

COUNCIL MINUTES

May 10, 2004

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 May 10, 2004 at 7:30 a.m.

COUNCIL PRESENT

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

COUNCIL ABSENT

Dennis Kavanaugh

COUNCIL-ELECT PRESENT

Tom Rawles

STAFF PRESENT

Mike Hutchinson
Debbie Spinner
Barbara Jones

Mayor Hawker excused Vice Mayor Kavanaugh from the meeting.

1. Budget process overview.

City Manager Mike Hutchinson addressed the Council and expressed appreciation to staff for their efforts in compiling a balanced budget that reflects the Council's priorities throughout the budget process. He discussed the difficulty in balancing the City's budget in recent years due to the economic downturn and the negative impact on City services. Mr. Hutchinson explained that this year, the budget does not reflect any service reductions and stressed the importance of Mesa's employees being adequately compensated. He noted, however, that staff has deferred various construction projects, roof and street maintenance, as well as the replacement of equipment and vehicles. Mr. Hutchinson added that despite the current hiring freeze throughout the organization, there has been "a selective increase in employees" based on service demands.

Mr. Hutchinson briefly outlined several key areas that would be addressed during the budget hearings such as arsenic remediation; the Court system; Arizona Department of Transportation's (ADOT) freeway expansion; Mesa's demographic changes; the Fire Department's calls for service; tuition reimbursement program; and salary adjustments for Police Department personnel.

Mr. Hutchinson also reviewed the format of the departmental presentations and the budget adoption process.

2. Planning/Development Overview.

Planning Director John Wesley referred to a map displayed in the Council Chambers and provided background information regarding Mesa's population, geographic growth and general development trends. He discussed, among other issues, the 2000 Census comparisons for Mesa, Maricopa County and Arizona; current and upcoming significant development areas; the City of Mesa planning area with annexations and current population; residential permits issued between 1998 and 2003; growth projections, and the Mesa 2025 General Plan "Imagine" statements.

3. Financial Update/Forecast.

Budget Director Jamie Warner addressed the Council and provided a brief update concerning the status of the FY 2004/05 budget. He explained that the City's ending fund balance is forecast to increase over the next two fiscal years; that there has been a decline in revenue for the last two years, reflecting a downturn in the local economy, and there continues to be a decline in sales tax per dwelling unit in Mesa.

Mr. Warner highlighted the FY 2003/04 forecasted revenues and expenditures and advised that there would be a savings with regard to wages and benefits due to a significant number of positions that have remained vacant. He stated that other service expenditures would exceed the budget as a result of increased costs through shared facilities usage with Phoenix and other interest expenses.

Mr. Warner further reported that commodity expenses would be over budget because of per unit increases for natural gas and electric commodities; that sales tax growth for FY 2004/05 is forecast at 5.3% (\$5.5 million); building permit revenues are forecast to increase by 14.6%; that regarding utility revenues, there would be a one-time receipt of \$5.2 million from an electric commodity supplier for assignment of a long-term contract; that water and wastewater revenues are forecast to be \$5.3 million less than the budget amount as a result of reduced water consumption, and that natural gas revenues have increased \$2.7 million, reflecting an increase in pass-through commodity costs compared to budget estimates.

Mr. Warner also offered an extensive overview of various changes between the FY 2004/05 Recommended Budget (\$719,675,000) and the FY 2004/05 Preliminary Budget (\$744,226,666), including a 2% Cost of Living Adjustment (COLA - \$4.2 million), increased property and public liability contributions to the Trust Fund (\$2 million), electric commodity cost increases (\$2.8 million), Police/Fire retirement contribution requirement increases (\$5 million), and the reinstatement of the tuition reimbursement program (\$0.2 million).

5. Quality of Life Program.

Financial Services Manager Bryan Raines provided a brief historical overview of the Quality of Life Program. He reported that since the program's inception in 1998, the City has collected over \$189,518,230 in Quality of Life Sales Tax. He explained that the program is now five and a half years into the 10-year process and noted that in July 2006, the current half-cent sales tax amount would decrease to one-quarter of one percent. Mr. Raines stated that the program expenditures are divided into the following five areas: Library, Parks and Cultural; Public Safety Response and Training; Mesa Arts Center; Transportation Activities, and Freeway Acceleration.

He also spoke regarding the proposed transfer of operational costs associated with various Quality of Life programs into the General Fund in FY 2005/06, with an anticipated adjustment of \$3,074,980.

6. Capital Improvement Program.

Capital Improvement Program Administrator Anthony Araza referred to a document, copies of which were provided to the Councilmembers, which outlined the proposed Five-Year CIP projects under the following categories: General Government; Parks, Recreation, Library and Cultural; Public Safety; Transportation, and Utilities. He explained that the CIP budget for FY 2004/05 is \$160,185,424, representing a 5% decrease from last year's preliminary amount of \$169 million. Mr. Araza added that the Five-Year CIP projects can be viewed online at the City's website. He also highlighted various capital projects anticipated for the upcoming fiscal year.

7. Economic Development.

Economic Development Director Dick Mulligan addressed the Council and provided a brief overview of the proposed budget for the Economic Development Division for FY 2004/05, which totals \$1,309,800. He discussed a number of significant impacts for the upcoming fiscal year, including the adjustment of the GPEC funding formula; utilizing the Maricopa Association of Governments' (MAG) 2002 population estimates, thereby resulting in an 8% membership dues increase, and professional services funding for assistance from outside experts to facilitate Economic Development studies and special events (i.e., Broadway Road Revitalization Corridor, Mesa Enterprise Zone). Mr. Mulligan also discussed several key issues including economic development incentives, Freeway Landmark Monument signage, and the Mesa 2025: Financing the Future Citizen Committee.

8. Williams Gateway Regional Economic Activity Area.

Williams Gateway REAA Project Manager Wayne Balmer introduced Lynn Kusy, Executive Director of the Williams Gateway Airport Authority, who was prepared to respond to questions during the presentation. Mr. Balmer highlighted the proposed FY 2004/05 budget for the Williams Gateway REAA, which totals \$2,857,354. He also briefly reviewed the significant issues for his office such as obtaining level funding for Williams Gateway Airport over the next year; the possibility of Apache Junction joining the Williams Gateway Airport Authority; the development of Ray Road from Sossaman to Ellsworth Roads; and the eventual development of Hawes Road from the Santan Freeway to Ray Road.

Mr. Kusy reported that the Airport Authority is pleased with the growth and development of Williams Gateway and commented that the facility was named the 2004 "Airport of the Year" by the Arizona Department of Transportation. He stated that the Airport Authority's budget for the upcoming year is estimated at \$9.2 million and noted that the budget increases would be derived entirely from revenues generated at the airport (i.e., land and building leases or fuel sales).

9. City Manager's Office.

Mr. Hutchinson highlighted the proposed budget for the City Manager's Office for FY 2004/05, which is \$6,170,646. He reported a decrease of two FTEs, one of whom is on loan to the Financial Services Department, and the other who was named Assistant Financial Services Director. He also spoke regarding a series of impacts on his office in the upcoming fiscal year including, but not limited to, reduced funding for communication with citizens and employees; the distribution of the Open Line and Intercom newsletters on a bi-monthly, as opposed to monthly, basis, and the expansion of community and internal diversity programs and services.

(Mayor Hawker declared a recess at 10:00 a.m. The meeting reconvened at 10:30 a.m.)

10. Fire Department.

Assistant Fire Chief Bob DeLeon displayed a PowerPoint presentation in the Council Chambers and provided a brief overview of the proposed FY 2004/05 budget for the Fire Department, which is \$45,121,211. He also offered an analysis of the funded BARs (\$453,382) versus unfunded BARs (\$499,801).

Chief DeLeon highlighted a series of significant impacts on the Fire Department such as receiving grant funding for various equipment, projects and programs and discussed the fact that the Department recently received bond authorization for \$9.6 million; an ambulance contract, which is designed to improve customer service; special teams and paramedic training; the fact that more than 23 upper management staff members are eligible to retire and the necessity of replacing those individuals; apparatus replacement; future Fire Stations and the land acquisitions for the facilities; and competitive pay ranges for Fire personnel.

11. Police Department.

Police Chief Dennis Donna offered a short synopsis of the Police Department's proposed budget for FY 2004/05, which is \$115,111,995, and introduced personnel present at the meeting. He also reviewed the Department's funded BARs and unfunded BARs for the upcoming fiscal year.

Chief Donna commented on a variety of significant impacts that the Police Department is expected to experience in FY 2004/05 including new rules imposed by the Arizona Supreme Court, which mandate that the Department's casework be completed in order to facilitate disclosure within court deadlines; increased Homeland Security demands; improving frontline services (i.e., patrol response, traffic education and enforcement, property and persons crimes, crime prevention and community outreach, crime lab, and evidence storage and disposition); domestic violence, and increased efforts in high-profile casework. He further discussed a number of key issues affecting the Police Department including mandated training, funding for School Resource Officers, and increased jail costs.

12. Adjournment.

Without objection, the Budget Session adjourned at 12:05 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 10th day of May 2004. 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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