



COUNCIL MINUTES

May 31, 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 31, 2007 at 8:36 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Tom Rawles
Scott Somers
Claudia Walters
Mike Whalen

COUNCIL ABSENT

Kyle Jones

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Barbara Jones

(Mayor Hawker excused Councilmember Jones from the entire meeting.)

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

1. Review items on the agenda for the June 4, 2007 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest declared: 6c (Hawker), (Whalen); 6d (Hawker)

Items deleted from the consent agenda: 7i

Items removed from the consent agenda: 8e, 8f and 9a

Items added to the consent agenda: None

2. Hear a presentation and discuss the Waveyard project and documents.

Vice Mayor Walters declared a potential conflict of interest and said she would refrain from discussion/consideration of this agenda item.

Management Assistant Scott Rigby introduced City Attorney Debbie Spinner and Assistant City Attorney III Jim Smith, who were prepared to respond to any questions the Council may have.

Mr. Rigby displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) and reported that the Waveyard project is proposed as a unique entertainment facility that would combine whitewater rafting, snorkeling, scuba and surfing with a resort hotel and villas and also retail and office space. He spoke regarding the developer's efforts to meet with the surrounding neighbors concerning the development; the fact that the neighbors expressed an interest in the project; that at the December 18, 2006 Regular Council meeting, the Council directed staff to enter into negotiations with the developer; that the developer has proceeded through the Planning and Zoning (P&Z) process; and that on May 21, 2007, the Council adopted a Notice of Intent for the City to enter into a retail development tax incentive agreement with Waveyard Development.

Mr. Rigby highlighted various key terms of the Development Agreement including, but not limited to, the following:

- The City would sell approximately 121 acres to Waveyard for the development of the property, at a cost of \$30 million.
- Waveyard would pay the City \$10 million upon the close of escrow and the remaining \$20 million secured through a Promissory Note plus 4.4% interest.
- Various "minimum improvements" (entertainment, resort and retail) must be constructed before Waveyard would be entitled to economic incentives.
- Mesa would rebate/credit Waveyard the following amounts collected from the project: 0.75% of the Transaction Privilege Tax; 0.75% of the Use Tax; and 1.5% of the Transient Occupancy Tax.
- Mesa would provide up to \$1.5 million for needed street improvements to Dobson Road and 8th Street.
- Waveyard would be entitled to economic incentives until the total incentive is paid or for a maximum term of 24 years, whichever occurs first.

Discussion ensued relative to the City's proposal to sell 25.79 acres of the existing Riverview Park; that per Federal guidelines, the City must retain 27.38 acres of the park; that the City would relocate the softball fields currently existing at Riverview; that Riverview Lake, the soccer field and sand area would remain; and that a new Riverview linear park segment along 8th Street would be constructed.

Mr. Rigby commented that the Council would be asked to consider calling a November 6, 2007 election in order to seek voter approval of the Waveyard project. He stated that the developer would pay the City's election costs, which are estimated at \$250,000. Mr. Rigby referred to the PowerPoint and further reviewed the various conditions that Waveyard must meet prior to the close of escrow and the transfer of title.

Ms. Spinner provided an extensive legal analysis of several Waveyard-related items that would be considered by the Council at the June 4, 2007 Regular Council Meeting. (Agenda items 10a through 10f). She explained that staff reviewed the agreements with the Council, but stated that because revisions are still being made to the documents, they have not yet been released to the public. Ms. Spinner added that she anticipates the release of the information later today and said the documents would also be displayed on the City's web site.

Mr. Rigby provided a short synopsis of the independent third party review conducted by Applied Economics of the Economic and Fiscal Impacts of the Proposed Waveyard Master Planned

Adventure Development. (The report is available for review in the City Clerk's Office). He explained that Applied Economics verified the following: 1.) That the project would generate a greater flow of tax revenues than the amount provided as reimbursement to the developer between 2010 and the end of the incentive period in 2033; 2.) That this type of development would not have occurred in the same place without the incentives; and 3.) That the economic incentives being offered to Waveyard Development meet the requirements of A.R.S. 9-500.11

Councilmember Rawles commented that staff and the developer "structured the deal" in such a manner that the benefits to the City would far exceed the incentives offered to Waveyard over the life of the agreement. He reviewed various financial safeguards to the City that have been crafted into the agreement and noted that Mesa is protected economically and from a property use standpoint with regard to the development. Councilmember Rawles also noted that Mesa voters would make the ultimate determination whether the project moves forward.

Mayor Hawker expressed appreciation to Councilmember Rawles for his legal expertise and analysis of the Development Agreement. He stated that although he dislikes economic incentives and would prefer to see them abolished on a global basis, as long as this is the process that exists, it is important for Mesa to compete for development opportunities. Mayor Hawker further acknowledged that the Waveyard project would require the elimination of the Riverview Golf Course, but stated the opinion that it is in the best interest of the City to do so.

Councilmember Griswold stated that philosophically, he does not like tax incentives. He noted, however, that surrounding municipalities have used the tool, which has caused Mesa to lose sales tax revenues to those communities. Councilmember Griswold added that he anticipates the Waveyard project would return needed sales tax revenues to the City.

In response to a question from Councilmember Whalen, Commercial Facilities Director Rhett Evans clarified that staff would provide the Council with the annual net revenues from the Riverview Golf Course.

(Mayor Hawker excused Councilmember Whalen from the remainder of the meeting at 9:43 a.m.)

Mayor Hawker thanked everyone for the presentation.

3. Hear a presentation, discuss and provide direction on the schedule of the upcoming bond election.

Government Relations Director Scott Butler offered a brief status report regarding House Bill 2392, which addresses Home Rule and changes to the City of Mesa's election schedule. He reported that the bill recently passed the House and noted that a final read of the legislation is scheduled for this morning in the Senate. Mr. Butler stated that if the bill passes in the Senate, Governor Napolitano could sign it into law as early as this afternoon.

Deputy City Manager Bryan Raines distributed a handout to the Council identifying upcoming election dates, assuming the passage of House Bill 2392. (See Attachment 1.) He explained that staff has prepared bond projects extending through FY 2012/13, which would allow the City to hold a bond election in November of 2012 and budget for it in FY 2013/14. Mr. Raines noted that in the near term, staff is considering bond sales between \$310 million and \$350 million for

transportation, streets, Police and Fire, and capital facilities projects. (Note: The specific projects have yet to be presented to the Council for consideration.)

Discussion ensued relative to the fact that if the General Obligation (G.O.) bond election is held in November 2008 as opposed to November 2007, certain projects would be delayed and cost more to complete; that such a delay could impact the construction of new Fire stations, the hiring of staff and increase response times; that it is imperative to educate Mesa voters with regard to the need for the various bond projects; and that the projects would be funded by a secondary property tax, which would be a dedicated tax for debt service related to present and future capital improvement projects.

Mayor Hawker expressed support for a November 2008 G.O. bond election. He stated that because a new Mayor and three Councilmembers would be elected in March/May of 2008, it would be appropriate for the new Council to determine the dollar magnitude of a G.O. bond sale. He commented, however, that he would prefer that the current Council call the election so that the Council and Mayoral candidates include the bond election as a component of their campaign discussions.

Councilmember Griswold concurred with Mayor Hawker's comments and noted that there is confusion among Mesa voters with regard to the purpose of G.O. bonds.

Councilmember Rawles commented that the more he reads in the media, the clearer it becomes that individuals do not have a clear understanding of the difference between a secondary property tax and a primary property tax. He stated that if G.O. bonds are placed on the ballot, the Council has clearly articulated that a secondary property tax would be attached to the bonds as a repayment mechanism. Councilmember Rawles also stressed the importance of voter education regarding this issue and concurred that November 2008 would be an appropriate date for the bond election.

Councilmember Somers stated that he has difficulty asking Mesa voters to approve the Waveyard development while knowing there are significant public safety and street projects that also need to move forward. He commented that he would "begrudgingly" agree to a November 2008 G.O. bond election.

Vice Mayor Walters noted that she has consistently supported November 2008 as the most appropriate date for a G.O. bond election. She stated that it is essential that the candidates running for Mayor and the City Council in March 2008 "weigh in" on the matter, rather than theoretically address the issue.

Mayor Hawker stated that there was Council concurrence that November 2008 would be the appropriate time for the G.O. bond election. He also requested that staff research the legal timeframes within which the Council could call the election.

Further discussion ensued relative to the fact that staff would make recommendations to the Council with regard to possible bond projects and the estimated property tax impacts; that staff is meeting with entities interested in developing in the area of Williams Gateway Airport (WGA) concerning potential right-of-way dedication; and that due to recent legislative changes, the 150-day deadline for the Council to call an election has been eliminated and the Council could call the November 2008 election at any time prior to.

Mayor Hawker thanked staff for the presentation.

4. Discuss and provide direction on the FY07/08 tentative budget including, but not limited to, Human Services funding.

Interim Budget Director Chuck Odom referred to a three-page document entitled "City of Mesa, Arizona – Tentative Budget for Fiscal Year Ending June 30, 2008," that was prepared for Council adoption on June 4, 2007. (See Attachment 2.) He explained that per State law, when the tentative budget is adopted, it establishes the maximum amount that is allowable in the City's budget for final adoption on June 25, 2007. Mr. Odom stated that since the Council has made a decision with regard to a G.O. bond election date, staff would modify the documents distributed to the Council on May 10th regarding the planned Capital Improvement Program (CIP) items.

Mr. Odom displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) and provided a comparison of the FY 2006/07 General Governmental Operations and Maintenance Adopted Budget with the FY 2007/08 General Governmental Operations and Maintenance Tentative Budget. He also reviewed the City of Mesa "All Funds" comparison of the FY 2006/07 adopted budget and the FY 2007/08 tentative budget.

Discussion ensued relative to contingency money; sales tax projections; and cycle replacement of computers.

Vice Mayor Walters suggested that it might be appropriate for the Council to have a future discussion with regard to what they consider one-time dollars and one-time expenses.

Mr. Raines reported that the Council also received a May 27, 2007 memo that addresses a series of questions and issues raised by the Council during previous budget discussions. (See Attachment 3.)

Further discussion ensued relative to the proposed Alston House renovation funding and Art Center restoration funding. (Note: The Council made no modifications to staff's recommendations.)

Neighborhood Services Department Director Kari Kent reported that staff is seeking Council direction with regard to final allocations for Human Services funding. She explained that at a prior Study Session, the Council considered providing funding to Teen Lifeline, a suicide hotline, and the CARE Partnership. Mr. Raines also noted that the Council discussed a potential amount between \$10,000 and \$15,000, which would be a General Fund allocation.

Mayor Hawker expressed support for staff's Human Services funding recommendations and said he would oppose the City providing additional funding to the non-profit agencies.

Vice Mayor Walters stated that although she was supportive of the Teen Lifeline program at a prior Study Session, she now questions whether the program really conforms to the Council's Public Safety model. She also voiced concern that there is a functional decrease in the City's Human Services funding level.

Councilmember Rawles commented that he concurred with Mayor Hawker's opposition to expand the funding model, whether it is pursuant to the previously suggested \$5,000 for the

Teen Lifeline program or \$5,000 for the CARE Partnership. He stated that he is supportive of staff's funding recommendations.

Councilmember Somers voiced opposition to adding programs to staff's recommendations (i.e., Teen Lifeline). He stated, however, that he would be willing to consider an increase in funding to the Human Services budget if the Council was able to identify the source of the funds.

In response to a question from Mayor Hawker, Mr. Odom clarified that a three percent increase in funding to the Human Services budget would equate to approximately \$22,000 to \$23,000 in General Fund allocations.

Councilmember Griswold concurred that he would not support adding non-profits to the funding model. He said that the City's failure to fund agencies that respond to various public safety needs could result in Mesa incurring greater expenses in providing Police, Fire and paramedic services. Councilmember Griswold added that he would consider a funding increase to the Human Services budget, but said he is uncertain regarding the source of the funds.

Vice Mayor Walters stated that she would be willing to review whether the City is targeting those areas of the community in which there are the most critical needs for Human Services funding.

Mayor Hawker suggested that because Councilmembers Jones and Whalen have not had the opportunity to offer their input with regard to this matter, that staff bring back this issue for further discussion at the June 4, 2007 Study Session.

Mr. Raines further stated that staff is seeking Council concurrence that the Neighborhood Services Department absorb the \$45,000 in overrun utility costs for the Mesa Senior Center for FY 2006/07. He explained that in FY 2007/08, an allocation of \$77,835 would be included in the Neighborhood Services Department's budget and would not be included as part of the annual Human Services funding recommendations in future years.

Mr. Raines commented that if the Council concurs with the above-referenced items, staff is seeking direction regarding the manner in which future utility cost overruns at the facility (above the \$77,835) would be addressed. He suggested that a possible option would be to transfer the utility account from the City of Mesa's name to the Mesa Senior Center's name and credit the above-referenced allocation to the account. Mr. Raines added that this alternative would allow the facility to more closely monitor its utility usage.

Mayor Hawker voiced support for transferring the utility account to the Mesa Senior Center.

Councilmember Rawles expressed support for staff's proposal and added that he would oppose any increases to the Mesa Senior Center's utility allocation in the future.

(Mayor Hawker excused Councilmember Rawles from the Study Session at 10:46 a.m.)

Mayor Hawker indicated that there appears to be Council concurrence that the utility account be transferred to the Mesa Senior Center's name; that an allocation of \$77,835 be included in the Neighborhood Services Department's budget for FY 2007/08; and that the City absorb the estimated \$45,000 in utility cost overruns for the Mesa Senior Center for FY 2006/07.

Neighborhood Services Department Director Kari Kent informed the Council that staff is working with the Mesa Senior Center to ensure that the facility is as energy efficient as possible. She explained that such efforts include, but are not limited to, the installation of new chillers and energy efficient lighting.

Mayor Hawker commented that if the City undertakes various measures to lower the Mesa Senior Center's energy usage, then the City should receive a credit for doing so.

City Manager Christopher Brady acknowledged that staff would work with the Mesa Senior Center to more efficiently manage its utility costs. He restated Council's direction as follows: that staff would transfer the utility accounts (for two facilities) to the Mesa Senior Center's name; and that the facility would be responsible for the consumption of utilities in excess of the \$77,835 allocation. Mr. Brady also emphasized the fact that any additional cost overruns would no longer be absorbed by the Neighborhood Services Department. He added that the proposal would result in the Mesa Senior Center being treated like any other City of Mesa utility customer and said that the facility's non-payment of charges could result in the issuance of late payment notices and ultimately the shutting off of utilities.

Mayor Hawker confirmed that Mr. Brady's statement accurately reflected the Council's direction.

Additional discussion ensued relative to the tuition reimbursement program; that per City policy, if an employee leaves the City within two years of receiving the reimbursement, they are required to pay back the full amount; and that Mayor Hawker suggested that the City institute a policy to index tuition costs with Arizona State University (ASU) per credit hour costs (i.e., the reimbursement allotment for full-time employees would be \$2,880 per calendar year based on 6 credit hours per semester).

Mayor Hawker thanked staff for the presentation.

5. Acknowledge receipt of minutes of various boards and committees.

- a. Economic Development Advisory Board meeting held on April 3, 2007
- b. Housing Advisory Board meeting held on April 5, 2007
- c. Merit System Board meetings held on April 30, 2007 and May 9, 2007
- d. Community & Neighborhood Services Committee meeting held on May 7, 2007

It was moved by Councilmember Griswold, seconded by Councilmember Somers, that receipt of the above-referenced minutes be acknowledged.

Mayor Hawker declared the motion carried unanimously by those present.

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

There were no reports on meetings and/or conferences attended.

7. Scheduling of meetings and general information.

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

Monday, June 4, 2007, 3:00 p.m. – Transportation & Infrastructure Committee

Monday, June 4, 2007, TBA – Study Session

Monday, June 4, 2007, 5:45 p.m. – Regular Council Meeting

Tuesday, June 5, 2007, 3:30 p.m. – General & Economic Development Committee

8. Prescheduled public opinion appearances.

Nate Caine, a Mesa resident, expressed a series of concerns regarding two different maps that have been generated with regard to the Waveyard project. He commented that at various neighborhood meetings, staff utilized a map depicting the location of Riverview Park in relation to the Waveyard development. Mr. Caine noted that a second map included with the Notice of Intent revealed a new Riverview linear park segment along 8th Street. He voiced opposition to the linear park and stated that it would serve no useful function.

9. Items from citizens present.

Marilynn Wennerstrom, 1112 North Center, concurred with the comments of the previous speaker. She reported that at the May 21, 2007 Regular Council meeting, the Council approved two conflicting maps listed under separate agenda items related to the Waveyard project. Ms. Wennerstrom advised that the first map, which was approved by the Planning and Zoning (P&Z) Board, accompanied the introduction of the rezoning ordinance and identified the physical boundary of the “reconfigured” remainder of Riverview Park. She added that the second map, which was referenced in the Notice of Intent, was never submitted to, nor approved by P&Z and identified different property boundaries of the “reconfigured” Riverview Park.

10. Adjournment.

Without objection, the Study Session adjourned at 11:04 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 31st day of May 2007. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

pag
attachments (3)