

COUNCIL MINUTES

April 17, 2014

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 17, 2014 at 7:30 a.m.

COUNCIL PRESENT

Alex Finter
Christopher Glover
Dennis Kavanaugh
David Luna
Dave Richins

COUNCIL ABSENT

Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Dee Ann Mickelsen

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

Mayor Finter excused Councilmember Somers from the entire meeting.

1. Review items on the agenda for the April 21, 2014 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: None

2-a. Hear a presentation, discuss and provide direction on FY 14/15 utility rate adjustments.

Office of Management and Budget Director Candace Cannistraro and Budget Administrator Jared Askelson addressed the Council relative to this item.

Ms. Cannistraro displayed a PowerPoint presentation (**See Attachment 1**) and reported that although each utility within the Enterprise Fund is operated as a separate business center, the Fund itself is managed as a whole. She explained that the combined ending reserve balance will adhere to the adopted financial policy of at least 8% to 10% per year over the forecast period. She also stated that the reserve balance can be used to “smooth” the rate adjustments on a year-to-year basis.

Ms. Cannistraro advised that capital investment is necessary in order to strategically position the City for future economic development and residential growth (i.e., water and wastewater infrastructure). She commented that the Enterprise Fund is affected by similar inflationary pressures as the General Fund. She cited, by way of example, that the cost of fuel and parts for the City's fleet of vehicles has caused inflationary pressures in the Solid Waste Department. She added that the Department was in the process of converting its fleet to Compressed Natural Gas (CNG) in order to "cap off" some of those expenses in the future.

Ms. Cannistraro briefly reviewed additional pressures in the Enterprise Fund, such as the Employee Benefit Trust Fund and increased Workers' Compensation contributions. (See Page 4 of Attachment 1) She said that the total transfer amount from the Enterprise Fund is recommended to increase based on inflationary pressures.

Ms. Cannistraro provided a short synopsis of various water projects that have been or are soon to be completed. (See Page 5 of Attachment 1) She pointed out that the completed projects were funded by bonds and stated that the debt service on the bonds, which is being paid off, is included in the forecast. She also discussed the upcoming Water Capital Improvement Program (CIP) projects that will be funded through the proposed November 2014 Bond Election. (See Page 6 of Attachment 1) She further commented that the annual debt service costs are expected to increase by \$12.1 million by FY 18/19.

Discussion ensued relative to the process by which the water utility rate is structured; that staff considers the service charge, which is a fixed amount, as opposed to a variable amount based on consumption (See Page 8 of Attachment 1); that water consumption is variable based on factors such as the economy and climate; that the City's water bills have increased over time, but water consumption per account has decreased; that per the Council's direction, the service charge revenue should be targeted at 40% of expenditures; that such revenue is currently at 33%; that staff would propose a service charge increase of \$3.00 per month for the average resident, with a 3.5% increase on all other rate components; and that the average water utility customer's bill would increase from \$39.69 to \$43.32.

Councilmember Richins stated that in the upcoming fiscal year, he would propose that staff consider developing an infrastructure rate, which would cover, for example, the cost of the water treatment plants, water lines, and the associated debt service, and another rate for the water. He stated that in conjunction with such efforts, the City could implement a water conservation program to educate its customers. He also suggested that perhaps the water bill of a person residing in a Salt River Project (SRP) or Central Arizona Project (CAP) service territory should include certain costs associated with the conveyance of water from those providers.

Ms. Cannistraro continued with her presentation and reported that a new rate is being proposed for large turf facility untreated water service. She explained that such a rate would address the development of several new golf courses that will require water service. She stated that in FY 14/15, staff anticipates that the new rate will generate \$125,000 in revenue and increase to \$250,000 annually in the future.

Ms. Cannistraro further spoke regarding the various wastewater projects that have been or are soon to be completed this year, as well as Wastewater CIP projects that will be included in the proposed 2014 Bond Election. (See Pages 12 and 13 respectively of Attachment 1) She also discussed the wastewater utility rate recommendations (See Page 14 of Attachment 1),

including a service charge increase of \$2.00 per month, with a 4% increase on all other rate components. She added that the average wastewater utility customer's bill will increase from \$25.53 to \$27.96.

City Manager Christopher Brady clarified that with respect to the water and wastewater utility rate adjustments, staff proposes to move forward with significant improvements on the capital side to position the City for significant growth in the community and specifically in southeast Mesa. He explained that the proposed rates would not only cover existing debt, but also pay for future infrastructure costs. He pointed out that staff's forecast model meets growth in the near future and includes a conservative assumption with respect to how fast that growth will take place. He stated that if growth occurs faster than expected, such infrastructure costs would be offset sooner than anticipated.

Ms. Cannistraro reported, in addition, that with respect to the City's electric and gas rates, the commodity costs are passed through directly to the customers based on the cost of the respective commodity. She noted that equipment and technology costs to support system optimization and planned maintenance are also passed through to the customers. She advised that the City compares its rates with SRP's since City electric service is not offered throughout Mesa. She stated that staff would propose a monthly service charge of \$10.50 per month as compared to SRP's comparable rate component of \$17.00 per month. She also highlighted the electric utility rate recommendations. (See Page 16 of Attachment 1) She added that the average residential rate would increase from \$45.19 to \$45.98, not including the pass through electric commodity costs.

Ms. Cannistraro further reviewed the natural gas utility rate recommendations and reiterated that the commodity costs are passed through directly to the customers. She explained that the annual debt service costs are expected to increase by more than \$3 million by FY 18/19. She also remarked that the average residential gas customer's bill would increase from \$25.18 to \$26.32, not including the pass through natural gas commodity costs.

Ms. Cannistraro highlighted the solid waste utility rate recommendations. She explained that various issues have impacted the rate, such as the increase in vehicle usage and landfill costs, as well as the implementation of a new software system to increase productivity and enhance quality service. She stated that the recommendations for solid waste rates include the following: 90-gallon barrel rate would increase from \$23.81 to \$25.45; the Mesa Green and Clean fee would be adjusted from \$0.56 to \$0.65; the average residential customer's bill would increase from \$24.37 to \$26.10; the commercial front load rates would increase by an average of 5.9%; and the roll-off rate would increase by 2.9%.

Ms. Cannistraro also displayed charts illustrating the recommended utility rate adjustments, the average residential monthly customer impact and Enterprise Fund reserves. (See Pages 21, 22 and 23 respectively of Attachment 1) She also reviewed the upcoming timeline for the FY 14/15 utility rate consideration. (See Page 24 of Attachment 1)

Mr. Brady stated that staff will move forward with the recommended utility rate adjustments for adoption by Council. He noted that after the budget is adopted, staff will come back to the Council and begin to discuss the proposed Utility Bond Election in November and the associated dollar amounts.

Mayor Finter thanked staff for the presentation.

2-b. Hear a presentation, discuss and provide direction on the proposed fees and charges for the following:

1. Arts and Culture
2. Business Services
3. Development and Sustainability
4. Environmental Compliance
5. Falcon Field Airport
6. Library Services
7. Solid Waste Management
8. Transportation

Office of Management and Budget Director Candace Cannistraro displayed a PowerPoint presentation (**See Attachment 2**) and stated that on a yearly basis, staff reviews the City's fees and charges to ensure that they align with the operating costs that are expended in order to provide the respective services. She noted that the above-listed departments have recommended adjustments to certain fees or charges.

Ms. Cannistraro offered an abbreviated overview of the proposed fees and charges for Arts & Culture (See Pages 3 and 4 of Attachment 2); Business Services (See Page 5 of Attachment 2); Development and Sustainability (See Page 6 of Attachment 2); Environmental Compliance (See Page 7 of Attachment 2); Falcon Field Airport (See Page 8 of Attachment 2); Library Services (See Page 9 of Attachment 2); Solid Waste Management (See Page 10 of Attachment 2); and Transportation. (See Page 11 of Attachment 2)

Mayor Finter thanked Ms. Cannistraro for the presentation.

2-c. Hear a presentation and discuss the highlights of the Development and Sustainability Department.

Tim Laskowski, a Mesa resident, addressed the Council and expressed a series of concerns regarding the lack of Code enforcement efforts in District 4. He advised that many homes in the area are poorly maintained and stated that the City's current Code enforcement system is "reactive rather than proactive." He also noted that residents are often afraid to call the City and file a complaint regarding the deteriorated condition of a neighbor's home for fear of reprisal. He urged the City to provide funding for more Code Officers so that they can work to restore the area to a more acceptable level.

Development and Sustainability Department Director Christine Zielonka introduced Senior Fiscal Analyst Pam Alexander, who was prepared to assist with the presentation.

Ms. Zielonka displayed a PowerPoint presentation (**See Attachment 3**) and provided an extensive overview of the Development and Sustainability Department, which includes Development Services, Code Compliance and Environmental and Sustainability. (See Page 2 of Attachment 3)

Ms. Zielonka reported that over the past year and a half, the City of Mesa has seen a dramatic increase in construction activity. She displayed a graph illustrating commercial construction valuation, residential construction valuation and the combined revenue. (See Page 3 of Attachment 3) She noted that revenue generated beyond staff's projections has been used to hire temporary workers in Plan Review, Permitting and Inspections in order to meet increased construction demands. She also referenced a diagram reflecting increased development activity as demonstrated by higher revenues. (See Page 4 of Attachment 3)

Ms. Zielonka highlighted a document titled "Average Daily Inspection Stops Per Building Inspector." (See Page 5 of Attachment 3) She pointed out that during the downturn in the economy, the Building Inspectors, in addition to their normal duties, were required to perform Code enforcement and environmental inspection responsibilities. She indicated that with the recent increase in construction and development activity, those individuals no longer have the time to devote to such efforts.

Ms. Zielonka reviewed the Full Time Equivalent (FTE) positions that were added to the Development and Sustainability Department in the past year. (See Page 6 of Attachment 3) She said that staff was in the process of updating the Department's Permitting System and added that it was anticipated that the system would be fully implemented by June 2015.

Ms. Zielonka further remarked that with respect to Code Compliance, the City currently employs seven Code Officers, with two assigned to the Community Development Block Grant (CDBG) designated areas and the others scattered throughout the community. (See Page 9 of Attachment 3) She explained that in District 4, there are some CDBG areas, but concurred with Mr. Laskowski's statement that the City really only has the resources to respond to calls on a complaint basis. She also advised that in the past three years, the City and the West Mesa Community Development Corporation (West Mesa CDC) have successfully collaborated in an effort to clean up many neighborhoods in west Mesa.

Councilmember Kavanaugh remarked that one of the Council's key priorities is to hire more Code Officers and stated the fact that item is not included in the proposed budget is discouraging. He commented that not only does the Council receive Code complaints from their constituents on a continuous basis, but they also file many complaints on their own. He further noted that there is an expectation in the community that the economy is beginning to improve and that the City should return to a more proactive Code enforcement process.

Councilmember Glover concurred with Councilmember Kavanaugh's comments. He indicated that he was under the impression that the City was going to add at least two Code Officers in the upcoming budget cycle and expressed disappointment that was not the case. He stated that he would "take the lead" to hire at least two more Code Officers this year and add to that number each and every year in the future. He added that in an effort to not burden the General Fund, perhaps staff could explore alternative sources from which the Code Officers could be funded.

Ms. Zielonka responded that staff would work with the City Manager's Office to address the Council's suggestions and concerns in this regard. She stated that she envisions her staff, in collaboration with Solid Waste, Neighborhood Outreach, and the Housing and Community Development Departments, working with various non-profits and residents with the goal of

cleaning up entire blocks in a neighborhood at one time. She noted that the City could supply various equipment, including dumpsters, as part of those efforts.

Councilmember Glover acknowledged the efforts of the West Mesa CDC in working to clean up neighborhoods. He stated, however, that it was imperative that the City participate in such efforts, which is the reason more Code Officers should be hired this year and beyond.

City Manager Christopher Brady clarified that just since January, construction activities have decreased. He explained that staff is confronted with the dilemma of how far should the City extend its resources beyond current revenues. He acknowledged that many City departments have a variety of wants and needs, but indicated that management's policy with respect to the budget has been to "hold the line." He suggested that perhaps one option would be for the City to delay the hiring of new Code Officers until January 2015 and assess whether the economy has recovered or, in the alternative, consider other funding options that might be available.

Mayor Finter suggested that staff conduct further research with respect to possible funding options. He cautioned, however, that it was important to remain sensitive to other City departments that also have significant needs that are not being met in the proposed budget.

Ms. Zielonka continued with her presentation and discussed various programs that the Development and Sustainability Department has worked on in collaboration with other City departments. She cited, for example, the Mesa Police Department (MPD) often receives calls regarding unsafe structures that are being used by squatters or for drug activities. She said that the Development and Sustainability Department, in conjunction with a variety of other departments, has been successful in razing such buildings in order to maintain a safe neighborhood for the surrounding residents.

Ms. Zielonka, in addition, highlighted the Environmental and Sustainability Department and reported that the Household Hazardous Waste Program is one of its most successful events. She explained that over the past five years, the City has collected more than 226,000 gallons of waste during the event.

Ms. Zielonka further reported that the Environmental and Sustainability Department has also been successful in applying for more than \$650,000 in grants in FY 2013/14; initiated programs to increase the energy efficiency of various City buildings; and installed solar panels at a number of City buildings. (See Page 14 of Attachment 3)

Mayor Finter thanked staff for the presentation and commended the entire Development and Sustainability Department for their professionalism and hard work.

2-d. Hear a presentation, discuss and provide direction on HOME funding allocations and priorities for projects requesting City participation in their applications for the Arizona Department of Housing's Low Income Housing Tax Credit (LIHTC) Program FY 14/15.

Housing and Community Development Department Director Tammy Albright displayed a PowerPoint presentation (**See Attachment 4**) and reported that four entities are applying for the Arizona Department of Housing's Low Income Housing Tax Credit (LIHTC) Program for FY 2014/15 for various projects. She explained that the entities are seeking the City's participation in this process through the allocation of Home Investment Partnerships Program (HOME) funds.

Ms. Albright advised that several weeks ago, the Council approved a Substantial Amendment, which allowed the City to allocate prior year HOME funds for rental housing. She noted that the April 21, 2014 Regular Council meeting agenda includes a resolution which, pending Council adoption, would allow FY 2014/15 HOME monies to be allocated in a similar manner. She added that the combined funds total approximately \$1.4 million.

Ms. Albright further remarked that the City has received four requests, which total an estimated \$1.5 million. She said that it was the recommendation of the Mesa Housing and Community Development Board (MHCD) that all four projects were worthy of being funded. She also indicated that the City has sufficient monies to fund three projects, but commented that if all four projects were awarded tax credits, there would be a \$90,000 shortfall.

Ms. Albright provided a short synopsis of the four projects, including the location, target market, the requested amount of funding and the MHCD Board's recommendations for funding as follows: Sycamore Station Apartments (See Pages 3 through 5 of Attachment 4); El Rancho II (See Pages 6 through 8 of Attachment 4); Encore on First West (See Pages 9 through 11 of Attachment 4); and La Mesita Phase III. (See Pages 12 through 14 of Attachment 4) She pointed out that if all four projects receive tax credits, the MHCD Board recommended that the La Mesita project be fully funded and that the requests of the three remaining projects each be reduced by \$30,303.

Ms. Albright concluded her presentation by stating that per the Substantial Amendment, the Council is required to make the final decision with respect to the funding recommendations.

Councilmember Richins voiced concern regarding market absorption as it relates to tax credit projects in Mesa. He commented that in the past few years, several such projects have been completed and noted that some tax credits have been re-syndicated and "flown under the radar."

Councilmember Richins commented that in his opinion, the Sycamore Station Apartments is the right project, but has the wrong financing mechanism. He stated that from a market standpoint, the financing "will cause problems." He noted, in addition, that student housing would not qualify for the LIHTC Program, although the location of the proposed development is perfectly placed between Arizona State University (ASU) and some of Mesa's downtown colleges to capture the student population. He further remarked that at the present time, the City should be cautious with respect to supporting this project. He added that he fully supports funding the other three projects.

Councilmember Kavanaugh advised that according to the federal guidelines, part-time students could live at the Sycamore Station Apartments, but not full-time students. He acknowledged that the project is geared toward families and said he was hopeful that there would be opportunities for students to reside there as well. He stated that the Sycamore Station Apartments was "a good project" and received a high ranking from the MHCD Board. He noted that although he was supportive of the project, he was disappointed with the federal restrictions.

In response to a question from Mayor Finter, Ms. Albright clarified that in all likelihood, staff will not know until June which projects, if any, receive a tax credit.

Mayor Finter stated that perhaps the Council could reach consensus on the projects that they support and direct staff to gather additional information regarding the Sycamore Station Apartments development.

It was moved by Councilmember Richins, seconded by Councilmember Glover, that El Rancho II, Encore on First West and La Mesita Phase III receive full funding and that the Sycamore Station Apartments project be tabled until staff conducts further investigation in this regard.

Upon tabulation of votes, it showed:

AYES – Finter-Glover-Luna-Richins

NAYS – Kavanaugh

Mayor Finter declared the motion carried by majority vote of those present.

2-e. Hear a presentation and discuss a Major General Plan Amendment for property located north of McDowell and east of Higley Roads.

Planning Director John Wesley displayed a PowerPoint presentation (**See Attachment 5**) and briefly discussed the steps that must be undertaken in order to submit a Major General Plan Amendment. (See Page 2 of Attachment 5) He explained that this year, the City received two applications and stated that both applicants submitted preliminary proposals and are currently soliciting input from staff. He also noted that in early May, the applicants will file follow-up submittals, after which time they will no longer be able to make changes to their respective proposals.

Mr. Wesley indicated that the first proposal, GP Major 14-01, is known as the Longbow proposal. He said that he was seeking input from the Council, which would be conveyed back to staff and the applicant so that the proposal can be modified prior to its final submission in May.

Mr. Wesley displayed two maps illustrating the location of the proposed development in the existing General Plan and the proposed designation. (See Page 3 of Attachment 5) He remarked that the 305-acre site is located on the north side of McDowell Road between Higley and Recker Roads and includes the Longbow golf course area. He pointed out that currently, most of the area is designated as Business Park (BP), with a piece north of Longbow Parkway up to the 202 Freeway designated as Community Commercial (CC). He explained that the BP designation is primarily a low-impact type of development that allows for industrial uses and commercial uses as an employment-type area. He noted that the CC area would consist of primarily retail uses that could develop along the north side of the site.

Mr. Wesley, in addition, reported that the proposal is to designate the entire area as Mixed Use/Residential (MU/R), which is generally an employment designation, but allows up to 30% of the property to be used for residential uses at a minimum of 15 units per acre. He pointed out that since the property is located in the Falcon Field area, any change from an employment designation to a residential use requires a Major General Plan Amendment.

Responding to a question from Councilmember Luna, Mr. Wesley clarified that with the density range required by the MU/R zoning designation, he could envision some attached, single family

homes. He noted, however, that most likely, the type of housing would be apartment complex type development.

Councilmember Kavanaugh commented that at first blush, he had many reservations with respect to the proposal and said he would suspect that Falcon Field residents and businesses have similar concerns. He noted, in addition, that he would assume that the Economic Development Advisory Board (EDAB) and the City's Economic Development staff would also have questions concerning moving residential uses into the BP zoning district.

Councilmember Kavanaugh further remarked that although the Council is a long way away from voting on this matter, he would like to send a signal to the applicant that the proposal is something that the Council "needs to look very long and hard at" and to seek advice from EDAB, staff and Falcon Field residents and businesses.

Councilmember Luna concurred with Councilmember Kavanaugh's comments. He stated that residential uses in this area would not be appropriate and added that he would be very reluctant to support any changes in the zoning as currently proposed.

Mr. Wesley continued with the presentation and highlighted a document illustrating the projected impact on jobs and housing in the area per the applicant's proposal. (See Page 4 of Attachment 5) He explained that the applicant estimated that the proposed development, with the addition of housing units, would maintain the same number of jobs in the area as currently exists.

Councilmember Richins inquired how the same number of jobs could be maintained in a proposed residential environment.

Mr. Wesley acknowledged that staff asked the same question as Councilmember Richins. He stated that it was early in the process and noted that staff has not yet conducted an analysis to determine whether the representations made by the applicant were, in fact, accurate.

City Manager Christopher Brady clarified that from an economic development standpoint, it was important to assess what type of jobs would be generated at this site. He commented that MU/R zoning could include service-related jobs, but noted that in the case of light industrial, there would be very different kinds of jobs.

Councilmember Richins stated that the proposal could potentially impact airport operations at Falcon Field. He also commented that although he does not represent the Falcon Field area, he receives e-mails on a weekly basis from individuals complaining about noise at the airport and an ongoing movement to shut down the facility. He further stated that it was shocking to him that an airport could exist for 70 years and people move into the area and complain about noise. He added that residential development would only exacerbate the issue further.

Mr. Wesley concluded his presentation by reporting that the Falcon Field Sub-Area Plan designates the proposed area for BP/employment type uses (See Page 5 of Attachment 5) and explained that the draft of the General Plan update continues the theme of employment for the area. (See Page 6 of Attachment 5) He also remarked that the Planning & Zoning Board (P&Z) reviewed this proposal last night and voiced similar concerns as those expressed by the Council.

Mayor Finter remarked that the Falcon Field area has a \$2.3 billion impact in the community, with it being the home to Boeing, MD Helicopters and many other corporations. He also noted that there has been a history of placing rooftops in some of Mesa's more commercial and economic development-type areas.

Mayor Finter commented that in speaking with Councilmember Luna, who represents the Falcon Field area, as well as City staff, this proposal creates an opportunity to assemble a group of individuals and stakeholders to view these issues on a holistic basis. He stated that it would be important for the group to consider land use issues, infrastructure, aviation concerns, the ongoing successes in the Falcon Field area and which direction it should move in the future. He noted that in the next week or so, he was hopeful that such a committee could be formed, with the goal of developing a strategic vision for the Falcon Field area and, in a short period of time, making some recommendations to the Council in this regard.

Mayor Finter, in addition, expressed concern relative to the proposed residential development and urged staff to work with the applicant in order to "come up with a better plan." He added that he would hate to see the applicant go through the entire Major General Plan Amendment process and suddenly realize that the Council would not support the proposal.

Mayor Finter thanked Mr. Wesley for the presentation.

2-f. Discuss the election of the Office of Mayor; the appointment of the Vice Mayor; and provide direction regarding whether to fill the District 2 Council seat and the selection process for the position.

City Attorney Debbie Spinner addressed the Council and reported that with Mayor Smith's resignation taking effect yesterday and Vice Mayor Finter being sworn in to assume the role of Mayor, a vacancy in the District 2 Council seat has occurred. She explained that since there are more than two years remaining in Mayor Smith's term, the Mesa City Charter requires that the position be filled, along with the selection of Councilmembers for Districts 4, 5 and 6, at the August 26, 2014 Primary Election.

Ms. Spinner advised that the April 21, 2014 Regular Council meeting agenda includes a resolution related to filling the Office of Mayor, as well as Districts 4, 5 and 6 Council seats. She stated that if there is a winner in the Office of Mayor race and a runoff election is unnecessary, that person would be sworn in as Mayor as soon as the election is canvassed and the results are in, which most likely would take place in mid-September.

Ms. Spinner also noted that per the Mesa City Charter, individuals who wish to run for the Office of Mayor have ten days in which to declare their candidacy and file a Statement of Organization with the City Clerk's Office. She pointed out that Monday, April 28, 2014, at the close of business, is the deadline in that regard. She further commented that May 28, 2014 is the deadline for a candidate to submit his or her nomination petitions. She added that a minimum of 1,000 signatures are needed in order for a person to be eligible to run for the Office of Mayor.

Ms. Spinner, in addition, remarked that since Vice Mayor Finter has been sworn in as Mayor, the position of Vice Mayor is now vacant. She said that per the Mesa City Charter, the Council has 30 days, or until May 16, 2014, to fill the position of Vice Mayor.

Ms. Spinner reported that relative to the District 2 Council seat vacancy, the Mesa City Charter allows the Council, if they so choose, to fill the position. She explained that the expectation is that a new Mayor will be elected and Mayor Finter will resume his position as District 2 Councilmember. She advised that the Council can fill the position between now and the time the new Mayor is sworn into office.

Ms. Spinner commented that the issue the Council should decide today is whether they want to fill the vacant District 2 Council seat. She pointed out that the Council has 30 days from the day the Office of Mayor became vacant to make that determination, with the deadline being May 16, 2014. She added that if the Council is prepared to move forward today with that decision, the Study Session agenda includes an item that would allow the Council to enter into Executive Session in order to discuss the matter more thoroughly.

Mayor Finter stated that it was the consensus of the Council that they would prefer to fill the vacant District 2 Council seat.

(The Council adjourned the Study Session and entered into Executive Session.) **(See Agenda Item 4)**

(The Council adjourned the Executive Session and reconvened the Study Session at 9:38 a.m.)

City Manager Christopher Brady stated that per the direction of the Council, staff will move forward with the process of temporarily filling the vacant District 2 Council seat. He advised that applications will be available on the Mayor and Council's web page at mesaaz.gov. He also noted that the deadline for receiving such applications will be Monday, April 21, 2014, at the close of business.

Mr. Brady further remarked that on April 24, 2014, a Special Council Meeting will be held, at which time the Council will nominate an individual to fill the position. He said that it was anticipated that the Council will make their selection that morning, after which the new District 2 Councilmember will be sworn in and participate in the Study Session immediately following the Special Council Meeting. He added that at the May 5, 2014 Regular Council meeting, a formal swearing in ceremony will take place.

Mayor Finter asked that the election of the Vice Mayor be added to the April 21, 2014 Regular Council meeting agenda.

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

- 3-a. Housing and Community Development Advisory Board meetings held November 7 and December 5, 2013, and January 8, January 9 and February 6, 2014.

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

Mayor Finter declared the motion carried unanimously by those present.

4. Convene an Executive Session.

It was moved by Councilmember Glover, seconded by Councilmember Luna, that the Council adjourn the Study Session at 9:11 a.m. and enter into Executive Session.

Mayor Finter declared the motion carried unanimously by those present.

- 4-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))

1. 6350 East Main Street

Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal, or resignation of a public officer, appointee or employee of the City. (A.R.S. §38-431.03A (1))

2. District 2 Councilmember selection process

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

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

6. Scheduling of meetings and general information.

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

Saturday, April 19, 2014, 11:00 a.m. – Wingstock: Where Music and Chicken Meet

Monday, April 21, 2014, TBA – Study Session

Monday, April 21, 2014, 5:45 p.m. – Regular Council Meeting

Saturday, April 26, 2014, 3:00 p.m. – Celebrate Mesa

7. Adjournment.

Without objection, the Study Session adjourned at 9:43 a.m.

ALEX FINTER, MAYOR

ATTEST:

DEE ANN MICKELSEN, 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 17th day of April, 2014. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

pag
(attachments – 5)

City of Mesa

FY 14/15

Utility Rate Recommendations

City Council

April 17, 2014

Presented by the Office of Management and Budget



Enterprise Operations Financial Summaries

- Each utility is operated as a separate business center
- Combined Ending Reserve Balance will adhere to the adopted financial policy of at least 8-10% over the forecast period
- Reserve balance can be used to smooth the rate adjustments year-to-year

Enterprise Operations Financial Summaries

- Capital investment is needed to strategically position the City for future economic development and residential growth
 - Water and Wastewater infrastructure
- The cost of fuel and parts for the City's fleet of vehicles previously covered by other Departmental savings.
 - Solid Waste transition to Compressed Natural Gas (CNG)

Enterprise Operations Financial Summaries

- Employee Benefit Trust—no premium holiday scheduled
- Workers' Compensation—higher City contribution due to increase in claims
- Total Transfer amount from Enterprise fund is recommended to increase based on inflationary pressures

Water Utility Rate Recommendations

Water Projects (Completed 2009-14)

- Upgrade of three pump stations in City Zone
- Sixteen well upgrades (re-equipping and/or re-drill)
- Quarter section waterline replacements
- Waterline replacement projects joint with Transportation
- Brown Rd Water Treatment Plant (BRWTP) belt filter press
- Utility replacements on Main St with Light Rail project
- Reservoir aeration projects for water quality
- Generator installations for upper zone reliability
- Other pump station rehabilitation projects

Water Utility Rate Recommendations

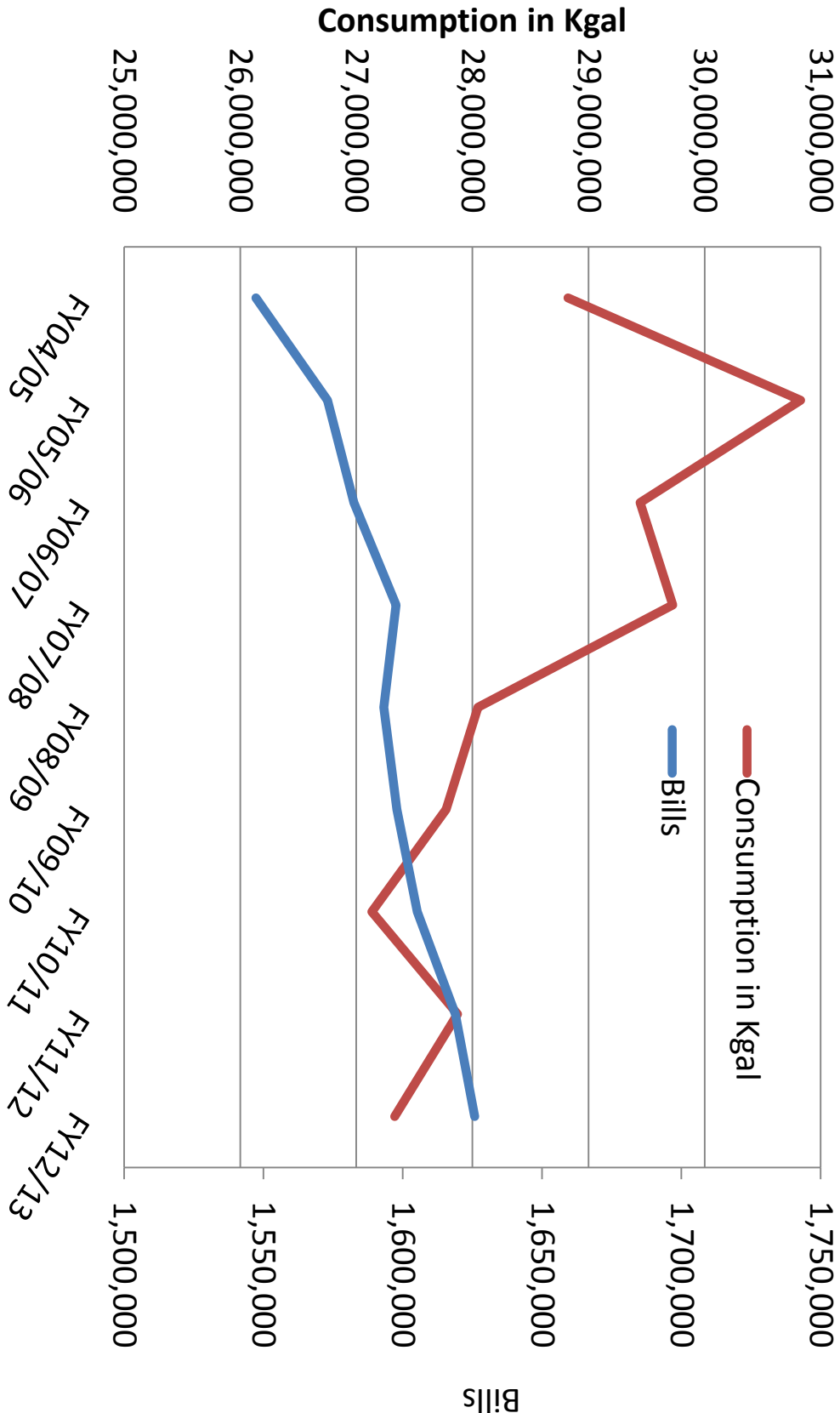
Water CIP

- Life-Cycle Replacements/Reliability
 - Brown Road Water Treatment Plant, Pump Stations, Wells
 - Pipes
- Growth/Economic Development-Residential/Manufacturing
 - Signal Butte WTP: 24 mgd
 - Wells
 - Pipes: Identified to support growth
- Contractual Obligations
 - Water Rights, Val Vista Water Treatment Plant and Transmission Main

Water Utility Rate Recommendations

- Annual Debt Service costs are expected to increase by \$12.1M by FY18/19
 - Includes presented projects
- Signal Butte operating costs scheduled to begin in FY17/18
- Service Charge revenue based on number of bills is more stable than Usage Charge revenue based on consumption

Water Utility Rate Recommendations

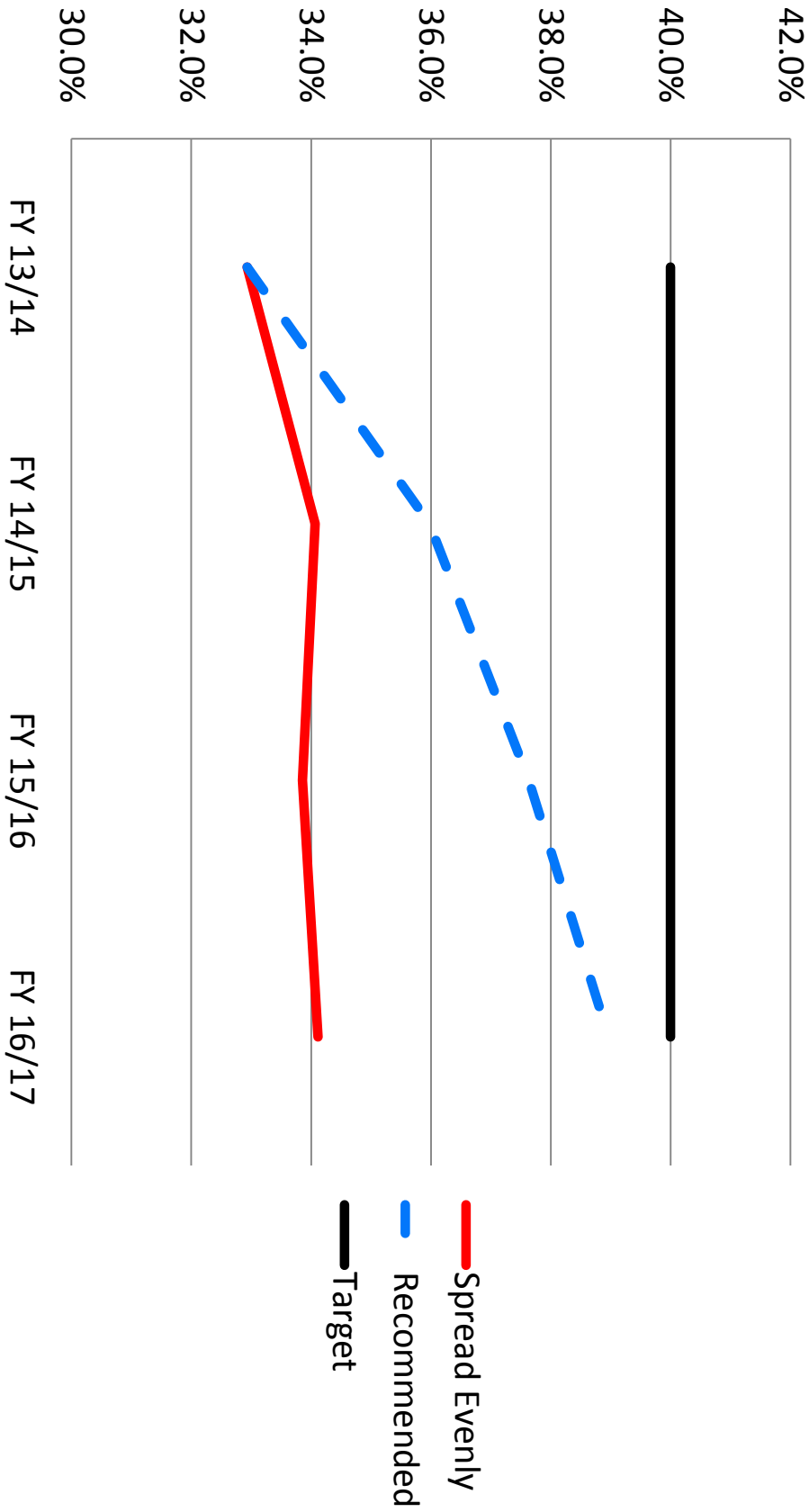


Water Utility Rate Recommendations

- Service Charge revenue targeted at 40% of expenditures
- Currently at 33% and spreading the recommended increase evenly would remain near that level into the future
- Increasing the Service Charge will move revenues closer to the 40% target

Water Utility Rate Recommendations

Water Service Charge as a % of Total Costs



— Spread Evenly
- - Recommended
— Target

Water Utility Rate Recommendations

- Service Charge increase of \$3.00 per month, 3.5% increase on all other rate components
- Average Water Utility customer increases from \$39.69 to \$43.32
- Large Turf Facility Untreated Water Service
 - Anticipated \$125K in FY14/15, \$250K annually thereafter

Wastewater Utility Rate Recommendations

Wastewater Projects (Completed 2009-14)

- Southern Avenue Interceptor rehabilitation
- NWWRP headworks and clarifier rehabilitation
- Citywide sewer manhole rehabilitation
- Citywide sewer rehabilitation
- Southeast WRP disinfection improvements
- Rehabilitation of sewer crossing under US60
- Rehabilitation of existing lift stations and odor control stations

Wastewater Utility Rate Recommendations

Wastewater CIP

- Life-Cycle Replacements/Rehabilitation:
 - Northwest Water Reclamation Plant (NWWRP)
 - Southeast Water Reclamation Plant (SWWRP)
 - Greenfield Water Reclamation Plant (GWRP)
 - Sewer lines, Lift Stations, Odor Control Stations and Manholes
- Growth/Economic Development – Residential & Manufacturing
 - GWRP Expansion: 10 mgd
 - Conveyance lines to support growth
- Contractual Obligations
 - Sub-Regional Operating Group (SROG), 91st Ave. Wastewater Treatment Plant
 - Salt River Outfall and Southern Avenue Interceptor

Wastewater Utility Rate Recommendations

- Annual Debt Service costs expected to increase by \$14.8M by FY18/19
 - Includes presented projects
- Greenfield Expansion operating costs scheduled to begin in FY17/18
- Service Charge increase of \$2.00 per month, 4.0% increase on all other rate components
- Average Waste Water Utility customer increases from \$25.53 to \$27.96

Electric Utility Rate Recommendations

- Commodity costs are passed through directly to the customers
- Equipment and technology to support system optimization and planned maintenance
- Proposed service charge increase remains \$10.50 per month less than SRP's comparable rate component (Monthly Service Charge of \$17.00)

Electric Utility Rate Recommendations

- System Service Charge component for residential is recommended to increase by \$0.79 per month
- System Service Charge for residential customers adjusted from \$5.71 per month to \$6.50 per month
- Average residential customer increases from \$45.19 to \$45.98 not including pass through electric commodity costs
- First proposed increase since FY03/04

Natural Gas Utility Rate Recommendations

- Commodity costs are passed through directly to the customers
- Annual Debt Service costs expected to increase by more than an additional \$3.0M by FY18/19

Natural Gas Utility Rate Recommendations

- System Service Charge component for all gas customers is recommended to increase by \$1.14 per month
- The average System Service Charge for residential customers adjusted from \$11.14 per month to \$12.28 per month
- Average residential customer increases from \$25.18 to \$26.32 not including pass through natural commodity costs

Solid Waste Utility Rate Recommendations

- Vehicle usage and landfill costs are increasing in FY14/15
- CNG conversion underway to reduce future fuel costs
- New landfill and recycling contracts have been negotiated
- Software system to increase productivity and enhance quality service

Solid Waste Utility Rate Recommendations

- Residential 90 gallon barrel rate is recommended to increase from \$23.81 to \$25.45
- Mesa Green and Clean Fee to be adjusted from \$0.56 to \$0.65
- Average residential customer increases by \$1.73 from \$24.37 to \$26.10
- Commercial Front Load rates to be increased by an average of 5.9% and Roll-off by an average of 2.9%

Recommended Utility Rate Adjustments

| | FY14/15 | FY15/16 | FY16/17 |
|-------------|---------|---------|---------|
| ELECTRIC | 2.0% | 2.0% | 2.0% |
| GAS | 3.0% | 3.0% | 3.0% |
| WATER | 7.0% | 7.0% | 7.0% |
| WASTEWATER | 7.0% | 7.0% | 7.0% |
| SOLID WASTE | 6.9% | 6.9% | 6.9% |

Average Residential Monthly Customer Impact

| | Current FY 13/14 | Proposed FY 14/15 | Change |
|----------------------|---------------------|----------------------|---------------|
| Water | \$39.69 | \$43.32 | \$3.63 |
| Wastewater | \$25.53 | \$27.96 | \$2.43 |
| Solid Waste | \$24.37 | \$26.10 | \$1.73 |
| Avg Homeowner | \$89.59 | \$97.38 | \$7.79 |
| Electric | \$45.19 | \$45.98 | \$0.79 |
| Gas | \$25.18 | \$26.32 | \$1.14 |

Enterprise Fund Reserves

| | Estimate 12/13 | Estimate 13/14 | Forecast 14/15 | Forecast 15/16 | Forecast 16/17 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Reserve Balance | \$68,086,000 | \$ 60,407,902 | \$46,042,908 | \$32,254,325 | \$28,186,504 |
| Total Sources | \$315,575,306 | \$333,322,847 | \$328,387,307 | \$350,750,171 | \$373,522,364 |
| Total Uses | \$323,253,404 | \$347,687,841 | \$342,175,890 | \$354,817,992 | \$375,934,906 |
| Ending Reserve Balance | \$60,407,902 | \$46,042,908 | \$32,254,325 | \$28,186,504 | \$ 25,773,963 |
| Ending Reserve Balance Percent* | 26.5% | 19.2% | 12.9% | 10.6% | 9.0% |

*As a % of Next Fiscal Year's Operating, Capital and General Fund portion of Debt Service Expenditures (a subset of total uses)

Does not include the Falcon Field Enterprise

Schedule for FY 14/15 Utility Rate Consideration

May 5 – Introduce Utility Rate Ordinances

May 19 – City Council Action on Utility Rates

July 1 – Effective date for Utility Rate changes



Secondary Property Tax Update



Mesa - Secondary Assessed Valuation

| Fiscal Year | Assessed Value | % Change |
|-------------|-----------------|----------|
| FY 2011/12 | \$3,164,277,000 | -22.7% |
| FY 2012/13 | \$2,770,422,000 | -12.4% |
| FY 2013/14 | \$2,559,634,000 | -7.6% |
| FY 2014/15 | \$2,821,172,000 | +10.2% |

Median Full Cash Value by Property Category

| Property Category | FY 2013-14 Value | FY 2014-15 Value | % Change |
|-------------------|------------------|------------------|----------|
| Residential | \$91,600 | \$109,300 | +19.3% |
| Commercial | \$330,024 | \$322,800 | -2.2% |
| Land | \$22,622 | \$20,900 | -7.6% |

Just Sec Prop Tax Levy for 2013 Public Safety/Streets Bonds

| Fiscal Year | Assessed Value (Billions) | Rate Per \$100 of Value | Levy (Millions) |
|---|----------------------------------|--------------------------------|------------------------|
| FY 2013-14 | \$2.6B | \$0.8636 | \$22.1M |
| | | | |
| FY 2014-15 Base | \$2.8B | \$0.7835 | \$22.1M |
| FY 2014-15 (Public Safety/ Streets Bonds) | \$2.8B | \$0.4018 | \$11.3M |
| | | | |
| FY 2014-15 Total | \$2.8B | \$1.1854 | \$33.4M |

City of Mesa

FY 14/15 Fees & Charges Summary

April 17, 2014

Presented by the Office of Management and Budget



FY 2014-15 Fees & Charges

- Arts & Culture
- Business Services
- Development & Sustainability
- Environmental & Sustainability
- Falcon Field Airport
- Library Services
- Solid Waste Management
- Transportation

Arts & Culture

Various rate changes and the establishment or update of fee ranges

Arizona Museum of Natural History

- Financial Impact \$82,728

Mesa Grande Cultural Park

- Financial Impact \$4,233

(i.d.e.a. Museum)

- Financial Impact \$20,000

Arts & Culture

Mesa Arts Center - Performing Live

- Various Industrial Rates and Commercial Rate for Ikeda Theater, Virginia Piper Theater, Nesbitt-Elliott Playhouse and Cox-Farnsworth Theater
- Financial Impact \$6,200

Business Services

Business Services

- Financial Impact \$36,000
- New \$2 Credit Check Services Fee.
- Provides option to waive a residential deposit based on a credit score.
- Fee covers cost of performing the credit check.

Development & Sustainability

Planning and Development Services

- Financial Impact \$41,991 – Development Services
- Revise the Records Request fee to \$46.00 for one location for the first hour. This fee replaces the non-refundable Research Fee of \$20.00 for a maximum of 5 items per request
- It is recommended that an hourly fee will more accurately align with the full cost of providing the service

Development & Sustainability

- Environmental & Sustainability
- Financial Impact \$3.8 million – Environmental Compliance Fee
- Increase current \$5.38 fee by \$1.94 to \$7.32 per account, per month to cover increased cost
- Fund environmental compliance activities including air quality, stormwater, hazardous waste management, asbestos management, and underground storage tank compliance activities

Falcon Field Airport

- No Financial Impact.
- Delete Tiedown Transfer Fee of \$109 per Transfer.
- Overall demand in the last 5 years has dropped considerably, effectively eliminating any transfers.

Library Services

- Financial Impact \$14,940.
- Small increases in various fees for items like holds not picked up, earbuds, overdue materials, etc.

Solid Waste Management

- Financial Impact \$12,816
- Solid Waste Residential Development Tax
- Increase Single Residence fee from \$185 to \$197
- Fee covers delivery and cost of barrels for new residential service

Transportation

- Financial Impact \$0
- Update fees and deposits charged to contractors that borrow City-owned traffic signal equipment to reflect most current pricing



City of Mesa

Department Overview

April 17, 2014

Presented by the Development and Sustainability Department



Department Overview

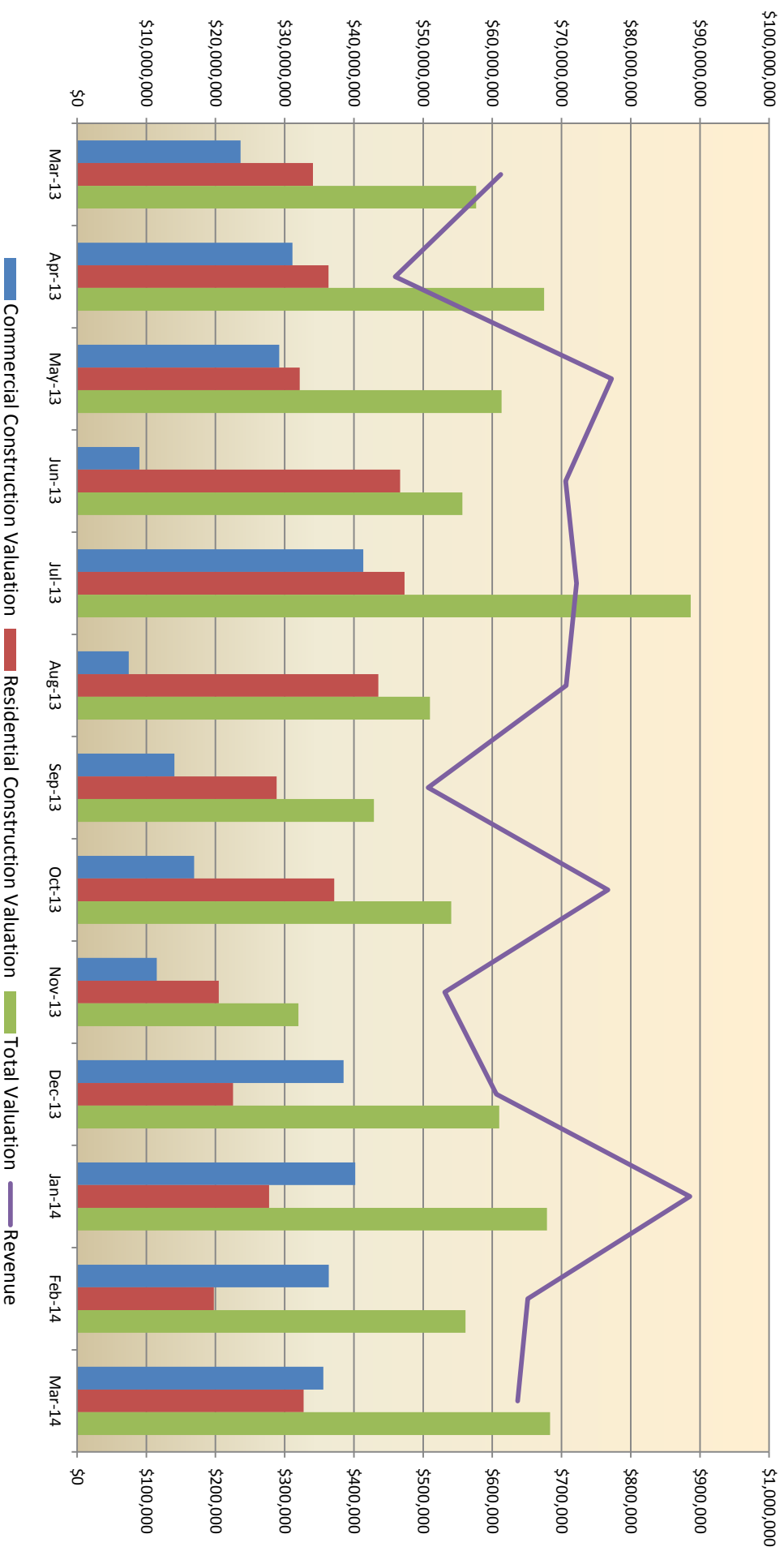
Development Services

- Entitlement/Planning/Zoning/Historic Preservation
- Permitting Services
- Development Plan Review (Infrastructure)
- Building Plan Review
- Building Inspections

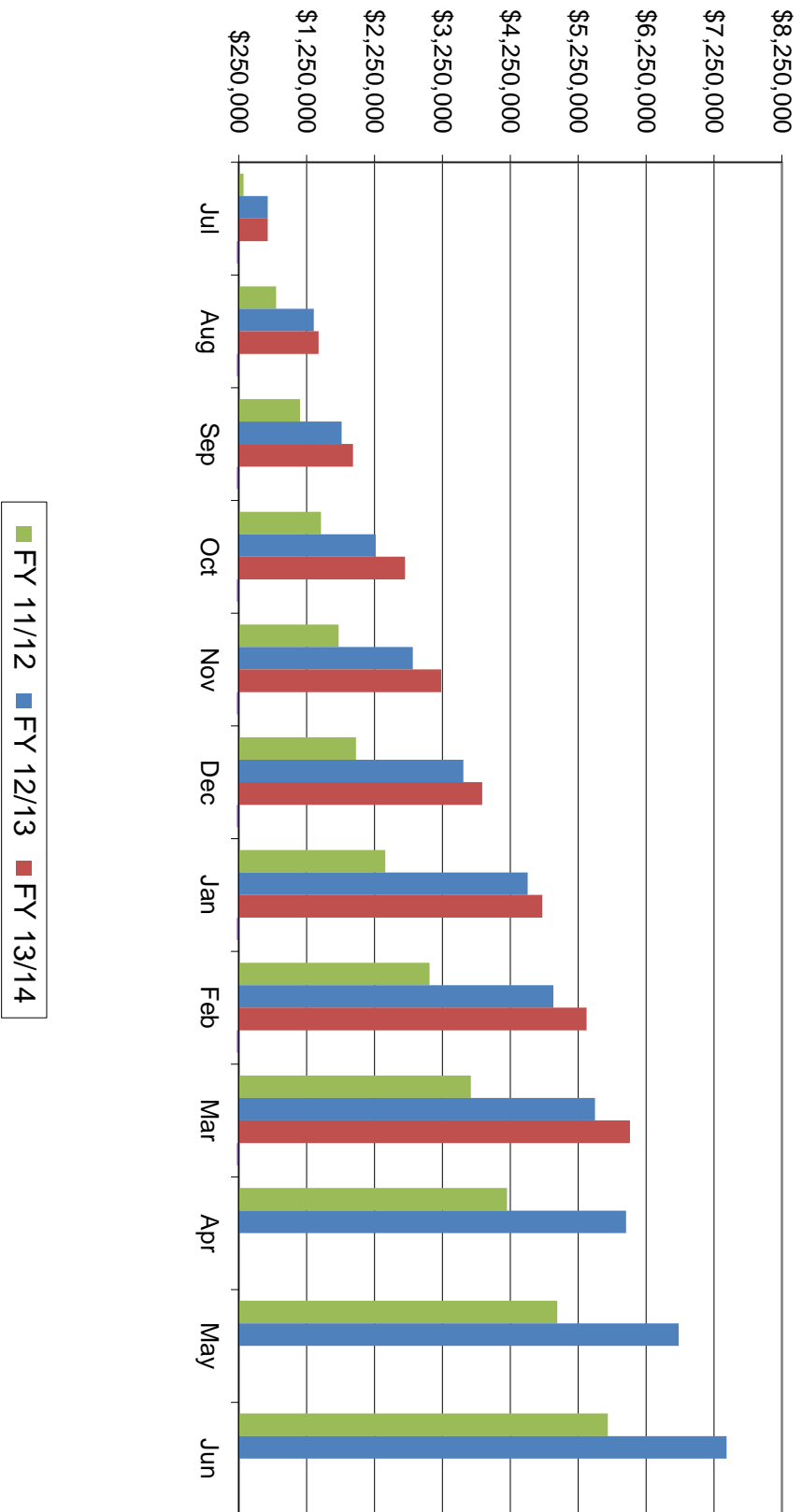
Code Compliance

Environmental and Sustainability

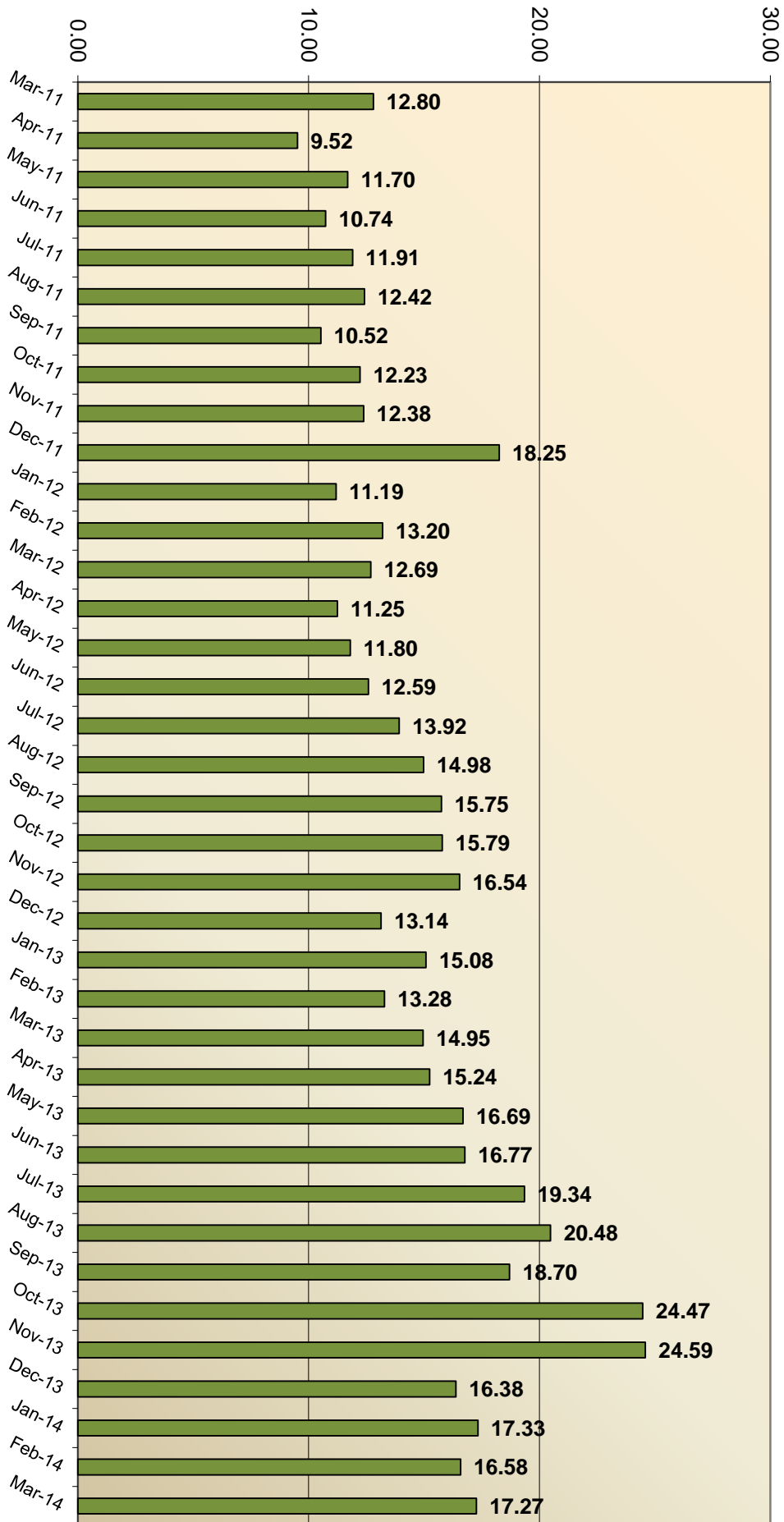
Construction Valuation



Cumulative Year to Date Revenue



Average Daily Inspection Stops Per Building Inspector



Full Time Equivalent Positions Added

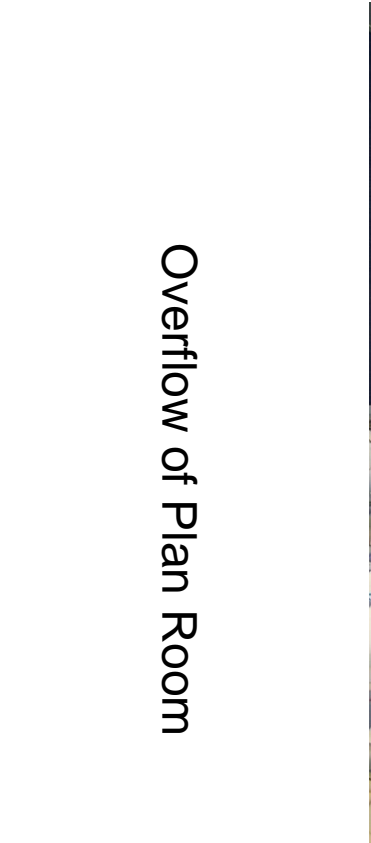
- 3 Building Inspectors
- 2 Planners
- 1 Fire Plans Examiner
- 1 Civil Plans Examiner
- 1 Building Plans Examiner
- 1 Administrative Support Assistant II
- 1 GIS Specialist - Planning
- 1 Environmental Technician
- 0.5 Part Time Over-the-Counter Building Plans Examiner

Plan Room

Plan Room



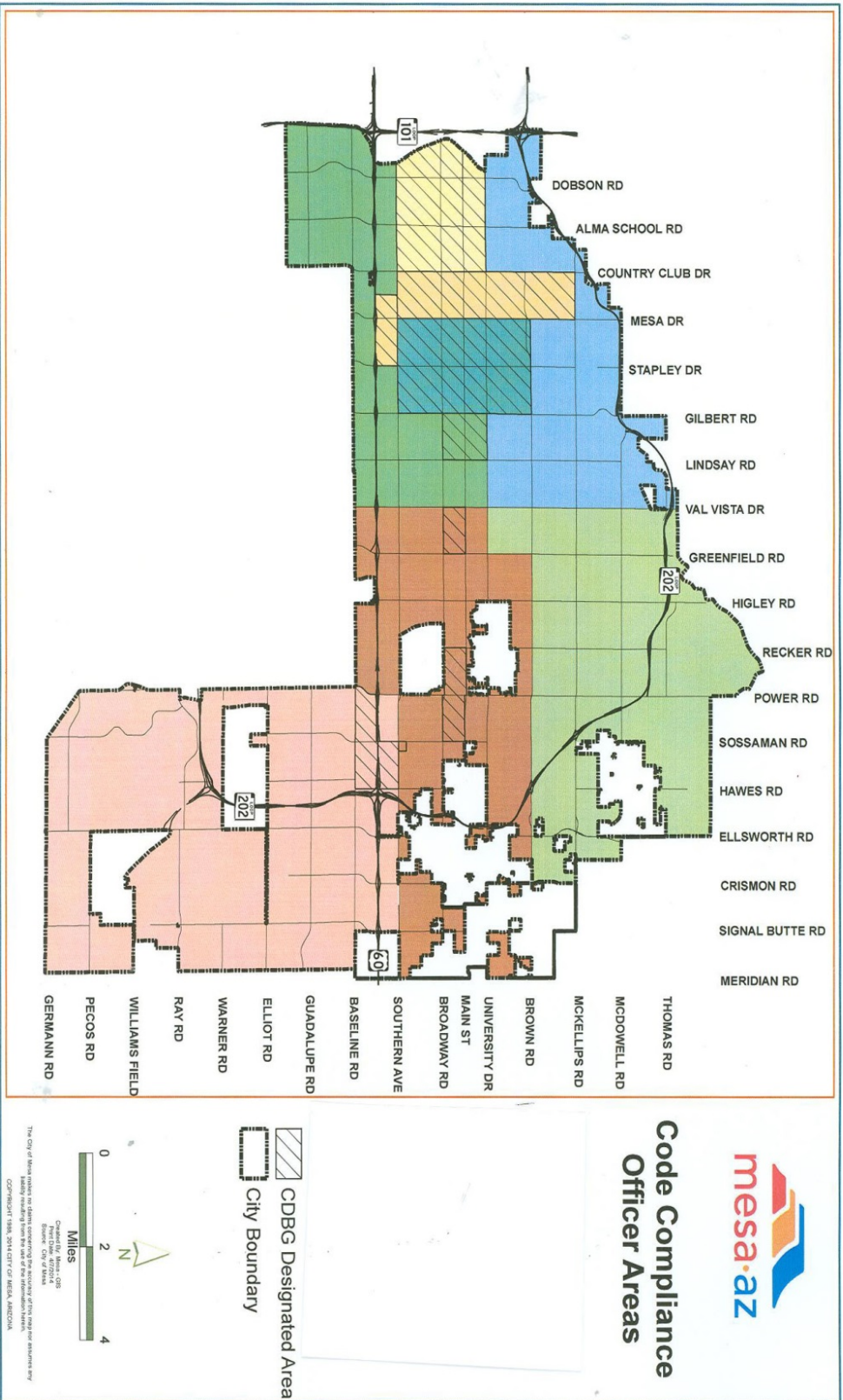
Overflow of Plan Room



Update to Department Permitting System

- Received one-time funding allocation in fiscal year 2013/14.
- Funded by the Technology Fee
- In process of evaluating proposals and demonstrations.
- Expected system implementation by June 2015.

Code Compliance Officer Areas



Code Compliance

- Staffing:
 - 5 General Funded Code Officers
 - 2 FTE + 1 Temporary CDBG Funded Code Officers
 - 1.5 Administrative Staff
- Average number of open cases per code officer: 150 to 250 code cases per month
- Improvement in call routing using Geographic Information System
- Work with Neighborhood Leaders to achieve long-term results
- Abatement/Property Clean-ups

Environmental and Sustainability

Household Hazardous Waste (HHW) Activity Over last 5 Years

- Over 226,000 gallons of waste
- Over 25,000 cars



Environmental and Sustainability

Over \$650,000 in Grants in Fiscal Year 2013/14



Environmental & Sustainability

Building Retro - Commissioning



- Budgeted Current Projects - Convention Center B & C:

- Replace air handler units on B building.
- Rebuild air handler units in C building.
- Add building controls to B & C
- Add plate and frame to separate district cooling from buildings, reduce usage

Main Library:

- Lighting retrofit all 3 floors
- Rebuild air handler units
- Add and upgrade building controls
- Replace outside lighting with LEDs

Solar Locations



**Brown Rd - 70 KW SolFocus
Concentrated Photo Voltaic (CPV)
Dual Tracking System. City owned!**



**FS 219 - 5 KW Photo Voltaic Roof
Mount System and Solar Hot Water**



**Fiesta PD - 272 KW Photo
Voltaic Carport Mount System**



**Multi Gen Center - 294 KW
Photo Voltaic Carport Mount
System**



Tax Credit Project Funding and Prioritization

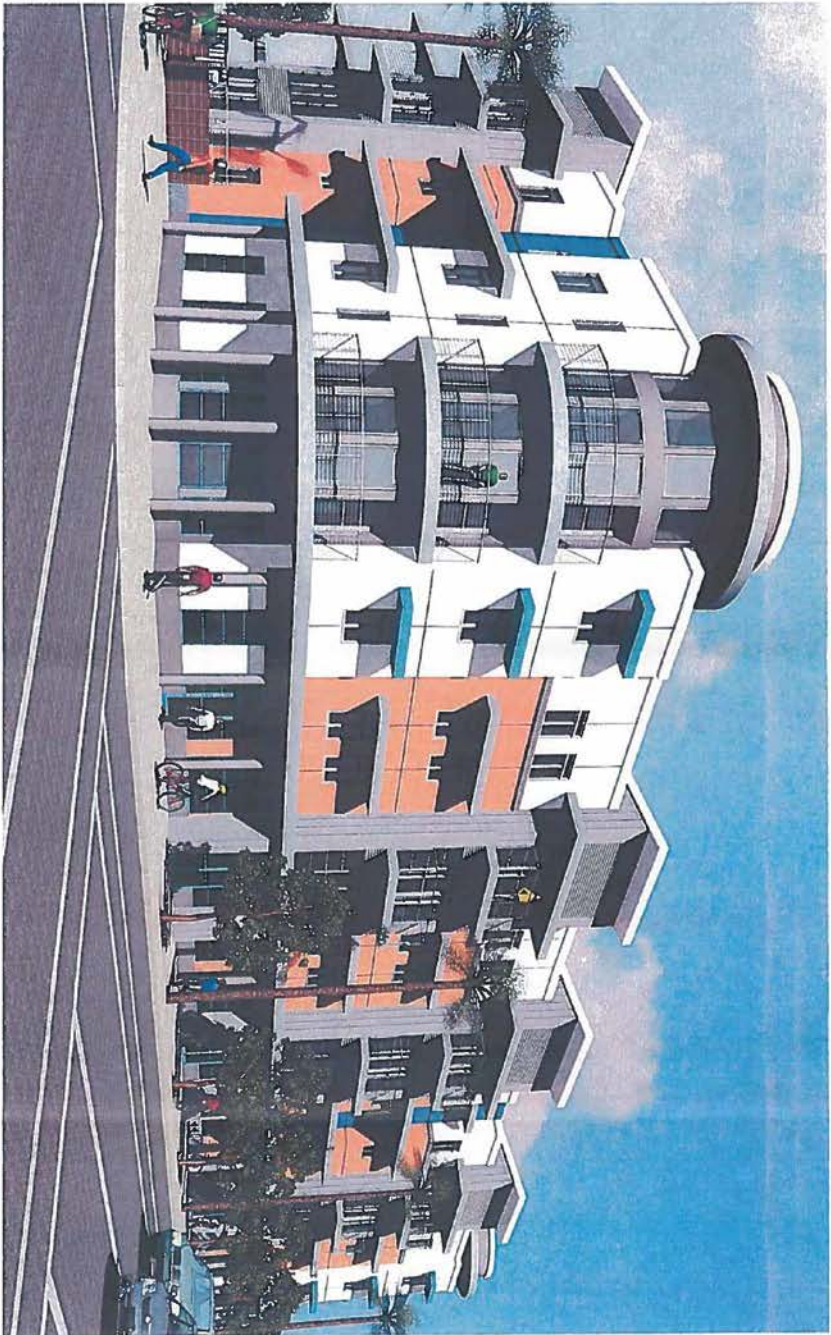


City Council Study Session
April 17, 2014

General Information



- ❧ 4 projects applying for 2014/15 credits.
- ❧ 2% of construction cost required to obtain ADOH points.
- ❧ All are requesting more to assist with long-term financing.
- ❧ City 2014/15 HOME award - \$993,434.
- ❧ City Council approved HOME 2014/15 funds for rental housing - \$576,947.
- ❧ Prior Year available HOME funds - \$872,946.
- ❧ Total available for Projects - \$1,449,893.
- ❧ Shortfall of \$90,907 to fund all projects at requested amounts.



Developed By:
AMCAL
Multi-Housing Inc.

Sycamore Station Apartments
Family Apartment Development
1830 W. Main Street
Mesa, Arizona



Project Summary



| Sycamore Station | 1830 W. Main St | Sub date: 11/11/13 | 4.05 Acres |
|---------------------------------------|--|---------------------------------|---|
| Permanent Multi-family rental housing | New Construction | Property acquisition: 2/1/14 | Target population: Families between 40 – 60% Area Medium Gross Income |
| Total Project Cost: \$18,521,675 | Construction Cost: \$11,600,982 | Includes Davis Bacon cost | Requesting \$365,800 (loan) |
| 82 units / 81 income restricted | Providing 10 HOME assisted units / \$35,550 per unit | Some energy efficiency measures | H & CD Board recommendation: \$335,497 |

EL Rancho II



EL Rancho Phase II

| | |
|------------------------|----|
| Unit Mix | |
| 2 Bedroom Live Work 1: | 4 |
| 2 Bedroom: | 22 |
| 3 Bedroom: | 11 |
| 4 Bedroom: | 10 |
| Total: | 47 |

South Elevation



North Elevation - Beyond



North Elevation - Street Level



El Rancho II

Mesa, Arizona

Building 2

Scale: 1/8" = 1'-0"

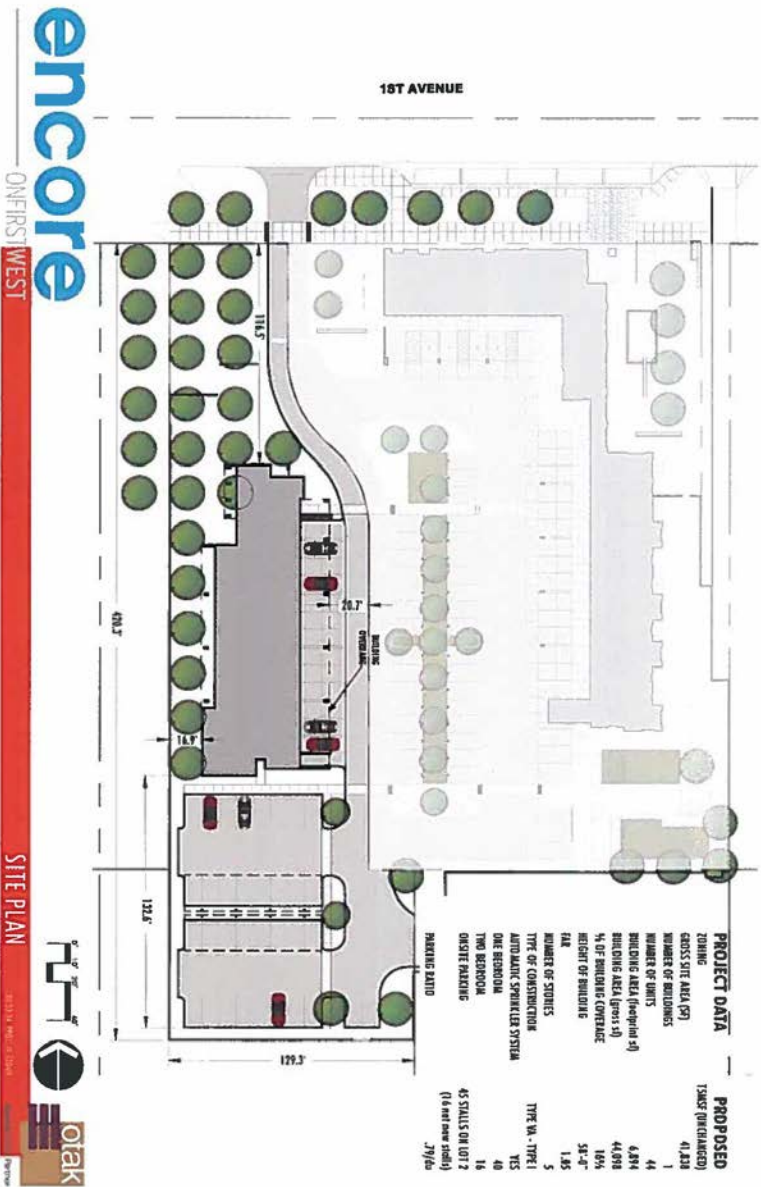
0' 8' 16' 24'

Project Summary



| | | | |
|---------------------------------------|--|-------------------------------|---|
| El Rancho Apt Phase II | 659 E. Main Street | Sub date: 1/23/14 | 1.36 Acres |
| Permanent Multi-family rental housing | Acquisition / Demolition & New Construction | Property acquisition: 11/1/14 | Target population: Families between 40 – 60% Area Medium Gross Income |
| Total Project Cost: \$15,115,660 | Construction Cost: \$10,182,199 | Includes Davis Bacon cost | Requesting \$300,000 (loan) |
| 47 units / 46 income restricted | Providing 2 HOME assisted units / \$134,849 per unit | LEED Certification | H & CD Board recommendation: \$269,697 |

Encore on First West





VIEW LOOKING NORTH



VIEW LOOKING SOUTH



BUILDING ENTRY



VIEW LOOKING EAST

encore

ON FIRST WEST

PERSPECTIVE VIEWS

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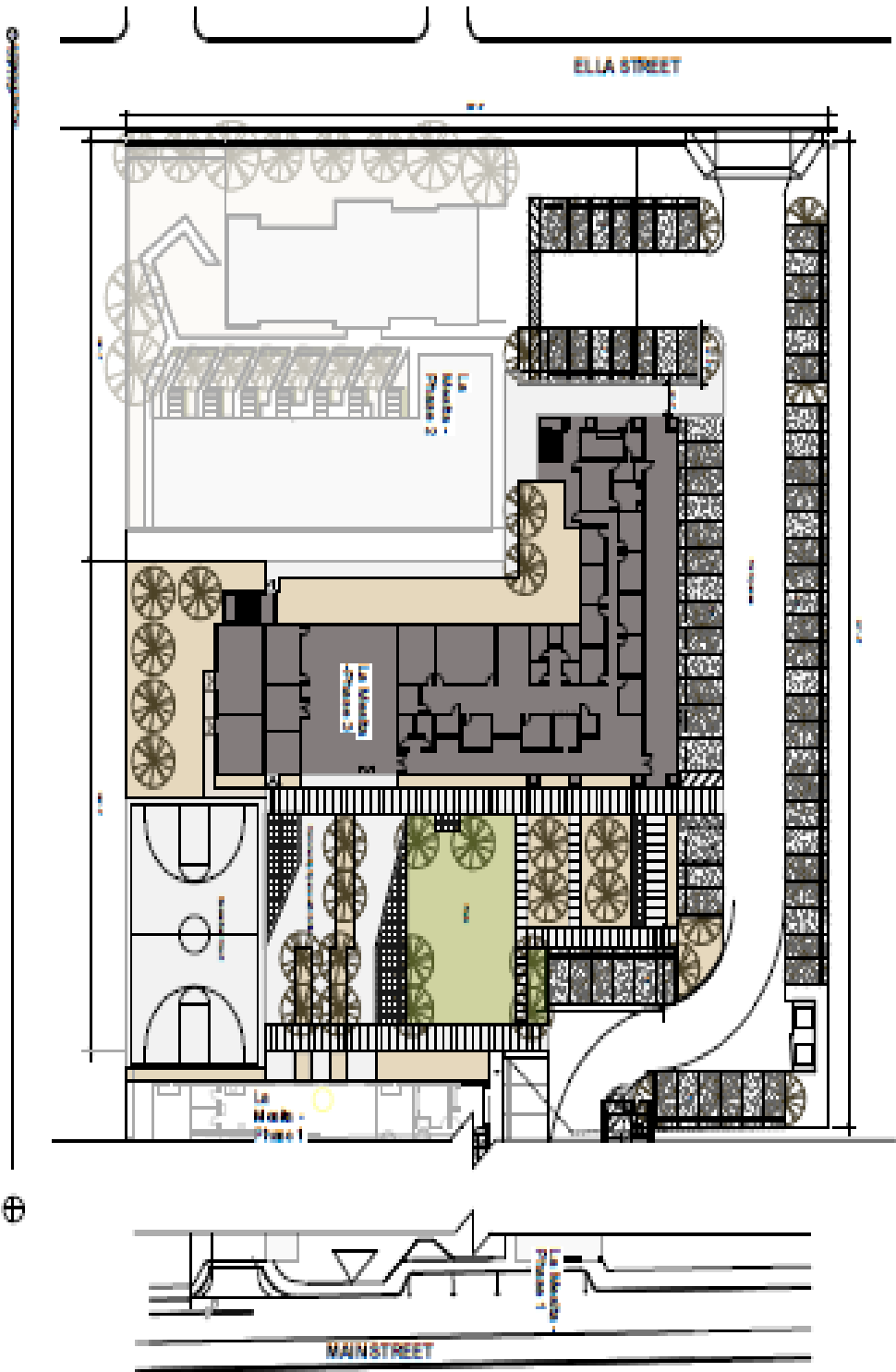


Project Summary



| Encore on First West | 47 W. First Ave | Sub date: 2/4/14 | 0.96 Acres |
|---------------------------------------|--|---------------------------------|--|
| Permanent Multi-family rental housing | New Construction - target state date is late 2014 | Property acquisition: 10/1/12 | Target population: Seniors (55+) between 40 - 60% Area Medium Gross Income |
| Total Project Cost: \$8,400,000 | Construction Cost: \$5,725,000 | No Davis Bacon Required | Requesting \$750,000 (loan) |
| 44 units / 44 income restricted | Providing 6 HOME assisted units / \$119,950 per unit | Some energy efficiency measures | H & CD Board recommendation: \$719,697 |

La Mesita Phase III



SITE PHOTOGRAPHS



Looking north across the METRO Light Rail line along the west property line of Phase I.



Looking north across the METRO Light Rail line along the east property line. The subject is located beyond the second building.

Project Summary



| La Mesita Phase III | 2254 W. Main St | Sub date: 2/17/14 | 1.33 Acres |
|--|---|-----------------------------------|---|
| Permanent Supportive Multi-family rental housing – special needs | Acquisition / Demolition & New Construction – target state date is March 2015 | Property acquisition: 11/26/08 | Target population: Chronically Homeless Households with very low Income |
| Total Project Cost: \$7,826,305 | Construction Cost: \$4,900,336 | Includes Davis Bacon / Sec 3 cost | Requesting \$125,000 (loan) |
| 30 units / 30 income restricted | Providing 1 HOME assisted units / \$125,000 per unit | LEED Certification “GOLD” | H & CD Board recommendation: \$125,000 |

Board Recommendation



- ☞ Fund all projects that receive Arizona Department of Housing Low Income Tax Credits
- ☞ Should all four receive tax credits :
 - ☞ Fully fund La Mesita - \$125,000
 - ☞ Reduce each of the three remaining projects by \$30,303
- ☞ Total HOME funds available \$1,449,893
- ☞ Total Board Recommendation \$1,449,891

?



Final

Recommendations

2014 Major General Plan Amendments

City Council
April 17, 2014

Process Overview

- ▶ Applications due April 1
 - ▶ 2 applications received
- ▶ Follow submittals May 6
- ▶ 60-day review June – July
- ▶ P&Z hearings August and September
- ▶ Earliest Council hearing October 20

GP Major 14-01 - Longbow

Existing

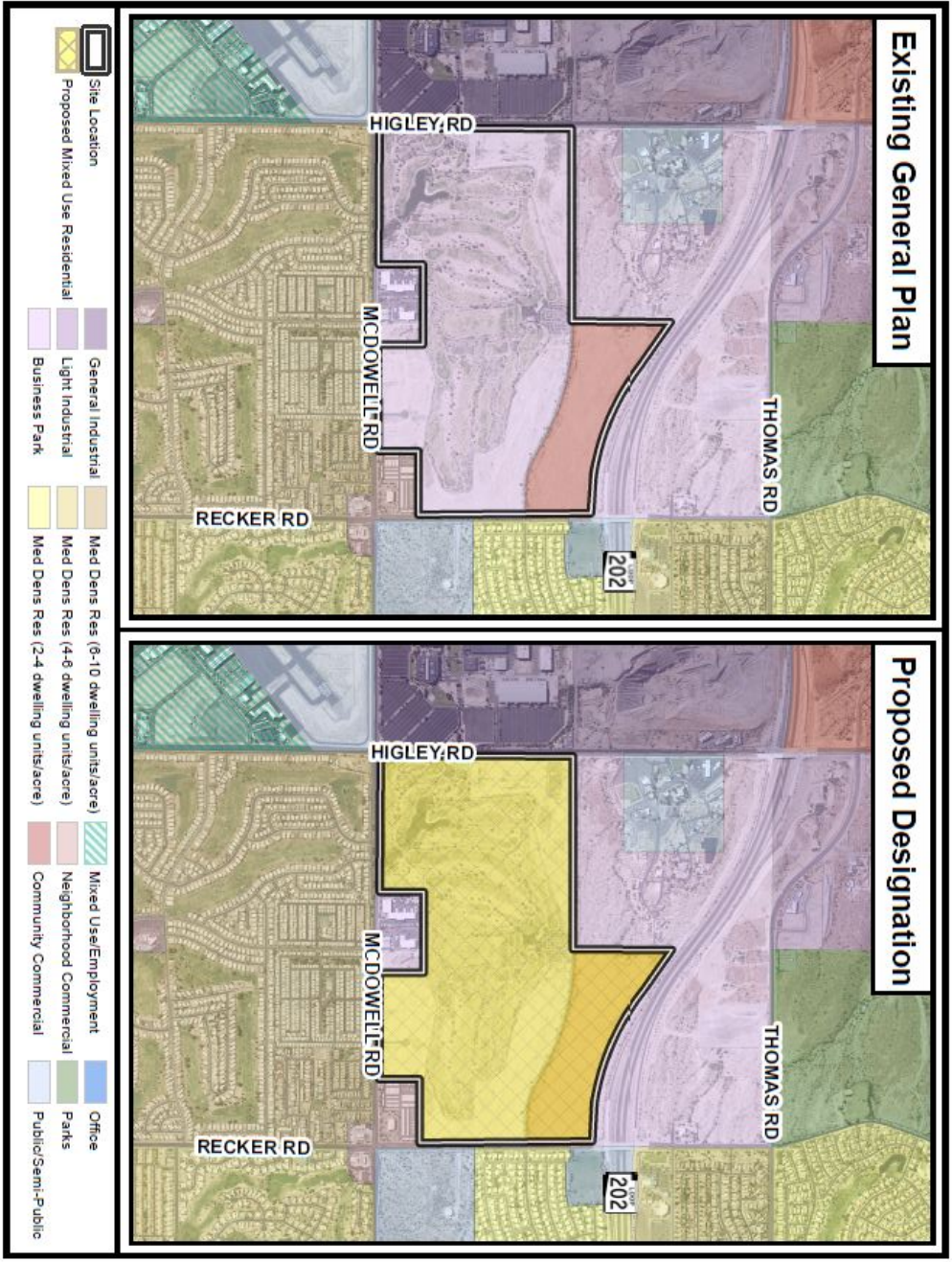
Business Park – 256 ac

Community Commercial – 49 ac

Proposed

Mixed Use/
Residential – 305 ac

- Any change from non-residential to residential in the Falcon Field Area is considered a major amendment



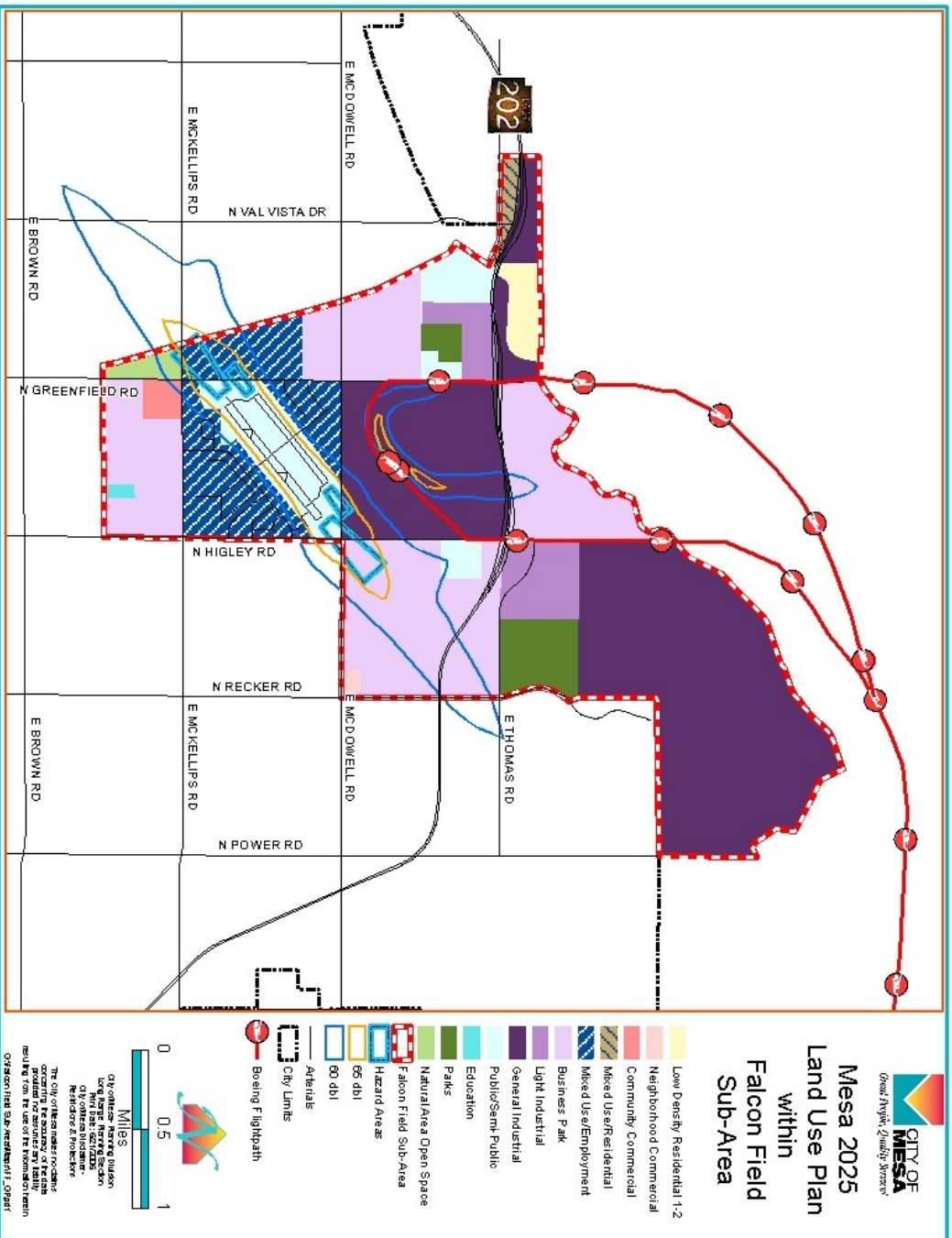
GP Major 14-01 – Longbow

The project narrative submitted with the application contains the following projected impact on jobs and housing:

| Land Use Categories | Current | | Proposed | |
|-----------------------|---------|---------|----------|---------|
| | Jobs | Housing | Jobs | Housing |
| Business Park | 3,500 | 0 | N/A | N/A |
| Community Commercial | 1,500 | 0 | N/A | N/A |
| | | | | |
| Mixed Use/Residential | N/A | N/A | 5,000 | 500 |
| Total | 5,000 | 0 | 5,000 | 500 |

Note: MU/R allows up to 30% of the property to develop with residential at a minimum of 15 dwelling units/acre. This could result in over 1,300 dwelling units on this property.

GP Major 14-01 - Longbow



GP Major 14-01 - Longbow

