



## AUDIT, FINANCE & ENTERPRISE COMMITTEE

November 6, 2017

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on November 6, 2017, at 4:45 p.m.

COMMITTEE PRESENT	COMMITTEE ABSENT	STAFF PRESENT
Mark Freeman, Chairman Christopher Glover David Luna Christopher Brady, Ex Officio	None	Michael Kennington DeeAnn Mickelsen Jim Smith

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation, discuss, and provide a recommendation on proposed fees and charges for the Mesa Fire and Medical Department:

Fire and Medical Department Deputy Director Tara Acuna introduced Management Associate Tony Garvey who displayed a PowerPoint presentation (**See Attachment 1**) related to proposed fees and charges for the Mesa Fire and Medical Department (MFMD).

Ms. Acuna advised the proposed revenue ideas were developed in lieu of the budget cuts for FY 2017/2018. She pointed out that Fire Chief Mary Cameli worked with field members and office staff to come up with the fees and charges.

Ms. Acuna provided an update on the Rural Metro mutual aid agreement. She advised that in the past, MFMD has not charged Rural Metro when a request is made for MFMD to respond to assist. She pointed out that the revenue received is based on the unit type and the time spent on scene. (See Page 2 of Attachment 1)

Mr. Garvey displayed the proposed fees to rent the Public Safety Training Facility. He advised the facility is shared between the Mesa Police Department (MPD) and MFMD. He reported that the facility is on a 45 acre lot and has a 14 acre driving track, which is used for different exercises by various City departments. (See Page 3 of Attachment 1)

In response to a question posed by Chairman Freeman, Mr. Garvey advised any private entity or any entity not currently in the mutual aid system would be charged to use the facility.

Assistant Fire Chief Cori Hayes clarified that non-profit organizations or any non-revenue based agency will not be charged to use the facility.

In response to a question posed by Chairman Freeman, Mr. Garvey reported that with the implementation of the charges, the impact for FY 2018/2019 would be around \$20,000, which is based off the non-partners that rented the facility in 2016.

Mr. Garvey presented the proposed false alarm charge. He pointed out that false alarms take first responders out of service and add to the call load at the dispatch center. (See Page 4 of Attachment 1)

In response to a question posed by Committeemember Glover, Mr. Garvey advised that out of the 467 billable false alarms that occurred in 2016, some were repeat offenders. He pointed out that is why false alarms are considered an issue and an area where the MFMD is trying to change behavior.

Discussion ensued related to charging a false alarm fee based on an escalated scale as opposed to a cost recovery model.

Committeemembers Glover and Luna agreed that the false alarm charge should be scaled, similar to the police department, in which the first false alarm is free and the charge progresses with each additional false alarm.

In response to a question posed by Chairman Freeman, Mr. Garvey explained that there could be an option for false alarm violators to take a class in lieu of paying a fee. He advised the MPD offers a two-hour class through business services where a homeowner would learn about basic servicing and maintenance of an alarm.

Mr. Garvey reported with the addition of the \$100 false alarm fee the impact for FY 2018/2019 would be \$45,000, however, MFMD will reevaluate and provide the new revenue amount using the escalated scale model.

Mr. Garvey provided the rate recommendation for gas leaks due to damaged utility lines. He reiterated that responsible parties would only be charged if it is known they did not take the proper precautions to prevent the gas leak from happening. He advised the impact for FY 2018/2019 when implementing this charge would be \$13,000. (See Page 5 of Attachment 1)

In response to a question posed by Chairman Freeman, Mr. Garvey advised the initial intent is to charge the responsible party, which would include homeowners.

Assistant Fire Chief James Johnson clarified by stating that because Energy Resources is charging homeowners, MFMD would do the same.

Discussion ensued related to charging homeowners or only charging commercial property owners.

Mr. Garvey advised he will calculate the breakdown between commercial and residential calls for service and present the data to Council at the next meeting for a final decision.

Ms. Acuna reported MFMD responds frequently to assisted living facilities and nursing homes for lift assists. She advised MFMD plans to update training and educational materials for staff at elderly care facilities, however with the high turnover rate at these locations, this might not be the best solution to the problem. (See Page 6 of Attachment 1)

Chairman Freeman commented that this is a continued problem for MFMD and even though education is key, the problem may best be solved financially.

Committeemember Luna advised this is an ongoing issue and is a burden on our public safety staff. He suggested coming up with an educational plan and some way to mitigate the situation.

Ms. Acuna advised MFMD is considering making training videos and recommended that it be mandatory for incoming staff at elderly care facilities to watch them.

In response to a question posed by Chairman Freeman, Mr. Garvey advised in FY 2017/2018, at one location, MFMD responded to 30 lift assist calls in a nine-month period.

Chairman Freeman thanked staff for the presentation.

2-b. Hear a presentation, discuss, and provide a recommendation on a proposed modification to the City Financial Policies and the City Investment Policy.

Management and Budget Director Candace Cannistraro displayed a PowerPoint presentation **(See Attachment 2)** related to a proposed modification to the City Financial Policies and the City Investment Policy.

Ms. Cannistraro advised in 2008 Council approved the adoption of financial policies for the City. She advised the policies have now been modified to reflect the City's current business practices.

Ms. Cannistraro detailed the reasons why the City adopted a financial policy. She pointed out that the financial policies set guidelines for Council and staff when decisions are made regarding the annual budget. (See Page 2 of Attachment 2)

Ms. Cannistraro provided the ten policies that were adopted by Council on May 9, 2008 and the proposed financial policies. (See Pages 3 and 4 of Attachment 2) She stated the major changes to these policies are provided at the end of the presentation. (See Pages 17 through 28 of Attachment 2)

Ms. Cannistraro concluded her presentation by noting that in December these new policies will be brought to Council for adoption.

Chairman Freeman thanked staff for the presentation.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 5:21 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 6<sup>th</sup> day of November, 2017. I further certify that the meeting was duly called and held and that a quorum was present.

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DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 2)

# MFMD Proposed Fees and Charges

Tara Acuna, Deputy Director – Fire and Medical Department  
Tony Garvey, Management Associate – Office of Management and Budget



## Update: Rural Metro Mutual Aid

- Mutual Aid agreement signed on September 13<sup>th</sup> between the City of Mesa and Rural/Metro
  - *This is not a fee/charge, rather a contractual agreement between both entities*
- MFMD responds on average, at the request of Rural/Metro, 20-25 times a month
- Projected Revenue each year will vary based on number of requests by Rural/Metro but historical data would suggest revenue near \$100,000/year
  - *Reimbursement structure is consistent with mutual aid agreements between Rural/Metro and other municipalities*





## Public Safety Training Facility



- Currently, the City of Mesa is not charging for any rentals at the Public Safety Training Facility
- Our market rate analysis compared rental prices between the City of Chandler and the City of Glendale training facilities
- Partner Cities/Organizations will not be charged these rental fees

Driving Track	\$100 \$600	Per Hour Per Day	Minimum 2 hours
Burn Building	\$100 \$600	Per Hour Per Day	Minimum 2 hours
Grinder	\$100 \$600	Per Hour Per Day	Minimum 2 hours
Apparatus	\$100 \$600	Per Hour Per Day	Minimum 2 hours
Multi-Purpose Room (seats 160)	\$100 \$600	Per Hour Per Day	Minimum 2 hours
Auditorium (seats 340)	\$200 \$1200	Per Hour Per Day	Minimum 2 hours
Fire Hydrant	\$50	Per Connection	



## False Alarms

- Currently, the City of Mesa is not charging for any fire false alarm responses; In calendar year 2016, there were 467 billable false alarms where the Fire crew arrived on scene
- Most false alarms are due to device malfunction as a result of lack of maintenance and servicing
- Rate recommendation is based off of a cost recovery model consisting of crew costs, O&M on the vehicle, and the regional dispatch fee



**Proposed Charge:  
\$100 per commercial false alarm  
when crew arrives on scene**

- Proposed false alarm charges are not applicable for calls canceled en





## Gas Leaks due to Damaged Utility Lines

- Currently, Energy Resources responds to damaged gas lines and charges the responsible party for its personnel time and the materials used to fix the damaged utility line
- In order to mitigate the inherent danger of a gas leak, MFMD responds to these same leaks but has not been recovering any costs
- Rate recommendation is based off of a cost recovery model consisting of crew costs, O&M on the vehicle, and the regional dispatch fee
- Due to the variability of time on scene, the proposed charge will be variable as well
- Initially, we will begin billing with COM Energy Resources; Developing a relationship with Southwest Gas is underway

*Example: If a 4-person crew/engine/ladder responds to a call which the "dispatch" → back in-service" time was 60 minutes, the responsible party would be charged **\$249.29***



## Update: Assisted Living / Nursing Homes

- MFMD identified the top elderly care facilities using 911 emergency services for calls deemed “Lift Assists”
  - “Lift Assist” – Solely moving resident from point A to point B. No medical attention needed
- Updating training and educational material for elderly care facilities is a focus of EMS and Community Outreach to determine if “Lift Assist” call volumes can be reduced
  - Facility Trainings will be offered
  - Additional resources will be provided to these facilities to help educate on when calling 911 is appropriate
- Cost recovery options are still being evaluated – future charges may be proposed to council based on the impact of the education and training done by our EMS and Community Outreach staff



Thank You!



# City of Mesa Financial Policies

Office of Management and Budget (OMB)

November 6, 2017

Presented by: Candace Cannistraro, Management and  
Budget Director



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# Why Adopt Financial Policies?

Government Finance Officers Association (GFOA) Best Practice states governments

- ✓ “should formally adopt financial policies” (GFOA, *Adopting Financial Policies*, 2015) **Institutionalize good financial management policies**
- ✓ **Prevent** need to re-invent responses to recurring issues
- ✓ **Define** shared understanding of how the City will develop financial practices and manage resources
- ✓ **Define** boundaries
- ✓ **Support** good bond ratings, reduce cost of borrowing
- ✓ **Promote** long-term and strategic thinking
- ✓ **Manage** risks to financial condition

# Current Financial Policies

Adopted by City Council May 9, 2008

## Ten policies

- 1) The Annual Budget
- 2) Fund Balances and Contingency Fund Targets
- 3) Fees and Charges
- 4) Debt Issuance and Management
- 5) Capital Improvement Program (CIP) and Asset Replacement
- 6) Investment and Cash Equivalents
- 7) Financial Reporting
- 8) Long Range Planning and Forecasting
- 9) Risk Management
- 10) Amending and Updating Financial Policies

## Ten policies

- 1) The Annual Budget
- 2) Unrestricted Reserve Balances
- 3) Other Reserve Balances
- 4) Charges for Services
- 5) Debt Issuance and Management
- 6) Capital Improvement Program (CIP) and Asset Replacement
- 7) Investment and Cash Equivalents
- 8) Financial Reporting
- 9) Long Range Planning and Forecasting
- 10) Risk Management

# Why Update Financial Policies?

- GFOA Best Practice states: “Policies should be monitored, reviewed, and updated as needed in a **systematic way**.” (GFOA, *Adopting Financial Policies*, 2015)
- Current policies need to be modified to accurately describe current business/financial practices



## Policy 1 Overview - The Annual Budget

- Outlines the requirements of a balanced budget, and adherence to State requirements
- Establishes the fiscal year and outlines the monitoring and reporting of the financial status and the modification of the budget as needed
- Outlines the development of departmental operational performance plans and measures

# Policy 2 Overview - Unrestricted Reserve Balances

- Identifies the General Governmental funds and the Enterprise Fund as unrestricted and sets the policy for the minimum reserve balance at 8-10% of the following year's anticipated expenditures
- Allows for the adoption of a reduced reserve balance if necessary, with a plan for restoration within three years

## Policy 3 Overview - Other Reserve Balances

- New policy added to address reserve balances in other funds such as:
  - Employee and retiree medical plans/other benefits
  - Legal liability
  - Worker's compensation
  - Pension stabilization
- Reserve balances will be determined based on the uniqueness of the individual fund
- Addresses Council direction for 25 year amortization schedule of unfunded liability portion of the Public Safety Personnel Retirement System (PSPRS)

## Policy 4 Overview - Charges for Services

- Addresses two distinct types of charges
  - Utility rates services such as: water, wastewater, solid waste and recycling, electric, natural gas
  - Fees and Charges for services such as: venues, events, museums, park activities, sports, permits, licenses, etc.
- Utility rates are reviewed annually to ensure the coverage of cost of service while maintaining a reasonable rate of return
- Non-utility fees and charges are reviewed annually and consider percentage cost recovery when appropriate

# Policy 5 Overview - Debt Issuance and Management

- Sets the policy to repay General Obligation bond debt with a secondary property tax levy adopted on an annual basis
- Sets the policy not to issue long-term debt to finance current obligations as well as defines the length of the debt to be no greater than the useful life of the asset
- Outlines some of the legal requirements for issuance of bond debt and intention of the City to adhere to all requirements

# Policy 6 Overview - Capital Improvement Program (CIP) & Asset Replacement

- Outlines that it is a multi-year process that is coordinated with the annual budget and the multi-year forecast
- Calls for the assurance of adequate funding for both the capital portion and the operating portion of a project
- Outlines the planning process incorporation of:
  - Active communication
  - Impact on the operating budget
  - Environmental responsibility
  - Use of master plans when appropriate
  - Citizen engagement
  - Process transparency

# Policy 7 Overview - Investments & Cash Equivalents

- Outlines the objectives of City investment as safety, liquidity, and return on investments
- Identifies the presence of separate investment policy and cites the City Charter and City code for authorization to invest City resources
- Establishes reporting frequency to City management monthly and City Council quarterly

## Policy 8 Overview - Financial Reporting

- Outlines the need for accounting based financial reporting (Comprehensive Financial Annual Financial Report – CAFR)
- Outlines the need for budget basis financial reporting (Annual Executive Budget Plan)
- Establishes a focus on quarterly reporting of the major operating funds and financial transparency through on-line access to financial data



# Policy 9 Overview - Long Range Planning and

## Forecasting

- Defines long range planning as the use of trends to forecast future revenues and expenditures over a multi-year period
  - Short range determined as 2-3 years
  - Long range determined as 4-8 years
- Calls for the ability to include both internal operational decisions as well as external changes in the economic climate
- Establishes the forecast as the basis for budget development and on-going financial decision making

## Policy 10 Overview - Risk Management

- Every City department is responsible to protect against losses that would affect City assets and the ability to provide on-going services
- Loss is mitigated through training, safety, and risk financing
- Risk is managed through self-insurance, liability insurance and property insurance
- The City will identify and disclose any material issues in the City's Comprehensive Annual Financial Report (CAFR)

# Thank you



# Major Changes: Policy 1- The Annual Budget

- Language added in subsection 1.8 to describe City's aim of achieving a structurally balanced budget
- Subsection 1.7 added to describe submission process and purpose of department operational performance plans
- Updated subsection 1.6- City management/ City Council budget update occurrence from twice annually to quarterly
- Subsection 1.13 deleted- fleet vehicle funding too specific for policy

# Major Changes: Policy 2- Unrestricted Reserve Balances

- Subsection [2.1](#) language changed from addressing Annual Budget to General Governmental and Enterprise Funds
- Subsection [2.2](#) added to provide decision-making guidelines for setting anticipated reserve balance lower than 8%
- Subsection [2.3](#) added to provide guidelines for restoring acceptable reserve balance levels

# Major Changes: Policy 3- Other Reserve Balances

- New policy added to address reserve balances in other funds such as:
  - Employee and retiree medical plans/other benefits
  - Legal liability
  - Worker's compensation
  - Pension stabilization
- Subsection 3.3 added to address specific amortization schedule of Public Safety Personnel Retirement System (PSPRS) unfunded liability

# Major Changes: Policy 4- Charges for Services

- Policy split into two categories:
  - Utility rates services such as: water, wastewater, solid waste and recycling, electric, natural gas
  - Fees and Charges for services such as: venues, events, museums, park activities, sports, permits, licenses, etc.
- Subsections 4.1 – 4.3 added to address utility rate review and adjustments, including maintaining reasonable rate of return
- Subsections 4.5 – 4.7 added to outline considerations in adjustments to fees and charges, including cost recovery consideration

# Major Changes: Policy 5 - Debt Issuance and Management

- Removed specific introductory language governing debt repayment time
- Added Subsection [5.7](#) language stipulating City compliance in filing Annual Continuing Disclosures



# Major Changes: Policy 6 - Capital Improvement Program (CIP) & Asset Replacement

- Added introductory language describing City staff practices throughout planning process
- Subsection 6.3 language removed, which mandated revenue source matching for forecasted costs
- Subsection 6.5 removed, which required enclosure of fiscal impact statements in capital project contract awards
- Language added in subsections 6.2 and 6.4 to include asset replacement in the development of the CIP

# Major Changes: Policy 7- Investments & Cash Equivalents

- Updated introductory language to address City's focus on meeting primary objectives of safety, liquidity, and return
- Subsection **7.3** updated to address liquidity of City's investment portfolio and its ability to meet cash flow needs
- Subsection **7.5** updated to reflect current practice of providing investment performance information to City Council quarterly

# Major Changes: Policy 8- Financial Reporting

- Subsection 8.5 added to describe current practice of providing managerial financial reports to the City Council on a quarterly basis
- Subsection 8.6 added to address efforts to achieve financial transparency

# Major Changes: Policy 9- Long Range Planning and Forecasting

- Current Long Range Planning and Forecasting policy is numbered **Policy 8**. Proposed changes result in it being numbered **Policy 9**
- Subsection **9.1** updated to accurately describe production of short and long term forecasts, remove description of medium range forecast, and redefine forecast time spans for short term forecasts to 2-3 years and the long range forecast to 4-10 years
- Previous subsection **8.6** moved to proposed subsection **9.4**
- Previous subsections **8.4** and **8.5** removed, which described the use of statistical regression modeling and the role of forecasting in achieving the goals of various fiscal plans

# Major Changes: Policy 10- Risk Management

- Current policy is numbered **Policy 9**. Proposed changes result in policy being numbered **Policy 10**
- Introductory language added that stipulates that risk management is a responsibility of every City department
- Previous subsection **9.1** removed, which described the City of Mesa's reliance on the City Attorney's office for risk management advice
- Subsection **10.2** added, which outlines the role of the City Attorney's office in managing financial exposure risk arising from claims and lawsuits
- Subsection **10.5** added, which establishes that the Office of Management and Budget will conduct reviews of historical loss data

# Major Changes: Investment Policy

- Updated Policy to provide guidance and limitations:
  - Added sector limitations for non-government securities
  - Added corporate issuer limitations
    - no more than 5% of portfolio
  - Maximum maturity on investments will be 5 years
- Updated Performance Standards
  - Benchmarks shall be established and compared to portfolio performance
    - 1-3 Year US Treasury Index
    - AZ LGIP Pool 7
    - S&P LGIP Index
    - 3 Month Treasury

# Major Changes: Investment Policy

- Updated to meet Best Practices
  - Compared to local, GFOA and Financial Advisor Recommendations
- Added Standards of Care
  - Delegation of authority
  - Conflicts of interest.
- Added guidelines related to the use of financial institutions and broker/dealers
- Updated to reflect the State's pooled collateral program