



COUNCIL MINUTES

April 18, 2011

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 April 18, 2011 at 4:33 p.m.

COUNCIL PRESENT

Scott Smith
Alex Finter
Christopher Glover
Dina Higgins
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

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

1. Review items on the agenda for the April 18, 2011 Regular Council meeting.

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

Conflict of interest: None

Items removed from the consent agenda: 4e

2-a. Hear a presentation, discuss and provide direction on Transportation Department budget issues.

Transportation Department Director Dan Cleavenger introduced Deputy Transportation Director/Field Operations Lenny Hulme, who was prepared to respond to any questions the Council may have.

Mr. Cleavenger displayed a PowerPoint presentation (**See Attachment 1**) and reported that the Transportation Department's Streets Program has a proposed operations budget for FY 2011/12 of \$44.1 million, as compared to \$42.2 million in FY 2010/11. (See Page 2 of

Attachment 1) He explained that the Environmental Compliance Fee (ECF), which previously funded certain Streets Program activities in FY 2009/10 and FY 2010/11, has been redirected to Parks, resulting in the Streets Program now being required to fund an estimated \$900,000 in environmental compliance costs. Mr. Cleavenger noted that additionally, the Streets Program anticipates incurring \$400,000 in streetlight power costs and \$330,000 in business services costs.

Responding to a question from Mayor Smith, Mr. Cleavenger clarified that the funding sources for the Streets Program are derived from Highway User Revenue Fund (HURF) dollars (\$32 million), a dedicated transportation sales tax approved by Mesa voters in 2006 (\$30 million), and Mesa's portion of the Prop 400 regional transportation sales tax approved by voters in 2004 (\$11 million), which are used to fund arterial street capital projects.

Mr. Cleavenger briefly highlighted various achievements in the Streets Program that have been completed or are in the process of being completed. (See Pages 3 through 6 of Attachment 1) He also remarked that the Streets Operations is comprised of five service areas, including Street Maintenance, Traffic Operations, Environmental Quality, Traffic Engineering and Transportation Administration.

Mr. Cleavenger further reviewed a graph titled "Transportation Sales Tax Revenue Forecasts" (See Page 12 of Attachment 1), which illustrates that between FY 2006/07 and FY 2009/10, Mesa experienced a \$21.9 million cumulative shortfall in sales tax revenues. He stated that between FY 2006/07 and FY 2018/19, it is estimated that the gap would increase to \$155.3 million. Mr. Cleavenger also highlighted a similar forecast for HURF revenue which, between FY 2006/07 and FY 2009/10, reflects a cumulative shortfall of \$18.5 million and \$131.9 million between FY 2006/07 and FY 2018/19. (See Page 13 of Attachment 1) He added that between FY 2006/07 and FY 2009/10, the cumulative shortfall of the two revenue sources totaled \$40.5 million and \$287.3 million between FY 2006/07 and FY 2018/19. (See Page 14 of Attachment 1)

Responding to comments by Mayor Smith, Mr. Cleavenger confirmed that Federal stimulus dollars provide Mesa the necessary funding to complete various street improvements, as well as the dedicated transportation sales tax approved by Mesa voters in 2006.

Mayor Smith commented that as the shortfall in revenue increases over time, the City of Mesa will have fewer dollars to maintain and repair its streets. He stated that Mesa was "dealing on borrowed time" as it relates to this matter and said that the decline in revenues was "really a time bomb in many ways."

Mr. Cleavenger concurred with Mayor Smith's comments and noted that unless a street was in dire need of construction, the City could forego making improvements until years down the road. He stated, however, that the street would deteriorate to such a level that it would be impossible to do overlay or slurry seal maintenance and the City would be forced to reconstruct the street. Mr. Cleavenger added that the reconstruction costs would be considerably higher than maintenance activities that would extend the life of the street.

Mr. Cleavenger continued with his presentation and reviewed the Streets Program budgeted Environmental Compliance Fee amounts for FY 2009/10 and FY 2010/11. (See Page 15 of Attachment 1) He explained that the \$3.00 Environmental Compliance Fee, which is included on the City of Mesa utility bill, covers a portion of the cost to fund various environmental mandates.

Mr. Cleavenger advised that the Streets Program's eligible activities include street sweeping and storm drain maintenance. He said that in FY 2011/12, staff anticipated utilizing \$829,279 for those activities, but noted that such funds have been redirected to Parks.

City Manager Christopher Brady clarified that the City of Mesa must meet certain environmental standards and said that such requirements far exceed the actual revenue that the City has available.

Mayor Smith restated that in order to achieve budget efficiency, staff proposed to cover the cost for such mandates by redirecting certain revenues to areas in which the City was more challenged, such as Parks.

Mr. Cleavenger displayed a chart illustrating the Streets Program Tentative FY 2011/2012 ECF Eligible Activities, which total \$3.1 million. (See Page 16 of Attachment 1) He stated that with ECF funds being redirected to Parks, it would be necessary for the Transportation Department to fund such activities through its Streets Program as opposed to the General Fund. Mr. Cleavenger added that every \$0.25 increase to the current \$3.00 ECF would generate an additional \$481,998 per year in revenue.

Discussion ensued relative to a series of maps depicting the FY 2011/12 street pavement preservation forecast for the City of Mesa, the current pavement condition, and the projected 5-year pavement condition, which includes funding options for full overlay/full reconstruct funding and reduced overlay/full reconstruct funding (See Pages 18 through 21 of Attachment 1); that based on staff's forecast of street needs and maintenance, in five years it would cost \$42.6 million for full overlay maintenance and \$39.2 million for full reconstructs, assuming the continuation of the City's RTP projects (See Page 20 of Attachment 1); that the street reconstructs would be eligible for bond funding, while the overlays would be funded out of the Transportation Department's operations budget; and that over five years, the reduced overlay funding would equate to \$23.5 million (\$4.7 million annually), which is included in the FY 2011/12 budget forecast, and \$39.2 million in full reconstruct funding.

Mr. Cleavenger reported that with respect to the above-listed five year forecasted overlay needs, full funding of \$42.6 million would maintain 503.9 lane-miles, while the five-year budgeted overlay program at \$23.5 million would maintain 278.7 lane-miles. He also noted that the potential loss of \$18.5 million in State Shared Revenue/HURF dollars over the same five-year period would result in the City being unable to fund the overlay of 218.8 lane-miles.

Mr. Cleavenger referred to a graph demonstrating various scenarios with respect to the Street Program's ending fund balance between FY 2010/11 and FY 2016/17. (See Page 24 of Attachment 1)

Mr. Brady stated that of the above-noted ending fund balance scenarios, the Streets Program would most likely end up with the budget forecast of overlays being only partially funded. He explained that "the new reality" is the consequence of a lagging sales tax, the State redirecting HURF dollars and the Streets Program funding mandates related to storm drain maintenance and street sweeping.

Mayor Smith remarked that the City of Mesa was in the same situation as other Arizona communities and might actually be better off due to its dedicated transportation sales tax.

Mayor Smith thanked staff for the presentation.

2-b. Hear a presentation, discuss and provide direction on Development and Sustainability Department budget issues and environmental compliance fee.

Mayor Smith stated that due to time constraints, this item would be continued to a future Study Session.

2-c. Hear a presentation, discuss and provide direction on Falcon Field budget issues.

Falcon Field Airport Director Corinne Nystrom displayed a PowerPoint presentation (**See Attachment 2**) and provided a brief overview of Falcon Field Airport's proposed FY 2011/12 budget.

Ms. Nystrom reported that Falcon Field Airport was the recipient of the "2010 Arizona Airport of the Year" award sponsored by the Arizona Department of Transportation (ADOT). She briefly highlighted a number of capital improvement projects at the airport that are completed or in the process of being completed. (See Page 3 of Attachment 2)

Ms. Nystrom explained that with respect to funding challenges, certain tenants cancelled ground leases when they were unable to obtain bank financing to develop the sites. She also remarked that for the past few years, the State Legislature has "swept" aviation grant funds, but said it was anticipated that funding would become available in the upcoming fiscal year. Ms. Nystrom added that until the economy recovers, Falcon Field was deferring most, if not all, of its non-grant projects.

Ms. Nystrom further highlighted a document titled "5-Year Financial Projection" (See Page 5 of Attachment 2) and said that staff has taken a very conservative approach with respect to the airport's revenues and anticipated it would continue to operate "in the black" if staff was careful with the manner in which they spent money on capital projects. Ms. Nystrom also noted that once the economy recovers, she would expect to see the airport enter into more ground lease contracts.

Mayor Smith summarized that Falcon Field Airport was a self-supporting operation and stated that because there was insufficient funding to build certain capital projects that were included in prior budgets, such projects have been deferred. He clarified that he did not want citizens to have the perception that General Fund dollars were used to fund Falcon Field Airport's budget.

Mr. Brady confirmed Mayor Smith's comments and explained that Falcon Field Airport pays for its own Fire coverage as well as a portion of its Police coverage. He acknowledged that Falcon Field was spending down its fund balance, but doing so by investing in capital projects.

Ms. Nystrom continued with her presentation and offered a short synopsis of future projects that would be implemented once funding becomes available. (See Pages 7 and 8 of Attachment 2) She explained that Falcon Field Airport continues to remain financially self-sustaining and said that staff would continue to closely monitor the airport's expenses and seek out new revenue sources to achieve its long-term capital improvement objectives.

Mayor Smith thanked Ms. Nystrom for the presentation.

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

- 3-a. Public Safety Committee meeting held March 21, 2011.
- 3-b. Audit, Finance & Enterprise Committee meeting held March 24, 2011.
- 3-c. Community & Cultural Development Committee meeting held March 31, 2011.

It was moved by Vice Mayor Somers, seconded by Councilmember Kavanaugh, that the above-listed minutes be acknowledged.

Carried unanimously.

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

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

5. Scheduling of meetings and general information.

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

Thursday, April 21, 2011, 7:30 a.m. – Study Session

Saturday, April 23, 2011, 8:00 a.m., District 6 Pancake Breakfast

6. Items from citizens present.

Marilynn Wennerstrom, a Mesa resident, expressed concern regarding staff's proposal to restructure the City's water rate by instituting a minimum charge, which would include the first 5,000 gallons of consumption. She stated that it was hypocritical for the City to conduct water conservation workshops and yet encourage residents to waste water by implementing such a proposal. Ms. Wennerstrom added that the proposal was discriminatory to those residents who live alone and who make a practice to conserve water.

7. Adjournment.

Without objection, the Study Session adjourned at 5:32 p.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, 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 18th day of April 2011. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

pag
(attachments – 2)



Transportation Department: Streets Program Budget Review

Tentative FY 11/12 Budget

City Council Presentation

April 18, 2011

Streets Program Budget

	Adopted FY 09/10	Adopted FY 10/11	Proposed FY 11/12
Operations	\$ 43,582,317	\$ 42,228,329	\$ 44,124,088
Capital	\$ 12,874,269	\$ 10,844,758	\$ 14,365,135
Grants	\$ 14,350,921	\$ 8,123,420	\$ 3,141,603
Debt Service	\$ 12,415,817	\$ 12,399,741	\$ 12,422,243
Total	\$ 83,223,324	\$ 73,596,248	\$ 74,053,069
FTEs	163.50	160.50	159.25

Transportation Highlights

- Energy Savings/Sustainability
 - LED Streetlights
 - Siemens Energy Audit
 - Cold In-Place Asphalt Recycling
- MyMesa Smartphone App
 - Automated reporting of street issues
 - Automated dispatch for graffiti removal
 - Expanded to include Code Compliance issues

Transportation Highlights

- ARRA Projects
 - 18 miles of reconstructs and overlays
 - Consolidated Canal (8th Street to Lindsay)
 - 2,510 LED Streetlights
- RTP Projects Completed
 - Greenfield (Southern to Baseline)
 - Guadalupe and Dobson Intersection

Transportation Highlights

- RouteSmart Efficiency
 - Improved Residential Sweeping Frequency
 - Eliminates Conflicts with Solid Waste Collection
- Traffic Sign Replacements
 - In 2008, 28% of signs beyond design life
 - In 2011, less than 1% beyond design life
- Fiesta District Street Name Signs

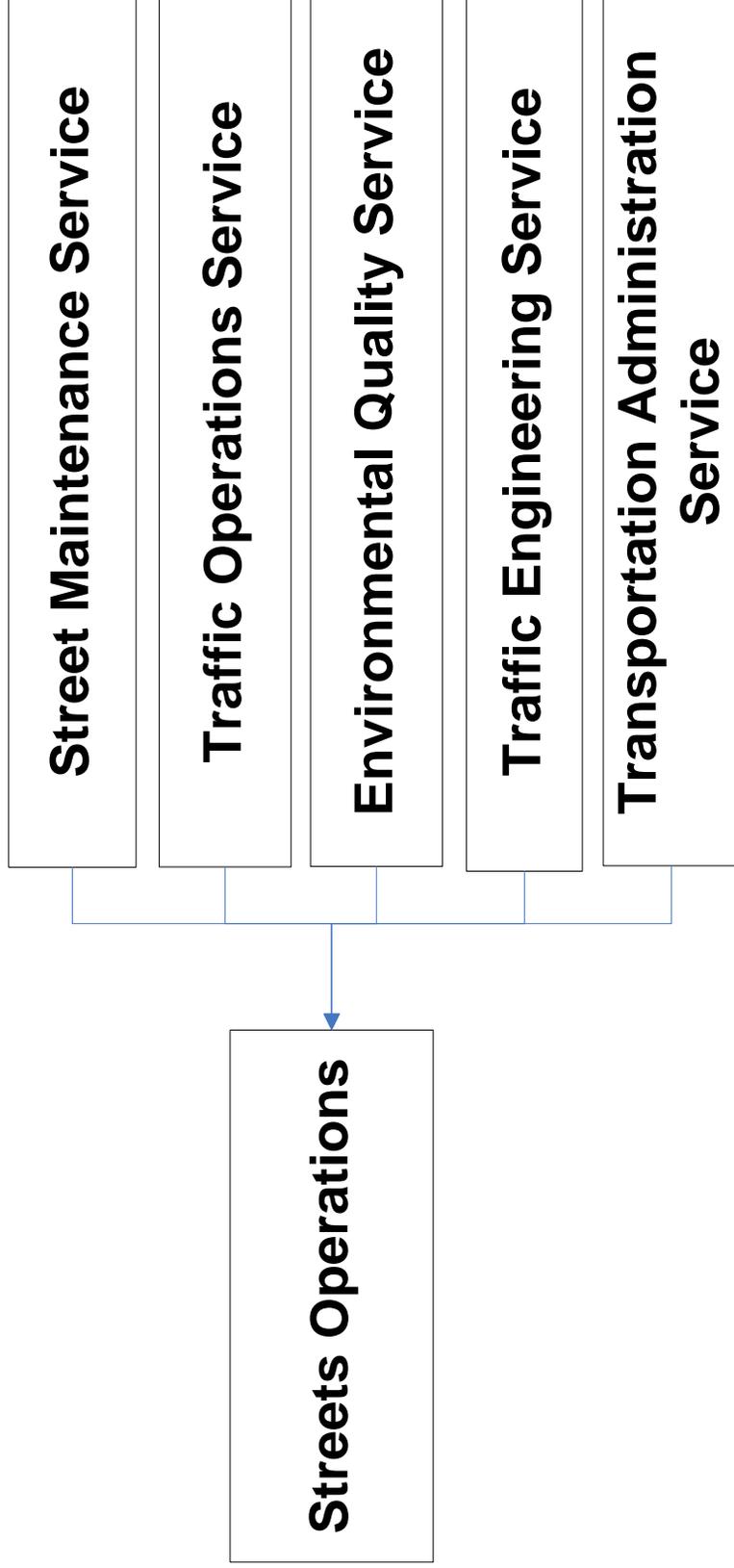
Transportation Highlights

- Real-Time Adaptive Traffic Signal System
 - Superstition Springs Mall Area
 - Signals continuously adjust to changing traffic
 - First in the state
- ITS Communication Network
 - Eliminating leased phone lines
 - Expanding camera system to view live traffic
 - Working towards sharing video with PD and Fire
- State Route 24 (802) Advanced Four Years
 - 202 to Ellsworth
 - HPAN Funding
 - Under construction in March 2012

Tentative FY 11/12 Streets Program Budget by Source

Source	Amount	Percentage
HURF	\$ 32,323,661	44%
Sales Tax	\$ 30,375,648	41%
RTP/Prop 400	\$ 11,353,760	15%
Total	\$74,053,069	100%

Streets Operations



Streets Program: FY 11/12

Activity	Amount	Percentage
Street Maintenance	\$23,147,394	31%
Capital	\$14,365,135	19%
Debt Service	\$12,422,243	17%
Traffic Operations	\$ 9,136,956	12%
Traffic Engineering	\$ 8,037,384	11%
Environmental Quality	\$ 3,254,269	4%
Grants	\$ 3,141,603	4%
Administration/Planning	\$ 548,085	1%
Total	\$74,053,069	

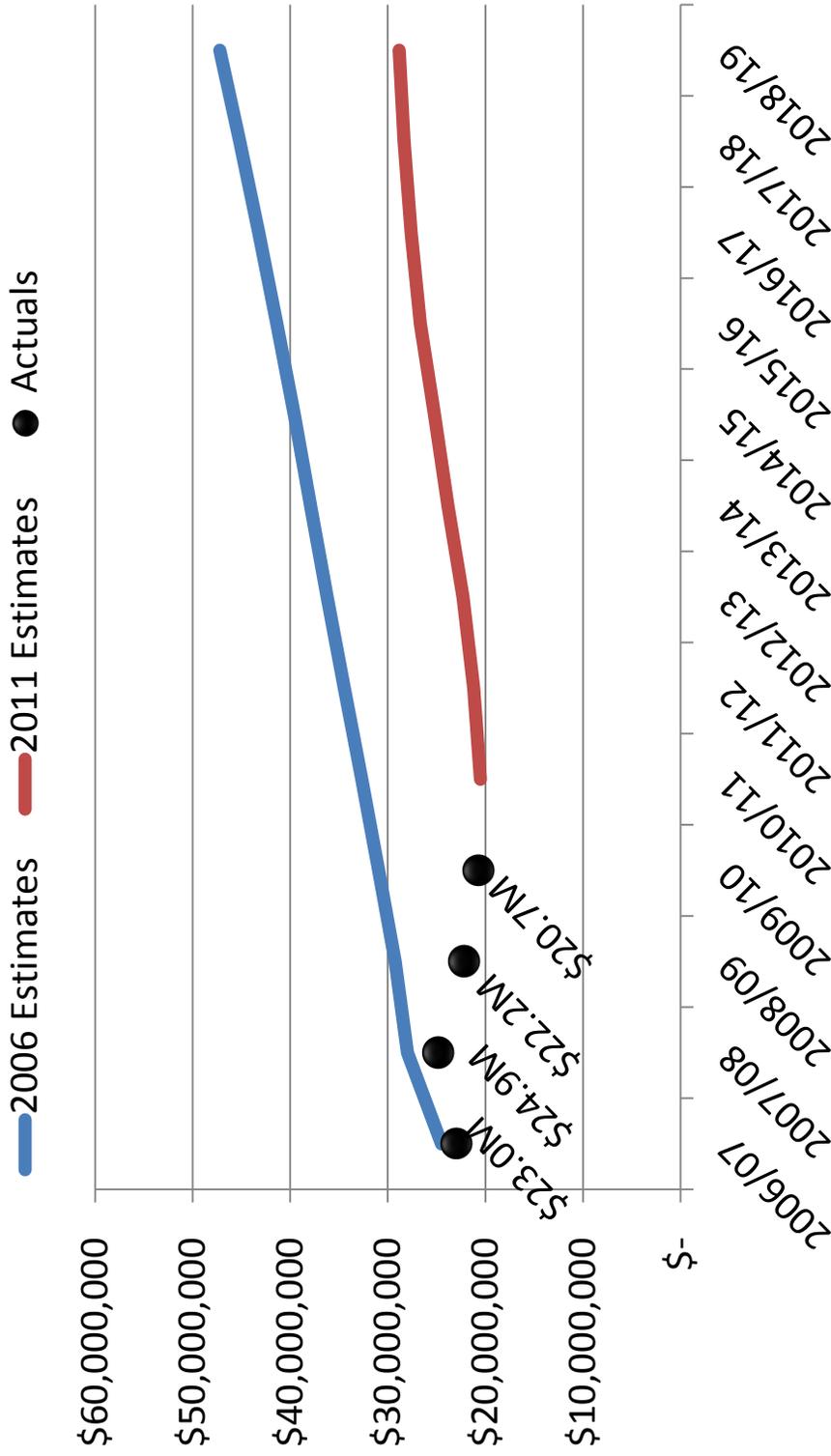
Challenges

- Metal Thefts
- Funding
 - Economic Impact (HURF & Sales Tax)
 - State Shared Revenue Policy (HURF)
 - Environmental Compliance Fee
- Pavement Condition
- Fund Balance

Metal Thefts

- Streetlight Wire Thefts
 - Over \$1M total replacement cost since FY 06/07
 - Over \$230K replacement cost to date this FY
 - Estimated total replacement \$350K this year
- Storm Grate Thefts
 - 92 Storm grates stolen to date this FY
 - \$21,500 replacement cost to date this FY
 - Estimated total replacement \$25K this year

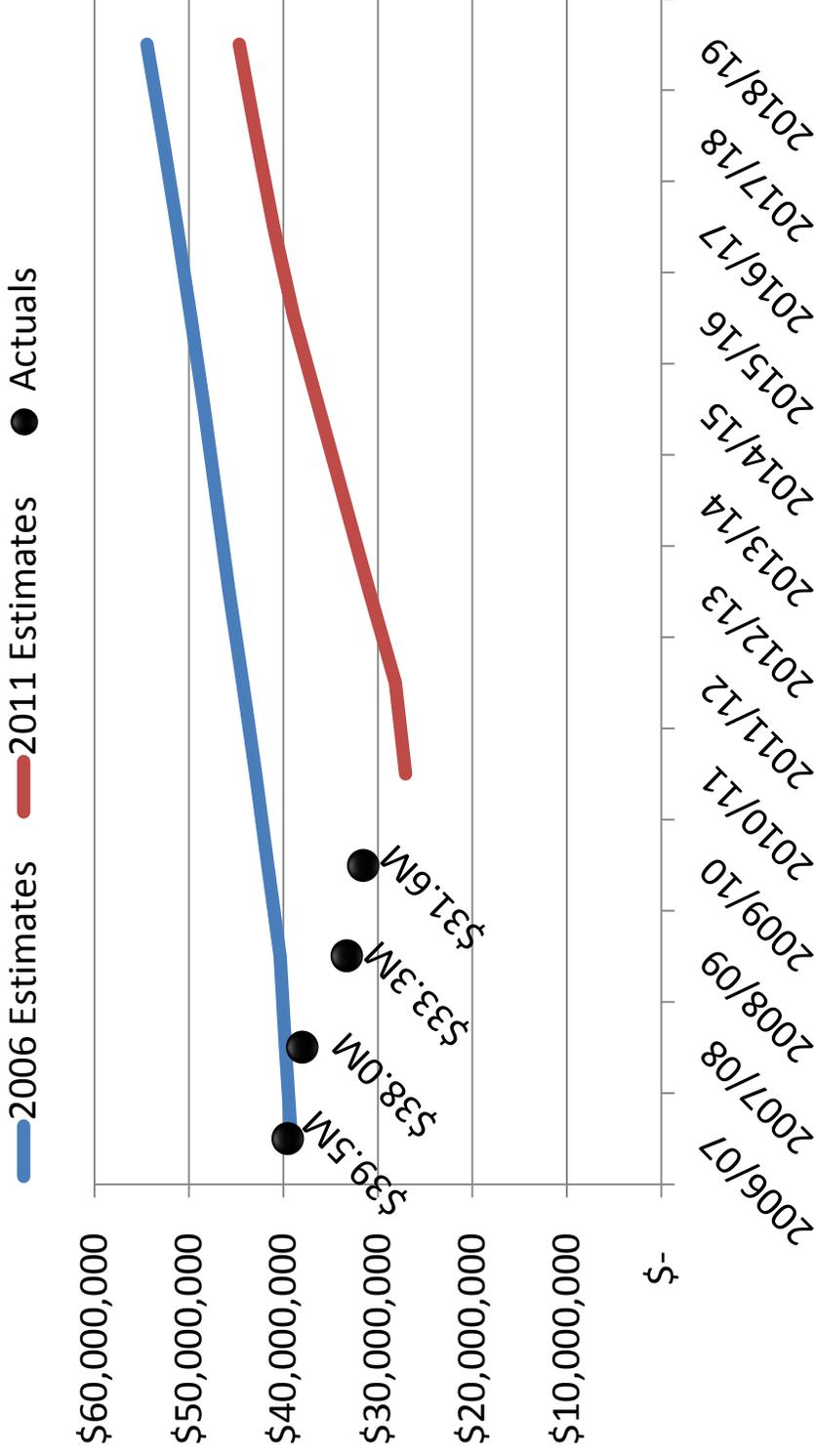
Transportation Sales Tax Revenue Forecasts



Cumulative Shortfall FY06/07-09/10: \$21.9M

Cumulative Shortfall FY06/07-18/19: \$155.3M

HURF Revenue Forecasts



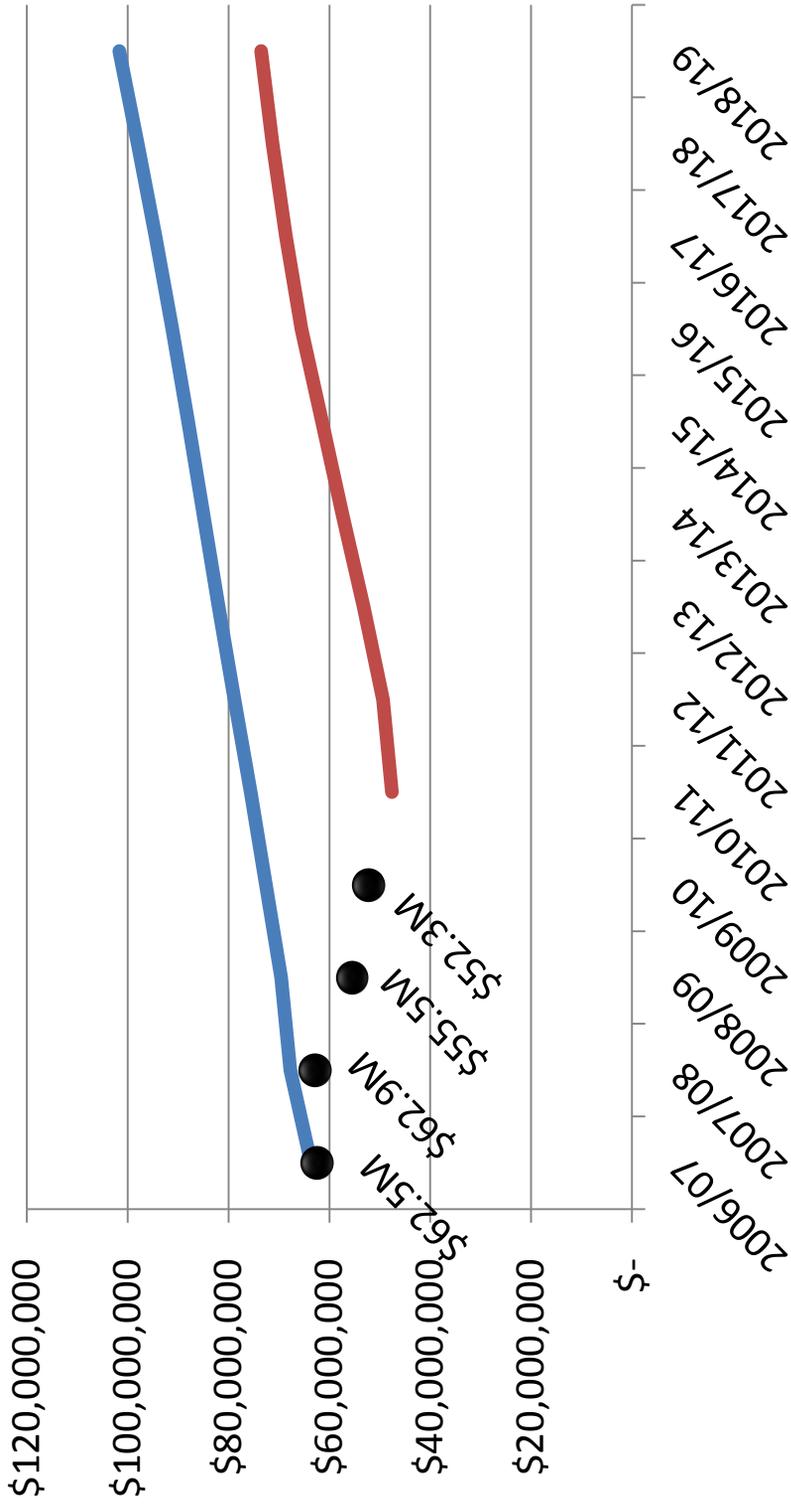
Cumulative Shortfall FY06/07-09/10: \$18.5M

Cumulative Shortfall FY06/07-18/19: \$131.9M

Transportation Combined

Restricted Funding

— 2006 Total Est Funding
 — 2011 Total Est Funding
 ● Total Actual



Cumulative Shortfall FY06/07-09/10: \$40.5M
Cumulative Shortfall FY06/07-18/19: \$287.3M

Environmental Compliance Fee (ECF)

- Eligible Activities
 - Street Sweeping & Storm Drain Maintenance
 - Air Quality/Shoulder Stabilization
- Budgeted ECF Amounts:

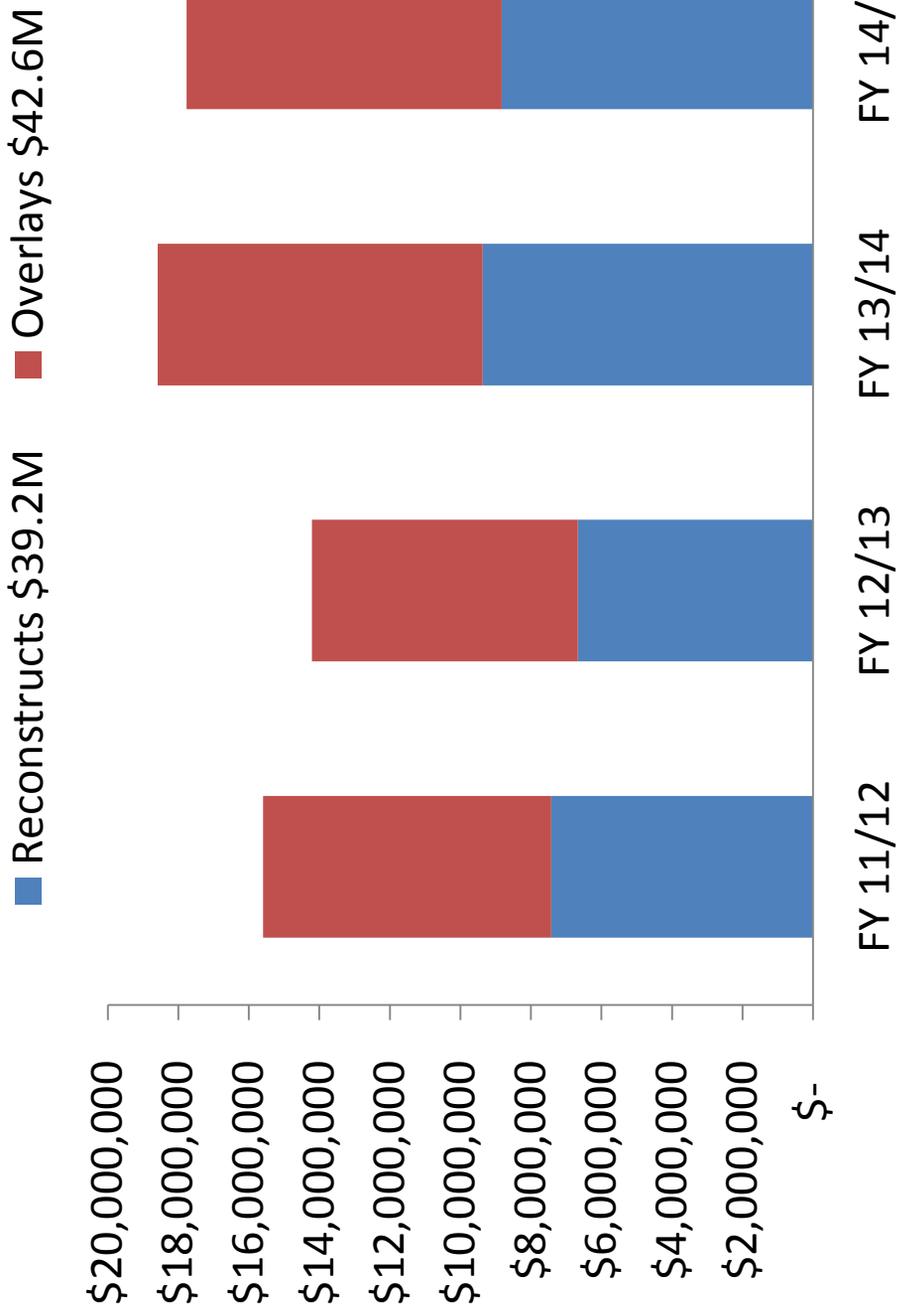
	FY 09/10	FY 10/11	FY 11/12
Amount	\$ 932,368	\$ 829,279	\$ 0

Tentative FY 11/12 ECF Eligible Activities

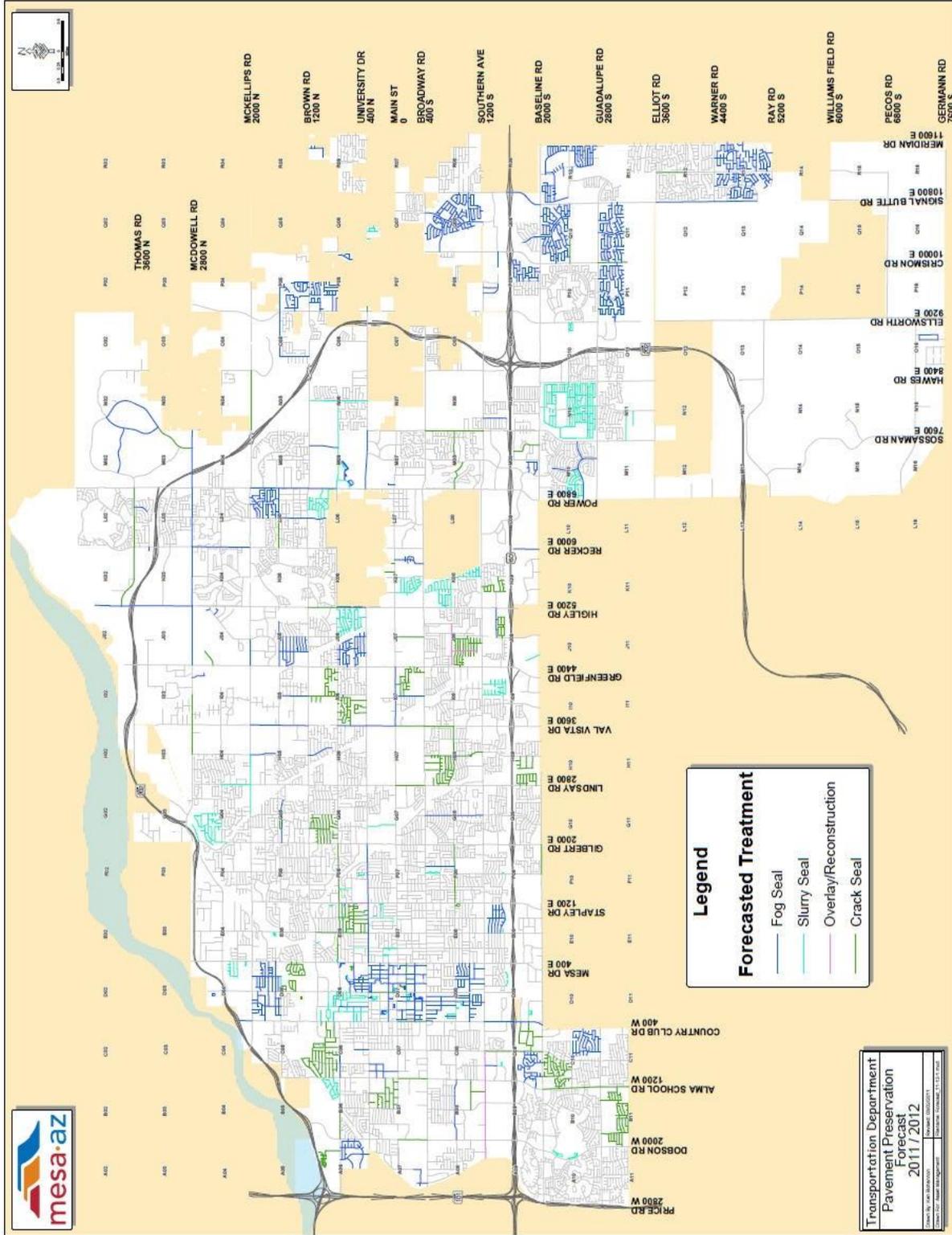
Activity	Amount
Street Cleaning	\$ 2,196,335
Storm Drain Maintenance	\$ 947,708
Total	\$ 3,144,043

\$0.25 fee generates \$481,998/year

5-Year Pavement Reconstruct & Overlay Needs



FY 11/12 Pavement Preservation Forecast



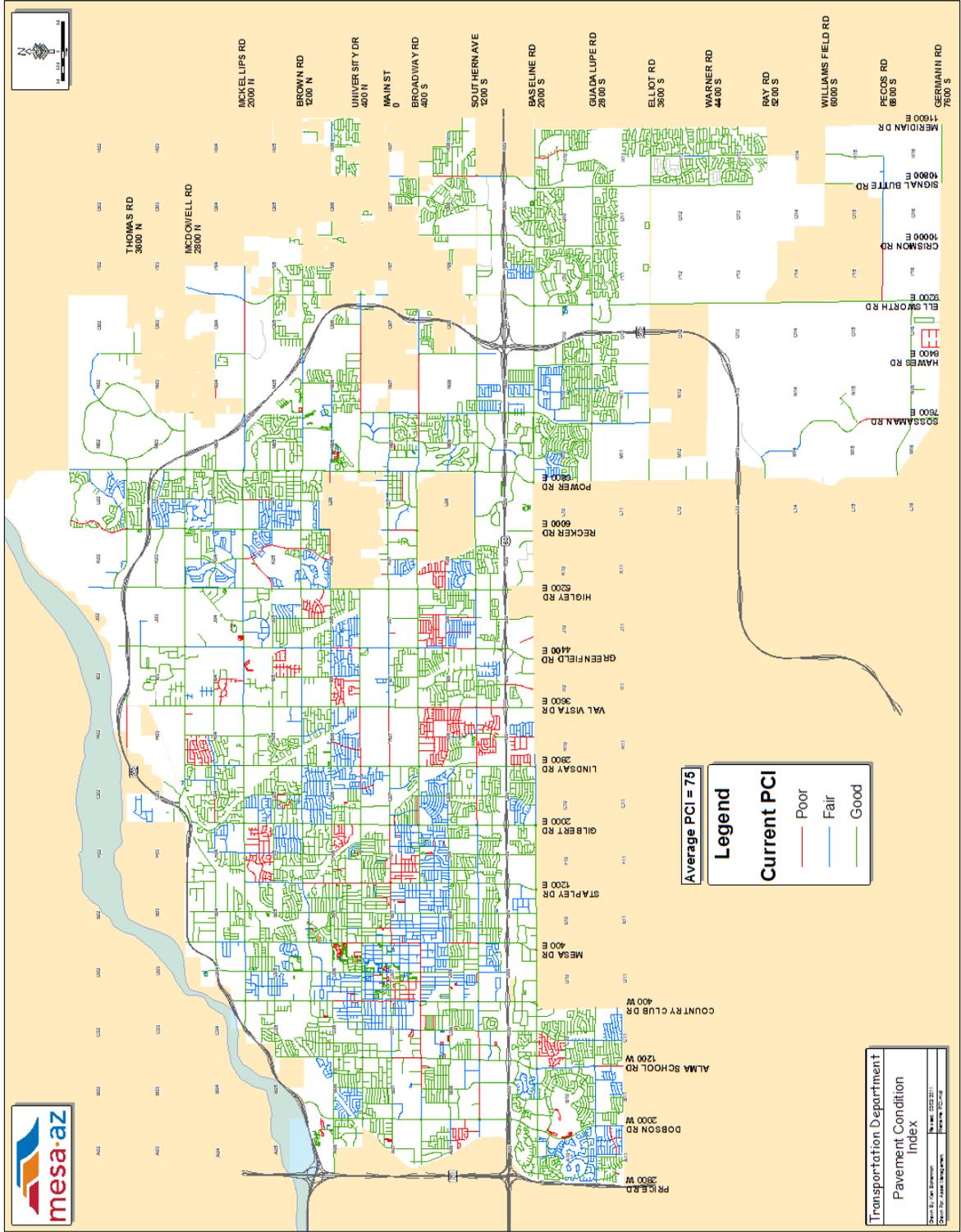
Legend

Forecasted Treatment

- Fog Seal
- Slurry Seal
- Overlay/Reconstruction
- Crack Seal

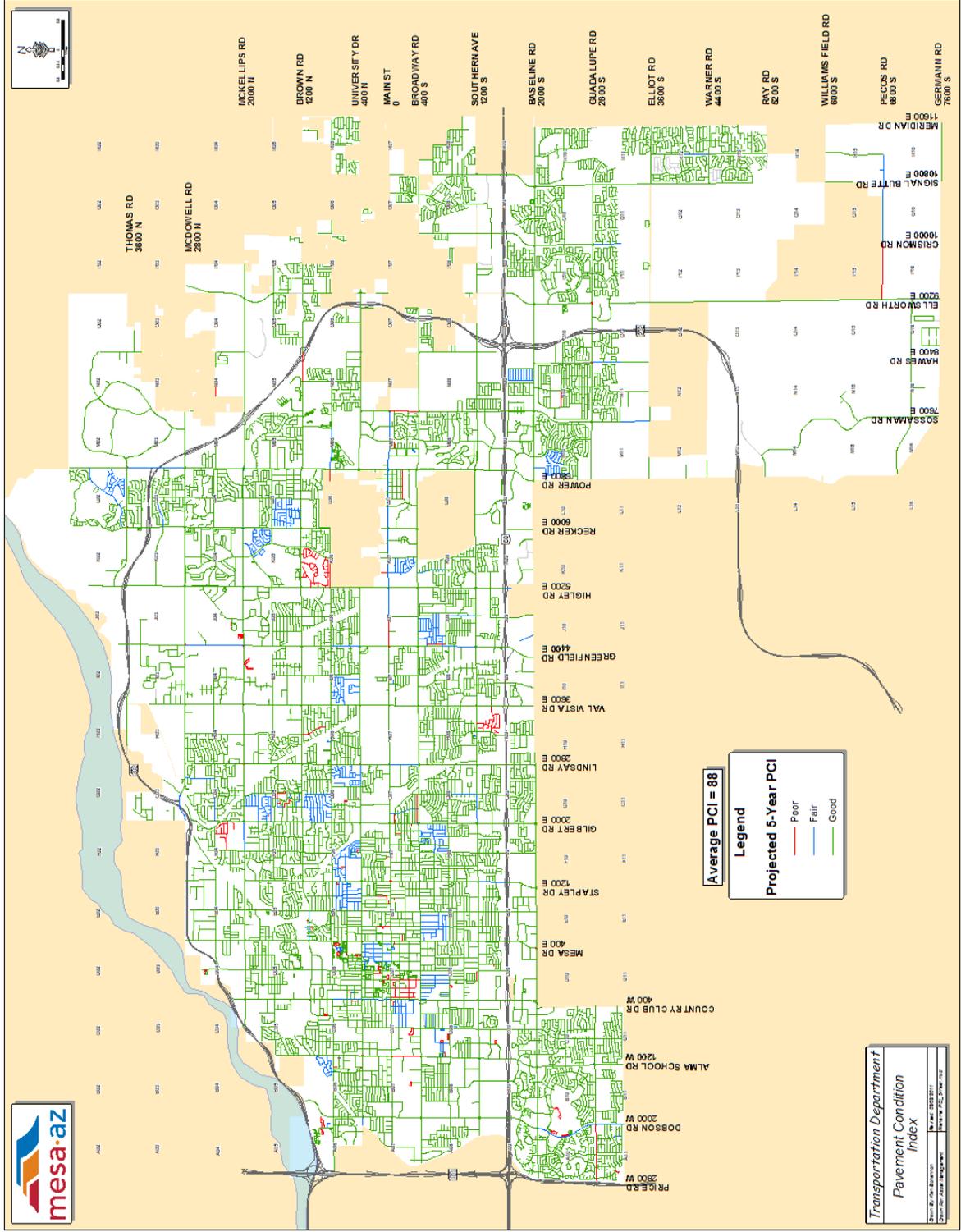
Transportation Department
 Pavement Preservation
 Forecast
 2011 / 2012
DATE: 07/20/2011 10:48:00 AM
 DRAWN: C. GARDNER
 PROJECT: 11111111

Current Pavement Condition



Projected 5-Year Pavement Condition

Full Overlay Funding: \$42.6M & Full Reconstruct Funding: \$39.2M



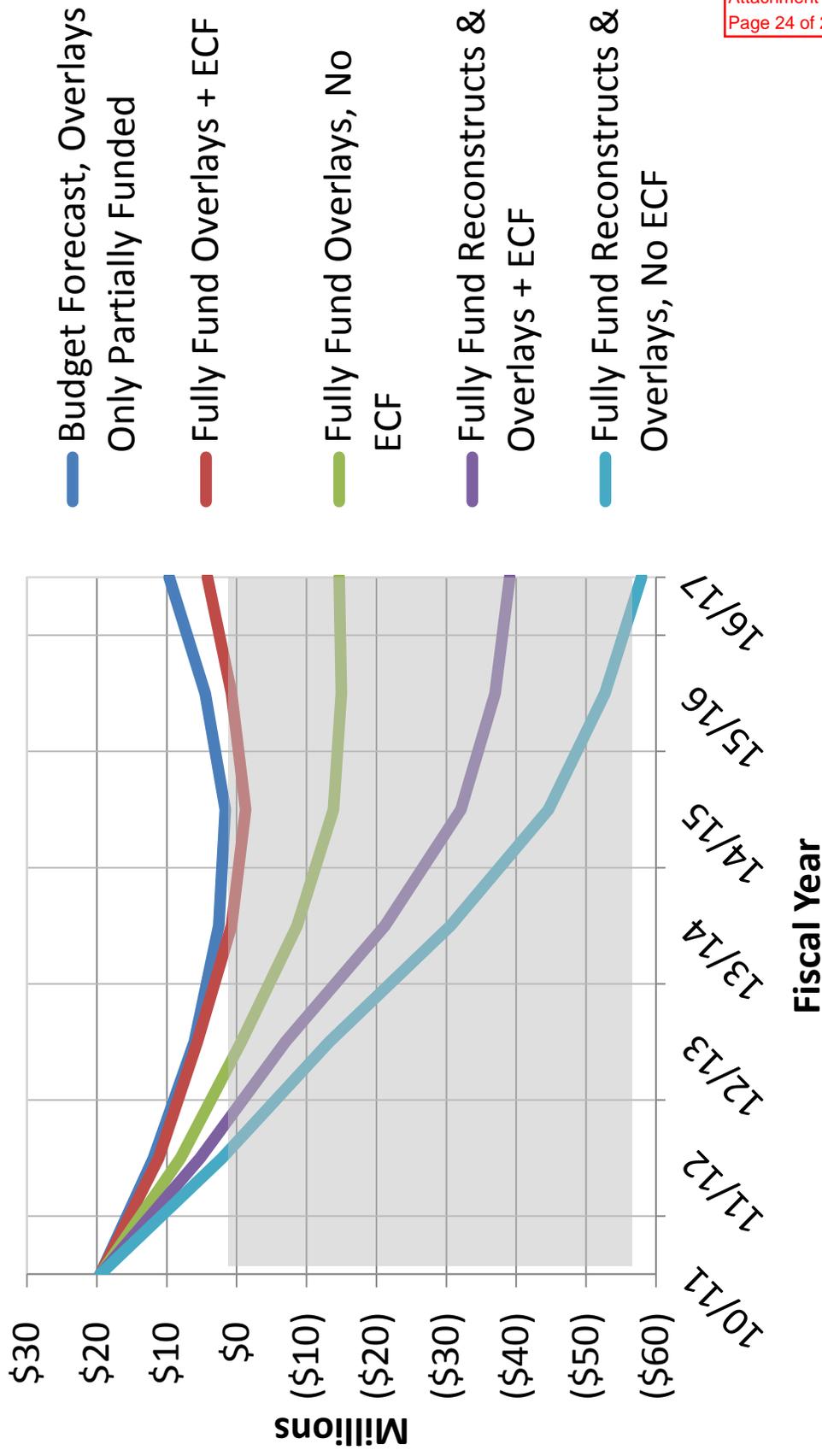
HURF Impact On Overlays

- Five Year Forecasted Overlay Needs
 - \$42.6M over five years = 503.9 lane-miles
- Five Year Budgeted Overlay Program
 - \$23.5M over five years = 278.7 lane-miles
- State Shared Revenue Policy/HURF Loss Impact
 - \$18.5M over five years = 218.8 lane-miles

Fund Balance Pressures

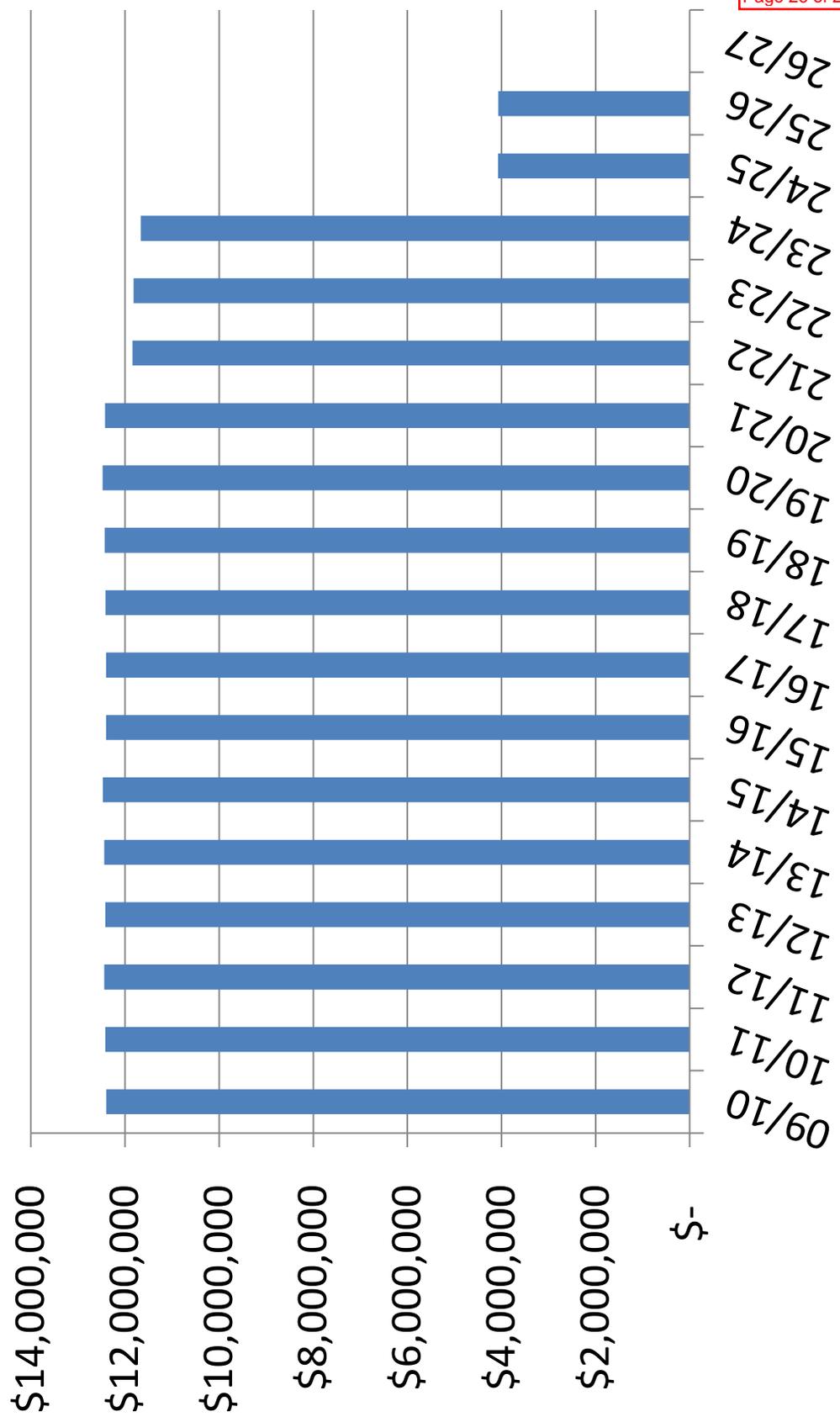
- Redirected HURF Monies (\$3.7M/yr)
 - MVD: \$1.9M/yr
 - DPS: \$1.1M/yr
 - 3% HURF: \$0.7M/yr
- Pavement Overlay Needs
- Redirected Environmental Compliance Fee (\$1M/yr)
- Business Services (\$330K/yr)
- Local Match for Grants and Projects (Varies)

Ending Fund Balance Scenarios



Questions?

HURF Debt Service Schedule



Falcon Field Airport Enterprise Fund FY2011-12 Budget and Financial Overview



Mayor and City Council
April 14, 2011

Falcon Field Successes



- 2010 Airport of the Year – ADOT
- Safety Award - FAA/Aviation Safety Advisory Group
- 780+ Based Aircraft
- 110 Businesses/970+ Employees
- 60% improvement - ratio of aircraft operations to noise complaints

Recent Capital Improvements

- Runway Safety Area Expansion
- Runway Safety Area Improvements
(Both are 'Fly Friendly' Program Projects)
- Hangar area pavement replacement
- Taxiway 'B' intersection
re-configuration design



Recent Funding Challenges

- Tenants cancelled ground leases when they couldn't get bank financing to develop
- State grant funds were swept by legislature
- *Non-grant* capital projects are being deferred until the economy recovers



5-Year Financial Projection

	Actual	Budget	Projected							
	FY2009-10	FY2010-11	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15	FY2015-16		
Beginning Fund Balance	\$4,945,741	\$4,815,651	\$4,815,651	\$3,626,238	\$3,566,698	\$3,706,109	\$4,037,868	\$4,211,062	\$4,211,062	\$4,211,062
Operations Revenues	\$3,129,350	\$3,150,000	\$3,165,681	\$3,197,338	\$3,229,311	\$3,261,604	\$3,294,220	\$3,294,220	\$3,294,220	\$3,294,220
Operations Costs	-\$2,576,797	-\$2,727,000	-\$2,836,149	-\$2,883,829	-\$2,833,150	-\$2,912,895	-\$2,995,032	-\$2,995,032	-\$3,079,633	-\$3,079,633
Net Operating Income	\$552,553	\$423,000	\$329,532	\$313,509	\$396,161	\$348,709	\$299,188	\$214,587	\$214,587	\$214,587
Net CIP Expenditures	-\$682,643	-\$3,410,000	-\$1,518,945	-\$373,049	-\$256,750	-\$16,950	-\$125,995	-\$100,288	-\$100,288	-\$100,288
Total Ending Fund Balance	\$4,815,651	\$1,828,651	\$3,626,238	\$3,566,698	\$3,706,109	\$4,037,868	\$4,211,062	\$4,325,361	\$4,325,361	\$4,325,361
Reserve Fund	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Fund Balance for Future Capital	\$2,815,651	-\$171,349	\$1,626,238	\$1,566,698	\$1,706,109	\$2,037,868	\$2,211,062	\$2,325,361	\$2,325,361	\$2,325,361
Future Grant Projects (Airport Portion Only)										\$1,500,000
Future Grant Projects (Non-Grant Capital)										\$825,361
Future Non-Grant Capital Projects										\$4,715,000
Shortfall										-\$3,889,639

Proposed 5% Budget Reduction



Amount: \$74,258

- Pavement Maintenance: \$59,258
(Coincides with new Pavement Preservation
Plan completed in cooperation with Streets
Division)
- Non-Capital Assets: \$15,000

Taking Falcon Field to the Next Level (Grant Eligible)

Safety:

- Reconfigure Taxiway B
- Replace Falcon Ramp
- Construct mid-field taxiway
- Install Automated Surface Observing System
(also Fly Friendly)
- Install Airfield Lighting Improvements
(also Fly Friendly)

Economic Development:

- Eastside Taxiway Construction



Taking Falcon Field to the Next Level (Non-Grant)

Landside Improvements:

- Landscaping (internal & perimeter)
- Street Lighting
- Directional/Wayfinding Signage
- Airport Entrances
- Re-Develop Falcon Field Park Area/New Terminal Building



Conclusion

- Falcon Field Airport continues to remain financially self-sustaining
- Fund Balance will continue to be drawn down to pay for capital projects if revenues continue to remain 'flat'



Conclusion

- Airport must continue to closely monitor expenses and...
- Continually seek out new revenue sources to achieve its long-term capital improvement objectives



Questions?

