

COUNCIL MINUTES

November 28, 2005

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 November 28, 2005 at 3:32 p.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Kyle Jones
Tom Rawles
Janie Thom
Claudia Walters
Mike Whalen

COUNCIL ABSENT

None

OFFICERS PRESENT

Mike Hutchinson
Debbie Spinner
Barbara Jones

1. Discuss, consider and provide direction regarding the timing and content of a future bond election.

City Manager Mike Hutchinson stated that the recommendations of the 2005 Citizen Bond Committee were included in the Council packet, and that staff was present to answer questions.

In response to a series of questions from Mayor Hawker, City Attorney Debbie Spinner confirmed that the May election would be the proper legal timeframe for voter consideration of a property tax, and that the only limitation for a Bond Election is that the election must be called between 30 and 150 days prior to the date of the election. She also advised that placing bonds on the ballot in March would require a Citywide election rather than an election for only the three Council districts.

City Clerk Barbara Jones advised that the March Primary Election has already been called for the election of Councilmembers in Districts 4, 5 and 6, and therefore bond issues could not be placed on the March ballot.

Ms. Spinner advised that the May General Election could be called to include bonds, a property tax and Charter amendments. She further advised that State Statutes specify the third Tuesday in May as the date on which a municipality may present a primary property tax proposal to the voters.

Responding to a question from Councilmember Rawles regarding the possibility of voiding the recent call for the March election, Ms. Jones advised that the deadline to call the March 2006 Primary Election was November 14, 2005.

Vice Mayor Walters requested that staff identify the bonds that address the critical needs of the City.

Capital Improvement Project Administrator Anthony Araza stated that staff recommends moving forward on the Utility Bond questions as soon as possible. He noted that the General Obligation (G.O.) bonds have sufficient existing authorization to carry those programs into the next fiscal year. Mr. Araza advised that the proposed utility authorizations address projects that include Intergovernmental Agreements (IGAs) or projects that are in the Master Plan, and he explained that some of the projects are joint efforts with Arizona State University (ASU) Polytechnic and Mesa Community College (MCC).

Mr. Hutchinson noted that although the bonds generally have a four to five-year authorization, the City could designate a two-year authorization. He recommended that the Council consider moving forward on the Utility bond questions and delaying the G.O. bonds. Mr. Hutchinson expressed the opinion that the City is presently unable to afford the Bond Committee's recommendations relative to undergrounding utility lines and landscaping the Northwest Reclamation Plant. He added that the critical areas of the bond proposal enable the City to continue to provide service and to meet the service demands created by growth.

Discussion ensued relative to the fact that the Utility bond questions should be placed on the ballot no later than November; that ongoing Utility projects are funded with existing authorizations; that Operating and Maintenance (O&M) expense would require adjustment if a project line item was reduced; that the payback to the City for the infrastructure required to provide water and wastewater service to ASU Polytechnic would occur over a number of years; that two items for ASU Polytechnic fall under G.O. bonds which have no revenue source; and that ASU is exempt from paying primary and secondary property taxes.

Responding to a series of questions from Mayor Hawker, Assistant Fire Chief Gary Bradbury advised that \$3.5 million addresses several projects required for the joint campus with MCC, including the Paramedic Training Center and Command Training classrooms. He explained that the other facility on the campus, the Fire Administration Building, is funded by an existing bond authorization.

Deputy City Manager Debra Dollar stated that MCC is leveraging the \$10 million identified for the new downtown campus capital expenditures. She noted that \$2.5 million has been specifically identified for Fire-related facilities, and that MCC is presently planning to invest approximately \$17 million in the entire downtown campus.

In response to additional questions posed by Mayor Hawker, Chief Bradbury said that the City does not have a facility where paramedic training can be conducted on a regular basis. He explained that the department utilized leased space to conduct classes in the past, and that the department's goal is to secure a facility in conjunction with the college that can be dedicated to regional training. Chief Bradbury noted that community colleges typically provide training for Emergency Medical Technicians (EMTs), and that paramedic training is a joint effort between the community colleges and fire services. He advised that paramedic training is an advanced level beyond EMT training, and that a sponsoring organization is required in order for an individual to participate in a paramedic training program.

Additional discussion ensued relative to the fact that the proposed relationship between the Mesa Fire Department and MCC would enable a regional paramedic training facility; that a regional facility offers an opportunity for future cost recovery; that a vote of the Council is required in order to authorize the sale of a bond after which the project would be subject to a budget review and a planning process; and that the City has 1996 and 2000 G.O. bond

authorizations remaining that have not been sold due to the fact that the City is unable to fund the operating costs.

In response to a question from Mayor Hawker, Assistant Police Chief Rick Clore explained that the 800-megahertz system is designed for voice communications, and that the 700-megahertz system for data would replace the current mobile data terminal system.

Further discussion ensued relative to the fact that the manufacturer has announced that in a few years it will no longer support the existing data system; that the VHF frequencies were returned when the City implemented the 800-megahertz voice system; that the City will continue to utilize the 450 band for applications other than Public Safety; and that the vision for the 700 megahertz system is to have a valley wide Public Safety data system that has a capability similar to the 800 voice system.

Responding to a question from Councilmember Whalen, Chief Clore advised that Motorola has announced that support for the current data system would be discontinued in 2009. He stated that if the City fails to implement the 700-megahertz data system and replacement equipment and parts for the present system are discontinued and unavailable, the City would not have a data transmission system. Chief Clore added that the Police Department is also reviewing new applications that cannot be implemented utilizing the existing system.

In response to a series of questions from Mayor Hawker, Utilities Manager Dave Plumb stated that the electric system presently has no bond debt. He explained that when a major capital project such as a substation rebuild is required, the cost is taken from operating funds, which in turn reduces the transfer to the General Fund. He advised that an advantage to bonding replacements for the electric system is that the debt service can be leveled, and as a consequence, the transfer to the General Fund can also be leveled. Mr. Plumb noted that historically the annual transfer to the General Fund is approximately 20 percent of gross revenue. He added that most of the expenditures for electric system bonds address system reliability. Mr. Plumb said that poles in poor condition in the 30-year old sub-transmission system were replaced, and that they are considering replacing every fifth pole with a steel pole in order to minimize long stretches of lines falling down during a microburst. He stated the opinion that maintenance of the electric utility is important regardless of the City's decision to sell or retain ownership of the electric utility. Mr. Plumb further advised that Mesa is the only Valley electric utility with 4,160 service, and that bond funds would be utilized to continue to convert the 4,160 service to 12,470-volt service, which is the standard utilized by Arizona Public Service (APS) and the Salt River Project (SRP). He clarified that cost savings rather than compatibility with APS and SRP is the primary reason for converting to 12,470-volt service.

Additional discussion ensued relative to the fact that replacements for 12,470-volt equipment are readily available; that replacements for 4,160-volt equipment are not readily available in the Valley; that old 4,160-volt substations can be retired as 12,470-volt service is available; that higher voltage systems require fewer stations and longer feeders; and that the bond proposal would address the first phase of the conversion.

Mr. Hutchinson pointed out that staff does not concur with the Bond Committee's recommendation regarding undergrounding the 12 kilovolt lines. He noted that the project would enhance the community, but he stated the opinion that the City does not have the financial resources to implement the project at this time.

Responding to a question from Councilmember Rawles, Mr. Plumb advised that the City of Mesa provides electrical service to approximately 16,000 customers in a 5.5 square mile area.

Mayor Hawker advised that Southwest Gas provides service in part of Mesa and that the City gas utility serves the remaining area. He noted that a substantial amount of the proposed bonds address the expansion of the Magma area. Mayor Hawker stated that he is interested in determining the number of years it would take the City to recover the investment in the utility, and at what point the utility would be able to assist with transfers to the General Fund.

Mr. Plumb explained that all installations in residential subdivisions are calculated to insure a five-year payback. He stated that builders agree to construct a certain number of homes typically equipped with a water heater and furnace, and that a revenue projection is generated based on that data to insure a five-year payback on the investment. Mr. Plumb noted that it is more difficult to assess the future potential of the major infrastructure lines installed along roadways that connect to the subdivisions, but he added that as the Magma area expands staff is attempting to prepare an economic analysis of the potential revenue based on the amount of commercially and residentially zoned property to insure that infrastructure costs will be addressed by gas sales. He said that maintaining the value of the Magma area through investment could enable the City to reach a future agreement with Southwest Gas relative to trading the Magma service area for their area of service in Mesa.

Further discussion ensued relative to the fact that it is possible to convert systems to enable a trade with Southwest Gas; that the conversion process would be more complicated within the City of Mesa; that Magma is a unique system utilizing a single gate station that is served by the El Paso Natural Gas pipeline; that Southwest Gas is building to the south of the Magma area; that the City is holding discussions with Southwest Gas relative to interconnecting the systems; and that the City has an agreement with SRP to enable an emergency feed from their San Tan pipeline.

Mayor Hawker noted that the City of Phoenix is increasing their utility rates by nine percent per year for the next five years in order to address the future cost to rebuild their infrastructure.

In response to a question from Mayor Hawker, Acting Gas Division Director Mike Comstock advised that the City's steel system has a life expectancy of between 70 and 90 years. He stated that the City is currently replacing a quarter section that was originally installed in the '30's and '40's. Mr. Comstock added that the City presently utilizes a medium density plastic for the part of the distribution system that feeds into homes. He said that the plastic has a longer life expectancy than steel, and he reported that plastic placed in the ground in the late '70's and '80's shows no sign of degradation.

Responding to a comment from Mayor Hawker, Mr. Plumb noted that the Master Plan primarily addresses meeting the needs of new growth. He advised that a system wide assessment has not been completed for a number of years regarding the possible replacement costs and the timing of future replacements. Mr. Plumb reported that the City has been reactively replacing water lines as needed. He stated that an assessment of the electric system is presently being conducted, and he noted that assessments of the gas, water and wastewater systems are included in the bond proposal. He added that the primary focus of the department has been on meeting the demands of growth in the areas of water, wastewater and gas.

Councilmember Jones noted that a number of the water lines in the older sections of Mesa have required emergency repair.

Mr. Plumb advised that the first level of the assessment would be to map the location of water lines in the older sections of Mesa. He reported that concrete pipes installed in the early '60's have a very high failure rate, and that the assessment would identify the major problem areas and enable more accurate projections of the replacement costs. Mr. Plumb added that the current bond proposal does not include funds for replacing the aging infrastructure.

Additional discussion ensued relative to the fact that the City of Phoenix is implementing an annual rate increase in order to address the cost of replacing aging infrastructure; that when Mesa's system assessments are completed, the replacement costs would be included in a future bond proposal; that priorities in the bond program are adjusted annually in order to fund projects, such as replacement of a system that may be on the verge of failure; that the Council annually reviews the bond program adjustments during the budget process; and that the bond election addresses a dollar amount without allocating the funds to specific projects.

Councilmember Rawles requested that staff identify the bond fund amounts (totaling approximately \$35 million: \$4.4 million authorized, but not issued and the proposal for an additional \$21.7 million) allocated to provide service to Mesa citizens and the amounts allocated to provide service to residents outside of the City of Mesa. He expressed concern regarding the fact that the City funds systems that are located outside of its jurisdictional boundaries. Councilmember Rawles stated the opinion that the City should not be engaged in "for profit" enterprises, and he suggested that the Council study the possibility of selling both the electric and the gas utilities.

Councilmember Thom stated that when the City of Mesa purchased the Magma Gas Company, the City became legally obligated to provide service in that area. She added that the City is required to provide service to the area or sell the system.

Vice Mayor Walters asked if it was possible to propose a future bond authorization that would include a secondary property tax and then cancel the 1996 bond authorization.

Ms. Spinner stated the opinion that the City could legally take that action, and she noted that the City also has the authority to levy a secondary tax on the 1996 bond authorization.

In response to a request from Mayor Hawker, Ms. Spinner advised that she would confirm her opinion with the City's bond counsel.

Responding to a series of questions from Councilmember Griswold, Chief Bradbury advised that the City's cost to educate, train and certify a paramedic is approximately \$30,000, and that typically six individuals participate in the program each year. He confirmed that the paramedic program, as well as other specialized training programs, would be accelerated in 2006 in order to compensate for the number of firefighters who are retiring. Chief Bradbury also noted that State law requires that in order to participate in paramedic training, an individual must be sponsored by an organization, such as the Fire Department. He explained that EMT certification is preferred but not required for firefighter recruits. Chief Bradbury confirmed that changes to the law regarding paramedic training would require action by the State Legislature.

Further discussion ensued relative to the fact that two of the four individuals that staff a fire truck are certified paramedics; that the majority of calls for service address a medical situation; that the level of service provided by Mesa is typical of other communities throughout the Valley and throughout the country; that the City's contract with Southwest Ambulance requires their unit to

be staffed by one paramedic and one EMT; and that the paramedic requirement in the Southwest Ambulance contract enables approximately 80 percent of the patients who require transport to be transferred to a Southwest Ambulance unit, which frees the Fire Department unit to return to service.

Mayor Hawker suggested that the Councilmembers summarize their positions regarding the timing and content of future bond elections. He stated a preference for placing both the Utility Bonds and the G.O. Bonds on the May ballot, and he noted that further discussion regarding sales and property taxes could be held at the next Study Session.

Councilmember Thom stated that she concurred with Mayor Hawker's position.

Councilmember Griswold said that he would prefer not to issue bonds until the costs to replace aging infrastructure were determined. He suggested that the bond proposals be tabled until November or until the studies on the four systems have been completed.

Vice Mayor Walters noted the plan to underground 12 kilovolt lines should be removed from the bond proposal due to the fact that the City cannot afford the program at this time.

City Clerk Barbara Jones advised that Maricopa County has indicated that the November ballot may be able to accommodate the City's bond questions by utilizing two ballots. She noted that utilizing two ballots has the potential to be confusing, and that citizens might fail to include the second ballot, which would list the City of Mesa's bond questions.

Vice Mayor Walters stated the opinion that all General Obligation bonds placed on future ballots should include the implementation of a secondary property tax. She advised that she is reluctant to place G.O. and Utility bond questions on the same ballot. Vice Mayor Walters said that at the present time, she prefers a plan that increases the sales tax and that attaches a secondary property tax to future G.O. bonds.

Councilmember Whalen expressed concern regarding the bonds for public safety projects. He noted that delaying the implementation of the 700-megahertz system could compromise public safety communications in the future, and that delaying the land acquisition for future fire stations would increase the cost to the City. Councilmember Whalen added that the Council has the responsibility to decide when a secondary property tax should be implemented.

Councilmember Jones noted that citizens expressed opposition in the past to increased utility rates when the proposed increases were insufficient to cover the City's increased costs. He stated that he was reluctant to move forward on bond proposals due to the fact that the City would be unable to repay the debt due to the City's current financial condition. Councilmember Jones recommended that the City's financial situation be addressed prior to placing bond proposals on a ballot.

Councilmember Rawles advised that he would reserve his judgment until the next Study Session.

Mayor Hawker requested that the Thursday, December 1, 2005 Study Session agenda include a discussion of the bond questions in addition to the primary property tax, sales tax, and secondary property tax issues.

2. Discuss and consider prioritization of potential budget reductions.

a. Recommendations for immediate service/project cuts.

Mr. Hutchinson noted that in addition to the spreadsheets (copies are available for review in the City Clerk's Office) provided in the meeting packet, a list of "Proposed Immediate Reductions" (see Attachment 1) was provided to the Council for consideration.

Discussion ensued relative to the fact that a number of vacant higher-level positions in the City remain open for consideration by the new City Manager; that the recommendations of the Financing the Future Committee should be implemented; that the Library's Mesa Room operation has been reduced to an "appointment only" basis, and that a further reduction would close the room completely; and that Library staff from the Mesa Room have been transferred to fill other vacant positions.

b. Changes to proposed priority list.

In response to a series of questions from Mayor Hawker, Assistant Parks and Recreation Director Terri Palmberg explained that the City pays the State for the fish stocked in urban lakes, and that the State of Arizona collects the fishing license revenues. She advised that although the Urban Fishing Program is very popular in Mesa, staff recommends that the program be discontinued due to budget considerations.

Additional discussion ensued relative to the fact that State Law may not permit a private entity to stock the City's urban lakes; that Mesa could consider implementing a City of Mesa fishing license to cover the program costs; and that the Council has also addressed the issue of cost recovery for adult arts and sports programs.

Mayor Hawker noted that the possible elimination of one Police helicopter was not on the list as a proposed reduction, and he suggested that staff provide additional information on the program. Mayor Hawker noted that reducing or eliminating the program could increase the ratio of the number of police officers per thousand, and he added that reducing the current number of helicopters or eliminating all of the helicopters could increase police response times.

Mr. Hutchinson stated that the helicopter program could be addressed at a December Police Committee meeting.

Responding to a question from Mayor Hawker, Assistant Budget Director Chuck Odom advised that the list of proposed reductions does not include projects funded by the Quality of Life tax.

Further discussion ensued regarding the fact that the Council has the discretion to adjust Quality of Life funding; that the proposed list is a work in progress; that an additional \$2 million in budget cuts are required in order to meet the target of \$37.7 million; and that staff's recommendations are for discussion purposes and may not reflect the priorities of each Councilmember.

Vice Mayor Walters suggested that the Police Committee review the entire aviation unit including fixed wing aircraft. She stated the opinion that reducing the aviation unit could enable the Police Department to retain the specialty units, such as the Bike Unit and the Community Action Team (CAT).

In response to a question from Councilmember Whalen, Development Services Manager Jack Friedline advised that 600 to 700 vehicles participated in a recent Household Hazardous Waste

Collection Day. He estimated that reducing the annual number of collection days to two would increase participation on remaining days and result in savings of approximately 35 percent.

Responding to a suggestion from Councilmember Whalen that staff prepare two budgets so that citizens can better understand the service cuts that would be required if a revenue source is not obtained, Financial Services Manager Bryan Raines advised that staff intends to utilize the spreadsheets to identify the information and prepare the two scenarios.

Additional discussion ensued relative to the fact that items targeted for budget reductions could be listed as bullet points; that Channel 11 budget reductions would result in less original public education programming; that Channel 11 would continue to broadcast Regular Council meetings and Study Sessions; that reducing the number of Animal Control Officer positions from seven to four would increase the number of complaints addressed by the Police Department; that closing the Rhodes and Poston swimming pools would unfairly impact inner city youth; that reducing the number of Code Compliance Officers further impacts the Police Department's calls for service; that the public should be made aware that the Museum for Youth and the Southwest Museum could be closed; and that School Resource Officers provide a valuable service to the neighborhoods and the schools.

Councilmember Thom noted that she did not have to address the pool situation because there are no pools in her district.

In response to a series of questions from Councilmember Thom, Mr. Hutchinson advised that staff is developing a process to facilitate the auction of one of the fixed-wing aircraft. He explained that the helicopter purchase included in the bond proposal would be a replacement for one of the three existing units. Mr. Hutchinson addressed the possibility of leasing the Gene Autry Park operation to a private entity by noting that several years ago the City's Request for Proposals (RFP) for the operation generated very little interest. He added that staff is in the process of preparing another RFP to determine if there is any current interest from the private sector.

Further discussion ensued regarding the fact that the spreadsheet document reflects staff's proposed budget cuts; and that the proposed cuts are ranked in numerical order.

Councilmember Rawles expressed the opinion that the Council should identify budget reductions through a process similar to that utilized at the Council Retreat rather than selecting from staff's recommendations. He added that another approach that the Council could utilize would be to determine the amount of money available and then prioritize the City's expenditures within that amount. Councilmember Rawles stated that he did not want the Council to be limited to considering only the recommendations of staff.

Mr. Raines explained that staff utilized the Council's list of priorities that was established at the last Council Retreat as the starting point for proposed budget reductions. He noted that the dollar amounts identified at the Council Retreat were insufficient to address the required total of \$37 million, and therefore staff proposed additional reductions in order to reach that amount.

Councilmember Rawles said that he understood that the document reflects a general consensus regarding the proposed budget cuts. He added that he would prefer to have a list of alternative cuts totaling \$50 to \$55 million from which the Council could select. Councilmember Rawles expressed support for implementing the list of "Proposed Immediate Reductions" presented by Mr. Hutchinson.

Additional discussion ensued relative to the fact that staff would be preparing two budgets for the next fiscal year; and that each Councilmember should bring forward additional proposed budget cuts at the next Study Session.

Councilmember Rawles clarified that he did not intend his comments to be critical of staff's efforts to prioritize the proposed budget reductions, and he suggested that the Council continue to discuss the proposals.

Ms. Spinner confirmed that Quality of Life funding for one Parks and Recreation Program could legally be shifted to a Parks and Recreation Program that is presently identified as a proposed budget reduction.

Further discussion ensued regarding the fact that staff will provide a list of programs funded by Quality of Life dollars; that the Council would continue to discuss the list of "Proposed Immediate Reductions;" that the Council would review the ongoing operational aspects of the Quality of Life funding; and that a future Study Session would address the State's ruling that prevents the utilization of a water blending process that would enable the City to more efficiently comply with the new Federal arsenic regulations.

3. Items from citizens present.

There were no items from citizens present.

4. Adjournment.

Without objection, the Study Session adjourned at 5:32 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 Study Session of the City Council of Mesa, Arizona, held on the 28th day of November 2005. 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)

Proposed Immediate Reductions

- Stop design of Smith Jr. High School pool
- Explore option of improving Kino Jr. High School pool rather than constructing proposed outdoor aquatic-center
- Eliminate 2 of 4 Household Hazardous Waste Days in 2006
- Eliminate City participation in special events after MLK event
- Review and possibly further reduce City building landscaping standards
- Review and possibly further reduce the City custodian contract standards
- Review and possibly further reduce park and retention basin contract standards
- Immediate review of various summer recreation and aquatic programs prior to publication of summer catalog
- Explore participation of the City of Phoenix in Williams Gateway Airport Authority
- Continue closure of Mesa Room except for appointments
- Continued selective hiring freeze
 - a. Hold positions open throughout organization
 - b. Evaluate various program offerings and operating hours in light of reduce number of staff (i.e. reduce library operating hours)
- Formal notice to Human Services Agencies, Arts affiliates and Mesa Public Schools about reduced funding levels