

COUNCIL MINUTES

May 19, 2016

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 May 19, 2016 at 7:31 a.m.

COUNCIL PRESENT

John Giles
Alex Finter
Dennis Kavanaugh
Christopher Glover*
David Luna
Dave Richins
Kevin Thompson

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Jim Smith
Dee Ann Mickelsen

(*Councilmember Glover participated in the meeting through the use of telephonic equipment.)

1-a. Hear a presentation, discuss and provide direction on funding options including sales taxes for the following:

1. Public safety staffing and equipment needs, and the associated costs

City Manager Christopher Brady displayed a PowerPoint presentation related to staff's funding recommendations for the Public Safety and Higher Education projects. **(See Attachment 1)**

Mr. Brady provided the local sales tax history and indicated that in May 1998, voters approved a sales tax increase of .50%, of which .25% expired after eight years. He reported that the remaining .25% is dedicated funding for health, safety and quality of life in Mesa, but is only sufficient to cover public safety. (See Page 3 of Attachment 1)

In response to a question from Councilmember Luna, Office of Management and Budget Director Candace Cannistraro replied that 120 police officers and 65 firefighters are funded with the continued .25% sales tax funding source.

Mr. Brady reported that in 2006, the voters approved another sales tax increase of .50% for a total sales tax of 1.75%. He explained that .30% of that increase is to cover the cost of street construction, operations, and maintenance; and .20% is to support general governmental needs such as public safety, parks and recreation, and libraries. He informed the Council that a dedicated fund was created for tracking street maintenance. (See Page 4 of Attachment 1)

Mr. Brady stated that Mesa's sales tax continues to fall below that of Phoenix and Tucson, which are comparable cities by population. He provided a list of other municipalities in the Valley and pointed out that Mesa has one of the lowest sales tax rates in the area, as well as one of three cities in the Valley that does not impose a local sales tax on food. (See Pages 5 and 6 of Attachment 1)

Mr. Brady highlighted that the current 1.75% sales tax is divided into three dedicated areas that are tracked as follows: 1.20% is dedicated to the General Fund, .30% is dedicated to Street Maintenance, and the .25% from 1998 is dedicated to Quality of Life. (See Pages 7 and 8 of Attachment 1) He stated that staff is requesting that Council consider adding a question to the ballot to increase the sales tax by .25% in order to fund the future needs of public safety and higher education projects. He added that 2% is not drastic, especially compared to other cities, and the increase would provide \$24 million annually, which could be divided evenly between public safety needs and higher education.

Mr. Brady recognized that with each new officer or firefighter comes additional equipment needs and departmental resources. He explained that staff proposes that 80% of the \$12 million for police and fire be set aside for personnel costs and the other 20% for lifecycle replacement, which is necessary as staff is added. He suggested that joint items be funded as well, such as a computer-aided drafting (CAD) system upgrade. (See Page 9 of Attachment 1)

Mr. Brady, in addition, continued by detailing the breakdown proposed for the 80% set aside for personnel costs. He explained that 60% would be used for the Police Department to fund 36 sworn positions and 4 civilian staff positions and 40% would fund the Fire Department with 14 Firefighters, 6 Fire Engineers, 6 Fire Captains, and 1 Equipment Mechanic II. He identified various lifecycle items to be funded with the remaining 20%. (See Pages 10 through 13 of Attachment 1)

2. Higher education projects and the associated costs

Mr. Brady stated that staff remained conservative with the higher education project costs in order to manage the entirety of the program within the proposed allocation of resources. He explained that Phase One includes Buildings A and B, which provide approximately 185,500 square feet of higher education space, and 10-12 acres of public civic space improvements within the City block. (See Pages 14 and 15 of Attachment 1)

Mr. Brady indicated that there is a need for parking to replace the current City parking and although the space has not yet been identified, he assured the Council that a variety of options exist and will be pursued by staff.

Mr. Brady reported that staff met with Benedictine University to discuss their needs. He recalled that when Mesa renovated the old hospital, it was unable to build out the entire space of the facility due to limited time and budget. He stated that staff proposes building out the remaining 26,000 square feet of the building in order to expand programs at Benedictine University as part of the first phase of the higher education initiative.

Mr. Brady stated that detailed drawings and designs have not been prepared, but staff has estimated the cost of Phase One to range between \$108.2 million to \$127.4 million, based on square footage and past experience. He added that inflation was considered due to the fact that the project would not be complete for a few years, and said that the estimate includes the option of underground parking. (See Page 18 of Attachment 1)

Mr. Brady explained that Phase Two includes the completion of Buildings C and D, which adds another 78,800 square feet with an estimated cost of \$32 million. He emphasized that Phase Two would only commence if Mesa had the funding capacity to support it in the future. (See Page 19 of Attachment 1)

Mr. Brady stated that staff proposes using the other \$12 million of the .25% sales tax increase for the higher education projects, which would primarily be a dedicated source used to pay off the capital improvements for these projects. He confirmed that the next step is briefing the Council during an executive session on the Intergovernmental Agreement (IGA) with ASU that will go to the Arizona Board of Regents in early June, followed by Council action on May 26th. He added that the Council would need to call the election by June 20th. (See Page 20 of Attachment 1)

Mayor Giles thanked staff for the presentation. He commented that both public safety and higher education are high priority needs in the community and he supports the proposal.

Vice Mayor Kavanaugh acknowledged that it is important for voters to understand what is being proposed, who is paying for it and how it will be completed. He stated that he supports a sales tax increase but suggested that the increase be .50% and that more than half be designated to public safety, due to the high number of public safety staff retiring in the next few years.

Councilmember Thompson concurred with Vice Mayor Kavanaugh. He stated that he cannot support a sales tax increase but agrees that public safety does not have enough funding.

Councilmember Luna thanked staff for the presentation. He shared his appreciation for the higher education proposal and felt that it would contribute a lot to our community. He added that he understands the issue related to public safety and would like to have more money going toward that as well.

Mayor Giles introduced Charles Gregory from Benedictine University. He expressed his appreciation for Benedictine's commitment to Mesa.

Mr. Gregory gave a brief history of Benedictine University and said that Mesa has exceeded his expectations. He recalled that three years ago, the Mesa campus began with approximately 65 students and now has a total enrollment of around 350 students. He stated that the majority of the students are local residents, but students have been coming from out of state as well and are contributing to the community's volunteer service. He added that the school is lacking the resources necessary to provide the staffing and services that those students need.

Mr. Gregory indicated that if the higher education initiative is approved, Benedictine University will be able to invest in local industries in order to help businesses meet their needs and bring students in to create a more economic driving force for the community.

Jackson Wright, a Mesa resident, thanked the Council and City staff for bringing the higher education initiative to Mesa. He said that as a business owner he sees the advantage of bringing more people to Mesa and patrons to downtown. He added that this project will assist the Action Neighborhood Alliance with its goal of raising the median income in West Mesa and increasing safety. He indicated that as a resident and Mesa business owner, he supports a tax increase in order to achieve these goals.

Jerry Lewis, a Mesa resident, recognized that Mesa police officers and firefighters do a great job, but stated that they need more personnel and equipment. He pointed out that he is an educator

and a businessman and understands the tax implications, but said that it is up to the voters to decide what they want Mesa's future to look like. He recalled that years ago, Mesa became an education mecca, and that building an educated work force will attract more businesses to the City. He suggested that Council consider increasing the amount of tax in order to complete the projects sooner and attract more universities.

Councilmember Thompson commented that he is not opposed to ASU, but does not think it is smart to implement a tax increase on a funding source that is unstable. He added that he would rather see something more sustainable to fund public safety.

In response to a question from Councilmember Richins related to fluctuations in sales tax revenues, Mr. Brady replied that 120 police officers and 65 firefighters have been hired since the implementation of the Quality of Life sales tax in 1998. He explained that after the great recession in 2008/2009, some adjustments were made such as freezing open positions, which allowed staff to match resources with needs. He reported that there is enough revenue held in reserves to cover one year in case of unexpected shortfalls.

Councilmember Richins recalled that there was a half cent Quality of Life sales tax that had an accumulation period that paid for the capital when the Mesa Arts Center was built. He inquired about the ability to accelerate debt payment and commented that eliminating the debt first would be ideal.

Mr. Brady indicated that staff would return with more information on leveling the debt service.

In response to a question from Councilmember Finter, Mr. Brady replied that the total debt service is just over \$10 million a year. He stated that an economic impact analysis has been drafted that staff will review and bring to Council at a future date. He clarified that the analysis looked at Mesa's current businesses, hotels and activities in the area, and their impact compared with other communities that have brought in higher education projects. He stated that the analysis would be significant to Mesa because it can project the probability of more housing and business activity, which will generate more sales tax dollars.

Mayor Giles reminded the Council of the project calendar and pointed out that they have until June 20th to debate the topic of accelerating the debt payment. He commented that adding 48-52 more police officers at once may be too much to absorb.

Mr. Brady recommended that it may be wise to hire the police officers over a four to five-year period and achieve balance by purchasing equipment ahead of time while waiting for officers to complete the academy.

Councilmember Glover commented that he was hesitant to support a sales tax increase due to online shopping and its impact on how Mesa collects that revenue.

2. Information pertaining to the current Job Order Contracting projects.

This item was not discussed by the Council.

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

Mayor Giles: Westwood High School A+ School of Excellence.

4. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the schedule of meetings and general information is as follows:

Friday, May 20, 2016, 7:30 a.m. - Coffee with Councilmember Kavanaugh

Thursday, May 26, 2016, 7:30 a.m. – Study Session

5. Convene an Executive Session.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Luna, that the Study Session adjourn at 8:33 a.m. and the Council enter into an Executive Session.

Carried unanimously.

5-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with designated representatives of the City in order to consider the City's position and instruct the City's representatives regarding negotiations for the purchase, sale, or lease of real property. (A.R.S. §38-431.03A (7)) 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. Intergovernmental Agreement with Arizona State University for a Mesa campus on City-owned property.

6. Adjournment.

Without objection, the Executive Session adjourned at 9:30 a.m.

JOHN GILES, 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 19th day of May, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

Public Safety and Higher Education Funding Recommendation

City Council Study Session

May 19, 2016



mesa•az

Funding Recommendation

- May 5th Council Study Session direction given to bring a funding recommendation for public safety needs and higher education projects

Local Sales Tax History

Prior to May 1998

- Local Sales Tax is 1.0%

May 1998

- Voters approve 0.50% increase to total 1.5%
- 0.25% would expire after 8 years, the remaining 0.25% is on-going
- Dedicated funding for health, safety, and quality of life in Mesa

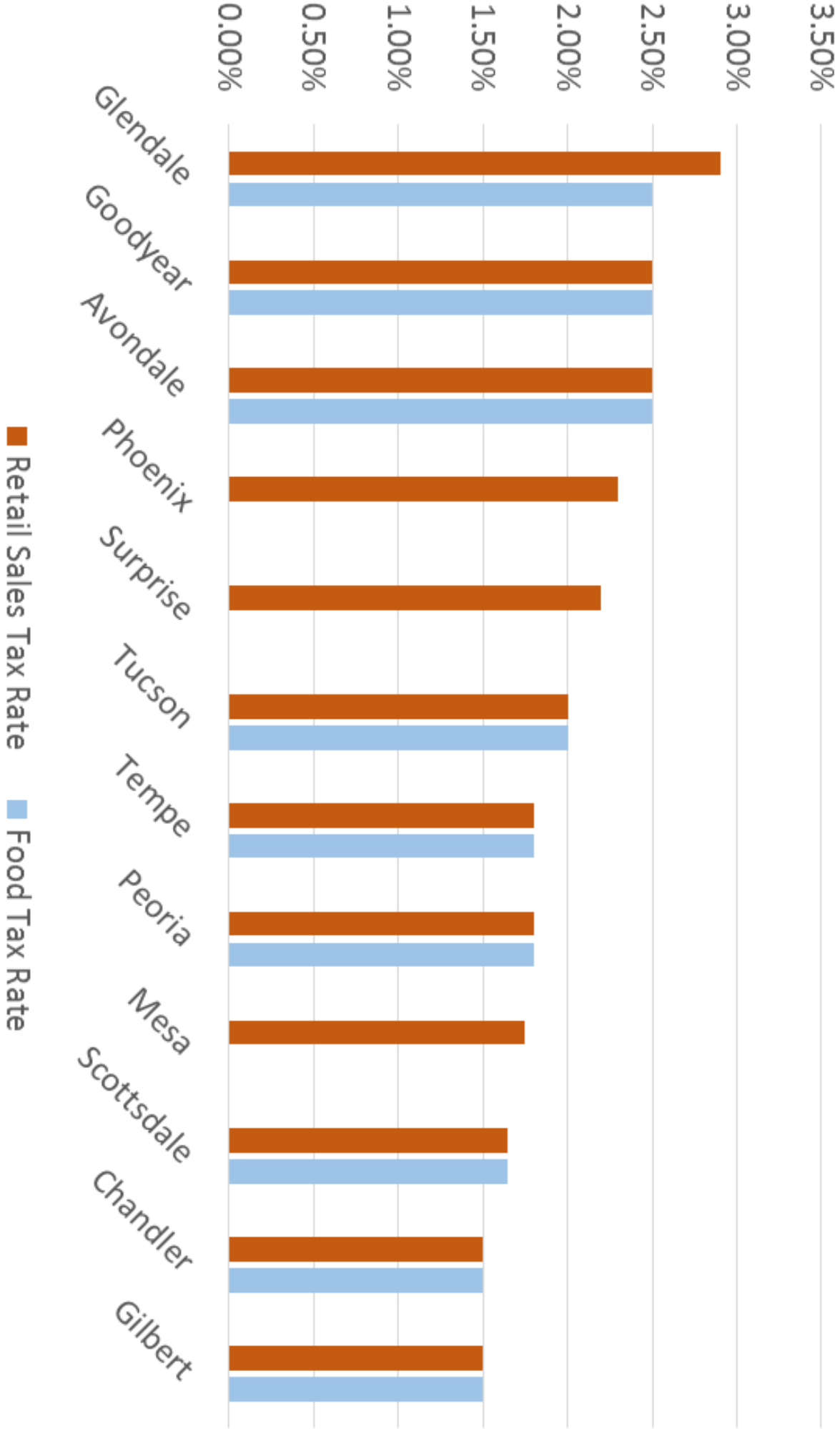
Local Sales Tax History

May 2006

- Voters approve 0.50% sales tax increase to total 1.75%
- 0.30% is dedicated to street construction, operations, maintenance and capital needs
- 0.20% to support General Governmental needs such as Public Safety, Parks and Recreation, Libraries, and other services

Municipality	Population	Local Retail Sales Tax Rate
Phoenix	1,537,058	2.30%
Tucson	527,972	2.00%
Mesa	464,704	1.75%
Chandler	254,276	1.50%
Gilbert	239,277	1.50%
Glendale	237,517	2.90%
Scottsdale	230,512	1.65%
Tempe	172,816	1.80%
Peoria	166,934	1.80%
Surprise	126,275	2.20%
Avondale	79,646	2.50%
Goodyear	75,664	2.50%

Retail Sales Tax and Food Tax Rate Comparison



Proposed Sales Tax

	Current	Proposed
General Fund	1.20%	1.20%
Street Maintenance	.30%	.30%
Quality of Life	.25%	.25%
Public Safety/Higher Education		.25%
Total	1.75%	2.00%

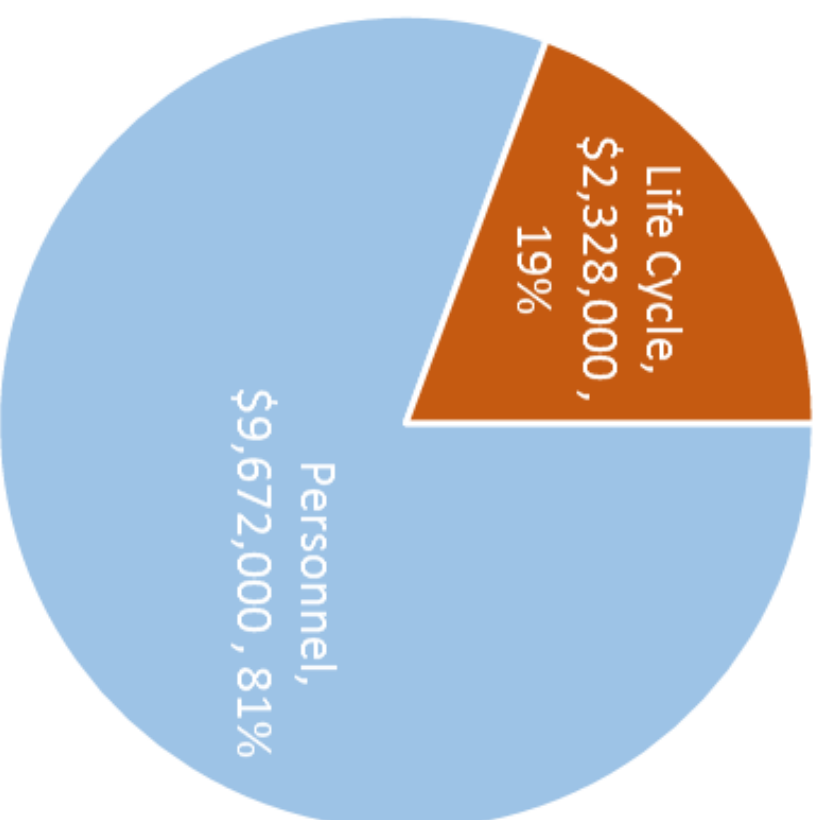
Proposed Sales Tax

Sales tax rate of 0.25% is estimated to provide \$24 million annually

- Public Safety \$12m
- Higher Education Projects \$12m

Public Safety

Proposed Public Safety Funding \$12 million



Projected Police Personnel Cost	
36 Sworn Positions	\$5,467,000
4 Civilian Staff	\$310,000
Total Police Personnel Services Costs	\$5,777,000

Cost determined by using projected 5th year costs

Police Staffing Increases

36 proposed Sworn Positions

12 Sworn Positions included in FY 16/17 Budget

48 Sworn Positions

Projected Fire and Medical Personnel Cost

Provides Staffing for 2 Fire Stations	
14 Firefighters	\$1,883,000
6 Fire Engineers	\$900,000
6 Fire Captains	\$1,014,000
1 Equipment Mechanic II	\$98,000
Total Fire Personnel Services Costs	\$3,895,000

Cost determined by using projected 5th year costs

Public Safety Life Cycle and Equipment Needs

Police
Radios
Communication Consoles
Records Management System (RMS)
Driving Track resurfacing

Public Safety Life Cycle and Equipment Needs

Fire and Medical

Breathing Apparatus
Cardiac Lead Monitors
Computer Aided Dispatch (CAD) Platform Upgrade
Communication Equipment and Infrastructure
Emergency Fire Station Generators

Higher Education Projects

Higher Education Projects Phase 1

Building A

Total Area: 82,500 square feet
No. of Floors: 5 – New Construction

Building B

Total Area: 103,000 square feet
No. of Floors: 5 – New Construction



Higher Education Projects Phase 1

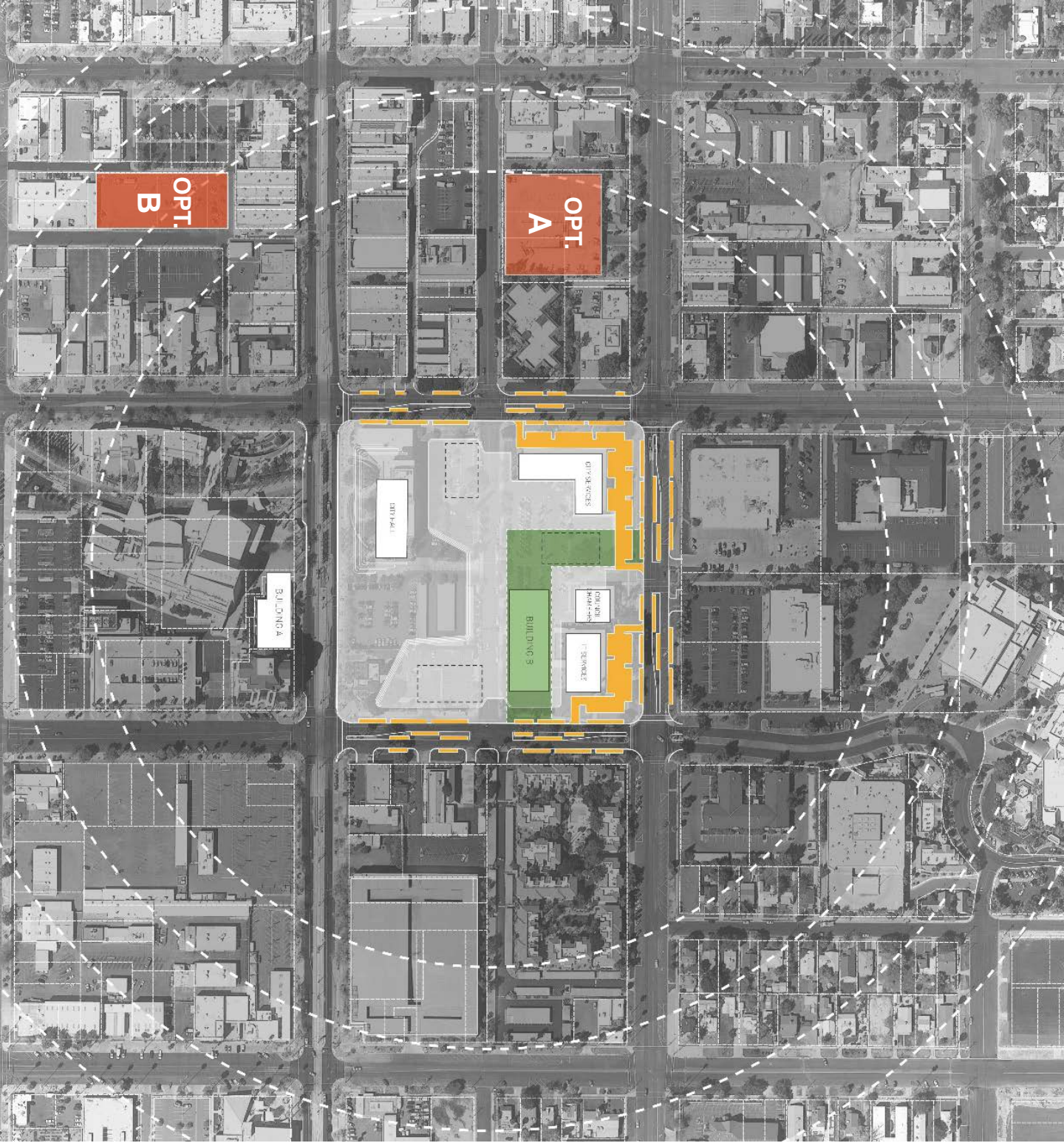
Civic Plaza

10 to 12 acres of public space



Higher Education Projects Phase 1

<div></div>	SURFACE PARKING	250 approx. spaces
<div></div>	SUB-SURFACE PARKING	300 approx. spaces
<div></div>	OFF-SITE PARKING STRUCTURE	
- Option A		500 approx. spaces
- Option B		500 approx. spaces



Higher Education Projects Phase 1

Benedictine Buildout

26,000 additional square feet



Higher Education Projects

Phase 1

- ASU Buildings \$68.2 to 78.9 million
- Civic Plaza \$20 to \$25 million
- Parking \$10 to \$12 million
- Benedictine Buildout \$6 to \$7.5 million
- Off Site Improvements \$4 million

Total \$108.2 to \$127.4 million

Higher Education Projects Future Phases

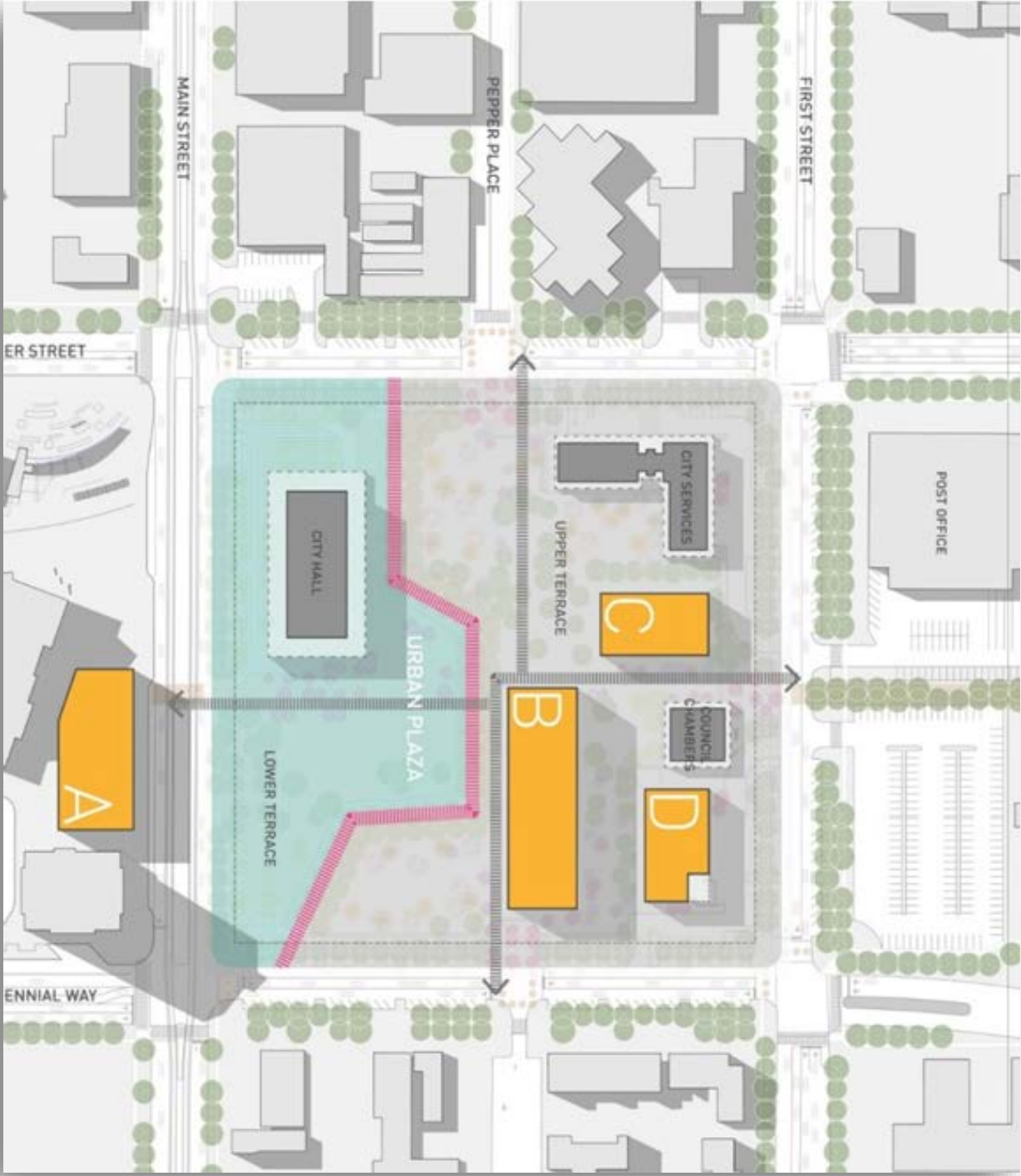
Building C

Total Area: 60,000 square feet
No. of Floors: 4 – New Construction

Building D

Total Area: 18,800 square feet
No. of Floors: 2 – Existing IT Bldg.

Total Estimated Cost \$32 million



Next Steps

- May 26, 2016 - Council Action on Intergovernmental Agreement (IGA)
- June 8-10, 2016 – Arizona Board of Regents Action on IGA
- June 20, 2016 – Council Call for Election