

# COUNCIL MINUTES

February 8, 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 February 8, 2007 at 7:30 a.m.

## COUNCIL PRESENT

Rex Griswold  
Kyle Jones  
Tom Rawles  
Scott Somers  
Claudia Walters  
Mike Whalen

## COUNCIL ABSENT

Mayor Keno Hawker

## OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Barbara Jones

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

Vice Mayor Walters excused Mayor Hawker from the meeting.

(Councilmember Jones arrived at the meeting at 7:35 a.m.)

1. Hear a presentation, discuss and provide direction on development impact fees and residential development tax.

Building Safety Director Terry Williams acknowledged Deputy City Manager Bryan Raines and Interim Budget Director Chuck Odom for their hard work and assistance in compiling the data for today's presentation. He also introduced Jim Duncan, of Duncan Associates, a consultant, whose firm drafted the "*Impact Fee Study, City of Mesa, Arizona.*"

Mr. Williams reviewed a series of documents, copies of which were distributed to the Council, that would be referenced during the presentation. He also displayed a PowerPoint presentation and provided an extensive overview of development impact fees. (The presentation is available for review in the City Clerk's Office.) His comments included, but were not limited to, the following: that over the years, the City Council has approved a series of ordinances establishing new or revising existing development impact fees in Mesa; that there are currently nine impact fees (Water, Wastewater, Parks, Cultural, Libraries, Public Safety, Fire, General Government and Storm Drainage); that a Residential Development Tax is associated with Solid Waste Services and collected concurrently with impact fees; and that impact fees are collected from property owners, developers and contractors when they obtain building permits and/or obtain water service.

Mr. Williams advised that per Council direction, staff identified a series of issues that would be addressed through the impact fee update process. He noted that the issues include updating

the current impact fees to account for the increased value of land and facilities replacement costs; analyzing the effectiveness and appropriateness of current impact fee methodologies; reviewing the appropriateness of dividing Mesa into multiple impact fee districts for certain impact fees; assessing the desirability of Streets/Roads impact fees; determining the appropriateness of maintaining cultural impact fees; and addressing the effects of impact fees on infill and redevelopment projects.

Mr. Williams highlighted the following recommendations of staff and Duncan Associates relative to Mesa's impact fees: update impact fee tables for all impact fees using 2005/06 data; change current impact fee methodologies for water and wastewater only; do not divide Mesa into multiple districts for impact fee purposes (except storm water); retain off-site improvements approach; maintain 2003 level of service for Parks, Fire and Public Safety to improve debt service credit issues; establish a plan for expanding cultural facilities or eliminate those fees completely; and clarify approaches to impact fees for redevelopment and infill projects.

Mr. Williams continued to utilize the PowerPoint presentation and offered a detailed analysis of the methodology used to calculate existing impact fees, current and estimated fees, and proposed changes to certain fees. His comments included, but were not limited to, the following:

- **Water** – Change the methodology from a “buy-in” approach to a combination of a “consumption-based” approach for the current costs to add new capacity to water production, pumping and storage and an “improvement-driven” approach for water transmission and distribution system cost per service unit.
- **Wastewater** – Use a new methodology similar to Water, employing a “consumption-based” approach for wastewater treatment and an “improvement-driven” approach for interceptor/collection system cost per service unit.
- **Multiple Districts – Water** – It is recommended to retain the current single Citywide impact fee service area and benefit district.
- **Parks – Single District** – No change to previous methodology (“Standards-Based Approach”).
- **Parks – Multiple Districts** – Staff considered splitting the City into two districts with Higley Road as the dividing line. It is recommended to retain the current single Citywide district.

Councilmember Somers stated that if the City is interested in building new parks in east Mesa, it would “make sense” to collect higher Parks impact fees in that area of the community as opposed to the western section of Mesa.

Responding to Councilmember Somers' comment, Mr. Duncan clarified that if the City applied a Parks impact fee based on two different districts, the western section of the community would have slightly higher impact fees than east Mesa because a greater level of service is being provided in that area. He explained that a preferred method would be to have one district and evenly distribute the fees throughout the City. Mr. Duncan added that State law is very flexible with regard to the methodology and does not prescribe how it must be implemented.

Councilmember Somers further commented that in the area of the General Motors (GM) Proving Ground, there is large swath of open land. He questioned the feasibility of the City implementing a tiered fee structure that would be higher in those areas of the community in which significant infrastructure has not yet been developed and lower in the areas in which parks have been developed.

Discussion ensued relative to the fact that as a result of Mesa's financial structure and financial forecast, the City must restrict its future plans; that Mesa is required to reimburse impact fees after ten years; that such limitations place Mesa in the difficult position of attempting to match comparative levels of service with other cities; that the reimbursement restriction could be removed or changed; and that as part of the Council's budget consideration, staff will review the southeast area of Mesa (including the GM property) to determine the best method of financing future infrastructure in the area.

(Councilmember Whalen left the meeting at 8:20 a.m.)

Vice Mayor Walters stated that from her perspective, a park could be an open space (i.e., Red Mountain Park) that is not currently developed, but could be in the future. She explained that it is difficult to understand why the City could not use a methodology with regard to Parks impact fees that would enhance the City's ability to acquire park land in southeast Mesa and other parts of the community for future development while such property is still available.

Councilmember Griswold expressed the opinion that new growth should pay for itself, but commented that the City's current financial structure, which was established in 1945, does not always allow that to occur.

Responding to an inquiry from Councilmember Rawles concerning whether there is a recognized, legal impact fee methodology available that would allow the City to be divided into two districts and impose a higher impact fee for parks in the eastern part of the community as compared to the western section, Mr. Duncan clarified that such a methodology would be difficult to accomplish.

Vice Mayor Walters advised that the Council has focused their attention on the issue of Parks impact fees because of the necessity for parks and open space in east and southeast Mesa in the future. She explained that the Council could develop a plan by which the residents in those areas would pay for the purchase of open space, but noted that the proposed model does not address such a scenario. Vice Mayor Walters questioned whether it would be appropriate for the City to modify its strategy so that the category for Parks impact fees would become Parks and Open Space, and that a park would not necessarily mean an improved area, but an open space area.

Further discussion ensued relative to the fact that the City has purchased park land in the past that is built into the City's inventory, but is undeveloped; that Mesa's current financial forecast does not anticipate that the City would have sufficient funds to operate additional park facilities in the future; that if the City was divided into two districts, the impact fees could only be spent in the particular district in which they were collected; and that currently, the impact fee for parks assumes a "blended level" of service across the entire City (i.e., the purchase of land and improvements).

Vice Mayor Walters thanked everyone for their input with regard to the Parks impact fees. She stated that it is the intent of the Council to have growth pay for itself.

Mr. Williams continued with his presentation of the impact fees as follows:

- **Street Impact Issues** – The City maintains an "Off-Site Improvements" approach, which requires developers to construct and pay for local streets and a portion of arterials.

Developers assume all risks for potential cost increases due to escalating materials and labor costs.

Vice Mayor Walters commented that in an effort to move the presentation forward, she would stipulate that staff is addressing the issue of streets/road construction appropriately.

Mr. Williams continued with the analysis of the fees:

- **Redevelopment and Infill** – Redevelopment projects benefit from Mesa’s current approach to credits for existing/previous land uses. Infill projects are treated the same as new construction.
- **Cultural Facilities Options** – 1.) Continue charging Cultural Facilities fees; 2.) Continue charging Cultural impact fees and update rates per *Study* recommendation; and 3.) Eliminate such fees.

Vice Mayor Walters requested that the issue of Cultural Facilities impact fees be postponed until a future Study Session so that Mayor Hawker has an opportunity to participate in the discussion.

- **Fire** – “Standards-Based” Approach is unchanged. Staff will update the values.

Additional discussion ensued relative to Mesa’s impact fees (single-family residence) compared to those of other Valley communities; that it is recommended that the Residential Development Tax be reviewed on a yearly basis; proposed ordinance improvements related to impact fees; and that staff be directed to either eliminate the ten-year requirement to refund impact fees or increase the time limit to 15 years.

Mr. Williams concluded his presentation by requesting direction from the Council with regard to the following items:

- That the City of Mesa accept the Impact Fee Update Study (February 2007) by Duncan Associates.
- That the proposed new methodology for water and wastewater impact fees be implemented as outlined in the Duncan Study.
- That the proposed new rates for impact fees outlined in the study be implemented, except as modified by the Council.
- That the Cultural impact fees be modified to the amounts recommended in the Duncan Study or repealed entirely.
- That the City will not implement a new impact fee for Streets.

Councilmember Rawles requested that when staff presents the proposed development impact fees to the public, that they clearly explain the methodology being recommended, the reasons for the cost increases, and the resulting impacts on the City.

Vice Mayor Walters stated that there have been significant cost increases relative to concrete, asphalt and other construction-related materials since the Council addressed impact fees two years ago. She suggested that it might be appropriate for staff to review the fees that are “extremely construction sensitive” (i.e., water and wastewater) to determine whether adjustments should be made annually as opposed to every two years.

Councilmember Griswold further suggested that staff utilize a construction index as another tool to gauge construction costs.

Vice Mayor Walters thanked everyone for the presentation.

2. Discuss and take action on the Council Committee Guidelines as recommended by the Ad-Hoc Committee.

Vice Mayor Walters reported that the Council was provided copies of the minutes from the December 11 and 20, 2006 Ad-Hoc Committee on Council Committees meetings, a January 12, 2007 memo authored by City Attorney Debbie Spinner outlining "Guidelines for Council Committees," a draft of an ordinance amending Title 1, Chapter 6 of the City Code pertaining to Council Committees, and a February 7, 2007 memo in which she proposed a few changes to Ms. Spinner's Guidelines and the draft ordinance.

Vice Mayor Walters inquired whether the "Guidelines for Council Committees" capture the Council's intent in terms of refining the Committee process, outlining each Committee's areas of responsibility, and the procedures under which the Committees would operate. She commented that Mayor Hawker is in the process of recommending new Council Committee appointments and added that staff is anxious to schedule the Committee meetings once the Council adopts the Guidelines and the ordinance.

Councilmember Griswold thanked the Ad-Hoc Committee on Council Committees for their efforts and hard work with regard to this issue. He stated that the Guidelines would assist the City in being a more efficiently run organization and also expressed support for the "Areas of Responsibility" as outlined in the Guidelines.

Councilmember Rawles voiced support for the Guidelines as well as Vice Mayor Walters' proposed revisions to the Guidelines in reference to the "Purpose of Council Committees." He also suggested that on Page 2 of the Guidelines, under "Decisions of Council Committees," the second sentence be amended as follows: "An exception to this guideline is the setting of utility rates, which will go to the full Council with a recommendation from the Transportation and Infrastructure Council Committee **and the Audit and Finance Committee.**"

Councilmember Whalen commented that because the Court is an independent body, it would be important to him that the Public Safety Committee only address administrative issues and not matters related to the manner in which a judge rules on a particular case. He added that he would like to ensure that there is a separation of powers in that regard.

Councilmember Whalen further stated that in speaking with Fire Chief Harry Beck, Chief Beck requested that a designated member of the Public Safety Committee be appointed as the primary contact for the Fire Department. He suggested that a similar procedure could be implemented for all the Council Committees.

Vice Mayor Walters suggested that because Councilmember Whalen is the recommended Chairman for the Public Safety Committee, that he address that issue with his committeemembers and bring back a recommendation to the Council.

Councilmember Jones expressed support for the Council Committee structure as outlined in the Guidelines.

Discussion ensued relative to the fact that it was the preference of the Council that Council Committee meetings be held after Thursday Study Sessions or on Mondays before Study Sessions/Regular Council meetings; that the Council Committees should meet on an as-needed basis; and that the proposed ordinance be modified to reflect: "Items may be placed on the Council Committee agenda by the Chairperson, **two Councilmembers** (Note: who are not members of the particular Committee), the Mayor or the City Manager."

Councilmember Somers voiced support for the draft ordinance and Council Committee Guidelines and stated that the proposed changes reflect a broadening view of various challenges that the City faces and a more efficient manner in which to operate the City.

Further discussion ensued relative to the fact that the Guidelines provide for up to 15 minutes of public comment (each speaker is limited to a maximum of three minutes) on an item prior to the Council Committee taking action; that the Guidelines also provide that if an item does not receive a majority affirmative vote by the Council Committee, it would not be forwarded to the full Council; and notwithstanding the above language, an item may be placed on the Council agenda by the Mayor, City Manager, or three Councilmembers (per Mesa City Code 1-5-7(B)).

Vice Mayor Walters stated that it was the consensus of the Council that the items listed on the timetable for Council action (as outlined in the February 7, 2007 Memo) proceed forward.

Ms. Spinner reiterated the Council's direction as follows: 1.) The language of the ordinance would be modified as previously discussed; 2.) Vice Mayor Walters' suggestions (as contained in her memo) would be incorporated into the Guidelines; 3.) Councilmember Rawles' previous suggestion regarding modifying the Guidelines language under "Decisions of the Council Committees" would be incorporated; and 4.) That the Public Safety Committee would address administrative issues relative to the Court, but not with regard to a judge's decision on a particular case.

Vice Mayor Walters thanked staff for the presentation.

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

- a. Ad-Hoc Committee on Council Committees meetings held on December 11, 2006 and December 20, 2006.

It was moved by Councilmember Rawles, seconded by Councilmember Jones, that receipt of the above-listed minutes be acknowledged.

Vice Mayor Walters declared the motion carried unanimously by those present.

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

Councilmember Griswold:	Town Hall Meeting (District 5)
Vice Mayor Walters:	Exemplary Teachers Awards Ceremony

5. Scheduling of meetings and general information.

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

Tuesday, February 13, 2007, 6:00 p.m. – Town Hall Meeting (District 6)

Thursday, February 15, 2007, 7:30 a.m. – Study Session

Tuesday, February 20, 2007, TBA – Study Session

Tuesday, February 20, 2007, 5:45 p.m. – Regular Council Meeting

6. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

7. Items from citizens present.

There were no items from citizens present.

8. Adjournment.

Without objection, the Study Session adjourned at 9:37 a.m.

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KENO HAWKER, MAYOR

ATTEST:

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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 8<sup>th</sup> day of February 2007. I further certify that the meeting was duly called and held and that a quorum was present.

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BARBARA JONES, CITY CLERK

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