

COUNCIL MINUTES

April 28, 2005

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 April 28, 2005 at 8:02 a.m.

COUNCIL PRESENT

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

COUNCIL ABSENT

None

STAFF PRESENT

Mike Hutchinson
Debbie Spinner

Mayor Hawker excused Councilmember Thom from the remainder of the meeting at 11:25 a.m.

17. Mesa Convention and Visitors Bureau.

City Manager Mike Hutchinson noted that the City of Mesa provides funding to the Mesa Convention and Visitors Bureau (CVB) utilizing "bed tax" dollars collected by hotel and motel owners. He introduced Robert Brinton, Executive Director of the Mesa CVB.

Mr. Brinton advised that Steve West, Chairman of the Board of Directors, was present to address the Council.

Mr. West highlighted several of the CVB's recent marketing efforts, including the following: participation in a Valley newspaper insert promoting Arizona Spring Training; a cooperative effort with Tempe, Chandler, and Apache Junction to target AAA members; development of a new Meeting Planner's Guide; and continuous marketing utilizing the Internet.

Mr. Brinton continued the presentation by noting that the CVB currently has 10 full time employees (FTE's) compared to 13.5 in the 1990's, and he advised that current plans include the addition of a Sales Manager. He noted that other promotional efforts include advertising the City of Mesa in several national publications. Mr. Brinton added that the CVB is allocating funds to pay Mesa's portion of the assessment for the upcoming Super Bowl event in Glendale.

In response to a question from Mayor Hawker, Mr. Brinton advised that costs associated with hosting the Super Bowl are assessed Statewide due to the fact that all communities benefit economically from the event. He said that the CVB negotiated the amount of Mesa's contribution with the Super Bowl organizers.

Mayor Hawker expressed the opinion that a decision regarding the contribution should have been referred to the Council.

Mr. Brinton explained that many Mesa hotels already have room night contracts in place with the Super Bowl Committee. He advised that the assessment negotiated by the CVB, approximately \$26,000 a year for three years, is less than the amount originally proposed by the Super Bowl Committee.

Vice Mayor Walters, the Council's liaison to the CVB Board, noted that in 1996 the City of Mesa paid a similar assessment from the General Fund when the Super Bowl was held in Tempe. She advised that the CVB negotiated a lower assessment with the Super Bowl Committee, and she expressed the opinion that the allocation of these funds by the CVB would enable the City to participate on a regional basis.

Discussion ensued relative to the fact that information would be obtained regarding the assessment amount paid by Glendale in 1996; that contributions to the Tourism and Sports Authority (TSA) are based on rental car and bed taxes; that Mesa's share of the contributions to the TSA are approximately 4.5 percent of the total; that the CVB received approximately \$220,000 from the TSA in the past year as a result of being designated as a "destination marketing organization;" and that the percentage allocated to each community is based on each community's hotel revenue.

Mayor Hawker thanked the CVB representatives for the update.

18. Mesa Town Center Corporation.

Paul McKee, President of the Mesa Town Center Corporation, stated that he and Executive Director Tom Verploegen were present to answer any questions. He estimated that the Downtown Improvement District's assessment on the property owners would total approximately \$249,000, and that the exact assessment would be finalized at the public hearing scheduled for Monday, May 16, 2005. Mr. McKee advised that the District proposed the following assessments on the City:

\$223,000	Town Center Public Space Management Services
\$289,000	Parking Management Contract

Mayor Hawker noted that the Council recently received an update on the Parking Management Contract, and he thanked Mr. McKee for the presentation.

19. Community Aid.

Human Services Coordinator Nichole Ayoola outlined the recommendations of the Human Services Advisory Board and staff for allocations from the General Fund and A Better Community (ABC) Fund. She noted that General Fund requests total \$278,650, and she clarified that agencies do not request ABC funds. Ms. Ayoola noted that the annual amount of ABC fund donations varies, and that a total of \$155,000 was available in the current year.

Discussion ensued relative to the fact that some Councilmembers believe that General Fund dollars should not be allocated to Human Services; that ABC donations and certain Federal funds, such as the Emergency Shelter Grants (ESG), are designated for Human Services

programs; that the Mesa United Way has a \$300,000 shortfall in their funding; and that a failure to fund human services programs would impact the Fire and Police Departments by increasing calls for service.

Councilmember Whalen encouraged the Council to continue funding non-profit agencies at the existing level. He stated the viewpoint that government's role is to provide an array of services to the community.

Councilmember Rawles expressed the opinion that government funding of human services is coerced charity, and that private citizens should fund human services through charitable donations. He proposed a transition period whereby the City's funding of these types of programs would be reduced by one-third each year for a period of three years.

Vice Mayor Walters stated the opinion that these programs were a cost-effective method of reducing Police calls for service. She further stated that a decision to eliminate the City's funding of human services agencies would be "penny wise and pound foolish."

Councilmember Thom noted that the non-profit agencies provide a valuable service, but she expressed the viewpoint that governments should not fund charitable enterprises.

Councilmember Griswold stated the opinion that non-profit agencies provide services more efficiently than governments, and he also stated that the City receives good value for the funds allocated to these programs.

Councilmember Jones said that he concurred with the comments of Vice Mayor Walters and Councilmember Griswold. He noted that the non-profit agencies are leveraging City dollars, and he expressed support for continuing to fund the programs.

At the request of Councilmember Whalen, Ms. Ayoola addressed the comments of Councilmember Thom regarding Mesa Community Action Network's (MesaCAN) request that the City relinquish the "Community Action Agency" (CAA) designation in order to enable MesaCAN to assume the designation, and she advised that the action would not impact MesaCAN's annual funding request to the City for approximately \$400,000.

Councilmember Rawles clarified his earlier comments by stating that his suggestion to reduce City allocations to non-profit entities by one-third in three successive years was not intended to eliminate the non-profit agencies, but rather to transition the agencies to private funding.

Mayor Hawker noted that a majority of the Councilmembers indicated support for continuing to fund non-profit agencies.

Vice Mayor Walters clarified that Council support for continued funding does not guarantee the amount of the City's funding for non-profit entities. She noted that the Council must address very difficult decisions regarding the budget. Vice Mayor Walters advised that philosophically she views the City's allocations to non-profits as purchasing services rather than coerced charity.

Councilmember Griswold recalled that the Financing the Future Committee recommended that the City implement an activity-based budget that establishes priorities and then determines the best way to achieve the desired outcome.

Mayor Hawker advised that the Council would discuss Human Services' funding in greater detail at a future Study Session, and he thanked Ms. Ayoola for the information presented.

20. Arts & Cultural Grants.

Arts Administrator Rob Schultz advised that the Museum Cultural Advisory Board recommended funding ten 2005/06 Community Grant applications totaling \$226,600.

Discussion ensued relative to the fact that an "Affiliates Program" was implemented that enables organizations with "affiliate" status to receive a rental fee discount at the new Mesa Arts Center (MAC); and that organizations were aware of and sensitive to Mesa's budget situation when applying for grants.

Mayor Hawker expressed the opinion that the eventual goal for the MAC should be to attain 100 percent cost recovery, and he added that the goal could be achieved in phases over a period of time.

Vice Mayor Walters commented that the community made an investment in the MAC, and that the City should provide sufficient funds to insure that the first year is successful.

Councilmember Rawles expressed opposition to the funding, and he stated the opinion that government should not force the entire community to subsidize ticket prices so that others may attend performances at reduced rates. He suggested that the City's subsidy be phased out gradually over a three-year period.

Councilmember Jones stated the opinion that the City should ensure that first year of the MAC is successful.

Additional discussion ensued relative to the fact that the Council would like to ensure that the MAC is successful when it opens; that ticket revenues should eventually reach a breakeven point so that City subsidies are not required; and that organizations utilizing the MAC should phase in increased ticket prices or secure sponsorships to eliminate the need for City subsidies.

Vice Mayor Walters expressed the opinion that arts and cultural programs provide benefits similar to those provided by libraries, and she added that these programs are effective in attracting economic development to the community.

Deputy City Manager Debra Dollar noted that the Museum and Cultural Advisory Board reduced their original funding request from \$381,800 to \$226,000, and she asked if the Council intended to implement a further reduction.

Mayor Hawker recommended that the Council approve the \$226,000, and that a phased approach to reducing the subsidies be implemented in the next fiscal year. He thanked staff for the presentation.

RECESS: Mayor Hawker called for a recess at 9:17 a.m., and he reconvened the Budget Review Session at 9:35 a.m. with all members present.

21. Community Services/Arts & Cultural.

Community Services Manager Joe Holmwood advised that the overall budget for the Community Services Department has increased since 2003/04 as a result of personnel-related expenses, such as cost-of-living adjustments. He noted that the budget, excluding personnel costs, has decreased each year during the past five years. Mr. Holmwood reported that since 2001/02, 55.9 FTE's have been eliminated, which has delayed the implementation the Parks and Recreation Division's Master Plan. He advised that other impacts of reduced budgets include an inability to meet increased demands for service, a failure to properly maintain aging infrastructure and delays in replacing equipment.

Mr. Holmwood stated that the Division is addressing the issue of cost recovery, and he said that proposed fee increases would generate an additional \$280,000. He noted that the Division's internal goal is to ensure that no child is prevented from participating in programs for financial reasons, and he provided information on the Parks and Recreation Foundation, a separate non-profit organization that provides scholarships for children from low-income families.

Mr. Holmwood reported that a new Commercial Facilities Division was formed to focus on the City's entrepreneurial operations, such as the golf courses, cemetery, Hohokam Stadium, the Convention Center and the Amphitheater. He reviewed other areas that are planned for reduction or elimination, such as: the number of special events; the number of Park Rangers; and the elimination of the Wreck and Roll Program, the 9th Grade Intramural Program and other teen programs.

In response to a question from Mayor Hawker, Commercial Facilities Director Rhett Evans advised that the Division currently recovers 89 percent of the operating costs, and that the goal is to recover 95 percent in 2005/06 and 100 percent in 2006/07.

Discussion ensued relative to the fact that the remaining teen programs would be restructured in order to improve cost recovery; that adult sports programs have a 100 percent cost recovery; that the Library plans to reduce and adjust operating hours; that the Library's staff would be restructured to maintain current vacancies; and that the Library's staffing levels in 2005/06 are projected to return to 1999 levels.

Responding to a question from Vice Mayor Walters, Acting Library Director Trish Sorensen outlined efforts by the Library to streamline operations and reduce staff. She advised that 20 positions were eliminated and that another 8.1 full-time positions would remain vacant in order to balance the 2005/06 budget.

Additional discussion ensued relative to the fact that Maricopa County's reimbursement rates for reciprocal borrowing fail to cover the costs incurred by the City, and that a Maricopa Association of Government committee is addressing the issue.

In response to a series of questions from Councilmember Rawles, Mr. Holmwood reviewed proposed cuts from the Parks and Recreation budget, including the elimination of funding for special events that would provide a \$90,000 budget reduction. He noted that a program to train teen volunteers for the summer recreation programs would be retained.

Councilmember Rawles expressed the opinion that classes and programs for seniors and adults should achieve 100 percent cost recovery.

Arts and Cultural Division Director Gerry Fathauer reviewed the budget projections for the Mesa Arts Center, and Acting Cultural Director Gerry Dillehay highlighted the activities planned for the Southwest Museum.

Discussion ensued relative to the fact that the General Fund receives the revenues generated by the museums; that Mesa is subsidizing youths from other cities who visit the Museum for Youth; that highly successful exhibits such as the "Sue" dinosaur exhibit cannot be scheduled every year; that Arts Center class fees would increase by 25 percent per year in an effort to reach full cost recovery, with an emphasis on full cost recovery for the adult classes; that the City did not participate in the purchase of any sculptures for the "Sculptures in the Street" Program; that the Council previously approved class fees for the Arts Center summer session; and that the Council would have an opportunity to review and approve fees for future Arts Center classes.

22. Proposed Rate and Fee Adjustments.

Budget Director Jamie Warner and Senior Budget Analyst Linda DeBruin provided an overview of "Fees and Charges Rate Recommendations for Budget Years 2005/06 and 2006/07" dated April 2005 (a copy is available for review in the City Clerk's Office).

Discussion ensued relative to the fact that the proposed utility rate increase would address approximately half of the additional costs that would be incurred by the City; that the number of Magma Gas System customers continues to increase, but the consumption rate per customer is decreasing; that Utility revenue transfers to the General Fund are decreasing; and that the City of Phoenix is planning to implement an 8 or 9 percent utility rate increase each year for the next five years in order to address deferred maintenance issues.

23. Compensation and Organizational Issues/Meet and Discuss Issues.

Mr. Hutchinson stated that a revised "Meet and Discuss" process proposal (a copy is available for review in the City Clerk's Office) was developed. He reported that notifications are being prepared for 135 employees who have been accepted into the Voluntary Severance Program. Mr. Hutchinson said that during meetings held with employees and employee groups, numerous suggestions were received regarding wages and benefits. He recommended the following benefit changes:

- Increase the annual tuition reimbursement amount from \$2,200 to \$2,500 per eligible employee.
- Add an annual personal day for each employee.
- Increase vacation leave to 14 hours per month for employees with 15 or more years of service.
- Adjust bereavement leave for employees who work four 10-hour days.
- Increase the maximum allowed compensatory time accumulation from 80 to 100 hours.

Mr. Hutchinson stated that the City implemented a benchmarking study to review salaries, and he advised that Mesa's pay rates are falling behind the rates of other cities, particularly for Police and Fire Department employees. He added that the organized Public Safety employee groups requested that salary range adjustments be implemented at one time rather than delaying the adjustment to an employee's next merit review date.

Mayor Hawker stated that this topic would be placed on the next Study Session agenda for further discussion.

Vice Mayor Walters suggested that increased employee participation in healthcare costs could be offset with a cost of living increase, which would also positively impact an employee's future retirement. She also noted that another alternative would be to provide a personal day to each employee in the current year only in lieu of a cost of living increase.

Discussion ensued relative to the fact that implementing salary range adjustments at one time would increase the City's costs; and that staff is preparing a policy proposal that would require tuition reimbursements to be repaid if an employee leaves City employment within a certain period of time.

Mayor Hawker thanked staff for the presentation.

24. Adjournment.

Without objection, the Budget Review Session adjourned at 12:07 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 28th day of April 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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