

Office of Economic Development
Economic Development Advisory Board
MEETING MINUTES

Date: May 3, 2005: 7:01 A.M .

MEMBERS PRESENT

Gary Smith
Linda Flick
Raul Cardenas
Don Evans
Mike Garcia
Vern Mathern
Pat Schroeder
David Woods
James Zaharis

EX-OFFICIO

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

STAFF PRESENT

Betsy Adams
Sue Cason
Harold Decker
Catherine Ji
Micah Miranda
Richard Mulligan
Scot Rigby
Wayne Balmer
Jim Huling
Bryan Raines

GUESTS

Roc Arnett
Lois Yates

MEMBERS ABSENT

None

Chair Gary Smith called the May 3, 2005 meeting of the Economic Development Advisory Board to order at 7:01 A.M. in the Mesa City Plaza Building, Room 170.

Chair Smith called for a motion to approve the minutes from the meeting held April 8, 2005.

MOTION: Linda Flick moved that minutes from April 8, 2005 be approved.

SECOND: Mike Garcia.

DECISION: Passed unanimously.

Chair Smith commented that Linda Flick, Dick Mulligan, Scot Rigby, Patricia Schroeder and Mike Garcia have been meeting to plan agendas and to ease the transition of leadership in June. One of the things discussed was the minutes. It was felt that if we were trying to get messages across, the minutes might fail to do so because they are so comprehensive and have so much data. The reason for them to be this way was from a historical perspective for the City to have a record. What we are going to try, beginning with this meeting, is to have two sets of minutes. One set to give a complete comprehensive detailed discussion. The second set being an abbreviated executive summary. Then if someone wants the gist of what's going on in this group or where the trends, threads or policy decisions are made, they will not have to wade through 8-10

pages of minutes. Would like feedback on whether you like it or not, and whether it is beneficial. They can be used as an information tool and as an historical record.

1. Regional Economic Development Overview

Chair Smith explained that some members have asked questions as to what GPEC is and how it works? Chair Smith apologized for not providing a better understanding. He referred to the material in the packet and pointed out that there is a large group of people involved in the Greater Phoenix Economic Council and regional economic development.

Chair Smith stated as a general overview there are two major organizations where most economic site selectors from across the country will contact in terms of a region. They will either contact the Arizona Department of Commerce or they will go to the Greater Phoenix Economic Council. The primary organizations that do compete on a national basis are GTEC (Greater Tucson Economic Council) and GPEC.

The Greater Phoenix Economic Council was established in 1989. It is a public/private organization. A formula was developed for payment by the cities based on population. The cities would pay so many cents per resident to become a member of GPEC. This was to fund 50% of the budget and the other half of the budget would be from private businesses. The budget is approximately \$3.5 million dollars a year. There is a staff of 22 providing leadership for the region to bring in locates. Expansion and retention has been left to either the Chambers of Commerce or to the individual cities, and that accounts for between 70 & 80% of the growth. The large locates, corporate headquarters and things of that sort are handled through GPEC.

GPEC Action Plan – FY 2005/2006

Chair Smith explained that the goal was to identify the different roles that we have with GPEC and then go through the blueprint for the implementation of the GPEC Action Plan. He referred to the Action Plan and the chart of boards, committees, etc. The Board of Directors for GPEC includes 54 voting members. The Board meets five times a year and basically approves the Action Plan. The Executive Committee is a group of approximately 19 people with no elected officials that sit on the Executive Committee. You can be an elected official and be a member of the board. The Mayors' of the cities that belong to GPEC appoints the Board of Directors and population determines the number of Board members. The City of Phoenix has seven members and Mesa has three members. The Board members from Mesa are Jack Sellers, Debra Duvall and Gary Smith. The Executive Committee has a representative from each of the communities and some selected utility groups. Utilities are defined as an organization that serves three different communities with some type of community support, so it could be electricity, water or a bank. The Executive Committee meets on a monthly basis and provides guidance to the staff. Chair Smith serves as the representative for Mesa on the Executive Committee and also serves as Secretary of GPEC as an officer of the corporation.

There are four standing Committees. Mr. Greg Holmes heads The Planning and Program Development Committee. Mr. Jack Sellers is also a member of that committee. Chaired

by Gary Smith, the Oversight Committee controls the Audit Committee along with the goals, objectives, attainment and effectiveness of the Board. Ms. Sharon Harper chairs the External Relations Committee. This is a group of Board members that uses an ambassadors group to go out and provide speeches or presentations as to what GPEC is doing.

Ms. Gina Trimble from SRP heads the Resource Development Strategy Committee. This committee recruits new members and makes sure that the finances for the organization are there. There are two committees that support this structure from a technical perspective. One is called the Policy Development Team of which Mr. Jim Huling is a member. This group reviews issues that are to be brought to GPEC from a policy perspective. The second supporting committee is the Economic Development Directors Team. This team is a group of professional economic developers from across the valley. Mr. Richard Mulligan is a representative on the EDDT Team and also chaired the team a few years ago.

Chair Smith introduced Mr. Sellers to review the GPEC Plan. Mr. Sellers explained that approximately three years ago GPEC developed an economic development strategy and some changes were suggested in the way GPEC functioned. The job of the Development committee is to develop a plan that would support the strategic direction that GPEC would follow. Mr. Barry Broome, the new CEO of GPEC, gave his view of where we are, the direction that we are going and what this blueprint means. Some key points from the road map; one main point states that Arizona doesn't have a tool kit. Usually when you are going after a major locate, you start with all the things that the state has to offer a company for coming here. That doesn't exist here. We start from scratch with every new locate.

The second point that our committee worked on is that we need an international strategy. To be competitive in the 21st century, regions have to be globally competitive. It's no longer just California, Texas and other states, but it is now a global market. Part of that strategy states that we need more than an instant gratification strategy, but a long-term strategy is needed. We need to make sure that we don't neglect the domestic programs, but also do things using our existing connections to collaboratively develop a cost effective program. That means companies and universities here that have international connections need to be more involved.

Another key point that we feel that GPEC needs to be doing is educating legislators and leaders about what it takes to be competitive. To be competitive, we need to have an educated, skilled workforce to attract high skilled jobs. We need to have the infrastructure that will support the jobs that we want to bring here and we need to have competitive tax rates. To accomplish all of these goals, we need to improve communication. The CEO, Barry Broome, is working on making sure that his message is straightforward and not just statements sent out to make everyone feel good. GPEC investors need to receive information on a continual basis to keep them informed of programs rather than spending staff time to say reinvest this year so GPEC can continue with its ten year plan.

Mr. Huling briefed the Board on the GPEC Policy Development Team. The group is comprised of both public and private sector members to help review proposed policy

issues that would be coming forward. Also to analyze both from a practical and from an economic development process as to what policies could help move the region forward. One of the things we have worked on over the years is developing a federal agenda. This has culminated in the development of some key issues deserving to receive more money for transportation and the support of the light rail program. Arizona typically has not fared well in receiving federal transportation dollars.

Another area was the Business Coalition that was looking at Tax Reform to coincide with a number of Tax Reform efforts by the legislature and the governor. Our group provided a good sounding board to look at some of these issues. Some of the proposals that were coming forward had some unintended consequences.

Recently, Mr. Broome has indicated that he wants to take a look at and visit our team's mission. In particular, facilitating the creation of a development tool kit is a necessity. One of the things that Arizona does not have and that virtually every other state has is tax increment financing. This is something that Arizona's legislature has been adamantly opposed to. Another thing that our committee is trying to do is develop strategies for working with the state legislature, educating state legislators, and helping Mr. Broome, and CEO's to get audiences with party leaderships.

Soon after the events of 9/11, the Business Leadership Coalition was created. It consists of nine separate organizations. Some of these include Greater Phoenix Leadership, East Valley Partnership, Phoenix Chamber of Commerce, and GPEC. The nine groups got together and assessed the Valley's economy. They divided up responsibilities and asked where are we going to go in the valley and what are we going to do? GPEC became the technical expert on how to move forward and what to do. Wesmarc and the East Valley Partnership took over responsibility for transportation as a focus area. Greater Phoenix Leadership took over education. As ideas came from these groups they funneled the ideas to the Policy Development Team. GPEC is trying to play the role of an educator and not as a lobbyist on these particular issues.

Mr. Zaharis briefed the Board on the role of Greater Phoenix Leadership. This is an organization of chief executive officers, 85 businesses and accounting firms. It is an invitational group and they have their agenda set to improve the quality of life in the region. They address things such as transportation, healthcare, and arts. Within the Business Coalition they accepted the role of improving the education P-20 and workforce development and carrying forth that agenda. GPL sets forth an agenda and then works with various groups in the state such as the Board of Regents, State Board of Education, or private groups like the Arizona Business Coalition, and East Valley Think Tank. We work with all these groups to bring forth overarching legislation, accountability measures and other factors in the effort to move education issues forward.

Mr. Roc Arnett briefed the Board on the function of East Valley Partnership. He said that there is a deadlock in the legislature that is frustrating. It seems that there are going to be things moving with our group and then there is the frustration with the Coalition that it takes so long for us to get an approval process made and done. The good news is that when we do start to move we bring a lot of people together. The very things that were successful over the last two or three years started with this group sitting down and bringing in GPEC to help. We are now beginning again. We need to regroup and decide

what articles are going to go forward, what are the long-term effects and business tax reductions.

Mr. Mulligan briefed on role of the EDDT Committee. There are 14 member communities that make up EDDT and also representation from the major utilities, APS, SRP and some of the educational institutions such as MCCD. This group meets monthly and is basically a filter through which a lot of the activity at GPEC is run through so that the economic development practitioners get to weigh in on things such as the Action Plan. EDDT developed a protocol on how we do business and deal with each community. Also they developed an e-track system to have a fair system for leads to be given to the individual communities. We participate in marketing activities such as, prospecting trips where we partner with some of the other communities and take turns going to different regions of the United States promoting our community, and make sure we develop good relationships with Site Selection consultants. There are many committees and task forces we serve on. We deal with topics such as incentives. Mr. Mulligan chairs the Incentives Competitive Task Force Committee at GPEC. We are going to provide feedback for what should go into the tool kit. Our focus on the tool kit is, how do we compete against states like Texas that have a \$150 million incentive bucket of money sitting there when a big project comes along like the Boeing 7E7 for example? Another committee is the Metric Committee. We are very big in the region and locally about what our performance metrics are. How do we demonstrate results from all this activity that we do? How do we continue to change those metrics to keep up with the changing world? Mesa partners with GPEC, staff, and the EDDT Team on editorial media marketing opportunities.

Chair Smith commented that this is the structure of how we play in the region and how we rely upon the region for certain things that we can't do as a community by ourselves. We have become intimately integrated into this process.

Office of ED Action Plan –FY 2004-2005

Chair Smith encouraged the Board to look at the Action Plan and provide input to the staff. Any ideas please e-mail them to Mr. Mulligan.

2. Financing the Future Citizens Committee

Financial Forecast – General Fund

Chair Smith introduced Mr. Bryan Raines, Financial Services Manager for the City of Mesa to give an update on the Financial Forecast and Financing the Future Citizens Committee.

Mr. Raines is also the primary staff person responsible for working with the Mayor, the City Council and a group of citizens that have been involved in the process. They have met almost twice a month on the City's financial future for the last 16 months. Ms. Pat Schroeder is a representative from EDAB. Prior to September 2003 the City had been involved in some long range planning and forecasting activities. It was shared with the City Council in September 2003 to validate in numerical terms what

we have known for a while about our future financing strategies and our capabilities in the City. The data showed that in the future years Mesa was going to be in significant financial hardship. Mesa was not going to be able to cover continuing expenditure trends and that Mesa was going to be in a deficit position sometime in the future.

Mr. Raines referred to the materials provided in the packet. He went over some of the highlights. The spreadsheet depicts a forecast period from July 2003 to June 30, 2011. Under our current General Fund trend, Mesa is facing a declining fund balance each year until fiscal year 2007/2008 where Mesa expects to be in a deficit situation. These projects do not include the city's Quality of Life Program. Starting in July 1, 2007, Mesa is in a deficit of \$50 million.

The issue is how does the city remedy this situation? There are three options, raise revenue, lower expenditures dramatically, or do a combination of the two. By State law municipalities must have to have a balanced budget. When we get to this point in 2007, we have to have this issue solved. It is anticipated that the March 2006 election will be a watershed election for the City on a variety of issues.

Mr. Charlie Deaton voiced the question of the State not allowing cities going into a deficit. What happens if a city does?

Mr. Mike Hutchinson responded that the State could take action against the City. The State can remove and charge the Administrator and take over the district. Mr. Raines stated that we have set the record with one of Mesa's bond rating services as being on their watch for a downgrade the longest of any city that he has ever known. The watch has lasted for the last four years. When the bond rating goes down it costs us more, either the insurance to sell bonds is higher, or the actual interest rates are higher.

Mr. Raines showed further analysis identifying Mesa as the least costly city in the entire valley to live in and is also the largest city in the nation without a property tax.

Mr. Mulligan commented that Mesa has historically utilized the model of having cheap land, low taxes and cheap labor. Now looking back historically at the numbers, we have been the cheapest community, and therefore many would expect there to be a line of business prospects wanting to come to Mesa. That is not the case. Essentially, when a community becomes too low, the community removes itself from quality development and business development competition.

Mr. Raines stated that while Mesa residents were receiving good bang for their bucks in terms of government operations until the last few years, Mesa will not be able to continue its service levels unless new revenues streams are established or significant service cuts are undertaken. One of those consistent revenues streams is the establishment of a Property Tax. Two types of Property Tax exist. Primary Property Tax is for general operations (can be used for any governmental function) and has to be voted on by the citizens. A Secondary Property Tax pays for bonded debt. In individual bond votes to approve General Obligation Funds that includes such things as police, fire, parks, etc., citizens are also providing the City Council

authority to implement a Secondary Property Tax to repay that bond debt if Council so chooses.

3. Future Focus

SRP Growing Livable Communities Forum – “The Vision of Superstition Vistas”

Chair Smith encouraged the Board members to attend the SRP Growing Livable Communities Forum. Please let Economic Development staff know your interest so they can register you. Pamphlets are provided complements of Mr. Arnett.

4. Staff Reports

Chair Smith encouraged the Board members to read the materials provided in the packet.

- Economic Development Director’s Report

5. Other Business: Public and Board Comments

Chair Smith welcomed new staff member, Catherine Ji to the position of Economic Development Analyst.

Ms. Lois Yates commented that some of those present today were sitting around the table when GPEC was first started in 1989. We also were one of the first states to do an Economic Development Strategic Plan and to institute a Cluster Plan. Somehow across the years the ball got dropped and we should be so much farther along, because we were so far ahead of the rest of the nation.

Mr. Wayne Balmer commented on the focus of the Work Plan for 2005/2006. He made suggestions for things that he would like to see focused on; one is developing the Williams Gateway Airport. Now that the Military Reuse Zone has been renewed for another 10 years and new infrastructure, it is well positioned to be a magnet for Arizona aviation use.

Mr. Arnett commended Economic Development for all the hard work and planning, but there is a political reality that needs to be considered and a political strategy that needs to be put together.

Chair Smith commented that the FAA is looking at taking more airspace in the East Valley to allow an increase from 40+ landings an hour at Sky Harbor to go up to near 80. They need a thousand foot separation and two runways to land at the same time. Taking more airspace could limit Falcon Field and they have not worked on the impact it would have at Williams Gateway Airport. At the moment they are working with general aviators and pilots. He suggested it be looked into as soon as possible.

6. Adjournment

It was noted that the next EDAB meeting would be held June 7, 2005.

There being no further business, Chair Smith adjourned the meeting at 9:03 A.M.

Submitted By:

Richard K. Mulligan, CEcD
Economic Development Director