

COUNCIL MINUTES

May 10, 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 10, 2007 at 7:42 a.m.

COUNCIL PRESENT

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

COUNCIL ABSENT

Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Barbara Jones

Mayor Hawker excused Councilmember Somers from the entire meeting.

1. Hear a presentation, discuss and provide direction on budget issues, including but not limited to:
 - a. Preliminary Budget Overview
 - b. Budget Documents
 - c. Quality of Life status
 - d. Schedule of remaining budget activities

City Manager Christopher Brady stated that the format of the budget has changed from the previous year, and he said that in addition to the explanation provided today, staff would be available to review the format with each member of the Council. He explained that the budget maintains current levels of service and begins to address the increasing amount of debt service and the City's obligation to set aside additional reserves, as required by the bond rating agencies and consistent with the City's forecast. Mr. Brady said that the City's bond ratings reflect the City's good financial management. He noted that the City recently experienced a historically low level of debt service, which was referred to as "debt valley" and, as forecasted, the City will now be paying higher debt service. Mr. Brady said that the comments from the bond rating agencies were that the new level of debt service that the City will be paying is still low. He added that the Standard & Poor's analysis for General Obligation (GO) bond debt states, "Overall net debt levels are moderately low and manageable." Mr. Brady emphasized that while the debt service is increasing, the amount is still considered to be low to moderate. He noted

that because of the City's revenue structure, the rating agencies expect the City to establish reserves of ten percent, which accounts for \$34 million in next year's budget. He noted that the budget must include the possibility of a bond election in November and in addition, bond capital projects of approximately \$30 million are being carried over into the next fiscal year.

Mr. Brady reported that the anticipated utility rate increases have been included in the budget. He stated that although the number of police officer positions supported by Quality of Life funds would increase by 12 to 120, the total number of officers would remain the same. Mr. Brady advised that the Vehicle Replacement Program was restructured to include a comprehensive analysis of Citywide usage. He said that the total budget increase from \$973 million in the current year to a projected \$1.229 billion in the next fiscal year does not represent additional revenues. He explained that the increase reflects the foresight of the Council to accumulate funds in prior years in order to address future obligations, which are now being realized.

Mr. Brady thanked staff for their efforts to implement the changes and prepare the budget.

a. Preliminary Budget Overview

Budget Director Chuck Odom displayed a PowerPoint presentation titled, "Preliminary Budgeted Expenditures for 2007/08" (a copy is available for review in the City Clerk's Office), which outlined the "all funds" preliminary budget for the following categories:

1. General Governmental Operations & Maintenance.

These expenditures will increase by \$28.4 million in 2007/08, of which 75 percent (\$21.4 million) is dedicated to Public Safety.

2. General Fund Grants, Debt Service, Capital & Contingency.

The increase for 2007/08 is \$52.6 million. 67 percent (\$34.5 million) will address debt service and contingency reserves and 26 percent (\$13.8 million) is for capital for vehicle replacements and light rail commitments.

3. Quality of Life – Restricted Fund.

\$2.0 million will fund 12 police officers and public safety salaries and the balance is allocated to begin rehabilitation of Mesa's swimming pools.

4. Transportation – Restricted Funds.

Street maintenance activities account for \$16.1 million (76%) of the \$21.2 increase, which is generated by the 0.3 percent sales tax. The balance is for regional transportation projects, assuming a November 2007 bond election.

5. Utilities/Enterprise Fund.

Utility debt service and contingency reserves account for 72 percent (\$38.6 million) of the \$53.5 million increase and \$12 million (22%) represents increases in Utility operating costs, of which only \$9.1 million is offset by the utility rate increases.

6. Bond Expenditures.

\$30 million represents an estimate of capital bond re-budgets for carryover projects. The remaining \$64.6 million (68%) is allocated to new capital bond projects, \$32 million of which is related to Streets, Police and Fire projects for a potential November 2007 bond election.

7. All Other Restricted & Trust Funds.

There is no major impact on the budget.

Mr. Odom advised that on the “all funds” overall comparison, the following areas represent 83 percent of the increase to the budget:

Bond Expenditures	\$94.6 Million	37%
Debt Service and Contingency Reserve	73.1 Million	29%
Mesa’s Public Safety Focus	23.4 Million	9%
Tax Funded Street Maintenance & Construction	21.2 Million	8%

Discussion ensued relative to the fact that as the population grows, the utility budget increases in order to serve the population; that purchasing utility commodities to serve the increased population represents a significant part of the budget; and that a third of the City’s budget is related to utilities.

In response to a series of questions from Mayor Hawker regarding the Utilities/Enterprise Fund, Mr. Odom advised that the increase in the Utility Contingency Fund reflects the fact that a lesser amount is being transferred to the General Fund. He noted that the dollar amounts of the transfers are frozen at 2006/07 levels for five years.

Additional discussion ensued relative to the reduction of the School Resource Officer (SRO) Program; that retired officers serving as SRO’s would remain in the middle schools and be paid by the schools; that grant funding for seven SRO’s was no longer available and these officers would return to regular duty; and that the seven officers are included in the twelve officers identified for funding with the Quality of Life dollars.

Responding to a request from Mayor Hawker, Mr. Odom provided historical information regarding the “debt valley.” He explained that in the 1990’s the City moved from authorizing fifteen-year bonds to twenty-year bonds. Mr. Odom added that although much higher interest rates were projected for the five-year window, the higher rates did not materialize and the City experienced a low level of debt service.

Mayor Hawker noted that a future Council could extend the bonds from twenty years to thirty years, and he expressed concern that the City’s finances could be jeopardized by that action.

Vice Mayor Walters stated the opinion that capital improvements should be made regardless of whether the City sells or retains the electric utility. She suggested that the City bond for the infrastructure improvements and utilize the sale proceeds to pay the debt.

Mr. Brady explained that the City’s financial advisors stated that bonding for the electric utility improvements would complicate the possible sale of the utility, and he noted that the electric

utility presently has no outstanding bond debt. He added that the budget includes funds for capital improvements that could be accomplished by the sale of existing voter-approved bonds, but he noted that these improvements would be insufficient to accomplish the system upgrade that may be required in order to sell the utility.

Further discussion ensued relative to the fact that new customers generate revenues that increase the budget and the amount of commodities that are purchased; and that citizens should focus on the operating budget.

b. Budget Documents

Mr. Odom noted that the budget process is now activity based, and he introduced Assistant Budget Director Candace Cannistraro to provide a review of the budget documents.

Ms. Cannistraro displayed a PowerPoint presentation titled, "Executive Budget Plan 2007/08 & 2008/09 – Overview of Format Changes," and she listed the following five major sections of the budget book (copies of the PowerPoint presentation and the budget book are available for review in the City Clerk's Office) :

- City Leadership & Demographics
- Budget & Financial Summaries
- Capital Budget
- Strategic Planning
- Department Operational Plans

Ms. Cannistraro reviewed the locations of data in the budget book. She said that the total City budget of \$1.2 billion includes internal transfers that are required to be reported as revenues. She also noted that capital improvement projects totaling \$30 million have been carried forward. Ms. Cannistraro advised that "financial programs" track expenses and align with activity-based budgeting while "operational programs" are utilized to manage resources.

Mr. Odom noted that the format was designed to place the budget in the context of the City services being provided.

Ms. Cannistraro reviewed the four major areas of the capital budget:

- Operational Capital – New Vehicles
- Operational Capital – General
- Vehicle Replacement Program
- Capital Improvement Program

Ms. Cannistraro said that "Operational Capital – General" is included in the budget for each department, and that the Fleet Department has the budget for all vehicles, except Fire Department vehicles, in order to be able to review the vehicles in a global manner,

Mr. Odom said that the life cycle of rolling stock is being modeled and planned for the future in order to maximize the utilization of stock and to monitor the efficiency of individual vehicles.

Ms. Cannistraro advised that Strategic Planning includes the conversion to “Activity Based Budgeting” (ABB), which began in 2004/05. She explained that the process is a Citywide effort to redefine the services that are being provided and to identify the customers being served.

Ms. Cannistraro noted that Department Operations Plans include a mission, desired outcomes, performance measures and the related budget.

Mr. Odom stated that staff would be available to review the budget and new formats with each Councilmember on an individual basis.

In response to questions from Mayor Hawker, Mr. Odom advised that the mission statements were generated by the individual departments with the assistance of the Management and Performance Accountability Office.

Ms. Cannistraro noted that operational plans may change according to the resources available.

Responding to a question from Councilmember Rawles regarding a General Fund allocation to the Alston House renovation, Mr. Odom said that staff would investigate further and provide additional information.

Discussion ensued relative to the fact that adoption of the budget by the Council relates to the total dollars; and that performance measures are at a starting point in the process.

Councilmember Griswold stated that the Financing the Future Committee encouraged activity based budgeting, and he said that this document was a significant step towards accomplishing that goal. He thanked staff for their efforts.

Councilmember Jones noted that the correlation of population to the number of full time employees (FTEs) is valuable information, and he added that the data should be available to the public.

c. Quality of Life Status

Deputy City Manager Bryan Raines displayed a PowerPoint presentation (a copy is available for review in the City Clerk’s Office) to provide a Quality of Life status report for the period of August 1998 through March 2007. He reported that the Quality of Life sales tax has generated almost \$300 million and that \$265 million has been expended in the following areas:

Libraries, Parks & Cultural	\$ 37 million
Public Safety	\$ 83 million
Mesa Arts Center	\$109 million
Transportation	\$ 30 million
Freeway Acceleration	\$ 6 million

Mr. Raines stated that with the completion of the Mesa Arts Center, Public Safety expenditures are projected to increase significantly in the next few years. He reviewed the various projects that were funded by the Quality of Life sales tax revenues and those projects that continue to be funded. Mr. Raines noted that in 2008, when the program has been in existence for ten years, the revenues are estimated to total \$56 million (15%) less than the amount originally projected. He reported that in 2007/08, the final twelve Mesa Police officers will be added, bringing the

total number funded through the Quality of Life program to 120. Mr. Raines said that the City anticipates a reimbursement of \$9 million from the Regional Public Transportation Authority for the regional bus maintenance facility located on North Greenfield Road. He added that the City expects that the total amount of reimbursement from the Local Government Investment Pool loss of \$2.4 million will total \$1.2 million by the end of June. Mr. Raines noted that funds remain in reserve and designated for swimming pool rehabilitation, the Police Department's Technical Services Building and the City Court project.

In response to a question from Mayor Hawker, Mr. Raines stated that the sales tax revenues projected for 2007/08 are approximately \$25 million and \$1 million in interest income.

d. Schedule of Remaining Budget Activities.

Mr. Raines reviewed the schedule for future Council discussions and actions related to the budget.

In response to a question from Mayor Hawker, Assistant to the City Manager Jim Huling said that although the Legislature has not yet acted to change the City's election dates, he expects that the issue will be resolved in the near future.

Mr. Odom advised that the necessary funds have been budgeted for the costs to hold three elections.

Mayor Hawker requested that the agenda for the next Council Retreat include information on budget goals and performance measures. He thanked staff for the presentation.

2. Hear a presentation and discuss Police Department budget issues.

Police Chief George Gascón displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office), and he reported that overall crime in the City of Mesa has decreased by approximately ten to fifteen percent. He explained that the exact percentage has not been determined due to a records management system problem, which should be resolved by the end of June. He stated that the organization was restructured to improve efficiency and the level of accountability. Chief Gascón advised that a federal grant in the amount of \$475,000 would fund four agents from the Bureau of Alcohol, Tobacco and Firearms (ATF) bringing the total number of ATF agents embedded with the Mesa Police Department to six during the last four months of the fiscal year. He added that the grant funds would also be utilized for overtime expense for Mesa officers. Chief Gascón outlined various programs that are designed to enhance the department's efficiency and ability to address crime, and he said that recruitment and community outreach efforts have been successful.

Chief Gascón reported that the department received a poor PERF (Police Executive Research Forum) assessment regarding certain risk management, training and supervision issues, which may be difficult to address because of budget constraints, but he advised that the department is moving forward in these areas.

Chief Gascón said that calls for service and jail costs continue to increase. He added that by January of 2008, the City would be below the market with regard to salaries and benefits, which will affect future recruitment efforts and retention of personnel. He noted that Mesa has a lower ratio of officers per thousand of population than cities of a similar size. Chief Gascón advised

that the department would continue to analyze the types of calls for service in order to maximize efficiency.

Police Fiscal Management Supervisor Lisa Quedens continued the PowerPoint presentation and reported that as of July 1, 2007, a total of 120 officers were funded by Quality of Life dollars. She noted that the School Resource Officer (SRO) Program will be reduced to nine officers in 2007/08 from a total of sixteen in 2006/07, and she provided an overview of the costs for the program.

Chief Gascón advised that discussions are ongoing with the Mesa and Gilbert school districts regarding various options for the SRO Program, one of which was utilizing retired Mesa police officers. He noted that the recruitment effort could be extended to retired officers from other jurisdictions.

Ms. Quedens reported that Maricopa County jail costs continue to increase by approximately 15 percent annually and that Mesa has budgeted a total of \$5 million for the 2007/08 fiscal year.

In response to a question from Vice Mayor Walters regarding pending legislation, Government Relations Director Scott Butler confirmed that the Governor has signed a bill that could increase the City's incarceration costs by an additional \$2 million.

Responding to a question from Councilmember Whalen regarding home arrest and electronic monitoring, Chief Gascón said he has discussed with the City Manager the possibility of engaging a consultant to evaluate the City's long-term jail needs and the alternatives that are available.

Discussion ensued relative to the fact that increasing jail costs could result in incarceration becoming cost prohibitive; and that the cost to book an individual into the Maricopa County Jail is \$189 and the daily cost of incarceration is \$72.

Ms. Quedens reviewed the costs for the Photo Safety Program and advised that the program currently has a monthly deficit of \$125,000.

In response to concerns expressed by Vice Mayor Walters regarding the monthly deficit, Ms. Quedens outlined some of the problems encountered in implementing the program. She said that Police Commander Ron Kirby would provide more detailed information.

Commander Kirby reported that the City is paying for 30 intersections and that all of the photo vans are currently operable. He noted that the initial photo images were inadequate, but the useable image rate is now approximately 80 percent, which is in line with the industry standard. Commander Kirby said that the number of fatalities in Mesa have decreased as a result of citizens being aware of the cameras.

Councilmember Whalen said that he recently requested that the Photo Safety Program vendor contact the City Manager in order to schedule a presentation before the Police Committee.

Responding to a question from Mayor Hawker, Ms. Quedens explained that a time lag exists between the issuing of a ticket and the receipt of revenues, and she added that the City's Photo Safety Program should eventually reach a breakeven point. She stated that the current deficits are not likely to be recovered in the future.

Mayor Hawker stated that the initial presentation to the Council regarding photo radar did not indicate that there would be a deficit.

Chief Gascón advised that because of concerns regarding the City's ability to pay, the City financed the lease/purchase of the photo radar equipment through a bank and the City is required to make these payments to the bank.

Ms. Quedens stated that two monthly payments are made: one to the financing agency, and the other to the vendor based on the number of intersections and approaches, which is the industry standard.

Mayor Hawker suggested that the Police Committee conduct a review of the Photo Safety Program.

Ms. Quedens continued the presentation by outlining the Police Department's Budget Adjustment Requests (BARs), those that have been funded by Quality of Life, the items that have been funded through the General Fund, and the items that remain unfunded.

Chief Gascón provided information on new procedures and processes being implemented to improve operations at the jail facility in order for Mesa to meet industry standards.

In response to a question from Councilmember Griswold, Criminal Justice Information Services (CJIS) Administrator Shirl Butler advised that the wireless subscription fees are required for laptop computers until the City's Wi-Fi network is available.

Responding to a question from Councilmember Whalen, Mr. Butler explained that a "Storage Area Network" would be required when the Police Department's data storage reaches maximum capacity in twelve to fourteen months, at which time data may have to be archived off line.

Mr. Brady advised that this item could be reconsidered when a mid-year review of the budget status is conducted.

Mayor Hawker thanked staff for the presentation.

3. Discuss and take action on the audit plan for FY 2007/2008.

Vice Mayor Walters, Chairman of the Audit Committee, said that the Committee was seeking Council concurrence with the audit plan.

It was moved by Vice Mayor Walters, seconded by Councilmember Griswold, that the audit plan for FY 2007/2008 be approved.

Upon tabulation of votes, it showed:

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

Mayor Hawker declared the motion carried unanimously by those present.

4. Hear a presentation, discuss and provide direction on the Zoning Code update.

Zoning/Civil Hearing Administrator Gordon Sheffield displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to provide an overview of the Zoning Code update process, which included reviews by the relevant City advisory boards, stakeholder interviews and community meetings. He outlined the options that address the following recommendations:

- Make zoning easier to understand and use.
- Streamline development review and approval.
- Address infill development.
- Achieve a high level of design quality.
- Promote housing variety and choice.
- Support economic growth.
- Strengthen area-specific regulations.

Mr. Sheffield stated that the Historic Preservation Committee, the Housing Advisory Board and the Economic Development Advisory Board expressed support for the recommendations. He reviewed the comments of the Planning and Zoning (P&Z) Board, the Design Review Board and the Downtown Development Committee. Mr. Sheffield advised that based on conversations with the advisory boards, the following recommendations are being made:

- A. The Design Review Board (DRB) and the Planning and Zoning Board will remain independent of the other and the role of each board would be clarified.
- B. The Downtown Development Committee (DDC) will remain independent of P&Z and continue to focus on downtown-related development cases.
- C. The "Village Planning Committee" model would be not be mandatory, but could be available as an option.

In response to questions from Councilmember Rawles, Mr. Sheffield advised that staff would like the Council to identify any issues of concern. He reported that P&Z, DRB and DDC had one week or longer to review the materials.

Councilmember Rawles expressed concern that the Council was provided with only 36 hours in which to review the information and provide direction.

Responding to questions from Mayor Hawker, Mr. Sheffield confirmed that the report was prepared by the outside consulting firm retained by the City, and that approximately one-third of the project has been completed.

Mayor Hawker noted that the advisory boards did not fully support the "Village" concept utilized by the City of Phoenix, and he added that he was not sufficiently aware of the details of the concept to have an opinion.

Mr. Brady stated that he had requested that staff provide an update to the Council regarding progress of the Zoning Code update, which included the information provided to other groups. He suggested that time be set aside at a future meeting to present a full briefing on the concept.

Mayor Hawker indicated several areas for which he would like to receive more detailed information, such as a reference to protections for the unique character of Mesa's historic districts and sub-areas and the impact of Proposition 207.

In response to a question from Mayor Hawker, Mr. Sheffield explained that a "voluntary inclusionary program" would be a policy that provides a higher density bonus to a developer in exchange for offering a certain percentage of affordable housing.

Mayor Hawker stated the opinion that the City of Mesa has a sufficient quantity of affordable housing. He said that a discussion regarding Transit Oriented Development (TOD) would be appropriate, and he was in support of flexibility for the infill development process. Mayor Hawker added that this proposal should be presented to a Council subcommittee because this process will affect standards for a long time.

Vice Mayor Walters suggested that parts of the proposal be considered separately at several Study Sessions. She also noted that the City should implement better procedures for infill development, and she stated the opinion that the DDC efficiently handles this process. Vice Mayor Walters said that she is unfamiliar with the "Village Planning" concept.

Responding to a comment by Councilmember Griswold, Mr. Sheffield stated that staff could present different options for the design review function in the Falcon Field and Williams Gateway areas.

Mayor Hawker stated that he would like the report to include data that provides a linkage of the proposal to the overall picture of the General Plan.

Councilmember Jones said that staff should be able to perform the basic review process and that disagreements with staff reviews would be referred to the advisory boards or committees. He suggested that a future presentation to the Council include information on the manner in which the advisory boards and review committee are being utilized.

Mayor Hawker thanked staff for the presentation.

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

Councilmember Jones: American Public Gas meeting in Washington, D.C.

Councilmember Whalen: Public Safety Breakfast and Awards Ceremony.

Vice Mayor Walters: East Valley Partnership Meeting.

6. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

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, 7:30 a.m. – Study Session

5. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

6. Adjournment.

Without objection, the Study Session adjourned at 10:56 a.m.

KENO HAWKER, MAYOR

ATTEST:

LINDA CROCKER, DEPUTY 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 10th day of May 2007. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, DEPUTY CITY CLERK

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