

COUNCIL MINUTES

October 6, 2005

The City Council of the City of Mesa met in a Planning Session in the Police Central Community Room, 120 North Robson Street, on October 6, 2005 at 8:50 a.m.

COUNCIL PRESENT

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

COUNCIL ABSENT

None

OFFICERS PRESENT

Mike Hutchinson
Debbie Spinner
Barbara Jones

(Councilmember Thom arrived at the meeting at 10:00 a.m.)

Opening and Welcome

a. Mayor's Opening Comments

Mayor Hawker stated that at today's Planning Session, the Council would address Mesa's economic viability and sustainability over the next 20 years. He explained that as part of that process, the Council would review various FY 2006/07 proposed budget reductions that may be necessary to implement if significant additional revenues for the City are not realized.

b. Review Retreat Purpose and Desired Outcomes

(See above comments.)

c. Feedback on Mayor's Performance

Various Councilmembers acknowledged Mayor Hawker's participation and leadership role on a number of regional/national boards and committees; his willingness to provide each Councilmember with an opportunity to freely express his or her views and opinions during Council meetings; and his analytical abilities and skills with regard to complex financial and economic matters.

Where are we now?

a. Review FY 2004/05 accomplishments

Special Assistant to the City Manager Eric Norenberg offered a short synopsis of the Council's major accomplishments for FY 2004/05.

b. Review 2004/05 City Council Work Plan Final Report

Mr. Norenberg spoke regarding the 2004/05 Priority Work Plan, which addressed a series of topics and desired outcomes developed by the Council at last year's Planning Session. He noted that such topics included, among other things, financing government, economic development, transportation, Mesa's image, neighborhoods, and quality service.

c. Report on Council interviews

Mr. Norenberg briefly highlighted the feedback he obtained from the Council in one-on-one interviews with regard to the goals and objectives contained in the Priority Work Plan.

d. Alignment of Organizational Strategic Plan and City Council Work Plan

Quality and Organizational Development Advisor Bill Follette referred to a document entitled "Alignment of Organizational Strategic Plan and City Council Work Plan" and addressed the major components of the document. He stated that there is consensus among the Council that the Council Work Plan tends to focus on low-level tasks and noted that greater emphasis should be placed on higher-level strategic issues. Mr. Follette also said that lower level tasks contained in the Council Work Plan would be integrated with current operational plans and tracked through the new performance management software.

Discussion ensued relative to staff's ability to benchmark performance measures.

City Manager Mike Hutchinson suggested that at a future Study Session, staff provide the Council with an update regarding the Mesa 2025: Financing the Future Committee's budget-related recommendations. He commented that subsequent to the presentation, the Council would then have an opportunity to prioritize various City programs and services.

Financing Government

a. Review list of budget adjustments made since FY 2001/02

Financial Services Manager Bryan Raines provided a short synopsis of Citywide budget reductions that have occurred throughout the organization within the last five years.

b. Review and discuss updated Financial Forecast

Assistant Budget Director Chuck Odom displayed a PowerPoint presentation and offered an extensive overview of the base forecast for FY 2006/07 through FY 2010/11, a forecast of the current level of service with the existing revenue structure, a possible \$36 million reduction in existing services on an

ongoing basis, and a revenue enhancement forecast. (The complete PowerPoint presentation is available for review in the City Clerk's Office.)

Discussion ensued relative to the fact that staff's \$36 million reduction scenario does not include the Transportation Master Plan, nor the assumption that a ballot question to adjust the local sales tax rate would pass; that staff's revenue enhancement forecast was presented to the Mesa 2025: Financing the Future Committee and included, among other things, adjusting the local sales tax rate to 1.75%, instituting a primary property tax, and increasing utility rates to 5% in FY 2006/07; that the forecast did not include a \$2.4 million salary range adjustment for Sworn Police Officer personnel, if such an adjustment were to occur; and that the potential sale of the Pinal County Water Farm was not included in the scenario and would be considered as a separate revenue source.

Mr. Odom provided a brief analysis of various fees and charges imposed by the City of Mesa in comparison to the surrounding communities.

(Mayor Hawker declared a recess at 10:25 a.m. The meeting resumed at 10:35 a.m.)

c. Review and discuss preliminary FY 2006/07 budget development

Mr. Hutchinson referred to a document entitled "Alternative Fiscal Year 2006/07 Budget" and reviewed a preliminary list of potential budget adjustments and service impacts. He commented that the more than 360 positions, programs and services represent the lowest priorities identified by the Council during their 2004 Planning Session. Mr. Hutchinson said that in addition, the list includes other programs, services and operations that have been tentatively identified in order to reach the required cost reduction targets. (The complete list is available for review in the City Clerk's Office.)

Councilmember Whalen made the suggestion that the City hire an outside consultant to assess the efficiency, scope of responsibility, and salary ranges of Mesa's management and mid-management personnel.

d. Review, discuss and consider the report from Mesa 2025: Financing the Future Committee

Mayor Hawker referenced a document entitled "Mesa 2025: Financing the Future Committee Final Recommendations" and requested that the Council provide input relative to the following recommendations:

1. Create a mechanism for the City to continually review expenditures for service efficiency and effectiveness.
 - The City Council shall formulate a list of City spending priorities and correlate the formation and approval of the City's annual budget to this list.
 - Establish an Audit Committee, composed of citizens and Councilmembers, to review the City's operational and financial efficiency.

(The Council concurred that it would be appropriate to place before the voters a ballot question to amend the City Charter in order to establish a Council-appointed City Auditor. The individual would report directly to the City Council, with the day-to-day

operations of the City Auditor to be under the jurisdiction of a Council Audit Committee.)

2. Outcome Orientation and Program Accountability

- Each City department and program shall have clearly articulated and specific long and short-term goals. The goals shall be accompanied by performance standards and benchmarks for measuring success. These items will be reviewed by the City Council and published on the Internet.

(The Council concurred with the recommendation.)

3. Establish a Sunset Review Process

- A sunset review process should be created to provide a thorough method to evaluate the efficiency, effectiveness and continued viability of City programs.

(The Council concurred with the recommendation.)

4. Council Budget Process

- The City Council shall annually review and approve the budget only after inquiring into the success measures of each City department and program.

(The Council concurred with the recommendation.)

5. Expenditure Reviews

- The City Council and/or the newly created Audit Committee shall review the list of potential expenditure and revenue suggestions created by the Mesa 2025: Financing the Future Committee during their 19 months of study and deliberations.

(The Council concurred with the recommendation.)

6. Establish a City Employee Compensation and Benefits Review Committee

- The Committee would be charged with instituting a strategic plan to address the growth of benefit entitlements, retention, and review and calibrate pay scales and benefits to the private marketplace, where appropriate.

(The Council concurred with the creation of an Employee Compensation Advisory Committee, which would consist of two Councilmembers, two staff members and one individual from the community.)

e. Review, discuss and consider key dates and timeline for action on financial measures.

Additional discussion ensued relative to a possible disposition plan for the Pinal County Water Farm.

(Mayor Hawker declared a lunch recess at 12:00 p.m. The meeting reconvened at 12:30 p.m.)

Further discussion ensued relative to the potential funding of personnel and services through Quality of Life sales tax proceeds; instituting a primary property tax; and the fact that a secondary property tax could be levied, if necessary, to repay bond debt.

The Council spoke further regarding the above-referenced issues and their comments included, but were not limited to, the following:

Mayor Hawker:

- Would probably support the implementation of a primary property tax at a rate of \$1 per \$1000 assessed valuation.
- Would be willing to adjust the local sales tax rate to 1.5%, but not 1.75%.
- It is essential that Mesa meet its local match requirement stipulated in Proposition 400 in order to receive funding for various City street capital projects.

Councilmember Thom:

- Preferred to implement \$38 million in cutbacks throughout the organization.
- Mesa voters may agree to a 1.5% sales tax increase.
- Supported placing before the voters a ballot question to institute a primary property tax, although she questioned whether Mesa voters would approve such a measure.
- Opposed placing questions regarding a sales tax increase and instituting a primary property tax on the same ballot.
- Requested assurances that the Quality of Life sales tax increase would be dedicated to street improvements only.

Councilmember Griswold:

- Supported replacing the quarter-cent Quality of Life sales tax with a dedicated tax for street projects.
- Supported reducing utility rates by 2%.
- Supported implementing a 1.4% primary property tax.
- Supported a cap on government spending tied to growth and inflation.

Vice Mayor Walters:

- Questioned whether staff's proposed revenue enhancements are adequate because they do not include the Sworn Police personnel market salary range adjustment, increased fuel costs or accelerated construction costs.
- Supported instituting a primary property tax at \$1 per \$1,000 assessed valuation.
- Supported a 1.5% sales tax increase, with .31 dedicated to streets.
- Noted that it would be imperative to implement significant cutbacks throughout the City.
- Requested that the Council be given the opportunity to review the manner in which the City's utility enterprise funds are maintained.

Councilmember Whalen:

- Concurred with Vice Mayor Walters' recommendations.
- Stressed the importance of educating Mesa voters with regard to the City's significant financial situation.
- Stressed the importance of the City establishing a stable and balanced revenue source.
- Voiced concern regarding the low morale among City employees and the fact that many are leaving Mesa for other employment opportunities.

Councilmember Rawles:

- Supported a sales tax increase only.
- Preferred levying a secondary property tax to pay for bond debt.
- Would impose significant cutbacks including, but not limited to, the elimination of all arts classes, holiday lights, and the privatization of museums.

Mr. Hutchinson reviewed a possible timeline for future elections to be conducted by the Mesa School Board, the City of Mesa, and Maricopa County.

Mayor Hawker stated that there appears to be some concurrence among the Council that staff research the issue of instituting a primary property tax, with a rate of \$1 to \$1.10, and also adjusting the local sales tax rate to 1.5%.

Mr. Hutchinson recommended that several Study Sessions be scheduled in the near future to provide the Council with an opportunity to discuss and consider instituting a primary property tax, the possibility of levying a secondary property tax, various transportation issues, and the proposed ballot language for any questions that would be presented to Mesa voters.

Mayor Hawker thanked everyone for their participation at the Council Planning Session.

Adjournment

Without objection, the Council Planning Session adjourned at 2:00 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 Planning Session of the City Council of Mesa, Arizona, held on the 6th day of October 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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