

COUNCIL MINUTES

May 25, 2006

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 May 25, 2006 at 7:36 a.m.

COUNCIL PRESENT

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

COUNCIL ABSENT

None

COUNCIL-ELECT PRESENT

Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner

Mayor Hawker excused Councilmember Whalen from a portion of the meeting. He participated in the meeting utilizing teleconferencing equipment beginning at 7:42 a.m. until 9:10 a.m.

1. Hear a presentation, discuss and provide direction on budget issues, including the following:

a. Mesa Convention and Visitors Bureau

Deputy City Manager Debra Dollar stated that a one-page Budget Overview (see Attachment 1) was provided to the Council. She noted that as requested by the City, the Bureau has designated \$200,000 for capital improvements at the Convention Center (listed on the Budget Overview as "City Retainer").

Robert Brinton, Executive Director of the Mesa Convention and Visitors Bureau (CVB), introduced Steve West, Chairman of the Board of Directors. Mr. Brinton reported that the budget projects a small increase in bed tax revenues. He advised that the Windemere Hotel is scheduled for demolition later in the year, which could adversely affect bed tax revenues. He added that a new hotel would open at that location approximately 15 months later.

Mr. Brinton suggested that the \$200,000 allocated to the Convention Center be utilized for improvements that would enable the Center to charge higher rental rates. He also proposed that Convention Center policies include a provision that encourages the booking of local hotel room nights. Mr. Brinton noted that while many new hotels are scheduled to open in Chandler and Tempe, none are planned for the City of Mesa.

In response to a question from Councilmember Griswold, Mr. Brinton stated that the CVB and the Convention Center staff have a good working relationship that is mutually advantageous although no formal advisory function is in place.

Commercial Facilities Division Director Rhett Evans came forward to address questions from Mayor Hawker regarding booking policies. He stated that the Convention Center accepts bookings 18 months in advance. Mr. Evans explained that events utilizing at least 75 percent of the Center's space are permitted to book dates beyond the 18-month timeframe. He added that a local hotel room night guarantee could be included in the booking contract provisions.

Vice Mayor Walters stated that she has served as the Council's liaison to the CVB Board for almost two years, and she expressed the opinion that the Board consists of quality individuals who are concerned about the best interests of the City. She also advised that at a recent luncheon hosted by Governor Napolitano at the Mesa Convention Center, the Governor was very complimentary regarding the facility and the cooperation of staff.

Mayor Hawker noted that Councilmember Whalen was now participating in the meeting utilizing teleconferencing equipment.

Councilmember Whalen stated that he was grateful for the CVB's contribution to the Convention Center.

Mayor Hawker thanked Mr. Brinton for the presentation, and he expressed appreciation to the CVB for the \$200,000 contribution to the Convention Center.

b. Downtown Mesa Association

Craig Prouty, Chairman of the Downtown Mesa Association Board of Directors, addressed the Council, and he stated that Tom Verploegen, President of the Downtown Mesa Association, was also present. He advised that the downtown area generates approximately \$46 million annually in public revenues for the State, County, City and school districts. Mr. Prouty reviewed the Association's budget for Fiscal Year 2006/07 (see Attachment 2). He said that the association would continue to cooperate with the City of Mesa in order to achieve their goals, some of which are listed below:

- Assist in the development of a Mesa Community College downtown campus.
- Improve the Broadway Road corridor area.
- Promote the Mesa Arts Center as a downtown destination.
- Improve the perception of downtown relative to safety and security issues.
- Attract additional business and investments in the downtown area.

Mr. Prouty noted that the association plans to purchase and install flexible banner arms, which would reduce the annual maintenance costs of the Banner Program. He added that the City of Mesa is recognized in the Sculpture Program literature relative to their support of the program.

Mayor Hawker and Councilmember Whalen declared potential conflicts of interest and said they would refrain from discussion/participation in this agenda item. Mayor Hawker yielded the gavel to Vice Mayor Walters for action on this agenda item.

Vice Mayor Walters stated that citizens frequently inquire as to why the City purchased sculptures at the same time that the City is addressing a budget crisis. She clarified that the Downtown Mesa Association purchased all of the sculptures, and that no City funds were utilized for that purpose.

Councilmember Griswold commended the Downtown Mesa Association for the success of the Sculpture Program. He suggested that references to City of Mesa in the Sculpture Program literature be eliminated in the future in order to avoid the misconception that the City's "support" for the program is of a financial nature.

Vice Mayor Walters concurred with the comments of Councilmember Griswold.

Councilmember Jones expressed appreciation to the Downtown Association for their efforts.

Vice Mayor Walters suggested that the Downtown Association seek partnerships in order to continue special events that the City can no longer support financially.

Mr. Verploegen said that Ultimate Imaginations has investigated the possibility of holding special events, and he added that efforts would continue toward the goal of scheduling events that are financially viable.

Vice Mayor Walters thanked Mr. Prouty for the presentation, and she yielded the gavel back to Mayor Hawker.

c. Human Services Grants/Community Aid

Community Revitalization Director Kit Kelly displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) that outlined the budget reductions to Human Services funding. She advised that agency funding would be reduced by 24 percent and that a Human Services Specialist position would be eliminated. Ms. Kelly summarized that including the amounts generated by sales tax revenue and ABC (A Better Community) donations, the funding available for Human Services agencies totals \$977,901.

Ms. Kelly advised that the Community Safety Support Model Funding Guidelines that were adopted by the Council on October 24, 2005, served as the basis for the Human Services Advisory Board's funding recommendations. She stated that the total dollar amount recommended by the Board exceeds the available funds by \$105,116.

Discussion ensued relative to the fact that the Human Services Board did not identify a revenue source or a corresponding budget reduction for the additional \$105,116; that the Board is investigating alternative sources of funding; that utility customers have the opportunity to contribute to Human Services funding by including a donation to the ABC fund on their utility bills; that staff is investigating methods to promote ABC donations; and that citizens might be more willing to contribute to the ABC fund if the specific agencies receiving funds were identified.

Vice Mayor Walters suggested that the Council delay consideration of this item. She also requested that staff provide information regarding the amounts contributed by other cities to the East Valley Men's Center. Vice Mayor Walters noted that the budget situation impacts the

community and many agencies, and that many areas funded by the City in the past would not be funded in the future. She added that the Mesa United Way implemented an additional fund-raising effort in order to address the unfunded needs of the community.

Ms. Kelly responded to comments made by Councilmember Thom by advising that the State of Arizona has not yet issued a Request for Proposals (RFP) relative to the Community Action Agency (CAA) designation. She noted that subject to approval of the Mesa Community Action Network (MesaCAN) as a CAA, the City would relinquish the CAA designation in October and transfer the designation to MesaCAN.

City Attorney Debbie Spinner advised Councilmember Whalen that he could participate in the discussion of this item without creating a potential conflict of interest provided that the discussion does not address funding approval.

Councilmember Whalen expressed support for the suggestion made by Vice Mayor Walters that discussion of this item be delayed. He noted that several activities presently taking place in the community could impact the proposed funding for Human Services.

City Manager Christopher Brady advised that the Council would have an opportunity to further discuss the budget on June 1st and that adoption of the tentative budget is scheduled for June 5th with final adoption scheduled for June 26, 2006. Mr. Brady further advised that staff was seeking Council feedback, and he deferred to Budget Director Jamie Warner relative to the impact of delaying consideration of funding allocations.

Mr. Warner advised that Council adoption of the tentative budget addresses the total dollar amount for the fiscal year, and that dollar amounts could be reallocated between accounts. He added that contingency funds would also be available to address unanticipated needs.

Mayor Hawker expressed support for maintaining the budget amount presently proposed for Human Services.

In response to a question from Councilmember Griswold, Mayor Hawker clarified that an increase in the amount of ABC contributions received during the year could be allocated to Human Services agencies. He added that a decrease in ABC contributions would require a corresponding adjustment to the Human Services' budget.

Mayor Hawker thanked staff for the presentation.

2. Items from citizens present.

There were no items from citizens present.

3. Discuss and provide direction to staff regarding FY06/07 budget.

Mr. Brady advised that staff is seeking further direction relative to additional budget information that the Council may require for the June 1st Study Session.

Mr. Warner advised that staff identified required adjustments to the preliminary budget as a result of the recent election as well as other factors that have changed. He reviewed and

provided explanations relative to the items listed on the document titled, "Administrative Adjustments to Preliminary Budget FY 2006/07" (see Attachment 3).

Discussion ensued relative to the fact that Program Capital Contingency Funds would be set aside in order to ensure that the revenue estimates are realized; that Mesa's additional contribution in the amount of \$200,000 to the Williams Gateway Airport Authority enables the City to maintain a majority position on the board; that the reimbursement of Riverview development fees is offset by an equal amount of revenue; and that a change in the State of Arizona's accounting procedures requires that the City recognize the Riverview development fees as revenues and the corresponding refunds of fees as expenditures.

In response to questions from Councilmember Thom regarding the City's contractual agreement with the Riverview developer, Ms. Spinner advised that she would provide Councilmember Thom with a complete breakdown of the incentives.

Councilmember Rawles directed staff to provide information regarding the additional costs for City memberships, which is included as an administrative adjustment under Appropriations (item 6 on page 1 of Attachment 3).

Further discussion ensued relative to the fact that additions to the Contingency Reserve fund would increase the City's ending fund balance from six percent to approximately eight percent; that the City of Mesa's ending fund balance is significantly lower than that of other Valley communities; and that \$3.5 million in miscellaneous changes represents a positive impact on the budget as a result of a reduction to the General Obligation bond debt and addressing maintenance expenses with revenues generated by the recently approved sales tax rather than utilizing General Fund dollars.

Mr. Warner outlined the revenue adjustments to the preliminary budget (as listed on page 2 of Attachment 3).

Additional discussion ensued relative to the fact that \$3.8 million in increased utility revenues was a gross revenue projection; that utility revenues remaining after expenses would be directed to the contingency fund and debt service; that the City plans to implement a Federal compliance environmental fee on January 1, 2007; that the flat rate environmental fee is proposed for the first fiscal year, which would be followed by a review in order to determine the feasibility of fee ranges and the impact of fees ranges on the billing system; that staff would provide the Council with examples of environmental fees imposed by other cities; and that alternatives for funding the Crime Free Program would be discussed at a future meeting.

Environmental Management Director Christine Zielonka responded to a question from Vice Mayor Walters by advising that staff provided full cost recovery information relative to the environmental fee, as requested by the Council.

Further discussion ensued relative to the fact that the Council supports full cost recovery for the provision of special services; that staff is directed to provide additional information regarding the Environmental fee to the Council at the June 1st Study Session; that the City conducts the inspections rather than private contractors due to the fact that the Federal government holds the City responsible for compliance; and that staff could survey the 40 facilities impacted by the proposed environmental fee and provide a report to the Council.

Councilmember Whalen advised that he would not be able to participate in the remainder of the meeting.

Mr. Brady stated that staff would provide additional information to the Council at the June 1st Study Session. He noted that the preliminary tentative budget scheduled for Council adoption on June 5th is the maximum amount that can be considered for the final budget on June 26th.

Mr. Warner explained that as a result of the Home Rule option relative to the Lid Limit, the State Auditor General is requiring the City to change its present accounting practice that lists a net figure for internal services. He advised that the City must now identify revenues and expenses for all internal services. Mr. Warner noted that although this practice creates the impression that the City's budget is larger, there is no difference in the net result due to the fact that expenses are offset by equal amounts of revenue.

Mayor Hawker thanked staff for the presentation.

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

Vice Mayor Walters: Governor's Conference on Aging.
Mesa Grande Community Alliance Meeting.

Councilmember Griswold: Pre-opening of the Cinemark Theaters on Dobson.
Mesa Public Schools Meeting relative to the Internet.

5. Scheduling of meetings and general information.

Thursday, June 1, 2006, 7:30 a.m. – Study Session

Monday, June 5, 2006, 3:00 p.m. – General Development Committee

Monday, June 5, 2006, TBA – Study Session

Monday, June 5, 2006, 5:45 p.m. – Regular Council Meeting

Thursday, June 8, 2006, 7:30 a.m. – Study Session

Thursday, June 15, 2006, 7:30 a.m. – Study Session

Thursday, June 22, 2006, 7:30 a.m. – Study Session

Monday, June 26, 2006, TBA – Study Session

Monday, June 26, 2006, 5:45 p.m. – Regular Council Meeting

6. Adjournment.

Without objection, the Study Session adjourned at 9:20 p.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 25th day of May 2006. 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)