

## COUNCIL MINUTES

February 3, 2006

The City Council of the City of Mesa met in a Strategic Budget Planning Session at the Rendezvous Center, Apache Room, 263 N. Center, on February 3, 2006 at 8:05 a.m.

### COUNCIL PRESENT

Mayor Keno Hawker  
Rex Griswold  
Kyle Jones  
Tom Rawles  
Janie Thom  
Claudia Walters  
Mike Whalen

### COUNCIL ABSENT

None

### OFFICERS PRESENT

Christopher Brady  
Debra Dollar  
Paul Wenbert

#### 1. Meeting overview & expectations.

City Manager Christopher Brady stated that during his first 30 days at the City of Mesa, he has met with staff and solicited their input regarding a variety of budget issues. He explained that because he has not had the opportunity to hear from the Council in this regard, it is his hope that today's session would provide a venue whereby the Council could engage in an open dialogue relative to the City's budget constraints and also participate in an exercise to prioritize 65 different City programs. Mr. Brady also expressed appreciation to staff for their efforts and hard work in preparing for today's meeting.

#### 2. The 10,000-foot view: Vision for the City of Mesa from the 2005 Strategic Plan.

Quality and Organizational Development Advisor Denny Haywood reported that in September of last year, the Council was briefed on the 2005 update to the City's Strategic Plan. He explained that the Plan contains statements regarding the "Vision of the Future" for Mesa in seven key result areas. Mr. Haywood stated that the purpose of this agenda item is to briefly summarize how strategic planning is linked to operational planning and budgeting, and also to obtain Council input with regard to the seven vision statements. He further spoke concerning the development of the Strategic Plan.

Quality and Organizational Development Advisor Bill Follette displayed a PowerPoint presentation and provided a short synopsis of the vision statements depicted under the following key result areas: Community Safety; Local Infrastructure; Neighborhood and Environmental Vitality; Economic Development and Financial Health; Customer Focused Government; Effective Government; and Our People – Workplace Excellence.

The Council offered direction to staff regarding suggested language modifications to the vision statements.

3. Issues, trends and budget status.

Financial Services Director Bryan Raines distributed packets of material to the Council that would be utilized in the upcoming presentations. (The complete packet is available for review in the City Clerk's Office.)

a. Regional issues

Assistant Development Services Manager Jeff Martin provided an extensive analysis of various transportation issues that would impact the City of Mesa. He spoke regarding the following items:

- Implementation of Mesa's Arterial Street Program as a component of the Regional Transportation Plan
- Mesa's Operations and Maintenance Service issues
- Williams Gateway Freeway
- Funding for right-of-way protection
- Additional freeway projects, such as the US 60 widening from Gilbert Road to Crismon Road; Santan Freeway; Red Mountain Freeway; and Super RedTan Traffic Interchange
- Intelligent Transportation System
- Transit Service and Planning
- High Capacity Transit
- Transportation Planning Activities

Utilities Manager Dave Plumb provided an update on the new Arsenic Rule and the associated costs that Mesa would incur in order to comply with the law. He also discussed the Arizona Department of Environmental Quality's (ADEQ) Arsenic Compliance Policy and the implementation of possible solutions by the City to address the policy such as allocating resources to build and maintain treatment plants, and constructing new wells and facilities. Mr. Plumb additionally reported on the 91<sup>st</sup> Avenue Wastewater Treatment Plant and Arizona's ongoing drought conditions.

Fire Chief Harry Beck highlighted the Mesa Fire Department's regional Fire Service training efforts. He reviewed the Department's educational services contract with Mesa Community College (MCC) and also its partnership with the college to develop a campus for regional paramedic training and recruit training classes. Chief Beck, in addition, commented on the fact that the Phoenix Fire Department has discontinued its support for special operations classes (i.e., HazMat, water rescues and SWAT training). He further spoke relative to emergency medical services and the fact that an ever-increasing number of citizens do not have medical insurance; there is limited access to emergency rooms and hospital beds; and the fact that an increased demand on facilities exists due to the area's aging population.

(The meeting recessed at 10:10 a.m. and reconvened at 10:20 a.m.)

b. Trends and statistical information

Mr. Raines provided the Council with statistical data relative to the population and population growth of various municipalities between 1999 and 2004. He also reported, among other things, on various types of permits issued by the City of Mesa (commercial, retail, single family, multi-family), Mesa's utility consumption per customer, and a comparison of retail sales trends in Mesa, Gilbert and Chandler.

Assistant Budget Director Chuck Odom referred to a document entitled "2005/06 End of Fiscal Year Estimates, Excluding Quality of Life, Trust and Bond Funds" and offered a comparative analysis of staff's short-term forecast for FY 2005/06 utilizing actual expenditures through December 2005. He also cited significant revenue changes within the following categories: local sales tax; other licenses and permits; State sales tax revenue; fines and forfeitures; revenues from Electric, Gas, Water and Wastewater utilities; wages and benefits; and commodities and capital.

c. Status update: Expenditure and revenue trends

Budget Director Jamie Warner displayed graphics and highlighted the stability pay projections. He also discussed sales tax issues and noted that the FY 2005/06 one-cent sales tax revenue is now forecasted to grow at a rate of 8.6% over last fiscal year's actual receipts. Mr. Warner added that with regard to the State shared revenue forecast for FY 06/07, the State is anticipating a 27.2% increase in State income revenues, and said that State sales tax receipts in Mesa are forecast to increase 6.2%.

d. Discussion and direction of budget items and policies

Mr. Warner referred to a revenue/expenditure wheel diagram, which depicted FY 2005/06 General Governmental Budget of \$326.6 million and illustrated various funding sources (enterprise transfers, State shared revenues, one-cent sales tax, and other revenues) that are necessary in order to pay for City services and programs.

Mr. Raines spoke regarding the City's current repayment schedule for General Obligation (GO) bond debt and utility bond debt. He also discussed the potential restructuring of such debts to enable the City to more effectively estimate future GO bond costs in order to achieve greater predictability.

Mr. Raines reported that when staff addressed various budget issues with the Council last December, they were working with a potential forecast model of \$37.7 million in City program and service reductions for FY 2006/07. He explained that at that time, the Council entertained the following two revenue alternatives: 1.) Pinal County Land Release Program; and 2.) including a requirement in future General Obligation bond elections, if approved by the voters, that a secondary property tax be levied to repay the bonds.

Mr. Raines stated that if the Council directed staff to proceed with the sale of approximately \$110 million in Pinal County land over the next 11 years, the amount required in program and service reductions would decrease to \$31.7 million. He explained that the requirement that a secondary property tax be levied to repay all future General Obligation bonds would further decrease such reductions by \$7.7 million. Mr. Raines noted that the implementation of both

scenarios would enable staff to prepare a budget with a revised budget shortfall of \$25 million, and added that the amounts are based on the defeat of the sales tax increase and the primary property tax questions on the May 16, 2006 ballot.

An extensive discussion ensued among the Council regarding the two revenue alternatives; the fact that if both ballot measures fail, staff has identified \$3 million annually (and adjusted for inflation) to be earmarked for facility maintenance improvements and also an additional \$3 million for capital purchases (to be phased in over time); that even if both ballot measures pass, Mesa would continue to face the challenge of providing a high level of service and maintaining City revenues; and possible options for which the Pinal County sale proceeds could be utilized (i.e. leveling out the fund balance, payment of utility infrastructure).

Mayor Hawker stated that it was the consensus of the Council that staff incorporate the above-referenced revenue alternatives as components of the City's future budget preparation.

Mr. Warner provided a brief overview of the City's ending fund balance targets.

Mayor Hawker stated that it is the consensus of the Council that staff attempt to maintain Mesa's unrestricted fund balance at 10%.

Further discussion ensued relative to a series of utility transfer projections; Mesa's retirement contribution requirements; jail costs; future bond elections; and employee and retiree health care costs.

The Strategic Budget Planning Session recessed for lunch at 12:10 p.m. and reconvened at 12:34 p.m. with all members present.

#### 4. Budget Prioritization Process.

- a. Paired Comparison Process and Desired Outcomes.
  - i. Service Category Rankings
  - ii. Program Delivery Area Rankings

Mr. Brady explained that the paired comparison exercise would generate a ranked list of programs. He noted that administrative functions of the City are not included in this exercise due to the fact that future administrative adjustments would reflect the reductions implemented in the major service categories. He advised that the results would be presented to the Council at a future Study Session, and he added that the objective of the exercise is to develop a list of priorities that reflects the general consensus of the Councilmembers. Mr. Brady expressed the opinion that although the Council has "trimmed" many areas in the past, "surgery" may be required in order to address the budget deficit. He added that an alternative approach might be to offer fewer services in a quality manner as opposed to offering many services at a lower level of quality.

Discussion ensued relative to the fact certain service areas, such as libraries, should continue at a reduced level rather than being eliminated; that previous Council discussions focused on reducing programs without reducing the administrative costs; and that lower ranking areas may not generate sufficient cost reductions to address the budget deficit.

Mr. Odom outlined the manner in which the Council's ranking of the City's six major service categories and sub-categories would be calculated.

Information Technical Services Leader Stacey Knutson explained the operation of the remote keypads that the Council would use to prioritize the services displayed on the screen.

(The Councilmembers participated in the comparison exercise beginning at 12:50 p.m. and ending at 1:58 p.m.)

5. Upcoming Activities.

- a. Timing and content of the annual Budget Review process.

Mr. Brady stated that the report ranking City services would be available next week at a Study Session, at which time the Council would have an opportunity to discuss and comment on the results. He advised that the proposed budgets would address the various scenarios that included the possible failure of one or both of the ballot proposals.

- b. Planned District Town Meetings – 6:00 p.m. to 6:30 p.m. – Open House (program begins at 6:30 p.m.)

Mr. Brady noted that citizens would have a similar opportunity to rank City services at the upcoming District Town meetings, and that the input received from citizens would be made available to the Council. He advised that the meetings are scheduled as follows:

i.	District 1	February 7, 2006	Utilities Community Room
ii.	District 2	February 15, 2006	Field Elementary School
iii.	District 3	February 9, 2006	Dobson Ranch Library
iv.	District 4	February 16, 2006	Rendezvous Center
v.	District 5	February 13, 2006	Barbara Bush Elementary School
vi.	District 6	February 8, 2006	Augusta Ranch Elementary School

6. Wrap-up and Closing Comments.

Mr. Brady thanked the Councilmembers for participating in the comparison process.

7. Adjournment.

Without objection, the Strategic Budget Planning Session adjourned at 2:05 p.m.

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KENO HAWKER, MAYOR

ATTEST:

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BARBARA JONES, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Strategic Budget Planning Session of the City Council of Mesa, Arizona, held on the 3<sup>rd</sup> day of February 2006. I further certify that the meeting was duly called and held and that a quorum was present.

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BARBARA JONES, CITY CLERK

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