

COUNCIL MINUTES

January 18, 2000

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 18, 2000 at 4:45 p.m.

COUNCIL PRESENT

Mayor Wayne Brown
Jim Davidson
John Giles
Keno Hawker
Bill Jaffa
Dennis Kavanaugh
Pat Pomeroy

COUNCIL ABSENT

None

STAFF PRESENT

C.K. Luster
Kevin Adam
Wayne Balmer
Neal Beets
Denise Bleyle
Mark Brennan
Linda Crocker
Stacey Damp
Bob DeLeon
Jerry Dillahey
Jo Ferguson
G. T. Fowler
Jack Friedline
Joe Holmwood
Barbara Jones
Karen Kille
Wayne Korinek
Ron Krosting
Rich Lorig
Jeff Martin
Keith Nath
Eric Norenberg

STAFF PRESENT (CONT.)

Joe Padilla
Ellen Pence
Bryan Raines
Regan Robbins
Sharon Seekins
Jenny Sheppard
Jan Strauss
Lois Underdah
Kim West
Mindy White
Paul Wilson
Mark Woodward
Others

OTHERS PRESENT

Alex Finter
Lynn Kusy
Barrett Marson
Beverly Beard
Dave Wier
Fred Williams
Others

1. Review items on the agenda for the January 18, 2000 Regular Council Meeting.

All of the items on the agenda were reviewed among Council and staff with no formal action taken. There was specific discussion relative to the following items:

4. Consider the following contracts:

*k. South Center Complex Duct Bank Installation. City of Mesa Project No. 00-51.1.

This project consists of the construction of a conduit duct bank between Center Street and Mahoney Street to the South Center Complex.

Councilmember Hawker indicated that he had a potential conflict of interest in connection with the matter now under discussion which he wanted reported in the minutes of the meeting, and because of such conflict of interest, he would refrain from voting upon or otherwise participating in any manner in connection with same.

6. Consider the following resolutions:

- a. Approving Williams Gateway Airport Authority entering into a lease purchase agreement for certain improvements and equipment for use at Williams Gateway Airport.

Councilmember Jaffa indicated that he had a potential conflict of interest in connection with the matter now under discussion which he wanted reported in the minutes of the meeting, and because of such conflict of interest, he would refrain from voting upon or otherwise participating in any manner in connection with same.

- c. Authorizing the City Manager to execute an Intergovernmental Agreement between the Maricopa County Department of Transportation and the City of Mesa for roadway improvements to Ellsworth Road from Germann Road to ½ mile north of Elliot Road.

Councilmember Jaffa indicated that he had a potential conflict of interest in connection with the matter now under discussion which he wanted reported in the minutes of the meeting, and because of such conflict of interest, he would refrain from voting upon or otherwise participating in any manner in connection with same.

2. Further discussion and consideration regarding issues of interest before the 2000 legislative session.

Assistant to the City Manager Jeff Martin and Government Relations Assistant Kevin Adam provided the Council with a brief legislative update on issues currently under consideration by the Legislature which may impact the City of Mesa including Preemption of Local Sales Tax Authority, Retention of State Shared Revenue, Electric Deregulation, Highway Project Advancement Notes, Growth Management, Airport Protection, Group Home Regulation, Workforce Development Programs, Massage Therapist Oversight and Air Quality (See Attachment).

Mr. Martin discussed the Abolish the Car Tax (ACT) Initiative that would reduce the Vehicle License Tax (VLT) and provide for an increase in the State gas tax to recoup lost revenue. Mr. Martin explained that of the current \$100 million that cities receive each year for general fund purposes, approximately 80% would be eliminated as a result of such an initiative.

Mr. Martin also commented on the Income Tax Repeal Initiative which would result in phasing out State income tax over a four-year period. Mr. Martin noted that it is the recommendation of staff that the City educate the public regarding the impact of revenue losses on essential City services such as police and fire protection.

Discussion ensued relative to alternative revenue-generating solutions such as an increase in City sales tax revenues, bonds and the implementation of a secondary property tax.

In response to a question from Councilmember Hawker relative to the issue of State shared revenues, Mr. Martin clarified that the City of Mesa agreed to be preempted from imposing a local income tax in exchange for a share of the State's income tax. Mr. Martin added the City also preempted the enactment of a local luxury tax.

Councilmember Pomeroy stated that the potential revenue losses resulting from the actions of the State legislature make it difficult for the City Council to implement long-range financial planning.

Councilmember Kavanaugh expressed concerns that within three years, there will be a 20% loss of State and local sales taxes that will result in significant revenue constrictions for Mesa.

Mr. Martin reported on an Electric Deregulation Bill that would allow the City to sell electricity outside of its service territory and provide customers within the Mesa service territory the option of purchasing electricity from another provider. Mr. Martin also discussed the Highway Project Advancement Notes which would provide municipalities with the necessary tools to further accelerate freeway construction.

Mr. Adam briefly discussed the Governor's Growing Smarter Commission which would promote growth management.

Discussion ensued relative to the creation of partnerships between Mesa and the City of Phoenix and the City of Glendale in an effort to collaborate on mutual legislative concerns, relative to legislation on Airport Protection, Group Homes, Air Quality, Public Safety and a Massage Therapist Oversight Board.

Mayor Brown expressed appreciation to staff for their presentation.

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

- a. Design Review Board meeting held January 5, 2000.
- b. Housing and Human Services Advisory Board meeting held December 14, 1999.

It was moved by Vice Mayor Giles, seconded by Councilmember Kavanaugh, that receipt of the above listed minutes be acknowledged.

Carried unanimously.

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

Police Chief Jan Strauss addressed the Council relative to a recent Police Department awards ceremony which honored Mesa officers for performing life-saving rescues, acts of distinguished service and also recognized citizens in the community who have assisted the Department in a meritorious manner.

Mayor Brown thanked Chief Strauss for her input.

Councilmember Pomeroy spoke in appreciation of the Police Department honoring Lee Moore, the eldest living retiree of the Mesa Police Department.

5. Scheduling of meetings and general information.

City Manager Charles Luster advised that the meeting schedule is as follows:

Thursday, January 20, 2000 – Council Study Session Cancelled

Thursday, January 20, 2000, 8:00 a.m. – Finance Committee Meeting

Thursday, January 27, 2000, 7:30 a.m. – Council Study Session

The Police Committee meeting scheduled for Thursday, February 10, 2000, **has been changed** to Tuesday, February 15, 2000, at 4:00 p.m. in the lower level of the Council Chambers.

6. Prescheduled public opinion appearances

There were no prescheduled public opinion appearances.

7. Adjournment.

Without objection, the Study Session adjourned at 5:23 p.m.

WAYNE BROWN, MAYOR

ATTEST:

BARBARA JONES, CITY CLERK

Attachment

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 18th day of January, 2000. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this ____ day of _____ 2000

BARBARA JONES, CITY CLERK

January 13, 2000

TO: MAYOR AND CITY COUNCIL
FROM: KEVIN ADAM
JEFF MARTIN
SUBJECT: Update for 2000 Legislative Session

OVERVIEW

The purpose of this report is to provide the Mayor and Council with an overview of the upcoming legislative session with an emphasis on issues that may impact the City. The session will begin on January 10th and will last no longer than 75 days according to legislative leadership.

Also, the City has worked over the summer to create partnerships to collaborate with other entities that share mutual legislative concerns with Mesa. In particular, the City is working more closely with Phoenix and Glendale on several issues. To date, efforts with Phoenix have focused on defeating a legislative attempt to impose a uniform sales tax code on cities. The City is working with Glendale on strengthening the reporting and operating requirements of group homes and on airport protection legislation that would assist Williams Gateway, Falcon Field and Luke Air Force Base.

ISSUES OF INTEREST

Preemption of Local Sales Tax Authority

Legislation will be considered to impose a uniform sales tax code (between the state and cities) which would preempt the Council's authority to set the local sales tax base. Establishing a uniform sales tax code in state law would lead to the erosion of the local tax base, since the Legislature would determine what cities may tax locally. Over the years, the Legislature has approved a litany of exemptions to the State tax base. This is contrary to the local philosophy of limiting exemptions to retain a broader tax base with more equity for all taxpayers. Determining the local tax base ought to continue to be done by locally elected officials. Cities have developed an alternative to the uniform sales tax code that would continue the oversight of city tax codes by the Municipal Tax Code Commission for another ten years. Under the proposal, cities would also simplify and provide more uniformity to licensing, auditing, and appeal procedures. **It is recommended that the City oppose efforts to preempt City authority to control its local sales tax base.**

Retention of State Shared Revenue

A biennial budget was passed last year that reduced the City's share of the state income tax by approximately \$1.95 million for FY00-01. Protection of state shared revenue will be a top priority of cities as it remains a significant portion of city revenue. For the current fiscal year, Mesa will receive an estimated \$76 million in state shared revenue or about 32% of the City's general fund revenue. It is doubtful that legislation will pass this year to reverse the funding levels set by the legislature last year. However, it is important that cities keep this issue visible and relay the importance of state shared revenue to providing city services such as police and fire protection.

It is recommended that the City continue to convey the importance of state shared revenue to providing basic services.

Electric Deregulation

As you know, legislation that would have enabled Mesa to enter electric competition was vetoed last year due to a provision unrelated to the City. Speaker Jeff Groscost has committed to supporting deregulation legislation again this year. The bill would allow the City to sell electricity outside of its service territory and provide customers within the Mesa service territory the option of purchasing electricity from another provider.

It is recommended that the City support legislation that would enable the Mesa electric utility to enter electric competition.

Highway Project Advancement Notes

Legislation will be considered that would provide municipalities with another tool to further accelerate the construction of freeways. The bill would allow cities to issue project advancement notes per an agreement with ADOT. The notes could not exceed \$100 million and repayment would be required within five years. Repayment of principal would be from revenues pledged for the project in the highway construction program. Interest costs would be the responsibility of the City and could be paid with a variety of revenue options. Representative Dean Cooley has agreed to sponsor this legislation.

It is recommended that the City support legislation authorizing Highway Project Advancement Notes.

Growth Management

Several bills related to growth management and private property protection are anticipated for the upcoming session. Several concepts recommended by the Governor's Growing Smarter Commission would promote growth management if enacted. Those concepts include:

- Infill incentives.
- Greater county authority to limit and regulate lot splits.
- Authority and funding for the State Land Department to acquire trust lands for open space.
- City authority to set limits for providing publicly financed infrastructure and services.

While the City supports and adheres to the private property rights provisions of the U.S. and Arizona Constitutions, the City also respects the growing demand of neighborhood groups for better growth management and more public participation in the planning process. Therefore, City staff is recommending opposition to legislation that would expand private property protections beyond those rights guaranteed by the U.S. and Arizona Constitutions. Legislation expanding property protection may include:

- Prohibitions on rezoning property without the owner's permission.
- Requiring compensation for city actions that may decrease property values.
- Requiring takings analyses for city actions that may decrease property value.
- Providing property owners with various zoning options when developing to include the use of the zoning that was in place when the property was acquired or the zoning at the time of the proposed development.

Also, the Citizen's Growth Management Initiative may be on the State ballot in November. The initiative would require the establishment of voter-approved growth boundaries for all municipalities. A combination of enacted legislation and the initiative could create severe implementation problems. For instance, the City may have to design growth boundaries requiring voter approval yet be required to obtain property owner's permission prior to implementing any zoning changes to accommodate the new boundaries. Legislation could also make the City vulnerable to lawsuits for establishing mandated growth boundaries.

It is recommended that the City support legislation that would provide for more orderly growth while opposing legislation that would impede growth management.

Airport Protection

Last year, legislation was enacted that requires new home sellers to provide notice to potential buyers of any airport located in the area of the home. Legislation will be considered this year that would require sellers of pre-owned homes to provide the same notification. The bill would also provide the Attorney General with enforcement responsibilities for noise attenuation requirements and zoning regulations in the vicinity of military airports. The Cities of Mesa and Glendale are working together on this bill.

It is recommended that the City support legislation to increase airport protection measures.

Group Home Regulation

Legislation is being considered that would increase the reporting requirements of group homes and raise the operating standards of those homes that operate under a State contract. The bill would also include spacing requirements between homes, limits on the number of residents per home, required neighborhood meetings prior to locating a new home, and a required zoning review prior to any license renewals. The Cities of Mesa and Glendale are working together on this bill.

It is recommended that the City support legislation to increase reporting requirements and improve operating standards for group homes.

Workforce Development Programs

Legislation will be considered that would increase the funding for the State's workforce development programs. The funding would be used to enhance the ability of Universities, Community Colleges, and Technical Schools to provide training for the specific needs of local workforces. The educational institutions would coordinate with industry to assess the workforce needs, and provide training.

It is recommended that the City support legislation to increase funding for workforce development programs.

Massage Therapist Oversight

Legislation to implement a state licensing and oversight board is under consideration. The current lack of regulation provides a greater opportunity for massage therapy to be used as a front for prostitution. Increased state oversight would complement City efforts to clean up massage therapy operations in the City. The state association of massage therapists also endorses the concept of a state licensing and oversight board. The City is working with the association to develop legislation for 2001.

It is recommended that the City support legislation establishing a state licensing and oversight board for massage therapists.

Air Quality

County enforcement of Rule 310 has not been adequately improved to address dust control problems in the region. In fact, earlier in the year, the EPA independently cited and fined local development sites for violations. The EPA has also rejected the region's particulate matter attainment plan for an over-reliance on County Rule 310. Without an approved plan, the region could incur sanctions on new development and a loss of federal highway funds next year. To make County Rule 310 more effective, legislation will be considered that would provide the County with the authority to impose administrative fines for non-compliance with the Rule. Currently, the County can only impose fines through the use of the Courts.

Representative Carolyn Allen will also introduce legislation that would mandate the use of cleaner diesel fuel. According to data obtained for the MAG Brown Cloud Project, diesel exhaust accounts for 14.9% of the region's brown cloud pollution.

Also, the MAG Regional Council approved a motion to develop a model city ordinance for member agencies to adopt and use for dust control enforcement. Adoption of this ordinance by cities would more than likely trigger preemptive legislation similar to the pressures that Mesa experienced with its dust control ordinance last year

It is recommended that the City support legislation that would improve air quality and oppose measures that would weaken air quality enforcement measures.

Prime Contracting

Legislation will be considered that would change the point of taxation from the point of use or site of contracting activity to the point of retail purchase of the materials used in the contracting activity. There are considerable variances in the estimated impact of the change to State revenue. The Department of Revenue estimates that the bill would decrease the State general fund by \$105 million. An Arthur Andersen study commissioned by the Arizona Tax Research Association estimates that the bill would increase revenue by \$50 million. If enacted, cities experiencing largescale construction and growth may incur a loss in sales tax revenue.

It is recommended that the City oppose legislation that would shift the point of sales taxation from the point of use to the point of retail purchase on materials used in contracting activity.

Income Tax Repeal Initiative

An initiative to repeal the state income tax has been filed and is expected to be on the statewide ballot in November. If passed, state income tax would be phased out over four years. Mesa is projected to receive \$40.1 million in state income tax revenue next year. The initiative is sponsored by the Taxpayer Protection Alliance, which is chaired by former Secretary of State and gubernatorial candidate Richard Mahoney. The alliance is expected to have considerable political backing and financial support during the campaign.

It is recommended that the City make the public aware of the impact of revenue losses on essential city services such as police and fire protection.

Abolish the Car Tax (ACT) Initiative

An initiative to reduce the Vehicle License Tax (VLT) to a \$25 annual renewal fee and an \$8 plate fee is supported by Representative Marilyn Jarrett. A relatively small portion of the lost revenue would be offset by a three-cent gas tax increase. Of the current \$100 million that cities receive each year for general fund purposes, approximately 80% would be lost. Mesa is projected to receive \$13.1 million in VLT general fund revenue next year. VLT funding for highway user revenue would also be reduced impacting both state and local road projects. Representative Jarrett has pledged to make the initiative revenue neutral but a tremendous amount of offsets would need to be identified for this to be successful.

It is recommended that the City make the public aware of the impact of revenue losses on essential city services such as police and fire protection.