



COUNCIL MINUTES

June 1, 2006

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 June 1, 2006 at 7:30 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Kyle Jones
Tom Rawles
Janie Thom
Claudia Walters

COUNCIL ABSENT

Mike Whalen

COUNCIL-ELECT PRESENT

Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner

Mayor Hawker excused Councilmember Jones from the beginning of the meeting. He arrived at 7:32 a.m.

1. Review items on the agenda for the June 5, 2006 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: None

Items added to the consent agenda: None

Items removed from the consent agenda: None

2. Hear a presentation, discuss and provide direction on budget issues, including the following:

a. Fire Inspection Fee

Assistant Fire Chief Cliff Puckett advised that as directed by Council, staff prepared a conceptual overview of a full cost recovery program for Fire Prevention activities. He displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) outlining the proposal. Chief Puckett explained that staff did not have sufficient time to develop processes and procedures related to administration of the program, and he noted that the dollar amounts are only estimates. He further advised that he was unaware of other Fire Prevention Programs that provide full cost recovery and therefore, models or comparisons of similar programs were unavailable.

Chief Puckett stated that two models were prepared for Council consideration: one based on the existing service level, and the other based on an expanded service level. He noted that although cost recovery is based only on inspections, inspectors provide numerous other services to the community, such as responding to complaints and planning for evacuations. Chief Puckett provided definitions for the types of inspections to be performed (based on the use and size of the structure) and a breakdown of the approximate 14,000 Mesa businesses to which the inspections apply:

- High-Risk Businesses – approximately 2,000, examples of which include Boeing and the Bank of America building.
- Medium-Risk Businesses – approximately 3,000 and examples include Big O Tires and the First Baptist Church.
- Low-Risk Businesses – approximately 9,000, examples of which include a Hallmark card store and a Subway sandwich shop.

Chief Puckett reported that current staffing includes five inspectors, three fire prevention assistants, two support staff positions, one supervisor and the proposed addition of a program assistant/inspector. He noted that each of the five inspectors have different certification levels. Chief Puckett stated that current service levels enable the inspection of 1,000 high-risk businesses (once every two years), 650 medium risk business (once every five years) and 150 low-risk businesses that are inspected “on demand.” He advised that estimated revenues based on current levels of service would total \$910,000 annually, including a Public Safety Operational Permit (PSOP) fee of \$50 for each of 14,000 businesses (\$700,000) and a \$105 fee for 2,000 high-risk businesses (\$210,000). Chief Puckett said that the annual PSOP fee would provide the following:

- A process that enables the Fire Department to update their records with current emergency contact information and also confirms the type of business being conducted at that location.
- Provides a self-inspection form for each business and, upon receipt of the completed form, the Fire Department would issue a “certificate of compliance” to post in the business.

Chief Puckett also outlined a proposal that would expand the department’s services to the community:

- Commit the current staff to conduct inspections of medium-risk businesses once every two years.
- Add nine inspectors to inspect high-risk businesses on an annual basis.
- Add support staff and supervisors to implement the PSOP and inspection fees.

Chief Puckett advised that the expanded service level would cost an additional \$1,015,000 and that total estimated revenues for current and expanded service levels total \$1,935,000.

Discussion ensued relative to the fact that the \$105 “high-risk” fee proposed for the current service level is an annual fee for an inspection that occurs once every two years;

that the expanded service level fee of \$300 for an annual “high-risk” inspection is an effort to recover full costs; that the full burden of costs is currently not placed on the medium-risk businesses; that the Bank of America building and all high-rise structures are defined as a high-risk businesses; that high-risk businesses in excess of 12,000 square feet would be charged an additional fee; that failure to properly inspect businesses could pose potential liability issues for the City; that fees should address factors other than size; and that a correlation exists between the inspection fee categories and the International Fire Code.

Mayor Hawker expressed concern that business owners may oppose new fees, and he added that some businesses might view the fees as additional taxation.

Further discussion ensued relative to the fact that medium-risk facilities in excess of 12,000 square feet, such as a large church, would not be charged the additional \$500 fee; that most high-risk businesses are aware of their risk category; that the Fire Code definitions of high, medium and low risk should be provided to the Council; that the Fire Department is not responsible for fire sprinkler inspections; and that consideration could be given to discounting fees for businesses that have installed fire sprinkler systems.

In response to a series of questions from Councilmember Thom, Chief Puckett confirmed that 80 percent of the Fire Department’s calls for service are for medical assistance. He reported that one quarter of the remaining 20 percent represents fires in commercial structures that typically begin in storage areas where ignition is usually the result of mechanical failure.

Fire Chief Harry Beck advised that the City of Mesa data cited by Chief Puckett was consistent with national statistics. He explained that commercial fires are typically the largest fires, pose the greatest danger to firefighters, result in the largest loss of life and represent approximately 99 percent of a community’s fire losses. Chief Beck also noted that commercial fires have catastrophic impacts on communities for many years in terms of business interruptions and job losses. He stated the opinion that fire prevention efforts provide a significant benefit to the community.

Responding to a comment from Councilmember Jones, Chief Puckett stated that the database of City businesses originates with records of Certificates of Occupancy issued by the Building Safety Division.

Councilmember Griswold suggested that a “phased in” or gradual approach to fees be utilized by implementing fees to recover only the costs for the expanded portion of the program.

Councilmember Rawles stated that he would support adding staff in order to provide expanded service. He also noted that earlier Council discussions directed staff to implement cost recovery in the amount of \$300,000 for current service level expenses.

Additional discussion ensued relative to the fact that staff should consider discounted fees for businesses with sprinkler systems; and that a “phased in” approach to fees is preferred.

Chief Puckett clarified that the \$50 PSOP fee applies to all businesses in addition to inspection fees for medium and high-risk businesses.

Mayor Hawker noted that the consensus of the Council is that staff is directed to refine the program and resubmit a proposal to the Fire Committee that provides alternative funding models. He added that cost recovery in the amount of \$300,000 relative to current levels of service should also be addressed.

Mayor Hawker thanked staff for the presentation.

b. Crime Free Program

Assistant Police Chief Les Portee of the Patrol Operations Bureau introduced Lieutenant Lynn Koliboski, who manages the Crime Free Program in addition to other duties, and Crime Free Program Supervisor Tim Zehring. He advised that the program has one full-time employee, Mr. Zehring, and that an additional full-time position has remained vacant for five years as a result of the hiring freeze. Chief Portee noted that the program has proven to be an effective tool to reduce criminal activities and calls for service at participating properties. He said that Lieutenant Koliboski would provide information on cost recovery options for Council consideration.

Lieutenant Koliboski provided an overview of the Crime Free Program and the three phases required in order for a property to achieve the "certified" designation:

- An eight-hour seminar for property owners conducted by Mr. Zehring.
- A physical security check of the property, which often results in substantial costs for the property owner in terms of lighting and other recommended improvements.
- An inspection to determine certification, followed by an annual inspection in order to maintain certification.

Lieutenant Koliboski outlined three approaches to cost recovery for the Program:

1. Implement a \$3.85 annual fee for each of 36,181 certified crime free units, which would generate revenues totaling \$139,296.85 per year. This fee would apply to multi-housing, mobile housing, hotel/motel, mini-storage and town home/condo units.
2. Assess an annual fee of \$1.50 per unit for all properties involved in any phase of the program. 91,796 units (including the 36,181 certified units) at \$1.50 per unit would generate annual revenues of \$137,694.
3. Assess a \$2.00 per unit annual fee on only multi-housing, residential units, with a per unit discount of \$1.00 for certified properties. Based on 1997 census data that lists 80,000 multi-housing residential units in the City, the total estimated annual revenue would be \$145,000 (80,000 units @ \$2 each totals \$160,000 less discounts for certification in the amount of \$15,000 equals annual revenue in the amount of \$145,000).

Discussion ensued relative to the fact that a certified property that fails to pay the annual fee would not receive the services provided by the program; that the cost recovery concept may not be appropriate for this program; that this program provides a substantial benefit by reducing the City's costs to address criminal activities; that the administrative

costs to implement fees would offset most of the additional revenues; and that two-thirds of the property owners have indicated an unwillingness to participate in a fee-based program.

Councilmember Rawles expressed the opinion that Alternative 3 was the least desirable, and he expressed a preference for Alternative 2 that would charge \$1.50 per unit.

Mayor Hawker concurred with the comments of Councilmember Rawles, and he noted that the program provides benefits to both the community and the property owners.

Councilmember Griswold suggested that the City offer fee-based classes that provides information on being a good landlord to owners of two or three rental properties.

Vice Mayor Walters stated that units not participating in the program incur a higher cost to the City than those who do not participate. She expressed the opinion that the proposal to implement fees may be shortsighted.

Mayor Hawker suggested that the Crime Free Program be kept intact, and he requested that staff attempt to address the funding shortfall in other areas of the budget.

Further discussion ensued relative to the fact that cost recovery for this type of program is difficult to implement; and that a possible alternative would be to impose fees for repeated police calls for service.

City Manager Christopher Brady advised that staff would investigate funding alternatives that may be available as a result of recent adjustments to the budget.

Mayor Hawker also directed staff to research fees that could be imposed on apartment complexes for repeated calls for service. He thanked staff for the presentation.

3. Discuss and provide direction to staff regarding FY06/07 budget, including reports with supplemental information as requested by Council.

Assistant Budget Director Chuck Odom stated that the three-page Tentative Budget (see Attachment 1) includes adjustments and changes that were requested by the Council. He advised that the State of Arizona required a change to the method utilized to report revenue and expenses for internal services, which results in the budget appearing to be larger. Mr. Odom noted that "Internal Service Credit Revenue" in the amount of \$30,578,000 is listed on page 1. He explained that this amount is largely offset by an equal amount of program expense for "Fleet Support Services."

Controller Kathy Pace came forward to explain that in prior years the internal service revenues and expenditures were always included in the General Fund as a net figure.

Mr. Odom noted that the Council's approval of the Tentative Budget would establish the legal limit for expenditures in the coming year, and that the Final Budget would be an amount less than the tentative budget. He noted that in the "Summary of Appropriations by Program" on page 2 of the Tentative Budget, the Hohokam Stadium/Fitch Park Complex and the District Cooling project are listed separately in order to better track these expenses.

In response to a request from Mayor Hawker, Mr. Odom explained that the budget estimate reflects an increase of approximately \$100 million for the following reasons:

- \$24 million is the estimated revenue from the new local transportation sales tax.
- Accounting changes that require the reporting of \$30 million in internal service credits and \$14 million in Federal grant revenues for the Light Rail Transit program.
- \$42 million set aside in contingency fund reserves in order to fund debt service in fiscal year 2007/08.

Budget Director Jamie Warner noted that between adoption of the Tentative Budget on June 5th and adoption of the Final Budget on June 26th, staff would adjust the figures to reflect capital carryovers from the current year and timing issues.

Councilmember Griswold noted that the City operates on the General Fund budget, and he suggested that an “executive summary” format would clarify the budget for the average person.

Mayor Hawker concurred with the comments of Councilmember Griswold, and he recommended that staff prepare two pie charts to explain revenues and expenditures.

Councilmember Rawles suggested that a simple explanation for what appears to be a budget increase of approximately \$99 million would be to identify the \$42 million in contingency set aside for 2007/08 bond debt service, \$24 million to be generated by the new local transportation sales tax, and \$30 million in internal service credits as a result of accounting changes imposed by the State Auditor General.

Vice Mayor Walters requested that references to the “local transportation sales tax” be changed to indicate that the estimated revenues would be generated by the “voter-approved sales tax for streets.”

Councilmember Rawles suggested that the Council reallocate \$137,000 of the amount budgeted for the new City Auditor position to the Crime Free Program. He noted that staffing for the audit function would be added gradually, and therefore a portion of the funding for that office would not be required during 2006/07.

Mayor Hawker suggested that a Study Session be scheduled to address the new City Auditor position and the types of audits that are to be implemented.

Vice Mayor Walters distributed copies of her proposals for Human Services funding (see Attachment 2). She explained that her recommendations were based on the guidelines adopted by the Council that emphasize public safety issues.

Discussion ensued relative to the fact that staff’s adjustments to the Human Services Advisory Board’s recommendations reflect a 9.7 percent reduction in the total amount; that the City of Scottsdale, a city half the size of Mesa, funded Human Services in the amount of just under \$5 million last year; that the Council could reallocate the budgeted funding of \$824,601 among the various agencies; and that an early Council decision regarding the specific funding allocations would enable the agencies to address their budgets for the next year.

Pat Gilbert, Executive Director of the Mesa Community Action Network (MesaCAN) came forward at the request of Councilmember Thom. He explained that MesaCAN is presently and would continue to be a non-profit agency. Mr. Gilbert advised that the State of Arizona has not released a Request for Proposals (RFP) relative to the Community Action Agency (CAA) designation, and he noted that when the RFP is released and if MesaCAN is granted the designation, MesaCAN would then be able to apply directly for certain Federal grants. He noted that the City of Mesa is a regional partner in the operation of the East Valley Men's Center, and he stated the opinion that MesaCAN's possible CAA designation would not diminish the City's responsibility to provide their fair share in support of the Center.

In response to questions from Councilmember Thom, Mr. Gilbert advised that the current high employment rate has not reduced the need for services, and he noted that the overall level of poverty has increased in recent years.

Mayor Hawker stated that the Council would take action on Human Services' funding allocations at the June 5th Study Session.

Mr. Brady said that there were additional budget issues to be addressed. He advised that Mesa firefighters requested that the Council consider an alternative to the two personal leave days proposed in the 2006-07 budget. He stated that in lieu of the two personal leave days and the associated overtime expense, the firefighters are requesting that the equivalent costs be converted to a flat rate contribution to each firefighter's deferred compensation account. Mr. Brady added that the firefighter's proposal would also eliminate the present one-half of one percent contribution to deferred compensation.

Further discussion ensued relative to the fact that firefighters are the only City job classification that requires constant staffing; that concern exists relative to treating firefighters differently than other City employees; that the proposal would not incur added expense to the City; and that staff is directed to provide additional information regarding past utilization of the personal leave day and the costs to provide the proposed benefit.

Mayor Hawker noted that these budget issues would be addressed at the June 5th Study Session, and he thanked staff for the presentation.

4. Hear a presentation and discuss General Obligation and Utility Revenue Bond refunding and restructuring.

Mayor Hawker expressed support for the proposal to refund and restructure the City's bond debt.

Larry Given of Peacock, Hislop, Staley & Given, the City's financial advisor, stated that the proposal provides for refunding and restructuring the City's General Obligation (G.O.) and Utility Revenue bonds in order to level the City's debt service and realize savings. He noted that the Council was provided with financial schedules (copies are available for review in the City Clerk's Office) and graphs (see Attachment 3) that indicate the impact of the proposed changes to the City's debt service payments. Mr. Given noted that additional savings could be realized by combining the refunding with the new issuances.

In response to a question from Councilmember Griswold, Mr. Given said that staff reviewed the 2018-19 spike in G.O. debt service, and he advised that a refinancing could not be accomplished at this time.

Mayor Hawker suggested that ending fund balances could be increased in advance of 2018 in order to address the debt service.

Mr. Brady thanked Mr. Raines and Mr. Warner for their efforts. He advised that debt service is a critical area that the City can control, and he stated that this proposal is a first step in the process to stabilize and even out the debt service payments. Mr. Brady added that this process establishes a standard for the future.

Mr. Warner responded to a question from Mayor Hawker by advising that the General Obligation bond restructuring has already been factored into the financial forecast. He added that the Utility Bond restructuring would provide a positive impact by increasing the ending fund balances an average of two percent.

Mr. Given noted that Councilmember Griswold recently requested a comparison of the City's bond debt with that of the City of Tucson. He advised that Tucson's per capita General Obligation bond debt is \$550 as compared to \$460 per capita for the City of Mesa.

Mayor Hawker thanked staff for the presentation.

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

Councilmember-Elect Somers:	Weapons for mass destruction exercise.
Councilmember Griswold:	Farewell celebration for Councilmember Thom. Stonebridge Neighborhood Meeting.
Vice Mayor Walters:	Memorial Day Breakfast.
Councilmember Thom:	Legislative district meeting.
Mayor Hawker:	Meeting regarding State-shared revenues.

6. Scheduling of meetings and general information.

Monday, June 5, 2006, 3 p.m. – General Development Committee

Monday, June 5, 2006, TBA – Study Session

Monday, June 5, 2006, 5:45 p.m. – Regular Council Meeting

Thursday, June 8, 2006, 7:30 a.m. – Study Session

Thursday, June 15, 2006, 7:30 a.m. – Study Session

Thursday, June 22, 2006, 7:30 a.m. – Study Session

Monday, June 26, 2006, TBA – Study Session

Monday, June 26, 2006, 5:45 p.m. – Regular Council Meeting

7. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

8. Items from citizens present.

Sheila Mitton, 1615 West Pueblo Avenue, addressed the Council regarding her concern for City employees.

9. Adjournment.

Without objection, the Study Session adjourned at 10:15 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 1st day of June 2006. 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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Attachments (3)