

COUNCIL MINUTES

May 14, 2001

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 14, 2001 at 8:04 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Jim Davidson
Bill Jaffa
Dennis Kavanaugh
Pat Pomeroy
Claudia Walters
Mike Whalen

COUNCIL ABSENT

None

STAFF PRESENT

Mike Hutchinson
Neal Beets
Barbara Jones

(Agenda items were discussed out of order, but for purposes of clarity will remain as listed on the agenda.)

Mayor Hawker excused Vice Mayor Davidson from the beginning of the meeting.

1. Budget process overview.

City Manager Mike Hutchinson discussed challenges associated with preparation of the budget, that balancing revenue and expenses was more difficult than in previous years, and that this is the first year the City has embarked on a biennial budget cycle. He explained the budget preparation process and the format of the departmental budget presentations.

Mr. Hutchinson commented on the four budget documents provided to the Council; that staff's presentation will focus on information provided in the *Summary Budget Information*; that *Unfunded Budget Adjustment Requests* provides details regarding items not funded; that the *Five Year Capital Improvement Program* outlines the numerous capital improvement projects planned for the next five years; and that the *Detail Budget Plan* ("The Book") provides significant detail regarding all aspects of the City's budget.

Mr. Hutchinson outlined the budget adoption process and stated that staff will seek Council's input regarding modifications to the budget at the May 31, 2001 Study Session; that staff will propose adoption of the "Tentative Budget" at the first Council meeting in June, and adoption of the actual Budget at the last Council meeting in June.

Discussion ensued regarding the year-round budget process and monthly updates provided to the Council, and staff's conservative approach to this year's budget due to current financial conditions.

In response to questions from Councilmember Whalen regarding the City's fund balance, Budget Director Jamie Warner advised the Council that the fund balance at the end of FY 2000/01 will be \$51 million, which is approximately \$4 million less than the previous year; that staff's goal is to end FY 2001/02 with a fund balance of \$45 million; and the following year at the same level. He noted that proposed utility rate adjustments must be implemented during the next two years in order to reach the fund balance goals.

(Vice Mayor Davidson joined the meeting at 8:17 a.m.)

Discussion ensued regarding the effect of anticipated Federal grant funds on the budget and Arizona law mandates regarding the City's maximum spending limit.

Mr. Hutchinson referred to numerous maps on display in the Council Chambers and stated that the maps depict where the five-year capital improvement projects are located and will remain displayed throughout the budget hearings.

2. Update on Council work plan. Planning/development overview, including census data. Financial Overview.

Special Assistant to the City Manager Jenny Sheppard referred to the *City Council Work Plan* that was provided to the Councilmembers and noted that the plan provides status reports regarding the priorities identified during the Council's September 2000 retreat. Ms. Sheppard advised the Council that the various departments will provide greater detail regarding Council's priorities throughout the budget meetings and she commented on preparations for the upcoming Council retreat in September 2001.

Discussion ensued regarding the work plan topic *Citizen Access to City Service via Internet*. Councilmember Whalen stated support for expanding on-line City information including Council meeting agendas and Council packets.

Planning Director Frank Mizner said that the purpose of a planning/development overview is to provide a framework for the budget discussions with respect to population and geographic growth for the City. Mr. Mizner referred to maps, graphics and photographs displayed in the Council Chambers and noted various facts regarding Mesa, that Mesa is currently 19 miles wide from its western point to its eastern point and 19 miles wide from its northern point to its southern point; total area including county islands is 171 sq. miles; total incorporated area is 125 sq. miles; Mesa's current population is 425,000; current estimated population of County islands is 35,000; Mesa grew by 37% from 1990-2000 (growth during this period was the equivalent area of the size of Gilbert today); projected population in 2010 is 510,000; and the projected population in 2020 is 567,000.

Mr. Mizner commented on numerous important issues affecting development in Mesa, including the fact that although Mesa is the second largest community in the Valley, its jobs vs. residents ratio is significantly less than Tempe and Scottsdale; that only 11% of land within Mesa's planning area is vacant making it difficult to improve its jobs ratio; that General Motors will be vacating its facility, which represents approximately 50% of the vacant land; that new regional malls in Chandler and Gilbert will generate significant sales tax revenue competition; that "big box" retail facilities provide significant sales tax revenue but are becoming increasingly difficult to locate due to neighborhood opposition; that a large proportion of Mesa's housing stock is aging; and that Mesa has a disproportionate share of mobile home communities that are aging and problematic with respect to infrastructure and safety issues.

Councilmember Jaffa commended Mr. Mizner and his staff for their efforts with respect to improving the overall quality of development in Mesa.

Discussion ensued regarding the county islands; that Mesa receives approximately \$220 per person per year in Federal and State-shared revenues (based on the 1995 census); and whether or not county island residents benefit from those revenues.

Budget Director Jamie Warner commented on major issues associated with the City-wide budget; bond sales for CIP projects in FY 2001/02 of \$122 million and in FY 2002/03 of \$106 million will result in interest costs in the respective sums of \$4.6 million and \$4 million; 24 full-time employees (FTE) will be added in FY 2001/02, 70 of which are long-term contract worker conversions; 121 FTEs will be added in FY 2002/03; a substantial increase of \$34.3 million in utilities purchases (electricity, natural gas and automotive fuel); and increased contributions to the Employee Benefit Trust Fund of \$2 million in FY 2001/02 and \$1 million in FY 2002/03 to cover anticipated 20% annual increases in medical and dental costs.

Mr. Warner discussed projected revenues for FY 2001/02; that the projected revenue growth rate is 2.5%, significantly lower than previous years; that sales tax revenue growth is down from 5.5% to 4.5%; and that FY 2001/02 will begin with a fund balance of \$51.5 million (reduced from \$54.7 million the previous year).

Mr. Warner commented on projected revenues for FY 2002/03 and noted that the projected revenue growth rate is 4.8%, and that the projected ending fund balance is \$45 million.

Discussion ensued regarding current problems and market trends associated with energy costs (electricity, natural gas and vehicle fuel); issues associated with increased medical and dental costs and the Employee Benefit Trust Fund; and the conversion of long-term contract workers to City employees.

Councilmember Jaffa stated the opinion that projected ending fund balances are anemic and he stressed the importance of maintaining adequate ending fund balances.

3. Quality of Life Program. CIP Program.

Finance Director Larry Woolf discussed the Quality of Life (QOL) sales tax program. He reported that collection of QOL sales taxes began in August 1998; that \$90.7 million has been collected through April 30, 2001; that expenditures to date are \$42.8 million; and that expenditures will increase over the next few years due to progression of major projects including the aquatics facility, the Mesa Arts Center and the Transportation facility. He noted that QOL funds kept in a separate fund, are restricted in financial statements are not included in fund balances. Mr. Woolf provided details regarding various QOL projects and programs and noted that a key long-term issue ensuring that the ongoing ¼ cent sales tax continues to pay for the ongoing operating expenses of QOL projects.

Discussion ensued regarding the long-term aspects of maintaining QOL projects and programs and the importance of securing supplemental Federal funding where possible.

Capital Improvement Project (CIP) Administrator Anthony Araza said that the goal of his department is to coordinate a five-year plan for all of the infrastructure improvements throughout the City. Mr. Araza identified the primary objectives of his department and noted that the most important objective is to emphasize master/joint planning of City projects.

Mr. Araza referred to handouts provided to the Council containing maps and data regarding CIP projects planned for the ensuing five years. He commented on the five project categories and said that utility projects account for one-third of the total CIP funds budgeted during the five-year period. Mr. Araza reported that \$213 million is budgeted for CIP projects during FY 2001/02.

Mr. Hutchinson stated that approximately \$1 billion in projects are budgeted over the next five years.

4. City Attorney.

City Attorney Neal Beets introduced various members of the City Attorney's office and the City Prosecutor's office. Mr. Beets said that both offices face increased service level requests due to population growth, new City programs requiring legal maintenance and new laws enacted by the State legislature.

Chief Assistant City Prosecutor Kevin Hays reported that the City Prosecutor's office achieved a 92% conviction rate for DUI cases during FY 2000/01. He noted that DUI cases are the most labor intensive practice in the Prosecutor's office and account for the majority of motions, jury trials and appeals. Mr. Hays spoke about two new changes to the DUI laws, which lower the minimum blood alcohol limits in DUI cases and Extreme DUI cases. He described the significant caseload increases expected in conjunction with the new laws.

City Prosecutor Lowell Hamilton commented on additional workload requirements due to a recent State Bar of Arizona ethics opinion that requires prosecutors to conduct and disclose felony and misdemeanor conviction checks on all prosecution witnesses.

Assistant City Prosecutor III Lynn Potts commented on domestic violence (DV) cases said that grant funding for a valuable part-time DV prosecutor is expiring, and that other grants for various victims' services are being reduced.

Mr. Beets discussed the Department's goals and objectives and stated that in order to achieve the objectives, the department has requested that three new positions be added to assist DUI prosecution (a new City Prosecutor, a legal service specialist and a file clerk); to convert the grant funded DV prosecutor to a City employee; and to add a civil attorney in the City Attorney's office to handle contract, condemnation and telecommunications issues.

Mr. Beets advised that in order to fund the requested positions, staff proposes reduction of the contribution to the Liability Loss Fund from \$1.25 million to \$179,000. He added that the Liability Loss Fund has an adequate short-term balance of \$17 million. He spoke about the short and long-term key issues facing the Department including reestablishing budget contributions to the Liability Loss Fund to make it self-sufficient and expansion of the City Prosecutor's Office in the City Court Building. Mr. Beets stated that due to the reduction in the contribution to the Liability Loss Fund, the Department's proposed budget for FY 2001/02 (\$4,424,826) represents a decrease of approximately \$750,000. He added that the decrease is recouped in the proposed FY 2002/03 budget (\$5,153,464), due to increasing the Liability Loss Fund contribution to \$621,000.

Mr. Hamilton commented on several points of pride relating to DUI enforcement, letters of praise from DV victims and reduced outside legal costs on civil cases.

Discussion ensued regarding performance measures for DUI and DV cases; the increased burden on municipal governments due to DUI law changes; availability of grant funds for DUI and DV prosecution; the space needs of the City Prosecutor's office and the City Court; and the date of the next bond election.

Councilmember Whalen voiced support for the budget requests and for including the City Prosecutor's office and the City Court in the Public Safety classification in the next bond election.

5. Break.

At 10:37 a.m. Mayor Hawker called for a short recess. The meeting reconvened at 10:56 a.m.

6. City Court.

Presiding City Magistrate Walter Switzer introduced members of the City Court staff and said that the primary theme of his presentation and budget is space needs. He voiced his support for including the City Court and the City Prosecutor's Office in the Public Safety bond classification.

Judge Switzer commented on the Court's service level trends, including increased need for interpreter services, changes in statutes that cause an increase in case load, and increased public interest in DV cases. He spoke about goals and objectives of the Court and the Court's key issues. Judge Switzer reported that approximately 20,000 people come through the Court each month and that caseloads are expected to increase due to the DUI law changes. He noted that there is no available space for additional courtrooms or staff and that staff members are sharing work spaces in some areas.

Judge Switzer stated that photo red light cases increased significantly within the last year resulting in a mid-year budget supplement to fund a part-time hearing officer plus two support staff. He discussed service level changes in conjunction with the FY 2001/02 budget (\$5,830,431) increase of 5.8%, including the addition of advisory counsel for arraignments for defendants in custody, and to provide increased courtroom time for civil traffic hearings. He also reported a decrease in jury costs due to a policy change eliminating payments to jury candidates who are not selected to serve and a decrease in judicial expense due to court calendar adjustments. Judge Switzer stated that the proposed 5.6% increase to the FY 2002/03 budget (\$6,159,072) is due to merit increases and routine personnel cost increases.

Judge Switzer reported that there are no Court capital projects planned for the next two years, the critical expansion of the Jail Courtroom in the basement of the Police Department will occur in FY 2002/03 as a Police Department project.

Judge Switzer commented on the Court's points of pride, that staff members perform stressful jobs under difficult circumstances; that wait time for customers to be served in person and on the telephone has been reduced by approximately 40%; that the number of pending cases (subsequent to initial court appearance) has been significantly reduced; that the collection of delinquent fines and fees has increased significantly; and that Court costs and transportation costs have been reduced through the increased use of video conferencing.

Mayor Hawker voiced support for including the City Court and the City Prosecutor's office in the Public Safety Bond category for future bond elections.

Discussion ensued regarding unfunded document imaging requests, the impact from implementing process service of photo radar complaints, and the cost of interpreters.

Mayor Hawker excused Councilmember Kavanaugh from the remainder of the meeting at 11:30 a.m.

7. Electronic Streets/CIS Project.

Electronic Streets and Licensing Director Dan Brewer provided a brief history and background regarding E Streets and the E Streets Task Force and said that the purpose of E Streets is to improve Mesa's communications infrastructure to attract and maintain viable businesses and provide jobs. He added that the mission of the E Streets Task Force is to prepare the community for living and earning a living in a networked world. Mr. Brewer commented on the various assessments made by the task force, the proliferation of unregulated above ground equipment shelters, premature street degradation caused by street cuts and the City's inadequate fee schedule to cover plan review, permit processing and field inspection.

Mr. Brewer discussed the various recommendations made to the City Council by the task force. He reported that Columbia Telecommunications was retained to develop a master plan for the City's telecommunications infrastructure, and that staff is researching the possibility of installing fiber optic cable in the downtown area via the sewer system and the possibility of implementing a joint trenching project in conjunction with the private sector to minimize the cost of connecting the various employment centers throughout the City. He said that staff recommends updating City policy and practices related to recovery of right-of-way costs and streetscape aesthetics and that added staff is in the process of preparing a Council recommendation regarding increasing the fees to cover costs for plan review, permit processing and field inspection.

Discussion ensued regarding the costs of telecommunications conduit installation in conjunction with gas line installation and the benefits of installing conduit when street construction projects are conducted.

Customer Service Administrator Ken Langford addressed the Council and reported on the status of implementation of the Customer Information System (CIS). Mr. Langford discussed costs and benefits of the system and said that the City's investment to date is approximately \$3 million and that the total cost of the system over a five-year period will be approximately \$10 million. Mr. Langford also commented on the project resources, the multiple components and vendors involved in the project, and the additional components needed to implement the system.

Mr. Langford reported that implementation of CIS is being conducted in two phases. The target completion date of the first phase, which will include all of the existing utility billing features and the features necessary to comply with electric deregulation, is January 1, 2002 (which coincides with the deregulation deadline date); and the target completion date of the second phase, which will include staggered implementation of additional customer service functions, is June 30, 2002).

8. Adjournment.

Without objection, the Budget Session adjourned at 12:03 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 14th day of May, 2001. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this ____ day of _____ 2001.

BARBARA JONES, CITY CLERK

pjt