of compliance. Ms. Hyneman displayed a table of annual energy costs based on the square footage of commercial building and noted that with each energy code the amount of savings decreases as improvements are made to standard building materials. (See Page 8 of Attachment 5)

Ms. Hyneman reported that Development Services met with the Developers Advisory Board, the stakeholders, the Home Builders Association of Central Arizona, as well as the Utility Companies to discuss the Energy Code. (See Page 9 of Attachment 5)

In response to a question from Councilmember Richins, Ms. Hyneman explained that SRP is very supportive and are advocates for the 2009 Energy Code. She said that the 2009 Energy Code is consistent with the SRP Powerwise program that offers rebates.

In response to a question from Mayor Smith, Ms. Hyneman explained that the energy efficiency and home builder businesses are constantly striving to make better products. She said that the 2012 Codes have been approved and Energy Star is forging ahead with the next set of goals.

Councilmember Richins commented that the Energy Codes are suitable for those that will be occupying their homes for 20 or 30 years in order to receive a return on their investment. He stated that the City could demonstrate regional leadership and adopt the 2009 Code based on the report that the 2012 Codes have been approved. He said acting on the 2006 code would be the easy solution however, it is already 6 years behind.

Ms. Hyneman advised that most business are already building energy efficiency into their business plan and capital improvement programs. She said builders and developers are finding that energy efficiency makes their products more marketable.

Responding to a question from Mayor Smith, Ms. Hyneman explained that when the 2009 Code was first presented many stakeholders were skeptical however, after meeting with the stakeholders they are now more comfortable with the 2009 Code. She reported that there had been a problem with vinyl windows, as the chemical composition of the windows did not hold up to the Arizona climate. She said that some of the home builders in the community are now advocates for the vinyl windows as they have changed the way the windows are designed and they are now affordable and compliant with the 2009 Energy Code. She added that there is a Code Modification Process that can be used for individuals that may have a need or reason to build differently.

Ms. Hyneman briefly highlighted the regional standards that cities have adopted or are considering the adoption of the 2009 Energy Code. (See Page 11 of Attachment 4) She explained the necessary steps of implementing the 2006 or the 2009 Energy Code and said that both would require one additional inspection to make sure that proper insulation has been installed.

In response to a question from Mayor Smith, Ms. Hyneman explained that there is information from SRP indicating that the number of Powerwise homes built over the last four years has risen or stayed the same compared to the number of homes that were built without energy efficiency.

Responding to a question from Councilwoman Higgins, Ms. Hyneman explained that the International Code Council has officially approved the 2012 Energy Code that will be published in the fall of 2011. She said that adopting the 2006 or 2009 Energy Codes will help to prepare for the 2012 Energy Code that will be coming in a year.

Ms. Hyneman advised that an effective date for the Energy Code should be set out 6 months after the adoption to allow businesses an opportunity to plan for any adjustments that may need to take place. She said if the 2009 Code is adopted more than 6 months may be necessary to allow individuals to become familiar with the design Code. She added that any projects that have previously been submitted or approved shall be “grandfathered” and would not be required to make changes.

In response to a question from Councilwoman Higgins, Ms. Zielonka explained that it is recommended that a pilot program be implemented to evaluate the actual costs of inspections.

Councilwoman Higgins commented that Southwest Gas is also in support of the 2009 Energy Code.

It was moved by Councilmember Richins, seconded by Councilwoman Higgins, to move forward with the adoption of the 2009 Energy Code.

Carried unanimously.

Mayor Smith thanked staff for the presentation.

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

There were no reports on meeting and/or conferences attended.

3. Scheduling of meetings and general information.

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

Saturday, May 7, 2011, 10:00 a.m. – “City Hall at the Mall,” Fiesta Mall

Thursday, May 12, 2011, 7:30 a.m. – Study Session

4. Items from citizens present.

There were no requests from citizens present.

5. Convene and Executive Session.

It was moved by Vice Mayor Somers, seconded by Councilmember Glover, that the Council adjourn the Study Session at 9:40 a.m. and enter into an Executive Session, and the motion carried unanimously.

- 5-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) 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 on 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. Development Agreement with First Solar located at the southwest corner of Elliot and Signal Butte Roads.
 2. Amendments to Mesa Proving Grounds Development Agreements for property generally bounded by Elliot Road on the north, Signal Butte on the east, Williams Field Road on the south and Ellsworth Road on the west.
- 5-b. 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))
1. Cherry v. Mesa, CV2010-021572
 2. Williams v. Mesa, CV-09-1511-PHX-LOA

6. Adjournment.

Without objection, the Executive Session adjourned at 10:45 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 5th day of May 2011. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

bdw
(Attachments – 5)

City of Mesa

Updated Utility Rate Recommendation for 2011/12

May 5, 2011

City Council Study Session

Presented by the Budget & Research Office



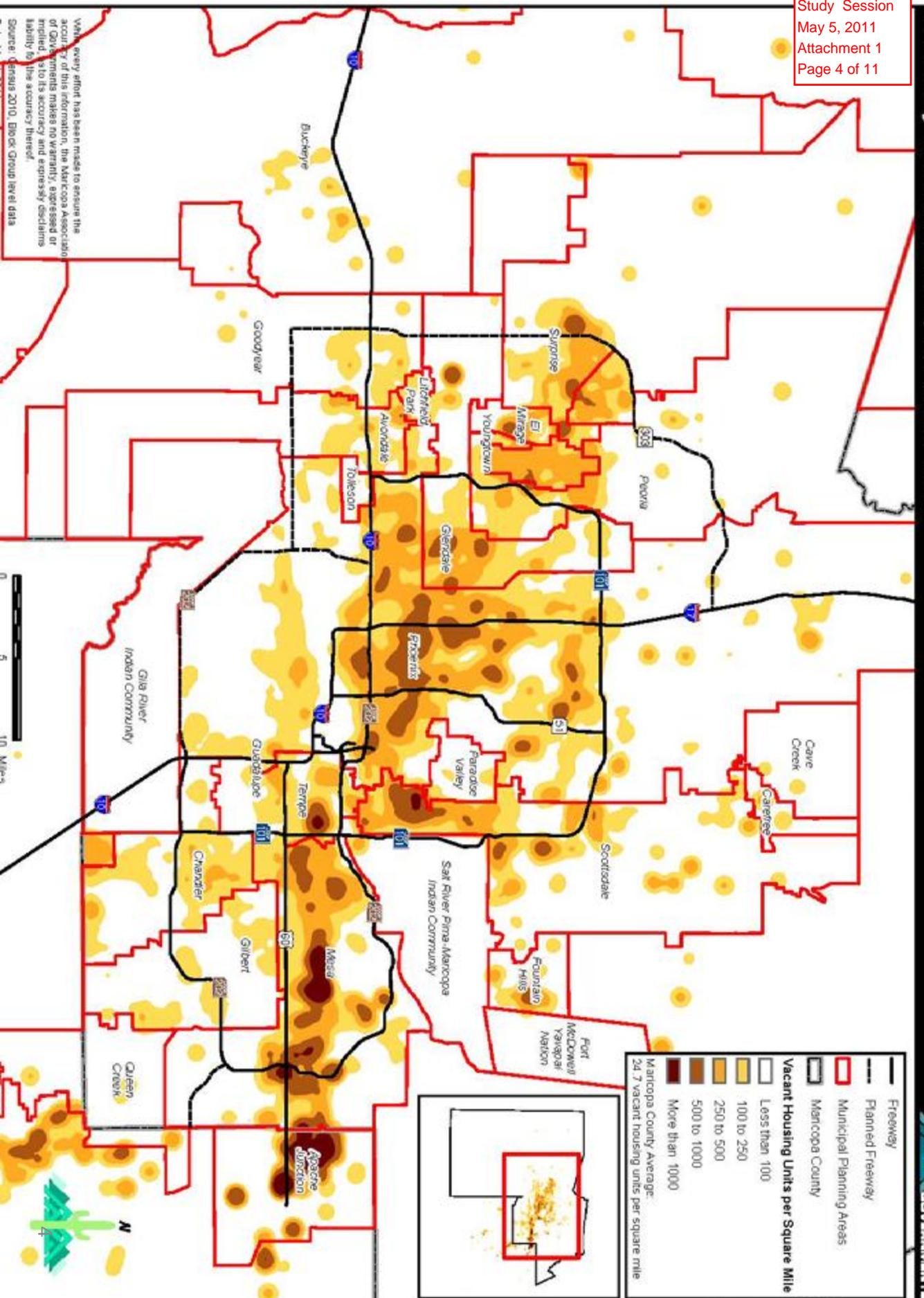
Enterprise Operations

Financial Summary Assumptions

- Each utility is operated as a separate business center.
- Debt Service, both existing and future, is estimated based on the Capital Improvement Program and included in the financial model.
- Total Transfer amount from Enterprise fund remains the same each year.
- The recommended rate adjustments are smoothed year-to-year by using the fund balance.
- Combined Enterprise Ending Fund Balance adheres to the adopted financial policy of at least 8%.

FY 11/12 Significant Rate Factors

- The number of water and wastewater accounts are continuing to increase, requiring the building and maintaining of the infrastructure to support them.
- Consumption in water services has drastically decreased over the past few years. The result is far lower revenues than expected as water rates are structured heavily on consumption.



	Freeway
	Planned Freeway
	Municipal Planning Areas
	Maricopa County
Vacant Housing Units per Square Mile	
	Less than 100
	100 to 250
	250 to 500
	500 to 1000
	1000 to 2000
	More than 2000

Maricopa County Average:
 24.7 vacant housing units per square mile

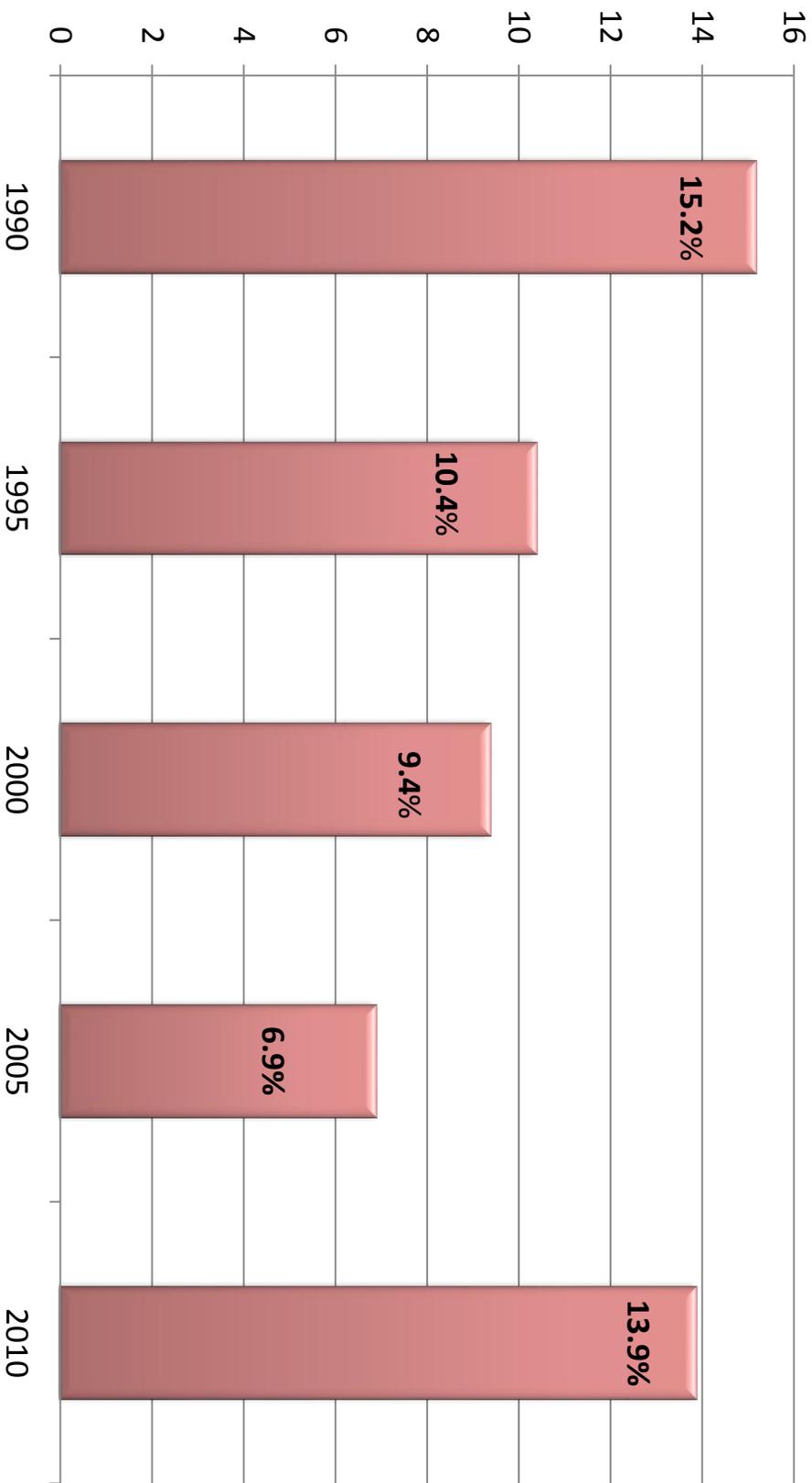
While every effort has been made to ensure the accuracy of this information, the Maricopa Association of Governments makes no warranty, expressed or implied, as to its accuracy and expressly disclaims liability for the accuracy thereof.

Source: Census 2010, Block Group level data

0 5 10 Miles



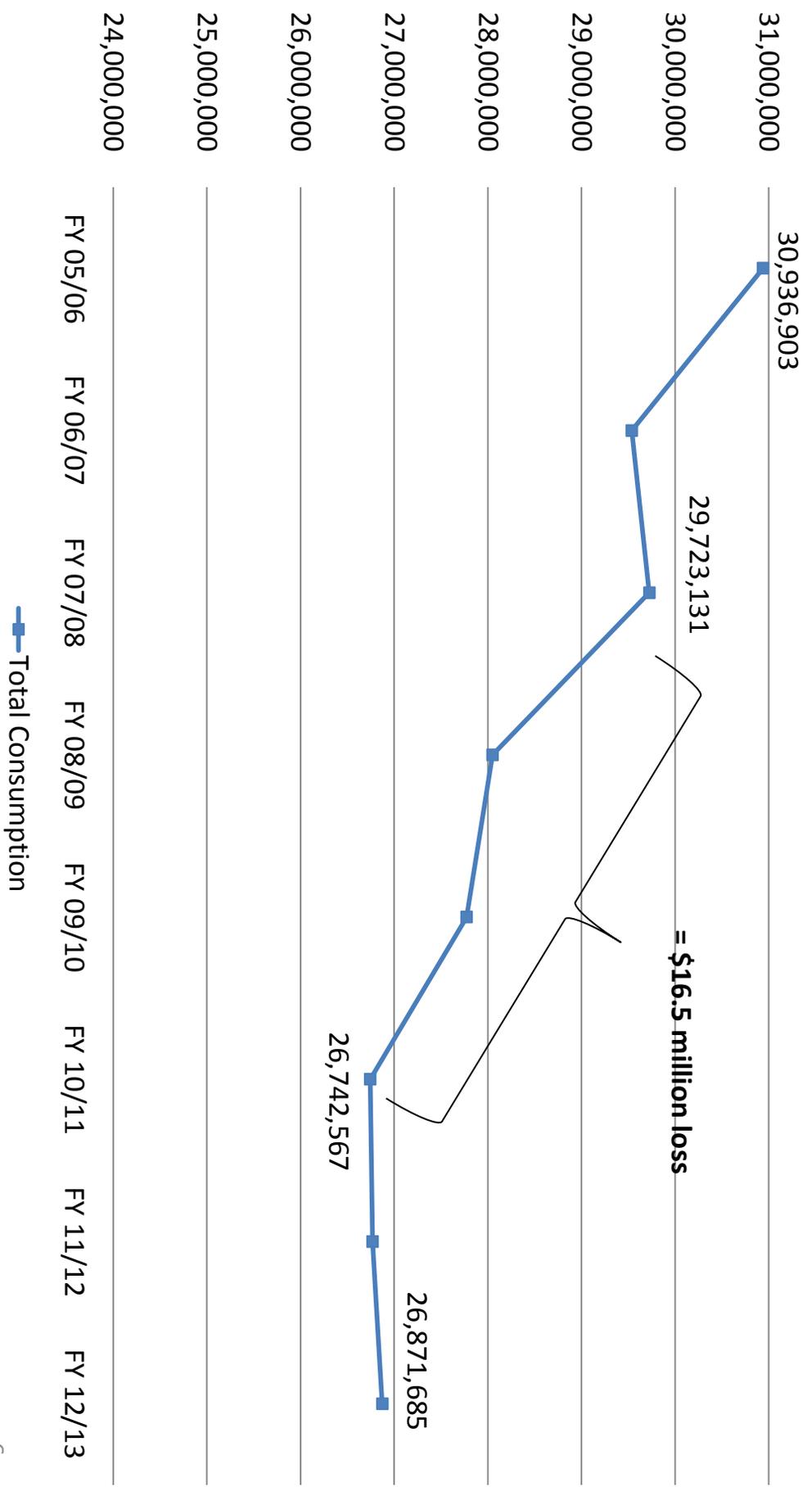
Maricopa County Vacancy Rate by Census Year*



*Source: MAG First Look 2010 Census Results

Changing Revenue Stream

Water Consumption History & Forecast



Costs per residential account

	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Direct Costs	\$ 25.84	\$ 26.80	\$ 26.44	\$ 27.08	\$ 27.33	\$ 27.84	\$ 28.60
Debt Service	\$ 12.54	\$ 13.42	\$ 18.85	\$ 21.76	\$ 23.72	\$ 23.91	\$ 26.03
GF Transfer	\$ 29.08	\$ 29.08	\$ 29.08	\$ 29.08	\$ 29.08	\$ 29.08	\$ 29.08
Total Costs	\$ 67.46	\$ 69.30	\$ 74.37	\$ 77.92	\$ 80.13	\$ 80.83	\$ 83.71

The average residential water user pays \$36.41/month based on 10K gallon usage in FY 10-11

FY 11/12 Proposed

Water & Wastewater Rate Restructure

- Water and wastewater revenues are reliant on the variable component, consumption, while the majority of the cost to provide service is fixed.
 - Consumption has recently been impacted by the increased foreclosure activity.
- Two Options:
 - Continue with the variable rate based model.
 - Implement a minimum water and wastewater charge. A water minimum based on the cost of 3,000 gallons per month and a wastewater minimum based on the cost of 2,000 gallons per month is proposed.

FY 11/12 Proposed Utility Rate Adjustments

	No minimum water charge		3000 gal. minimum water charge	
Utility Program	Proposed Rate Increase	Average Monthly Residential Impact	Proposed Rate Increase	Average Monthly Residential Impact
Solid Waste	-	-	-	-
Electric	-	-	-	-
Gas	2.5%	\$0.58	2.5%	\$0.58
Water	7.5%	\$2.69	6.8%	\$2.44
Wastewater	6.5%	\$1.38	5.8%	\$1.23
Monthly Impact		\$4.65		\$4.25
Annual Impact		\$55.80		\$51.00

Revised Average Annual Homeowner Charges

	Annual Total	Percent of Mesa's Current
Mesa - Current	\$1,548.71	100.0%
Gilbert*	\$1,527.27	98.6%
Chandler	\$1,573.54	101.6%
Mesa - Proposed	\$1,606.53	103.7%
Scottsdale*	\$1,664.18	107.5%
Tempe*	\$1,821.09	117.6%
Phoenix	\$1,927.42	124.5%
Glendale*	\$2,051.33	132.5%

Annual total comprised of primary and secondary property tax applied to the median home value for each respective city as well as comparisons of city sales tax, solid waste charges, water charges and wastewater charges of other cities based on an average Mesa resident usage.

*Phoenix and Chandler increased their water rates 7.0% and 9.3% respectively, effective April 1, 2011. The other municipalities have not taken action on their 11/12 rates yet.



Attachment 1

Updated: 05/05/11

	CITY PROPERTY TAXES (1, 6)		CITY SALES TAXES (2, 7)	SOLID WASTE CHARGES (3)	WATER CHARGES (4)	WASTEWATER CHARGE (5)	ANNUAL TOTAL	PERCENTAGE OF MESA CURRENT
	PRIMARY	SECONDARY						
MESA - Proposed	median home value	\$136,100						
Rate	\$0.00	\$0.4469	1.75%	\$23.88	\$38.33	\$22.50		
Annual Cost	\$0.00	\$60.82	\$529.14	\$286.56	\$460.01	\$270.00	\$1,606.53	103.7%
MESA - Current		\$136,100						
Rate	\$0.0000	\$0.3454	1.75%	\$23.88	\$35.90	\$21.27		
Annual Cost	\$0.00	\$47.01	\$529.14	\$286.56	\$430.76	\$255.24	\$1,548.71	100.0%
CHANDLER		\$178,300						
Rate	\$0.3292	\$0.8522	1.50%	\$15.07	\$26.08	\$22.17		
Annual Cost	\$44.80	\$151.95	\$616.95	\$180.84	\$312.96	\$266.04	\$1,573.54	101.6%
GILBERT		\$184,500						
Rate	\$0.0000	\$1.1500	1.50%	\$17.30	\$25.17	\$22.00		
Annual Cost	\$0.00	\$212.18	\$541.46	\$207.60	\$302.04	\$264.00	\$1,527.27	98.6%
GLENDALE		\$117,500						
Rate	\$0.2252	\$1.3699	2.20%	\$16.30	\$34.83	\$31.73		
Annual Cost	\$30.65	\$160.96	\$865.40	\$195.60	\$417.96	\$380.76	\$2,051.33	132.5%
PHOENIX		\$121,100						
Rate	\$0.8832	\$0.9368	2.00%	\$26.85	\$29.37	\$22.24		
Annual Cost	\$120.20	\$113.45	\$752.25	\$322.20	\$352.44	\$266.88	\$1,927.42	124.5%
SCOTTSDALE		\$295,500						
Rate	\$0.3836	\$0.5140	1.65%	\$16.00	\$36.81	\$19.23		
Annual Cost	\$52.21	\$151.89	\$595.60	\$192.00	\$441.72	\$230.76	\$1,664.18	107.5%
TEMPE		\$172,800						
Rate	\$0.5176	\$0.8824	2.00%	\$19.98	\$29.60	\$23.44		
Annual Cost	\$70.45	\$152.48	\$721.94	\$239.76	\$355.20	\$281.26	\$1,821.09	117.6%

Notes:

1. Single family home full cash value based upon median value for each respective city.
 2010 Median FCV X 10% X (Tax Rate/100) Source: Maricopa County Assessor's Office. (Median LPV by city not available)
2. Annual Maricopa County income of: \$66,600 Source: 2010 Median Family Income. Phoenix-Mesa-Glendale MSA - HUD User website
3. Charge for biweekly garbage (and recyclables where applicable) collection using 90 gallon barrels. The Solid Waste residential charges include a \$0.54 Green and Clean fee for Mesa. Other city's environmental fees are also included as applicable.
4. Based on Mesa's average monthly residential water use for the most recent twelve months.
5. Winter Water Average formulas are applied in cities where known. Changes in fees are due to both rate and formula changes.
6. Primary and Secondary Tax Rates reflect the 2010 Tax Rates as listed on the County Treasurer's website, which corresponds to the effective tax rates.
7. The city sales tax rate listed is for retail sales. Mesa does not collect sales tax on the sale of food for consumption at home.

City of Mesa

Debt Issuance and Management

May 5, 2011

City Council Study Session

Presented by the Budget & Research Office



mesa•az

City Financial Policies

- The City Council formalized long-standing City policies by formally adopting financial policies for the City of Mesa on May 19, 2008.
- There are ten areas of policy covered. These are intended to serve as guidelines for the City Council and City staff alike in the decision making processes related to the city's financial operations.
- The fourth policy area pertains to the City of Mesa's debt issuance and management.

Mesa Debt Issuance Policy Highlights

- Long-term debt will not be issued to finance current operations.
- Debt term should match the useful life of the capital project funded.
- General Obligation and Revenue bond debt service payments should be structured so as to be consistent from year-to-year.

Bond Authorization

- The City receives the authority to sell bonds from the citizens through an election.
- There are three main bonding types available to cities to fund capital projects.
 - General Obligation Bonds
 - Utility Revenue Bonds
 - Highway User Revenue Bonds

General Obligation (G.O.) Bonds

- There are two types of G.O. Bonds
 - 20% - Under Arizona law, cities can issue G.O. Bonds for purposes of water, wastewater, artificial light, streets, public safety, open preserves, parks, playground, and recreational facilities up to an amount not exceeding 20% of their secondary assessed valuation.
 - 6% - Under Arizona law, cities can issue G.O. Bonds for all purposes other than those listed above (definition of 20% G.O. Bond), up to an amount not exceeding six percent of their secondary assessed valuation.

Utility Revenue (U.R.) Bonds

- Have no statutory limitation as to the amount which may be issued. Projects that fall into this category are Solid Waste, Electric, Gas, Water, and Wastewater Utility projects.
- Bonds issued for these purposes are repaid from revenues received from the City's utility customers.

Highway User Revenue (HURF) Bonds

- Secured by Highway User Revenues received from the State of Arizona. These funds may only be used for streets and transportation related activities.
- The City has some outstanding HURF debt but has chosen not to issue additional HURF bonds. All future streets related projects will be funded with G.O. bonds supported by a secondary property tax.

Bond Authorization Summary				
Program	Statutory Bond Type	Prior Available Authorization	2011/12 Bond Sale	Remaining Authorization
General Obligation Bonds				
Public Safety	20%	20,180,000	6,595,000	13,585,000
Library	6%	7,944,000	-	7,944,000
Park and Recreation	20%	16,900,000	-	16,900,000
Storm Sewer	20%	7,003,000	-	7,003,000
Transportation/Streets	20%	80,595,000	22,725,000	57,870,000
Utility Revenue Bonds				
Natural Gas	Utility	48,700,000	10,705,000	37,995,000
Water	Utility	126,085,402	29,105,000	96,980,402
Wastewater	Utility	76,902,788	9,700,000	67,202,788
Solid Waste	Utility	7,670,000	-	7,670,000
Electric	Utility	17,780,000	4,440,000	13,340,000
Highway User Revenue Bonds				
Streets	HURF	2,960,000	-	2,960,000
Total Bonds		\$412,720,190	\$83,270,000	\$329,450,190

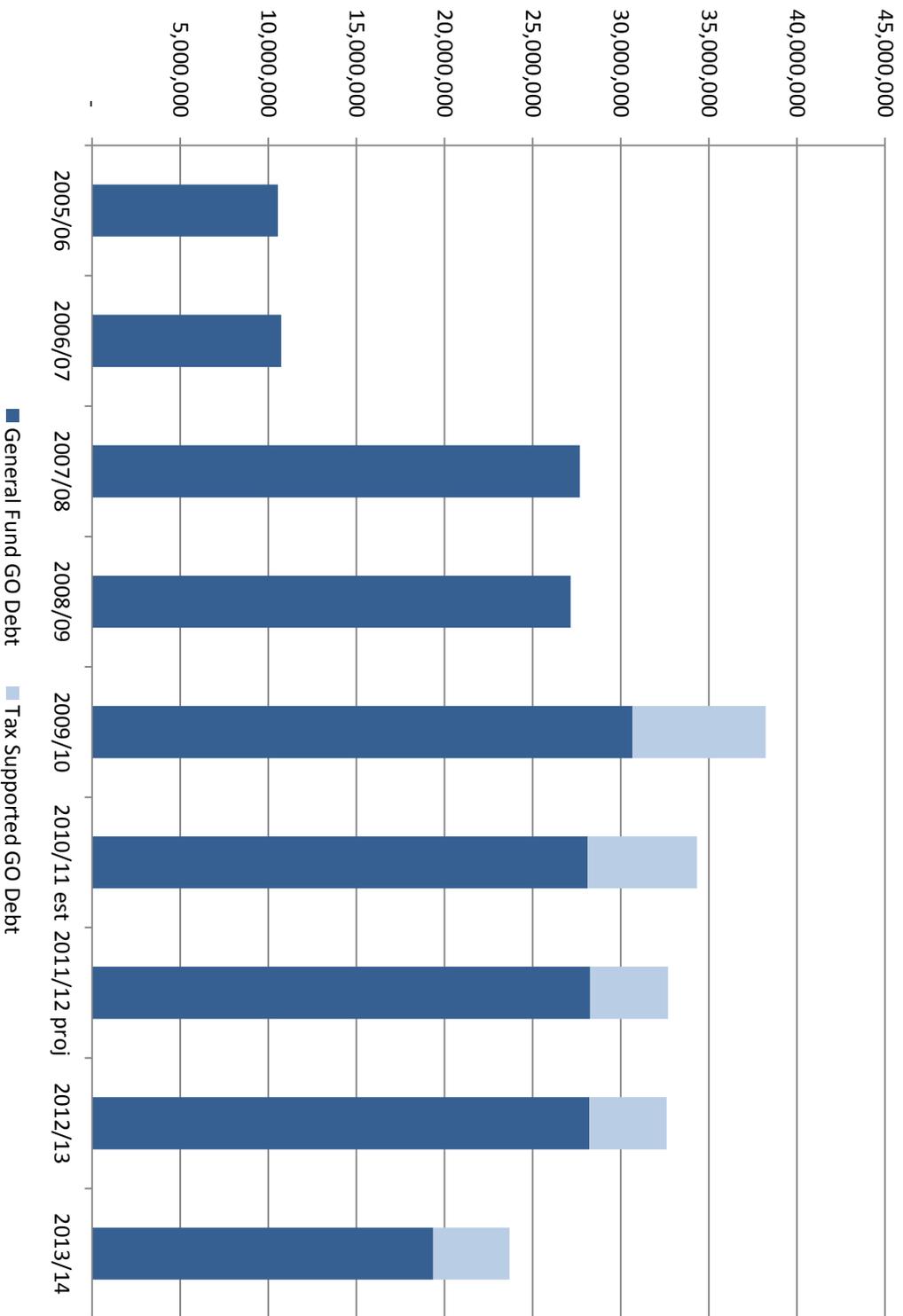
Comparing G.O. Debt per Resident

	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.

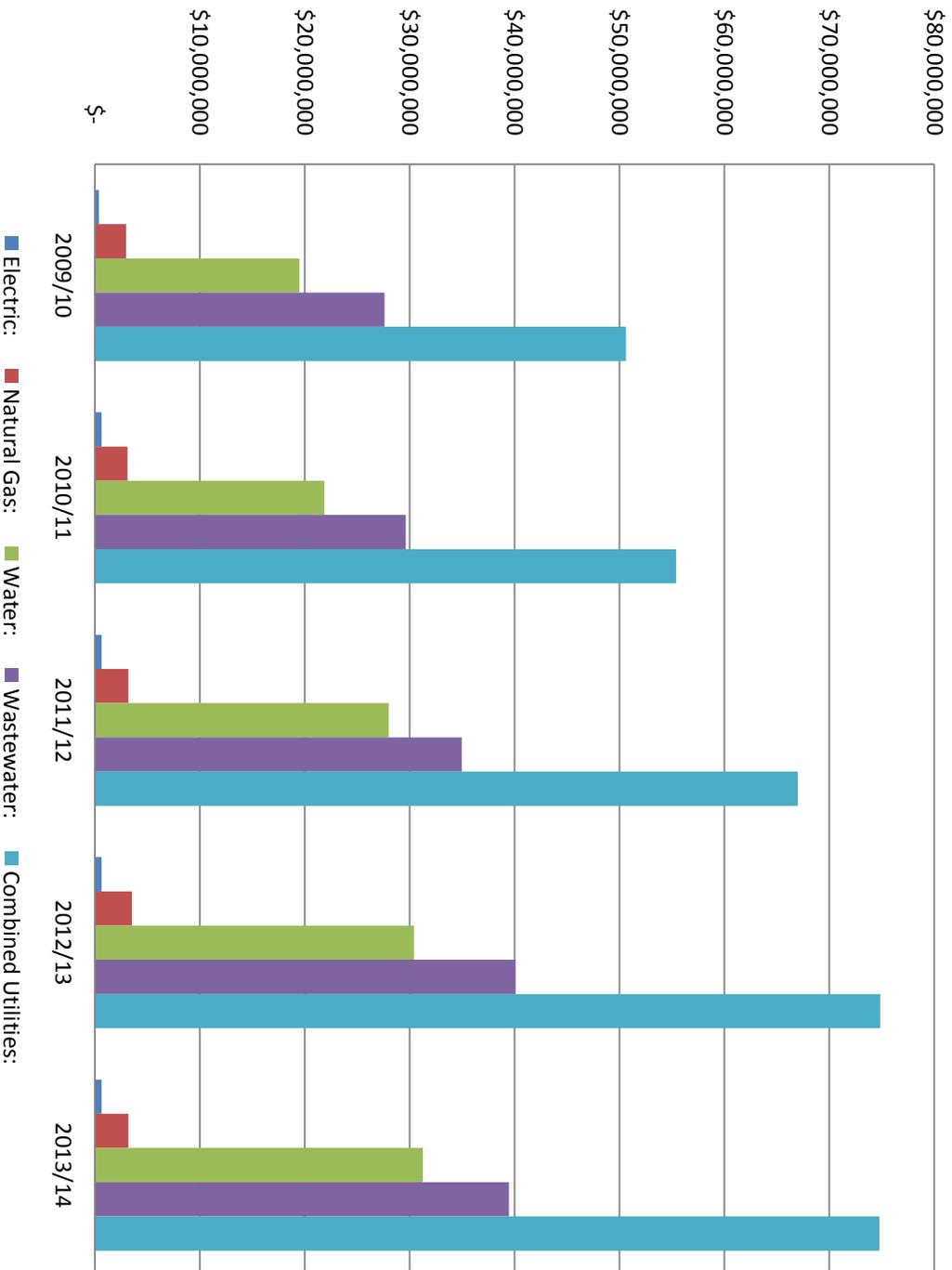
Existing G.O. Debt Payments



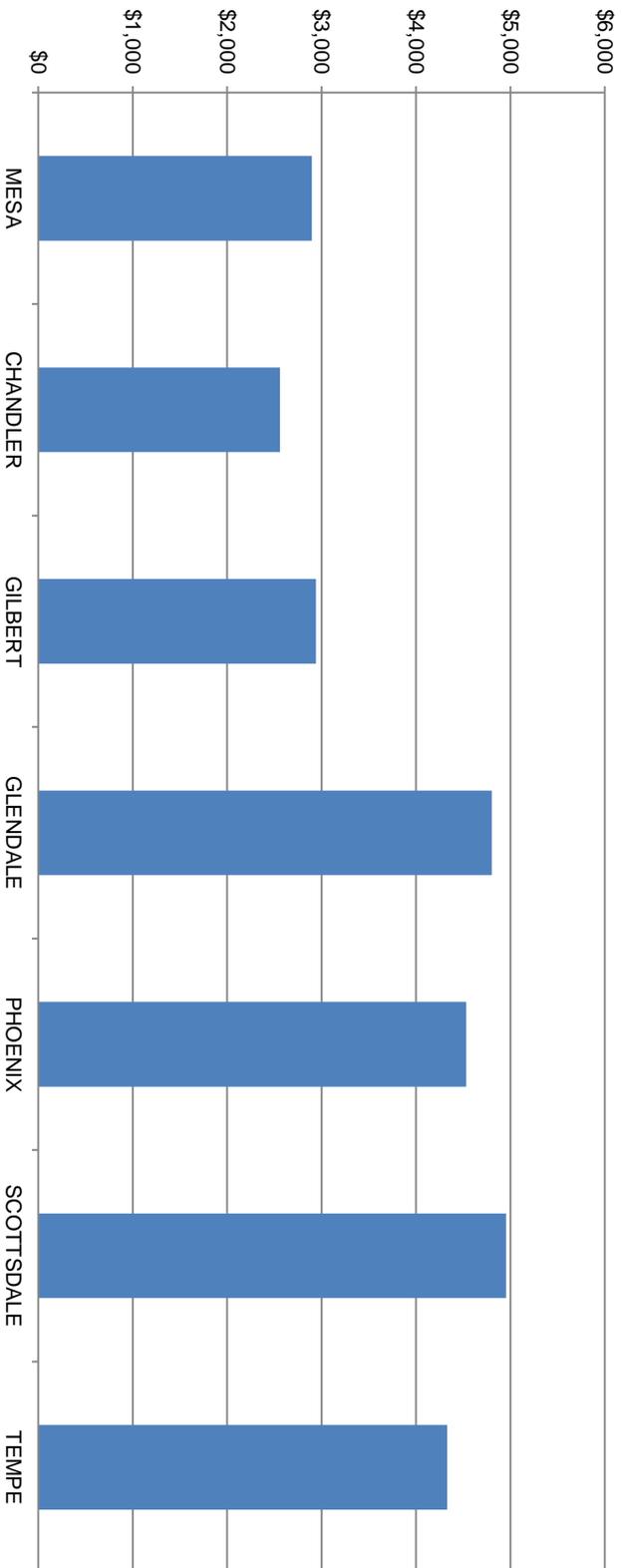
Current Comparative Local Property Tax Rates

	<u>Secondary</u>	<u>Primary</u>	<u>Total</u>
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	<u>\$0.8824</u>	<u>\$0.5176</u>	<u>\$1.4000</u>
Avg. (excl Mesa)	\$0.9509	\$0.3898	\$1.3407

Existing U.R. Debt Payments



All Bond Debt Per Resident Compared to Other Cities (2010)



Population from 2010 Census
Outstanding Debt from Arizona Department of Revenue as of June 30, 2010



Convenience Store Ordinance

Based on

Crime **P**revention **T**hrough **E**nvironmental **D**esign
(CPTED) Principles

Presentation to City Council Study Session

May 5, 2011



Seeking Direction

The Mesa Police Department is seeking direction from the City Council on moving forward with development of a Convenience Store Ordinance based on CPTED Principles.



Goals



- Deter crime through prevention strategies
- Improve safety
- Increase criminal apprehension
- Improve successful prosecution of criminals
- Conserve limited police resources

ORDINANCE



- There are two (2) recommended options for this ordinance.
- Both options require all convenience stores to have:
 - A Certificate of Registration.
 - All New or Remodeled stores comply with all security measures.

Option 1

Full Compliance with Variance

- Option 1 requires all convenience stores abide by all security measures unless the store can articulate valid reasons to diverge from the required security measures.
- Allows the Chief of Police to issue a variance if appropriate.
- If a convenience store continues to experience high calls for police service, the Chief of Police may require additional security measures targeted at the specific criminal acts or suspected criminal activity occurring at the store.

Option 1

Full Compliance with Variance

Convenience Store Owners Will Be Required To:

- Obtain Certificate of Registration
- Height Markers
- Security Signs
- Store Visibility
- Employee Safety Training
- Trespass Enforcement Program
- Graffiti Removal
- Exterior Lighting: door areas, payphones, and surrounding area
- Lights Must be Operational
- Clerk in Customer Area or Door Locked or Alarmed
- 8" Tall Address Numbers on Exterior of Building
- Alarm System
- Drop Safe
- Outdoor Trash Area Lighting
- Beer Coolers Locked 2:00-6:00 a.m.
- Install Surveillance Cameras
 - 2 interior cameras, 2 exterior cameras
 - Retain recordings for minimum of 15 days

Option 2

Service Use Model w/ Variance

- Option 2 is based on yearly police calls for service and incorporates two (2) levels of enhanced security measures based on calls for service (data is based on a four (4) year average).
- All convenience stores will be required to register. This will be accomplished through the Crime Prevention Officer. The Officers will evaluate and certify the stores each year or as needed.
- If calls for police service are between zero (0) and twenty-nine (29) the convenience store is not required to incorporate security measures and police department personnel will continue to provide security recommendations. Currently, 112 stores will be impacted.

Option 2

Service Use Model w/ Variance

- All stores with an average of 30 - 69 Calls for Service per year shall be required to meet the following **Safety Measures:** (Currently, 26 stores will be impacted)
 - Height Markers
 - Security Signs
 - Store Visibility
 - Employee Safety Training
 - Trespass Enforcement Program
 - Graffiti Removal
 - Exterior Lighting: door areas, payphones, and surrounding area
 - Lights Must be Operational
 - Clerk in Customer Area or Door Locked or Alarmed
 - 8" Tall Address Numbers on Exterior of Building

Option 2

Service Use Model w/ Variance

- All stores with an average of 70 or more Calls for Service per year shall be required to meet **Safety Measures:** (Currently 17 stores will be impacted)
 - All Enhanced Safety Measures
 - Alarm System
 - Drop Safe
 - Outdoor Trash Area Lighting
 - Beer Coolers Locked 2:00-6:00 a.m.
 - Install Surveillance Cameras
 - 2 interior cameras
 - 2 exterior cameras
 - Retain recordings for minimum of 15 days

Option 2

Service Use Model w/ Variance

- If a convenience store continues to experience high calls for police service, the Chief of Police may require additional security measures targeted at the specific criminal acts or suspected criminal activity occurring at the store.
- All stores would be assessed on an annual basis to determine security risk level.
- Allows the Chief of Police to issue a variance if appropriate.

Alternatives



Alternative “A”

Adopt Option 1 – Full Compliance with Variance

Alternative “B”

Adopt Option 2 – Service Use Model with Variance

COMMUNITY INITIATIVES

- **Our mission is to prevent crimes from occurring and to apprehend those who commit crimes in our community.**

1. Leads On-Line Crime Reports

The OLCR system is designed to make it easier and more convenient for citizens to file a police report (currently in the implementation phase).

2. CrimeReports.com

Official crime mapping data available to the public via the internet includes crime mapping, crime alerts, and community crime charts.

3. Facebook and Twitter

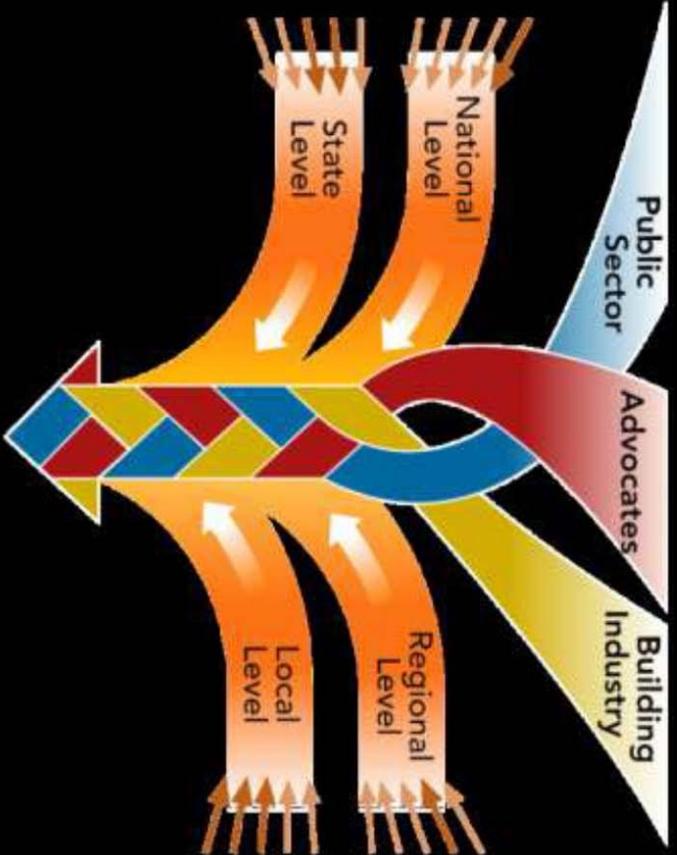
These sites are used to publish criminal information to the public and to relay current events at MPD that may be of interest to the community, with the goal of reaching teens and young adults who regularly use the internet (www.facebook.com/MesaAZPD or <http://twitter.com/MesaAPD>).

Questions?



Adoption of the Energy Code



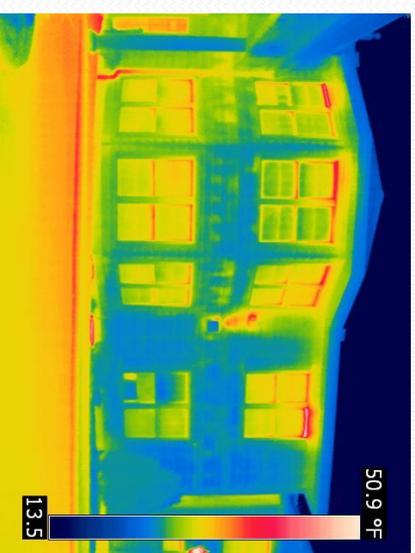


Applicability

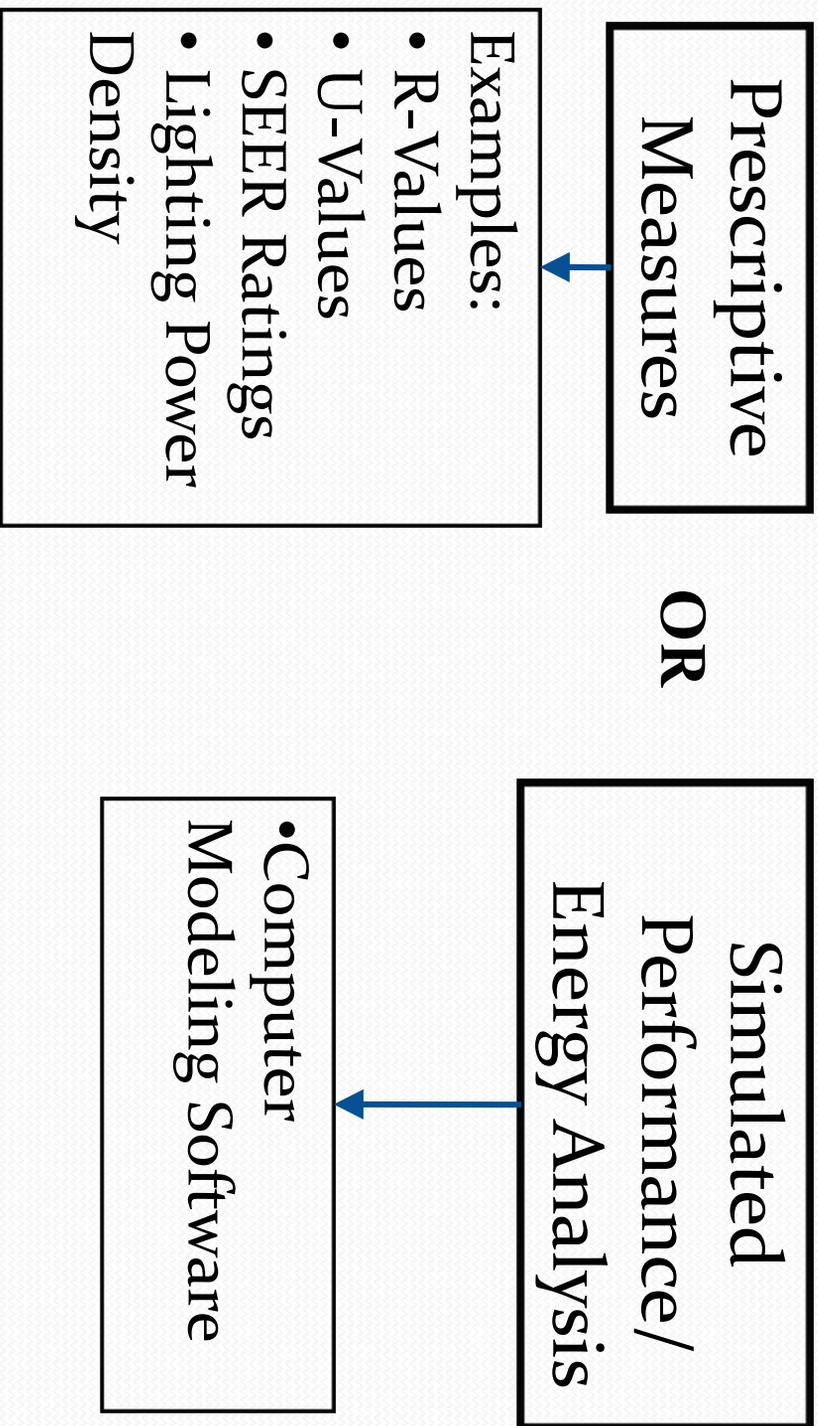
- Energy Efficiency only
- New Construction
- Remodels and additions – New or replaced building components meet efficiency requirements
 - Entire building does NOT need to be brought into conformance

Applicability

- Building Envelope
- Heating, Ventilation and Air Conditioning Equipment
- Service Water Heating
- Lighting



Compliance Options



2006 vs 2009

- Establishes an energy efficiency performance baseline
- Familiar to developers, designers and contractors
- Fits seamlessly with Mesa codes
- More stringent than 2006 - will result in greater savings
- Similar to above code programs like Energy Star and SRP Powerwise
- Amendments to Mesa Codes required

2-story, 2400 SF Home *

	2003 IECC	2006 IECC	2009 IECC
Additional Cost (compared to 2003)	-	\$800	\$1256
Annual Heating/Cooling Cost (based on 2010 average utility prices)	\$953	\$904	\$807
Savings (\$/yr)	-	\$48	\$145
Percent Savings	-	5%	15.2%

*Department of Energy/Pacific Northwest National Laboratory Report

Annual Energy Cost (\$/SF)*

Commercial Building Prototype	2003 IECC	2006 IECC	2009 IECC
Multi-Family, Mid-Rise Apartment Building	1.00	0.85	0.77
Med. Office (53,600 SF)	1.15	1.09	1.05
Sm. Retail (22,500 SF)	1.63	1.53	1.44
Lg. Warehouse (semi-conditioned)	0.57	0.48	0.46

*Department of Energy/Pacific Northwest National Laboratory Report

Outreach

- 4 Developers Advisory Forums – no significant opposition to the 2006 Code
- 75+ Stakeholder conversations
- Public meetings
- Emails
- Meetings with Home Builders Association of Central Arizona (HBACA) and the Multi-Housing Assoc.
- SRP, APS and State Energy Office

Responses

- Most businesses are building energy efficiency into their business plan
 - Capital improvement programs
 - Product marketability
 - Above-code programs: Energy Star & SRP Powerwise
- Some are concerned about regulation
- Opposition to 2009 Energy Code
- No significant opposition to 2006 Energy Code

Regional Standards

No Energy Code:

Mesa, Glendale, Peoria, Apache Junction,
Maricopa County, Carefree

2006 Energy Code:

Phoenix, Scottsdale, Tempe, Chandler,
Gilbert, Buckeye, El Mirage, Fountain Hills,
Paradise Valley, Surprise

2009 Energy Code:

Avondale

Implementation

2006:

- 1 additional inspection
- Effective date 6 months after adoption
- Previously submitted or approved projects “grandfathered”

● 2009:

- 1 additional inspection
- Effective date should allow time for outreach
- Previously submitted or approved projects “grandfathered”

Questions?