

COUNCIL MINUTES

May 3, 2007

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 May 3, 2007 at 7:30 a.m.

COUNCIL PRESENT

Vice Mayor Claudia Walters
Rex Griswold
Kyle Jones
Tom Rawles
Scott Somers

COUNCIL ABSENT

Mayor Keno Hawker
Mike Whalen

OFFICERS PRESENT

Debbie Spinner
Barbara Jones

Vice Mayor Walters excused Mayor Hawker and Councilmember Whalen from the entire meeting.

1. Review items on the agenda for the May 7, 2007 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 deleted from the agenda: None

Item removed from the consent agenda: 5h

2. Hear a presentation and discuss budget revenue projections.

Acting Budget Director Chuck Odom advised that this budget presentation is limited to information on revenues and that expenditures and the budget format would be addressed at the May 10th Study Session. He displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to provide historical data and revenue projections through the year 2012/2013. Mr. Odom advised that General Sales Tax revenue projections include the change in the sales tax rate. He reported that State Shared Revenue projections are based on population and reflect the fact that the State has a stable economy. In addressing the Building Permit revenues, Mr. Odom explained that the difference between the amount budgeted for 2006/2007 and the current estimate reflects the decline in the housing market.

Mr. Odom referred to a "Summary of Significant Revenue Changes" (see Attachment 1). He noted that the budget is based on incremental percentages, and he advised that the base is recalculated whenever improved financial numbers are available.

Responding to a question from Vice Mayor Walters regarding the Section 8 Housing Vouchers, Mr. Odom advised that the City was unable to accept vouchers during the time that a new software program was being implemented. He stated that the program is now operational and that Section 8 vouchers are being processed. He also noted that Mesa's many low-priced rental units have attracted an influx of portable vouchers.

In response to questions from Councilmember Rawles, Mr. Odom explained that the Building Permit revenue projected for 2007/2008 reflects increased permit fees charged by the City of Mesa and the increased value of the projects without an increase in the number of projects. He stated that he would provide the Council with detailed information regarding the rate increases and the indexing.

Deputy City Manager Jack Friedline noted that revenues accumulate in a restricted fund, and that staff conducts monthly reviews and adjusts expenditures accordingly.

Responding to concerns expressed by Councilmember Rawles that revenue projections could be inflated, Development Services Director Christine Zielonka advised that six staff positions were being held vacant in order to address any possible downturn in revenues and that 2007/2008 expenditures are anticipated to remain level.

Discussion ensued relative to the fact that fewer residential projects are anticipated; that several large commercial projects are projected in the next year; that the forecasts reflect the changes in the marketplace; and that Community Development Block Grant (CDBG) funds represent unspent funds from the prior year for previously approved projects.

In response to comments from Vice Mayor Walters, Mr. Odom advised that State law requires the City's budget to reflect the maximum allowable amount of expenditures for the fiscal year. He also confirmed that State law now requires municipalities to include all internal transactions (expenditures in one department that are reported as income for another department), which resulted in a \$20 million increase in the budget for last year.

Mr. Odom continued the PowerPoint presentation and reviewed the net income for each Utility. He noted that a shortage of Electric Utility employees addressing maintenance resulted in a sharp increase to the 2005/2006 income. He explained that the reduced revenues projected through 2013 reflect the Council's decision to fund maintenance items from Utility revenues rather than utilizing bonds. Mr. Odom noted that staff's projections indicate a loss in Wastewater revenues beginning in 2010.

Further discussion ensued relative to the fact that the City would utilize the proceeds from future land sales to address debt service; and that the amount of land sold each year would be adjusted based on market conditions.

Councilmember Griswold complimented staff for the accuracy of the revenue projections.

Councilmember Jones advised that "pass through" dollars that reflect price increases for the gas utility also increase the amount of the budget, which is difficult to explain to the average citizen.

Mr. Odom said that staff would separate the “discretionary” portion of the budget in future presentations to the Council.

Vice Mayor Walters stated that funds set aside in prior years will now be added to the budget in order to make bond payments.

Mr. Odom confirmed that the funds were set aside in prior years for this purpose, and he noted that additional funds continue to be set aside each year in order to increase the ending fund balance. He advised that the Council would receive the budget in a new format this year that reflects the “activity based” budget process and the reorganization of City departments.

Vice Mayor Walters thanked Mr. Odom for the presentation.

3. Hear a presentation, discuss and provide direction on irrigation water delivery districts within City boundaries, including Summer Mesa as recommended by the Transportation and Infrastructure Committee.

Committee Recommendation: Approval. (Vote 2-1 with Committee Chairman Jones voting nay.)

Vice Mayor Walters offered Councilmember Rawles the opportunity to present his remarks.

Councilmember Rawles, directing his comments to Water Resources Coordinator Kathryn Sorensen, commended staff for a well-written Council Report, and he added that the report was the best that he has received during his term as a member of the Council.

Ms. Sorensen thanked Councilmember Rawles for his comments, and she noted that Utilities Attorney Bill Taebel contributed the legal information in the report.

Vice Mayor Walters advised that several other individuals also made favorable comments regarding the report.

Ms. Sorensen displayed a PowerPoint presentation (a copy is available for review in the City Clerk’s Office) to provide an overview of Irrigation Water Delivery Districts (IWDDs). She explained that IWDDs are special taxing districts with the power of eminent domain. She advised that approval to form an IWDD is granted by the County, subject to receipt of an approved resolution from the city in which the IWDD is to be formed. Ms. Sorensen stated that Scott Grainger, representing Summer Mesa, requested a resolution from the City of Mesa endorsing the formation of an IWDD. She noted that approved IWDDs have the authority to levy taxes, which are added to the owner’s property tax statement. Ms. Sorensen said that although none were approved by the City of Mesa, three IWDDs currently exist in the City. She reported that the City owns property in the Groves of Hermosa Vistas IWDD and paid the taxes levied by the IWDD under protest. She stated that the formation of an IWDD has no effect on water rights and that property utilized for district purposes is exempt from taxation. She added that disputes between the City and an IWDD would be resolved at the Corporation Commission.

Vice Mayor Walters offered Mr. Grainger the opportunity to address the Council.

Mr. Grainger reported that several Summer Mesa residents were present in the audience in support of an IWDD. He advised that there are City properties located in the proposed Summer

Mesa IWDD. Mr. Grainger stated that although their homeowner's association has the authority to levy fees to address irrigation system repairs, many residents refuse to pay.

Vice Mayor Walters noted that staff is requesting general Council direction, and she stated that a resolution could be considered by the Council at the May 7th Regular Council meeting.

Mr. Grainger stated that an IWDD would enable the district to contract for maintenance of the irrigation system.

Councilmember Griswold expressed support for the policy guideline that states that the Council would "Approve IWDD formation requests on a case-by-case basis."

In response to a question from Councilmember Rawles, Mr. Grainger advised that some members of the association are delinquent in paying association fees. He noted that irrigation system expenses vary substantially from year to year, which creates problems in attempts to assess and collect fees. Mr. Grainger stated that the formation of a taxing district would enable the irrigation fees to be included on the property tax bill, which would enable the association to easily access the necessary funds for system repairs.

Ms. Sorensen noted that the City could benefit from an IWDD by minimizing the flood damage to public streets caused by broken irrigation systems. She added that an area of future concern for the City is that an IWDD has the power of eminent domain.

Councilmember Rawles stated the opinion that a homeowner's association was the appropriate funding mechanism for irrigation system repairs. He suggested that the alternative supported by Councilmember Griswold should utilize the word "consider" rather than "approve" IWDD formation requests on a case-by-case basis.

Vice Mayor Walters suggested that consideration of Mr. Grainger's request be placed on the May 7th Regular Council meeting agenda.

Councilmember Jones advised that he cast the dissenting vote when this item was considered by the Transportation and Infrastructure Committee. He expressed concern regarding the power of eminent domain and the possibility that future IWDDs would not handle the authority properly. Councilmember Jones noted that the homeowner's association has legal alternatives relative to collecting the necessary fees. He indicated support for the following alternative: "Take no action on any IWDD formation requests and thereby deny future formation of IWDDs within City boundaries."

Councilmember Somers noted that the City has received citizen complaints regarding broken irrigation systems that have caused damage to City property.

Responding to a question from Councilmember Somers, Ms. Sorensen reported that staff's research did not identify any instance in which a dispute between an IWDD and the City was addressed by the Corporation Commission. She added that County staff advised of an instance where an IWDD approached the County with a request to dissolve the organization.

Mr. Taebel advised that although he was unable to locate any information regarding lawsuits involving IWDDs or an instance of an IWDD suing a city, State Statutes provide IWDDs with the right to sue and the right to be sued.

In response to comments by Councilmember Somers that several IWDDs have been operating in Mesa for eleven years without incurring problems, Ms. Sorensen noted that a representative of the Tanner Groves IWDD advised her that this district has encountered some problems.

Councilmember Somers expressed support for Council consideration of IWDDs on a case-by-case basis. He suggested that future applicants provide documentation indicating the level of property owner support for the formation of an IWDD.

Councilmember Rawles noted that the County would not accept conditional approvals by the City with respect to the formation of IWDDs. He also requested that staff provide information relative to the power of an IWDD to require an owner to construct and pay for certain irrigation system improvements on his or her private property.

Ms. Sorensen said that although she was not aware of any instance where this action has occurred, she confirmed that an IWDD does have that authority.

Councilmember Somers suggested that Mr. Grainger prepare a concise explanation for the Council outlining the reasons that an IWDD is the preferable alternative to a homeowner's association in addressing the maintenance of a water irrigation system.

Councilmember Jones stated the opinion that the formation of an IWDD does not protect the City's streets from flood damage by irrigation systems, and he added that the crux of the issue relates to the collection of fees.

Councilmember Somers agreed that although an IWDD would not solve all problems, he expressed the opinion that an IWDD provides an additional tool to the residents.

Vice Mayor Walters said that she would support the alternative to "consider IWDD formation requests on a case-by-case basis" and that the agreement of four Councilmembers regarding this alternative provides staff with direction. She stated that the Council would further discuss the issue at the Regular Council meeting on Monday. Vice Mayor Walters clarified that the power of eminent domain is not relevant to the non-payment of property taxes. She added that the power of eminent domain enables a government entity to acquire property by paying fair compensation.

Mr. Taebel confirmed that an IWDD's power of eminent domain would be limited to the irrigation district.

Mr. Grainger addressed comments made by Councilmember Rawles and noted that the formation of an IWDD is not a request for government interference, but rather the IWDD provides the tools for the group to govern themselves with regard to the operation of the district. He added that the primary issue of concern to the Summer Mesa group relates to the ability to pay for services rather than the issue of collections.

Councilmember Griswold stated that he hoped that the Regular Council meeting discussion would address the possibility that future requests to the Council would include signatures of the residents in support of the formation of an IWDD; that a method be outlined for the dissolution of an IWDD; and that emphasis be placed on Police Department enforcement of laws regarding the theft of water.

In response to a question from Vice Mayor Walters, Mr. Taebel advised that Title 48 of the State Statutes addresses Special Taxing Districts. He noted that the Statutes require an election of trustees every two years and that the trustees are to be bonded.

Vice Mayor Walters stated that this item would be placed on the May 7th Regular Council meeting agenda. She thanked staff for the presentation and report, and she thanked Mr. Grainger and the Summer Mesa residents for being present.

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

- a. Parks and Recreation Board meeting held on April 12, 2007.
- b. Planning and Zoning Board meetings held on March 20, 2007 and March 22, 2007.

It was moved by Councilmember Rawles, seconded by Councilmember Griswold, that receipt of the above-listed minutes be acknowledged.

Upon tabulation of votes, it showed:

AYES – Griswold-Jones-Rawles-Somers-Walters
NAYS – None
ABSENT – Hawker-Whalen

Vice Mayor Walters declared the motion carried unanimously by those present.

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

- Councilmember Griswold: National Guard Dinner at which the City received recognition for being a good employer.
- Councilmember Somers: District 6 Pancake Breakfast.
- Councilmember Jones: Lowell Elementary School 50th Anniversary Celebration will be held on May 9th.
- Vice Mayor Walters: Employee service recognition award event.
Bond rating agency meeting.

6. Scheduling of meetings and general information.

Assistant City Manager Debra Dollar stated that the meeting schedule is as follows:

Monday, May 7, 2007, 3:30 p.m. – Community & Neighborhood Services Committee Meeting

Monday, May 7, 2007, TBA – Study Session

Monday, May 7, 2007, 5:45 p.m. – Regular Council Meeting

Thursday, May 10, 2007, 7:30 a.m. – Study Session

Saturday, May 12, 2007, 10:00 a.m. – City Hall at the Mall

Thursday, May 17, 2007, 7:30 a.m. – Study Session

Monday, May 21, 2007, TBA – Study Session

Monday, May 21, 2007, 5:45 p.m. – Regular Council Meeting

Thursday, May 24, 2007, TBA – Study Session

7. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

8. Items from citizens present.

There were no items from citizens present.

9. Adjournment.

Without objection, the Study Session adjourned at 9:28 a.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 Study Session of the City Council of Mesa, Arizona, held on the 3rd day of May 2007. 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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Attachment (1)