

COUNCIL MINUTES

March 22, 2018

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 March 22, 2018 at 7:34 a.m.

COUNCIL PRESENT

John Giles
David Luna
Mark Freeman
Christopher Glover
Francisco Heredia
Kevin Thompson
Jeremy Whittaker

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

1-a. Hear a presentation, discuss, and provide final funding recommendations for the FY 2018/19 Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Solutions Grant (ESG), and Human Services Programs and prior year HOME funds.

Housing and Community Development Director Liz Morales introduced Community Revitalization Coordinator Dennis Newburn, who displayed a PowerPoint presentation. She reviewed the federal and local funding sources, factors for consideration, and outlined the organizations receiving funding. **(See Attachment 1)**

Ms. Morales commented that last year's funds were successfully expended by April 30, therefore there is no risk of losing funding this year.

In response to a question posed by Councilmember Glover, Ms. Morales advised Circle the City does not have a history with the City and this is the first time the organization would receive funding.

Councilmember Glover proposed that the recommended funding to Circle the City instead be allocated to Paz de Cristo. He explained Paz de Cristo has a proven track record of success and helps extensively with the homeless community.

Mayor Giles pointed out the proposed funding to Paz de Cristo is half the amount that was given last year. He concurred with Councilmember Glover in adjusting the recommended funding to \$50,000. He hoped to also fund Circle the City in order to support the organization in providing needed services to the community and suggested a pro-rata reduction from the other organizations in order to designate additional funding to Paz de Cristo.

Councilmember Glover suggested lowering the donation to organizations that are not Mesa based and do not assist Mesa residents and allocating those funds to Paz de Cristo.

In response to a question posed by Mayor Giles, Ms. Morales advised that Circle the City has a mobile health unit that visits different homeless service locations. She explained the organization provides physical and mental health care, immunizations for homeless children and issue referrals to the health center in Phoenix for substance abuse issues. She added their application states the organization will serve 93 homeless patients each month.

Councilmember Thompson stated the opinion that there is a homeless problem in the community and his concern is the increase of homeless to the City with the addition of programs that provide food and shelter. He added the best way to serve Mesa residents is to allocate funds to programs that assist citizens who reside in the City, such as domestic abuse programs.

In response to a question posed by Councilmember Thompson, Paz de Cristo Business Manager Christine Oliviero advised Paz de Cristo receives 7,000 visits a month from individuals needing assistance and 90% of those individuals are Mesa residents. She pointed out in the last year there has been an 8% increase of guests and Paz de Cristo is the only organization in the City that provides dinner every evening. She explained the \$52,000 that the organization requested is utilized to provide security. She added that the police officers at the organization have built a great rapport with guests, which has minimized the number of incidents occurring at the facility.

Vice Mayor Luna agreed that additional funding should be given to Paz de Cristo as he understands their need for security and the services the organization provides are important to the community.

In response to a question posed by Councilmember Whittaker, Mr. Newburn explained the process of identifying and evaluating organizations to receive funding takes approximately seven months.

Councilmember Freeman stated the opinion that homelessness is a regional issue and he would support a 3% reduction of funding to other organizations in order to allocate additional funds to Paz de Cristo.

Mayor Giles pointed out that a large number of the guests at Paz de Cristo are the working poor who have established residency in the City. He also stated there are four police officers that provide security at Paz de Cristo and have formed a great relationship with individuals receiving support from the organization. He explained it is important for police officers to continue to provide the security at Paz de Cristo as the officers have an intimate knowledge and relationship with the individuals that visit the organization daily.

Councilmember Heredia commented an appreciation to staff for the diligent work in determining the funding for each organization and he supports providing additional funding to Paz de Cristo.

Councilmember Thompson commented that a plan has not been presented to Council on how the money allocated to Mesa K-Ready will be used and stated he supports education, but will not support utilizing public funds for programs the City does not oversee.

Ms. Morales clarified by stating last year \$60,000 was given to Mesa K-Ready from the Human Services Program and this year \$60,000 is again being provided to Mesa K-Ready, but out of the CDBG allocation.

Mayor Giles responded that CDBG funds come from the federal government and must be used on at-risk populations. He added school readiness will always be an issue in the community and it is more than appropriate to utilize federal funds to help prepare children for school.

In response to questions posed by Councilmember Whittaker, Deputy City Manager Natalie Lewis stated the Mesa K-Ready Program is currently working with 50 families. She advised the Bloomberg organization and Harvard will be providing a graduate student this summer to help City staff put together a detailed report on the success of the program thus far. She pointed out City staff has seen progress in identifying the population the program can help and providing assistance with social services. She added the goal is to test the program to make sure it works and fully benefits Mesa residents.

Councilmember Whittaker stressed the importance of providing metrics to determine the success of the program and stated he has no desire to continue to approve funding if that information is not provided in the future.

Vice Mayor Luna emphasized the importance of the Mesa K-Ready Program and pointed out there are a number of agencies working together to prepare children for kindergarten.

In response to questions posed by Mayor Giles, Ms. Morales advised the Neighborhood Stabilization Program (NSP) will be ending soon and those funds will roll over into CDBG programs. She advised HUD requires that those funds be allocated to programs that benefit low to moderate income individuals, therefore it would be difficult to justify utilizing those funds for the Façade Improvement Program.

Discussion ensued relating to how the City will allocate funds in order to support the Façade Improvement Program and Child Crisis Arizona.

Torri Taj, representing Child Crisis Arizona, advised if funding was allocated to the organization later in the year it would not stall their future projects.

In response to a question posed by Councilmember Whittaker, Downtown Transformation Manager Jeff McVay described the Façade Improvement Program. He advised studies show a façade improvement increases retail sales, foot traffic, and property values and as a result the goal is to increase employment opportunities for low to moderate income individuals.

In response to a question posed by Mayor Giles, Mr. McVay explained the City does not own the façade, but does own the colonnades. He pointed out the project includes the removal of the colonnades to allow the property owner to renovate the façade and the property owner would own everything attached to the façade upon the completion of the program.

Councilmember Whittaker stated the opinion that the City entering into an intergovernmental agreement with Arizona State University has already spurred economic growth and therefore the façade program is no longer relevant.

Mr. McVay respectfully disagreed with Councilmember Whittaker's comments and advised the colonnades are a hindrance to retail activity as the storefronts are not visible from the roadway. He added the removal of the colonnades will allow property owners to restore the storefronts, as most of the properties in downtown Mesa are over 30 years old.

In response to a question posed by Councilmember Whittaker, Mr. McVay indicated that the 10 businesses currently included in the Façade Improvement Program are small business owners and three businesses owned by Caliber have expressed interest in the program.

Councilmember Whittaker stated the opinion that large development groups composed of multimillionaires do not need the funds and those funds should instead be allocated to programs that assist the homeless or low to moderate income individuals.

In response to a question posed by Councilmember Freeman, Ms. Morales advised funds from the CDBG Non-Public Service source would be allocated to the Façade Improvement Program and most of the homeless programs are being funded through CDBG Public Service, ESG, and Human Services.

City Manager Christopher Brady commented that it is not unusual for the City to utilize federal funds towards capital improvement projects as it is money that can be spent quickly. He added in the past the City has allocated federal dollars to improve economic development in the downtown area.

Ms. Morales concluded the presentation by recapping the recommendations from Council. She advised staff will increase Paz de Cristo's funding to \$50,000 with a reduction of 3% to the other programs within Human Services, provide \$250,000 to the Façade Improvement Program, and Child Crisis Arizona would receive \$190,000 with the end goal of that program receiving \$500,000 once the NSP funds are available later this year.

Mayor Giles thanked staff for the presentation.

It was moved by Councilmember Freeman, seconded by Vice Mayor Luna, that the proposed funding recommendations for the FY 2018/19 Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Solutions Grant (ESG), and Human Services Programs be approved.

Upon tabulation of votes, it showed:

AYES – Giles-Luna- Freeman-Glover-Heredia

NAYS – Thompson-Whittaker

Mayor Giles declared the motion carried by majority vote.

1-b. Hear a presentation and discuss an overview of revenue generated from sales and property tax.

Management and Budget Director Candace Cannistraro introduced Management and Budget Deputy Director Ryan Wimmer, who displayed a PowerPoint presentation. **(See Attachment 2)**

Mr. Wimmer reviewed the allocation of tax dollar money and identified the two types of property tax. (See Pages 2 and 3 of Attachment 2)

Mr. Wimmer presented the Mesa property value by fiscal year. He pointed out that the full cash value of a property is not limited to an increase each year, however, the limited property value is restricted to an increase of 5% a year. He explained the limited property value is important as it is the value used for property tax purposes. (See page 4 of Attachment 2)

City Manager Christopher Brady added that due to the limited increase in the property value, the City is unable to capture the full growth that is taking place. He noted the full cash value in the last three years has grown significantly, which is a sign of a healthy community.

In response to a question posed by Councilmember Whittaker, Mr. Wimmer advised the term for a General Obligation (GO) Bond is 20 years.

Mr. Brady added that the average homeowner is currently paying \$130 a year for the previous GO Bonds.

Ms. Cannistraro remarked that as there is new growth in the City the property tax would decrease for the median homeowner as the impact would spread out over a larger base.

Discussion ensued relating to the impact of new growth to City services and the type of growth that is beneficial to the community.

In response to a question posed by Mayor Giles, Mr. Wimmer advised the new tax law precludes the City from performing advanced refunding on municipal bonds. He added in the past the City was able to issue new bonds and set aside funds to pay off older bonds that were callable. He noted that if interest rates do not increase in the next few years, the City will have the ability to refinance some bonds.

In response to a question posed by Councilmember Whittaker, Ms. Cannistraro stated debt per capita is an indicator when determining if new debt is a good idea.

Ms. Cannistraro provided the sales tax rates for the City. She advised that money received from the City sales tax goes into the general fund and there are no restrictions on the use of those funds. She added that the City Quality of Life Sales Tax supports public safety and currently covers 120 officers and 65 firefighters. She noted the City Street Sales Tax is dedicated only to street improvements. She pointed out the City Quality of Life Sales Tax and the City Street Sales Tax were voted on by the residents of Mesa. (See Page 10 of Attachment 2)

Ms. Cannistraro highlighted how Mesa's retail sales tax compares to other cities in the valley. She explained there are several different types of sales tax (construction, utilities, retail and advertising) and the City does not distinguish between the type of sales tax.

Mr. Brady added other cities have higher rates that are applied to different types of sales tax, however Mesa maintains the same rate across all groups.

In response to a question posed by Councilmember Heredia, Ms. Cannistraro remarked the sales tax impact to a median homeowner in the City is comparable to that of a homeowner in Phoenix.

Mr. Brady proposed that staff present to Council a list of projects that have been identified and a decision could be made if a bond election is needed in November.

Mayor Giles thanked staff for the presentation.

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

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

3. Scheduling of meetings and general information.

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

Saturday, March 24, 2018, 9:00 a.m. – Open House at Falcon Field Airport

Thursday, March 29, 2018, 7:30 a.m. – Study Session

4. Adjournment.

Without objection, the Study Session adjourned at 9:21 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 22nd day of March, 2018. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

Mh
(Attachments – 2)

Housing and Community Development Funding Recommendations

Community Services Department

Liz Morales,

Housing and Community Development Director
March 22, 2018



Funding Sources

- Community Development Block Grant (CDBG)
- Emergency Solutions Grant (ESG)
- HOME Investment Partnership
- Human Services Program

Federal Funding Sources

HUD Program	FY 2018/19 Allocation	Prior Year Funds	FY2018/19 Proposals Rec'd	Applications Received
CDBG Public Service	\$481,530	\$0	\$1,070,388	13
CDBG Non-Public Service	\$2,086,631	\$0	\$3,564,565	11
HOME	\$916,811	\$1,373,727	\$1,444,449	1
ESG	\$268,524	\$0	\$451,704	5
Total HUD Program	\$3,753,496	\$1,373,727	\$6,531,106	30

Local Funding Sources

Human Services Program	FY2018/19 Allocation	Prior Year Funds	FY2018/19 Proposals Rec'd	Applications Received
Total General Fund & ABC Contributions	\$720,000	\$0	\$1,118,439	22
Total HUD & Human Service	\$4,473,496	\$1,373,727	\$7,649,545	52

Factors for Consideration

- Aggregate scores of Evaluation Committee and Housing and Community Development Board
- Council and Consolidated Plan Priorities
- Timeliness to expend funds
- Funding availability

Aging Services – \$80,000

East Valley Adult Resources, Inc. – Meals on Wheels	Human Services	\$25,000
East Valley Adult Resources, Inc. – Assistance for Independent Living Volunteer Services	Human Services	\$25,000
Oakwood Creative Care – Programs, Therapies & Education	Human Services	\$30,000

Homeless Services – \$921,054

Community Bridges – Homeless Navigation Services	CDBG – Public Svcs	\$125,000
A New Leaf – Supportive Services	CDBG – Public Svcs	\$50,000
Save the Family – Homeless Families Intervention & Case Mgmt	CDBG – Public Svcs	\$50,000
A New Leaf – Homeless Shelter Services	CDBG – Public Svcs	\$55,000
Marc Community Resources – Homeless Day Center & Navigations Svcs Extension	CDBG – Public Svcs	\$35,000
Marc Community Resources – Downtown Navigation Services	CDBG – Public Svcs	\$43,530
A New Leaf – Homeless Shelter Svcs	ESG	\$174,178
A New Leaf – Rapid Rehousing	ESG	\$40,000

Homeless Services – \$921,054 Cont.

Save the Family and Lutheran Social Services Collaborative – Rapid Rehousing	ESG Human Services	\$54,346 \$37,000
Lutheran Social Services of the Southwest – I-HELP	Human Services	\$25,000
CASS – Regional Single Adult Shelter and Case Management	Human Services	\$25,000
Save the Family – Homeless Case Management and Supportive Svcs	Human Services	\$120,000
Maggie's Place – Shelter Services at The Hannah House	Human Services	\$18,000
House of Refuge – Adopt a Home Program	Human Services	\$24,000
Circle the City – East Valley Neighborhood Partnership	Human Services	\$20,000
Paz de Cristo – Community Safety	Human Services	\$25,000

Domestic Violence Services – \$55,000

Chrysalis Shelter for Victims of Domestic Violence	Human Services	\$15,000
A New Leaf – Autumn House	Human Services	\$40,000

Economic Development Programs – \$480,000

Local First Arizona Foundation – Fuerza Local	CDBG	\$25,000
NEDCO – Economic Development	CDBG	\$140,000
West Mesa CDC – Economic Development Gate to Neighborhood Reinvestment	CDBG	\$65,000

Public Facility Improvement – \$1,106,631

East Valley Adult Resources Building Rehab Project	CDBG	\$600,000
Oakwood Creative Care – East Mesa Facility Rehab	CDBG	\$41,930
House of Refuge – Sewer Replacement	CDBG	\$24,131
Child Crisis Arizona – Campus Expansion Phase 2	CDBG	\$440,570

Housing – \$2,974,558

Mesa Homeowner Rehab Program	CDBG	\$650,000
CPLC– Mesa Royale Relocation	CDBG	\$100,000
CPLC – Mesa Royale	HOME	\$1,443,339
Mesa Housing and Community Development– TBRA (Rental & Utility Deposit Assistance)	HOME	\$100,000
Mesa Housing and Community Development – CHDO RFP	HOME	\$681,219

Services for Low to Mod Income Persons – \$286,000

Community Bridges – Mobile Outreach and Crisis Stabilization Services	CDBG	\$63,000
United Food Bank – Emergency Food Assistance & Cooler Expansion	Human Services	\$18,000
Mesa United Way – Mesa VITA Program Funding	Human Services	\$15,000
Labor’s Community Service Agency – Securing Help In Family Transportation (SHIFT)	Human Services	\$20,000
Marc Community Resources – Employment Training and Placement	Human Services	\$30,000
MesaCAN – Client Services	Human Services	\$120,000
Community Legal Services – Removing Barriers to Justice for Low–Income Mesa Residents	Human Services	\$20,000

Youth and Education – \$128,000

Mesa K–Ready	CDBG	\$60,000
Teen Lifeline – Crisis Services	Human Services	\$18,000
Child Crisis Arizona – Early Education Mesa Early Head Start	Human Services	\$20,000
Child Crisis Arizona – Emergency Children's Placement Services	Human Services	\$20,000
Homeless Youth Connection	Human Services	\$10,000

Next Steps– Timeline

May – Public Comment Period

May/June – Approval Annual Action Plan

Funding Recommendations

Questions?

Liz Morales,

Housing and Community Development Director

Property Tax and Sales Tax Overview

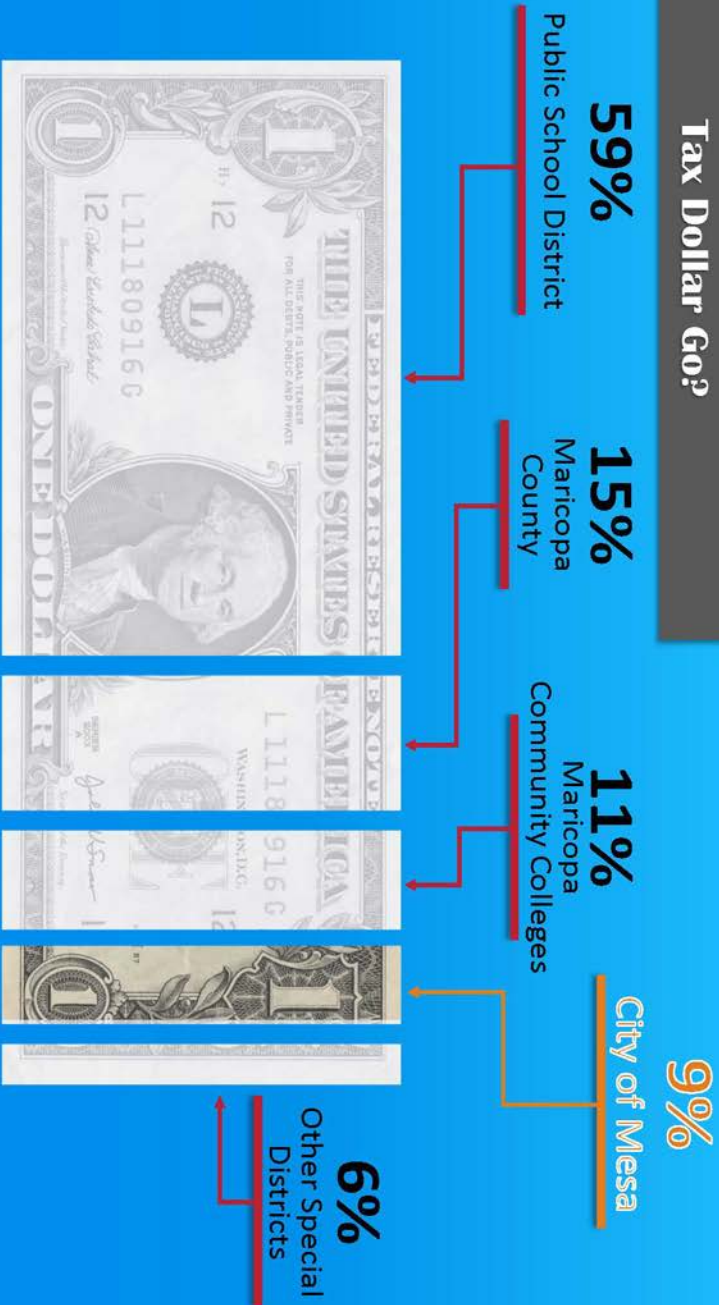
March 22, 2018

City of Mesa

Presented by: Candace Cannistraro, Management and Budget Director
Ryan Wimmer, Management and Budget Deputy Director



Where does a Mesa Resident's Property Tax Dollar Go?



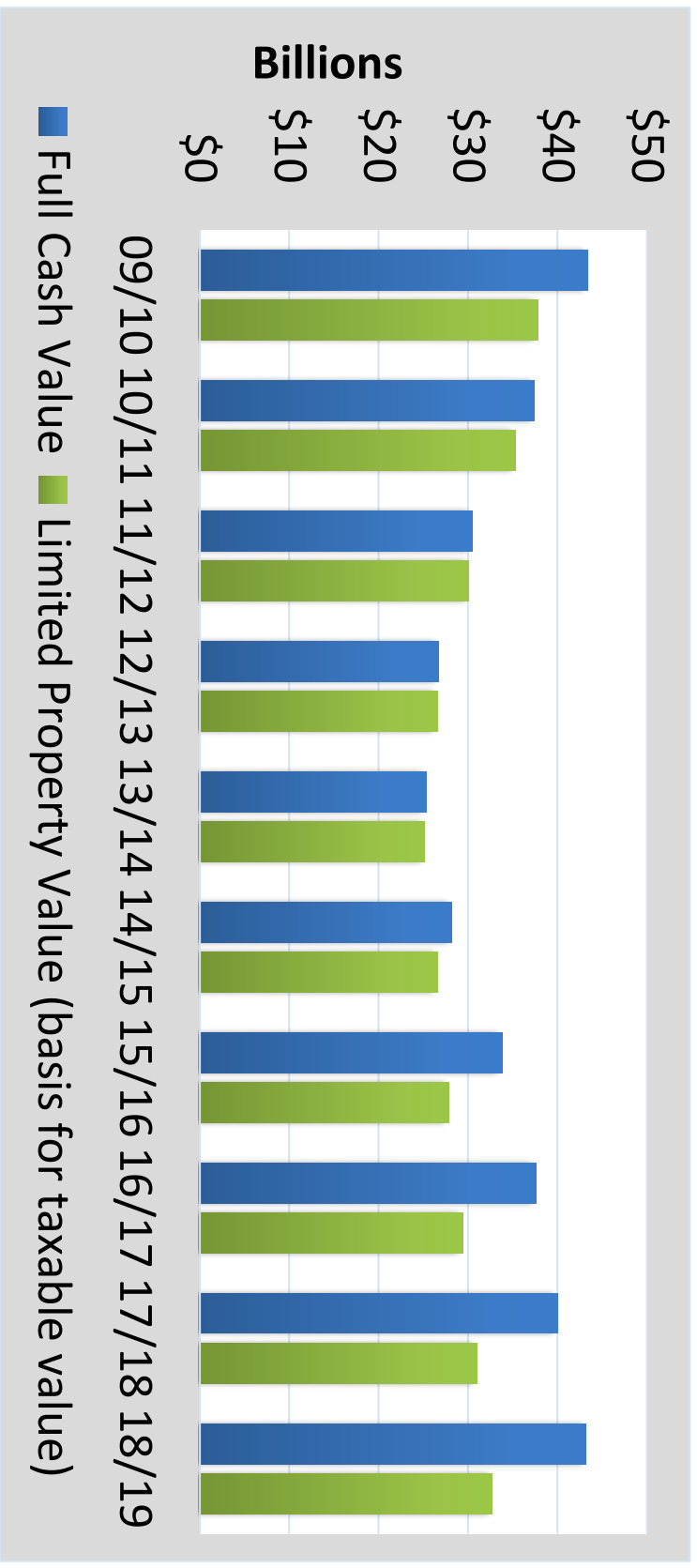
Property Tax

Type	Permitted Use
Primary	General City operations (parks, libraries, public safety, etc.)
Secondary	Debt service on General Obligation (G.O.) bonds approved by voters

Formula:

$$\text{Property Value} \times \text{Tax Rate} = \text{Tax Levy}$$

Mesa Property Value by Fiscal Year



Property Value Increase

FY17/18 to FY18/19

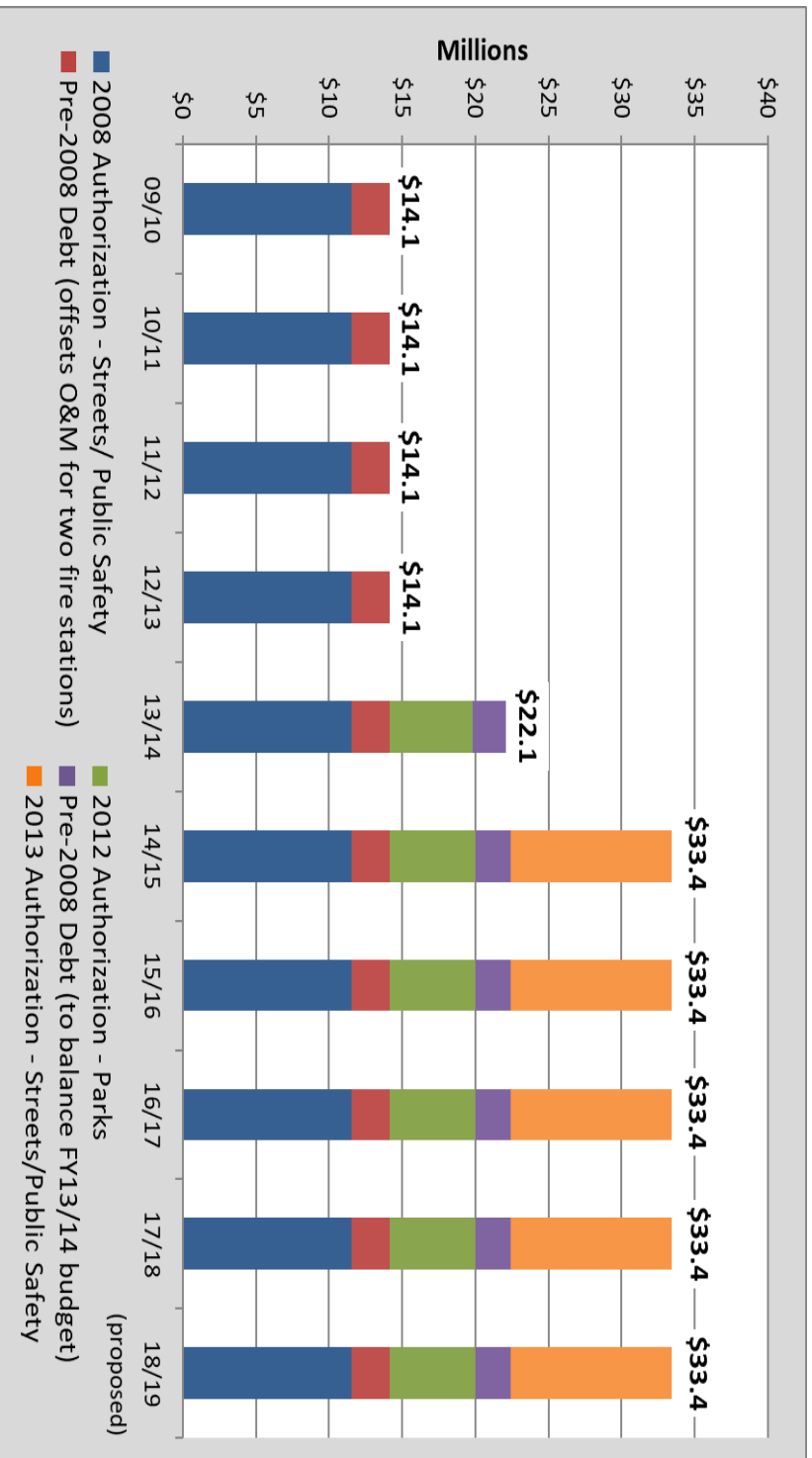
	FY17-18	FY18-19	\$ Change	% Change
a Net Assessed Value (NAV) (taxable value)	\$3.05 Billion	\$3.28 Billion	+\$229 Million	+7.5%
b <i>Appreciation of Existing Property</i>			+\$166 Million	+5.5%
c <i>New Property</i>			+\$ 63 Million	+2.0%

Property Tax Decrease

FY17/18 to FY18/19

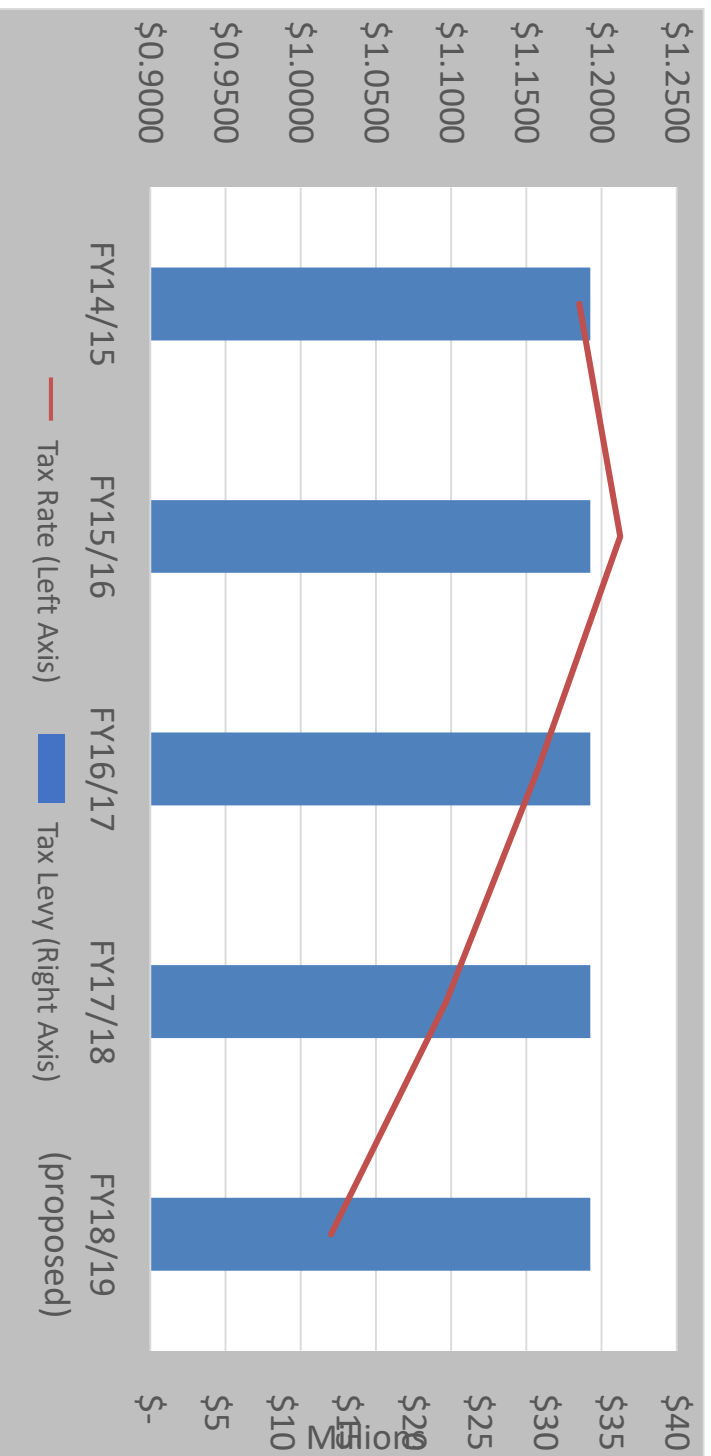
	FY17-18	FY18-19 (proposed)	\$ Change	% Change
d Secondary Property Tax Rate (per \$100 of NAV)	\$1.0968	\$1.0201	-\$0.0767	-7.0%
e Secondary Property Tax Levy (NAV * Tax Rate)	\$33.4 Million	\$33.4 Million	\$0	0.0%
f Annual Cost to Median Homeowner	\$130.59	\$127.53	-\$3.06	-2.3%

Secondary Property Tax Levy by Purpose



Property Tax Levy and Rate

Past 5 Years



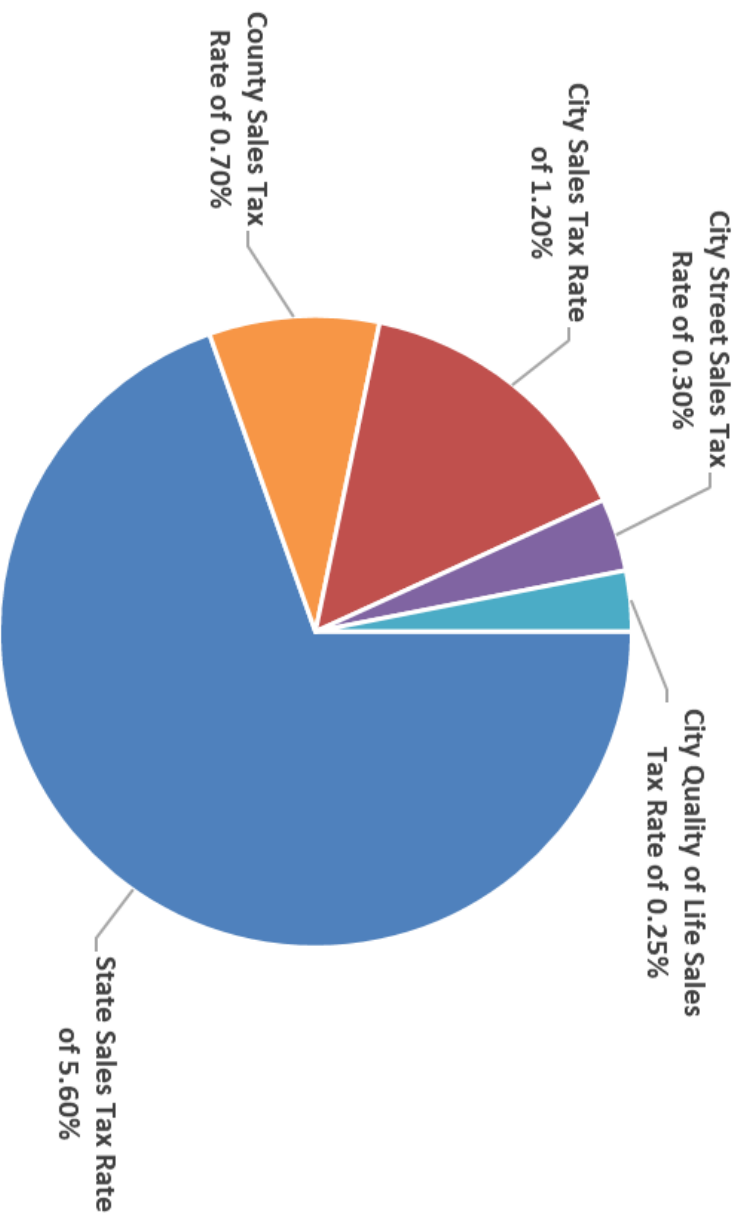
Property Tax Impact

Possible 2018 G.O. Bond Election

Project Spending	Annual Cost to Median Homeowner
\$10 million	\$2.89
\$50 million	\$14.46
\$100 million	\$28.92

Median homeowner property value: \$209,000 (Estimate of sale value)

Sales Tax Rates In the City of Mesa Total of 8.05%



Sales Tax

Current Rate Structures

<u>Fund</u>	<u>Rate</u>	<u>FY 18/19 Forecast Revenues</u>	<u>FY 19/20 Forecast Revenues</u>
General Fund	1.20%	\$116.9M	\$121.7M
Quality of Life	0.25%	\$24.4M	\$25.4M
Local Streets	0.30%	\$29.2M	\$30.4M
Total – Current Rates	1.75%	\$170.5M	\$177.5M

Sales Tax

Optional Rate Increases

<u>Optional Sales Tax Increase</u> *	<u>Rate</u>	<u>FY 18/19 Forecast Revenues</u>	<u>FY 19/20 Forecast Revenues</u>
0.25% Increase	0.25%	\$10.4M	\$25.4M
0.35% Increase	0.35%	\$14.6M	\$35.5M
0.50% Increase	0.50%	\$20.8M	\$50.7M

*FY 18/19 Options for Public Safety revenues assume a February 1, 2019 effective date

Retail Sales Tax Rate Comparison

City	Rate
Gilbert	1.50%
Chandler	1.50%
Scottsdale	1.65%
Mesa	1.75%
Tempe	1.80%
Phoenix	2.30%
Glendale	2.90%

