



## STRATEGIC PLANNING WORKSHOP

February 21, 2013

The City Council of the City of Mesa held a Strategic Planning Workshop at Hohokam Stadium, 2<sup>nd</sup> Floor Box Suites, 1235 North Center Street, on February 21, 2013 at 7:55 a.m.

### COUNCIL PRESENT

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

### COUNCIL ABSENT

None

### OTHERS PRESENT

Grady Gammage, Jr.  
Douglas Griffen  
Carl Lundblad  
Gary Nelson  
(Arizona Republic)  
Others

### OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Dee Ann Mickelsen

### STAFF PRESENT

Candace Cannistraro  
Miranda DeWitt  
Diane Gardner  
Shea Joachim  
Kari Kent  
Jill Kotsur  
Natalie Lewis  
Ian Linssen  
Kathy Macdonald  
Chuck Odom  
Randy Policar  
John Pombier  
Jennifer Ruttman

### STAFF PRESENT (Cont.)

Jim Smith  
Steve Wright  
Others

### 1. Welcome and Opening Remarks.

City Manager Christopher Brady welcomed Mayor Smith and the Councilmembers to their fifth Strategic Planning Workshop.

Mr. Brady stated that staff was seeking the Council's direction and vision not only with respect to the upcoming budget discussions, but also to consider and establish a long-

term vision (4 to 10 years) and groundwork for what they would like to see accomplished in the community in the future.

1-a. Hear a presentation on Mesa's Leaders and the City's Future, by Grady Gammage, Jr.

Grady Gammage, an attorney with Gammage and Burnham, addressed the Council and stated that he was asked to address certain issues and challenges facing the City of Mesa.

Mr. Gammage recounted growing up in Tempe and noted that during his youth, there was little reason for him to spend much time in Mesa. He also commented that for many years, Mesa's image was a community that prided itself on good schools and safe neighborhoods, but "kind of dull" and "had no interest in being noticed."

Mr. Gammage remarked that in recent years, much to this Council's credit, Mesa's image has changed. He indicated that some of the change that has "permeated" the public's consciousness includes the completion of the Mesa Arts Center (MAC), the ongoing development at Phoenix-Mesa Gateway Airport, the advancement of freeway construction, the expansion of light rail, and several colleges and universities opening campuses in downtown Mesa. He said that in addition, the City has solicited significant public input through the i-Mesa program and explored the concept of a "Café Society" at the MAC, which is anticipated to promote greater activity in the downtown area.

Mr. Gammage pointed out that Mesa has received "a fair amount of buzz," but said that people are "not quite sure what it means."

Mr. Gammage further indicated that one of Mesa's major assets is its "honest, Main Street downtown." He said that on repeated occasions, the City has attempted to revitalize the area, but never quite succeeded. He added that although light rail construction will initially hurt the downtown area, once it is completed, it will play a major role in revitalizing the area.

Mr. Gammage advised that Wikipedia defines Mesa as the third largest city in Arizona and the largest suburb in the United States. He explained that within the next census, or perhaps even before, metropolitan areas in the United States will be redefined. He said that it was likely that the Phoenix-Mesa metropolitan area, as part of a merging "Sun Corridor" metropolitan area, will be termed the Phoenix-Tucson area. He also recognized Mayor Smith's efforts in positioning Mesa as a cooperative leader and player in the greater Phoenix area.

Mr. Gammage briefly summarized the process by which Scottsdale, Chandler, Tempe and Glendale created branding and images for their respective communities. He stated that in his opinion, in order for a city to be "a great city," it must do the following: 1.) Do the basics well; 2.) Establish a "placemaking strategy" to create interesting and iconic images; and 3.) Create "buzz" about the assets that a community has.

Mr. Gammage critiqued the City of Mesa with respect to the above-listed criteria as follows:

- **Do the basics well.** Mesa receives an “A.” The basics include not only police and fire service, sewers, streets and infrastructure, but also, for instance, a rational permitting process, being a business-friendly community and employing stable staff that citizens relate to when they are conducting business with the City of Mesa. The City Council also gets along and is “generally moving in the same direction.”
- **Establish a placemaking strategy.** Mesa receives an “Incomplete.” Mesa’s challenge regarding this issue is that it encompasses a large geographic area, with four major focus areas (i.e., downtown, Falcon Field, Fiesta Mall, Eastmark). Mesa also runs the risk of being lost in the “Sun Corridor.” The challenge of the “Sun Corridor” is that it turns into “a sea of beige stucco, red-tile roofs and big-box shopping centers.”
- **Create a buzz.** Three of the most significant ingredients in making a city interesting are things you drink, such as coffee, tea and alcohol. Mesa’s image is “not one of coffee, tea and alcohol,” but it is entirely possible that it could overcome such an image. It might be appropriate to implement a public relations campaign in order to rebrand Mesa’s image as something that is “a little edgy and quirky.” The City should acknowledge and embrace the past; concentrate on the downtown; and create unique and interesting places where people want to “hang out.”

Mr. Brady thanked Mr. Gammage for his presentation.

1-b. Hear a presentation on Creating Your Legacy for Mesa with electronic brainstorming and discussion.

Doug Griffen, founder and director of Advanced Strategy Center, introduced Carl Lundblad, who was prepared to assist him during this presentation.

Mr. Griffen conducted an electronic brainstorming exercise in which the Council utilized computers and identified not only long-term legacies for the community, but also for each of the Council districts.

(The Council and staff took a brief recess at 9:20 a.m., at which time Councilwoman Higgins was excused from the remainder of the meeting. The Strategic Planning Workshop reconvened at 9:37 a.m.)

1-c. Hear a presentation and discuss the City Council's Strategic Initiatives.

Assistant to the City Manager Natalie Lewis displayed a PowerPoint presentation (**See Attachment 1**) and provided a brief overview of the City Council's Strategic Initiatives. She asked if the Councilmembers had any additions or changes that they would like to see included in the documents.

Vice Mayor Finter commented that with respect to the Community Engagement Strategic Initiative, he would like to see the addition of the following language: “Community

Engagement builds pride in Mesa, encourages and develops a wide range of civic and neighborhood leadership, **fosters the inclusion of a diverse community and workforce**, involves non-profits, faith-based organizations, community youth and volunteers, and maximizes direct communications with residents using a variety of tools and technology.”

Ms. Lewis said that she would be happy to include the additional language.

1-d. Hear a presentation and discuss the City's Five-Year Financial Forecast.

Budget Director Candace Cannistraro displayed a PowerPoint presentation (**See Attachment 2**) that summarized the Strategic Budget for FY 2013/14. She briefly discussed the Secondary Assessed Valuations between FY 2010/11 and FY 2013/14 (See Page 4 of Attachment 2) and said that the FY 2013/14 valuations, which total \$2,559,634,000, represent a 7.6% decrease. She noted, however, that the existing average secondary property tax levy of \$62.52 (at a rate of \$0.5525) would remain the same. (See Page 5 of Attachment 2)

Ms. Cannistraro explained that it will also be necessary to adjust the secondary property tax levy for the 2012 Parks Bonds and said that the Parks Bonds FY 2013/14 rate of \$0.2227 equates to an average levy of \$25.20. (See Page 6 of Attachment 2) She pointed out that the combined total FY 2013/14 rate of \$0.7752 would result in a levy of \$87.72.

Ms. Cannistraro offered a short synopsis of the FY 2013/14 General Fund outlook and reported that the FY 2011/12 ending fund balance came in as projected, with no additional savings. She remarked, in addition, that the economic recovery is anticipated to be long and slow.

Ms. Cannistraro displayed a chart illustrating the FY 2012/13 General Fund available resources, which total \$308.3 million. (See Page 9 of Attachment 2) She said that for FY 2013/14, staff projects that the sales tax dollar value would be the same as what the City received in FY 2005/06. (See Pages 10 and 11 of Attachment 2) She added that similar to the overall economic recovery, staff predicts that there will also be a long and slow recovery with respect to the City's sales tax revenues.

Ms. Cannistraro referred to a series of charts reflecting projections associated with State-Shared revenues, Building Permit revenues and total General Fund revenues. (See Pages 11, 12 and 13 respectively of Attachment 2) She said that in FY 2013/14, staff projects that the total General Fund revenue that the City receives will be similar to what it received in FY 2005/06.

Mr. Brady pointed out that seven years later, the City is not “any better off resource-wise” and is unable to go back and provide certain services that it did in FY 2005/06. He said that this is due, in part, to ever-increasing expenses such as personnel costs, fuel and other commodities.

In response to a question from Vice Mayor Finter, Ms. Cannistraro clarified that today, there are 487.6 fewer Full Time Employees (FTEs) than in FY 2005/06.

Discussion ensued relative to the FY 2012/13 General Fund expenditure category (See Page 16 of Attachment 2); that an estimated 75.4% of those dollars are allocated toward personal services; a comparative analysis, between FY 2005/06 and FY 2013/14, of the benefit costs of an employee who earns \$50,000 annually (See Page 17 of Attachment 2); that management is aggressively addressing the issue of increased medical costs for employees and retirees; and a series of General Fund pressures for FY 2013/14. (See Pages 19 and 20 of Attachment 2)

Ms. Cannistraro further reported that for FY 2013/14, staff projects that General Fund resources are not sufficient for the anticipated needs. She pointed out that the current budget shortfall is estimated at between \$8 million and \$9 million and added that salary adjustments have not been included in the forecast.

Responding to a question from Vice Mayor Finter, Mr. Brady clarified that it would cost approximately \$2 million in General Fund dollars to include Merit pay/Step increases for employees in FY 2013/14.

Ms. Cannistraro highlighted Senate Bill (SB) 1028, which would exempt businesses with shared ownership from paying a commercial lease tax. She stated that such legislation would result in the City of Mesa losing an estimated \$1.3 million to \$1.5 million in revenue. She added that the matter has not been included in the City's budget, but assured the Council that staff would address the issue.

Ms. Cannistraro said that currently, contracting sales tax is collected by the respective municipality based on the value of the development. She explained that House Bill (HB) 2657 would shift the tax from the location of development to the materials purchase point of sale, which could result in an \$8 million to \$10 million loss of revenue for the City of Mesa. She also noted that the law would require the State of Arizona to be the sole point of reporting and collecting of all sales tax (a \$4 million impact to Mesa), as well as the sole point of audits and enforcement (a \$2 million impact to Mesa).

Mr. Brady pointed out that currently, City staff verifies that businesses are licensed in the City of Mesa. He stated that if this law passed, in his opinion, the State would not allocate the necessary resources in order to assume those responsibilities.

Mayor Smith commented that he would estimate that the City has issued 25,000 sales tax licenses to businesses, many of which operate only in the City of Mesa. He concurred with Mr. Brady that it was unlikely that the State of Arizona would allocate resources to either collect the sales tax or conduct audits on the businesses. He said that many interested parties are working with State legislators to address the concerns of many Arizona municipalities. He added that he was hopeful that some of the amendments being offered with respect to this legislation would make it a non-issue.

Ms. Cannistraro highlighted the next steps in the process as follows: Staff will continue to watch sales tax revenues and other indicators; the Employee Benefit Trust Fund is healthy and staff will review the potential to reduce future scheduled contributions; the City continues to innovate and seek out process efficiencies in both service delivery to residents, as well as internal processes; and staff will update the Council throughout the

budget process. She also reviewed the FY 2013/14 Budget Calendar. (See Page 28 of Attachment 2)

1-e. Hear a presentation and discuss high-level Demographic, Economic and Quality of Life Indicators.

Mr. Brady stated that due to time constraints, this item was continued to a future Study Session.

Mr. Brady thanked the Council and staff for attending the Strategic Planning Session.

2. Adjournment.

Without objection, the Strategic Planning Workshop adjourned at 11:38 a.m.

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SCOTT SMITH, MAYOR

ATTEST:

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DEE ANN MICKELSEN, INTERIM CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Strategic Planning Workshop of the City Council of Mesa, Arizona, held on the 21<sup>st</sup> day of February, 2013. I further certify that the meeting was duly called and held and that a quorum was present.

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DEE ANN MICKELSEN, INTERIM CITY CLERK

pag  
(attachments –2)



# **Mesa City Council**

# **Strategic Initiatives**

**February 21, 2013**





**ECONOMIC DEVELOPMENT** pursues a variety of Healthcare, Education, Aerospace, Tourism/Technology (HEAT) and other dynamic, citywide opportunities, seeks entrepreneurial solutions, ensures success-oriented business and industry partnerships and tools, and delivers new jobs to propel Mesa's economic growth, prosperity and innovative spirit forward within the global marketplace.





**QUALITY OF LIFE** that offers Mesa citizens and youth safe and clean neighborhoods, invests in outstanding recreation, libraries and community open space, delivers transportation choices, elevates culture, arts and education, and ensures solutions are sustainable and environmentally responsible.



## **COMMUNITY ENGAGEMENT** builds pride in

Mesa, encourages and develops a wide range of civic and neighborhood leadership, involves non-profits, faith-based organizations, community youth and volunteers, and maximizes direct communications with residents using a variety of tools and technology.



**FINANCIAL STABILITY** provides proactive leadership and considers all financial factors in order to diversify revenues, bring new jobs to Mesa, create responsible budgets, and ensure operational efficiencies.



**REGIONAL LEADERSHIP** acknowledges that Mesa's and the region's well being are intertwined. We recognize Mesa's responsibility to be a leader of and an active participant in working with regional partners to find innovative and sustainable solutions to regional challenges.

# City of Mesa

## Strategic Budget Discussion

February 21, 2013

Presented by the Office of Management and Budget



# Discussion Outline

- Property Tax Update
- Revenue Forecast
- Expenditure Trends
- Pending Legislation
- Next Steps

# Property Tax Update

## Secondary Assessed Valuations

- 2010/11: \$4,094,037,000 (-13.8%)
- 2011/12: \$3,164,277,000 (-22.7%)
- 2012/13: \$2,770,422,000 (-12.4%)
- 2013/14: \$2,559,634,000 (-7.6%)



# Existing Average Secondary Property Tax Levy

## Levy

- 2012/13 Rate = \$0.5104  
\$122,492 Avg. Assess. @ \$0.5104 = \$62.52
- Base 2013/14 Rate = \$0.5525  
\$113,158 Avg. Assess. @ \$0.5525 = \$62.52

**Average Impact (\$0.00)**

## Adjust Secondary Property Tax Levy for 2012 Parks Bonds

### Levy

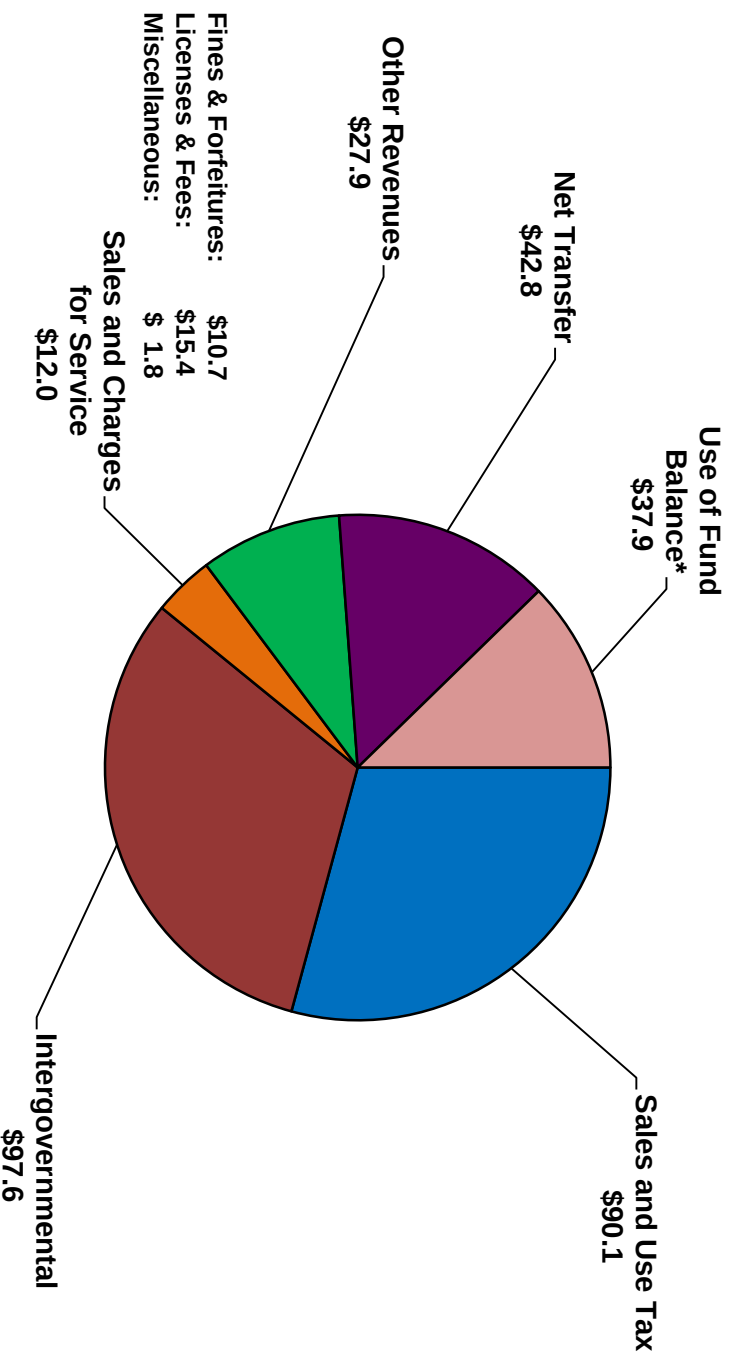
- Base 2013/14 Rate = \$0.5525  
\$113,158 Avg. Assess. @ \$0.5525 = \$62.52
- Parks Bonds 2013/14 Rate = \$0.2227  
\$113,158 Avg. Assess. @ \$0.2227 = \$25.20
- Total 2013/14 Rate = \$0.7752  
\$113,158 Avg. Assess. @ \$0.7752 = \$87.72

# Revenue Forecast

# FY13/14 General Fund Outlook

- FY 11/12 ending fund balance came in as projected, no additional savings experienced
- Economic recovery is anticipated to be long and slow

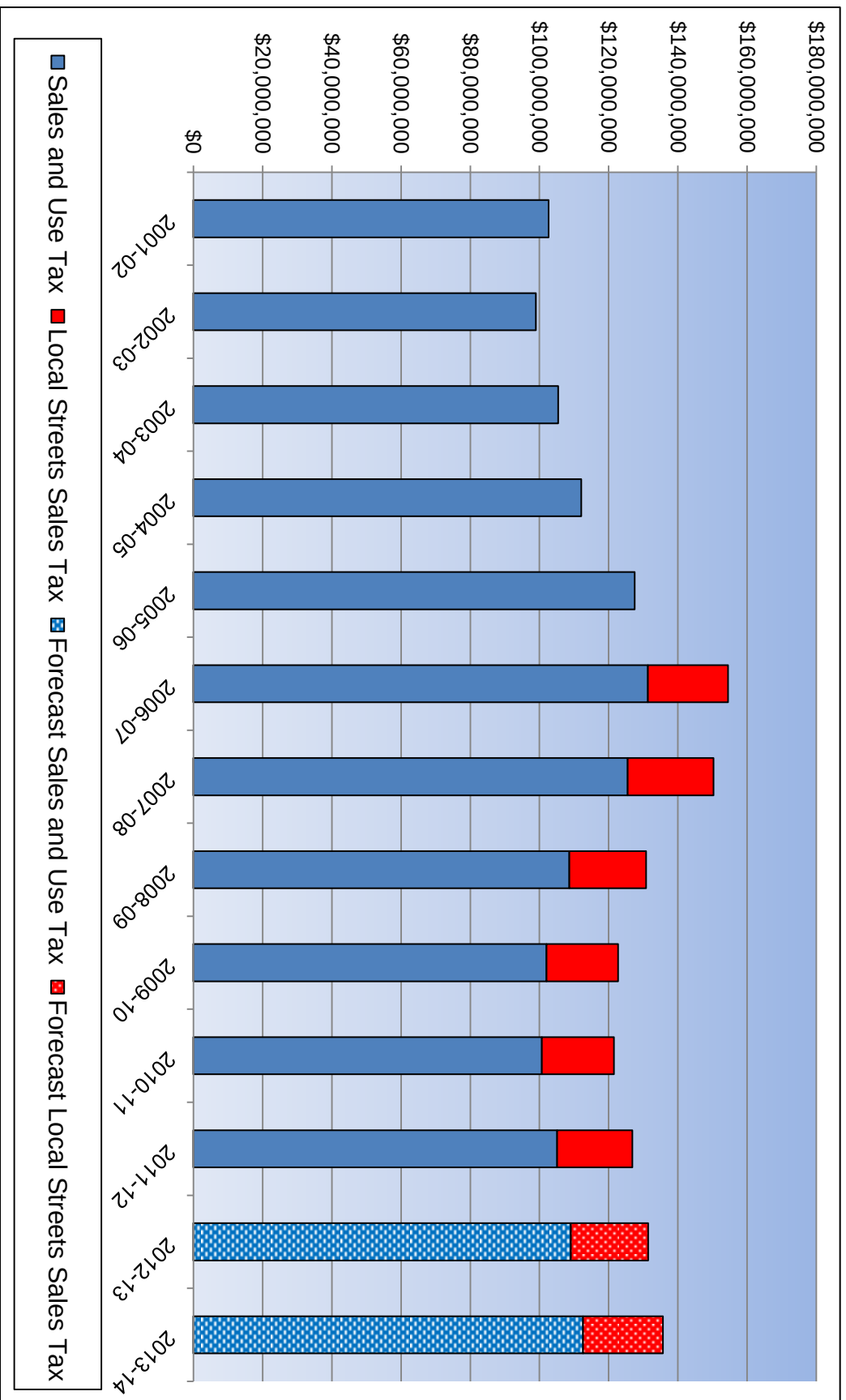
# General Fund FY 2012/13 Available Resources \$308.3M\*



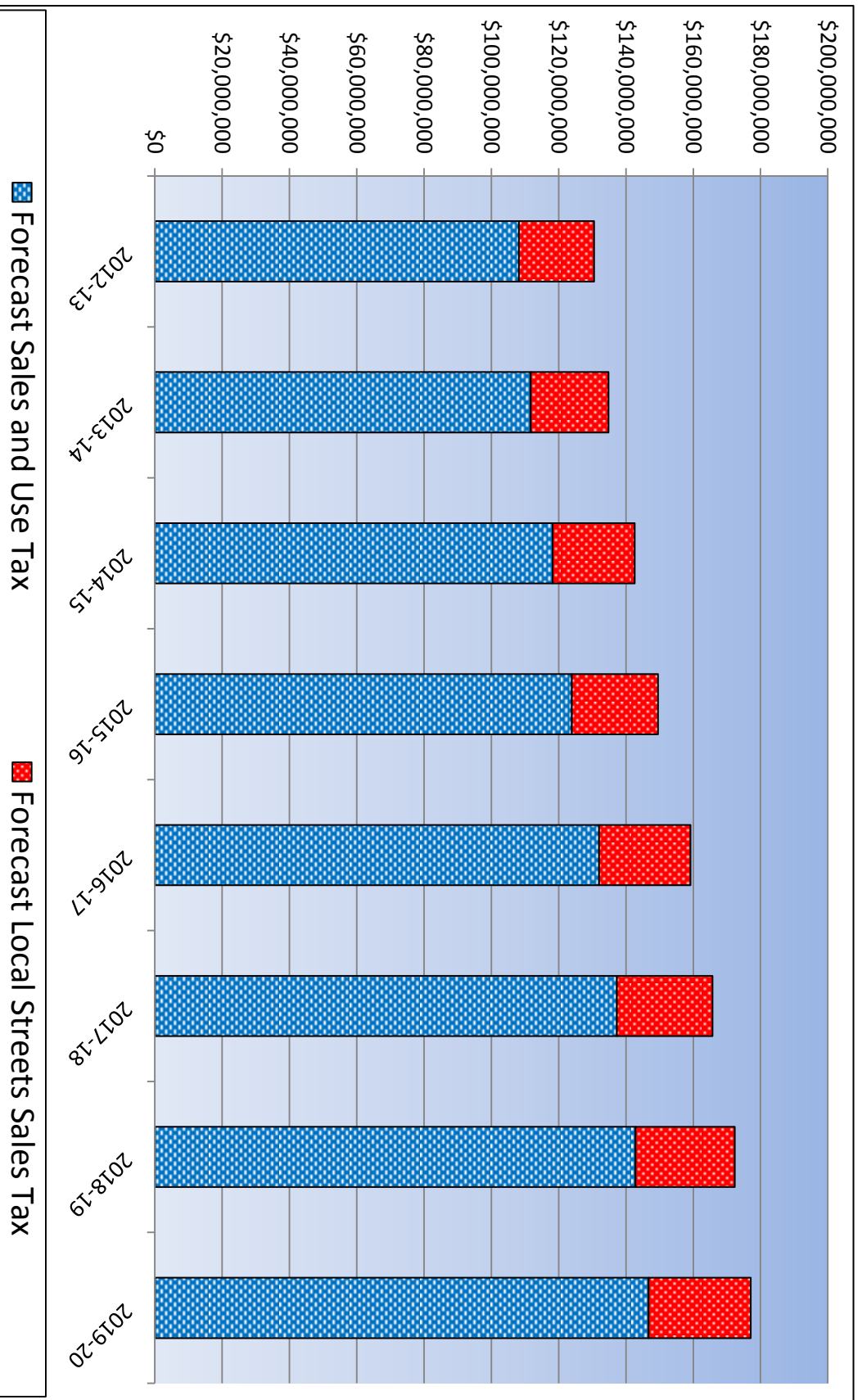
\*Excludes General Fund Carryover of \$6.1M

Dollars in millions

# City Sales Tax

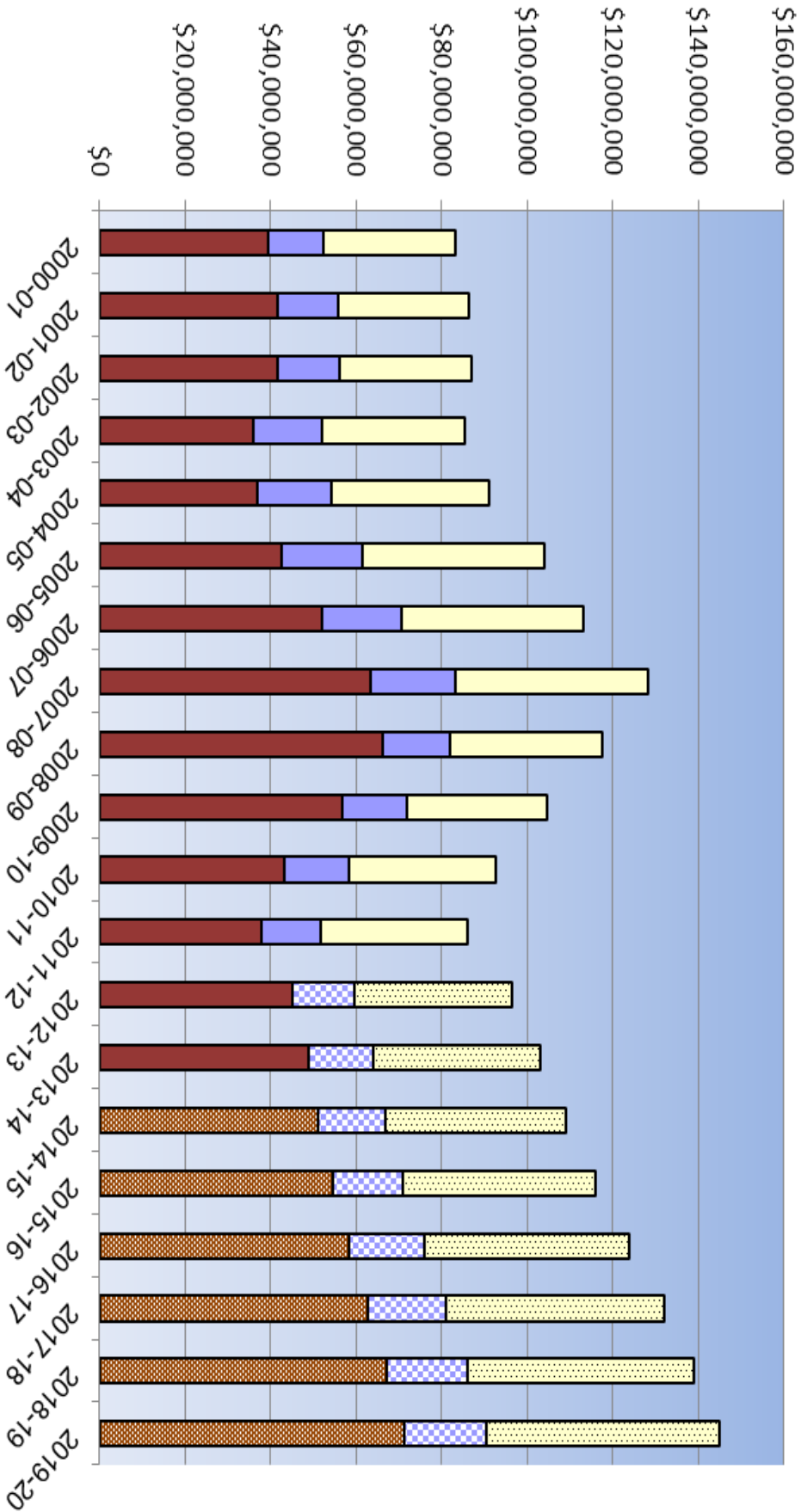


## City Sales Tax Forecast



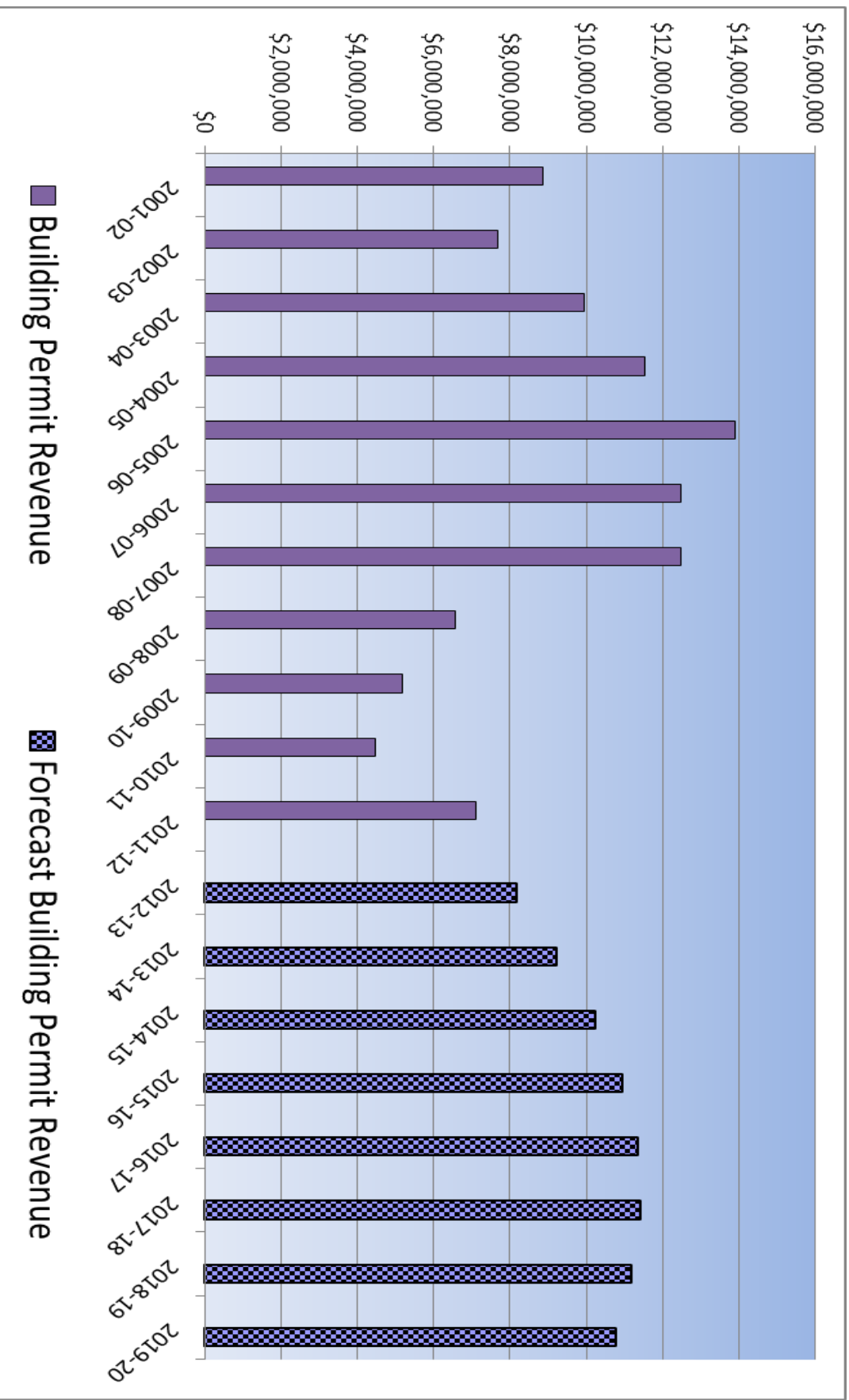
# State Shared Revenues

Urban Revenue Sharing | Vehicle License Tax | State Sales Tax

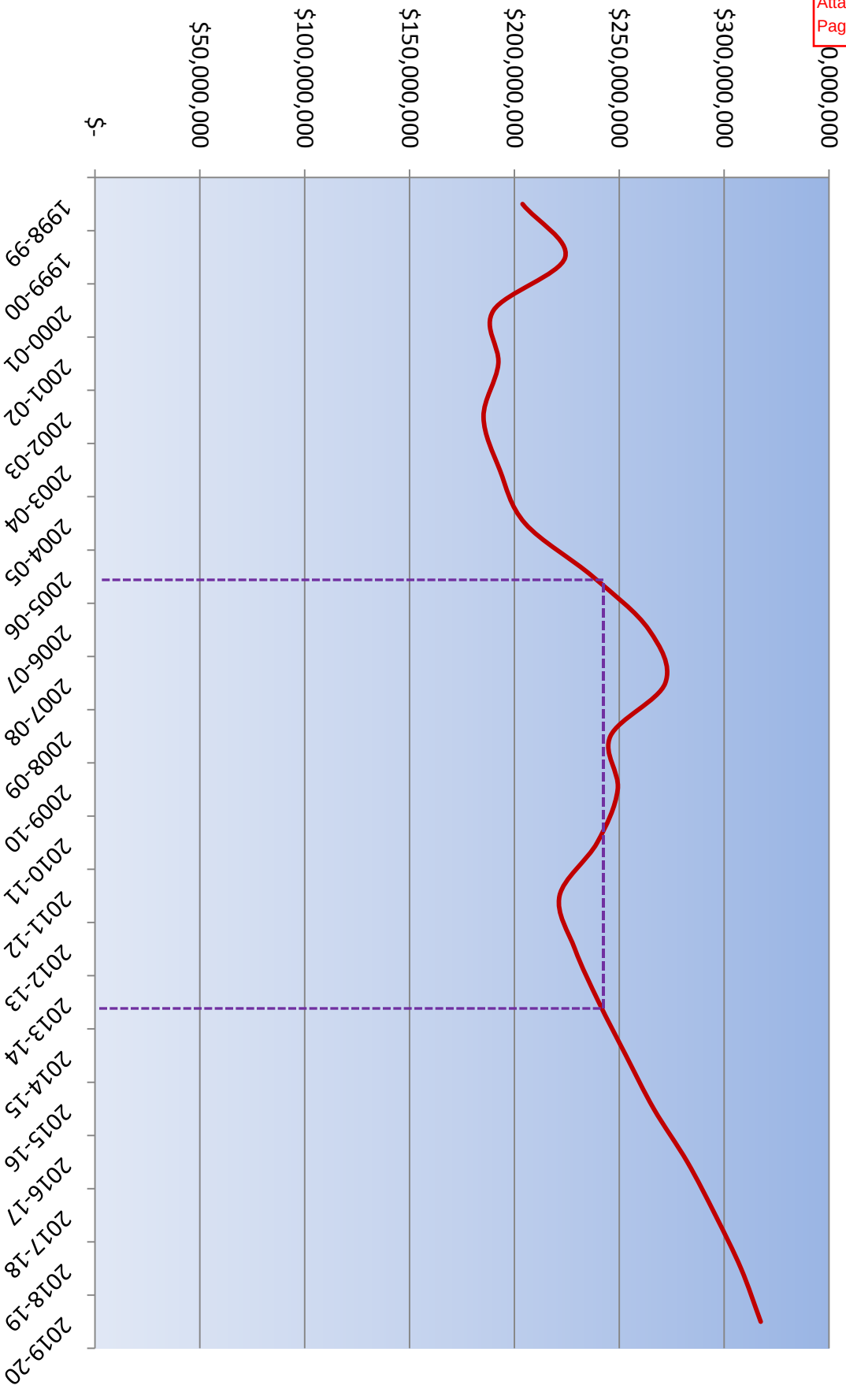




# Building Permit Revenue



## Total General Fund Revenues

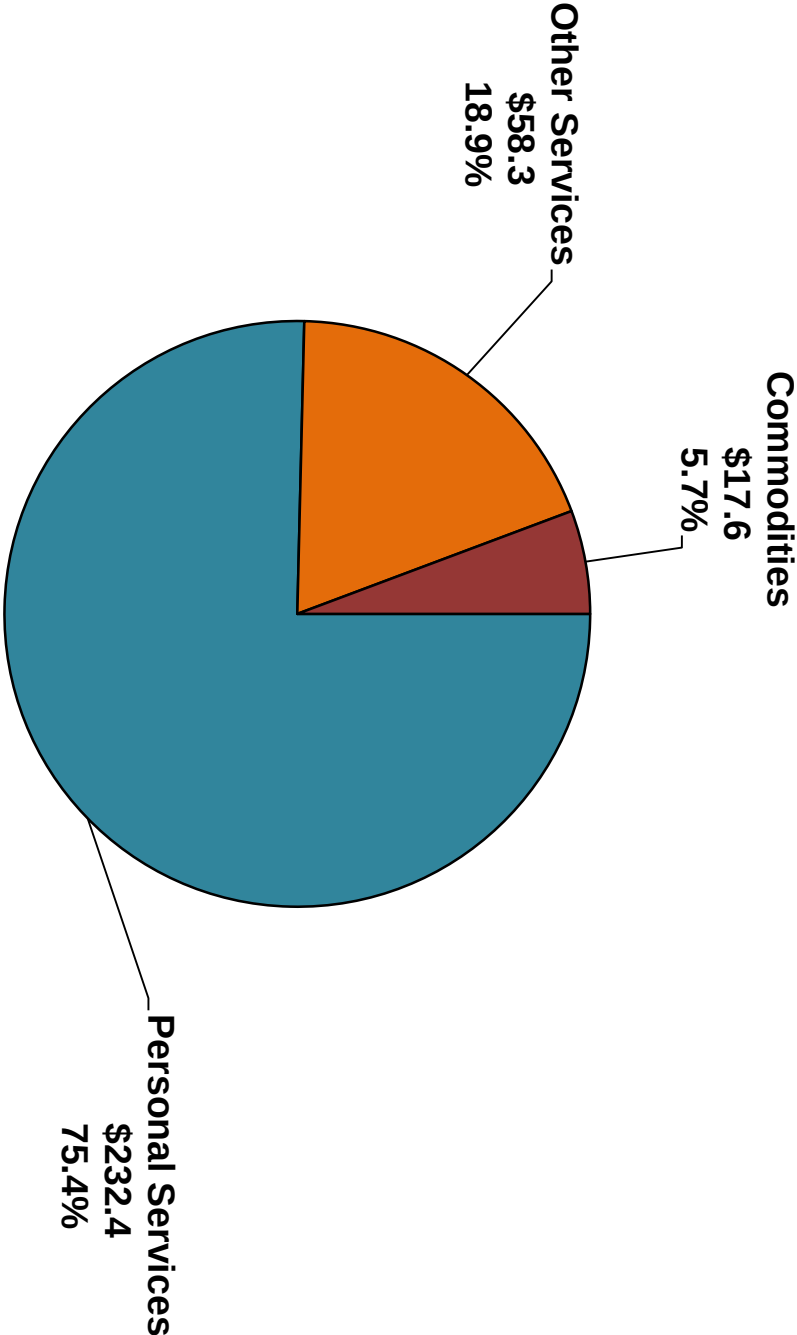


Note: Numbers do not include grants or

Revenues

# Expenditure Trends

# General Fund\* by Expenditure Category FY 2012/13 Budget \$308.3M\*



\* Excludes General Fund Carryover of \$6.1M

Dollars in millions

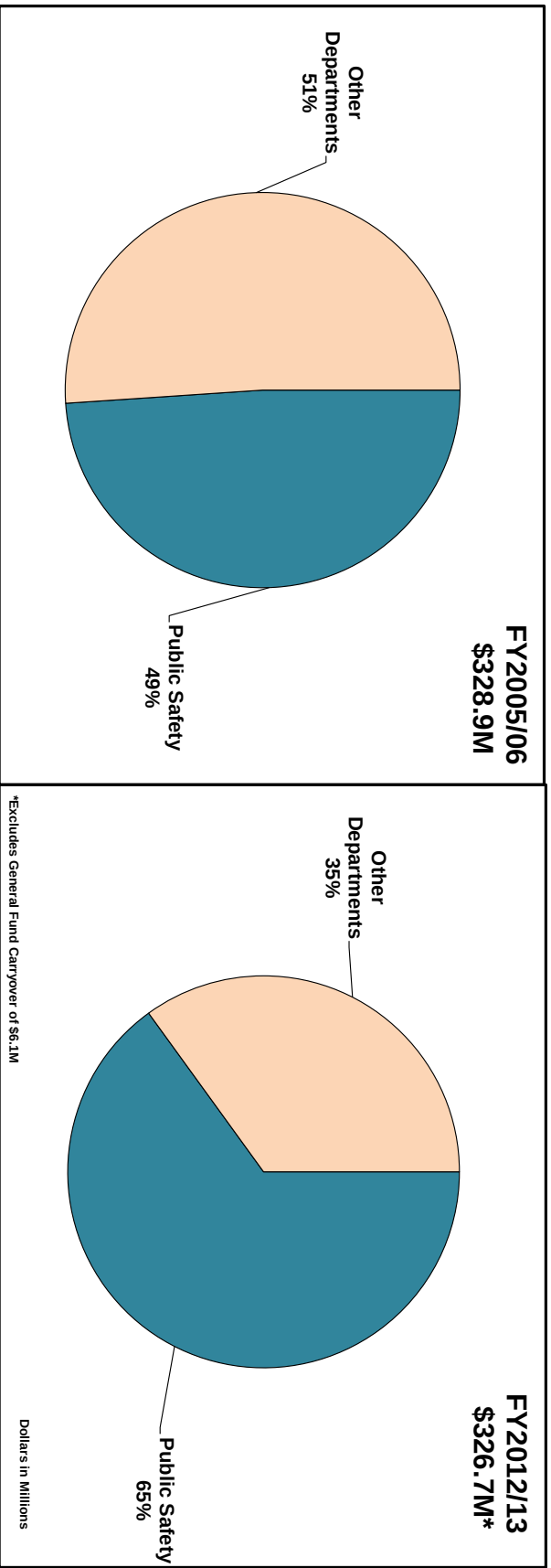
**FY 05/06 to FY 13/14 Benefit Costs of a \$50,000 Position**



# Public Safety Budget Comparison

## General Fund and Quality of Life

### FY2005/06 vs. FY2012/13



# Personnel General Fund Pressures

|                                                                  | <div>FY13/14</div> |
|------------------------------------------------------------------|--------------------|
| Arizona State Retirement System (ASRS)                           | \$ 299,000         |
| Public Safety Personnel Retirement System (PSPRS)                |                    |
| Fire Employees                                                   | \$ 888,000         |
| Police Employees                                                 | \$ 1,677,000       |
| Expiration of COPS grant – partial funding of 25 Police Officers | \$ 1,800,000       |
| City Contribution for Medical Premiums                           | \$ 1,390,000       |

# Other General Fund Pressures

|                                   | <u>FY 14/15</u> | <u>FY 15/16</u> | <u>FY 16/17</u> | <u>FY 17/18</u> |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Parks Bond Package                |                 |                 |                 |                 |
| Operations &                      |                 |                 |                 |                 |
| Maintenance                       | \$ 627,000      | \$ 267,000      | \$ 562,000      | \$ 811,000      |
| Central Mesa Light Rail Extension |                 |                 |                 |                 |
| Operations &                      |                 |                 |                 |                 |
| Maintenance                       | \$ 3,319,000    | \$ 2,370,000    |                 |                 |



# General Fund Impact

- Anticipated available resources for FY 13/14 are not sufficient for anticipated needs
- Current projected budget shortfall is between \$8M – \$9M
- Salary adjustments have not been included in the forecast

# Pending Legislation

# Senate Bill (SB) 1028

- Taxes on Commercial Leases
  - All businesses with shared ownership are exempt from commercial lease tax
  - Estimated loss of \$1.3 to \$1.5 million for Mesa
  - Not included in forecast

# House Bill (HB) 2657

- Transaction Privilege Tax Task Force
  - Currently contracting sales tax is collected by the respective municipality based on the value of the development
  - Shifts tax from location of development to materials purchase point of sale - estimated impact \$8M - \$10M
  - Requires State to be the sole point on reporting and collecting of all sales tax - estimated impact \$4M
  - Requires State to be the sole point of audits and enforcement – estimated impact \$2M

# Next Steps

# Where do we go from here?

- Staff continues to watch sales tax revenues and other economic indicators
- The Employee Benefit Trust Fund is healthy and staff will be reviewing the potential to reduce future scheduled contributions
- The City will continue to innovate and seek out process efficiencies in both service delivery to residents as well as internal processes
- Staff will update the City Council throughout the budget process

# City of Mesa Priorities Continue

- **Vision**

- To be the employer and community of choice

- **Mission**

- We are dedicated to providing superior services to our customers in order to improve the quality of life for Mesa residents, businesses and visitors

- **Strategic Initiatives**



# FY13/14 Budget Calendar

|         |                                                                                                                                                                                                                                                                      |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| April   | <ul style="list-style-type: none"> <li>• Audit, Finance and Enterprise Committee reviews utility rates and fees &amp; charges</li> <li>• City Council reviews utility rates and fees &amp; charges</li> <li>• Department budget overviews to City Council</li> </ul> |
| May     | <ul style="list-style-type: none"> <li>• Preliminary Executive Budget and Capital Improvement Plan submitted to Council</li> </ul>                                                                                                                                   |
| June 3  | <ul style="list-style-type: none"> <li>• Council adopts the FY13/14 Tentative Budget</li> </ul>                                                                                                                                                                      |
| June 17 | <ul style="list-style-type: none"> <li>• Public Hearing on Final Budget, Capital Improvement Plan, and utility rate adjustments</li> <li>• Council adopts Final Budget, Capital Improvement Program, and utility rate adjustments</li> </ul>                         |
| July 1  | <ul style="list-style-type: none"> <li>• Council adopts Secondary Property Tax levy</li> </ul>                                                                                                                                                                       |



