

Southeast Valley's big challenges in 2010

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The Republic asked six of its reporters in the Southeast Valley to lay out some of the big challenges and opportunities facing the region that transcend some of the big issues that may only affect individual municipalities and school districts in the area. Here is the report prepared by staff writers Cathryn Creno, Emily Gersema, Edythe Jensen, Gary Nelson, Parker Leavitt, and [Art Thomason](#).

Shrinking revenue besets officials

As far as Southeast Valley municipalities are concerned, any obituaries for the Great Recession are premature.

Not only are they still suffering from lagging sales-tax revenues, they're looking down the road at sharp reductions in money they get via state revenue-sharing. Blame the latter on the two-year lag between when the state collects [taxes](#) and when it cuts checks to the cities.

So even if the [economy](#) bounced back today, the recession is poised to deliver one wallop of a hangover that cities must deal with this

year and beyond.

And that, by the way, assumes the Legislature won't mess with the revenue-sharing formulas already in place. If that happens, cities could be in even worse shape. Consider:

- **Mesa**, the largest Southeast Valley city, dodged a budget bullet this fiscal year by drastically reorganizing and trimming operations in early 2009. But this spring, the council has been warned, it probably will have to slice spending again for the fiscal year that begins July 1.
- **Gilbert** is facing a \$14 million shortfall for the fiscal year that starts July 1. Part of the solution for balancing the budget may include taking a proposed [sales tax](#) hike to the voters in May. Other proposals include furloughs, pay cuts and possibly even layoffs.
- **Tempe** City Manager Charlie Meyer has warned of "very, very significant cuts." The city faces an estimated \$22.4 million budget gap. Tempe also is home to two unfinished high-rise condo towers that overshadow its downtown and starkly symbolize the ferocity of the real-estate crash.
- **Chandler** also faces budget issues, but is

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looking on the bright side with several high-profile city projects to be completed this year. Most notable: A new \$74 million city hall that will replace rented quarters and end Chandler's status as the only Southeast Valley city without its own city hall. A major reconstruction project on Arizona Avenue will add to the downtown makeover.

- **Ahwatukee**, like the rest of Phoenix, also can be expected to feel the continuing fiscal misery dogging the nation's fifth largest city.

Teacher jobs saved - for now

The budget ax has stopped swinging for Arizona schools for now, but finances will remain a chief concern for Southeast Valley districts in 2010, particularly as the federal stimulus funds run out.

Organizations such as the Arizona School Boards Association and Arizona Association of School Business Officials had warned districts against spending stimulus dollars on hiring because the money would run out by 2011.

But some districts ignored the advice and hired teachers with stimulus dollars for special programs, such as extra help for kids struggling with math or reading.

Mesa, Chandler, Gilbert and Higley school districts together saved about 775 jobs with their share of stabilization monies - representing about \$42 million of the state's full \$250 million in stabilization funds meant to ease state cuts. Districts also had received another portion of stimulus funding for programs that help students who are homeless, [low-income](#) or who have special needs. The four Southeast Valley districts received about \$50 million for those programs.

Federal officials have stipulated that states cannot cut education budgets below 2006 funding levels or they will lose their stimulus dollars. If Arizona's K-12 spending, currently just short of \$4 billion annually, drops any lower, the state will have to seek a waiver from the funding restrictions outlined by the federal stimulus regulations. Federal officials have yet to clarify whether the restrictions on stimulus funds will be in effect then, or if they'll expire, leaving districts vulnerable to the budget ax again.

Dizzying array of elections

Term limits and voluntary departures are setting the stage for shakeups in many of the southeast Valley's six legislative district seats just as the state faces serious money problems.

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Some civic leaders worry that the looming loss of five of the region's six state senators could hinder city-state relationships at a time when budget shortfalls have different levels of government fighting over shrinking tax revenues. Others see it as a chance for innovation and positive changes.

On top of that, Mesa, Chandler and Tempe have municipal elections in 2010 which could bring turnovers on city councils that are also struggling with budget shortfalls.

In the senate, term limits are forcing out Jay Tibshraeny (District 21) and John Huppehthal (District 20) of Chandler and T hayer Verschoor (District 22) of Gilbert. Tempe's Meg Burton Cahill (District 17) and Mesa's Chuck Gray (District 19) have opted out of seeking re-election.

Three Southeast Valley representatives say they will run for the Senate: Andy Biggs of Gilbert, Steve Yarborough of Chandler and Rich Crandall of Mesa.

Budget issues will challenge state lawmakers at least until 2012 and newcomers won't have an easy time, said Tibshraeny, who has formed an exploratory committee to run for mayor in Chandler, a post he held from 1994 to 2002.

Last stand in freeway fight?

By the end of the new decade, the Southeast Valley should have a faster, more direct route to the West Valley. Supporters say the Loop 202 extension around South Mountain is needed to relieve traffic bottlenecks along Interstate 10 through central Phoenix.

But the exact route of the South Mountain Freeway - hotly debated in the last decade - is still in question, and a resolution could finally come this year.

Ostensibly, the controversy was already resolved last October, when the Maricopa County of Governments approved a \$1.9 billion extension of Loop 202, which presently stops at the end of the San Tan Freeway in west Chandler. But the Gila River Indian Community, in a surprise move, offered to begin negotiations on relocating the freeway through tribal land, south of the approved route.

The offer thrilled opponents of the eight-lane, 22-mile freeway, which would take out neighborhoods in Ahwatukee and Laveen and require blasting three South Mountain Preserve ridges.

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route they have planned is just not logical," said Chad Blostone, a pilot for U.S. Airways and longtime member of the Arizona Department of Transportation South Mountain Citizens Advisory Team on the planned freeway.

Blostone asserts "it seems like it would be much less expensive to build the freeway" on the Gilas' flat land. But the tribe's proposal includes a land swap that would give the tribe a parcel of federal wilderness in the Sierra Estrella. That could involve complicated negotiations with the federal government.

Meanwhile, state officials will continue their environmental impact study for the current route in the hopes of starting construction in 2013.

Three Cs for business survival

Creativity, collaboration and consumer confidence are the three C's that could brighten the year for Southeast Valley businesses as the recession forces owners to experiment with non-traditional practices in order to survive, said Lisa Rigler, president of the Gilbert Small Business Alliance.

"We're going to see a lot of creativity, a lot of

businesses coming out of the box and thinking differently," Rigler said.

More companies may turn to cross-marketing strategies and collaboration to cut expenses and increase efficiency. As many national retail chains struggle, small businesses and local startups are becoming increasingly important. The global recession has influenced consumers to shop more locally, saving some mom-and-pop stores from closing in their neighborhoods.

The new year may also bring continued development for the technology sector, particularly in Chandler. Capital [Commercial Investments](#) of Austin bought the 152-acre Motorola site on Price Road and wants it rezoned for a science and technology park.

While some Southeast Valley businesses expect this year to be better than 2009, the sour economy continues to delay some of the region's big-ticket economic development projects, such as Mesa's Waveyard, Heritage Marketplace in Gilbert and the Watermark development in Chandler.

However, medical research and health care projects - such as the new MD Anderson Cancer Center at Banner Gateway and burgeoning stem cell and other research projects at Mercy Gilbert Medical Center will

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gain momentum this year.

Gateway Airport a bright spot

Lofty expectations are Phoenix-Mesa Gateway Airport's standard for 2010 as the former Air Force base sets new passenger records and spurs economic development that will directly impact Mesa, Gilbert and Queen Creek.

"During the year we will handle another 600,000 passengers and almost double the size the passenger terminal in time for the Thanksgiving rush," said Lynn Kusy, Gateway's executive director.

"But some of the exciting things for us to see is what's going to happen around the airport," he added. "We're seeing Mesa build Ray and Hawes roads north of the airport and that's going to open up a lot of property adjacent to the airport for commercial and industrial development. Every business and every home near the airport is a customer for the airport."

Kusy also predicts leases will be signed for empty buildings on Gateway's south side.

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