



## COUNCIL MINUTES

January 8, 2009

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 January 8, 2009 at 7:31 a.m.

### COUNCIL PRESENT

Mayor Scott Smith  
Alex Finter  
Dina Higgins  
Kyle Jones  
Dennis Kavanaugh  
Dave Richins  
Scott Somers

### COUNCIL ABSENT

None

### OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Linda Crocker

Mayor Smith excused Councilmember Somers from the remainder of the meeting at 9:23 a.m. during the discussion of agenda item 4.

#### 1. Review items on the agenda for the January 12, 2009 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest declared: None

Items added to the consent agenda: None

Items removed from the agenda: 11a and b

#### 2. Hear a presentation, discuss and provide direction on the proposed Pawnshop and/or Secondhand Dealers Transaction Fee (see agenda item 7h on the January 12<sup>th</sup> Regular Council meeting agenda).

Assistant Police Chief Mike Denney advised that the Councilmembers received a printed copy of the PowerPoint presentation (a copy is available for review in the City Clerk's Office). He stated that as requested by the Council during the December 4, 2008, presentation regarding transaction fees, staff researched secondhand store transactions and determined that secondhand stores account for approximately eight percent of the total number of reported

transactions. Chief Denney advised that staff was seeking direction regarding the three alternatives listed below:

1. Implement a pawnshop transaction fee that would enable the City to purchase equipment for an online, electronic data submission system.
2. Expand the transaction fee to include both pawnshops and secondhand goods.
3. Do not implement any fees for pawnshop or secondhand goods transactions.

In response to a question from Mayor Smith, Chief Denney stated that the Police Department's definition of second hand stores includes only "for profit" operations and excludes "non-profit" organizations such as Goodwill and Deseret Industries.

Assistant City Attorney Jack Shafer advised that future changes to Title 5 of the City Code would clarify the definition of non-profit 501(c) organizations.

Chief Denney stated that the purpose of regulating pawnshops and secondhand stores is to prevent the sale of stolen merchandise. He noted that current laws require reports on firearms and jewelry sales.

Mr. Shafer said that Council approval of Alternative No. 2 would require that definitions of reportable goods be established.

City Manager Christopher Brady noted that subject to Council approval, the ordinance is included on the Monday, January 12, Regular Council agenda for introduction, after which staff would address the implementation plan.

Councilmember Higgins expressed support for including both pawnshops and secondhand goods in the ordinance.

Responding to a question from Councilmember Finter, Detective Richard Milburn advised that although stolen merchandise has been seized occasionally from secondhand stores, the numbers are far greater for pawnshops.

Councilmember Somers said he prefers that both pawnshops and secondhand stores be included in the ordinance, and he expressed support for Alternative No. 2.

Councilmember Kavanaugh also expressed support for Alternative No. 2.

Mayor Smith noted that the consensus of the Council is to move forward with Alternative No. 2. He said that criminal activity is the primary area of concern, which relates more to the type of item involved in a transaction than the type of business.

Mr. Brady acknowledged the efforts of Detective Milburn, who will be retiring at the end of the month, and stated that he was instrumental in proposing pawnshop regulations.

Mayor Smith thanked Detective Milburn for his service and congratulated him on his retirement.

3. Hear a presentation, discuss and provide direction on proposed annexation policy modifications.

Development and Sustainability Department Director Christine Zielonka introduced Senior Planner Angelica Guervara, who is in charge of the annexation process.

Ms. Guervara advised that during an October presentation to the Council regarding annexation policies, staff was directed to conduct additional research on issues related to Public Safety and Solid Waste services and prepare options for Council consideration. She displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to outline the proposed options:

- **Option 1** would not change the existing policy. Annexation would be required in order to receive utilities and applicants could appeal staff's decision to the Transportation and Infrastructure Committee (TIC).
- **Option 2** would encourage annexation and allow staff approval of connections with a Utility Service Agreement and without annexation when that is in the best interest of the City.
- **Option 3** would allow utility services without annexation. The applicant would be required to construct improvements that comply with the City's development standards and pay the Utility Service Fee.

Ms. Guervara explained that all three options require the applicant to make all improvements to the property or pay the Annexation Equity Fee or the Utility Service Fee. She added that staff would perform a fiscal analysis of each application.

In response to a question from Mayor Smith, Ms. Zielonka confirmed that an agreement to provide only utilities (sewer and water) does not include any other City services.

Ms. Guervara summarized that based on Council direction staff would prepare the necessary ordinance changes for Council consideration and reevaluate the 65 applications presently in various stages of the annexation process.

City Manager Christopher Brady stated that the current proposal recognizes concerns regarding the City's ability to effectively provide services to certain developments. He said that the current proposal focuses primarily on the sale of utilities and less on annexation. Mr. Brady noted that the Utility Service Fee is similar to an impact fee that applies to a development constructed within the City's boundary. He explained that regardless of whether the City is a mutual aid responder or a primary responder, certain improvements are required, such as fire hydrants, in order to address life safety issues.

Vice Mayor Jones noted that the Council has addressed this issue many times in the past several years. He stated that improvements are required to ensure that future annexations are developed to City standards.

Ms. Zielonka clarified that the intent of the proposal is to streamline the process for those applicants who are requesting only utility services and do not wish to annex. She explained that under the current process, staff does not have the ability to provide only utility services and all applicants are required to apply for annexation or appeal to TIC.

Vice Mayor Jones said that applicants for utility services only would be required to construct to City standards and pay the same fees that are required for annexation.

Councilmember Kavanaugh said that he favored the original policy that required annexation into the City in order to receive utility services. He stated the opinion that the original policy was clear and encouraged County islands to become a part of the City, which would eliminate the continuing problems experienced by Public Safety personnel in providing services to these areas. He said that he would not support the proposal for Option 3.

Councilmember Finter expressed the opinion that flexibility was a key issue for the City in addressing these issues, and he said he would support Option 2 or 3, whichever one provided the greatest flexibility.

Responding to a question from Councilmember Higgins, Ms. Zielonka advised that a request for a single parcel annexation would require Council approval and that all cases presented to the Council would include a staff recommendation for approval or denial. She noted that the City would not approve an adverse annexation where the neighborhood is opposed to the action. Ms. Zielonka added that the fee structure encourages the annexation of multiple properties.

Mr. Brady noted that when a group of property owners are unable to agree to the annexation, an application for a single property may come forward. He said that the difficulty with a single annexation is that the costs cannot be spread among several property owners.

City Attorney Debbie Spinner advised that Proposition 207, which was approved by the voters, triggered the City's decision that multiple properties would not be annexed unless 100 percent of all property owners approved.

Mayor Smith stated the opinion that annexation applicants for new construction should be required to build to the City's standards. He noted that older, existing properties not constructed to City standards or "orphan" lots pose different problems and may never meet City standards.

Mr. Brady stated that staff would be comfortable with a Council decision for Option 2, and he noted that none of the proposals eliminate the applicant's right to appeal a decision to TIC. He said that the applicant should be required to pay for the appropriate costs, which are similar to impact fees. He added that an applicant could appeal the requirements for fire hydrants and road improvements.

Mayor Smith noted that the consensus of the Council was that a new development seeking utility services should be required to construct to City standards and pay the appropriate fees. He stated that older properties should have the option to pay the fees as a condition of receiving utility services without requiring annexation. Mayor Smith emphasized that the City would not pay the costs to provide utility services in the County. He said that developing a policy to address every situation was not possible and therefore, decisions should be made based on a set of principles.

Further discussion ensued relative to the fact that staff makes decisions and recommendations regarding annexations and the provision of City utility services; that the City requires property improvements to City standards when it is anticipated that at some point in the future the

property would become a part of the City; and that a primary area of concern with regard to annexation is the City's ability to provide fire protection services to a property.

Councilmember Finter expressed support for encouraging annexation while maintaining the flexibility to provide utility services only and providing the opportunity for an applicant to appeal to TIC.

Mayor Smith summarized that the basic principle is that this Council is willing, under certain circumstances, to provide utility services to non-annexed properties, although he noted that Councilmember Kavanaugh does not agree. Mayor Smith suggested that staff prepare a framework that encompasses the basic principle.

Ms. Spinner advised that staff could prepare the ordinance based on Option 2 and then include the Council's comments in the Annexation Policy.

In response to a question from Vice Mayor Jones, Ms. Zielonka noted that a requirement for certain development standards, such as curb and gutter, can be appealed to Deputy City Manager Jack Friedline, who has the authority to waive or modify certain requirements, which can then be further appealed to TIC and the Council.

Mayor Smith thanked staff for the presentation.

4. Hear a presentation and discuss the identification of potential costs related to providing other post employment health care benefits (OPEB) within the City's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2008 and changes to retiree health care benefits for employees hired after January 1, 2009.

Deputy City Manager Bryan Raines introduced Assistant Human Resources Director Donna Salemi and Controller Doug Yeskey. Mr. Raines noted that the Council will consider the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2008 at the January 12, 2009 Council meeting. He advised that a new item in CAFR required by the Governmental Accounting Standards Board (GASB) is that the City must recognize the costs to provide post employment health care benefits, commonly referred to as retiree health care benefits. Mr. Raines said that these costs are referred to as "annual required contribution by the City in any unfunded actuarial liabilities over a period not to exceed thirty years." He reported that with the assistance of the City's benefits consultant, The Segal Company, the actuarial accrued liability of the City was determined to be approximately \$664 million dollars over thirty years and a net obligation of \$57 million for the fiscal year ending 2008.

Ms. Salemi stated that prior to GASB requiring the reporting of retiree medical and dental health care costs, staff recognized the impact of these benefits and in 1992, a minimum requirement of ten continuous "service years" was established in order for the retiree to receive retirement health care benefits. She added that the minimum service requirement was changed to fifteen years in 2001 and to twenty years in 2006, which is applicable to employees hired prior to January 1, 2009. Ms. Salemi explained that the City contributes a portion of the premium to continue the employee's medical and dental insurance coverage in retirement. She advised that an Employee Benefits Advisory Committee, which is chaired by Vice Mayor Jones and includes Councilmember Richins as a member, reviews all benefit structure changes proposed by staff. Ms. Salemi reported that the City contracted for an actuarial study that included present retirees

and those that are anticipated to enter into the system. She said that the study was based on age, life expectancy for the retiree and family members, and the costs of coverage projected for thirty years to determine the City's financial liability. Ms. Salemi noted that, with the approval of the Employee Benefits Advisory Committee, retiree insurance benefits were suspended for all new employees hired after January 1, 2009.

Councilmember Kavanaugh questioned the process. He noted that the Council has not received a copy of the minutes of the Employee Benefits Advisory Committee meetings, and he suggested that the Council should be involved in the suspension of this type of benefit.

Ms. Salemi explained that the Council typically reviews benefits and changes to benefits during the annual budget process. She noted that regular changes to the benefits program are not usually presented to the full Council, but she noted that in 2004 the revised structure of the benefits program was presented for Council review.

In response to a question from Councilmember Kavanaugh, City Attorney Debbie Spinner said that although she was not familiar with the bylaws of the Employee Benefits Advisory Committee, she could research the topic and provide information to the Council. She said that the staff recommendations approved by the Committee are presented to the Council during the budget process and that the Council could change line items for benefits at that time.

City Manager Christopher Brady said that the disclosure of retirement health benefits in the CAFR is a new requirement. He explained that a change to offer a type of retiree insurance coverage to employees hired after January 1, 2009 could be addressed at a future date. Mr. Brady added that this action does not change any appropriations on an annual basis.

Vice Mayor Jones stated that new employees hired after January 1, 2009 are being advised that the City is unable to provide them with retirement health benefits. He added that the situation could change in the next twenty years, but at this point in time the City is unable to make that guarantee.

Mayor Smith noted that a guarantee of retirement health benefits to new employees would have to be reflected as a current financial obligation in the City's CAFR.

Councilmember Kavanaugh stated that he understood the reason for the CAFR requirements, but he was concerned with the Committee process. He said he did not recall receiving a meeting notice or a copy of the Committee minutes, and he was concerned that this was a deviation from the process.

Responding to comments by Councilmember Finter, Ms. Salemi advised that the purpose of suspending the benefit is to determine the effect on the City's financial situation. She said that staff would continue to research alternative products and the associated costs.

Councilmember Finter expressed concern that a delay in selecting an alternative program would penalize the new employees.

Mr. Brady concurred that the City did not want to penalize new employees, but he added that this is a long-term issue. He stated the opinion that there was sufficient time to discuss and resolve the issue.

Mr. Raines summarized that staff would attempt to determine the future effect of the financial disclosure on the budget and on the City's bond rating.

Mayor Smith noted that every City is required to comply with this reporting requirement, and he stated the opinion that the markets would adjust.

5. Acknowledge receipt of minutes of various boards and committees.

- a. Transportation Advisory Board meeting held on September 16, 2008
- b. Board of Adjustment meeting held on November 12, 2008
- c. Museum and Cultural Advisory Board meeting held on November 12, 2008
- d. Parks and Recreation Board meeting held on November 12, 2008
- e. Audit and Finance Committee meeting held December 17, 2008

It was moved by Councilmember Kavanaugh, seconded by Vice Mayor Jones, that receipt of the above-referenced minutes be acknowledged.

Mayor Smith declared the motion carried unanimously by those present.

6. Hear reports on meeting and/or conferences attended.

Vice Mayor Jones: Light Rail Transit Grand Opening

Mayor Smith thanked the Public Information Office and the Transportation Department for planning Mesa's Light Rail Transit Grand Opening event, which was privately funded.

7. Scheduling of meetings and general information.

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

Monday, January 12, 2009, TBA – Study Session

Monday, January 12, 2009, 5:45 p.m. – Regular Council Meeting

Thursday, January 15, 2009, 7:30 a.m. – Study Session

Monday, January 19, 2009, 8:00 a.m. – Martin Luther King Celebration Breakfast

8. Prescheduled public opinion appearances.

- a. Hear from Bruno DeGiorgi regarding sewer hookup.

Bruno DeGiorgi, representing his church congregation, addressed the Council regarding their request for a connection to the City's sewer system. He stated that although a connection to the City's sewer system is located on their property, the City is requesting that the property be annexed and that the church pay fees in the amount of \$125,000. He said that based on the Study Session discussion of the annexation policy, he would like to make an appeal to the Transportation and Infrastructure Committee.

Mayor Smith apologized to Mr. DeGiorgi for the problems he encountered during a transition in City policies. He encouraged him to present an appeal to the Transportation and Infrastructure Committee.

9. Items from citizens present.

There were no items from citizens present.

10. Adjournment.

Without objection, the Study Session adjourned at 9:43 a.m.

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SCOTT SMITH, MAYOR

ATTEST:

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LINDA CROCKER, 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 8<sup>th</sup> day of January, 2009. I further certify that the meeting was duly called and held and that a quorum was present.

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LINDA CROCKER, CITY CLERK

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