



2005 CITIZEN BOND COMMITTEE

September 14, 2005,

The 2005 Citizen Bond Committee met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on September 14, 2005 at 6:01 p.m.

COMMITTEE PRESENT

Eric Jackson, Chairman
Craig Ahlstrom
Beth Coons
Pat Gilbert
Robert Hisserich
Greg Holtz
LaShawn Jenkins
Albert McHenry
Judy O'Neill
Scott Rhodes
Bob Saemisch
Deanna Villanueva-Saucedo

COMMITTEE ABSENT

Michele Fiore
Linda Flick

COUNCIL PRESENT

None

STAFF PRESENT

Anthony Araza
Tim Barnard
Jeff Gould
Gordon Haws
Joe Holmwood
Jim Huling
Karen Kille
Eric Norenberg
Bryan Raines
Doug Tessendorf
Tom Wilson

Chairman Jackson excused Committeemembers Fiore and Flick.

Committeemember Jenkins arrived at 6:04 p.m. and Committeemember Saemisch arrived at 6:11 p.m. Committeemember Holtz left the meeting at 6:33 p.m.

1. Approval of minutes of previous meeting.

Special Assistant to the City Manager Eric Norenberg noted that a correction was required to the last sentence on page 3 of the August 31st minutes. He stated that the reference to "...items 5, 14, 15, 16, and 17" should read "...items 5, 13, 14, 15 and 16."

It was moved by Committeemember O'Neill, seconded by Committeemember Hisserich, that the minutes of the August 31st meeting be approved, as corrected.

The motion was carried unanimously by those present.

2. Hear and discuss any additional information requested at the last meeting and consider tentative approval of previously presented bond program.

Mr. Norenberg noted that questions raised by the Bond Committee at the last meeting were addressed in his memo dated September 7, 2005, which was included in the meeting packet. He advised that staff is gathering data regarding the amount of revenue generated per customer in the Magma district of the natural gas system, and that information will be provided at a later date.

Committeemember Gilbert stated that he found the responses to be helpful. He expressed the opinion that adding a project to underground overhead 12KV lines to the electric utility bond package would garner community support for the entire package.

Discussion ensued relative to the fact that present plans for the Light Rail Transit (LRT) system, which extends the line to the Tri-City area only, is projected to be on line in fiscal year 2008-09; and that the LRT system would have no impact on the City's electric utility lines.

Committeemember Rhodes suggested that financing the undergrounding of utility lines could be addressed by individual neighborhoods utilizing Special District financing. He expressed concern that including this item in the bond package would be a disincentive for neighborhoods to utilize Special District financing.

Vice Chairman Villanueva-Saucedo stated the opinion that Special Districts would not be a financially practical option for lower-income populations in older neighborhoods.

Electric Division Director Jeff Gould advised that the reason staff did not address residential neighborhoods was because many homes would require the lines to be buried up to the house, the cost of which would be the responsibility of the homeowner. He noted that staff would provide cost information regarding the cost to underground lines in different areas of the City.

Committeemember Saemisch expressed the opinion that businesses, particularly in the Town Center, could benefit from undergrounding the utility lines, but he added that this proposal should be investigated further only if that is the desire of the Committee majority.

Additional discussion ensued relative to the fact that overhead power lines exist on approximately 70 to 80 miles within the City of Mesa; that the \$1 million cost per mile addresses the cost to underground lines along a major roadway, such as University, Broadway or Mesa Drive; that staff should provide additional cost information regarding undergrounding lines on residential streets and the cost to homeowners; that staff is to provide a map that indicates the location of overhead lines within the City of Mesa; and that staff is to provide a comparison of maintenance costs for underground lines and overhead lines.

Committeemember Holtz referred to item #1 in Mr. Norenberg's memo. He noted that although information received from the City's bond attorney indicates that capital assets can be bonded, he expressed the opinion that the line items are not subject to capitalization in accordance with financial accounting principles. He added that these items might be subject to capitalization in a regulatory environment for rate purposes only. Committeemember Holtz suggested that consideration of the line items be deferred to a later date. He requested that staff provide him with a copy of the City's capitalization policy.

Financial Services Manager Bryan Raines offered to provide an opportunity for Committeemember Holtz to meet with the City's bond attorney, the auditors and other bond experts in order to obtain detailed information regarding the City's current practices.

In response to Committeemember Rhodes' comment that the charge to the Committee does not concern the legality of the bonds, Mr. Holtz advised that he had a practical concern that some of the amounts appear to be operating expenses, which he believes should not be capitalized.

It was moved by Committeemember Ahlstrom, seconded by Committeemember Coons, that the Committee defer their final decision on these items to a later date.

The motion was carried unanimously by those present.

Responding to a question from Committeemember Coons regarding lighting, Capital Improvement Projects Administrator Anthony Araza confirmed that Community Development Block Grant (CDBG) funds have been utilized to upgrade the lighting of older neighborhoods. He explained that the costs of lighting improvements could be addressed through bonding, revenues and CDBG funds. He added that staff would provide information to the Committee regarding the City's plan to implement lighting improvements.

3. Hear and discuss a presentation on Municipal Services Facilities Bonds.

Mr. Araza advised that this bond program represents projects from various City departments and divisions that do not have specific bond programs. He explained that the projects benefit many of the City's Responsibility Centers (RCs) which provide administrative support, such as Personnel, Fleet Support, the City Manager's Office, Economic Development, etc.

Mr. Araza displayed a PowerPoint presentation titled "Municipal Services Facilities and Technology Bonds" (a copy is available for review in the City Clerk's Office). He referred to the spreadsheet titled "Municipal Service Facilities and Technology Bonds – 9850" and outlined the proposed projects. Mr. Araza noted that items 10 through 13 on the spreadsheet are projects required in order to cool the City's municipal service buildings as well as to provide service to the future Mesa Community College (MCC) downtown campus. He stated that line items 3 through 7 address the East Mesa Service Center's (EMSC) additional space requirements that result from the area's increased service demand. He added that these items include a new Development Services facility and a warehouse expansion project. Mr. Araza stated that line items 8 and 9 on the spreadsheet address the installation of fiber optics infrastructure, which will enhance the delivery of services to Mesa citizens. He noted that aging infrastructure replacement includes an additional chiller and an emergency generator in order to maintain police services and improvements to the former Bank One parking lot. Mr. Araza said that "high profile" projects include information systems fiber optics infrastructure and a potential to partner with MCC to provide fiber optics to downtown area facilities and Arizona State University (ASU) Polytechnic at Williams Gateway Airport (WGA). He noted that when different uses are installed in the same trench, a cost-saving opportunity exists as a result of one-time construction costs. He further advised that economies of scale could be achieved by joint trenching utilizing Intelligent Transportation Systems (ITS) in order to serve other City facilities in the same trench. He added that the proposed bond project would ensure that the City's financial resources are present at the same time that ITS funds are allocated by the Maricopa Association of

Governments (MAG). He explained that ITS funds have limited uses, are time sensitive and require a five percent local match. Mr. Araza stated that the Satellite District Cooling Plant is a high-profile project that will provide cooling to the Sixth Street Service Center Complex, and he added that it also provides additional capacity and redundancy to all buildings tied to the downtown district cooling system. He reported that the additional operations and maintenance budget expense and personnel costs that would result from these capital bond projects are estimated at approximately 2.2 percent for Facilities Maintenance, less than 1 percent for the Town Center, less than 1 percent for Engineering, Building Safety and Customer Service, and 36 percent for the Warehouse.

In response to a question from Committeemember Gilbert, Committeemember McHenry stated the opinion that fiber optics would be in place for the foreseeable future due to the amount of money expended for installation of fiber optic lines, and the fact that a hard fiber connection offers greater security and reliability than a wireless system.

Chief Information Officer Karen Kille advised that the City's cost for service provided by Qwest and other contract providers is approximately \$600,000 annually. She provided information on the service requirements for the Mesa Cemetery, Hohokam Stadium, City golf courses and other satellite areas and the expectations of users of these facilities. Ms. Kille also advised that some of the project areas presently have conduit in the ground as a result of the City working in concert with the Intelligent Transportation System.

Discussion ensued relative to the fact that Transportation personnel coordinate conduit installation within the City; that the City installs conduit in open trenches when funds are available; that the City partners with the Electric Division to install conduit; and that the City enters into short-term leases to obtain service from Qwest, Cox and Cable America.

It was moved by Committeemember Gilbert, seconded by Committeemember McHenry, that the Committee tentatively adopt the proposal for Municipal Facilities Services Bonds, pending discussion of the bonds at the final Committee meeting.

The motion was carried unanimously by those present.

4. Hear and discuss a presentation on Parks, Recreation and Open Space Bonds.

Community Services Manager Joe Holmwood advised that Community Services is comprised of four divisions: Parks and Recreation, Arts and Cultural, the Library and the Commercial Facilities Division (golf courses, the cemetery, the Amphitheatre, and the Convention Center). He stated that the focus of the bond proposal is Parks and Recreation, the Southwest Museum, and the golf courses. He noted that the Library is not included in this proposal because they have existing bond capacity and the Library is presently updating their Master Plan.

Mr. Holmwood noted that the proposed projects are based on the Parks and Recreation 2025 Master Plan, which included significant public input. He displayed a PowerPoint presentation that outlined goals of the Parks and Recreation Master Plan and the City's current status relative to achieving the goals. Mr. Holmwood noted that land acquisition is extremely important as the City continues to grow. He reviewed prior bond-funded projects, and he noted that in the past 20 years only 1/12th of the Red Mountain Park has been developed.

Parks and Recreation Management Support Administrator Tim Barnard continued the PowerPoint presentation, which outlined the bond proposal. He noted that the focus is on new development projects, aging infrastructure and acquisition of land for future development. Mr. Barnard explained that the recommendations are identified in the Parks Master Plan and supported by the results of a citizen survey completed in August 2005. He noted that the Va Shly'ay Akimel project represents a unique partnership between the City of Mesa and the Indian community.

Mr. Barnard summarized that the proposed bond projects represent a three percent increase in the annual operation and maintenance expenses and personnel costs for the Community Services Department.

In response to questions from Committeemember Gilbert, Senior Civil Engineer Gordon Haws advised that 17,000 acre feet of water for the Va Shly'ay Akimel project would be provided by the Salt River Pima-Maricopa Indian Community from surface water and groundwater rights that they are presently not using. He explained that the construction of infrastructure to deliver the water is planned as part of the project, but he noted that this proposal is in the early stages and that a project feasibility study has just been completed.

Committeemember Gilbert suggested that the ballot language be more descriptive and link the bond proposals to the 2025 Plan. He recommended that Mesa Grande, a neighborhood center, canal paths and joint projects with the Flood Control District be included in the Committee's consideration of projects. He also noted that the ongoing operation and maintenance expense is a major factor when considering the projects.

Committeemember Rhodes agreed that the Committee should consider the additional projects. He expressed the opinion that safety-related projects should have a higher priority. He suggested that the City consider revenue sources other than bonds for capital projects, such as implementing a golf course fee increase to address restroom improvements or applying for grants for the Va Shly'ay Akimel project. He also stated the opinion that including project cost estimates establishes the price that the City will pay for a project.

Assistant to the City Manager Jim Huling advised that Va Shly'ay Akimel is a partnership between the City, the Federal government (U.S. Army Corps of Engineers), and the Salt River Pima-Maricopa Indian community. He reported that the Federal government paid for the cost of the initial study to determine Federal interest in the project. Mr. Huling added that the Federal government paid 50 percent of the cost to complete the feasibility study, and that the City and the Indian community were each responsible for 25 percent. He explained that 75 percent of design phase cost is Federally funded with the remaining 25 percent split between the local partners, and that 65 percent of the construction costs will be Federally funded with the remaining 35 percent allocated between the local partners at a percentage yet to be determined. Mr. Huling noted that the Maricopa County Flood Control District appropriated \$100,000 for the cost of the design phase, and they have agreed to join as a study team member because of flood control aspects associated with the project.

Mr. Barnard added that staff continues to work with the Maricopa County Flood Control District relative to the design and location of the Red Mountain Freeway from McDowell to University and to negotiate agreements for shared use of their facilities for multi-use paths.

Committeemember Rhodes expressed concern that a Va Shly'ay Akimel bond proposal in the amount of \$6.5 million provides a disincentive for the project to be completed at a lower cost. He noted that he has a philosophical concern with the process.

Southwest Museum Administrator Tom Wilson advised that Mesa Grande is a six-acre, prehistoric Hohokam site purchased by the City six years ago. He stated that future plans include a visitors' center, interpretive trails and a laboratory facility. Mr. Wilson noted that Mesa Grande could become a major amenity for Mesa, and that visitor fees could defray a portion of the operation and maintenance costs.

Committeemember Hisserich stated opposition to dog parks and the Va Shly'ay Akimel project. He also expressed the opinion that lake erosion mitigation should be considered as maintenance.

Further discussion ensued relative to the fact that the City Attorney's office and Financial Division staff determined that erosion mitigation and light pole upgrades are eligible capital projects; that the Va Shly'ay Akimel project includes plans and features to control the mosquito population and to reshape the river bed in order to facilitate a low-flow channel that will allow floods to pass; and that the completed Va Shly'ay Akimel feasibility study included conceptual design, cost estimates, and alternatives that were considered by the Mesa City Council and the Indian community.

Mr. Huling advised that the local partners are negotiating with the Federal government regarding the design cost for the initial phase of the Va Shly'ay Akimel project. He noted that this is one of 25 projects in the Water Resources Development Act that was passed by the House of Representatives and is presently in the Senate. Mr. Huling stated that the local partners would be responsible for \$24 million of the estimated \$139 million project cost, and that the City and the Indian community are in the early stages of negotiations to determine the cost-sharing amounts. He explained that at the point of entering into the project construction agreement, the Federal government would require proof that the City is able to pay their share of the project, and the \$6.5 million bond would provide that proof.

Committeemember Saemisch expressed support for the project, and he noted that Va Shly'ay Akimel was part of a regional effort.

Committeemember Rhodes stated the opinion that the Generally Accepted Accounting Principles (GAAP) utilized by the City to qualify projects as capital assets was inappropriate. He suggested that the Committee utilize more stringent criteria to determine if a project should be bonded. He also questioned the manner in which proposed bond amounts were determined for specific projects.

Committeemember Saemisch noted that the museum has done an exceptional job raising funds and controlling costs.

Vice Chairman Villanueva-Saucedo expressed support for the proposed bond package, and she stated that in her experience, she has found staff to be creative in terms of developing partnerships and seeking ways to increase revenues and reduce costs.

Committeemember McHenry suggested that providing the Committee with information regarding the process utilized by staff to develop the dollar estimates would eliminate some of the concerns that have been expressed.

Committeemember Hisserich stated that the City does an excellent job of obtaining the lowest price for various projects. He expressed opposition to the Va Shly'ay Akimel project because it requires \$6.5 million dollars of taxpayer dollars at a time when the City is approaching debt valley.

Mr. Haws noted that Phoenix is presently in the construction phase of their restoration project, and that as a result of the construction of a low-flow channel, Phoenix experienced fewer problems with flooding in the past year. He also noted that the only feasible method of delivering water to the river is to build the necessary infrastructure.

Committeemember Gilbert requested additional information regarding the potential cost savings on items 10 and 11 that can be achieved by consolidating space, future plans for the Hobson space, and the status of commercial office space in 2008-09.

In response to a question from Committeemember Gilbert, Mr. Haws advised that the Indian community would retain land ownership of the Va Shly'ay Akimel project. He noted that a proposed agreement between the City, the Indian Community and the U.S. Army Corps of Engineers would require that the Indian community maintain the project in perpetuity, and that the property could not revert back to mining activity without Congressional approval.

Mr. Huling advised that Phoenix has scheduled the grand opening of the first project, and he suggested that Committeemembers attend the grand opening or staff would arrange for a tour of the project.

Committeemember Gilbert noted that there has been almost unanimous Council support for the Va Shly'ay Akimel project. He expressed the opinion that many projects on the list should be purchased outright rather than bonded.

In response to a question from Chairman Jackson, Real Estate Services Director Doug Tessendorf advised that staff attempted to determine the increased cost of property in the current market compared to the costs in 2000. He stated that staff estimated that in northeast Mesa, residential values have doubled and commercial increased by approximately 100 to 150 percent. Mr. Tessendorf noted that southeast Mesa residential values increased by approximately 400 percent. He added that the City made a profit of 500 percent on the Langley Ranch property located in Gilbert, and that commercial property values in the southeast valley have increased by approximately 200 to 300 percent.

Mr. Holmwood confirmed that the properties to be acquired with the proposed bond package are the same or similar to properties that would have been purchased in 2000 if the bond package had been approved.

Chairman Jackson stated the opinion that this area of bond proposals is difficult for citizens to understand, and he noted that people without vision often cost the City a substantial amount of money. He suggested adding a future park in southeastern Mesa in order to gain support for

the entire package. Chairman Jackson requested that staff provide information on the long-range plan for parks.

Chairman Jackson summarized that members of the Committee have expressed an interest in adding the following projects: Mesa Grande, bike paths along canals, a new park in District #6 and a neighborhood center in District #6.

Discussion ensued relative to the availability of parks in which citizens may walk their dogs; that the Parks and Recreation Advisory Board considered this issue several years ago; and that many larger parks have a designated area for dogs.

It was moved by Committeemember Gilbert, seconded by Vice Chairman Villanueva-Saucedo, that staff respond to the Committee's requests and that the Committee tentatively approve the proposal subject to the final deliberations.

The motion was carried by a vote of 10 to 1 (Committeemember Hisserich voting nay; Committeemembers Fiore, Flick and Holtz absent).

Mr. Araza provided information on the method utilized by staff to estimate project costs. He advised that staff considers the cost of prior projects and that a reasonable escalation figure is added, which is approximately five percent per year.

Mr. Norenberg outlined the agenda for the next meeting and the tours that are available.

5. Items from citizens present.

There were no items from citizens present.

6. Adjournment.

Without objection, the 2005 Citizen Bond Committee meeting adjourned at 8:46 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the meeting of the 2005 Citizen Bond Committee of the City of Mesa, Arizona, held on the 14th day of September 2005. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

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