

COUNCIL MINUTES

May 22, 2003

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 22, 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
Debbie Spinner
Barbara Jones

(Councilmember Whalen participated in the entire meeting through the use of teleconferencing equipment.)

1. Discuss and consider various issues associated with the FY 2003-04 and FY 2004-05 Budget Plan.

Deputy City Manager Debbi Dollar addressed the Council and referred to a May 20, 2003 memo reflecting various changes to the preliminary budget based on Council direction at the May 15, 2003 Study Session. (See Attachment.) She reported that staff also distributed two additional documents relative to the reinstatement of \$150,000 in Human Services funds to provide level funding for nonprofit agencies, as well as staff's explanation for the reduction of hours at the Red Mountain Multigenerational Center. Ms. Dollar provided clarification relative to an error contained in the May 20th memo and commented that with regard to the Household Hazardous Waste Program, the cost for four single-location events, as opposed to two single-day events held at two locations per day, would require \$12,500 in funding as opposed to \$5,000.

Budget Director Jamie Warner provided a timeline relative to the adoption of the tentative and final budgets.

Discussion ensued relative to the funding of a ladder truck and crew; Mesa's current hiring freeze; the City's ending fund balance; the possibility of restoring bus service to Boeing, and the City's future transportation priorities.

Mayor Hawker thanked staff for the presentation.

(Agenda items 2 and 3 were discussed simultaneously.)

2. Discuss and consider an interim financing plan for wastewater capital projects.

Water Division Director Bill Haney displayed graphics in the Council Chambers and provided a brief historical overview of the South Water Reclamation Plant. He reported that the Plant, which is located on Greenfield Road south of Germann Road, will provide sewer treatment for portions of Mesa, Gilbert and Queen Creek; that the facility, which is now under design, will not be in service until early 2007 and that as a result, all flows from southeast Mesa, including Williams Gateway Airport, are being diverted to the Southeast Water Reclamation Plant (SEWRP) or Baseline Sewer/91st Avenue Wastewater Treatment Plant; that both plants and their respective conveyance systems have limited capacity; that the first phase of the South Water Reclamation Plant includes the construction of a lift station; that the City is required to make reasonable efforts to increase sewer capacity for properties already within Mesa's limits and that once such service is provided, it must be on an impartial and non-discriminatory "first come, first served" basis, and that Mesa has approximately 1.2 million gallons per day of capacity remaining in the southeast area of the community.

Mr. Haney informed the Council that Development Services and Utilities staff were recently approached by large residential developers requesting water and sewer capacity in the extreme southwest portion of the City's planning area. He explained that fulfilling the requests would have the effect of exceeding the remaining wastewater conveyance and treatment capacity currently available in the area. Mr. Haney noted that some of the properties are in unincorporated areas and some within the City limits. He commented that the cost of implementing such improvements is estimated at \$7.2 million and would be funded using junior lien utility system revenue bonds. Mr. Haney stated that staff has also identified the following projects that would be funded through the junior lien bond mechanism as well: \$5.6 million for rehabilitation costs for the Salt River Outfall sewer; \$1.1 million to provide funding for miscellaneous projects through March 2004, and \$800,000 to accommodate the use of the "Construction Manager at Risk" process for the South Water Reclamation Plant. (Projects to be financed total \$14.7 million.)

Mr. Haney concluded his presentation by expressing appreciation to staff throughout the organization for their efforts and hard work in the compilation of data relative to this agenda item.

Discussion ensued relative to the fact that the City would typically issue wastewater utility system revenue bonds to finance the proposed improvements; however, Mesa only has \$10.4 million remaining in un-issued voter-approved wastewater bonds and will need those funds to meet other wastewater improvements during the next fiscal year, and the sale of Langley Ranch, the proceeds of which are earmarked for City wastewater projects.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Walters, to direct staff to proceed with the implementation of an interim financing plan (in the amount of \$14.7 million) to fund various wastewater capital projects.

Carried unanimously.

3. Discuss and consider the use of the "Construction Manager at Risk" method for the design and construction of the South Water Reclamation Plant.

City Engineer Keith Nath and Assistant City Engineer Peter Knudson addressed the Council relative to this agenda item. Mr. Nath explained that the purpose of today's presentation is to provide the Council with information on the alternative project delivery method of "Construction Manager at Risk" for the construction of the Mesa/Gilbert South Water Reclamation Plant.

Mr. Knudson reported that all City Capital Projects are currently constructed using the traditional method known as Design/Bid/Build. He advised that this method requires that staff select the design professional based on qualifications, negotiate a design fee, and the design professional completes the project plans and specifications to a 100% level based on the City's requirements. He noted that the project is publicly bid and the Council is subsequently asked to award a construction contract to the lowest in cost responsive bidder. Mr. Knudson commented that in July 2000, the State Legislature expanded the methods that agencies can use to construct certain types of Capital Projects including Construction Manager at Risk, Design Build, and Job Order Contracting. He also stated that all three methods are known as qualification-based selection, whereby the general contractor is chosen based on his qualifications, past history, his/her success in similar projects, and the qualifications of the contractor's staff who will be assigned to the project. He added that these methods allow the City to use some of the innovative processes that have been used in private industry for years, whereby the best-qualified individual is selected and a decision is not based solely on the lowest bid.

Mr. Knudson informed the Council that relative to the "Construction Manager at Risk" method, the design professional is selected in the same manner as the current method; however, the Construction Manager at Risk (the contractor or contractor/engineer team) who will construct the facility is also selected based on qualifications. He said that the Construction Manager at Risk is selected early on in the design process and participates in the design, cost and schedule development. Mr. Knudson added that at an agreed upon level of the completion of design, the Construction Manager at Risk submits a Guaranteed Maximum Price (GMP) for the facility construction which is presented to the Council for award.

Discussion ensued relative to the fact that it is the recommendation of staff that the "Construction Manager at Risk" method be used to construct the South Water Reclamation Plant; that this method could potentially reduce the time required to bring the Plant on line; that staff from Mesa and Gilbert would work in concert with the designer and the contractor; that the City could participate in the selection and qualifications of the subcontractors (not possible with the current system); that the "Construction Manager at Risk" method offers the potential to accelerate the completion of the Plant as compared to the current method and that portions of the project could be completed early pending completion of the designs (i.e. site grading and earthwork, underground utility and piping construction) and the acquisition of long lead-time items, and that the disadvantages of this method include a significant increase in staff time as compared with the Design/Bid/Build method and may not result in a lower initial project cost.

Councilmember Thom expressed concerns relative to the public's perception of the "Construction Manager at Risk" method that would eliminate a fully competitive bidding process.

In response to Councilmember Thom's comments, Mr. Nath clarified that the "Construction Manager at Risk" method generally solicits bids from subcontractors who the City considers

qualified bidders and added that the bids from three subcontractors would be forwarded on to the Council for approval.

In response to a question from Mayor Hawker, Mr. Nath stated that Mesa's share of the construction costs for the South Water Reclamation Plant is estimated at \$65 million.

Further discussion ensued relative to the Guaranteed Maximum Price for the facility construction.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Walters, that the recommendation of staff to use the "Construction Manager at Risk" project delivery method for the design and construction of the South Water Reclamation Plant, be approved.

Carried unanimously.

4. Acknowledge receipt of minutes of boards and committees.

a. Utility Committee meeting held May 15, 2003.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Walters, that receipt of the above-listed minutes be acknowledged.

Carried unanimously.

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

The following members of the Council provided brief updates on various meetings/conferences they attended as follows:

| | |
|------------------------|---|
| Vice Mayor Kavanaugh | Groundbreaking Ceremony for the expansion of the MARC Center |
| Councilmember Walters | Statewide Conference for Children with Special Healthcare Needs |
| Mayor Hawker | Valley Metro Light Rail Committee Meeting |
| Councilmember Griswold | Roosevelt Water District Meeting |

6. Scheduling of meetings and general information.

City Manager Mike Hutchinson stated that the meeting schedule is as follows:

Thursday, May 29, 2003, 7:30 a.m. – Study Session

Monday, June 2, 2003, TBA – Study Session

Monday, June 2, 2003, 5:45 p.m. – Regular Council Meeting

Thursday, June 5, 2003, 7:30 a.m. – Study Session

Thursday, June 12, 2003, 7:30 a.m. – Study Session

Thursday, June 12, 2003, 8:15 a.m. – Police Committee Meeting

7. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

8. Items from citizens present.

Barbara Disser, 5000 East McDowell Road, addressed the Council and voiced a series of concerns relative to the possible elimination of the Boeing loop bus service. She urged the Council to reconsider its position and to reinstate the bus service as part of the City of Mesa's 2003/2004 tentative budget.

9. Adjournment.

Without objection, the Study Session adjourned at 9:08 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 22nd 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

5/20/03

To: Mayor and City Council
Through: Debra Dollar, Deputy City Manager
Larry Woolf, Finance Director
From: Jamie Warner, Budget Director

Impact of Council-recommended changes to FY 2003/04 and FY 2004/05 preliminary budgets

Based upon City Council direction at the May 15, 2003 Study Session, the following changes to the Preliminary Budgets have been identified:

1. Homeland security costs as identified in the Council's handout has been phased over a two year period:
FY 2003/04 \$500,000 FY 2004/05 \$804,000
2. OSHA training programs:
FY 2003/04 \$10,000 FY 2004/05 \$10,000
3. Fund four pools for Sunday service and two holidays:
FY 2003/04 \$14,500 FY 2004/05 \$15,000
4. Institute full recovery fees of identified adult park and recreation programs to fund the related activity:
No fiscal impact in either fiscal year.
5. Provide funding to human service agencies to reach level funding for certain agencies:
FY 2003/04 \$96,200 FY 2004/05 \$96,200
6. Add monies to the culture grant program to equal a 20% reduction as opposed to the 30% reduction in the Preliminary Budget:
FY 2003/04 \$29,000 FY 2004/05 \$27,700
7. Fund pre-emergent activity for the golf program:
FY 2003/04 \$11,000 FY 2004/05 \$11,000
8. Provide vector control material for the Parks and Recreation program:
FY 2003/04 \$15,000 FY 2004/05 \$15,000
9. Add one more collection per year for the Household Hazardous Waste program:
FY 2003/04 \$5,000. No reduction in FY 2004/05
10. Reduce the proposed FY 2003/04 utility rate increases to 4% from the 5% in the Preliminary Budget:
FY 2003/04 \$1,708,000 FY 2004/05 \$1,863,000

List of unresolved issues at this time:

1. Change the budget from a Phased retirement contributions over a two-year period, to a one-year period: FY 2003/04 \$1,500,000 No impact in FY 2004/05.
2. Funding a ladder truck and crew as well as a training class for new fire recruits:
 FY 2003/04 \$605,000 FY 2004/05 \$551,000

| | FY 2003/04 | FY 2004/05 |
|---|----------------------|----------------------|
| Homeland security costs as identified in the Councils Handout as been phased over a two year period | \$(500,000) | \$(804,000) |
| OSHA training programs | \$(10,000) | \$(10,000) |
| Fund four pools for Sunday service and two holidays | \$(14,500) | \$(15,000) |
| Institute full recovery fees of identified adult park and recreation programs to fund the related activity | \$- | \$- |
| Provide funding to human service agencies to reach Level funding | \$(96,200) | \$(96,200) |
| Add monies to the culture grant program to equal A 20% reduction | \$(29,000) | \$(27,700) |
| Fund pre-emergent activity for the golf program | \$(11,000) | \$(11,000) |
| Provide vector control material for the Parks And Recreation program | \$(15,000) | \$(15,000) |
| Add one more collection per year for the Household Hazardous Waste program | \$(5,000) | \$- |
| Reduce the proposed FY 2003/04 utility rate increasees to 4% from the 5% in the Preliminary Budget. FY 2004/05 rate increase remains the same at 5% | <u>\$(1,708,000)</u> | <u>\$(1,863,000)</u> |
| TOTAL CITY COUNCIL CHANGES | \$(2,388,700) | \$(2,841,900) |
| Corrective changes identified by staff | <u>\$337,100</u> | <u>\$1,063,000</u> |
| TOTAL ADJUSTMENTS | \$(2,051,600) | \$(1,778,900) |
| PRELIMINARY BUDGET ENDING FUND BALANCE | \$39,180,000 | \$45,366,000 |
| CARRYOVER IMPACT FROM FY 2003/04 TO FY 2004/05 | | \$(2,051,600) |
| NEW ENDING FUND BALANCE | \$37,128,400 | \$41,535,500 |

Attachments:

- Human Services funds for FY03/04 - detail of funding allocation
- Red Mountain Multigenerational Center hours of operation -response to Council for more information