

**Office of Economic Development**  
Economic Development Advisory Board  
MEETING MINUTES

Date: October 4, 2005: 7:32 A.M.

MEMBERS PRESENT

Patricia Schroeder  
Mike Garcia  
Brian Campbell  
Jim LeCheminant  
Bob Pothier  
Steve Shope

EX-OFFICIO

Mayor Keno Hawker  
Mike Hutchinson (excused)  
Charlie Deaton  
Jack Sellers

STAFF PRESENT

Betsy Adams  
Sue Cason  
Harold Decker  
Jennifer Grentz  
Catherine Ji  
Teri Killgore  
Richard Mulligan  
Tom Reyes  
Scot Rigby  
Claudia Whitehead  
Wayne Balmer  
Bryan Raines  
Anthony Araza  
Debbie Spinner

GUESTS

Roc Arnett  
Lois Yates

MEMBERS ABSENT

Raul Cardenas  
Vern Mathern (excused)  
Ted Wendel

Chair Pat Schroeder called the October 4, 2005 meeting of the Economic Development Advisory Board to order at 7:32 A.M. in the Mesa City Plaza Building, Room 170.

Chair Schroeder called for a motion to approve the minutes from the meeting held June 7, 2005.

**MOTION:** Brian Campbell moved that minutes from June 7, 2005 be approved.

**SECOND:** Mike Garcia.

**DECISION:** Passed unanimously.

Chair Schroeder welcomed the new board members, guests and staff. Chair Schroeder then introduced City Attorney, Debbie Spinner.

Ms. Spinner gave a brief overview of the responsibilities, limitations and requirements of the Board. She encouraged the Board to call her anytime with questions.

Ms. Spinner explained that the EDAB Board was established under Section 105 of the City Charter, which means the City Council established an Ordinance to create the Board,

who the members are, what their roles are and their duties and responsibilities. The Code is Section 2-21-1 of the Mesa City Codes. It establishes a 12-person board, with 3 being ex-officio and 9 voting members. The City Council values the opinion, perspective and advice of the ex-officio, but they are not voting members. Only voting members can make a motion and vote.

Ms. Spinner explained that the duties and responsibilities of the Board are spelled out in the Code as well. The Board's charge is to review and recommend an item directly to the City Council for final action. The Mayor may ask for the Board's comments on items. The Council encourages the Board to voice opinions so that they can see the thought process that the Board has gone through. The Board is to review and recommend to the City Council an annual work program, monitor such work program, recommend changes to enhance economic development efforts. You also are charged to serve as a forum for economic development policy discussion. The Board shall serve as advisors to the Economic Development Director and assist in identifying assets, resources and incentives appropriate for implementation of Mesa's economic development strategy. The Board shall serve as a contact for persons or companies seeking to invest in the City of Mesa.

As a Board you are also subject to the requirements and prohibitions set out in the Charter and Code and in the State statutes. Ms. Spinner also encouraged the Board to read the Ethics handbook. Three main Statues are: The Opening Meeting Law, which you are subject to. This basically says that you cannot communicate with a quorum of Board members on any item that is likely to come before your Board. A quorum is a majority of the voting members. If you have 9 members, 5 of you cannot communicate on any item in private that may or will likely come before the Board for consideration. That means e-mails, telephone calls or meeting in a room. Ms. Spinner recommends talking to either Dick Mulligan or Scot Rigby on any issues that you have and they will ensure that we are not passing on information or violating the Open Meeting Law.

The second issue is the Conflict of Interest Statue, which you are also subject to. This is a state statue. The statue states, that if you have ownership or financial interest in any item that is before the Board or that will likely come before the Board, you should avoid participating in the discussion or the voting of that item. If and when that issue comes before the Board, for the record you need to declare your conflict and state what it is, and that you are going to refrain from discussing or voting on that item. The purpose is to insure no claims or decisions are made based on your financial interest, or that will benefit you. It may not just be a benefit to you but a detriment to you. You have a legal obligation to look through the items and determine if you have a conflict of interest. Please call Ms. Spinner if you have any questions.

The third item is Parliamentary Procedure. The City of Mesa has never adopted Robert's Rules of Parliamentary Procedure. We have more flexibility and the role of the chairperson is to organize and coordinate the meeting. The chairperson has the authority to decide all issues of parliamentary procedure. The chair is encouraged to recognize all members of the board who want to speak on an item, but the chair can identify and chose members of the public to speak and to limit the number and time frame. All issues with how we function as a board and move things forward are at the sole discretion of the chair.

Ms. Spinner reviewed the Loyalty Oath. New board members will be asked to sign a Loyalty Oath. It basically states that you are dedicating your service to do what is in the best interest of the City of Mesa and your loyalty lies with the City of Mesa, as well as the laws of the State of Arizona and the federal government. It will be on file with the City Clerk's office.

Chair Schroeder also explained that the Board is encouraged to attend City Council Meetings and Study Sessions. A sign-up sheet will be sent around with the dates of each. She encouraged the Board members to sign-up and attend these meetings as a show of support. It keeps the Board up to date on what the City Council is doing and thinking, which also increases communication between the Board and Council.

### **1. Diversification of City's Revenue Base**

#### Financing the Future Citizens Committee

Chair Schroeder explained that the next 8 months are going to be very interesting. They will determine the future of this community. There is a Bond issue coming up. Financing the Future Citizens Committee just finished an 18 months process. A number of presentations were done along with onsite visits both as a group and individually. Debates at the last few meetings were intense. The committee debated revenue caps, sunset review, an auditor in general and several other issues. We came up with lists of ideas and then tried to sort through them. What the committee settled on is what you see in the report. On page 6 the Statement of Principals was the foundation from which we were building. They include:

1. It is the intent of the proposed recommendations to represent a total level of taxation that is commensurate and competitive with communities in the region.
2. It is the responsibility of the City Council to determine the specific extent of necessary revenues and make ongoing adjustments as necessary to insure that the city operates at the least expense possible, while providing the levels of service desired by citizens.

Chair Schroeder shared that they learned the city is operated very well. There may be some things that could be cut, but it is very difficult to go in and say chip this block and this block. That needs to have a great deal of study to understand the impacts. There were not many specific recommendations of things to cut, but the process was started by which every department and program is going to come under scrutiny. We are going to look at mission creeds. Are they still doing what they decreed, how effectively and is it possible to privatize that particular function or service? Every program and department will go through a review over a period of time. A structural deficiency 50 years old was found. When it was first put into place, Mesa was the retail hub of the East Valley. This situation has changed as we now have a lot of retail competition. Mesa, Tucson and Phoenix are the only towns or cities in Arizona that do not have a sales tax on food. We have reached a tipping point for utilities. City utility systems cannot continue to operate effectively and subsidize the city to the extent that they have in the past.

Chair Schroeder reviewed the recommendation the Committee made to the City Council. The recommendations are as follows:

- A. Statement of Principles
- B. Budget Process and Service Efficiency Recommendations
  - 1. Prioritization and Revitalization of City Services
  - 2. Outcome Orientation and Program Accountability
  - 3. Sunset Review Process
  - 4. City Council Budget Process
  - 5. Expenditure Reviews
  - 6. Establish Committee to Examine City Employee Compensation and Benefits
- C. Revenue-Related Enhancements
  - 1. Institute a Primary Property tax
  - 2. Adjust the Local Sales tax Rate to 1.75%
  - 3. Adopt a Policy to Establish Transfer Limits from the Enterprise Fund to the General Fund
  - 4. Evaluate the options Related to the Pinal County Water Farms

Mr. Bryan Raines thanked the Committee of approximately 15 for their service. He explained that every year the City Council has a retreat to talk about issues. In the Fall of 2003 staff brought our first forecast to the Council and presented what the City of Mesa was facing in the coming years. This has been an initiative pushed by the Mayor to look at long term forecasting. What the forecasting showed was in fiscal year beginning July 1, 2007, if the City did not either change its expenditure patterns or identify new revenues, then the City was going to be in a significant deficit position. By State law we are not allowed to operate in a deficit position, so adjustments would have to be made to our operating budget and cut activities.

The Council asked a committee to look at the processes of revenue and expenditures. The process was the most rigorous process in my 23 years with the City. We went through 12 months of reviews and current city expenditures, and a 6 months review of the current revenues and comparisons. The review showed that Mesa has a fundamental difference in the way we fund government. Mesa is the largest city in the United States that does not have a property tax. Government was funded with sales tax and utilities revenue which worked fine during building boom cycles and when the City had a population of 30,000, 100,000 or 200,000, but now that we are not the retail hub in the East Valley and the utility rates are returning less to us in terms of per capita revenue, we have finally come to that breaking point where we can't continue to operate this way.

The City Council will be going to a Retreat October 6 and review these issues. They will be doing two things. One is talking about the recommendations and seeing if they are interested in moving forward potentially in May 2006 with a sales tax and property tax election. The Council is also talking about possible what-ifs scenarios. Where are we in our current forecast? Right now if we don't make adjustments, we will be approximately \$34 million in debt beginning July 1, 2007 and about \$77 million in debt by 2010. If we don't get revenue relief, staff will present the type of long-term adjustments that the city needs to make in order to remain viable as a city. The cuts will be significant; the list will be long and will garner headlines throughout the valley.

The city sells bonds to do a variety of capital projects such as water treatment plants, police stations, parks and things of that nature. Years ago when the City sold bonds they left open a four year window that we call debt valley, thinking that bond rates would spike sometimes and come back off the 4-5 or 6% that we have enjoyed for the past ten years, or they would go back up to the 12% interest. If that happens, then we would be able to sell some bonds short of our maturity, get the rates down and fill in that gap. The rates never went up so we have always had an opening that we are experiencing right now. What will happen in 2007/2008 is our bond debt goes back to old historical levels of about \$35 million higher than what it is today. That is the point that puts the city over the edge. If it weren't for that window, these issues would have happened probably 4 years ago. We have been able to buy ourselves some time, but that is coming to a quick end.

Board members voiced concern over a bond election. Would there be enough revenue to pay for the bonds and would the Council handle the negative public relations that often go with this type of situation. The Board commented that educating the people as to the seriousness of the situation is a concern and should be a responsibility of the Board to get that information out to the public.

Chair Schroeder commented that once people understand the seriousness and what impact this could have on our city, our future and our own individual investments, they are going to realize that we need to do this.

Mr. Raines commented that if the property tax, sales tax and bonds don't pass then the next step would be to reduce services.

Mr. Richard Mulligan provided an example of what would happen if we don't receive new revenue relief. The direction that we have been given in preparing a budget for next year is that GPEC would be eliminated all together. We have also been instructed by the Budget Office to determine how we might cut an additional \$400,000 out of our \$1.4 budget right now. It is no small task.

Mr. Brian Campbell asked if there were any staff recommendations as to an amount decided on for a property tax.

Mr. Raines responded that the number we used in forecasting with the Council and Committee was \$1.00 per \$1,000.00 assessed valuation primary tax. The average for the valley is \$1.4 with a combined primary and secondary tax. The \$1.00 per \$1,000.00 is just on a primary tax. The secondary property tax is available to the Council if they so chose.

Chair Schroeder shared that Mesa has the lowest cost of government from the top fifty cities in population. Being at the bottom of all the economic measures is not necessarily a benefit and sometimes it can be a detriment. Mesa has reached that now. Only Arlington, Texas and Las Vegas, Nevada have a lower cost of government than Mesa does. We have the lowest home ownership cost in the metro area, lowest sales tax except for Phoenix. We have a county property tax, but none goes to the city. We have the lowest residential impact fees, and we are lower than the county average for jobs per

capita. We have the 2<sup>nd</sup> highest high school graduation rate, but then drop next to the last in college degrees. Our young people are leaving town where there is more value and better jobs. Our new and resale housing is valued lower than the county averages, with only Phoenix lower, our housing values are increasing below the county average. We have more halfway houses than any other city on the east side, and the most expensive utility rates for water, wastewater and solid waste. We have the lowest assessed valuation per capita and the slowest rising and are not getting the investment in the city. We have lower than the average growth rate in the fastest growing county in the United States. There are plenty of facts to back this up and get the story out to the public.

### 2005 Citizen Bond Committee

Chair Schroeder introduced Mr. Anthony Araza.

Mr. Araza stated that a presentation was given to the Future Finance Committee on capital improvement projects. Mesa finances a lot of their capital improvements much like every other city in the United States. Bonds are common instruments for financing capital infrastructure. The 2005 Bond Committee was formed in June 2005 and is a very inquisitive group. They have asked a lot of good questions and are challenging staff, reviewing the projects line by line throughout the bond programs and the staff does appreciate it. We scheduled 8 meetings and have been through 5 meetings already.

Mr. Araza referred to the three-page handout. The first slide gives a brief history. The total number of bonds asked for from 1979 through 2004 was 59. The total number passed was 52, which means that 88% passed and only 12% failed for a total of \$1.7 billion authorized.

People are still moving into Mesa, but not at the rapid rate as in the 1970's and '80's. We are seeing aging infrastructure in the older areas of the city, as well as new growth. Wastewater and water lines, large trunk and pipeline deteriorations that are 40-50 years old need to be replaced. It is not just a need, but is essential. A normal bond cycle is 4 years. The bond cycle that is being looked at right now is 2006/2007 and 2009/2010. Those programs include water, wastewater, gas, electric, neighborhood & street flood control, parks & recreation, municipal services of facilities and technology, fire, public safety, and neighborhood & arterial street improvements. These are separate from the regional transportation plans. The sales tax mentioned earlier in the meeting would help fund our local share to leverage those regional transportation funds. The Bond Committee should be done around the end of October with the final report to Council sometime in November.

Mr. Azara referred to a separate page on the proposed bond funding for infrastructure at the ASU Polytechnic Campus. This is a venture that the city is very excited about doing with ASU to bring new buildings to Williams Gateway Area. We have wastewater bonds, neighborhood/street flood control and neighborhood/arterial street bonds from the city to help with the one time cost of the infrastructure. That will be something that the Bond Committee will consider and hopefully will recommend that we go forward with. The last component to be considered is the street component on October 19. Once that is

considered all infrastructures will be approved and will move forward to the Council for consideration.

Joint Mesa Chamber of Commerce/City Council Meeting

Mr. Charlie Deaton briefed the Board on the joint meeting. Mr. Deaton said they had asked each of the Council members to talk about the needs within their specific district. The Mayor spoke from the overall city's perspective. Without question the Mayor's concern for the business community was the financing of the city and how that was going to impact future business development as well as existing businesses. The Chamber is going to have a retreat on November 9. We have already come forward with the recommendation to support the primary property tax. We gave that information to the Finance Committee and hopefully the Council will take that as a positive. We agreed to use our Campaign Committee to carry the message to the public. We are in the process of finding out how to develop that message so that we have a positive presentation to promote this package to the voters.

The Chamber Board heard and took seriously not only the finance issues, but also the issue of seeking new leadership in general. Particularly the change in staffing at the City Manager's level, how that is going to impact the ballots and the work load of the staff. How dedicated are we going to be to economic development and the things that influence economic development, planning and zoning, and other processes that businesses will have to go through as they look to Mesa for possible sites.

**MOTION:** Mr. Brian Campbell moved to support the Financing the Future's report as presented and recommend to the City Council that it be adopted and an election be set for May 2006.

**SECOND:** Mr. Robert Pothier.

**DECISION:** Passed unanimously.

Mr. Mulligan volunteered to prepare a letter from the Economic Development Advisory Board, signed by the chair, to go to the City Council in support of the recommendation being made by the Board.

**2. Executive Director's Report**

Mr. Mulligan pointed out several highlights. There has been a lot of activity with some of the key business sites around the community. Broadway 101 Commerce Park, which is the new name of the old Motorola site, has been demolished and new buildings are going up with over 400,000 square feet of building space.

Kimco partner Marty DeRito has selected Lowe's Enterprise as the developer for Riverview at Dobson. They have submitted some initial renderings for a 48-acre business park showing 5 major office buildings.

The Longbow Development area had an item go to the City Council recently and was the 1<sup>st</sup> step in approving the special improvement district for that development and a follow-up item in terms of setting the exact rates still has to go to Council, but the completion is near. It follows on the heels early this summer of a development agreement and the sale of city owned property to put that particular parcel in play. We are excited about the project as that will be the largest Master Planned Business Park in the city's history.

We have had some very good meetings with A.T. Still University on moving forward with plans to create a long-term acute care hospital and a medical school on their site. We have also been in weekly discussions with an adjoining property owner, which is Vanguard. Vanguard is making plans for a major hospital complex right next door to A.T. Still's site. That is becoming a very exciting location for development in our community.

Mr. Harold Decker, with assistance from GPEC, successfully located to Mesa, Norwegian Cruise Lines, which will be creating approximately 300 jobs. They are going to occupy part of the space in the old AT&T Call Center that is at Clearview and Hampton just east of the Superstition Springs Mall.

Mr. Pothier has been helping us with a major aerospace prospect at Williams Gateway Airport. We won't know the exact results for a couple of months, but it is an exciting one and we are putting a lot of energy into making this an attractive site. We are in competition with other major cities throughout the western United States.

Ms. Teri Killgore helped put together a stakeholders meeting for the Fiesta Mall area. The Mayor was in attendance, myself and other staff. Key players were there from Mesa Community College, Banner Health, Westcor, The Hilton Hotel and other surrounding smaller shopping centers. They had an opportunity to share what is going on with development in that area and everyone walked out of the room with some very positive information. They are also starting to get an idea of what some of the challenges might be. Teri is going to put together another stakeholders meeting sometime in November to continue the discussion with the revitalization in that part of our community.

Ms. Claudia Whitehead is working in the Falcon Field Area as part of the Falcon Field Action Plan Team along with our Development Services Department. We are particularly focused on interfacing with CB Richard Ellis to prepare a lease rate study to get a sense of how we set lease rates and also negotiations are on going with a developer for 14 acres on the south side of the airport.

Mr. Decker has been to Los Angeles with GPEC this past month on a prospect trip and Ms. Whitehead is going to Chicago later this month.

Mr. Mulligan has served on the GPEC Workforce Task Force. A report is being prepared that will go to the GPEC Board of Directors for review. When that is finalized and approved it will be brought back to EDAB for information purposes.

Mr. Mulligan and Chair Schroeder participated in the International Economic Development Council's Annual Conference in Chicago last week. We got up to speed on some of the current trends in our profession.

Mr. Mulligan referred to a handout labeled Jobs Per Capita. A new software data resource has been found due to the old resource changing their methodology and extreme increase in price. Claritas resource is a more reliable data resource.

Ms. Jennifer Greutz is working on the first phase of the update of the city's website. 85% of all job site locations start with the websites. The entire city is updating their website and will go live June 2006. Ms. Greutz is also working on completing an update of the mailing list for the quarterly newsletter. She is also proceeding with plans for the Annual Breakfast, which we are targeting to have in February 2006.

Mr. Mulligan handed out a copy of the AZ Technology Council magazine. He and Mr. Pothier serve on the Advisory Group for the ASU Technopolis Program, which is another venue to help track what is going on with new entrepreneurs. He explained that our office is watching a new company called IntelaSight that is involved with electronic surveillance and is growing by leaps and bounds. They have a vision of growing to 500 employees within the next few years. Right now they have 15. We keep in close touch since that's the kind of gazelle company that generates job creation with a positive spin for the job per capita ratio that we all want to see go up.

### **3. Future Focus**

Chair Schroeder referred to the handout regarding the initiative from the Department of Commerce called Moving Arizona Forward. They have been conducting a number of meetings around the state.

Mr. Mulligan commented that the state has been embarking on coming up with a ten - year economic development strategy. They have scheduled various listening sessions around the state and have broadly asked what people think the state should be doing in terms of economic development. The sessions have been lightly attended. One of the better opportunities for input might come through the EDAB Board. The State will take some of the initial feedback and create some guiding principals. The purpose is to tie the economic development strategy to smart growth principals. We will bring you the first document and then this Board may want to give some positive feedback through the City Council and on to the State. The process will go on through the remainder of the fiscal year.

Mr. Deaton asked if Mr. Barry Broome had talked to the EDAB Board?

Mr. Mulligan responded that during the Orientation in August 2005 two of their staff members came and talked to the EDAB Board. We haven't had Mr. Broome himself, but would be happy to arrange for him to come and speak. He has spearheaded three things new that we had not seen prior to his tenure:

- A stronger push for International Recruitment
- Creating an Arizona Toolkit
- Would like to move forward with a Regional Real Estate Strategy

Mr. Jack Sellers, who is involved with the Planning and Program Committee at GPEC, is encouraged with the positive direction that GPEC is heading. He is impressed with Mr. Broome's interaction with the group and how he cuts through detail and says this is where I want us to go. Whether or not all these efforts will be successful and cause any meaningful changes remains to be seen. GPEC has been a relatively successful organization, but Mr. Broome recognizes that to continue to be successful you have to keep moving forward.

#### **4. Other Business: Public and Board Comments**

Chair Schroeder reminded the EDAB Board of the following meetings coming up.

- GPEC Annual Dinner: October 18, 2005
- Mayor's Networking Breakfast: November 15, 2005
- Governor's Celebration of Innovation: November 15, 2005
- Cox Communications Economic Forum: November 30, 2005

Mr. Pothier stated he is grateful to be on the Board and is excited with all that is happening in Mesa.

Mr. Jim LeCheminant and Mr. Steven Shope commented that they are pleased to be on the Board.

Mr. Campbell commented that he would like to add to the agenda's the development at Williams Gateway Airport, particularly ASU Polytech and Mesa Community College Bond issues.

Mr. Decker said there is a lot of good activity happening in Mesa. Mayor Hawker asked the EDAB Board to step back every once in awhile and take a look at the big picture. How is economic development benefiting the City and how are we progressing? Are we on the right track and are we doing everything correct? He thanked the members of the Board for their willingness to serve.

#### **5. Adjournment**

It was noted that the next EDAB meeting would be held December 6, 2005.

There being no further business, Chair Schroeder adjourned the meeting at 9:09 A.M.

Submitted By:

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Richard K. Mulligan, CEcD  
Economic Development Director