



COUNCIL MINUTES

April 5, 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 April 5, 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
Barbara Jones

1. Hear a presentation and discuss the status of the 06/07 budget.

Acting Budget Director Chuck Odom displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to provide an update on the current budget and the 2007/2008 budget forecast. He reported that 2006/2007 revenues are projected to be on target at approximately \$738.4 million, and he reviewed the budgeted and projected sources of revenue from local sources (see Attachment 1) and shared sources (see Attachment 2). Mr. Odom added that year-end spending projections are also on target, and he advised that staff would provide additional information on expenditures to the Council in May.

Deputy City Manager Bryan Raines advised that the City presently budgets for an Ending Fund Balance, which is different from the practice that was in place several years ago.

Mr. Odom outlined many of the Major Forecast Assumptions (see Attachment 3) utilized by staff to prepare the forecast.

Discussion ensued relative to the fact that the distribution of State-shared revenues is typically delayed for two years, that the sharp increase in 2007/2008 State Revenue Sharing reflects a recent change in State tax law; and that increased hospital and life insurance costs will continue to be a major factor in future budgets.

In response to a comment by Mayor Hawker, Mr. Odom noted that stability pay is decreasing each year and that this expense would no longer be a factor in the budget by the year 2019.

Mr. Odom advised that Highway User Revenue Funds (HURF) are projected to decrease in the future. He explained that although the City would continue to grow, other areas are expected to grow at a faster rate, resulting in a decrease to Mesa's share of the funds.

Mr. Odom highlighted several key components of the 2007/2008 budget as follows:

- A market salary adjustment and a three percent Cost of Living Adjustment .
- Pinal County land sales projected at \$16 million between through 2011/2012.
- Utility rate adjustments.
- No new Capital Improvement Program allocations above the current plan.
- Funding for vehicle replacements for General Fund, Enterprise and Public Safety activities.
- Elimination of housing subsidies by 2010/2011.

City Manager Christopher Brady stated that the intent of this presentation is to provide historical perspective regarding the budget and to identify the assumptions employed by staff when making projections.

Mayor Hawker noted that utilizing Pinal County land sale proceeds to reduce the City's debt service payments could result in funds becoming available for other projects. He emphasized that the forecast assumptions drive the budget process.

Further discussion ensued regarding the fact that the timing of Pinal County land sales were adjusted to reflect current market conditions; and that future land sales should be handled in a judicious manner in order to maximize the benefit to the community.

Vice Mayor Walters requested that staff provide a history of health insurance costs for the past few years, and she noted that employee contributions for health insurance, prescriptions and the Arizona State Retirement System have increased in recent years. She complimented staff for the accuracy of the budget forecast.

Mr. Odom reviewed the proposed timeline for Council consideration of budget issues.

Responding to a question from Mayor Hawker, Mr. Brady noted that \$23 million would be eliminated from the budget if a Home Rule option failed or if the voters did not have an opportunity to consider the Home Rule option.

In response to a question from Councilmember Whalen, Mr. Brady explained that budget issues would be included on future Study Session agendas rather than scheduling separate budget hearings. He stated that staff would provide any additional information requested by the Council.

Vice Mayor Walters requested that staff provide a report on the status of the transportation sales tax. She noted that some confusion exists in the community regarding the Regional Transportation Plan and the sales tax for streets. Vice Mayor Walters also requested an update on the status of the libraries, and she noted that the libraries were significantly affected by budget reductions.

Councilmember Griswold stated that he receives many comments from citizens who do not understand the difference between a primary and secondary property tax. He explained that most communities levy a secondary property tax on bonds that are utilized for projects such as the construction of fire and police stations.

Vice Mayor Walters suggested that the Council receive an update on areas that implemented cost recovery fees, and she asked if staff has identified any additional areas for cost recovery. She also suggested that the Council consider applying the rental tax on all units rather than limiting the tax to properties of three or more units.

Mayor Hawker requested that staff identify for the Council any areas that might incur significant increased costs to the City in the future.

In response to a question from Councilmember Whalen, Ms. Spinner noted that although the Charter does not specifically prohibit the Council from imposing taxes, she advised that voter approval might be required for taxes in excess of one percent.

Councilmember Whalen noted that other Valley communities impose taxes that are higher than those imposed by the City of Mesa, particularly in the area of telecommunications and construction.

Ms. Spinner stated that staff would provide additional on the taxes charged by other communities.

Responding to comments made by Councilmember Whalen, Mr. Brady confirmed that the City has an increasing debt service for Hohokam Stadium and that the City's subsidy for the facility continues to grow. He stated that a strategy is required to sustain the operation for the long term.

Mayor Hawker noted that in the past the City addressed debt service as an aggregate amount, but that individual areas are now being targeted in order to improve the debt service schedule and bond payments.

In response to comments from Vice Mayor Walters, Mr. Brady noted that Hohokam Stadium continues to lead in spring training attendance and that the new concessionaire was very successful this year. He concurred with comments that the City will receive requests from the Chicago Cubs' organization for upgrades at Hohokam Stadium.

Councilmember Whalen explained that although Spring Training generates revenues during a one-month period, events and activities related to Spring Training occur throughout the year.

Mayor Hawker thanked Mr. Odom for the presentation, and he congratulated staff for the accuracy of the budget forecasts.

2. Hear a presentation, discuss and provide direction on potential City Indian Gaming Grant project requests.

Assistant to the City Manager Jim Huling advised that Proposition 202 approved by Arizona voters in 2002 requires the Indian Tribal Communities to designate a portion of their gaming revenues for grants to non-profit organizations and municipalities with the municipal governments serving as the agents. He advised that the Council established an annual review procedure to address the grants available from the Indian Tribal Communities. Mr. Huling added that each Indian community has different procedures and requirements.

Grants Coordinator Gerry Dillehay displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to provide background information on grants received by the City of Mesa. He advised that to date the Mesa community has applied for \$9,052,492 in Indian Gaming grant funds and received a total of \$2,339,418. Mr. Dillehay explained that substantial competition exists for these grants and that developing a close relationship with each of the Indian communities is a key factor to securing future grants.

Mr. Dillehay noted that Mesa Public Schools and non-profit agencies require a resolution of support from the Mesa City Council in order to move forward with the Indian Gaming grant applications and that the City of Mesa serves as a "pass through" for the grant allocations. He advised that a high level of competition exists for the grants and that the City's strategy is to request funding in smaller amounts for projects that address an under-served population or projects that have a human element or a tribal connection. He noted that two additional Indian communities have invited the City to apply for grants, and he reviewed the projects that have grant potential for Fiscal Year 2007/2008.

Vice Mayor Walters expressed concern that the process requires non-profit agencies to apply for the grants through the City, which could result in the City withholding a recommendation in order to support a City application that could compete for the same grant funding. She stated the opinion that the City should not withhold recommendations for approval of non-profit agency grant applications for good projects.

Councilmember Rawles concurred with the comments made by Vice Mayor Walters.

In response to a question from Councilmember Rawles regarding the Mesa Grande Ruins, Southwest Museum Administrator Tom Wilson advised that this project would not incur operating costs and that volunteers would staff the trails. He clarified that the grant application for the Mesa Grande Ruins addresses the construction of interpretive trails, restrooms and signage and does not include funds for an administration building.

Responding to a suggestion from Councilmember Rawles that funding related to the Police and Fire Departments be assigned a higher priority, Mr. Dillehay advised that historically most grants for Public Safety projects were awarded to small communities rather than large cities.

Mr. Huling stated that the Indian communities provide informal feedback early in the process, and that grant applications for high-priority Public Safety projects could be submitted to more than one Indian community. He said that the City submitted a multiple-year application to the Salt River Pima-Maricopa Indian Community (SRPMIC) last year based on their past history of awarding these types of grants. Mr. Huling advised that SRPMIC changed their policy late in the process and decided not to fund multi-year projects.

Councilmember Rawles stated the opinion that the City should employ a more targeted approach for higher priority projects.

Mr. Huling explained that the proposed projects represent a starting point in the grant application process, and he added that some project applications would be eliminated based on input from the Indian communities.

Mayor Hawker stated the opinion that the bill governing these grants was poorly written and that each municipality should receive a percentage of the gaming revenue based on population to address projects within the community.

In response to a question from Councilmember Whalen, Mr. Dillehay advised that the City does not solicit grant applications from non-profit agencies. He noted that the City's involvement is limited to providing a resolution of support for a non-profit agency's grant application.

Mr. Huling clarified that all requests from non-profit agencies for resolutions of support for grant applications are brought forward for Council consideration. He added that in many instances, the tribal community extends an invitation to a non-profit agency to apply for funding.

Mr. Dillehay advised that each Indian community operates on a different fiscal year and that each has established different timeframes for grant applications.

Councilmember Whalen stated the opinion that a concerted effort should be made to obtain grant funding from other sources for arts and cultural projects that are no longer funded by the City.

Mayor Hawker thanked staff for the presentation.

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

Vice Mayor Walters: Dedication of the Greenfield Water Reclamation Plant.
 Southwest Ambulance dedication ceremony.
 Mesa Citizen Police Academy graduation ceremony.

Councilmember Whalen: Mesa Convention and Visitors Bureau Board meeting.

4. Scheduling of meetings and general information.

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

Thursday, April 12, 2007, 7:30 a.m. – Study Session

Monday, April 16, 2007, 3:00 p.m. – Transportation and Infrastructure Committee Meeting

Monday, April 16, 2007, TBA – Study Session

Monday, April 16, 2007, 5:45 p.m. – Regular Council Meeting

Thursday, April 19, 2007, 7:30 a.m. – Study Session

Thursday, April 19, 2007, 8:00 a.m. – Audit and Finance Committee Meeting

Monday, April 23, 2007, 3:30 p.m. – Public Safety Committee Meeting

Thursday, April 26, 2007, 11:30 a.m. – Meeting with the Town of Fountain Hills

5. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

6. Items from citizens present.

There were no items from citizens present.

7. Adjournment.

Without objection, the Study Session adjourned at 8:55 a.m.

KENO HAWKER, MAYOR

ATTEST:

BARBARA JONES, 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 5th day of April 2007. 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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Attachments (3)