



COUNCIL MINUTES

March 26, 2020

The City Council of the City of Mesa met in a Study Session via virtual format streamed into the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 26, 2020 at 7:30 a.m.

COUNCIL PRESENT

John Giles*
Mark Freeman*
Jennifer Duff*
Francisco Heredia*
David Luna*
Kevin Thompson*
Jeremy Whittaker*

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Jim Smith

(*Council participated in the meeting through the use of video conference equipment.)

Mayor Giles conducted a roll call.

1-a. Hear a presentation and discuss the impact of COVID-19 on City essential and non-essential operations.

City Manager Christopher Brady updated Council on the significant changes on the ways the City of Mesa is providing services. He mentioned over 1,000 employees are working remotely with the continued effort from the Information Technology (IT) department to keep the City operating. He explained that while the Development Services (DS) building is closed, building permits and planning reviews are continuing via online or phone. He reported a kiosk has been set up outside the DS building for utility payments; and one day last week, 277 customers utilized the kiosk which has helped minimize in-person interaction.

Mr. Brady emphasized Solid Waste is an essential service and steps are being taken to ensure continued service, and precautions are being taken to protect employees. He announced routes have been reduced to minimize costs and both recyclable and garbage barrels will be picked up on the same day by the same truck. He stated the Household Hazardous Waste Facility is closed until further notice.

Mr. Brady indicated with the shortage of cleaning supplies, Water Resources has come up with a creative idea to provide bleached water from the water treatment plants to be used by Public Safety. He added further updates will be provided at the next meeting regarding non-profits assisting the homeless and elderly populations.

In response to a question from Councilmember Whittaker regarding whether staff have contacted Mesa breweries to explore the possibility of creating hand sanitizer, Mr. Brady remarked that he has not heard about that, but will have staff reach out.

In response to a question posed by Councilmember Thompson, Mr. Brady clarified non-essential personnel fall under the categories of Parks and Recreation, libraries, and art facilities. He added in Public Safety some support positions could be considered non-essential, but there are few positions that fall under that category. He stated many of the support positions are being repurposed to assist in other areas and staff continue to explore ways to utilize employees.

Councilmember Duff commented she inquired with a Downtown Mesa brewery who responded they are unable to make hand sanitizer because they do not have the equipment needed for the process.

Councilmember Whittaker commented O.H.S.O. Brewery has made and delivered 100 gallons of hand sanitizer to Banner Health and he feels it is an option worth exploring.

Councilmember Duff indicated she would inquire with other breweries in Mesa.

In response to a series of questions from Mayor Giles regarding the utility kiosk, Mr. Brady stated it is located inside the first set of doors to the DS building. He added if in-person interaction is required, there are a few staff members available for counter service using protective measures. He commented in order to minimize the routes for Solid Waste, all garbage is being taken to the landfill at this time and the recycling program will be revisited in the future. He confirmed most park restrooms have been closed due to vandalism, stealing toilet paper, and reluctance on the part of the contractor to send employees to clean the restrooms.

Mr. Brady corrected his previous answer, stating the kiosk is located outside of the DS building and is available 24 hours a day, seven days a week. He stated staff encourages customers to pay online but may look into acquiring another kiosk.

In response to a question from Councilmember Thompson, Mr. Brady explained although employees are working from home and there is less to clean, the cleaning crews have the ability to do a deeper clean at this time. He mentioned members of the public are not allowed in the City Plaza Building without an appointment to lessen interaction.

City Attorney Jim Smith reported the Governor made a declaration that limited the ability for municipalities to put certain restrictions in place. He stated it is unclear whether the declaration applies to parks and clarification is being sought to determine the details. He indicated he would report back when more information is obtained.

Councilmember Whittaker expressed his opinion that playgrounds should be left open and the playground equipment should be closed to help flatten the curve and stop the spread of COVID-19.

Mr. Brady remarked signs are posted in the parks warning residents that the playground equipment is not cleaned on a regular basis.

In response to a question posed by Vice Mayor Freeman regarding whether the emergency shelters and quarantine space for the homeless are permanent or temporary, Mr. Brady stated that decision will be based on whether the resources will continue to be available in the future.

He elaborated it is time to begin making decisions regarding where Council would like to distribute the next round of Community Development Block Grant (CDBG) dollars, along with the possible additional funding coming in from the Federal Government. He added staff is working with Mesa United Way, A New Leaf and other non-profits to come up with immediate services needed.

Mayor Giles stated the State legislature has allocated over \$100 million in COVID-19 response; half going to the Governor's office and the other half to be used for social service type responses. He indicated the \$2 trillion federal aid package has made its way through Congress.

Mr. Smith clarified regarding Councilmember Thompson's question that the Governor's office was fine with closing the park bathrooms but did not get down to the specificity of the playground equipment.

In response to a question posed by Councilmember Whittaker, Mr. Brady explained the issue of the homeless not having anywhere to use the restroom is the reason the City has kept some of the larger park bathrooms open.

Councilmember Whittaker reiterated his concern with leaving the playgrounds open.

1-b. Hear a presentation, discuss, and provide direction on the impact of COVID-19 on the City's financial position, and the City's budget forecast.

Management & Budget Director Candace Cannistraro displayed a PowerPoint presentation. **(See Attachment 1)**

Ms. Cannistraro reminded Council during the Fiscal Year (FY) 17/18 budget process, the FY20/21 economic correction was first discussed, and again in the Spring 2019 forecast which was based on previous recessions. She stated the FY18/19 ending General Fund balance was \$90.5 million. She indicated \$7 million has been set aside over the last few years for the economic correction. (See Page 2 of Attachment 1)

Ms. Cannistraro summarized the actions taken based on the COVID-19 pandemic including a hold on new ongoing operational expenses, recruitment for vacant positions, and capital projects that are not currently obligated. (See Page 3 of Attachment 1)

In response to a question from Councilmember Thompson, Mr. Brady confirmed one of the projects that could be delayed is the Public Safety Complex, and the intention is to continue to move forward with the three Police academies scheduled this year. He mentioned the two things the City is facing surrounding COVID-19 are the social impact, allowing people to gather; and the financial impact, how long it will take for the economy to recover. He emphasized the purpose today is to present some scenarios to begin the discussion on how to respond to lessen the impact. He advised projects in this year's or next year's budget are undergoing evaluation for possible delay to free up resources.

Ms. Cannistraro added the plan is to place a hold on any activities that may obligate the City to future expenses and does not mean they are eliminated. She explained the financial impact analysis is underway and the numbers will be presented at next week's study session.

In response to a question posed by Councilmember Thompson, Ms. Cannistraro mentioned since the ordinance was adopted capping the transfer from the Enterprise Fund to the General Fund, all the scenarios would be based on the capped numbers.

In response to a question from Councilmember Thompson regarding whether staff should complete a budget scenario based on the proposed initiative, City Manager Christopher Brady stated staff could run that scenario, but using the assumption of the initiative, the reduction would be \$40 to \$50 million and recruitment for Police and Fire would cease immediately. He remarked the initiative is not sustainable without having a tremendous impact citywide.

In response to a question by Councilmember Luna regarding the impact to the City in the last recession, Mr. Brady explained 300 to 400 employees were laid off, in addition to a hiring freeze for Police and Fire. He continued by saying staff will look at a scenario of the impacts going forward, on top of the anticipated impacts from COVID-19.

Councilmember Whittaker commented the initiative is not going to matter because the economy is naturally going to decrease sales tax and utility revenues. He discussed the problem of drawing down the reserves and that utilities will run out of reserves in four years.

Mr. Brady disagreed with Councilmember Whittaker, stating there are healthy reserves and the initiative will have a significant impact. He remarked that even during the recession the utilities did very well and carried the City through that difficult period.

In response to a question from Councilmember Whittaker, Mr. Brady stated he has not seen the current sales tax numbers, but as of January the numbers were 7.5% ahead. He confirmed the City will lose a lot of sales tax dollars but reiterated that during difficult times the utilities have been the strongest financial pillar the City has.

Councilmember Whittaker suggested taking the utility reserves and immediately offering a reprieve to the people who are out of work because the City of Mesa has the highest water rates in the East Valley.

Mayor Giles requested Councilmember Whittaker take a breather on campaigning for the initiative. He commented everyone needs to be responsible and recognize the financial crisis the City is facing. He stressed the discussion is off topic of the agenda item and is delving into politics.

Ms. Cannistraro described the budget process and the procedures for ensuring the City is meeting the statutory requirements of adopting a budget. She mentioned staff will be coming to Council with the budget for FY20/21, which is consistent with operations today, and at the same time working on reduction scenarios to modify the FY20/21 budget after adoption. She explained the process will allow Council to move forward and not miss critical timetables while allowing appropriate time to come up with reduction scenarios. (See Page 4 of Attachment 1)

Mr. Brady expanded by saying the plan is to take this year's budget and move it forward, while at the same time making downward adjustments until staff can gauge where the budget needs to be. He added there will not be budget presentations because of the uncertainty of the budget.

Ms. Cannistraro stated an economic correction had been anticipated; however, COVID-19 has caused the correction to come earlier and will be deeper than could have been foreseen. She advised the recovery is difficult to predict because of the ongoing nature of COVID-19. (See Page 5 of Attachment 1)

Ms. Cannistraro presented the three timeframe scenarios with the closed facilities. She stated under the six-month scenario, the 2020 summer seasonal programming will be canceled, and staff will be evaluating the net savings to the City due to the closures. She reported the nine-

month scenario will affect the winter season, which includes the Mesa Performing Arts Center (MAC), Convention Center and Amphitheater performances and those facilities going to minimal staffing. She noted the 12-month scenario would include the six- and nine-months impacts, plus possibly the 2021 Spring Training season. She commented staff will continue assessing what is happening in Mesa, as well as across the state and country. (See Pages 6 through 9 of Attachment 1)

Ms. Cannistraro recommended Council move forward and adopt the FY20/21 budget without modifications and implement the six-month scenario. She advised the actual numbers involved in each of the scenarios will be presented next week. (See Page 10 of Attachment 1)

Mr. Brady announced, at a minimum, the recommendation to Council is to implement the six-month scenario which cancels the summer programs and keeps the facilities closed through October 1, 2020. He commented training for the summer programs would need to begin now and the City does not want to pay for services that will not be rendered. He summarized no decisions have been made but that staff will come back next week with more details and numbers.

In response to a question posed by Mayor Giles regarding how significant the savings will be, considering a lot of programs are generating revenue, Mr. Brady replied ultimately there is a net expense to the City, although the revenues help to offset some costs. He advised staff will include the revenue loss as well as the expense savings in the update.

Ms. Cannistraro reported while the facilities do have revenues that offset the operations; unfortunately, with the facilities closed, that revenue is lost. She questioned how long the expenses can be sustained without those revenues.

In response to a question from Councilmember Duff in regard to whether the art facilities can reduce their function within their budget without City assistance and stay open, Mr. Brady stated there is a question whether social gathering is even a viable option at this time and that the City subsidizes \$7 million of their budget. He advised staff would look into other scenarios for the facilities.

Councilmember Duff commented on the difficulty of deciding which scenario is the best choice because it depends on the political decisions that are made. She mentioned more aggressive measures taken upfront by the City to address COVID-19 will allow better prediction of an economic recovery.

In response to a series of questions from Councilmember Luna, Mr. Brady advised that at the end of the day an assumption will have to be made regarding the number the City will need to cut from the budget. He commented if there is a way for facilities to achieve savings while continuing to provide some programs, the City could consider that option. He added that his best guess as of today is that nothing materially will change until October as far as a recovery, which is why staff is recommending the six-month plan. He explained the sooner adjustments are made, the more flexibility there will be in the future and the City will hopefully be able to avoid future cuts.

In response to a question posed by Councilmember Thompson regarding a zero-based budget for non-essential departments, Mr. Brady explained that would take a tremendous amount of administrative effort, adding those departments receive the fewest dollars out of the General Fund. He summarized these quality-of-life programs will not be available for the next six months due to the social distancing orders.

Councilmember Whittaker remarked Council should be focusing on how to help residents who have lost jobs, not on arts and social programs. He suggested stopping all discretionary spending and saving reserves to help the City make it through the COVID-19 crisis. He continued by saying the budget impact for the Arizona Public Safety Personnel Retirement System (PSPRS) and Arizona State Retirement System (ASRS) programs need to be reviewed.

1-c. Hear a presentation and discuss the use of state and federal funds to address the COVID-19 pandemic.

Deputy City Manager Scott Butler stated the details are pending on the federal legislation, but as of today, the belief is the City of Mesa will be eligible for a portion of the \$150 billion CoronaVirus Relief Fund based on the 2018 census population estimate which was greater than 500,000. He commented staff will know definitively once the criteria are released.

Mr. Butler announced on top of the CoronaVirus Relief Fund, an additional \$5 billion is being added to the Community Development Block Grant (CDBG) program; \$2 billion of which will be normal formula grants; \$1 billion will go to states, and the states will have the discretion on spending. He explained the remaining \$2 billion will be based on the criteria set up by the federal agency with the focus on areas hardest hit by the coronavirus.

Mr. Butler reviewed other funding available from the largest federal aid package in the history of the country, which includes \$4 billion in homeless assistance grants, \$1.25 billion in Section 8 vouchers, \$1 billion in rental assistance, \$50 million for Section 202 housing for the elderly, \$1.5 billion to the Economic Development Administration (EDA) to assist with Economic Development projects to help get the economy back on track, \$100 million in firefighter grants, emergency food assistance grants, and dislocated worker grants, among others. He confirmed the City will continue to monitor all the programs available that can be used in the community.

Mr. Butler continued by saying on the State side, the City is awaiting guidance from the Governor's office regarding the \$50 million allocation, adding the mandate from the legislators is that the money will be spent on social service programs.

In response to a question from Councilmember Luna regarding whether there was federal support for reduction in workforce relief, Mr. Butler stated as of today he is not aware of a fund that is unique to government; however, there is a \$650 million dislocated worker national reserve fund to help with workforce impacts and layoffs. He affirmed staff will look into the resources available in that program if layoffs are needed.

In response to a series of questions posed by Councilmember Heredia, Mr. Butler explained the hope is that the process of making the funds available will be quicker than the normal federal turnaround, adding the President has been pushing agencies to get the money out the door. He reported Treasury is mandating the stimulus checks be sent out within the next two weeks, while other programs have requirements that the criteria will be set within 30 days. He advised staff will look into whether a website or phone number has been set up for citizens who have questions so that Council can steer their constituents in the right direction.

In regard to a question from Councilmember Duff concerning uses of the COVID-19 Relief Fund, Mr. Butler advised he is uncertain whether additional guidelines are pending, but the wording of the bill states the funds can be used to cover only those costs that are necessary expenditures incurred due to the public health emergency and must be expenses not accounted for in the City's

underlying budget as of March 1, 2020. He provided examples such as extra cleaning of parks or Fire and Medical expenses for extra supplies.

Mr. Brady announced there is a special code for tracking eligible expenses related to COVID-19 with the hope that the City will be reimbursed at a future date.

In response to a question from Councilmember Thompson with respect to companies repurposing their facilities to avoid layoffs, Mr. Butler advised he would look into that possibility and will follow up.

Mayor Giles stated Mesa is fortunate to be over the 500,000-population mark to be eligible for funding. He emphasized his hope that Mesa will be aggressive in pursuing money both federally and locally and shifting full-time employees from facilities that are closed into different positions.

Mayor Giles thanked Mr. Butler for the information.

2. Current events summary including meetings and conferences attended.

Councilmember Duff – COVID-19 Zoom Meeting
ASU Social Embeddedness Network Conference

Councilmember Luna – Telephone meeting with Kris Bliss, Interim Associate
Dean at Red Mountain Community College Campus

Councilmember Heredia pointed out that Census day is April 1 and encouraged citizens to participate in the Census.

Mayor Giles reported on March 27, 2020, from 7:00 a.m. to 12:00 p.m., the Mesa United Food Bank will be handing out food at the Mesa Convention Center, and at 1:00 p.m. he will be hosting an online Community Summit directed at the faith community and non-profits.

3. Scheduling of meetings.

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

Tuesday, March 31, 2020, 2:00 p.m. – Study Session

4. Adjournment.

Without objection, the Study Session adjourned at 9:26 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 26th day of March 2020. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 1)



Financial Status Update

City of Mesa

COVID-19 Financial Impact

March 26, 2020

Candace Cannistraro, Management
& Budget Director

Prior City Planning

- FY 20/21 economic correction/recession was first discussed with City Council during the FY 17/18 budget process
 - The impact was included in the Spring 2019 forecast presented to City Council
 - The impact was based on Mesa's experience with recessions prior to the great recession
- General fund balance has been greater than what the City's financial policies call for
 - FY 18/19 ending fund balance was \$90.5M (19.3% of the FY 19/20 adopted expenditure budget)
- In FY 19/20, an additional \$7M of general fund dollars is set aside

Actions Taken

- The following operational actions have been taken:
 - Hold on adding new on-going operational expenses
 - Hold on recruiting activities for vacant positions related to non-critical/non-essential services
 - Hold on capital projects that are not obligated
- Financial impact analysis is underway

FY 20/21 Budget Process

- Adopt a budget consistent with the current level of operations
 - No salary step-pay increase July 1, 2020
- Develop budget modifications to remain within revised forecasted revenues
- Discuss revised revenue forecast scenarios and department reduction proposals with City Council
- Implement identified expenditure reductions as necessary

Impact of COVID-19

- Anticipated economic correction/recession occurred earlier and will be deeper than anticipated
- Recovery is difficult to predict due to the situation being on-going
- Pre-emptive closing of public facilities was not anticipated and will skew the impact toward those operations

Possible Scenarios

- 6-month ~ Oct. 1, 2020
- 9-month ~ Jan. 1, 2021
- 12-month ~ Apr. 1, 2021

6-month scenario ~ Oct. 1, 2020

• Facility closures

- Mesa Arts Center
- i.d.e.a. Museum
- Natural History Museum
- Convention Center
- Amphitheater
- Libraries
- Red Mountain Center
- Community recreation centers

• 2020 Summer seasonal programming will be canceled

- Aquatics
- Recreational programs
- Contemporary Arts classes

• Financial Impact/Response

- Reduction in expenses related to service not being provided
- Seasonal positions will not be filled
- Year-round positions evaluated for continuation
- Other City departments to evaluate non-mission critical services/programs for **delay and/or reductions**

9-month scenario ~ Jan. 1, 2021

- Continuation of facility closures

• FY 20/21 Winter seasons **affected**

- MAC – Performing Live
- Convention Center
- Amphitheater

- **Financial Impact/Response**
 - Reduction in expenses related to service not being provided
 - Closed facilities to reduce positions to **minimal** staffing
 - Evaluate departments' non-mission critical services/programs for **reductions and/or discontinuation**

12-month scenario ~ Apr. 1, 2021

<ul style="list-style-type: none">• Continuation of facility closures	
<ul style="list-style-type: none">• FY 20/21 Winter seasons cancelled<ul style="list-style-type: none">• MAC – Performing Live• Convention Center• Amphitheater	
<ul style="list-style-type: none">• 2021 Spring Training season at risk<ul style="list-style-type: none">• Optimistic that 2021 season will go forward, but staff will continue to assess	<ul style="list-style-type: none">• Financial Impact/Response<ul style="list-style-type: none">• Reduction in expenses related to service not being provided• Closed facilities to reduce positions to minimum staffing• Longer time needed for the facilities to ramp back up• Greater impact to the economy as a whole and overall revenues• Evaluate all services/programs for reductions and/or discontinuation

Staff Recommendation and Schedule

- Adopt the FY 20/21 budget without scenario modifications to expenses
 - May 2020 adoption
- Implement the 6-month scenario
 - Determine the cost avoidance related to facility closures, in conjunction with the departments
 - Evaluate non-critical services for delay and/or reduction
- Financial evaluation results scheduled for presentation to City Council on Thursday, April 2nd

