



COUNCIL MINUTES

May 6, 2010

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 6, 2010 at 7:31 a.m.

COUNCIL PRESENT

Mayor Scott Smith
Alex Finter
Dina Higgins
Dennis Kavanaugh
Kyle Jones
Dave Richins
Scott Somers

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

(Councilmember Richins arrived at the meeting at 7:34 a.m.)

1. Hear a presentation, discuss and provide direction on budget issues including, but not limited to:

a. Transportation

Transportation Department Director Dan Cleavenger introduced Deputy Transportation Director/Field Operations Lenny Hulme, Deputy Transportation Director/Traffic Engineer Alan Sanderson and Fiscal Analyst Elisa Gin, who were prepared to respond to any questions the Council may have.

Mr. Cleavenger displayed a PowerPoint presentation (**See Attachment 1**) and reported that the Transportation Department's Streets Program has a proposed operations budget for FY 2010/11 of \$65.3 million. He reviewed a chart illustrating the funding sources for the Streets Program, of which 90% is derived from Highway User Revenue Fund (HURF) dollars (\$30 million) and a dedicated transportation sales tax (0.3 cents) approved by Mesa voters in 2006 (\$28.9 million). (See Page 2 of Attachment 1) Mr. Cleavenger added that the \$28.9 million figure includes a fund balance transfer of \$21.3 million.

Responding to a question from Mayor Smith concerning the vulnerability of Mesa's share of HURF monies being "swept" by the State Legislature, Budget Director Chuck Odom advised that staff has forecast that over the next five years, HURF funding would decrease. He explained that the State collects taxes on gasoline and imposes other fees related to the registration and operation of motor vehicles and said those monies are deposited into HURF. Mr. Odom said that such a decrease is due, in part, to the current downturn in the economy and noted that less gallons of gasoline sold would impact HURF collections.

Mr. Odom further noted that this year, the State Legislature discussed the issue of changing the formula and distribution pools related to HURF, but said that no action has been taken thus far.

Mayor Smith expressed concern that there were no provisions in the Arizona Constitution that would prevent the Legislature from sweeping HURF monies.

Assistant to the City Manager Scott Butler clarified that typically, Legislative proposals would target a particular area, such as the Department of Public Safety (DPS), and increase additional HURF funding to that agency so that State General Fund monies could be redirected to other projects.

Mr. Cleavenger continued with his presentation and reviewed the remaining sources of funding for the Streets Program budget, which include \$2.9 million in pass-through dollars from the General Fund that do not contribute to the operational budget, but are allocated for General Obligation (G.O.) bond debt service, and \$2.8 million in Prop 400 reimbursements.

In response to a question from Councilmember Richins, Mr. Odom clarified that secondary property tax dollars are used to cover the debt service related to the Streets Program's new issuance of G.O. bonds. He stated that otherwise, no General Funds are allocated to the Streets Program at this time.

Mayor Smith restated that rather than identifying the \$2.9 million as General Fund dollars, it would be more accurate to say that the monies are derived from secondary property taxes.

Mr. Cleavenger briefly spoke regarding the Tentative FY 2010/11 Program budget breakdown, which consists of \$15.5 million in debt service (including \$2.9 million for G.O. bonds), \$1.7 million in Highway Project Advancement Notes (HPAN), \$5.9 million in Capital and \$42.2 in Operations. (See Page 2 of Attachment 1)

Mr. Cleavenger further remarked that the Streets Operations is comprised of five service areas, including Street Maintenance, Traffic Operations, Environmental Quality, Traffic Engineering and Transportation Administration. He offered a short synopsis of each of the areas and their respective budget breakdowns. (See Pages 3 through 8 of Attachment 1)

Mr. Cleavenger also advised that for FY 2010/11, staff proposes budget reductions of \$410,068, consisting of the elimination of three Full Time Employees (FTE) (\$320,994) and \$89,074 in savings in the Intelligent Transportation System (ITS) Operations.

Discussion ensued relative to the Residential Alley Abandonment Program that is currently coordinated between Real Estate Services and the Neighborhood Outreach Office; that in order for an alley to be abandoned, it is necessary to seek approval from all of the affected homeowners; that once the alley is abandoned, the City installs the gate and lock; and that staff continues to research options to promote the program. .

Mr. Cleavenger noted that concerning the dedicated transportation sales tax, the monies collected are required to be used for street construction, operations and maintenance, and capital equipment. He stated that in order for the City to qualify for HURF dollars, Mesa must spend in excess of \$5 million annually towards street activities, per the State mandated HURF Maintenance of Effort Requirement.

Additional discussion ensued relative to an overview of FY 2010/11 Street Maintenance service by activity, which totals \$22.8 million (See Page 10 of Attachment 1); that in the past few years, Street Maintenance needs have been underfunded, but the City has received \$10.8 million in American Economic Recovery and Reinvestment Act (ARRA) funding in order to assist in that regard; and that the replacement of City pavement overlays and street reconstruction is an ongoing process.

Mr. Cleavenger reported that during an earlier Transit budget presentation, staff was asked to research the impact of redirecting one-sixth of the dedicated transportation sales tax proceeds to Transit. He explained that staff anticipates \$21.3 million in sales tax revenue for Streets and said that one-sixth would equate to approximately \$3.5 million, or a difference of \$19.5 million for pavement overlays/reconstructs.

Mr. Cleavenger referred to a chart titled "Pavement Overlays/Reconstructs – 5 Year Forecast" (See Page 10 of Attachment 1), which depicts various funding scenarios and the number of lane-miles that could be completed under each scenario. He noted that with full funding, staff would treat 314 lane-miles in the City's street system, as opposed to 195 miles if one-sixth of the funding was reduced.

Mayor Smith summarized that although the City receives significant funding from HURF and the dedicated transportation sales tax, those dollars do not currently meet the City's engineering needs. He noted that choosing between Street Maintenance needs and Transit needs is somewhat of a "Catch 22" situation.

Mayor Smith thanked staff for the presentation.

b. Engineering

City Engineer Beth Huning introduced Assistant City Engineer Kelly Jensen, who was prepared to assist with the presentation.

Ms. Huning displayed a PowerPoint presentation (**See Attachment 2**) and provided a brief overview of the various capacities in which the Engineering Department serves. (See Page 1 of Attachment 2) She also highlighted a chart illustrating the City's FY 2009/10 projected year-end capital improvement expenditures, which are forecasted at \$95 million, and offered a short synopsis of the projects completed in FY 2007/08 through FY 2009/10. (See Page 2 of Attachment 2) She stated that with the decline in construction costs over the past few years, staff capitalized on the situation and were able to complete many projects in a cost effective manner.

Ms. Huning also indicated that the Engineering Department has a proposed FY 2010/11 Preliminary Capital budget of \$120.8 million and offered a brief summary of various projects that are scheduled to begin design and construction in the coming year. (See Page 3 of Attachment 2) She explained that at the beginning of this year, staff received bid prices that resulted in a 20% to 35% savings over budgeted funding.

Responding to a question from Councilmember Richins, Ms. Huning assured the Council that staff has not compromised on the quality of materials that it utilizes in City projects in order to achieve cost bid savings.

Ms. Huning provided a short synopsis of various City projects that were completed or soon to be completed. (See Pages 4 through 9 of Attachment 2)

Mayor Smith stated that it was important to note that all of the projects highlighted by Ms. Huning were paid for with restricted funds (i.e., collected and dedicated for specific projects), voter-approved bond programs, stimulus dollars or a combination of all of the above.

Ms. Huning further remarked that within Engineering's operating budget, certain modifications have been made, such as the consolidation of three Departments (Capital Improvement Program, Real Estate and Engineering) and the reduction of seven positions. She also reviewed additional savings realized by the Engineering Department. (See Page 10 of Attachment 2)

Ms. Huning highlighted upcoming major projects throughout the City. (See Page 10 of Attachment 2)

Discussion ensued relative to the fact that the City must complete stimulus-funded projects within specific timelines in order to secure such funding and apply for additional funding; that Mesa received \$10.8 million in stimulus dollars to perform street renovation/rehabilitation on Brown Road; that additional street projects have been funded and are scheduled for completion in the October/November timeframe; and staff's efforts to develop a Right-of-Way Management Program, streamline processes and technology, and provide greater Capital Improvement Program transparency for the public.

Councilmember Richins requested that staff research a "complete streets policy," which ensures that transportation planners/engineers design and operate roadways with all users in mind (i.e., bicyclists, pedestrians of all ages, public transit vehicles).

Councilmember Finter thanked Transportation and Engineering staff for their efforts and hard work and stated that District 2 has been the recipient of many improvements along Gilbert Road.

Mayor Smith commented that he has received feedback from citizens and business owners that the Engineering Department under Ms. Huning's direction has become much more user friendly than in the past. He expressed appreciation to her and her staff for their professionalism and hard work in this regard.

2. Hear a presentation, discuss and provide direction on items for the November 2010 General Election ballot including, but not limited to:

a. State Imposed Expenditure Limitation Alternatives

Budget Director Chuck Odom displayed a PowerPoint presentation (**See Attachment 3**) and reported that the Arizona Constitution requires that all political subdivisions adopt a balanced budget. He explained that in 1980, Arizona voters imposed an expenditure limitation for all cities and towns and stated that the limitation was based on 1979/80 expenditures and adjusted for population growth and inflation. Mr. Odom added that the expenditure limitation also allowed for local election approval of an expenditure limitation alternative.

Mr. Odom briefly highlighted the various types of expenditure limitation alternatives, including Home Rule, Permanent Adjustment of Expenditure Base and One-Time Override Alternative and reviewed various sanctions that could be imposed for exceeding the expenditure limitation. (See Pages 3 and 4 of Attachment 3)

Mr. Odom also advised that in the early 1980's, Mesa voters approved a Home Rule expenditure limitation, but noted that when it expired, it was not referred to the voters for renewal. He stated that in March 2000, another Home Rule adjustment was placed on the ballot and approved by the voters and noted that in March 2004 and March 2008, it was renewed.

Discussion ensued relative to the fact that in 2005, the State Legislature required that all cities with a population greater than 175,000 hold City Council Primary Elections in September and General Elections in November; that because Mesa's Home Rule alternative would expire before voters had an opportunity to renew the option, the Legislature approved a one-time exception to the State-imposed election cycle which allowed, in March 2008, for Mesa voters to renew the Home Rule alternative; and that if an expenditure limitation alternative is not referred to Mesa voters in November of this year, the currently authorized Home Rule alternative would expire June 30, 2012 prior to the 2012 September/November election cycle.

In response to a question from Councilmember Richins, City Attorney Debbie Spinner clarified that the Arizona Constitution requires that the Home Rule election be held "at a regularly scheduled election for the nomination or election of members of the governing board." She explained that the issue could be placed on the ballot other than at a mayoral election, but noted that in order to conduct a Citywide election, additional election costs would be incurred.

Additional discussion ensued relative to the fact that because the City would hold its elections on the September/November cycle, Mesa would never conduct a Home Rule alternative election that did not coincide with Statewide, Legislative or Congressional issues for which all Mesa citizens could vote.

Councilmember Kavanaugh recommended that the Home Rule adjustment option be placed on the ballot of the November 2, 2010 General Election.

Mayor Smith stated that the Council concurred with Councilmember Kavanaugh's recommendation. He also suggested that at a future Study Session, it might be appropriate for the Council to consider a September 2012 election option to coordinate possible Home Rule elections with a Citywide election cycle.

Mr. Odom highlighted the calendar of events to submit a Home Rule alternative on the November 2, 2010 General Election ballot. (See Page 11 of Attachment 3)

Mayor Smith thanked Mr. Odom for the presentation.

b. Utility Revenue Bonds (Water, Wastewater, Natural Gas, Electric)

Deputy City Manager Bryan Raines displayed a PowerPoint presentation (**See Attachment 4**) and reported that in prior Study Sessions, staff presented the four major Utility System Revenue Bond categories, upcoming projects and the associated costs that are recommended to be

included on the November 2, 2010 General Election ballot. He provided a brief overview of the four major categories. (See Pages 1 through 3 of Attachment 4)

Responding to comments by Mayor Smith, City Manager Christopher Brady clarified that the cost for the above-listed bonds are contemplated to be covered by the utility rates that have been presented to the Council. He explained that when staff "sized" the bonds, they eliminated a significant amount of new growth costs. Mr. Brady noted, however, that since that time staff has received feedback from certain developers that it might be necessary to accelerate certain projects, especially in the Water and Wastewater areas. He added that prior to the Call of the Election, staff would advise the Council with regard to the actual amounts of the various bonds.

Mayor Smith stated that there was Council concurrence that staff move forward with this item consistent with what has been presented.

c. Southwest Gas Franchise Renewal

Mr. Raines informed the Council that staff is continuing to work with representatives of Southwest Gas to draft an Agreement for its Franchise Renewal and would attempt to place this item on the November ballot. He stated that the Agreement expired, but was renewed last year by Council adoption of an ordinance.

Vice Mayor Jones commented that in light of this matter and the Council's recent discussions regarding a natural gas residential rate comparison in the Magma Service area, he requested that staff once again pursue an exchange of service areas between the City of Mesa and Southwest Gas.

Mr. Brady assured Vice Mayor Jones that staff is engaged in ongoing discussions with Southwest Gas regarding that matter.

Mayor Smith directed that staff report back to the Council concerning Vice Mayor Jones' request.

Mayor Smith thanked Mr. Raines for his presentation.

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

- a. Audit & Finance Committee meeting held on April 1, 2010.
- b. Community & Neighborhood Services Committee meeting held April 15, 2010.

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

Carried unanimously.

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

Vice Mayor Jones: American Public Gas Association Conference in Washington, D.C.

Councilmember Kavanaugh:	Citizen Police Academy Graduation Ceremony; District 3 Pancake Breakfast
Councilmember Higgins:	Ishikawa Elementary School Presentation wherein it was designated as an A+ School
Mayor Smith:	Tour of Boeing's unmanned helicopter production line; 100 th Anniversary of First Christian Church celebration; 15, 20, 25, 30 & 35 Year Service Award Celebrations

5. Scheduling of meetings and general information.

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

Thursday, May 6, 2010, 6:30 p.m. – “Building Stronger Neighborhoods” Kickoff Meeting, Fremont Junior High School

Thursday, May 13, 2010, 7:30 a.m. – Study Session

Mr. Brady reported that two years ago, despite the fact that the City of Mesa experienced significant budget reductions and the elimination of staff, it received an upgrade in its bond rating from Standard & Poor's to an AA rating and also maintained its A1 rating from Moody's. He announced that yesterday, for the first time ever, the City of Mesa received AA ratings from both of the major bond-rating institutions. He expressed appreciation to the Council and staff for their efforts and hard work which contributed to this achievement and added that with an AA rating, the City is now considered to demonstrate “very strong creditworthiness.”

Mayor Smith noted that unlike other communities, the City of Mesa does not make program and financial decisions simply to improve its bond rating. He stated that the upgrade in the City's bond rating confirms Mesa's sound financial management not only at the present time, but throughout the years.

Councilmember Kavanaugh stated that he was happy to announce that the City of Mesa, in conjunction with the National League of Cities, is launching the Government Employees Marketplace (GEM) Program. He explained that the pilot program is a free, “one-stop web portal” that would provide City employees access to discounts and promotions on a variety of goods and services. Councilmember Kavanaugh commended Assistant to the City Manager Natalie Lewis for her efforts and hard work in researching the GEM Program.

Ms. Lewis expressed appreciation to the Human Resources Department, and in particular, Management Assistant Mary Dellai and Office Supervisor Christina Haggstrom for their contributions and research relative to this process. She noted that City of Mesa employees currently have access to an Employee Discount Network, but said that in researching the GEM Program it was “more robust” and offered greater connections to national vendors. Ms. Lewis also expressed appreciation to the Councilmembers for their participation in the National League of Cities.

6. Items from citizens present.

There were no items from citizens present.

7. Convene an Executive Session.

It was moved by Vice Mayor Jones, seconded by Councilmember Finter, that the Council adjourn the Study Session at 9:11 a.m. and enter into an Executive Session.

Carried unanimously.

- 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

8. Adjournment.

Without objection, the Executive Session adjourned at 10:10 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 6th day of May, 2010. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

pag
(attachments – 4)

Transportation Department (Streets Program)

Council Budget Presentation
May 6, 2010

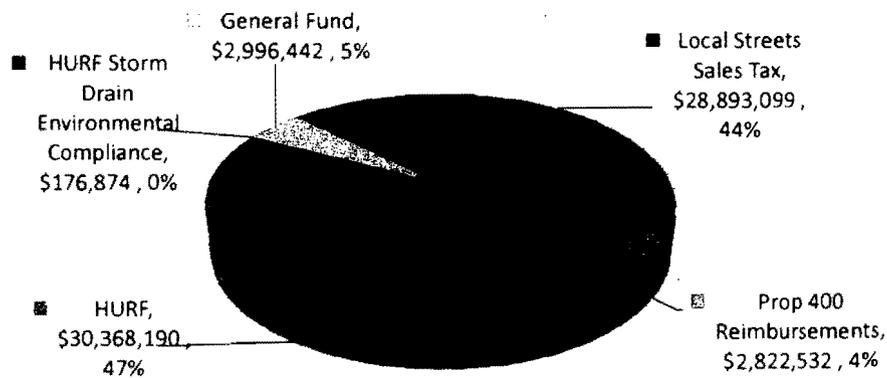
Streets Program

The Streets Program Budget of \$65.3M provides for services to plan, maintain, and operate the City of Mesa's growing transportation network.



Tentative FY 10/11 Streets Program Budget by Source

Total: \$65,257,137

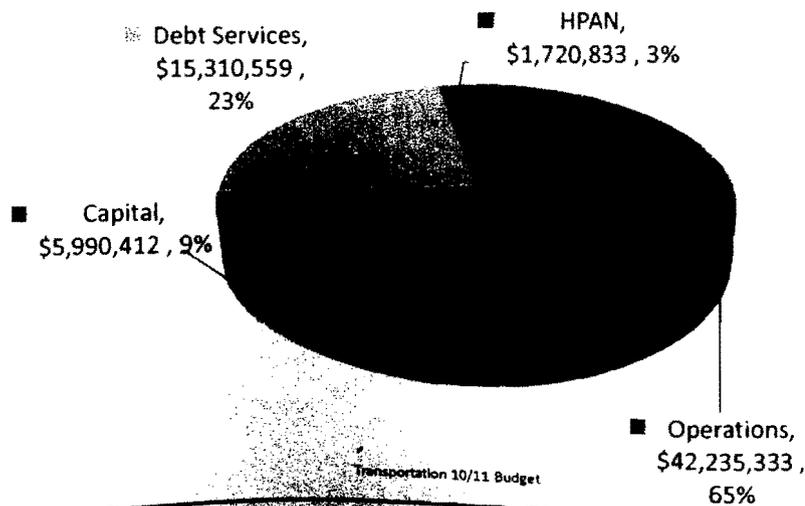


Transportation 10/11 Budget

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Tentative FY 10/11 Program Budget Breakdown

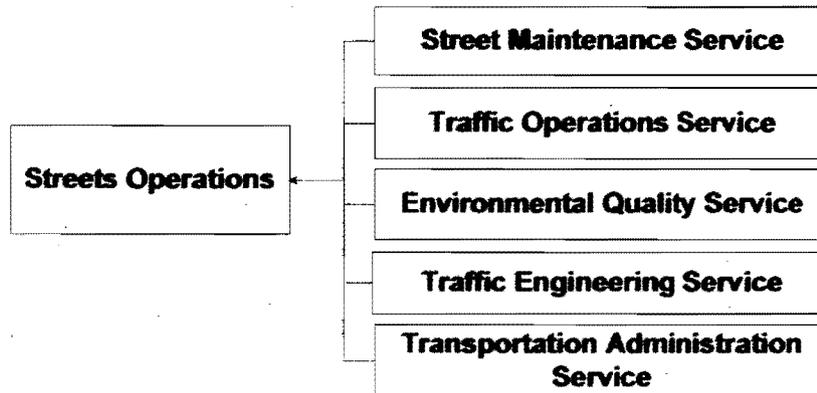
Total: \$65,257,137



Transportation 10/11 Budget

4

Streets Operations.



Transportation 10/11 Budget

5

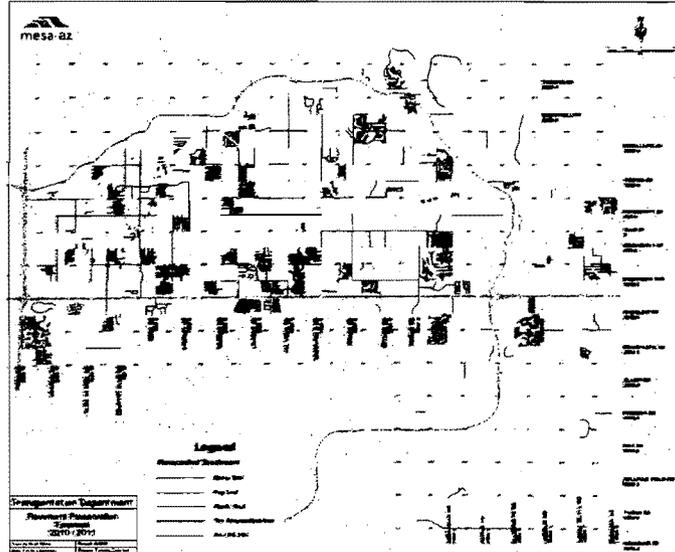
Street Maintenance

- What We Do...
 - Asphalt Maintenance
 - Concrete Repairs
 - 255 Acres of Landscaping
 - 96 Miles of Alleys
 - Approx. 2.25 Miles of Shared Use Paths

Transportation 10/11 Budget

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FY 10/11 Pavement Preservation Forecast

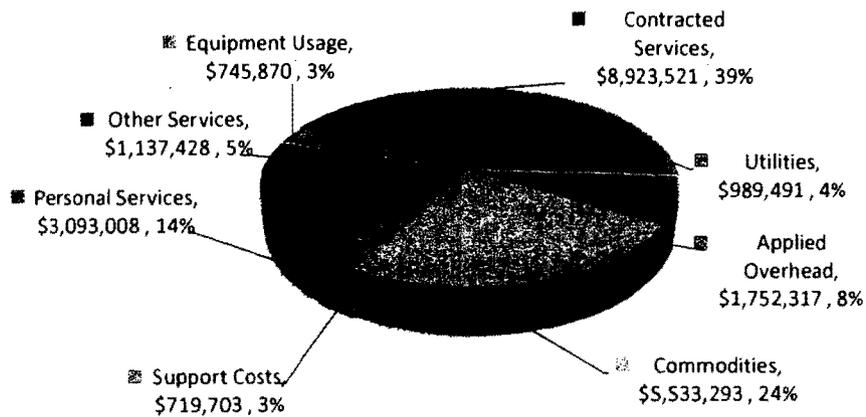


Transportation 10/11 Budget

7

Street Maintenance: FY 10/11

Total: \$22,894,631



Transportation 10/11 Budget

8

Traffic Operations

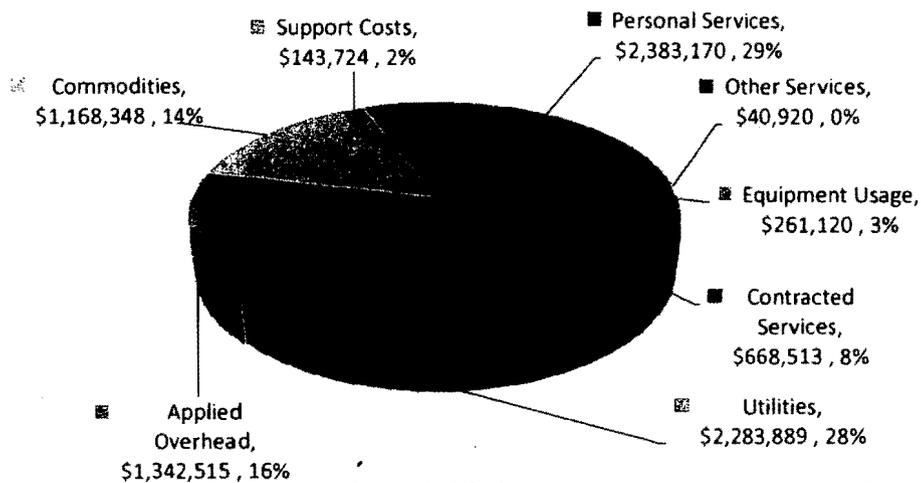
- What We Do...
 - Signing (57,841)
 - Striping (1,690 miles)
 - Streetlighting (38,448)
 - Shortline Markings (9,490)

Transportation 10/11 Budget

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Traffic Operations: FY 10/11

Total: \$8,292,199



Transportation 10/11 Budget

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Environmental Quality

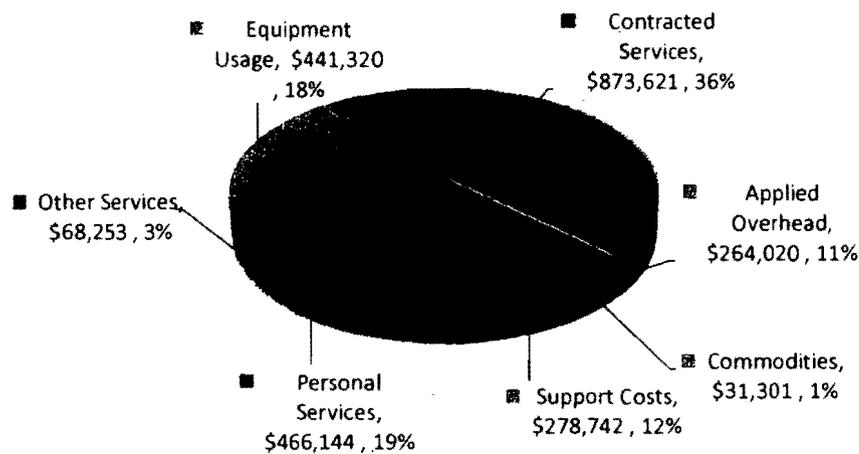
- What We Do...
 - Dust Abatement
 - Shoulder Treatments
 - Storm Drain Maintenance
 - 9,398 Catch Basins
 - 411 Dry Wells
 - Street Sweeping
 - Centerline Miles Swept:
 - Residential: Approx. 1,000 (every 4 weeks)
 - Arterials: Approx. 430 (every week)

Transportation 10/11 Budget

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Environmental Quality: FY 10/11

Total: \$2,423,401



Transportation 10/11 Budget

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Traffic Engineering

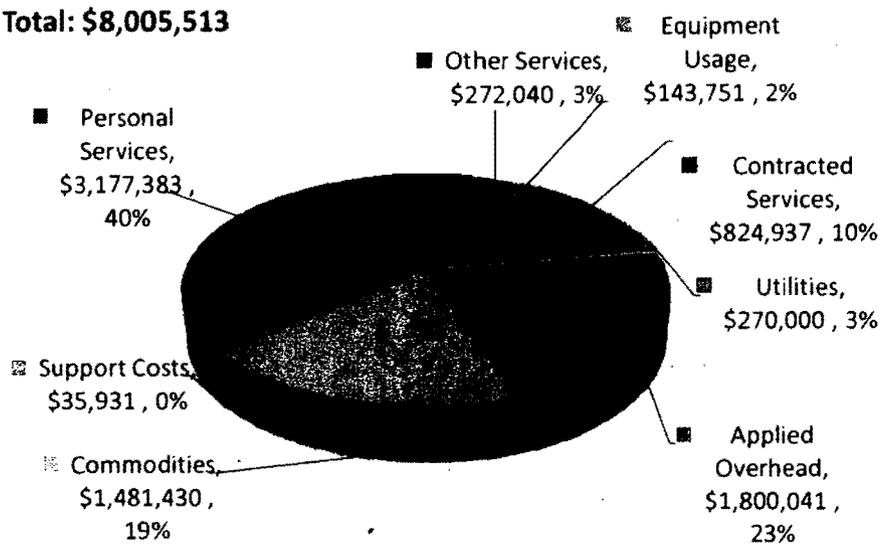
- What We Do...
 - Traffic Studies
 - ITS/Signals
 - Plan Review
 - Traffic Safety Education
 - Interagency Coordination on Transportation Issues
 - Temporary Traffic Control

Transportation 10/11 Budget

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Traffic Engineering: FY 10/11

Total: \$8,005,513



Transportation 10/11 Budget

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Administration

- What We Do...
 - Admin Support
 - Transportation Planning
 - Financial Team
 - Asset Management
- Costs for Administration Included in Other Service Areas

Transportation 10/11 Budget

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FY 10/11 Budget Reductions

- Total Amount: \$410,068
 - Three Positions: \$320,994
 - Assistant ITS Analyst
 - Senior Transportation Engineer
 - Traffic Engineer
 - ITS Operations: \$89,074

Transportation 10/11 Budget

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Local Streets Sales Tax

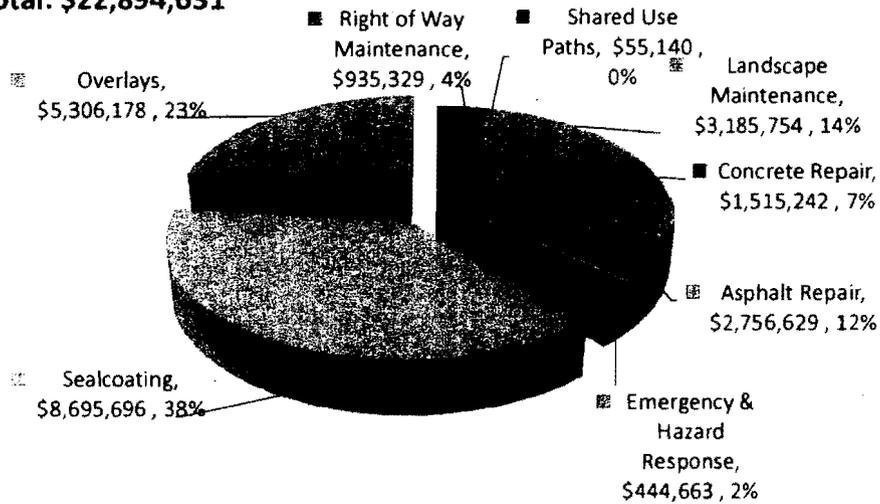
May 2006 Sales Tax Election

- Local Streets Sales Tax (0.3 cents)
 - Per 2006 Ballot Language, to be used for:
 - Street Construction
 - Street Operations
 - Street Maintenance
 - Street Capital Equipment

 - Covers \$5M HURF Maintenance of Effort

FY 10/11 Street Maintenance Service by Activity

Total: \$22,894,631



Transportation 10/11 Budget

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Pavement Overlays/Reconstructs 5-Year Forecast

Funding Scenarios	Lane-miles of Arterials	Lane-Miles of Residential/Collectors	Lane-Miles Total
Full Funding (\$51.3M)	55.9	258.2	314.1
Reduced Funding (\$31.8M)	34.7	160.3	195.0
Difference (\$19.5M)	21.2	97.9	119.1

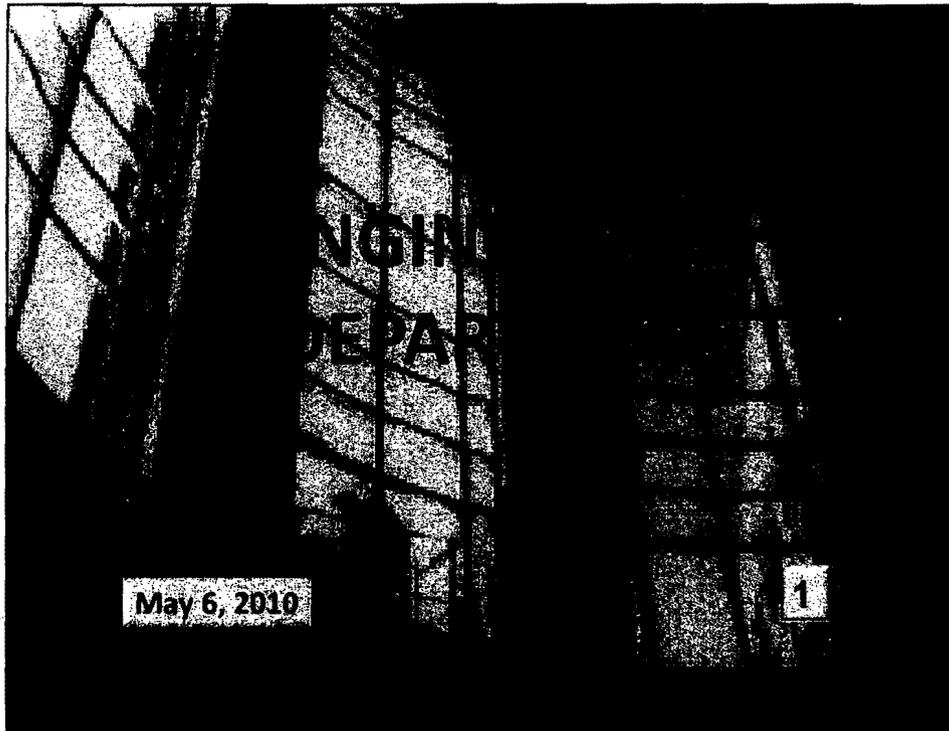
System

- 1,089 Total Arterial Lane Miles
- 2,174 Total Residential & Collector Lane Miles

Transportation 10/11 Budget

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Questions



What We Do.....

- Infrastructure
(Capital Improvement Program)
- Private Development/Construction
- Right of Way/Property Management
- Storm Water Program
- Technical Advisors
- Agency Coordination

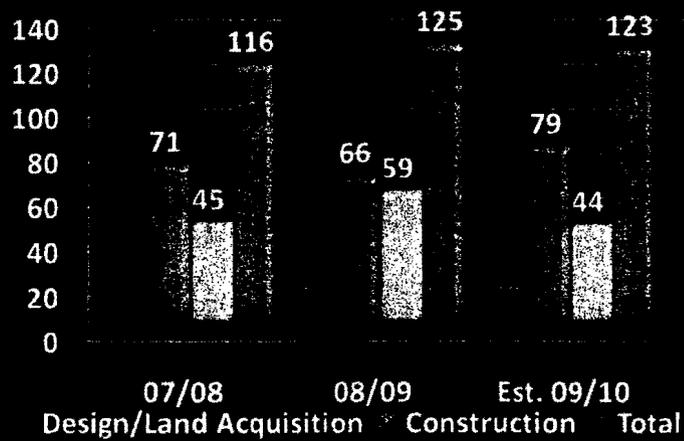
2

09/10 Projected Year-End Capital Improvement Expenditures



3

No. of Projects Completed

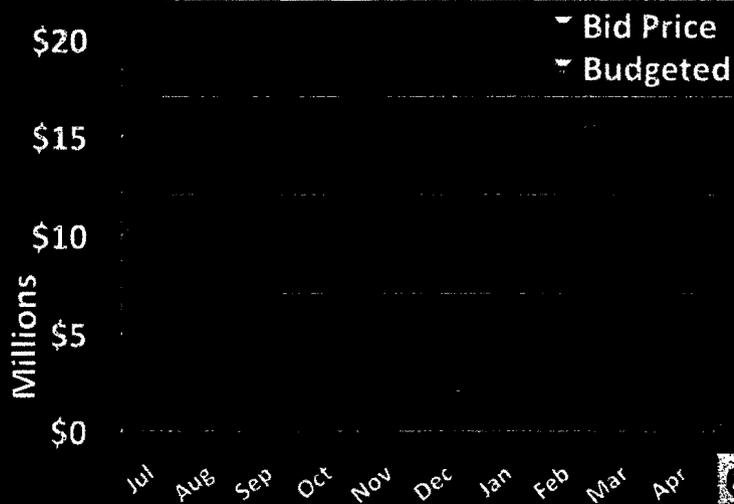


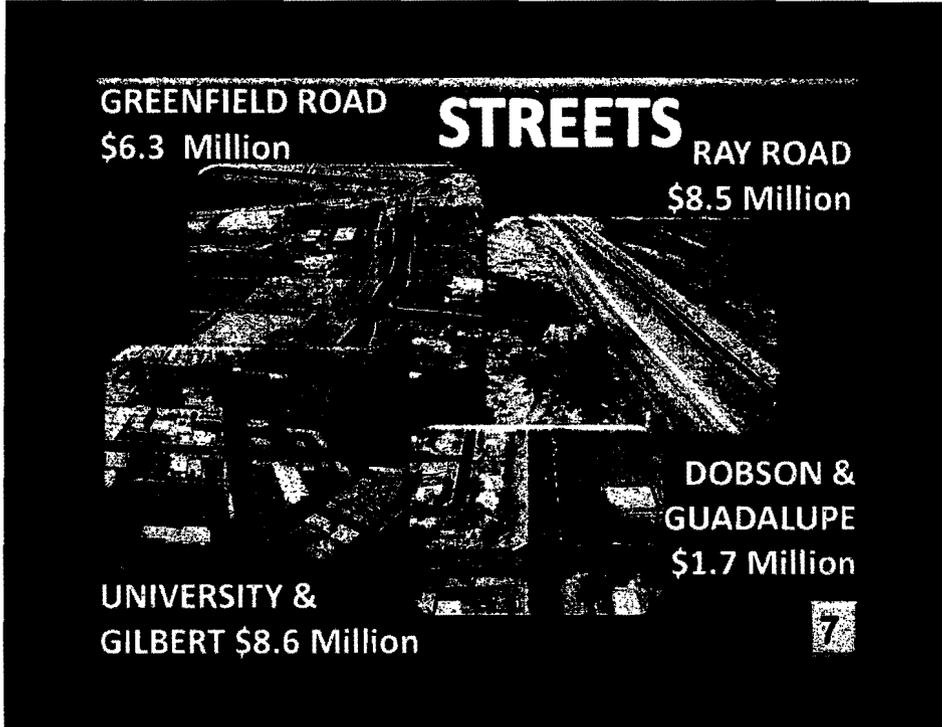
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10/11 Preliminary Capital Budget

Streets	\$32.6	Environmental	\$2.4	Falcon Field	\$4.5	Parks, Rec & Com Fac	\$0.5
Water	\$33.0			Fire	\$8.2	Public Safety	\$5.0
Preliminary Total	\$120.8 Million			Wastewater	\$22.7	Energy Resources	\$11.9

09/10 Bid Prices





GREENFIELD ROAD
\$6.3 Million

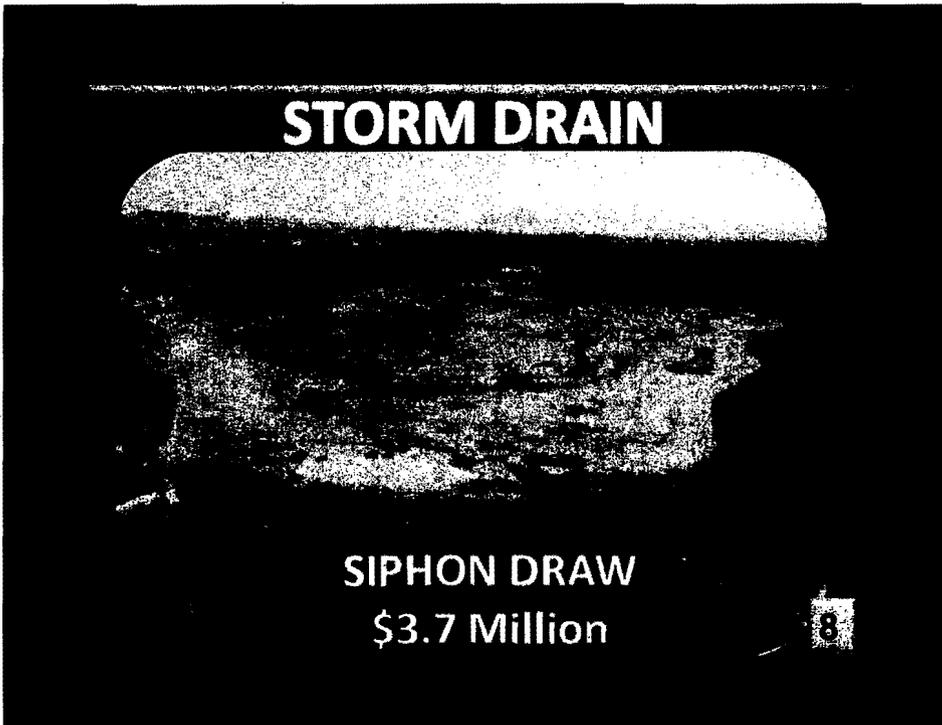
STREETS

RAY ROAD
\$8.5 Million

**UNIVERSITY &
GILBERT** \$8.6 Million

**DOBSON &
GUADALUPE**
\$1.7 Million

7



STORM DRAIN

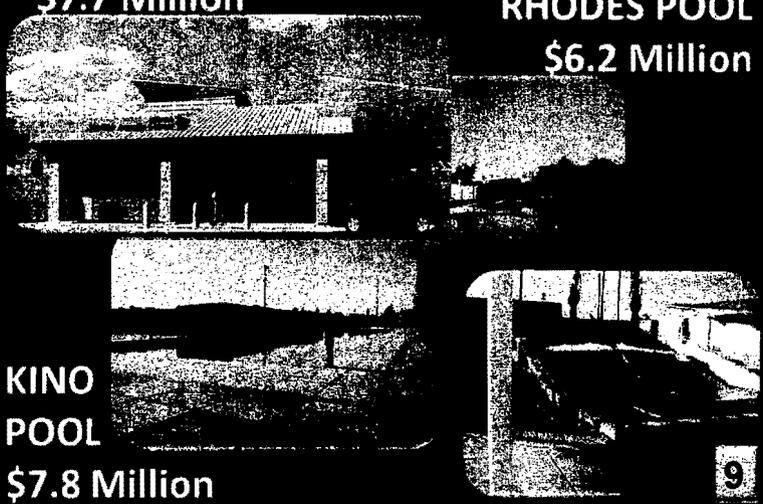
SIPHON DRAW
\$3.7 Million

8

SKYLINE POOL
\$7.7 Million

PARKS & REC
RHODES POOL
\$6.2 Million

KINO POOL
\$7.8 Million



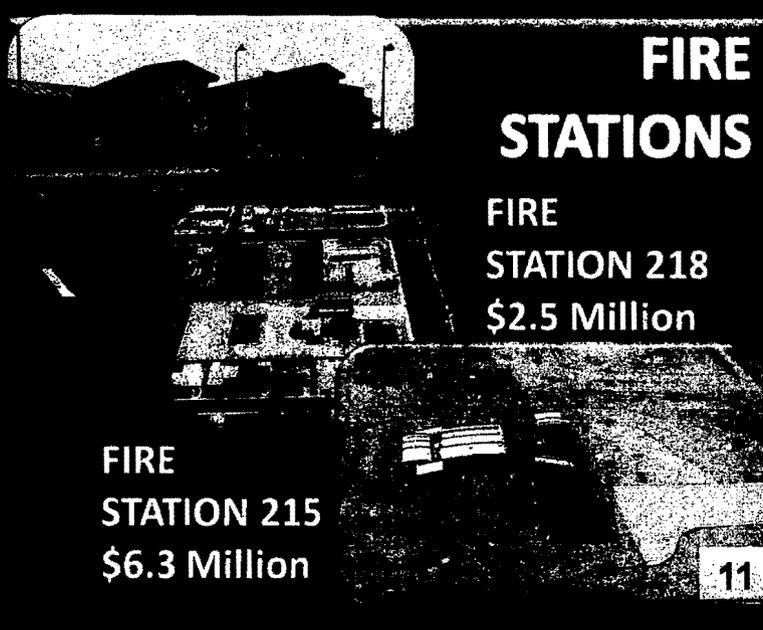
9

FALCON FIELD

AIRFIELD IMPROVEMENTS
\$ 1.8 Million



10

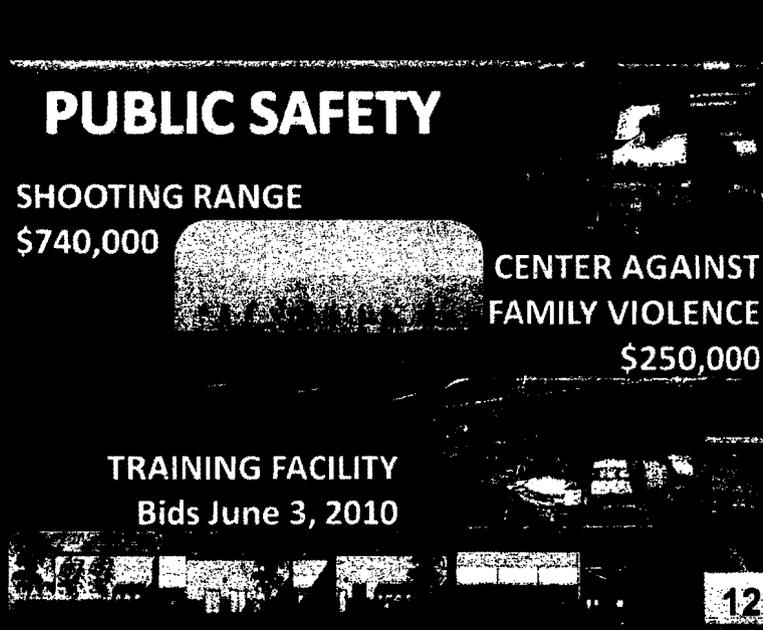


FIRE STATIONS

FIRE STATION 218
\$2.5 Million

FIRE STATION 215
\$6.3 Million

11



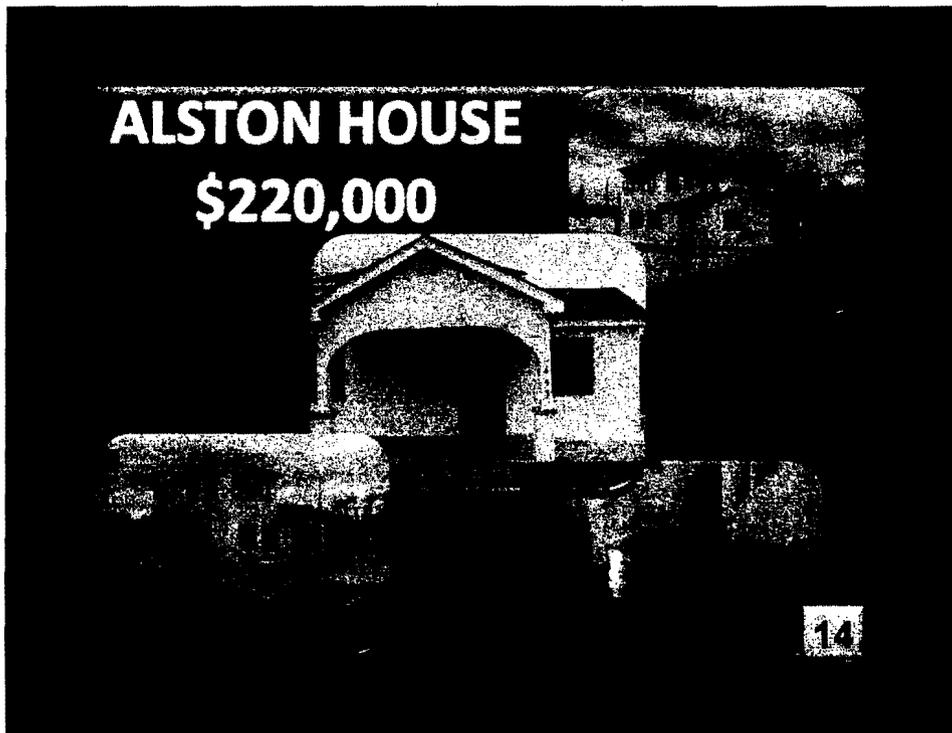
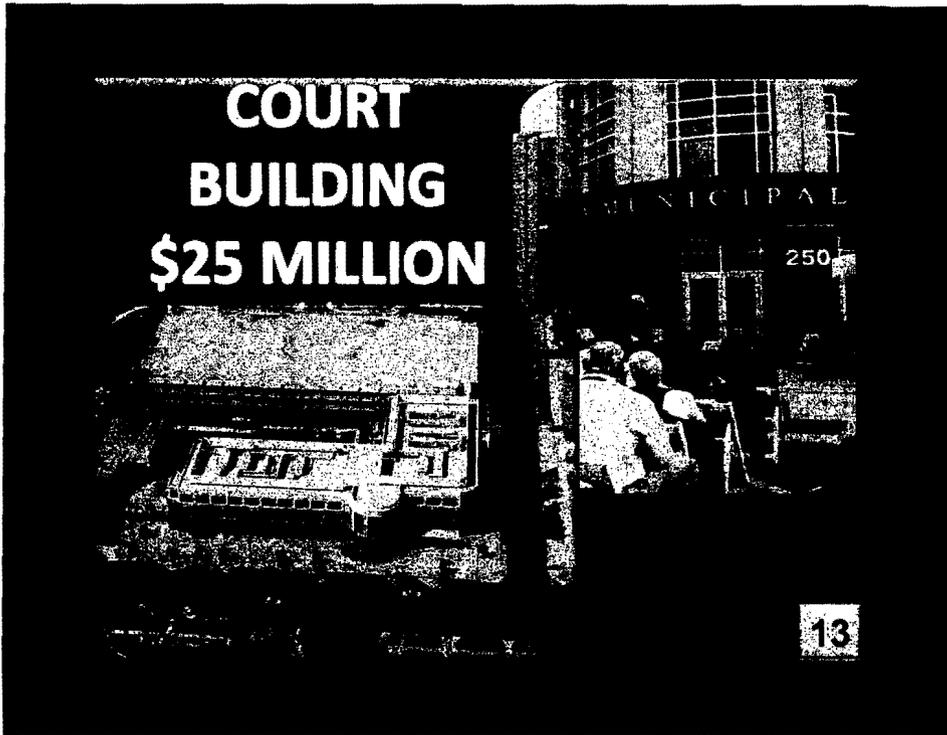
PUBLIC SAFETY

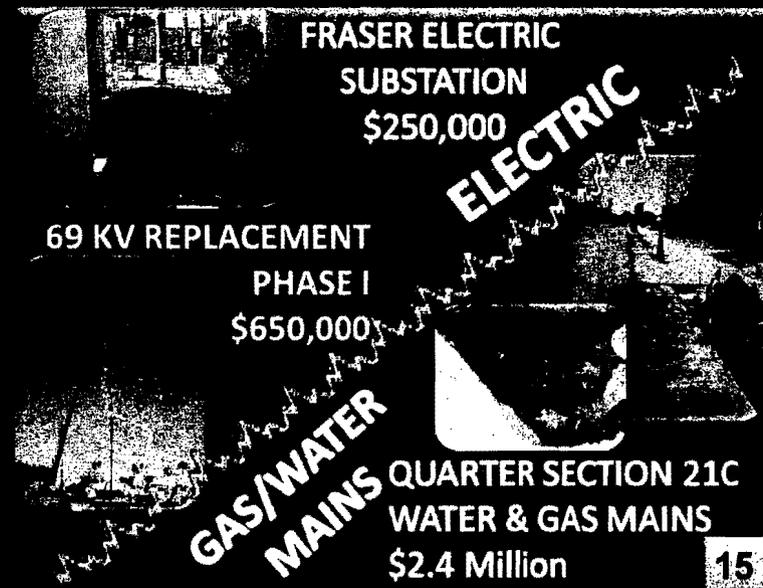
SHOOTING RANGE
\$740,000

CENTER AGAINST FAMILY VIOLENCE
\$250,000

TRAINING FACILITY
Bids June 3, 2010

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**FRASER ELECTRIC
SUBSTATION
\$250,000**

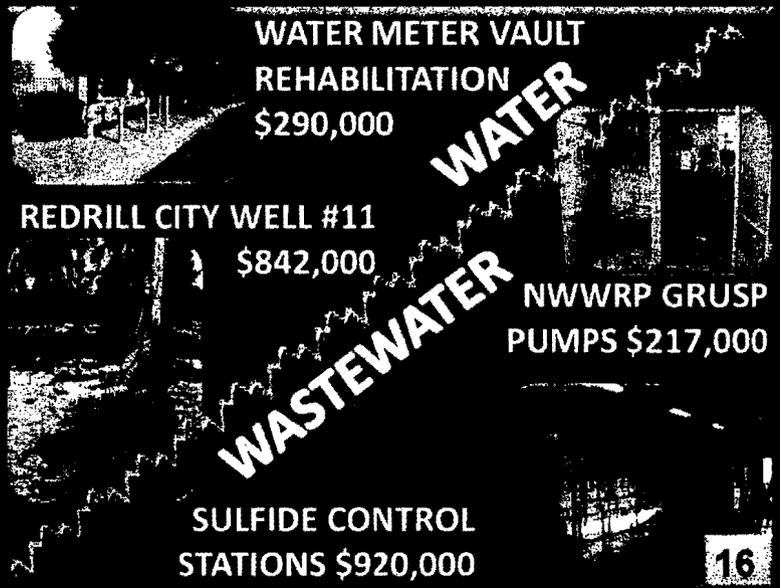
**69 KV REPLACEMENT
PHASE I
\$650,000**

ELECTRIC

**GAS/WATER
MAINS**

**QUARTER SECTION 21C
WATER & GAS MAINS
\$2.4 Million**

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**WATER METER VAULT
REHABILITATION
\$290,000**

**REDRILL CITY WELL #11
\$842,000**

WATER

WASTEWATER

**NWWRP GRUSP
PUMPS \$217,000**

**SULFIDE CONTROL
STATIONS \$920,000**

16

ARTS & CULTURAL

ARIZONA MUSEUM
FOR YOUTH
\$112,000

MESA ART CENTER
GLASS STUDIO
COVER \$90,000

MESA GRANDE
RUINS \$48,000

17

FACILITIES MAINTENANCE

ADDITIONAL CHILLER
DISTRICT COOLING PLANT
\$980,000

VARIOUS AC/EVAP
REPLACEMENTS
Bid May 6

18

Budget Modifications

- Combined 3 Departments-
Reduced 7 Positions over last
3 Fiscal Years

• Pinal County Tax Savings	\$ 260,000
• Property Maintenance Savings	\$ 131,000
• Other Reductions thru Process Streamlining	\$ 16,000

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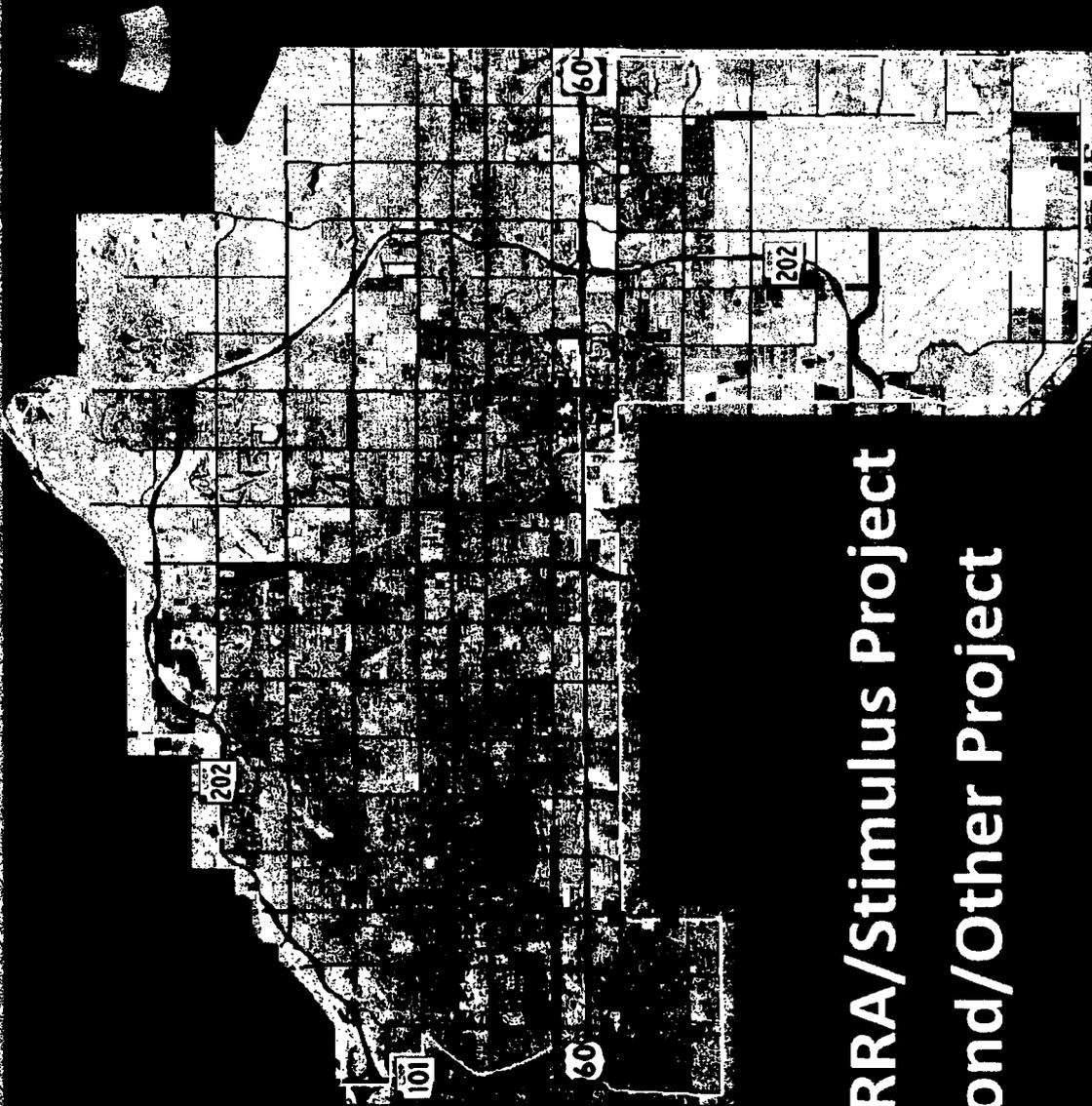
Upcoming Major Projects.....

- 53.25 lane miles ARRA pavement rehab
- ASU Ring Road & Utilities
- Fire Station 219/Signal Butte Road
- Fire Station 220
- Southern Ave. Wastewater Line Rehab
- Main Street-Gilbert to Val Vista
- Consolidated Canal Pathway
- 3 – Park N Ride Facilities

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P r o j e c t s

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S u m m e r

ARRA/Stimulus Project
Bond/Other Project

Possibilities.....

- Right of Way Management Program
- Streamlining Processes &
Technology
- Capital Improvement Program
Transparency

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QUESTIONS???

Construction Hotline
480-644-3800



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Utility System Revenue Bonds

Bond Amounts and Project Categories

November 2010 - Election

1

Utility System Revenue Bonds – Proposed November 2010 Election

Water System Bonds – \$98.8M

- Replace Aging Facilities at Treatment Plants
- Well Rehabilitation & CAP Backup
- Signal Butte WTP Facility
- Disinfectant By-product Mitigation
- Rehabilitate Reservoirs & Replace Pumps
- Replace Aging Water Lines & Valves
- Asset Management & Assessment
- Security Enhancements
- Meter Replacement & Vault Upgrades

2

Utility System Revenue Bonds –
Proposed November 2010 Election (Continued)

Wastewater System Bonds - \$39M

- Replace Aging Wastewater Lines
- Lines in Septic Areas
- Rehabilitate
 - Ag ing Diversion Structures
 - Ag ing Lift Stations
 - Sulf ide Control Stations
- Rehabilitate
- Wastewater Treatment Plants
- Reclaimed Water Facilities

3

Utility System Revenue Bonds –
Proposed November 2010 Election (Continued)

Natural Gas System Bonds - \$48.4M

- High Pressure Gas Main (Distribution) Projects
- Intermediate Pressure Replacement Projects
- New Mains & Service Extensions
- Meters & System Control

4

Utility System Revenue Bonds –
Proposed November 2010 Election (Continued)

Electric System Bonds - \$15.9M

- Substations
- System Controls
- Distribution Circuit Conversions
- Electric Distribution – Overhead
- Electric Distribution - Underground

City of Mesa

State Imposed Expenditure Limitation Alternatives

May 6, 2010

Presented by the Budget & Research Office



The Arizona Constitution:

- Requires the adoption of a balanced budget. Estimated revenues and resources equal to appropriated expenditures.
- Imposes an expenditure limitation for all cities and towns. Based on 1979/80 expenditures, adjusted for population growth and inflation.
- Allows for local election approval of an Expenditure Limitation Alternative.

Types of Expenditure Limitation Alternatives:

- Home Rule – allows a city to determine its own expenditure limitation, within available revenues and resources.
- Permanent Adjustment of Expenditure Base – permanently adjusts the expenditure base.
- One-Time Override Alternative – allows for exceeding the State imposed expenditure limitation for one fiscal year.

Sanctions for Exceeding the Expenditure Limitation:

- If the State Auditor General determines a city has exceeded the expenditure limitation, a portion of its share of the state income tax allocation is withheld.
- The penalty is assessed as follows:
 - Exceeding by less than 5% - penalty will equal the amount of the excess.
 - Exceeding by more than 5%, but less than 10% - penalty will be three times the excess.
 - Exceeding by more than 10% - penalty will be five times the excess or 1/3 of the state income tax allocation, whichever is less.

City of Mesa Home Rule History:

- Mesa voters approved a “home rule” expenditure limitation alternative in the early 1980’s. It was not referred to voters for renewal when it expired.
- Another home rule alternative was approved in March 2000.
- It was renewed in March 2004 and 2008. It will expire June 30, 2012.

Effect of Change in City Council Election Cycle:

- In 2005 the State Legislature required all cities with a population greater than 175,000 to hold City Council primary elections in September and general elections in November.
- The effect of this change was that Mesa's home rule alternative would expire before voters would have an opportunity for possible renewal.
- To prevent this expiration, without the possibility of an eligible election, the Legislature approved a one time exception to the State imposed election cycle.

Effect of Change in City Council Election Cycle Continued:

- With the one time exception, the March 2008 election resulted in the renewal of the home rule alternative.
- If an expenditure limitation alternative is not referred to voters in November, the currently authorized home rule alternative will expire June 30, 2012, prior to the elections to be held in September/November 2012.

Effect of Non-renewal of an Expenditure Limitation Alternative:

- The State imposed expenditure limitation is based on population growth and inflation.
- Mesa's growth in expenditures, in excess of these factors, is primarily the result of voter approved increases in local and regional revenue sources, including the Quality of Life and Local Streets sales tax programs and Proposition 400 regional transportation improvements.

Effect of an Expenditure Limitation Alternative Continued:

- If an expenditure limitation alternative had not been in effect for 2009/10, the City would have been required to additionally reduce its budget by approximately \$25M to comply with the State imposed expenditure limitation.
- If the State limitation had been exceeded by more than 10%, based on 2009/10 State Shared revenue, the expected penalty to apply to 2010/11 would be \$19.1M.

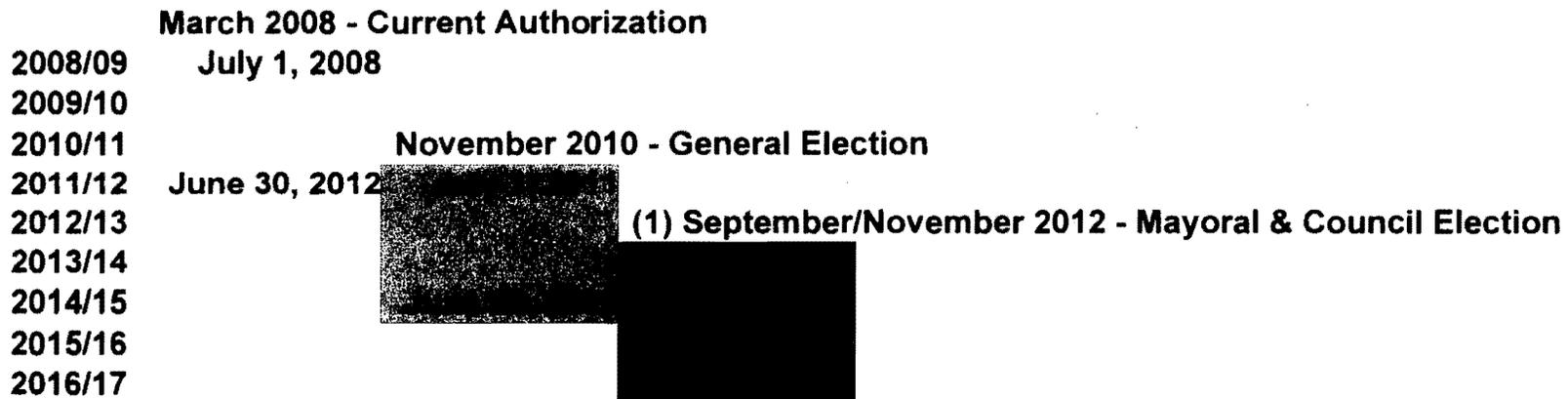
Home Rule Expenditure Limitation Alternative:

- May be referred to voters by a 2/3 vote of the City Council.
- Required to be presented at a regularly scheduled election for the nomination or election of City Council members.
- If approved, it will apply for the four succeeding fiscal years.

Calendar of Events to Submit a Home Rule Alternative on November 2010 Ballot:

- May 6 or 13, Council decision to refer a home rule alternative option to voters.
- May 22 and 29 publish notice of public hearings
- June 7 Regular Council Meeting – First public hearing.
- June 21 Regular/Special Council Meeting – Second public hearing, then approval of resolution.

Further Considerations of Change in City Council Election Cycle:



(1) September 2012 election option could be considered to coordinate the possible Home Rule elections with a city-wide election cycle.