



## COUNCIL MINUTES

October 11, 2012

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 October 11, 2012 at 7:33 a.m.

### COUNCIL PRESENT

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

### COUNCIL ABSENT

Scott Somers

### OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Linda Crocker

Mayor Smith excused Vice Mayor Somers from the entire meeting.

(\*Councilwoman Higgins participated in the entire meeting through the use of telephonic equipment.)

### 1. Review items on the agenda for the October 15, 2012 Regular Council meeting.

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.

Marketing and Business Development Manager Jaye O'Donnell displayed a PowerPoint presentation (**See Attachment 1**) and provided brief background information relative to consent agenda item 6-a (A resolution approving and authorizing the City Manager to enter into a Lease Agreement with Benedictine University for the property located at 225 East Main Street and authorizing the sale of the leased property to the tenant by granting the tenant an option to purchase the property during the lease term).

Ms. O'Donnell stated that in January, Benedictine University signed a Memorandum of Understanding (MOU) with the City of Mesa for the development of a campus in Downtown Mesa. She stated that the building located at 225 E. Main Street will be renovated for classroom use and that classes are scheduled to begin in August of 2013. In addition, she said that the University also leased the City-owned building located at 51 E. Main Street and will use that building as their Student Services Center. (See Page 2 of Attachment 1)

Ms. O'Donnell briefly summarized the objectives of the lease agreement for 225 E. Main Street (See Page 3, 4 and 5 of Attachment 1) as follows:

- Lease includes entire three-story building
- Lease includes two adjacent parking lots (additional parking available in Pomeroy Garage)
- Lease includes an option to purchase the property after 10 years
- Lease will become effective on October 15, 2012, and rent will commence on August 1, 2013
- Lease term is for 15 years and does not include utilities
- Net Lease payment will be \$44,444.44 (first year abated) and will increase by approximately \$11,000 in years 6 and 11
- Landlord improvements will have a budget cap of \$10 million
- Tenant will be responsible for the cost of furniture, fixtures and equipment
- Tenant will have the option to terminate the lease after five years (with 12 months' notice and \$500,000 in breakage liquidated damages)
- Tenant is responsible for maintenance and repairs (with the exception of structural components)

Engineering Designer Robin Berry referred the Council to a series of proposed elevations and architectural renderings of what Benedictine University is anticipated to look like after the renovations. **(See Pages 2 through 8 of Attachment 2)** He said that considering the age of the building, the structural steel and concrete were in good condition. He noted, however, that asbestos found in the elevators will need to be addressed.

Mr. Berry displayed the floor plans of the 64,000 square foot building and reviewed the proposed renovation schedule. He said that renovations would commence on November 1, 2012, and the project is scheduled to be completed by July 19, 2013, in order for classes to begin on August 26, 2013. (See Page 9 through 11 of Attachment 2)

Councilmember Finter thanked staff for their efforts and said that the public/private partnerships that have developed through this project will benefit the City for years to come.

City Manager Christopher Brady said that the first phase of the project will involve the first and second floors of the building and the tenants will have the option to finish the improvements and expand to the third floor of the building.

Mayor Smith thanked staff for the presentation.

Director of Development and Sustainability Christine Zielonka displayed a PowerPoint presentation (**See Attachment 3**) summarizing consent agenda item 7-a (approving and authorizing the City Manager to re-apply Declarations of Restrictions for Phase I and Phase II of City-owned land intended for the development of Escobedo at Vista Verde, LLC, that were adopted on July 9, 2012) and item 7-b (approving and authorizing the City Manager to execute an amended and restated lease agreement with the option to purchase by Escobedo at Verde Vista, LLC, for a project on City-owned property located west of Center Street and on the north and south sides of University Drive).

Ms. Zielonka explained that when the 30-year lease agreement was adopted the Council was advised that it would be necessary to extend the lease once the developer had secured the equity investor. She stated that staff is requesting that Council approve item 7-a and ratify their intentions with regard to the use restrictions on the property.

Responding to a question from Mayor Smith, Ms. Zielonka clarified that the previous agreement called for a 30-year lease. She said that staff is now proposing that the lease be extended to a 65-year term. She noted that Council approval would be required in order to lift the land-use restrictions.

Ms. Zielonka briefly summarized some of the major points of the revised agreement as follows:

- Lease term shall be extended to 65 years
- Years 1-18: \$6,000 a year rent with a 3% annual escalator
- Years 19-30: \$29,000 a year rent with a 3% annual escalator
- Years 31-65: Fair market rate rent (if purchase option is not exercised)

Mayor Smith commented that Save the Family will have the option to purchase the property after 15 years and the State's restrictions will expire after 30 years.

Ms. Zielonka stated that when the Council adopted the lease the equity investor and the leaseholder mortgagee had not yet been named. She said that those entities have been identified as:

- Boston Capital: Equity investor for Low Income Housing Tax Credit program (99.99% of the partnership)
- Bank of America: Leaseholder mortgagee (not a partner)

Ms. Zielonka advised that if the property were to be refinanced any funds received in excess of the debt must be used to improve the property. (See Page 4 of Attachment 3)

Discussion ensued relative to the requirement that any additional funds obtained through refinancing be reinvested back into the project in order to protect the City's investment.

Ms. Zielonka reported that the default and cure periods were extended to allow the equity investor or leasehold mortgagee to correct any problems with the property. She also said that Save the Family could transfer the purchase option of the property with approval from the City Council which will ensure that the property would still be used for what it was intended. (See Page 5 of Attachment 3)

Ms. Zielonka stated that staff's recommendation is for approval of the amended and restated Phase 1, 65-year lease, including the changes that have been identified. She briefly summarized alternative options for the Council to consider (See Page 6 of Attachment 3) as follows:

- Approve the agreements as drafted
- Specify changes to the agreements
- Deny approval of the agreements

Mayor Smith thanked Ms. Zielonka for the presentation.

2-a. Hear a presentation and discuss an update on the Neighborhood Economic Development Corporation (NEDCO) Light Rail Business Assistance Activities.

Economic Development Project Manager Shea Joachim introduced Terry Benelli, Executive Director of the Neighborhood Economic Development Corporation (NEDCO).

Mr. Joachim displayed a PowerPoint presentation (**See Attachment 4**) and provided an update on the FY 2011/12 Central Mesa Light Rail Extension Business Assistance efforts administered by NEDCO. He said that staff is seeking Council feedback and/or support for a proposed contract with NEDCO that will provide marketing and technical assistance to businesses impacted by the Central Mesa Light Rail Extension.

Mr. Joachim advised that in FY 2011/12 and FY 2012/13, NEDCO applied for and was selected to receive two \$250,000 grants through Mesa's Community Development Block Grant (CDBG) program. He said that these awards will be used to provide marketing and technical assistance to businesses impacted by the Central Mesa Light Rail project. (See Page 3 of Attachment 4)

Mr. Joachim reported that as a result of recent interactions with the U.S. Housing and Urban Development Department (HUD) it was determined that using CDBG funds for this type of activity would create some reporting challenges and impair the ability to administer business assistance. He advised that staff has been working with NEDCO to identify an alternative way to continue to provide the services NEDCO offers. (See Page 4 of Attachment 4)

A short video presentation was played that highlighted the accomplishments of the Light Rail Assistance program.

Ms. Benelli briefly highlighted the program results for FY 2011/12 and noted that there are 464 businesses within the program service area. She displayed a list of the different workshops, training sessions and meetings that have been facilitated for the 183 businesses currently enrolled in the program. She explained that businesses are encouraged to work together and combine marketing efforts. (See Pages 6 and 7 of Attachment 4)

Ms. Benelli said that a retail consultant will be added to the services currently provided and will work with non-Hispanic and professional service types of businesses. She stated that along with monthly meetings, consultants will be available to provide technical assistance and business planning.

Mr. Joachim indicated that it was staff's recommendation that the Council approve a Professional Services Contract with NEDCO for marketing, technical assistance and support for the businesses impacted by the Central Mesa Light Rail Extension. He stated that the contract amount is not to exceed \$200,000 and will expire on June 30, 2013. In addition, he said that funding for the program will come from the City's General Fund (not from CDBG funds) and that monthly/quarterly reporting will be conducted to ensure that the funds are reaching the targeted audience.

Councilmember Kavanaugh remarked on NEDCO's level of effectiveness and the tremendous amount of outreach they have extended to the businesses along the Central Mesa Light Rail Extension. He said that the City's partnership with NEDCO is a wise investment.

In response to a question from Councilmember Kavanaugh, Director of Housing and Community Development Tammy Albright explained that any unallocated funds from last year's approved annual plan will be reprogrammed to the La Mesita Homeless Shelter. She noted, however, that the grant that was awarded this year will be used for this year's projects.

Councilmember Richins commented that together the City's Economic Development Department and NEDCO have assisted the businesses along the Central Mesa Light Rail far beyond what was expected.

Responding to a question from Councilmember Richins, Mr. Joachim explained that business assistance efforts are a partnership between a variety of community organizations including Valley METRO, the City of Mesa, NEDCO, the West Mesa Community Development Corporation (CDC), the Chamber of Commerce, the Downtown Mesa Association, Service Corps of Retired Executives (SCORE), and the Small Business Development Corporation. He said that these organizations meet frequently to discuss the effectiveness of the programs that have been implemented.

Ms. Benelli advised that the CDBG funds received last year did not allow for the purchase of flyers, newspaper ads or radio time. She reported, however, that with the assistance of its partners the businesses were able to create and distribute advertising flyers and door hangers.

Councilmember Richins stated that he hoped that this program would serve as a catalyst that would continue to support businesses after the completion of the Light Rail. He remarked that Mesa should be recognized as a City where entrepreneurs can be successful.

Ms. Benelli reported that the businesses along the Central Mesa Light Rail Extension are currently planning for the upcoming "busy season" and it is anticipated that after a couple of years of training these businesses will be able to successfully fulfill a marketing plan.

City Manager Christopher Brady advised that in order to continue the Business Assistance Program, funding would need to be obtained from the General Fund. He said that staff will explore the possibility of utilizing the savings from the Economic Development Enterprise Fund in order to minimize the impact to the General Fund.

Councilmember Richins remarked that spending \$200,000 to assist businesses during the construction of a \$2 million project is the least the City can do. He thanked the Energy Services Department, the Economic Development Department and all of the partners involved for their efforts.

Mayor Smith commented that the City made a commitment to help mitigate the negative impacts that construction of the Light Rail will bring to the businesses along Main Street. He said that the benefits that will come from helping these businesses get through the economic challenges of the Light Rail construction far outweigh any impact to the General Fund.

2-b. Hear a presentation, discuss and provide direction on the Regional Solid Waste Program.

Deputy Director of Energy Resources Mike Comstock displayed a PowerPoint presentation (**See Attachment 5**) and provided an overview of the Resolution to approve the Intergovernmental Agreement (IGA) between the cities of Mesa, Scottsdale and Tempe and the Town of Gilbert. He explained that the Resolution addresses the cooperative efforts to procure disposal services through the use of a consultant. He added that staff is recommending that the Council approve the IGA.

Mr. Comstock advised that all of the cities included in the IGA are in similar situations with respect to their solid waste and recycle contracts, which are set to expire in 2013 and 2015. He said that joint purchasing efforts among public agencies in the State of Arizona have been shown to improve competition and quality of service and lower prices. He added that the IGA will increase respective revenues and decrease expenses.

Mr. Comstock stated that the cities will work together to develop a Request for Proposal (RFP) to obtain a consultant. He briefly summarized the duties of the consultant as follows:

- Analyze the market for potential providers and determine their ability to respond to the RFP on a regional basis
- Analyze the opportunities for an RFP delineating disposal and recycling opportunities
- Coordinate the development and issuance of an RFP
- Analyze best practices for regional landfill and recycling approaches

Mr. Comstock explained that the ultimate goal of the IGA is to obtain substantial savings on landfill costs and increased revenue on recyclables. He indicated that depending on the results of the consultant's analysis a multi-agency RFP will be prepared and each party will be able to select the most cost-effective respondent. He added that the parties will not be required to select the same respondent, rather, each party will select a respondent based on factors such as tipping fees and site location.

Mr. Comstock discussed the fiscal impact of the Regional Solid Waste Program and said that the estimated cost to implement the IGA will be \$10,000 to \$25,000 for each partner named in the IGA. He stated that the estimated fiscal impact includes the hiring of a consultant to perform the duties previously outlined. Mr. Comstock concluded his statements by saying that the cost savings and increased revenue generated through an award based on multi-agency tonnage will be substantial.

City Manager Christopher Brady stated that the IGA will be a first step in bringing regional solid waste practices together. He said that acting together, the communities will have more power in the marketplace when seeking proposals and identifying a long-term solution to recycling and waste disposal services. Mr. Brady added that it makes more sense to negotiate a regional landfill contract instead of each community negotiating a contract individually.

In response to a question from Mayor Smith, Mr. Comstock explained that each municipality will have the ability to choose a landfill that is located closer to their community.

Mr. Brady clarified that a proposal will be made based on the volume of garbage generated by all entities combined. He said proposals could offer different options or disposal locations.

Mr. Comstock stated that a regional approach with regards to tonnage will provide the municipalities with some leverage when negotiating between service providers.

Mayor Smith commented that the RFP will encourage providers to come up with a regional plan that will serve all cities while recognizing that each municipality could choose a landfill closer to their community.

Discussion ensued relative to the manner in which service providers could be encouraged to invest in transfer stations in order to secure a long-term contract.

Councilmember Kavanaugh commented that the Regional Waste Project could encourage providers to create an alliance that would provide benefits on many levels. He expressed his support for the project and said that a regional effort would benefit the entire area.

Councilmember Richins expressed his support for the project and said that a regional approach will create more certainty in the market and will save all of the communities money.

Mr. Brady reported that since the development of this consortium there has been significant interest expressed from other communities. He said that at this time staff plans to go forward with the IGA while keeping an open mind that in the future other communities may be added.

Mayor Smith stated that the City has had a longstanding and important relationship with the Salt River Pima Indian Community. He said that the current landfill, as it is configured, has a lifecycle that will come to an end within the next decade. He added that while the City Council respects its relationship with the Salt River Pima Indian Community it also has a responsibility to the citizens of Mesa and the region.

Mayor Smith thanked Mr. Comstock and staff for their efforts.

(At 8:28 a.m. Mayor Smith excused Councilmember Richins from the remainder of the meeting.)

2-c. Hear a presentation, discuss and provide direction on the purchase of emergency electric generators for the Fire and Medical Services Department.

Director of Energy Resources Frank McRae displayed a PowerPoint presentation (**See Attachment 6**) and provided brief background information regarding the need for emergency electric generators. He said that in June of 2011, a transformer fire at SRP's Thunderstone

Substation caused a power outage that impacted the City of Mesa's electric customers for approximately 45 minutes. He explained that due to the nature of the outage it was difficult to accurately forecast when Energy Resources would be able to restore electric utility services. (See Page 2 of Attachment 6)

Mr. McRae stated that the City's Rogers Substation poses a threat in terms of a system-wide outage, therefore, staff has been exploring ways to remove some of the vulnerability. He explained that the City does have a transmission loop that can re-route power and minimize an outage. (See Page 3 of Attachment 6)

Mr. McRae said that in response to the outage in June of 2011, the City Manager requested that staff develop a plan to minimize outage times and provide more certainty as to when power could be restored during such events. He advised that an internal team was assembled and a plan was created to purchase three 500 kW mobile generators, two of which would be funded by Energy Resources. He said that these mobile units will meet electrical needs and provide power to various City buildings in the event of an outage. (See Page 4 of Attachment 6)

Mr. McRae discussed the detailed procurement process used by the City of Tucson to develop a cooperative agreement with Caterpillar to obtain similar equipment. He said that staff determined that a cooperative agreement would be the best route in which to procure the mobile generators. He stated that the mobile units will cost \$567,483 and that funding for these units will come from the following sources:

- \$185,000 Arizona Department of Homeland Security grant to Mesa Fire & Medical Department
- \$295,000 in Energy Resources FY 2012/13 Capital Fund
- \$87,483 from Utility Fund

Mr. McRae briefly reviewed the steps that will be taken to prepare for delivery of the mobile generators as follows:

- Enter into a purchase agreement with Empire (a Mesa Company)
- Training in the operation and maintenance of the equipment
- Acceptance testing of units
- Development of emergency preparedness and planning drills (monthly testing, mobilizations, demonstration testing)

In response to a question from Mayor Smith, Mr. McRae explained that the units will be installed on a framed trailer allowing them to be portable and able to be connected to the distribution system. He said that the device used to connect the generators to the distribution center is called a "pigtail" and is included in the purchase package.

Responding to a question from Councilmember Finter, Mr. McRae explained that in the event of a catastrophic loss of power more units would be necessary. He advised that the entire system generates 90 megawatts of power and that the mobile units will only generate 1.5 megawatts. He noted that the mobile units would only be able to serve isolated areas.

City Manager Christopher Brady clarified that the units would serve as a strategic solution in the event the City needed to set up an emergency shelter in an area where no power was available.

In response to a question from Councilmember Finter, Mr. Brady explained that staff is exploring ways to provide continuous water distribution in the northeastern part of the City.

Mayor Smith commented that this region is not susceptible to natural disasters although it is vulnerable to a summer power outage. He stated that at the time of last year's power outage there was no plan in place and assisted living facilities were calling the Fire Department to find out how long the power would be out. Mayor Smith stressed the importance of having a plan in place in the event of an extended summer power outage and thanked staff for taking action on this potential risk.

Battalion Chief Cori Hayes explained that Emergency Management has become more aware of the potential risks surrounding an extended power outage. She stated that obtaining the generators will be a positive first step in equipping the City for an emergency. In addition, she said that while the generators are a deployable asset, having multiple generators within the region would provide additional benefits in the event of a widespread power outage.

Mayor Smith stated that the generators could not provide power for the whole City, however, they would help to create and operate an emergency center and provide a place of refuge from the heat during the summer months.

Mr. McRae concluded his presentation by recognizing several staff members who were present in the audience.

Mayor Smith thanked staff for their efforts and said that he hoped that other communities would take note and help move the region one step closer to addressing this critical need.

2-d. Hear a presentation and discuss the 2013 Employee Benefits Program.

Director of Human Resources Gary Manning introduced Employee Benefits Administrator Janice Ashley and Budget Director Candace Cannistraro who were prepared to address the Council.

Mr. Manning displayed a PowerPoint presentation (**See Attachment 7**) and provided a short synopsis of the proposed 2013 Employee Benefits Program. He discussed the various insurance plans offered by the City of Mesa (See Page 2 of Attachment 7) and said that the plans are funded by contributions from the City, employee premiums, as well as an Arizona State Retirement System (ASRS) subsidy.

Mr. Manning remarked that the City did achieve its 80/20 contribution philosophy one year early which means that the City will contribute 80% of the total cost of the benchmark Choice Plan. He noted that the City contribution is the same for all employees regardless of which medical plan they are on.

Mr. Manning reported that national healthcare trends have forecasted a 9% increase for 2013. He said that as a result of some cost containment measures that were put into place as well as conscientious utilization of benefits by employees, staff is now forecasting a 5% increase in medical costs. He added that in all likelihood future increases will be closer to the national averages. (See Page 3 of Attachment 7)

Mr. Manning further highlighted examples of cost savings strategies that have been implemented, such as, a new out-of-state network contract with Blue Cross Blue Shield, a new pharmacy benefits manager contract, and a new Employee Assistance Program contract. He added that all of these measures should provide a significant amount of savings. (See Page 4 of Attachment 7)

Ms. Ashley briefly summarized the Employee Benefits coverage changes and reported that CVS Caremark will become the new Pharmacy Benefits Manager and will provide all long-term prescriptions at mail order prices. She stated that as a result of the Health Care Reform initiatives the annual spending cap for the Flexible Spending Account will be reduced from \$3,000 to \$2,500 per year. In addition, she said that additional preventive care services for women will be covered at 100%.

Mr. Manning displayed a series of graphs illustrating the current as well as the proposed monthly medical premiums for active employees and retirees. (See Pages 8 and 9 of Attachment 7)

Responding to a question from Councilwoman Higgins, City Manager Christopher Brady advised that staff has researched medical premium options for an employee/spouse or employee/single child. He explained that national trends suggest that the real cost, after the employee, is the spouse and not the children, therefore, in order to simplify administration all dependents are included in a family plan.

Discussion ensued relative to the possibility of the City offering a medical plan option for an employee/child, which according to the trends should have a significantly lower premium when a spouse is not included on the plan.

Mr. Brady indicated that staff will research and determine what the specific cost difference would be for a spouse versus children and possibly propose a different option in the future. He stated that staff is exploring the possibility of an onsite Wellness Program that would provide employees access to healthcare for minor healthcare needs and prescriptions. He said that such a program could eliminate the need for employees to take time off work and could help reduce healthcare costs.

Mr. Manning reported that staff is not recommending any increases in the retiree premium rates at this time, however, staff would be reviewing the retiree plans and could bring back some proposed changes in the future. He displayed a list of the current benefit providers and the annual contracted rates. (See Page 10 of Attachment 8)

Mr. Manning concluded his presentation by reviewing the dates for Open Enrollment and the Employee Benefits Fair and expressed his appreciation for the services provided by Louie Montoya, a consultant with Buck Consulting. (See Page 11 of Attachment 8)

In response to a question from Mr. Brady, Mr. Manning explained that only employees who wish to make changes to their current health plan options are required to participate in the open enrollment process.

Councilmember Finter requested that staff reach out to the retirees to ensure that they are notified of any changes that will be taking place with regards to their benefit plans.

Mayor Smith thanked staff for the presentation.

2-e. Appointments to Boards and Committees.

Mayor Smith recommended the following appointment to boards and committees:

BOARD OF ADJUSTMENT

Trent Montague – term will expire June 20, 2013.

It was moved by Councilmember Kavanaugh, seconded by Councilmember Finter, that the Council concur with the Mayor’s recommendation and that the appointment be confirmed. (See Attachment 8)

Mayor Smith declared the motion carried unanimously by those present.

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

3-a. Judicial Advisory Board meeting held February 29, 2012.

3-b. Library Advisory Board meeting held March 20, 2012.

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

Mayor Smith declared the motion carried unanimously by those present.

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

Councilmember Kavanaugh:	Family Self Sufficiency Alliance Graduation
Councilwoman Higgins:	International City Manager’s Association
Mayor Smith:	New Chamber of Commerce Building Ribbon Cutting, Town Hall Meeting -Superstition Springs, Mayor’s Forum -Mesa Community College, Solar Summit -Arizona State University, National Association of Women Business Owners, “Double Ten” 101 <sup>st</sup> Anniversary Republic of China Celebration

5. Scheduling of meetings and general information.

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

Friday, October 12, 2012, 12:20 p.m. – Central Mesa Light Rail Extension Milestone Celebration

Monday, October 15, 2012, 4:45 p.m. – Study Session

Monday, October 15, 2012, 5:45 p.m. – Regular Council meeting

Thursday, October 18, 2012, 6:30 p.m. – Building Strong Neighborhoods (District 2)

Saturday, October 20, 2012, 6:00 p.m. – Celebrate Mesa at Red Mountain Soccer Complex

6. Items from citizens present.

There were no items from citizens present.

7. Adjournment.

Without objection, the Study Session adjourned at 9:14 a.m.

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SCOTT SMITH, MAYOR

ATTEST:

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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 11<sup>th</sup> day of October, 2012. I further certify that the meeting was duly called and held and that a quorum was present.

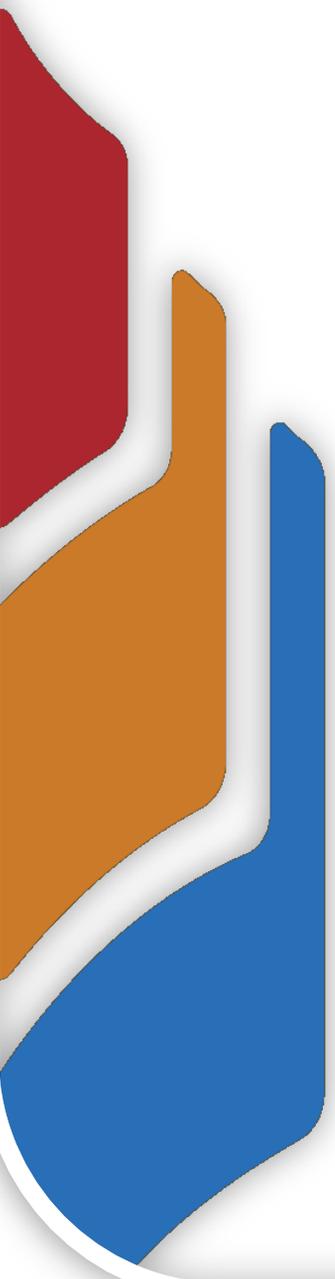
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LINDA CROCKER, CITY CLERK

bdw  
(attachments – 8)

**Benedictine University  
Lease Agreement with Option  
to Purchase**

**Study Session Presentation  
October 11, 2012**





# Background

- Benedictine University signed an MOU with City of Mesa (COM) in January 2012 to develop a campus in Downtown Mesa
- Signed Lease with COM for 51 E. Main, May 2012
- Opened Student Service Center in Sept. 2012
- Since signing the MOU, working on adaptive re-use plans and renovating 225 E. Main for classes to begin Aug. 2013



# Lease Summary

- 225 E. Main Street (Tri-City Community Services Building)
- Lease with an Option to Purchase
- Lease includes the entire building and the two parking lots adjacent on the south and east sides
- “Effective” Lease Date is Oct. 15, 2012
- “Rent Commencement” Date is Aug. 1, 2013



# Lease Summary

- Term: 15 years (Aug. 1, 2013 – July 31, 2028)
- Net Lease
  - Years One to Five: \$44,444.44 / mth (First year abated)
  - Years Six to 10: \$55,555.56 / mth
  - Years 11 to 15: \$66,666.67 / mth
- Landlord Improvements – Budget cap on project
- Tenant Improvements – Furniture, fixtures, equip.



# Lease Summary

- Maintenance and repairs: Tenant is responsible for all except for structural components (foundations, roof, floor slab, exterior walls) which COM handles
- Additional parking available at Pomeroy Garage
- Option to Terminate – after five years
  - Must give 12 months notice
  - Breakage liquidated damages: \$500,000
- Option to Purchase – after 10 years



# Questions?

**Benedictine University**



# Program Majors

- Management
- Theology/Religion
- Nutrition
- Health Sciences
- Fine Arts
- Communication Arts
- Criminal Justice
- Psychology



# Projections

- Academic Year One (2013-2014)
  - 100 students, 10 FTEs, min of 5 majors
- Academic Year Three (2015-2016)
  - 250 students, 20 FTEs, min of 8 majors
- Academic Year Five (2017-2018)
  - 500 students, 40 FTEs, min of 15 majors

# DOWNTOWN BUILDING REHABILITATION FOR HIGHER EDUCATION RE-USE

225 EAST MAIN STREET – RENOVATION

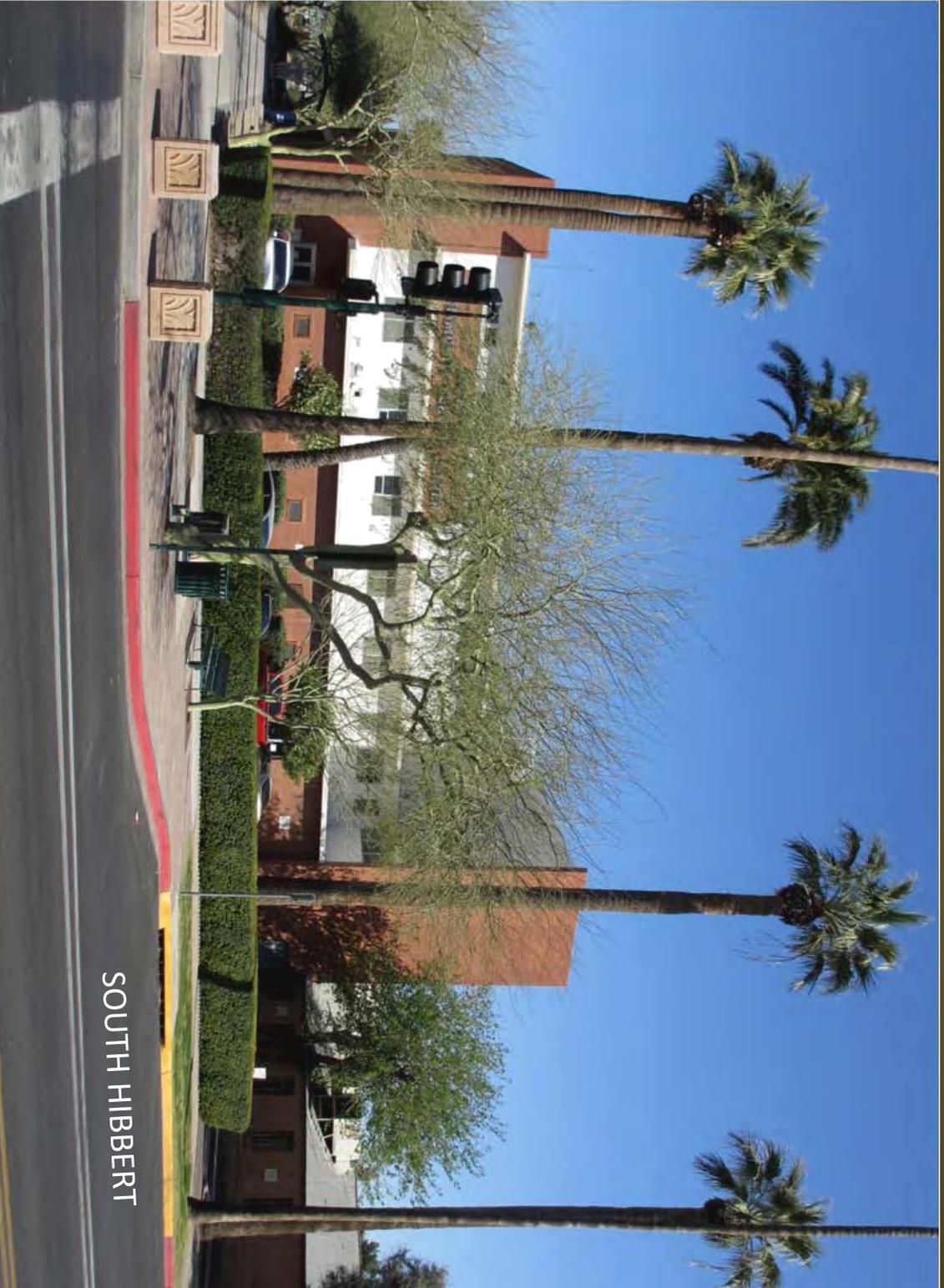


**Benedictine  
University**

*Informing Today,  
Transforming Tomorrow*



**mesa·az**



EXISTING BUILDING – LOOKING EAST



PROPOSED NORTHWEST ELEVATION



# PROPOSED NORTH ELEVATION



# PROPOSED EAST ELEVATION



# PROPOSED SOUTH ELEVATION

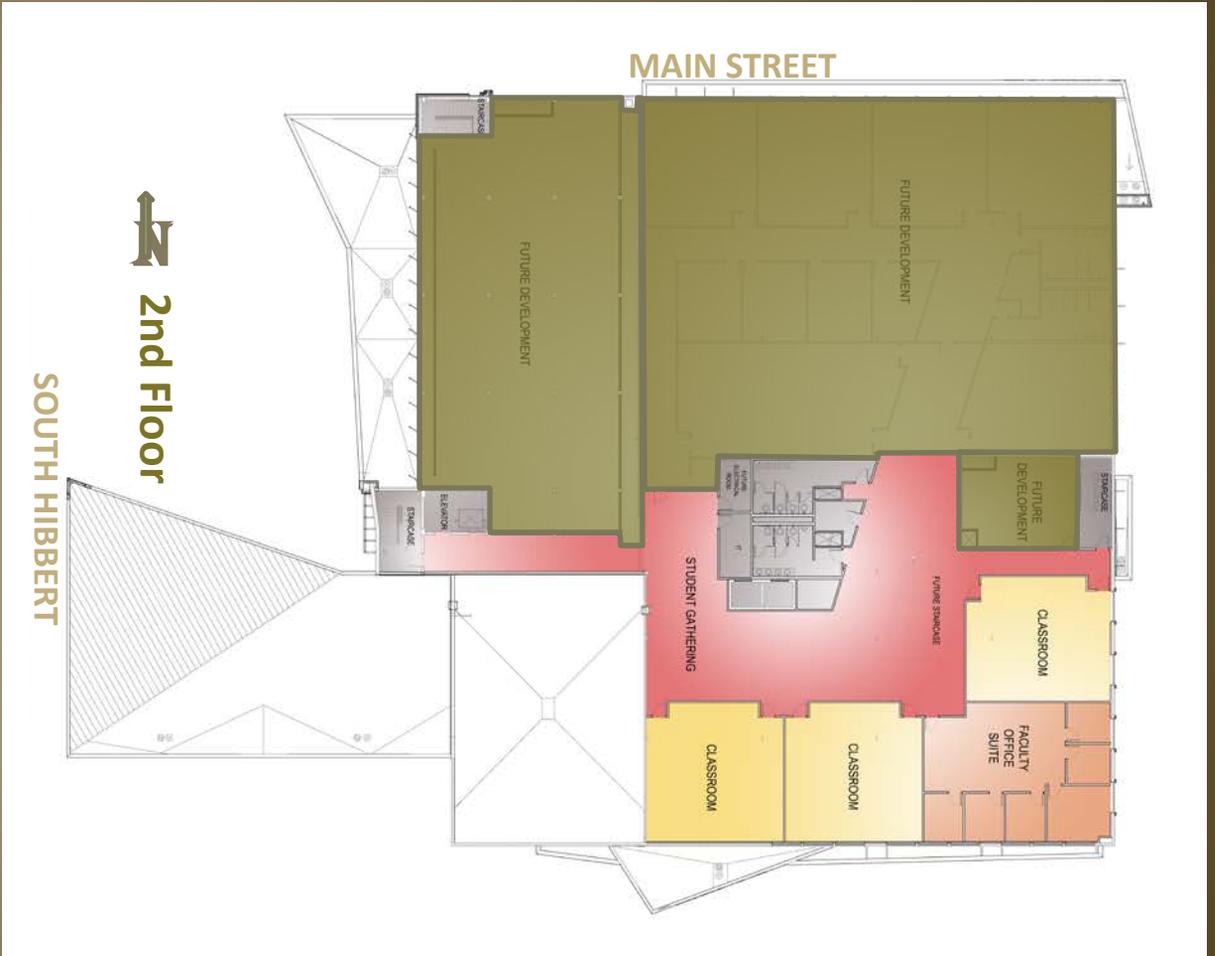


PROPOSED NORTHWEST ELEVATION

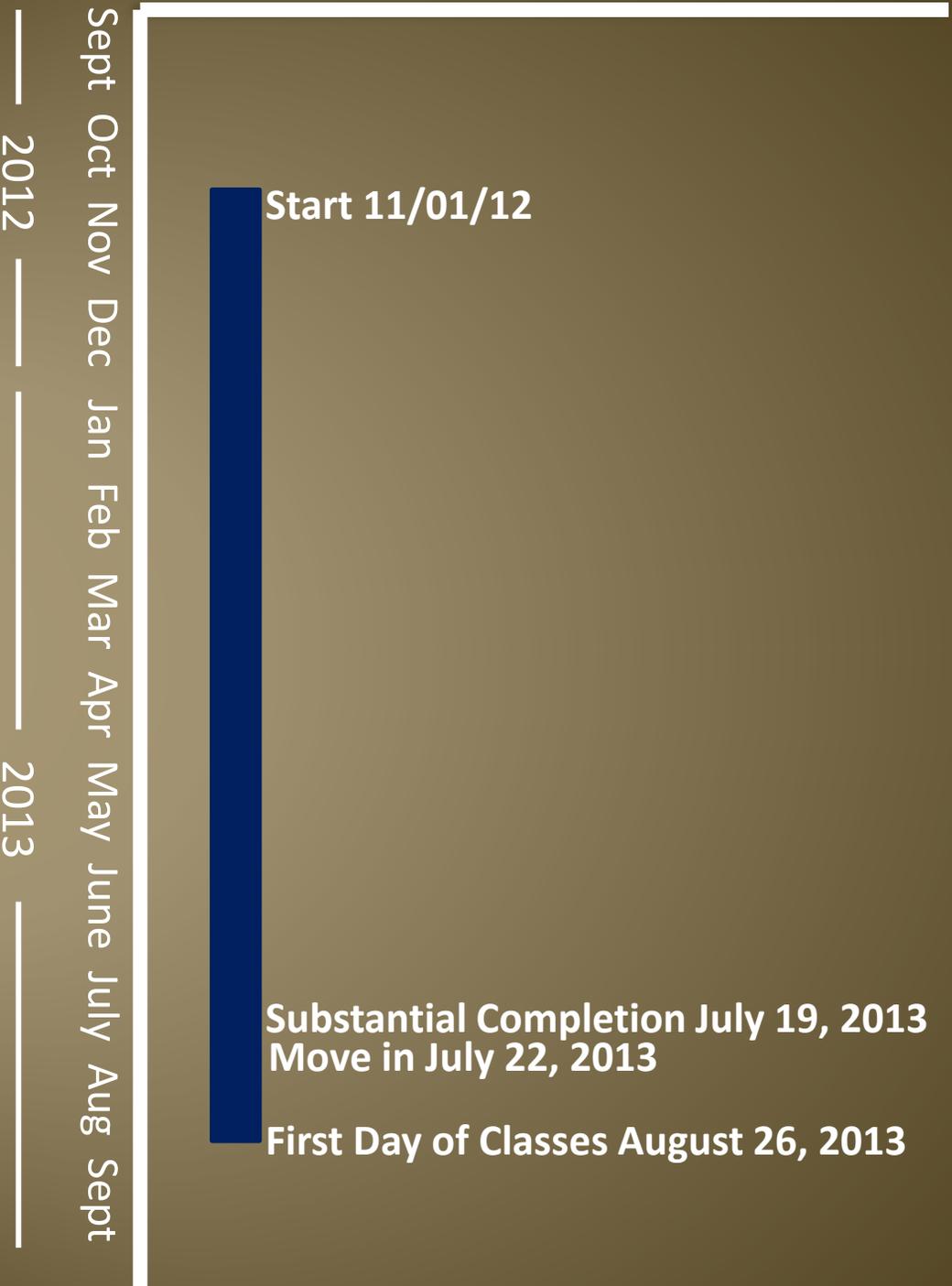


# NORTHWEST ENTRANCE (STUDENT LIFE)





## PROPOSED RENOVATION SCHEDULE



# Questions?

## BUILDING SQUARE FOOTAGE

	Gross Area	Fully Renovated (Not Shell Space)
First Floor	34,374 SF	~30,000 SF
Second Floor	27,115 SF	~11,500 SF
Third Floor	6,510 SF	
Elevator Penthouse	436 SF	
Total	68,435 SF	~41,500 SF



# **ESCOBEDO AT VISTA VERDE APARTMENTS**

**Amended and Restated  
Phase 1 Lease**

**10/11/12**



# Council Actions: July 9, 2012

Agreements for Both Phase 1 and Phase 2: Two Separate LLC's

- Two Development Agreements
- Two Lease Agreements
- Two Land Use Restrictions
  - Recorded and run with the property
  - N. of University: Residential low-mod income rental
    - Possible carve out for Helen's Hope Chest
  - S. of University: Services consistent with STF mission



# Revised Agreement

## Major Points

- 65 year lease term
- Years 1-18: \$6,000/yr. rent with 3% annual escalator
- Years 19-30: \$29,000/yr rent with 3% annual escalator
- Years 31-65 Fair Market Rate Rent



# Major Points

- Boston Capital: Equity Investor for LIHTC (99.99% partner)
- Bank of America: Leasehold Mortgagee (not a partner)
- Gorman or the Equity Investor or the Leasehold Mortgagee may be replaced
- Any increased debt must be used to improve the property or pay for closing costs



# Major Points

- Default and cure periods extended to allow Equity Investor or Leasehold Mortgagee to correct problems
- STF may only transfer their purchase option with the approval of the City
- Section 32 added to address Leasehold Mortgagee requirements



# Alternatives

- Approval of Agreements as Drafted
  - Allows Phase 1 to continue with ADOH LIHTC award
- Specify Changes to Agreements
  - Can specify now and allow Phase 1 to continue
  - If changes not agreed to now, Phase 1 delayed
- Deny Approval of Agreements
  - Phase 1 LIHTCs will not be approved by ADOH
  - Prior Direction: Rights reserved until 2013



# ● QUESTIONS?

# Central Mesa Light Rail Extension Business Assistance

NEDCO Professional Services Contract

October 11<sup>th</sup> 2012



# Purpose

- Provide an update on FY 11-12 Light Rail Business Assistance efforts administered by Neighborhood Economic Development Corporation (NEDCO)
- Seek Council feedback and support on a proposal to contract with NEDCO to provide marketing and technical assistance to businesses impacted by the Central Mesa Light Rail Extension



# Background

- For FY11-12, NEDCO was selected to receive a \$250,000 award through Mesa's Community Development Block Grant (CDBG) Program to provide marketing and technical assistance to businesses impacted by the Central Mesa Light Rail project
- NEDCO administered a successful business assistance program in FY11-12 that complemented other efforts from METRO and many other community partners
- For FY12-13, NEDCO was selected to receive a \$250,000 award through Mesa's Community Development Block Grant (CDBG) Program for light rail business assistance

# Background cont.

- As a result of recent interactions with the U.S. Housing and Urban Development Department (HUD) it was determined that the use of CDBG funds for this type of activity created some challenges.
- City staff believes the services offered by NEDCO have been an extremely valuable resource to the existing business community.
- City staff believes the services offered by NEDCO complement Mesa City Council's Economic Development Strategic priority.



# FY11-12 Program and Results

- Developed comprehensive database of all existing businesses within the program service area- 464 businesses in area
- Contracted with 17 business consultants and provided technical assistance for 145 businesses in Marketing, QuickBooks, Financial Reporting, Business Planning, Financing and Loan Packaging, Information Technology, and specific Restaurant business counseling.
- 183 businesses enrolled in the program with 47% qualified for the City energy rebate voucher program



# FY11-12 Program and Results

- 92 Business Training and Workshops were conducted with over 600 business attendees
- 39 promotional videos with marketing plans created for Downtown businesses
- Downtown Mesa YouTube Channel created
- Downtown branding (directional kiosks, Cubs promotions, comprehensive Downtown marketing campaign, door hangers to surrounding residential neighborhoods, 3 for Free, MAC Store vendors, coupon offer for Hispanic businesses)

# 2012-2013 Scope of Services

- One on One Technical assistance in General Business, Marketing, Accounting, Financing and Loan Packaging, Human Resource Planning, Organizational Development, Risk Management, Information Technology Systems and specific Restaurant, Retail and Hispanic business counseling
- Business Workshops, 2 per month
- Training Meetings, 4 per month, including 1 Merchant, 1 Restaurant, 1 Retail, 1 Hispanic
- Program Marketing, including monthly business / outreach newsletter
- Program Data Management

# Proposal Key Points

- Professional Services Contract with NEDCO for marketing and technical assistance to support the businesses impacted by the Central Mesa Light Rail Extension
- Contract amount not to exceed \$200,000
- Contract ends on June 30<sup>th</sup> 2013
- Program funding to come from the General Fund not CDBG
- Monthly and quarterly reporting on progress towards deliverables



# Questions



# Regional Waste Solutions

October 11, 2012



# BACKGROUND

- Existing Contracts --- Expire 2013 -- 2015
- City Council Strategies
  - Regional Leadership
  - Financial Stability

# NEXT STEPS

- Execution of the IGA by all Parties
- Cities will develop a RFP for a Consultant
- Goals of the IGA

# NEXT STEPS

- Mesa will be the Lead Agent
- Fiscal Impact

# Questions?



# CITY OF MESA MOBILE EMERGENCY ELECTRIC GENERATORS

OCTOBER 11, 2012

Fire & Medical Services Department  
Energy Resources Department

# BACKGROUND

- June 30, 2011 transformer Fire at SRP's Thunderstone Substation
- Caused outage on regional, interconnected electric grid including the Rogers Substation that Mesa owns jointly with SRP (operated & maintained by SRP)
- Very difficult to accurately forecast when Energy Resources would be able to restore electric utility service
  - Nature of equipment failures at multiple substations
  - Summer load conditions complicate steps to restore power
  - Repair of temperature sensor at Rogers Substation by SRP
- Rogers Substation outage impacted electric customers served by Mesa's electric utility for approximately 45 minutes.

# ELECTRIC UTILITY EMERGENCY OPERATIONS PLAN

- Generation: diverse supplies, standardized contracts with repercussions for non-delivery
- Transmission (> 69 kilo-Volts): Redundant paths
- Transmission substation (Rogers):
  - Multiple & redundant components(bays) & paths
  - Alternative deliveries via ties with SRP's 69 kV system
- Mesa's 69 kV transmission "loop": event causing an outage can be isolated and power re-routed

# RESPONSE TO JUNE 2011 OUTAGE

- City Manager requested development of plan to:
  - Minimize outage time
  - Provide certainty for when power would be restored during such events
- Internal team assembled to develop plan:
  - Reviewed current emergency electric generating capabilities & requirements of City buildings & facilities
  - Identified supplemental emergency electric generators as a solution
  - Meet electric needs of various City buildings (Plug & Play)
  - Three 500 kW mobile generators
    - Two funded by Energy Resources (November 5<sup>th</sup> council meeting)

# PROCUREMENT & FUNDING

- City of Tucson Cooperative Agreement with Caterpillar
  - Reviewed Tucson 2011-12 RFP process
  - Purchase/delivery via Empire Machinery (Mesa)
  - Validated pricing via quotes for similar equipment
  - Discounts thru contract & purchase of multiple units
- Total costs of \$ 567,483
  - \$ 185,000 Arizona Department of Homeland Security (AZDOHS) grant to Mesa Fire & Medical Department
  - \$ 295,000 in Energy Resources FY 2012/13 Capital Fund
    - \$ 87,483 from Utility Fund
- Grant funded 500 kW unit gives Mesa and region a source of emergency power

# PREPARATIONS FOR DELIVERY & OPERATIONS

- Witness of actual mobilizations by Empire for emergency response service (Mesa Communications Building)
- Training for operations & maintenance
- Acceptance testing
- Development of emergency preparedness & planning drills
  - Monthly tests & operations
  - Mobilization & demonstration testing of Emergency Electric Generators

# Questions?

# 2013 EMPLOYEE BENEFITS PROGRAM

COUNCIL PRESENTATION  
October 11, 2012

# Insurance Plans

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- ❑ The City provides four main insurance benefits to employees:
  - ❑ Medical (4 plans)
  - ❑ Dental (3 plans)
  - ❑ Vision (2 plans)
  - ❑ Life
- ❑ Plans are funded with:
  - ❑ Contributions from the City
  - ❑ Employee premiums
  - ❑ State retirement system subsidy
- ❑ Dental, Vision, and Life are self sustaining

## Good News in Medical Costs

- The City achieved its 80/20 contribution philosophy this year (one year early)
  - The City contributes 80% of the total cost of the benchmark Choice Plan
  - City contribution is the same for all employees regardless of plan
- National healthcare trends forecast 9% increases - -
  - Due to cost savings measures, **Mesa's forecasted increase for 2013 is approximately 5%**
  - Increases in subsequent years will be closer to national averages

# Example Cost Savings Strategies

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- Allowable cost model for Out-of-Network **\$200,000 savings**
- Out-of-State Network Contract **\$200,000 savings**
- Pharmacy Benefits manager Contract **\$3.7 million savings (over 3 yrs)**
- Employee Assistance Program Contract **\$6,800 savings**

# City Contributions

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- City contributions will increase by approximately \$3 million for FY 12/13
- City contributions are budgeted on a fiscal year basis, while the plans are managed on a calendar year basis

# Coverage Highlights

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- Medical Plan
  - ▣ No change to deductibles, co-insurances or co-pays
  - ▣ No change to Out-of-Pocket maximums
- Dental plan
  - ▣ No changes to deductibles, co-insurances, maximums or premiums
- Vision plan
  - ▣ No changes
- New Pharmacy Benefits Manager – CVS Caremark
  - ▣ Fill all long-term prescriptions at retail CVS pharmacies for mail order prices!

## Coverage Highlights

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- ❑ Flexible Spending Account (FSA)
  - ❑ *Healthcare* annual spending cap - \$2,500 (down from \$3,000 due to Health Care Reform requirement)
- ❑ Choice Plus Plan
  - ❑ Frozen – no new enrollments
- ❑ Moving to Current Month Collection of Premiums
- ❑ 2013 Health Care Reform Initiatives
  - ❑ Additional Preventive Care services for women covered at 100%

# Monthly Medical Premiums 2013 - Active Employees

## 2012 Current ACTIVE EMPLOYEES

	Total	City	Employee
<b>CHOICE PRO PLAN (80/20)</b>			
Single	\$481	\$385	\$96
Family	\$1,043	\$827	\$216
<b>CHOICE PLUS PLAN (90/10)</b>			
Single	\$780	\$385	\$395
Family	\$1,645	\$827	\$818
<b>COPAY CHOICE PLAN</b>			
Single	\$521	\$385	\$136
Family	\$1,276	\$827	\$449
<b>BASIC CHOICE PLAN (50/50)</b>			
Single	\$385	\$385	\$0
Family	\$827	\$827	\$0

## 2013 Proposed

	Total	City	Employee
<b>CHOICE PRO PLAN (80/20)</b>			
	\$498	\$398	\$100
	\$1,112	\$890	\$222
<b>CHOICE PLUS PLAN (90/10)</b>			
	\$793	\$398	\$395
	\$1,708	\$890	\$818
<b>COPAY CHOICE PLAN</b>			
	\$535	\$398	\$137
	\$1,339	\$890	\$449
<b>BASIC CHOICE PLAN (50/50)</b>			
	\$398	\$398	\$0
	\$890	\$890	\$0

# Monthly Medical Premiums 2013 – Retirees (with 20 years)

## 2012 Current

	Total	City	RETIREE
<b>CHOICE PRO PLAN (80/20)</b>			
Single	\$582	\$385	\$47
Family	\$1,215	\$827	\$128
<b>CHOICE PLUS PLAN (90/10)</b>			
Single	\$836	\$385	\$301
Family	\$1,656	\$827	\$569
<b>COPAY CHOICE PLAN</b>			
Single	\$760	\$385	\$225
Family	\$1,500	\$827	\$413
<b>BASIC CHOICE PLAN (50/50)</b>			
Single	\$535	\$385	\$0
Family	\$1,087	\$827	\$0

## 2013 Proposed

	Total	City	RETIREE
<b>CHOICE PRO PLAN (80/20)</b>			
Single	\$595	\$398	\$47
Family	\$1,278	\$890	\$128
<b>CHOICE PLUS PLAN (90/10)</b>			
Single	\$849	\$398	\$301
Family	\$1,719	\$890	\$569
<b>COPAY CHOICE PLAN</b>			
Single	\$773	\$398	\$225
Family	\$1,563	\$890	\$413
<b>BASIC CHOICE PLAN (50/50)</b>			
Single	\$548	\$398	\$0
Family	\$1,150	\$890	\$0

## Current Benefit Providers/Annual Contracted Rates

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- ❑ BCBS – In-Network Lease - \$592,875
- ❑ BCBS Out-of-State Provider - \$130,212
- ❑ Medical Stop-Loss Insurance - \$1,800,000
- ❑ Utilization Management (AZ Foundation), Claims Administration Technology and Services (EBIX, Docustream, PBA) - \$361,000
- ❑ Benefit Plan Consulting (Buck) - \$148,000
- ❑ Vision Services Plan (VSP) - \$828,000
- ❑ Short Term Disability (Mutual of Omaha) - \$552,000
- ❑ Basic and Supplemental Life (CIGNA) - \$1,308,000
- ❑ Employee Assistance Program (ComPsych) - \$60,000
- ❑ Pharmacy Benefit Manager (CVS) - \$111,231,000

# Open Enrollment 2012

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- October 22 – November 2
- Benefits Fair – October 24
  - Convention Center
  - Wellness booths
  - Wellness and benefit plan educational classes
  - Health Plan providers
  - Employee Network Discount vendors

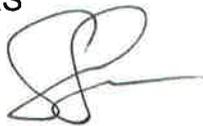
# Questions?



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mesaaz.gov

October 11, 2012

TO: CITY COUNCILMEMBERS  
FROM: MAYOR SCOTT SMITH   
SUBJECT: Appointments to Boards and Committees

Attached are my recommendations for one new appointment to City of Mesa Advisory Boards and Committees.

**Board of Adjustment** – Seven-member board with one new appointment.

Trent Montague, District 2. Mr. Montague is a financial advisor with Merrill Lynch/Bank of America. He holds a bachelor of science in finance from Arizona State University. Mr. Montague previously served on the Human Services Advisory Board. His appointment fills a vacancy created by the resignation of Nicholas Labadie. His partial term will expire June 30, 2013.