



# COUNCIL MINUTES

September 13, 2007

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 September 13, 2007 at 7:30 a.m.

## COUNCIL PRESENT

Mayor Keno Hawker  
Rex Griswold  
Kyle Jones  
Tom Rawles  
Scott Somers  
Claudia Walters  
Mike Whalen

## COUNCIL ABSENT

None

## OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Linda Crocker

### 1. Review items on the agenda for the September 17, 2007 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest declared: 7a (Somers); 10.1a (Hawker)

Items deleted from the agenda: None

Items removed from the consent agenda: 8f

### 2. Hear a presentation and discuss expenditure limitation alternatives.

Budget Director Chuck Odom displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and provided an extensive overview of this item. He reported that the Arizona Constitution requires that every city and town adopt a balanced budget and that the entity's estimated revenues/resources equal its appropriated expenditures. Mr. Odom explained that in addition, the Constitution imposes an expenditure limitation for all cities and towns based on FY 1979/80 expenditures (adjusted annually for growth and inflation) and further allows a local entity to approve an expenditure limitation alternative.

Mr. Odom highlighted various types of expenditure limitation alternatives including Home Rule, Permanent Adjustment of Expenditure Base, and One-Time Override Alternative. (See Attachment 1.) He stated that if the State Auditor General determines that a municipality has exceeded its expenditure limitation, a portion of the entity's State income tax allocation would be

withheld. Mr. Odom briefly reviewed the penalties associated with expenditure limitations less than 5%, more than 5%, and 10% or more of the total limit.

Discussion ensued relative to the fact that Mesa's current Home Rule authorization will expire June 30, 2008 unless approved by the voters; 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 in order to prevent the expiration of Mesa's Home Rule alternative before the voters have an opportunity to renew the alternative, the State Legislature approved a one-time exception to the State-imposed election cycle; that Mesa's next Mayoral/Council Primary Election is scheduled for March 11, 2008; and that Mesa's growth in expenditures (in excess of growth and inflation) is primarily the result of voter-approved increases in local and regional revenue sources (i.e., Quality of Life, local streets sales tax programs, and Proposition 400 regional transportation improvements).

Mr. Odom further indicated that if an expenditure limitation alternative is not approved prior to June 30<sup>th</sup>, it would be necessary for the City to reduce its FY 2008/09 budget by approximately \$100 million. He explained that if expenditures were not reduced, the expected penalty that would apply in FY 2009/10 would be \$22.2 million. Mr. Odom also spoke regarding various time schedules associated with referring the Home Rule option or a Permanent Base Adjustment alternative to the voters. He additionally outlined alternative Home Rule election timelines due to the change in the City Council election cycle. (See Attachment 2.)

City Manager Christopher Brady stated that the Arizona Constitution places a restriction on cities to live by a formula almost 30 years old and commented that it is an archaic way of conducting municipal budgeting. He noted that the voters of Phoenix have approved the Home Rule override six consecutive times and added that those communities that have not selected this expenditure limitation alternative are small and have not experienced significant growth over the last several years.

Mr. Brady also remarked that staff is prepared to respond to any questions the Council may have regarding Home Rule and Permanent Base Adjustment alternatives. He added that at the September 20, 2007 Study Session, staff would seek further direction from the Council in this regard.

An extensive discussion ensued among the Council and staff regarding various scenarios related to the expenditure limitation alternatives; the fact that debt service is excluded from the expenditure limitation; that the Permanent Base Adjustment increases the 1979/80 expenditures based on the State's adjustment for population growth and inflation; that in the future, if additional taxes were approved by Mesa voters, that amount would not be considered in the number and an additional Permanent Base Adjustment may be necessary; that in the last five years, Mesa has experienced significant increases in personnel costs (i.e. retirement and health insurance); that if the Council adopted a Permanent Base Adjustment alternative, after two years the Council could place a Home Rule initiative on the ballot if they so chose; and that Home Rule allows a city to determine its own expenditure limitation within available revenues and resources.

Mayor Hawker expressed concern relative to this Council's legacy of turning over the City in good financial condition to a future Council and that it "stays that way."

Councilmember Rawles requested that staff provide the Council with a breakdown regarding the amount of the potential \$100 million that the City is projected to exceed the FY 1979/80 base that would be attributable to an increase in revenue sources as opposed to personnel costs.

Vice Mayor Walters stated that it makes sense to her to proceed with a hybrid model, consisting of the Permanent Base Adjustment for the 2008 election and targeting 2012 for a Home Rule election. She also expressed concern regarding how the City could overcome the inclusion of a cushion for commodity cost increases in the Permanent Base Adjustment formula and not causing "sticker shock" for the voters.

Mayor Hawker requested that staff contact Scottsdale, Peoria, Tucson, Goodyear and Fountain Hills to inquire how those communities set their Permanent Base Adjustments and the reasons for doing so.

Councilmember Somers commented that if Mesa is not on sound financial footing, the projected growth at the Mesa Proving Ground could be significantly impacted. He also voiced concern regarding the possibility that Mesa would be unable to spend its share of the Proposition 400 funding for various City transportation projects.

Councilmember Whalen stated that Mesa voters are accustomed to voting for the Home Rule option.

Further discussion ensued relative to the fact that under the Arizona Constitution and State Statutes, in order to place a Home Rule question on the ballot, the City must provide specifics with regard to notification to the newspapers and the Council must hold two public meetings before they can call the election; that with regard to a Permanent Base Adjustment, the City is not required to hold the public meetings; that at the September 20<sup>th</sup> Study Session, the Council will be asked to provide direction as to whether staff should begin this process; that the Council has until November to make their final decision with regard to which expenditure limitation alternative they choose; and that the Constitution allows that both the Home Rule and Permanent Base Adjustment questions may be placed on the ballot if the Council so chose.

Mr. Brady stated that if the Council chooses the Permanent Base Adjustment, it would be necessary to make that decision fairly soon in order to provide staff sufficient time to educate the public with regard to the issue.

Councilmember Jones suggested that when staff conducts an analysis of the City's budget as compared to those cities and towns that have used the Permanent Base Adjustment, that they account for the fact that Mesa owns various utilities and the other communities do not.

Councilmember Rawles noted that this Council has worked very hard to regain credibility in the community with regard to budget practices, financial decisions and financial forecasting led by Mayor Hawker. He stated that he is uncomfortable turning over "a blank check" for four years to the next Council. Councilmember Rawles added that the idea of some kind of fiscal stability and legacy is driving his interest in exploring the Permanent Base Adjustment alternative.

Mayor Hawker thanked staff for the presentation and said he looks forward to further discussion at the September 20<sup>th</sup> Study Session.

3. Hear a presentation and discuss potential capital bond projects for Police and Fire.

Mr. Brady commented that the purpose of today's presentation is to provide staff an opportunity to review a comprehensive list of public safety projects and the operations and maintenance (O&M) impact on those capital needs. He stated that the funding mechanisms for the various projects would be discussed at a later date.

Mr. Odom displayed a PowerPoint presentation (A copy is available for review in the City Clerk's Office) and reported that the items included within the Public Safety Capital Improvement Program represent projected public safety needs for the next five years. He explained that the priorities are based on the needs of a community that encompasses over 132 square miles and has a population of 460,000 residents. Mr. Odom advised that staff also provided the Council a detailed analysis of the 16 projects, which includes total project estimates and O&M costs for the first full year.

Police Technical Services Manager Shirl Butler, Police Chief George Gascon, Fire Chief Harry Beck and Assistant Fire Chief Gary Bradbury offered an extensive analysis of the 16 Public Safety Capital Improvement Projects. (See Attachment 3.) (Note: The handout describing detailed project descriptions, project costs, first full year O&M costs and project timelines is available for review in the City Clerk's Office.)

In response to a question from Vice Mayor Walters regarding the Emergency Radio Communications System, Mr. Butler clarified that staff anticipates cyclical upgrades of the equipment due to aging technology. He explained that one element that is not predictable is if the Federal Communications Commission (FCC) implements certain requirements that would cause staff to "change out" equipment.

Councilmember Rawles requested that staff provide the Council with information relative to the reason why the FCC is requiring that the City change its 800-megahertz bandwidth to a 700-megahertz bandwidth.

Vice Mayor Walters stated that she would like a response from the Federal government at some point regarding Homeland Security grants being used to offset the City's costs to comply with FCC regulations.

Discussion ensued relative to the possible locations for the replacement of Fire Station 215 and Police Station; that the arraignment center would provide an organized and efficient processing of detainees through the justice system; and that staff is proposing the Pima County model for the arraignment center.

Councilmember Rawles noted that staff's presentation that the arraignment center is part of a bond package assumes that the Council has already made a decision in that regard. He stated that the Council spent a considerable amount of time designing the Mesa Municipal Court Building, which included an in-custody arraignment center, and said he finds it troubling to have a change in that decision come forward as part of a bond package. Councilmember Rawles added that although staff's proposal would reduce transportation and personnel costs, he does not believe that the Council made a clear-cut policy decision concerning this matter.

Court Administrator Paul Thomas advised that he and Presiding City Magistrate Matt Tafoya supported the concept of an arraignment center even before the design of the new court building was finalized. He noted, however, that it is essential that the facility is fully resourced.

Vice Mayor Walters concurred with Councilmember Rawles comments, but expressed support for staff's model for the arraignment center.

Chief Gascon said that he would recommend that the City hire a consultant to conduct master planning for future public safety needs and in particular, the necessity for a new eastside police station and holding facility.

Further discussion ensued relative to the importance of building a Fire Operations Center that would house Fire Administration staff at one central location; that the renovation of five fire stations would provide, among other things, infectious control decontamination areas, diesel exhaust removal and turnout storage; and additional Fire Department capital improvement projects for Council consideration.

Mayor Hawker thanked staff for the presentation.

4. Appointments to boards and committees.

Mayor Hawker recommended the following appointments to boards and committees:

MUSEUM & CULTURAL ADVISORY BOARD

Lars Nielson – Term Expires June 30, 2008

HISTORIC PRESERVATION COMMITTEE

Eric Goldman – Term Expires June 30, 2008

It was moved by Vice Mayor Walters, seconded by Councilmember Jones, that the Council concur with the Mayor's recommendations and the appointments be confirmed.

Carried unanimously.

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

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

6. Scheduling of meetings and general information.

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

Monday, September 17, 2007, TBA – Study Session

Monday, September 17, 2007, 5:45 p.m. – Regular Council Meeting

Thursday, September 20, 2007, 7:30 a.m. – Study Session

Thursday, September 27, 2007, 7:30 a.m. – Study Session

7. Items from citizens present.

There were no items from citizens present.

8. Adjournment.

Without objection, the Study Session adjourned at 10:05 a.m.

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KENO HAWKER, 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 13<sup>th</sup> day of September 2007. 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

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(attachments – 3)