

COUNCIL MINUTES

May 5, 2003

The City Council of the City of Mesa met in a Budget Review Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 5, 2003 at 7:30 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Kyle Jones
Dennis Kavanaugh
Janie Thom
Claudia Walters
Mike Whalen

COUNCIL ABSENT

None

STAFF PRESENT

Mike Hutchinson
Debbi Dollar
Paul Wenbert

1. Budget Process Overview.

City Manager Mike Hutchinson discussed the challenges that staff has encountered in the last 18 months associated with Mesa's deteriorating financial situation. He expressed appreciation to staff for their continued high level of service throughout the community and also voiced concerns regarding future funding for City organizations throughout Arizona.

Mr. Hutchinson briefly outlined the budget preparation process, the format of the departmental budget presentations, and the budget adoption process. He also highlighted four budget documents including the Summary Budget Information, the Unfunded Budget Adjustment Requests, the Five-Year Capital Improvement Program, and the Detail Budget Plan for fiscal years 2003/04 and 2004/05.

Mr. Hutchinson offered a short synopsis of the City of Mesa's Emergency Management Preparedness efforts; the importance of the City remaining competitive in order to attract and maintain quality employees; and upcoming opportunities for residents to solicit comments with regard to the proposed budget.

2. Update on City Council Work Plan.

Special Assistant to the City Manager Jenny Sheppard referred to the "City Council Work Plan," copies of which were distributed to the Council, and noted that the plan provides status reports regarding the various priorities identified during the Council's September 2002 retreat. She commented that staff utilizes the Council Work Plan throughout the year in determining the individual budgets of the various departments, as well as the processes that are used in conducting the City's day-to-day operations.

3. Planning/Development Overview.

Acting Planning Director Dorothy Chimel addressed the Council and provided background information regarding Mesa's population, geographic growth, and general development trends. She discussed, among other issues, Mesa's Planning Area; 2000 Census Information for the City of Mesa; graphic illustrations regarding Mesa's historic population growth; new residential permits issued between 1980 and 2002; and the Maricopa Association of Governments' (MAG) regional highway projections scheduled for completion by 2007.

4. Financial Update/Forecast.

Budget Director Jamie Warner commented on major issues associated with the Citywide budget for FY 2003/04 as follows: budgeted revenues are approximately \$507.9 million, a 2.3% increase over what staff forecasted for FY 2002/03 revenues; zero sales tax growth in 2003/04; licenses and permits revenues increase 14.8%; Mesa will receive an estimated \$117.6 million in State-shared revenues; and an 8.6% increase in enterprise fund revenues. He also highlighted significant changes in the FY 2003/04 budget including, but not limited to, cost increases in personnel of \$8.6 million reflecting increased health insurance and pension contribution costs; \$1.7 million increase in gas main maintenance; commodities will remain relatively flat; and \$14 million in debt service. Mr. Warner added that expenditures are forecasted to decrease \$7 million, resulting in an ending fund balance of \$39.2 million.

Mr. Warner further discussed the proposed FY 2004/05 budget and noted the following: budgeted revenues of \$525.6 million are anticipated, or an increase of 3.5% over FY 2003/04; 3% projected sales tax increase; license and permits are forecasted to increase less than 6%; enterprise funds will increase 6.7%; and expenditures will increase \$11.6 million, reflecting an anticipated 15% increase in health insurance costs and higher Arizona State Retirement System contributions; and a COLA has not been identified in the 2004/05 budget.

5. Quality of Life Program.

Mr. Hutchinson provided an update of the current financial status of the Quality of Life Program. He referred the Council to the original ballot language and resolution that defined the program, which was approved in 1998 by Mesa voters. Mr. Hutchinson further discussed a variety of health, safety and Quality of Life projects that have been funded as a result of the Quality of Life sales tax revenues.

6. Capital Improvement Program.

Capital Improvement Program Administrator Anthony Araza referred to a document, copies of which were provided to the Councilmembers, which outlined the proposed five-year CIP projects under the following categories: Parks and Recreation, Library and Culture, General Government, Public Safety, Transportation, and Utilities. He reported that the CIP budget for FY 2003/04 is projected at \$166 million, and in FY 2004/05, the amount would decrease to \$160 million. Mr. Araza noted that the budgeted amounts include the capital projects, capital purchases, land acquisitions, and the City's costs shared with developers or with other government agencies through IGAs. He also highlighted various capital projects anticipated for the coming fiscal year.

7. Economic Development.

Economic Development Director Dick Mulligan addressed the Council and provided a brief overview of the budget for the Economic Development Division for the next two fiscal years. He explained that for FY 2003/04, the proposed budgeted amount is \$1,195,584, and \$1,030,163 for FY 2004/05. Mr. Mulligan highlighted the significant impacts for the 2003/04 budget, including the implementation of the Mesa Economic Development Strategy. He also responded to Council requests for information regarding the Arizona Film Commission, the Greater Phoenix Economic Council contract, and various performance measures.

8. Williams Gateway Regional Economic Activity Area.

Williams Gateway REAA Project Manager Wayne Balmer distributed a document to the Council entitled "Year in Review" and provided a short synopsis of various accomplishments at Williams Gateway Airport in the last fiscal year. He provided a statistical analysis of the proposed 2003/04 budget, which is estimated at \$2,832,086, and \$3,958,136 for FY 2004/05. Mr. Balmer further commented on the following significant impacts for FY 2003/04: the reduction of \$1 million to support Williams Gateway Airport Authority (WGAA); a reduction in Mesa's voting percentage at the WGAA to 74% from 78%; and the use of \$1.9 million from WGAA's contingency fund for capital and operation expenses.

9. City Manager's Office.

Mr. Hutchinson highlighted the proposed budgets for the City Manager's Office for FY 2003/04 and FY 2004/05 of \$6,950,294 and \$6,851,814, respectively. He reported that for both fiscal years, he anticipates a reduction in FTEs from 56 to 48. Mr. Hutchinson also highlighted a series of significant impacts for his office during the upcoming fiscal year including a reduction or postponement of funding for communication with citizens and employees (i.e., Open Line and Intercom newsletters, the deferral of the purchase of Channel 11 equipment); a reduction in the outreach and travel budgets for Mayor and Council; less frequent audits by the City Auditor's Office of City operations; and other unfunded needs such as a mid-decade special Census and the elimination of a citizen survey.

(At 10:20 a.m., Mayor Hawker called for a short recess. The meeting reconvened at 10:38 a.m.)

10. Fire Department.

Fire Chief Harry Beck introduced various members of the Fire Department, including Budget Administrator Dorinda Larsen, who was prepared to make a presentation to the Council regarding this item.

Ms. Larsen referred to a PowerPoint presentation displayed in the Council Chambers and offered a budget comparison of proposed FY 2003/04 (\$40,224,263) and FY 2004/05 (\$42,365,352). She also provided a financial analysis of funded BARs versus unfunded BARs for both fiscal years.

Chief Beck discussed significant impacts for the Fire Department including, but not limited to, the removal of an emergency response ladder company from service; delayed required training and development for emergency response personnel; the reduction in external/internal

customer service to the capacity of remaining support personnel; delayed fire inspections for several hundred occupancies; and a decrease in the depth and scope of fire investigations and Fire and Life Safety Education programs.

Extensive discussion ensued relative to the DROP program; future Fire academies; Homeland Security funding; and challenges to maintain Fire service levels in a growth environment.

11. Police Department.

Police Chief Dennis Donna provided an overview of the proposed budgets for FY 2003/04 (\$109,965,940) and FY 2004/05 (\$112,656,277) for the Police Department and introduced personnel present at the meeting. He commented on some of the significant impacts that the Police Department is expected to experience in the next two fiscal years including a delay in hiring 36 Sworn police officer recruit and 37 vacant civilian positions; the elimination of the GREAT Program; suspension of Level Four of the Career Enhancement Program, as well as delaying the implementation of Level Three of the program; and a reduction in Departmental overtime by \$600,000. Chief Donna further discussed a number of key issues for the Police Department including Homeland Security, photo radar, funding for School Resource Officers, and the start date for the next Police Academy.

12. Adjournment.

Without objection, the Budget Session adjourned at 12:26 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 Budget Review Session of the City Council of Mesa, Arizona, held on the 5th day of May 2003. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK