

COUNCIL MINUTES

April 20, 2006

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 April 20, 2006 at 7:30 a.m.

COUNCIL PRESENT

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

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Barbara Jones

1. Hear a presentation on Commercial Facilities operational and financial issues.

Acting Community Services Manager Trish Sorensen introduced Commercial Facilities Director Rhett Evans, who was prepared to discuss the financial challenges, opportunities for growth, operational improvements, and financial forecasts for the Commercial Facilities Division.

a. **Golf Courses**

Mr. Evans reported that in January 2005, the Commercial Facilities Division was formed, which includes the Golf Operation (Dobson Ranch and Riverview Golf Courses), the Mesa City Cemetery, the Amphitheatre/Convention Center, and Hohokam Stadium/Fitch Baseball Complex. He explained that the purpose of establishing the Division was to create greater business emphasis, share equipment and staffing resources, consolidate service contracts, and centralize services.

Mr. Evans displayed a PowerPoint presentation in the Council Chambers and offered a statistical analysis of the Division's FY 2005/06 budget and the proposed FY 2006/07 budget. He highlighted various components including the number of Full-Time Employees (FTEs), operational costs, general overhead, estimated revenue and unfunded BARS. (The complete PowerPoint presentation is available for review in the City Clerk's Office.)

Mr. Evans directed the Council's attention to a document entitled "Commercial Facilities Division – Golf Courses, Two Year History/Seven Year Pro Forma" and provided an extensive overview of the Dobson Ranch and Riverview Golf Courses operations from FY 2003/04 through FY 2011/12, including revenues, expenses, and cost recovery/profit or loss. (See Attachment 1.)

Mr. Evans further addressed various challenges facing the Golf Operation, such as the fees and charges schedule, increasing capital and operational costs, and a lack of operational and capital reserves. He noted that in response to said challenges, staff has identified a series of business opportunities that consist of revamping the food and beverage contract at Dobson Ranch, the implementation of on-line reservations, and increased sponsorships.

Mr. Evans highlighted the following proposed operational improvements for the Golf Operation:

- A progressive/competitive fee structure.
- Capital equipment is now funded annually from the Golf Enterprise.
- Revenues are to include ongoing sponsorships and a revamped catering/concessions contract in FY 2007/08.
- Establishment of a Capital Reserve Fund with a fund balance goal of \$440,000 (\$150,000 in capital reserve funds, \$230,000 to cover Operations and Maintenance for 45 days, and \$60,000 earmarked for bond debt).

Discussion ensued relative to the Golf Operation's Administration and General overhead expenses; the Targeted Reserve Fund; the Ending Balance; the fact that the expansion of the golf facilities has been postponed due to current budget constraints; and that the City continues to sponsor junior golf programs at both golf courses.

b. Cemetery

Mr. Evans referenced the PowerPoint presentation and briefly discussed the Cemetery Operation. He stated, among other things, that there are 9 FTEs in the operation; that the Mesa Cemetery was established in 1891; that there are 65 acres of developed land and 11 acres of undeveloped land; and that four future expansions are planned, with estimated build-out occurring in FY 2024/25.

Mr. Evans displayed a document entitled "Commercial Facilities Division – Cemetery, Two Year History/FY 05/06 – FY 24/25 Pro Forma" and provided a brief analysis of the Cemetery Operation's revenues, expenses, cost recovery/profit or loss, and Fund 430 (Accumulative Perpetual Care, interest on investments, and annual net revenue). (See Attachment 2.)

Mr. Evans spoke regarding the challenges facing the cemetery, such as its sustainability through build-out, increased operational costs, and a lack of capital funding. He commented that staff has considered a series of operational improvements to address such challenges including, but not limited to, the following: the implementation of a progressive and equitable fee structure; the fact that capital equipment is funded annually from the Cemetery Enterprise Fund; the establishment of a Capital Reserve and Contingency Fund; the elimination of a \$150,000 General Fund contribution to the Cemetery Enterprise Fund; and the expansion of burial plots and niches. Mr. Evans added that by FY 2024/25, the estimated ending fund balance would total \$22,520,447, and said an annual interest rate of 5.5% would cover ongoing maintenance costs.

Mayor Hawker said that he would prefer the City of Mesa "get out of the cemetery business," that a fund be created to ensure that the operating costs are established in perpetuity, and that the cemetery is self-sustaining at build-out.

c. Convention Center/Amphitheatre

Mr. Evans reported that Commercial Facilities' third area of responsibility includes the Convention Center (Rendezvous Center, Conference Center, Centennial Hall) and the Amphitheatre. He explained that over 40% of the events at the Convention Center consist of corporate and association events and said that in recent years, there has been a shift away from consumer shows.

Mr. Evans displayed a spreadsheet entitled "Commercial Facilities – Convention Center/ Amphitheatre, Two Year History/Seven Year Pro Forma" and provided a short synopsis of the revenues, expenses and cost recovery/profit or loss for the operation. (See Attachment 3.)

Mr. Evans reviewed the challenges staff is facing with regard to the Convention Center and Amphitheatre as follows:

- Aging infrastructure and equipment.
- Increasing competition at different venues throughout the Valley.
- Increasing capital costs and a lack of funding.

Mr. Evans advised that with regard to the above-referenced challenges, staff has identified opportunities such as implementing a bed tax and ticketing fees to offset capital costs, increasing the Amphitheatre's seating capacity, additional sponsorships, and a collaboration with Mesa Community College (MCC) relative to utilizing the Convention Center for classrooms and training activities.

Mr. Evans also spoke relative to potential operational improvements that would include utilizing bed tax revenue to fund capital improvements, implementing sponsorship and ticketing/facility fees as a method of funding capital improvements, and the advancement of a sponsorship program and naming rights for the Amphitheatre.

City Manager Christopher Brady stated that he recently met with representatives of MCC who expressed interest not only in leasing space at the Rendezvous Center, but also viewed the Convention Center as a significant asset that could be utilized in the development of the Fire Technology Building. He suggested that if the Council wished to capitalize additional facility improvements long-term, it may be appropriate for staff to discuss the matter with the Mesa Convention and Visitors Bureau to determine if the agency would make a contribution to fund said improvements as opposed to the City imposing a secondary property tax.

d. Hohokam Stadium/Fitch Complex

Mr. Evans stated that Hohokam Stadium, which was established in 1997, is the winter home of the Chicago Cubs and seats 12,700 spectators. He explained that the adjacent Fitch Baseball Complex is a four-diamond practice facility, which houses the Cubs' offices, a rehabilitation facility and is used by the baseball organization throughout the year.

Mr. Evans displayed a spreadsheet entitled "Commercial Facilities Division – Hohokam Stadium/Fitch Complex, Two Year History/FY 05/06 – FY 11/12 Pro Forma" and offered an extensive overview of the revenues, expenses and cost recovery/profit or loss items. (See Attachment 4.)

Mr. Evans highlighted a series of challenges that staff faces with regard to Hohokam Stadium and Fitch Baseball Complex as follows:

- Rising debt service costs.
- Aging facility and equipment.
- Increasing capital investment.
- Limited opportunities for special events.
- Increasing operational costs.
- Current contracts and revenue splits.

Mr. Evans indicated that in light of the above-referenced challenges, staff believes that the facilities have significant potential with regard to contract renewal options (concessions, merchandise, catering, the Hohokams and the Chicago Cubs); the fact that the baseball organization is a “highly marketable product” with a loyal fan base; that additional special events should be pursued to develop new revenue streams; and the possibility of obtaining a bed tax contribution.

Mr. Evans concluded his presentation by highlighting proposed operational improvements such as utilizing a portion of spring training revenues to fund needed upgrades, the advancement of a sponsorship program and naming rights for the facility, and also implementing the use of sponsorships, ticketing/facility fees as a means by which to fund capital improvements.

Mr. Brady suggested that at a future Study Session, it might be appropriate for the Council to discuss the level of subsidy that the City should bear with regard to Hohokam Stadium and Fitch Park and also explore possible contributions from other agencies.

Discussion ensued relative to the fact that the City’s contract with the Chicago Cubs expires in 2016; that Mesa’s contract with the Hohokams is reviewed every other year; that staff was directed to research the possibility of Mesa seeking funding through the Tourism and Sports Authority (TSA) for facility expenses at Hohokam Stadium; and that staff was further directed to revise the spreadsheet to more accurately reflect the actual costs incurred by the City to operate the stadium.

Mayor Hawker thanked staff for the presentation.

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

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| Councilmember Whalen: | Governor’s Arts Awards Dinner; “ Water – Use It Wisely” Art and Calendar Contest Awards Celebration. |
| Mayor Hawker: | Valley Metro Rail Meeting; Maricopa Association of Governments (MAG) Transportation Policy Committee meeting. |
| Councilmember Griswold: | Hosted Diversity Conference; meeting with developer Jeff Blandford; meeting regarding new construction concepts. |
| Councilmember Thom: | Sertoma Club meeting. |
| Vice Mayor Walters: | Demolition of JC Penny Building at the old Tri-City Mall; Keller Elementary School presentation. |

3. Scheduling of meetings and general information.

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

Thursday, April 27, 2006, 7:30 a.m. – Study Session

Thursday, April 27, 2006, 6:00 p.m. – Meet and Greet Mesa Police Chief Candidates

Monday, May 1, 2006, 3:00 p.m. – Finance Committee

Monday, May 1, 2006, TBA – Study Session

Monday, May 1, 2006, 5:45 p.m. – Regular Council Meeting

4. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

5. Items from citizens present.

There were no items from citizens present.

6. Adjournment.

Without objection, the Study Session adjourned at 9:13 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 20th day of April 2006. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK