

COUNCIL MINUTES

June 5, 2014

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 June 5, 2014 at 7:42 a.m.

COUNCIL PRESENT

Alex Finter
Terry Benelli*
Dennis Kavanaugh
David Luna
Dave Richins
Scott Somers*

COUNCIL ABSENT

Christopher Glover

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Dee Ann Mickelsen

(*Councilmembers Benelli and Somers participated in the meeting through the use of telephonic equipment).

Mayor Finter excused Vice Mayor Christopher Glover from the entire meeting.

1-a. Hear a presentation, discuss, and provide direction on the 2014 Utility Bond proposal.

Office of Management and Budget Director Candace Cannistraro, Water Resources Department Director Dan Cleavenger, and Energy Resources Department Director Frank McRae addressed the Council relative to this item.

Ms. Cannistraro provided a summary of the 2014 Utility Systems Bond Proposal (**See Attachment 1**) and stated that the Capital Improvement Program (CIP) projects the City of Mesa's needs for the next 5-20 years to establish the City's financial forecast. She explained that the projects outlined include the infrastructure investment which addresses the amount of water and energy resources needed, their projected uses, and how to meet the growth needs for future customer development.

Mr. McRae displayed a PowerPoint presentation of the 2014 Energy Resources Utility Bond Proposal and outlined the project categories as Lifecycle Replacement, System Reinforcement, and Infill and New Development. (See Pages 6 through 9 of Attachment 1)

Mr. McRae displayed a map of the electric utility service area (See Page 11 of Attachment 1) and stated that the Rogers Substation is where the City's power supplies are accumulated and distributed through the 69kV Loop.

Mr. McRae explained that the 4kV substations noted in red on the map will be de-energized and re-used once the conversion of 4kV to 12kV distribution substations are completed. He noted that two of the transformers in the 12kV substations are nearing 40 years old and advised that these are accounted for in the proposal in order to replace the transformers and associated equipment.

Mr. McRae stated that the electric system reinforcement will be focused on converting overhead electric to underground electric systems. He added that the areas prioritized for undergrounding will be those areas that are prone to outages. He explained that there is substantial overhead infrastructure adjacent to the Morris Substation and said the City plans to convert that area to underground systems. He displayed a before and after photo of the electric conversion at Mesa Drive and 8th Avenue. (See Page 15 of Attachment 1) He reviewed a schematic slide indicating the mixture of overhead and underground lines at that location (See Page 16 of Attachment 1) and noted that 54% of the distribution system is underground.

Mr. McRae explained that in terms of Infill and New Development, businesses are looking for more green renewable supplies of energy. He pointed out that the City's renewable portfolio is at 20% and the bond request would allow the City to invest in solar facilities in the electric service area.

Mr. McRae explained that of the \$27 million being requested for Council approval in the 2014 Utility Bond Election Proposal, nearly half of the funding is to be applied to the electric system reinforcement area which consists of expansion and conversion from overhead to underground systems.

Mr. McRae advised the Council that prior authorizations regarding the Natural Gas Utility were used to replace aging infrastructure, or were completed jointly with the Water Resources and Transportation Departments and included authorizations to extend services to new customers. He added that Natural Gas Utility services a majority of Mesa's City limits (See Page 20 of Attachment 1) as well as the Magma Certified Area which includes part of Pinal County.

Mr. McRae displayed a diagram of a natural gas distribution system and highlighted the City Gate Station. He explained that this location is where natural gas supplies are transported from interstate pipelines to the City's natural gas distribution system, and added that the City has five distinct gate stations that connect with the El Paso Natural Gas System. (See Page 21 of Attachment 1)

Mr. McRae identified the Natural Gas Lifecycle Replacement categories and said that most of the funding is to replace aging infrastructure. (See Page 22 of Attachment 2) He explained that the natural gas system reinforcement focuses on the demand increases from customers such as expansions of homes or business services, or to provide additional service in extreme weather. He reported that staff is seeking Council approval for the Natural Gas Utility Bond Funding totaling \$59.1 million.

Mr. McRae advised that there are growth opportunities with Compressed Natural Gas (CNG) vehicles and explained that there are fueling stations which would encompass City fleets, local company fleets, and private vehicles.

In response to a question from Councilmember Kavanaugh, Mr. McRae explained that the next two CNG fueling stations will be located at the East Mesa Service Center and the West Mesa Service Center and will be primarily used to fuel the ongoing conversion of solid waste fleet to CNG. He added that in terms of fleet locations outside of the City, a conceptual idea was developed and approval was obtained from the East Valley Institute of Technology (EVIT), which would allow the City to develop a CNG fueling station on the property behind EVIT. He stated that plans are in place on how CNG stations would be integrated into the EVIT technology programs.

In response to a question from Councilmember Richins, Mr. McRae stated that the conceptual design includes a way of obtaining access to a pump that will be available for use by the general public.

In response to a question from Councilmember Luna, Mr. McRae explained that in discussions with fleet directors for Mesa Public Schools and with other schools, propane is being used in some of their vehicles while others have vehicles where propane is not the viable option. He added that once the City's two new fueling stations are completed, Mesa will be able to demonstrate the viability and feasibility of utilizing CNG vehicles. He reported in summary, that staff is seeking Council approval for the Natural Gas Utility Bond Election Proposed Funding for a total of \$59.1 million. He explained that \$22.6 million would be applied toward Lifecycle Replacements and \$12.6 million toward System Reinforcement. He pointed out that \$24.1 million is slated for Customer Demand and added that the funds for this area will not be utilized until the demand for services and gas energy materialize. (See Page 26 of Attachment 1)

Water Resources Department Director Dan Cleavenger provided information on the 2014 Water Resources Utility Bond Proposal. He identified the three categories of projects as Lifecycle Replacement/Reliability, Water Resources Contractual Obligations, and Customer Demand (See Pages 28 through 31 of Attachment 1)

Mr. Cleavenger explained the Water System and Lifecycle Replacement needs, which includes pipeline replacement on both the stand alone and joint projects (with Transportation) which are coordinated with roadway improvements. He added that these include upgrades to pump stations, wells, reservoirs, and equipment upgrades at the Brown Road Plant. (See Page 33 of Attachment 1) He displayed photos showing the impacts caused as a result of pipe breaks. (See Pages 34 and 35 of Attachment 1) He explained that catastrophic pipe breaks can be prevented or minimized with the reinvesting in aging pipes. (See Page 36 of Attachment 1)

In response to a question from Councilmember Richins, Mr. Cleavenger explained that pipes currently being replaced have met their life expectancy and are not as resilient as new pipes currently being installed, which are expected to last 60 to 70 years.

Mr. Cleavenger displayed a map of the proposed water rehabilitation projects. (See Page 37 of Attachment 1)

Mr. Cleavenger explained that the Water System Contractual Obligations are agreements with the City of Phoenix, with whom we jointly own the Val Vista Water Treatment Plant, and added that this is where raw water is treated and then supplied to our customers. He stated that customer demand is in southeast Mesa and that future industrial and residential users will challenge the water capacity demands.

Mr. Cleavenger pointed out that opportunities for growth would be impacted by the limited water treatment capacity. He explained that it is imperative to move forward on this project in order to support economic sustainability. He displayed a map and provided an overview of the Central Arizona Project (CAP) and Salt River Project (SRP) water supply areas, existing and future water treatment plants and current well sites. He added that the City is close to full capacity in serving southeast Mesa. (See Pages 38 through 42 of Attachment 1)

Mr. Cleavenger reviewed Mesa's Water Treatment Plant Capacities and Demands chart. (See Page 42 of Attachment 1) He explained that the Val Vista Water Treatment Plant (which is shared with the City of Phoenix) currently produces up to 220 million gallons per day (MGD) and that Mesa's allocation is 90 MGD. He added that the current demand is 70 MGD which will provide the City some capacity. He stated that the Brown Road Water Treatment Plant has the capacity to produce 72 MGD, and that the current demand for that service area is largely northeast and eastern Mesa which requires approximately 56 MGD. He said that there is already a 10 MGD demand for the Signal Butte Plant which is currently being serviced by the Brown Road Plant in order to provide water to southeast Mesa. He explained that this pressures the systems' capacity and added that although there are wells to make up for the capacity, he stated that timing to get the Signal Butte plant built is critical and the expectation is that it should be operational by 2018.

In response to a question from Councilmember Richins, Mr. Cleavenger explained that the Brown Road plant is at 56 MGD however, an additional 10 MGD is being re-routed to southeast Mesa in order to accommodate peak demand usage which totals 66 MGD.

In response to a question from Councilmember Luna related to industrial plants locating to southeast Mesa, City Manager Christopher Brady explained that Mesa would rely less on treated water and more on well water which is not as reliable, thus placing the City's water systems at increased risk as the City does not have the capacity to treat that type of water supply. (See Pages 43 and 44 of Attachment 1)

Mr. Brady explained that due to manufacturing, industrial and residential growth in southeast and northeast Mesa, there is an increased demand for a reliable water treatment source to pump water to the area.

Councilmember Somers remarked that the City understands that if citizens want to invest in southeast Mesa, it is important that they are aware that there is sufficient capacity in the infrastructure as it currently exists to support short terms needs, but in terms of the strategic plan, significant investments will need to be made to continue the economic development successes. He added that these investments are important for Mesa's long term strategy and continued success and further added that the City is equipped to handle growth in the immediate future.

Mr. Brady advised that if the bond package is approved, it is anticipated that the Signal Butte water treatment plant will be complete in 2018. He remarked that the City is ready to meet growth demands today, as well as to ensure support for future and continued growth.

Mr. Cleavenger noted that the Water Utility Bond Proposal total is \$315.7 million, the largest portion for customer demand in southeast Mesa, which includes the water treatment plant and associated infrastructure. (See Page 47 of Attachment 1)

In response to a question from Councilmember Richins, Mr. Brady explained that the repayment of revenue bonds is composed of revenue from utility customers and impact fees. He added that both apply to pay off the existing debt service. He further explained that this process assists in mitigating the overall costs related to water and wastewater which also has an impact on rates. He pointed out that as additional development takes place and fees are paid, the expense of outstanding debt is reduced.

Mr. Cleavenger displayed a series of photographs illustrating sewer rehabilitation/replacement projects, manhole replacement projects, and the Southeast Plant disinfection project. (See Pages 51, 52 and 53 respectively of Attachment 1) He also displayed a map titled "Wastewater Replacement/Rehabilitation CIP Projects 2014-2018." (See Page 54 of attachment 1)

In response to a question from Councilmember Richins, City Engineer Beth Huning clarified that the City has completed an extensive project on Main Street which included the replacement of water and gas lines. She explained that such efforts were completed prior to the current extension of light rail and noted that the water and gas lines were separated and placed on either side of the street in order to keep the service connections from crossing the future light rail alignment. She pointed out that the primary purpose for the projects was lifecycle replacement due to breaks in areas south of Main Street. She added that storm drains were also installed on Main Street before the light rail extension.

Mr. Cleavenger continued with the presentation and discussed the Wastewater System contractual obligations related to the 91st Avenue Wastewater Treatment plant. He advised that the plant is jointly owned by Phoenix, Scottsdale, Tempe, Glendale and Mesa which comprise the Sub-Regional Operating Group (SROG).

Mr. Cleavenger, in addition, addressed Mesa's wastewater needs and displayed a chart illustrating Mesa's water reclamation plant capacity. (See Page 58 of Attachment 1) He pointed out that southeast Mesa's current capacity at the Greenfield plant is 4 MGD. He explained that the City has the ability to divert a portion of that flow to the 91st Avenue plant, but stated that staff would propose to expand the Greenfield plant for an additional 10 MGD which would support economic development in the area.

Mr. Cleavenger remarked that in order to meet customer demand, the City will continue to invest in infrastructure in an effort to prepare the City for jobs, new employers, and residential demand. He noted that Citywide costs consist largely of additional investments required in the septic to sewer program, which equates to more than \$2 million. He also highlighted the 2014 Wastewater Utility Summary. (See Page 61 of Attachment 1)

In response to a question from Councilmember Richins, Mr. Cleavenger stated that the lifecycle funding for the septic to sewer program was included in the Citywide customer demand costs.

Mayor Finter noted that it is important for Mesa voters to understand why the City is proposing that these bonds be included on the November 2014 ballot.

Ms. Cannistraro explained that staff would propose to refer to the voters of Mesa in the November 2014 Election, a recommendation consisting of four questions related to electric, gas, natural gas, and water and wastewater.

Ms. Cannistrato stated that voter approval of these questions would authorize the City to sell bonds in these four areas. She explained that the bonds would not be issued nor would projects take place until growth within the City warrants it

Mr. Brady stated that at the July 1, 2014 Regular Council meeting, the Council will adopt a resolution calling the November 2014 election. (See Page 62 of Attachment 1)

Mayor Finter stated that the Council concurred with staff's proposals. He thanked everyone for their efforts.

1-b. Hear a presentation, discuss and provide direction on the proposed Audit Plan for FY 2014/15.

City Auditor Jennifer Ruttman discussed the Proposed Audit Plan for FY 2014/15. **(See Attachment 2)** She explained that the proposed audit is to strengthen the accountability of the City of Mesa to its citizens and maximize the efficiencies and effectiveness of City services. She stated that at the Council's direction, a plan was developed which takes into account several issues, including requests from the City Council or the City Manager for risk assessments. She explained that risk assessments include a number of factors that are weighted and placed by numeric value to determine where the risks are and how resources could best be spent.

Ms. Ruttman indicated that the Audit Plan for FY 2014/15 was approved by the Audit and Finance Committee and forwarded to Council for action.

Ms. Ruttman provided a short synopsis of the proposed audits. (See Pages 1 and 2 of Attachment 2)

In response to a question from Councilmember Richins, City Manager Christopher Brady explained that Ms. Ruttman will continue to bring issues, including changes or processes required, to his attention. Mr. Brady explained that when audit findings are identified and critical issues arise, they are addressed immediately. He added that he will work more closely with staff with respect to tracking audit changes and recommendations.

Councilmember Richins stated that the City takes pride in the proper handling of taxpayer and utility customers' monies and noted the importance in implementing audit findings as quickly as possible.

In response to a question from Councilmember Luna, Ms. Ruttman indicated that when a deficiency is discovered, her staff conducts a follow-up audit one year after the audit report has been issued.

Mayor Finter thanked Ms. Ruttman for her presentation and hard work.

It was moved by Councilmember Richins, seconded by Councilmember Luna that the proposed Audit Plan for Fiscal Year 2014/15 be approved.

Mayor Finter declared the motion carried unanimously by those present.

2. Acknowledge receipt of minutes of various boards and committees.

2-a. Museum and Cultural Advisory Board meeting held on January 23, 2014.

2-b. Audit, Finance and Enterprise Committee meeting held on April 7, 2014.

It was moved by Councilmember Richins, seconded by Councilmember Luna, that receipt of the above-listed minutes be acknowledged.

Mayor Finter declared the motion carried unanimously by those present.

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

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

4. Scheduling of meetings and general information.

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

Friday, June 6, 2014, 7:30 a.m. – Coffee with Councilmember Kavanaugh

Saturday, June 7, 2014, 6:00 p.m. – Districts 5 and 6 Water Safety Community Event

Thursday, June 20, 2014, 7:30 a.m. – Study Session

5. Adjournment.

Without objection, the Study Session adjourned at 8:41 a.m.

ALEX FINTER, 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 5th day of June, 2014. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

2014 Utility Systems Bond Proposal

City Council Study Session

June 5, 2014

Presented by the Office of Management and Budget

Infrastructure Investment

Investment ensures reliable services for current customers

Proactive planning and construction to leverage job growth

Meets growth needs for future customer demand

2010 Utility Bond Election

Helped to attract major employers to Mesa

Maintained reliability of existing system

Allowed for development in growth areas

Continued Investment

Provides for reliability of service to existing neighborhoods

Supports new customers in growth areas

Leverages industrial and commercial economic development opportunities throughout the city

2014 Energy Resources Utility Bond Proposal

Energy Resources Project Categories

- Lifecycle Replacement
- System Reinforcement
- Infill and New Development Based on Customer Demand

Energy Resources Lifecycle Replacement

Planned replacement of infrastructure in order to ensure reliable system operation and efficient, uninterrupted delivery of service to customers.

Energy Resources System Reinforcement

Capital improvements that enhance the reliability and resilience of the system.

Example:

Underground electric distributions systems can be more safe & reliable than comparable overhead systems

Infill and New Development Based on Customer Demand

Planned funding to support customer demand and leverage commercial economic development opportunities. Possible opportunities include both redevelopment and infill projects.

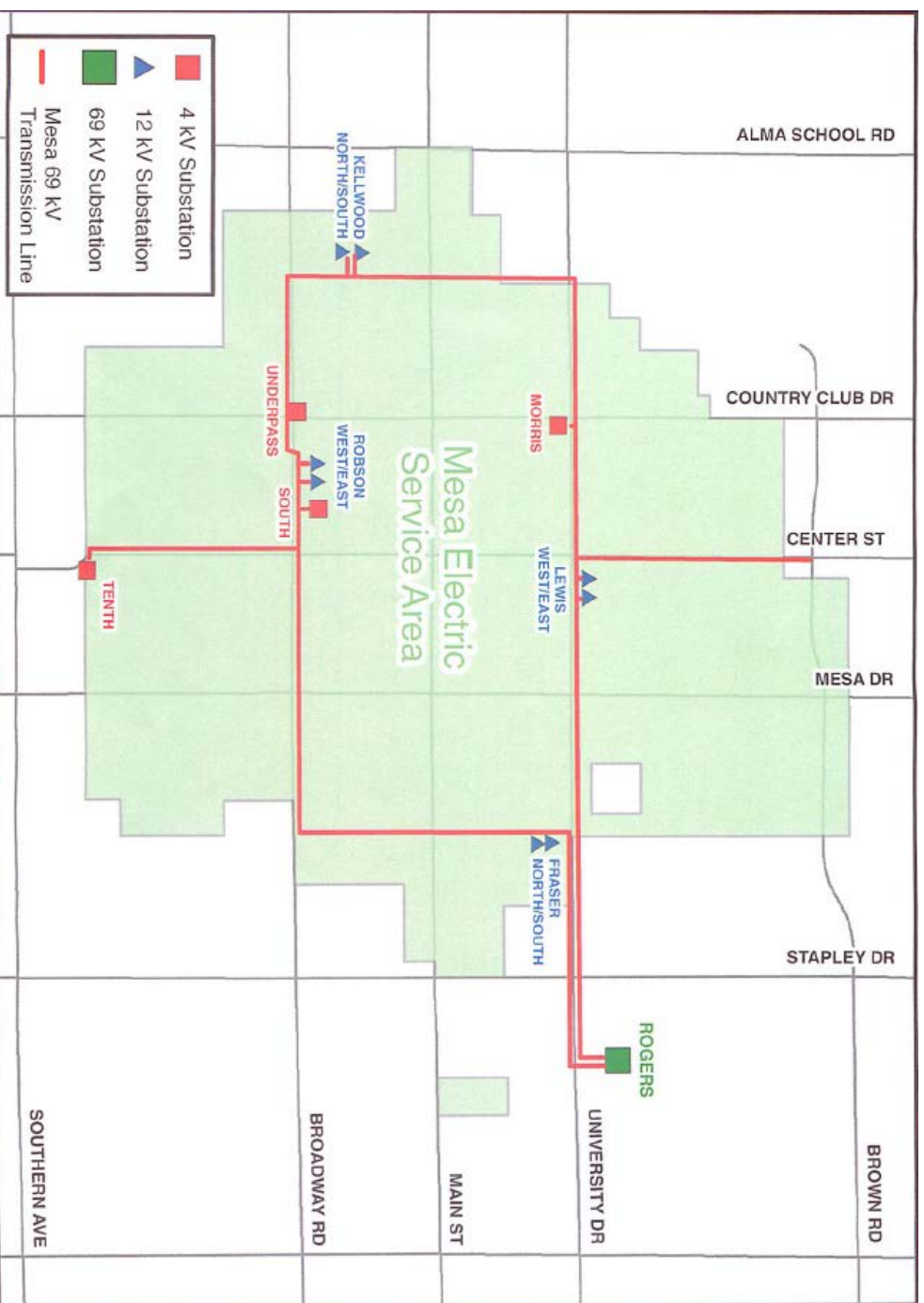
Electric Utility

Recent Electric Utility Bond Authorizations

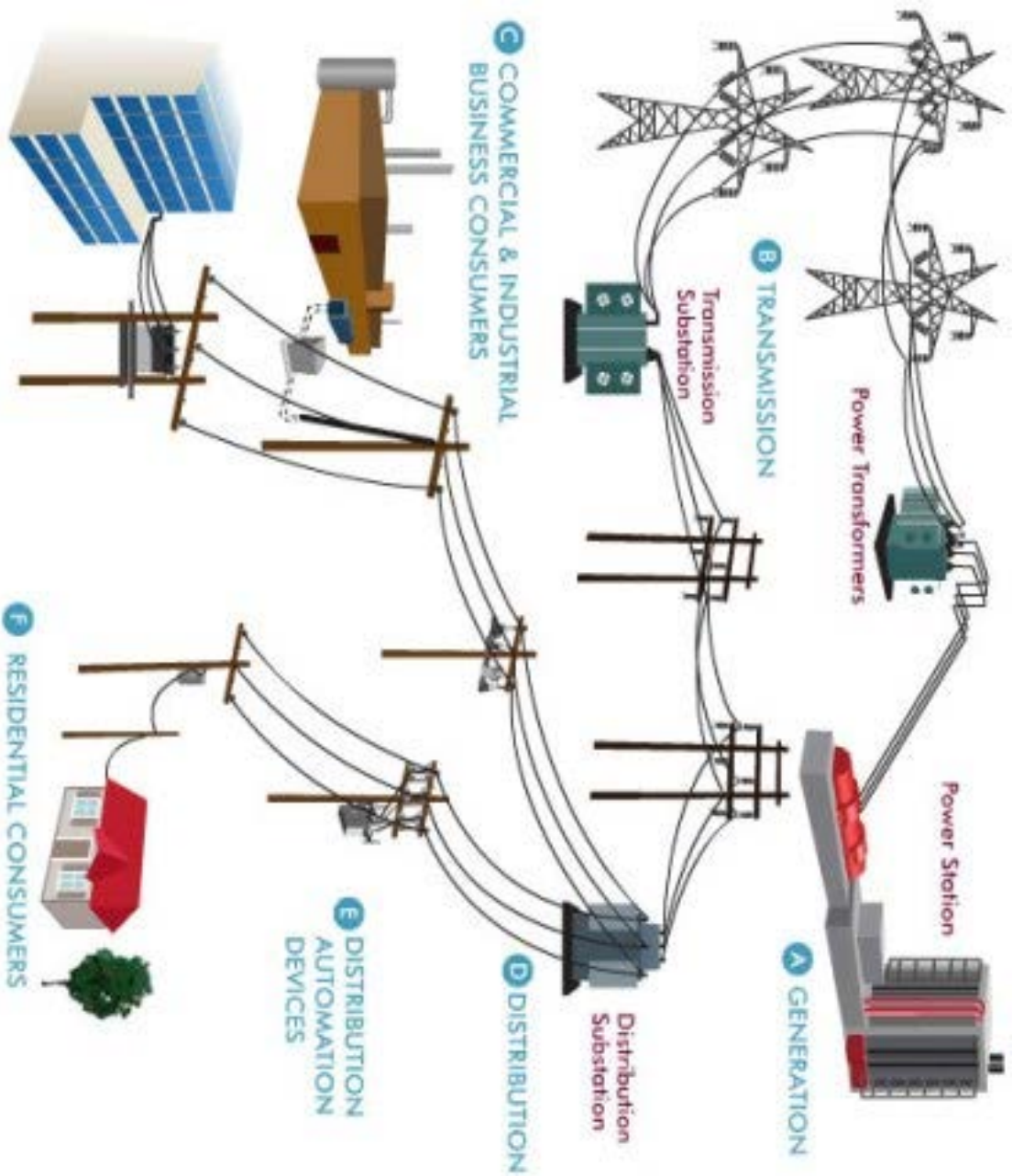
Program	Mar 2004	Nov 2006	Nov 2010
Electric	-	12.9M	15.9M

Electric Utility

- 15,947 customers
- 5.5 square miles



Electric Utility Network



Electric System Lifecycle Replacement

Steel transmission poles

Substation equipment

Distribution poles

Vault and vault lids

Underground cable assessment

Electric meters

Electric System Reinforcement

- Underground conversion/expansion
 - Mesa Drive: 8th Avenue to 6th Street
 - Pima Road: University & 6th Street
 - Orange Road: University to 6th Street
- Computer monitoring system enhancement
- Physical security upgrades

Mesa Drive Electric Undergrounding

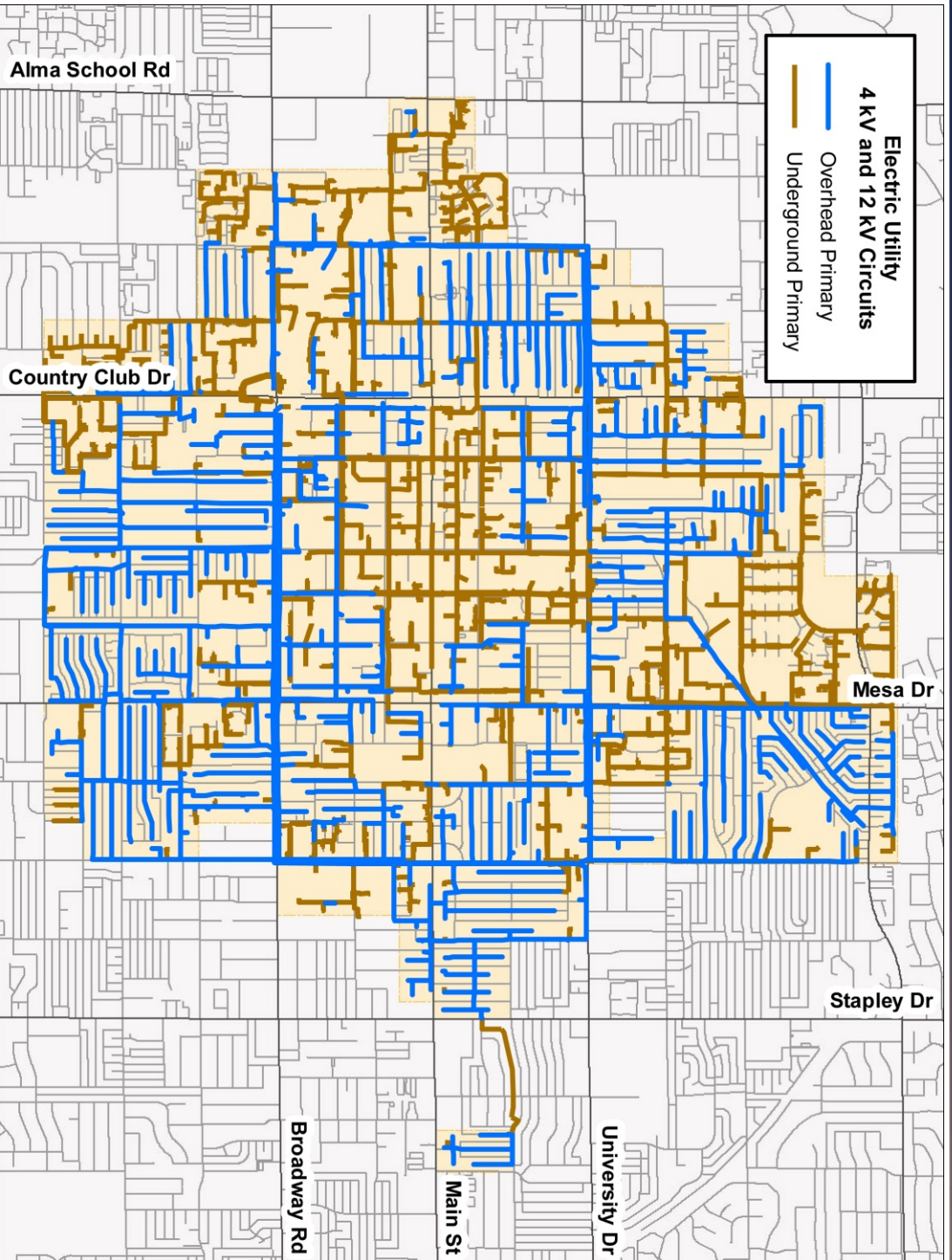
BEFORE



AFTER



Overhead & Underground Lines



Electric System Infill and New Development

- Light Rail Extension to Gilbert Road
- New services
- Upgraded services for expanding customers
- Transit-oriented development
- Solar – diversified generation

2014 Utility Bond Election Proposal

Electric Utility Summary

Category	Proposed Funding*
Lifecycle Replacements	\$8,706,202
System Reinforcement	12,437,625
Customer Demand	5,790,978
Bond Authorization	\$27,000,000

*Inflation included

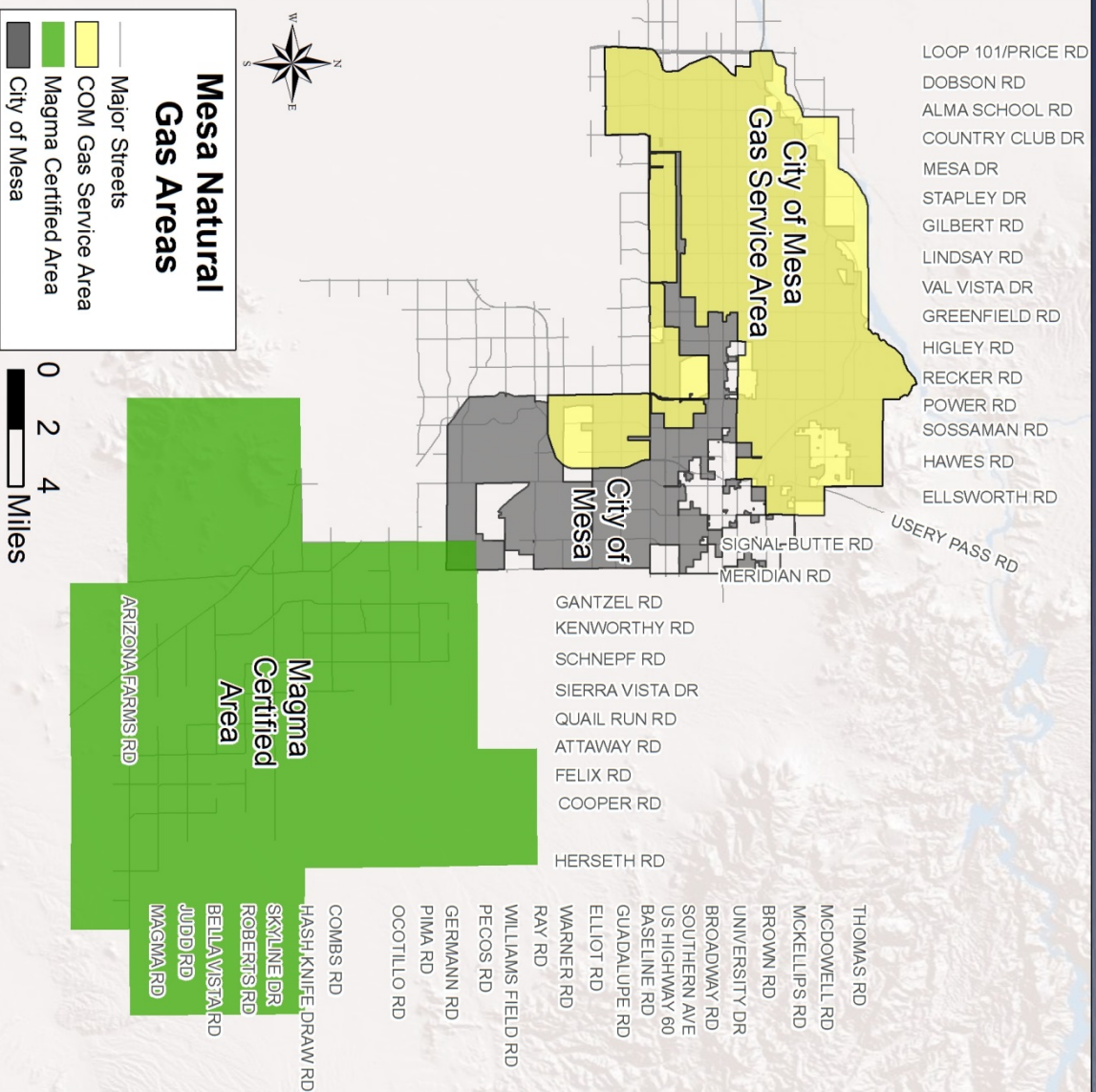
Natural Gas Utility

Recent Natural Gas Utility Bond Authorizations

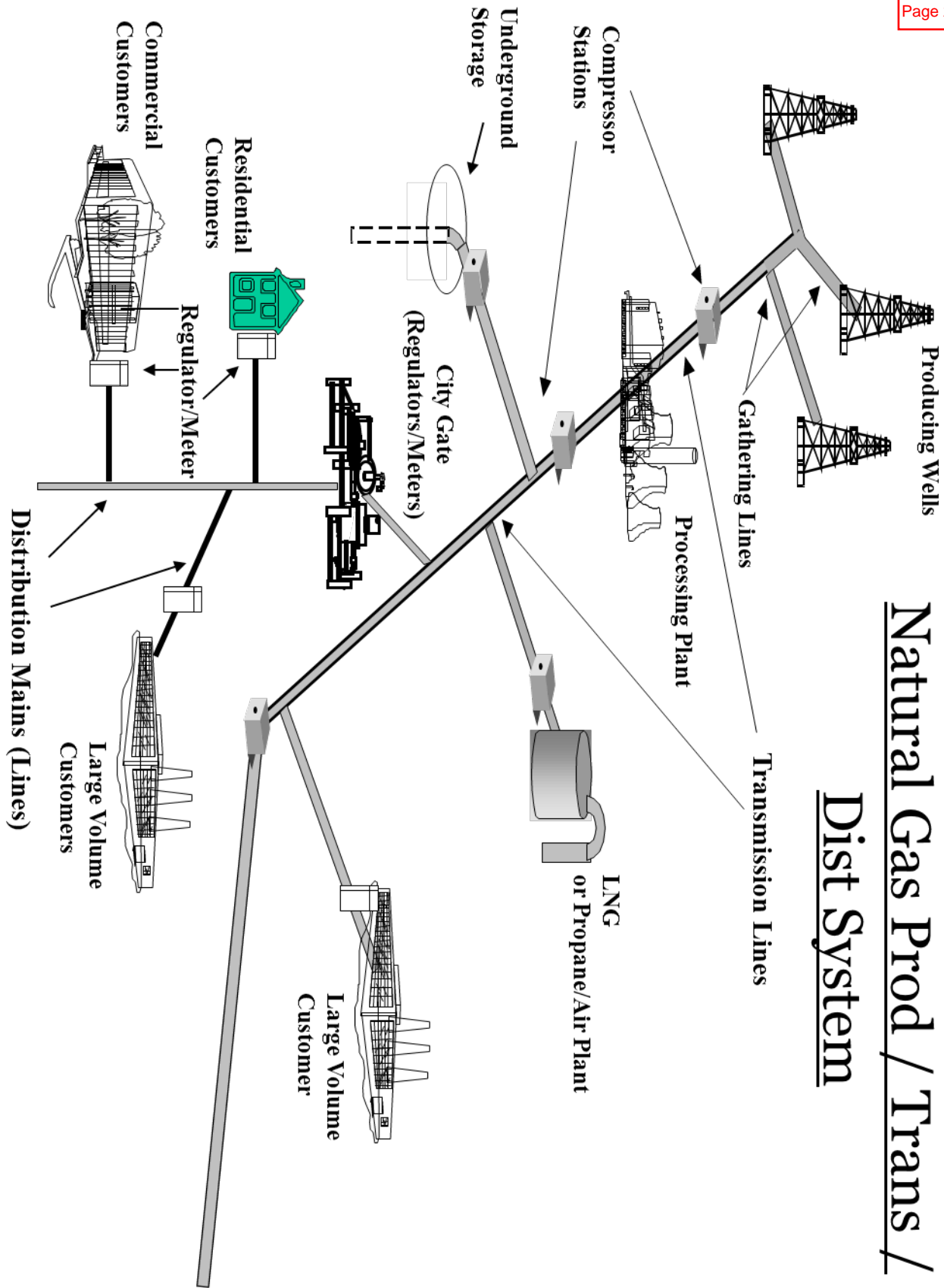
Program	Mar 2004	Nov 2006	Nov 2010
Natural Gas	21.3M	23.5M	48.4M

Natural Gas Utility

- 57,394 customers
- Mesa Service Area
- Magma Service Area



Natural Gas Prod / Trans / Dist System



Natural Gas System Lifecycle Replacement

- Aging infrastructure
- High and Intermediate Pressure Mains
- Joint projects with Water Resources and Transportation departments
- Service lines & meter sets

Natural Gas System Reinforcement

- Regulator station replacement
- Distribution system cross-ties (system looping)
- Computer monitoring system enhancement
- Physical security upgrades

Natural Gas System Customer Demand

- Gas main extensions to new customers
- Upgraded services for expanding customers
- Pressure regulator stations
- Service lines and meter sets
- CNG fueling station

CNG Fueling Stations

New Opportunity

- City fleet
- Local company fleets
- Private vehicles



2014 Utility Bond Election Proposal

Natural Gas Utility Summary

Category	Proposed Funding*
Lifecycle Replacements	\$22,648,088
System Reinforcement	12,266,665
Customer Demand	24,163,607
Bond Authorization	\$59,100,000

*Inflation included

2014 Water Resources Utility Bond Proposal

Water Resources Project Categories

- Lifecycle Replacement/Reliability
- Contractual Obligations
- Customer Demand

Water Resources Lifecycle Replacement/Reliability

Lifecycle replacements protect capital infrastructure investments to improve reliability and prevent service disruptions.

Water Resources Contractual Obligations

Contractual obligations are commitments that the city is legally required to fulfill.

Water System Customer Demand

New infrastructure to support customer demand and leverage commercial economic development opportunities. Possible opportunities include both redevelopment and infill projects.

Water System

Recent Water Utility Bond Authorizations

Program	Mar 2004	Nov 2006	Nov 2010
Water	68.9M	143.5M	98.8M

Water System Lifecycle Replacement/Reliability

- Pipeline replacements - 10 quarter sections
- Replacement of existing cast iron pipes (typical age greater than 60 years) in City Zone
- Pipe replacement schedule coordinated with roadway improvements
- Upgrades to existing pump stations, wells, and reservoirs
- Upgrades to Brown Road plant

Waterline Replacements



Impact of Pipe Breaks



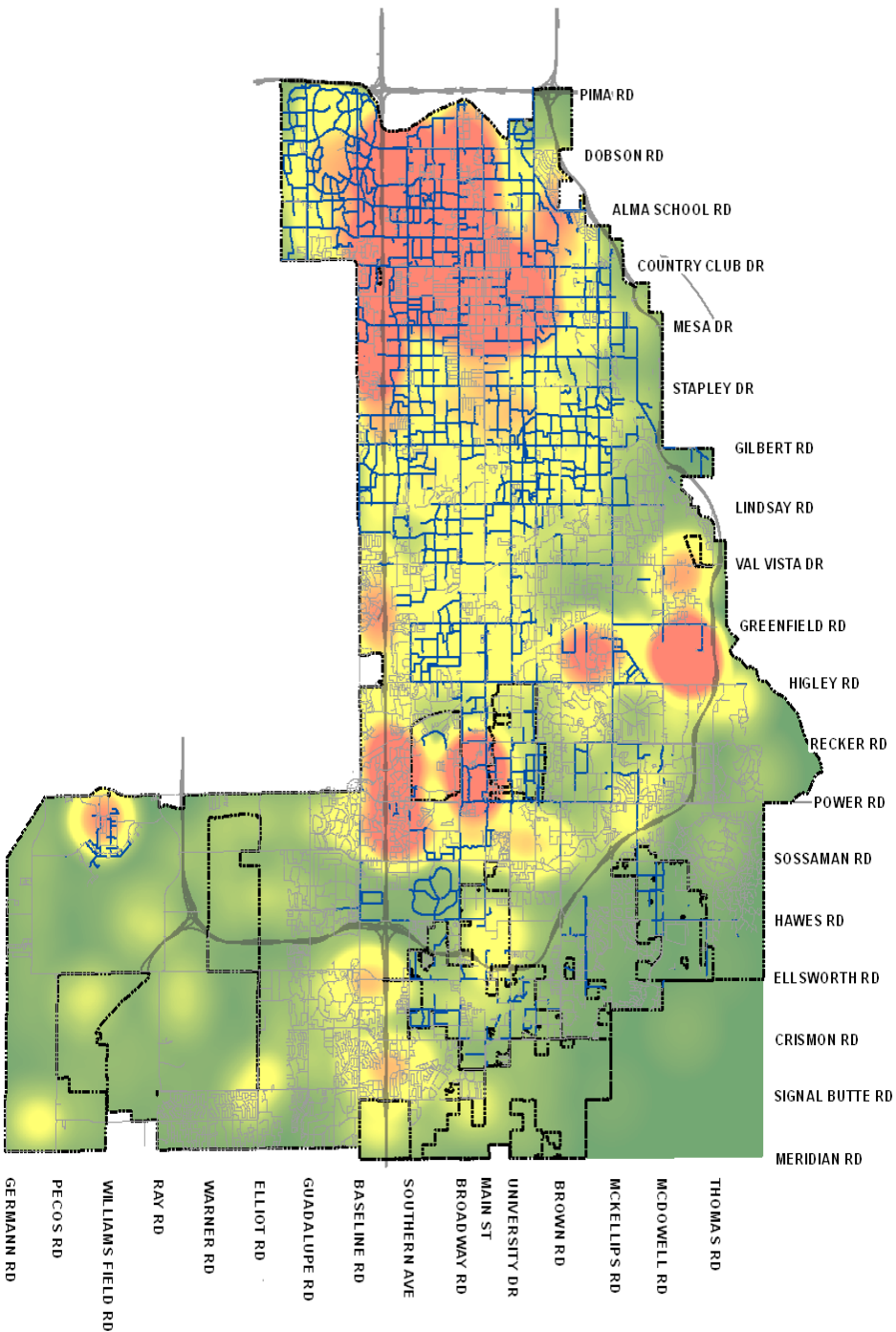
Sinkholes

Property
Damage

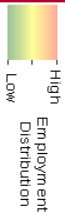
Utilities
Damage



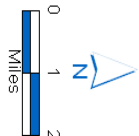
Pipes Older Than 30 Years



**2020
Employment
With
Water Main**

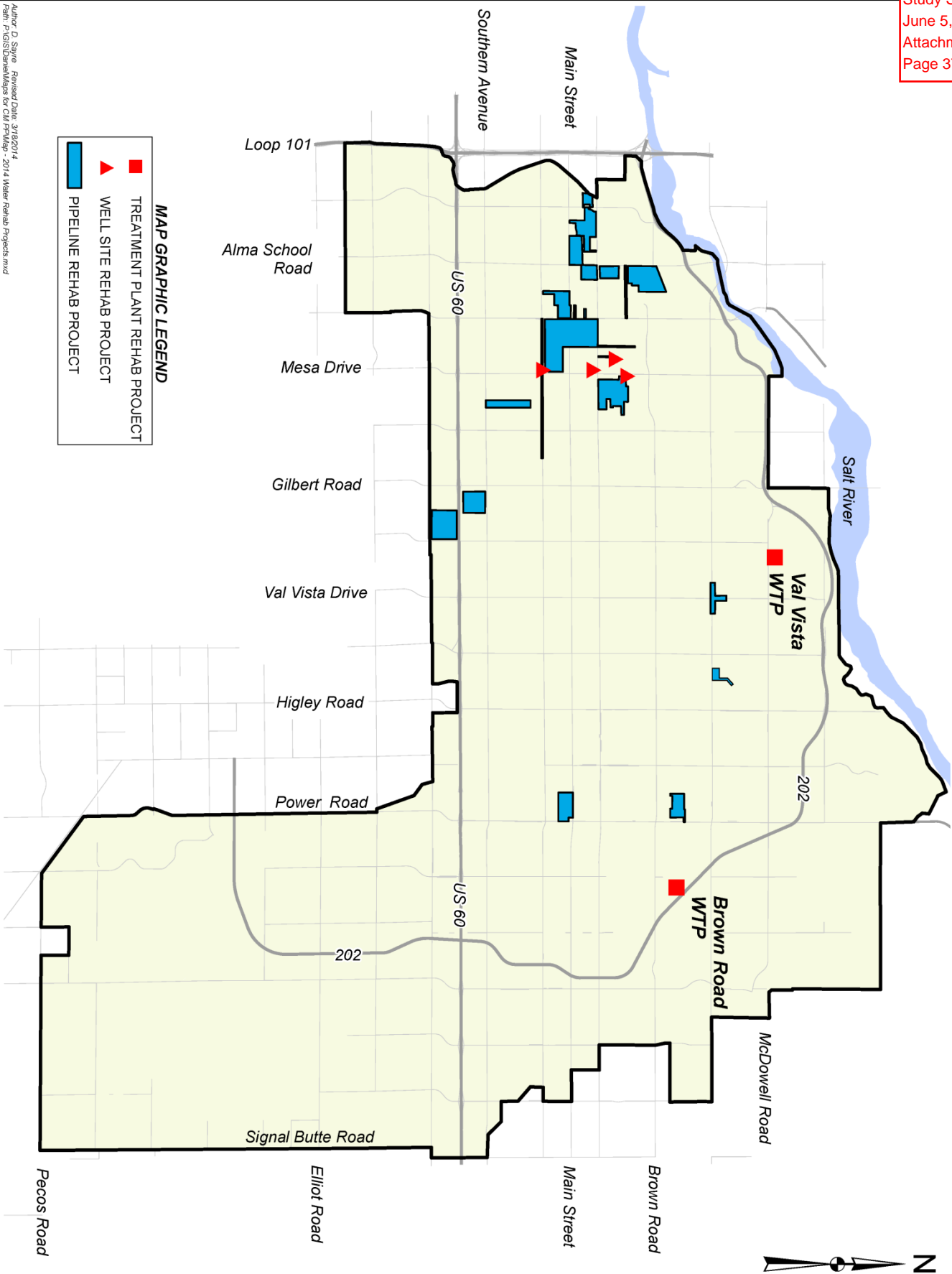


- 1-30 Year Old Main
- 30+ Year Old Main
- City Boundary



City of Mesa, AZ
Water & Sewer Department
2014 City of Mesa, AZ
Copyright 2014 City of Mesa, AZ

POSED WATER REHABILITATION PROJECTS (2014-2018)



Water System Contractual Obligations

Val Vista water treatment plant

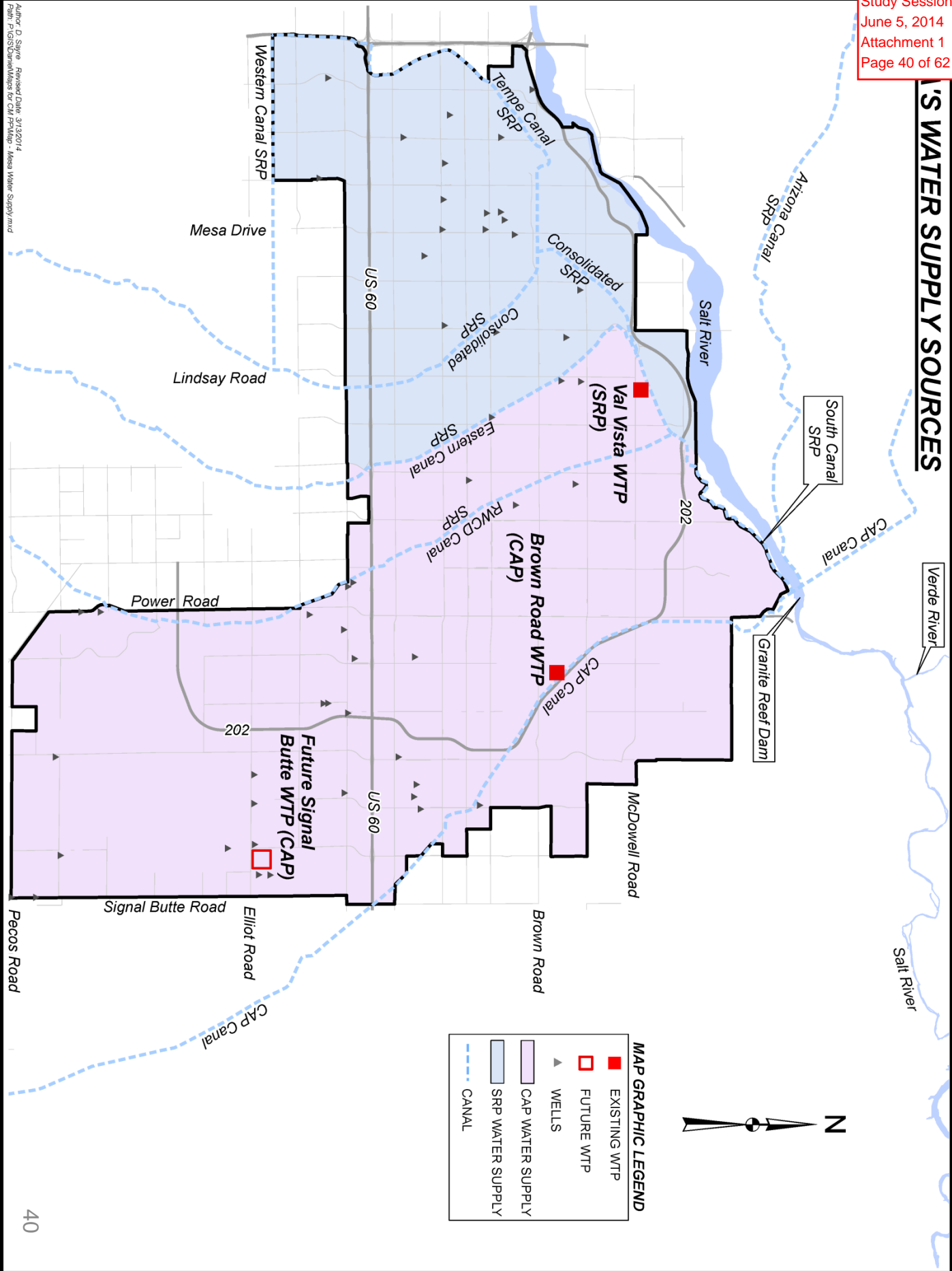
Val Vista transmission lines

White Mountain Apache tribe settlement

Water System Customer Demand in Mesa

- Additional industrial and residential users will challenge water capacity in southeast Mesa. Opportunities for new industrial growth could potentially be slowed by limited water treatment capacity.
- New infrastructure supports long-term economic sustainability in southeast Mesa.

WATER SUPPLY SOURCES

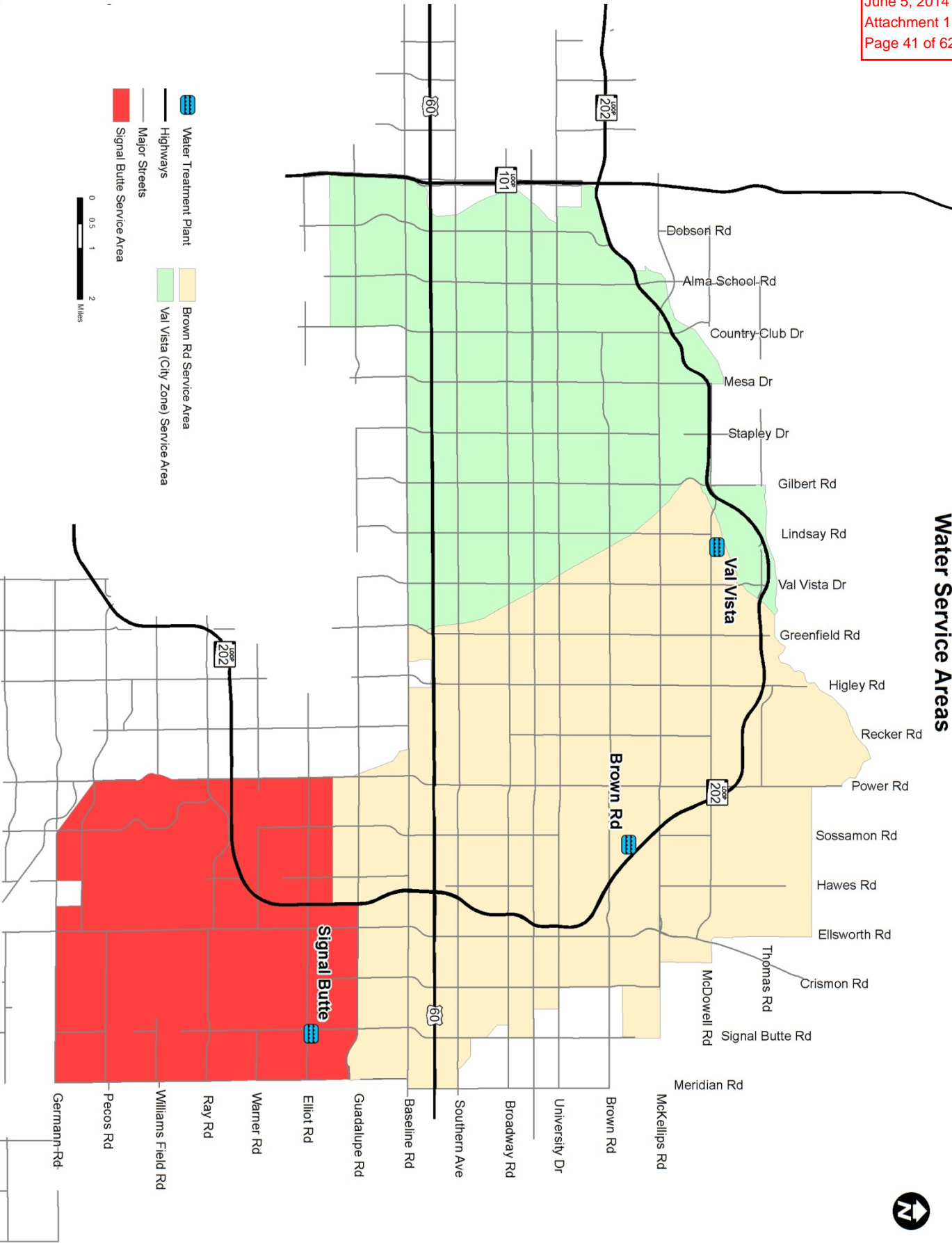


MAP GRAPHIC LEGEND

- EXISTING WTP
- FUTURE WTP
- WELLS
- CAP WATER SUPPLY
- SRP WATER SUPPLY
- CANAL



Water Service Areas



MESA'S WATER TREATMENT PLANT CAPACITY AND DEMANDS

Capacity = 90 MGD*
Current Demand = 70 MGD
Buildout Demand = 83 MGD

Val Vista

*City of Mesa Allocation

Capacity = 72 MGD
Current Demand = 56 MGD
Buildout Demand = 72 MGD

Brown Road

Capacity = 24 MGD**
Current Demand = 10 MGD***
Buildout Demand = 48 MGD

Signal Butte

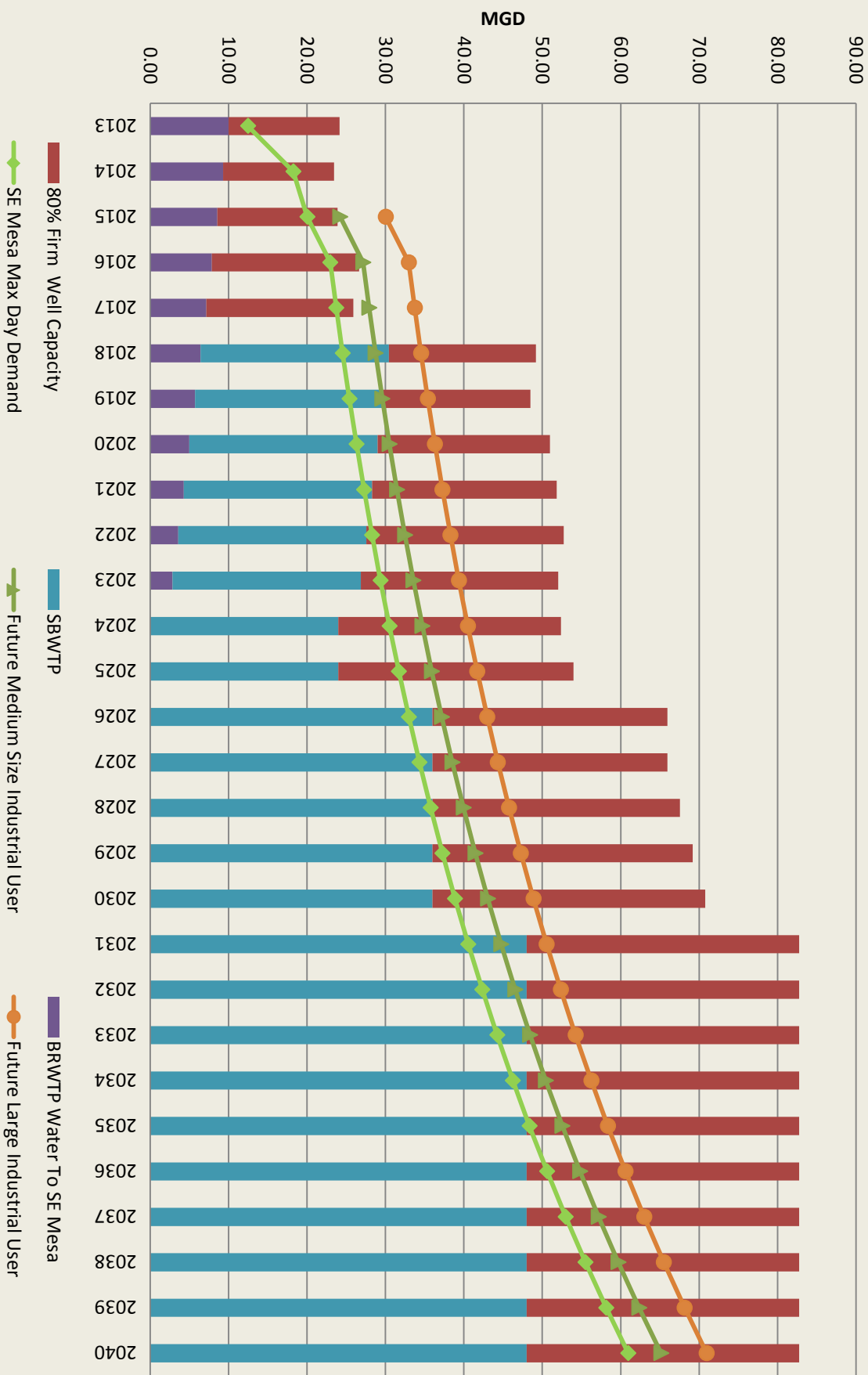
**Phase 1 Capacity Effective 2018

***Current Demand Met by Brown Road

Current Water Production Sources for SE Mesa

- Existing Sources: Wells & Brown Road Water Treatment Plant
- Wells
 - Depletes future ground water resources
 - May cause subsidence
 - Impractical to meet total demand
 - Unpredictable - arsenic levels can rise over time
 - Unsustainable mode of operation
 - Practical limits of drilling new wells
 - Complicated operation to balance supply and demand
- Brown Road Plant
 - Currently provides up to 10 mgd
 - Pressure mounding necessary to move water south
 - Available supply for SE Mesa will decline due to increased demand in service area

24 MGD Signal Butte Plant - Max Day Demand vs Production at SE Mesa



Water System Customer Demand in SE Mesa

- Signal Butte Water Treatment Plant – 50% of build out capacity
 - Utilizes surface water
 - More reliable than wells
 - Simpler system operation
 - Provides redundancy for Brown Road plant
 - Conserves groundwater for drought
- Other improvements needed for plant
 - Raw water line, pump stations, wells, waterlines

Water System Citywide Customer Demand

The City of Mesa will continue to invest in infrastructure in established areas of the city to support infill, redevelopment, and new economic development projects.

2014 Utility Bond Election Proposal

Water Utility Summary

Category	Proposed Funding*
Lifecycle Replacements/Reliability	\$63,244,481
Contractual Obligations	46,529,009
Customer Demand in SE Mesa	197,317,292
Citywide Customer Demand	8,608,526
Bond Authorization	\$315,700,000

*Inflation included

Wastewater System

Recent Wastewater Utility Bond Authorizations

Program	Mar 2004	Nov 2006	Nov 2010
Wastewater	144.6M	80.8M	39.0M

Wastewater System Project Categories

- Lifecycle Replacement/Reliability
- Contractual Obligations
- Customer Demand

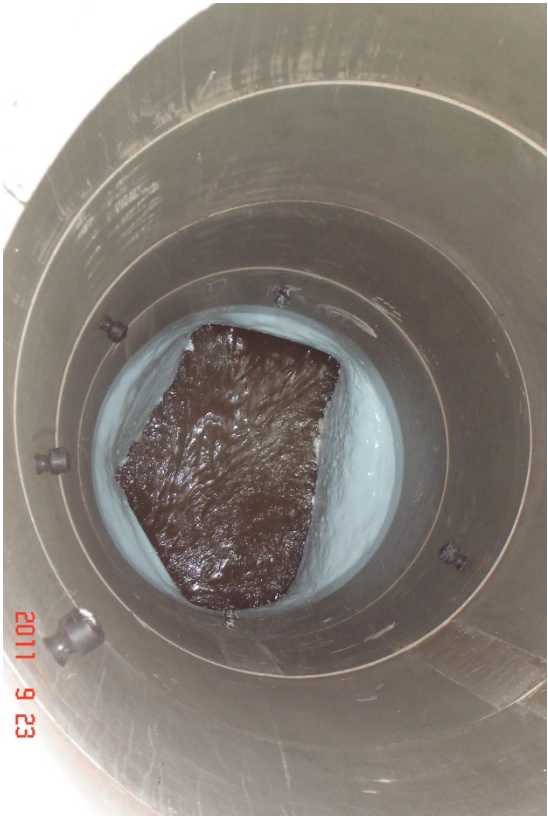
Wastewater System Lifecycle Replacement/Reliability

- Various plant improvements
 - Primary odor control upgrade
 - Aeration and filter improvements
 - Grit removal
 - Headworks and solids handling upgrades
- Equipment replacements at all plants
- Citywide manhole and sewer rehabilitation
- Lift station and odor control station rehabilitation

Sewer Rehabilitation/Replacement Projects



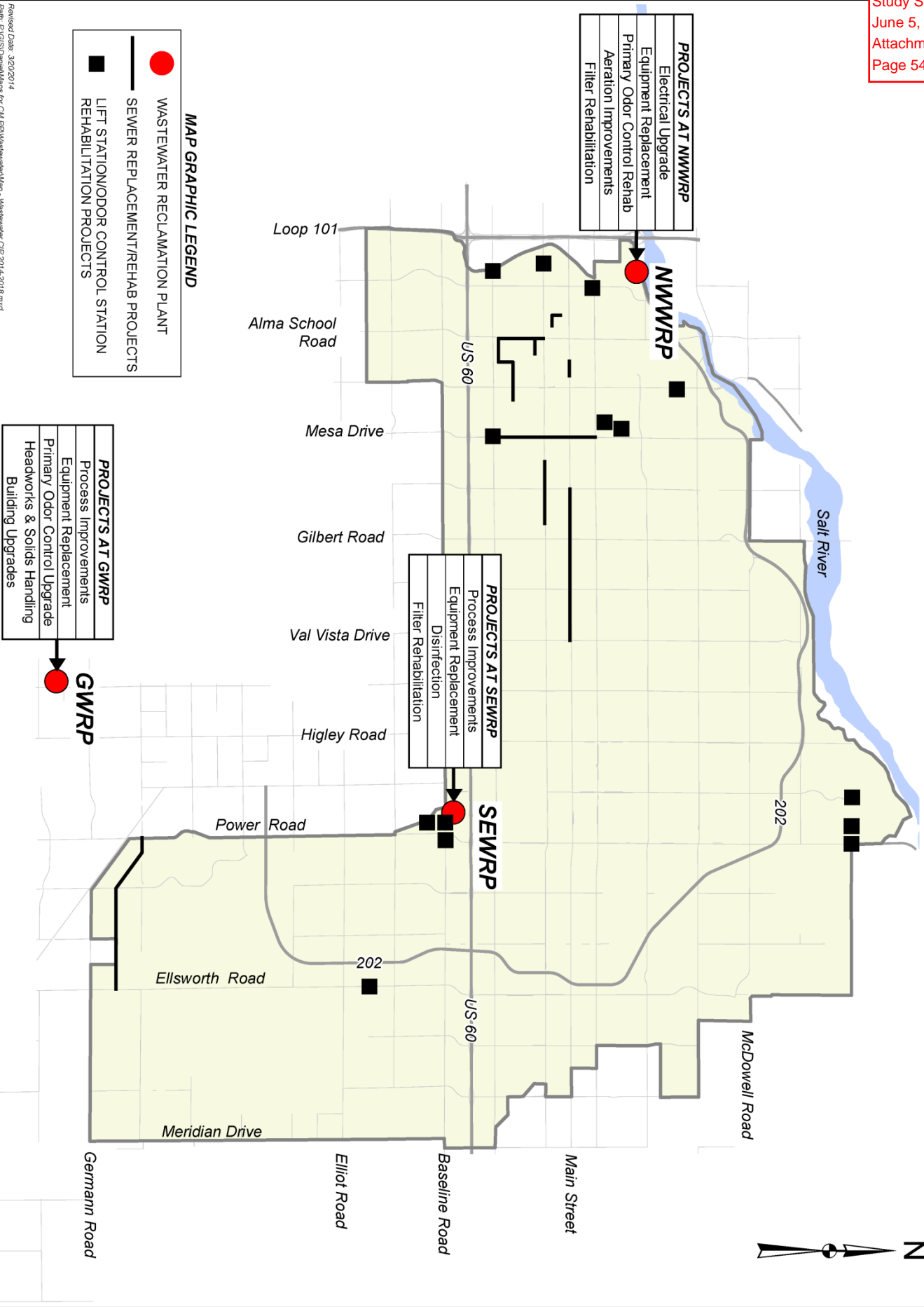
Manhole Rehabilitation Projects



Southwest Plant Disinfection Project



SEWATER REPLACEMENT/REHABILITATION CIP PROJECTS 2014-2018



Wastewater System Contractual Obligations

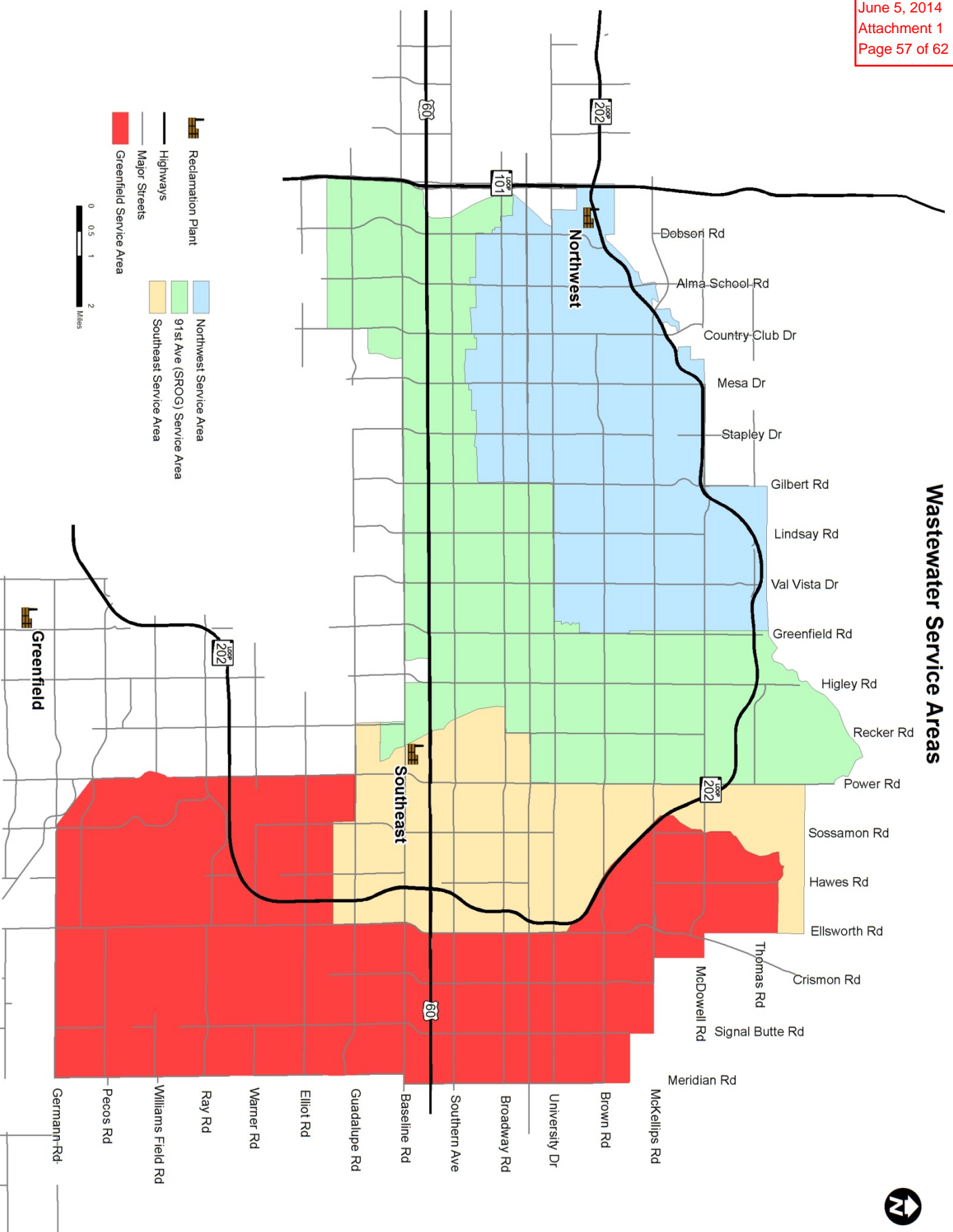
Sub-Regional Operating Group (SROG)

91st Avenue plant is jointly-owned by Phoenix, Scottsdale, Tempe, Glendale, and Mesa with the City of Phoenix serving as the managing partner.

Wastewater System Customer Demand in SE Mesa

- Additional industrial and residential users will challenge wastewater treatment capacity in southeast Mesa. Opportunities for new industrial growth could be slowed by limited treatment capacity.
- New infrastructure supports long-term economic sustainability in southeast Mesa

Wastewater Service Areas



MESA'S WATER RECLAMATION PLANT CAPACITY AND FLOWS

Capacity = 18 MGD
Current Flow = 9 MGD
Buildout Flow = 14 MGD

Capacity = 8 MGD
Current Flow = 5 MGD
Buildout Flow = 8 MGD

Capacity = 24 MGD*
Current Flow = 17 MGD
Buildout Flow = 24 MGD

Northwest

Southeast

91st Avenue

*Mesa's share

	Flow	Capacity*
Current	4 MGD	4 MGD
2018 Expansion	8 MGD	14 MGD
Buildout	20 MGD	20 MGD

Greenfield

*Mesa's share

Greenfield Plant Expansion

- Jointly-owned by Gilbert, Queen Creek, and Mesa, with Mesa serving as managing partner
- Expansion will address capacity needs of all partners
- Partners to pay for their portion of expansion

Wastewater System Citywide Customer Demand

The City of Mesa will continue to invest in infrastructure in established areas of the city to support infill, redevelopment, and new economic development projects.

2014 Utility Bond Election Proposal

Wastewater Utility Summary

Category	Proposed Funding*
Lifecycle Replacements/Reliability	\$32,627,885
Contractual Obligations	\$20,287,023
Customer Demand in SE Mesa	\$122,820,411
Citywide Customer Demand	\$2,376,894
Bond Authorization	\$178,200,000

*Inflation included

Calendar

June 5, 2014 Discuss 2014 utility bond
proposal

July 1, 2014 Council calls November 2014
election

Nov 4, 2014 General Election

Our Mission: *The City Auditor's office provides audit, consulting, and investigative services to identify and minimize risks, maximize efficiencies, improve internal controls and strengthen accountability to Mesa's citizens.*

Scheduled Audits for 2014/2015

Audit Subject	Initial Objectives
Communications	<ul style="list-style-type: none"> Evaluate the effectiveness of internal controls related to procurement and inventory management.
Development & Sustainability – Building Safety Division	<ul style="list-style-type: none"> Evaluate internal controls related to the calculation and collection of fees and charges.
Engineering/CIP – Cubs Stadium Project	<ul style="list-style-type: none"> Post-construction financial review.
Facilities Maintenance	<ul style="list-style-type: none"> Evaluate internal controls related to the efficiency and effectiveness of facilities maintenance services.
Financial Services – Payroll	<ul style="list-style-type: none"> Determine whether internal controls related to timekeeping, payroll processing, and payroll accounting are adequate to provide reasonable assurance that employees are paid accurately and in accordance with all applicable City policies, State statutes, and Federal laws. Determine whether findings from our last Payroll audit have been effectively addressed.
Fleet Services	<ul style="list-style-type: none"> Objective(s) may include evaluation of internal controls, efficiency/effectiveness of maintenance services, cost allocation plans, customer service, or other aspects of Fleet Services operations, as determined by a preliminary risk assessment.
Housing & Community Development	<ul style="list-style-type: none"> Evaluate internal controls over compliance with regard to CDBG, NSP, ARRA, or other grant funded programs.
Human Resources – Safety Services – Workers Compensation Program	<ul style="list-style-type: none"> Determine whether internal controls related to workers compensation claims management are adequate to provide reasonable assurance that the program is operating in accordance with applicable policies, laws and best practices.
ITD – Procurement and Inventory Management Processes	<ul style="list-style-type: none"> Evaluate the effectiveness of internal controls related to procurement and inventory management.
ITD – Other	<ul style="list-style-type: none"> Objective(s) to be determined after preliminary risk assessment.
Water Resources	<ul style="list-style-type: none"> Objective(s) to be determined after preliminary risk assessment.

On-Going Audits from the FY 2013/2014 Audit Plan

Audit Subject
City Attorney – Property & Public Liability Trust Fund
City Manager – Public Defender Contracts
Financial Services/Engineering/Transit – Light Rail Project Cost Recovery
Library – Technology

Audit Plan
Fiscal Year 2014/2015

Police – Off-Duty Employment Program
PRCF – Aquatics

Follow-Up Reviews Scheduled in 2014/2015:

Audit Subject	Initial Objectives
Animal Control	The objective of each follow-up review is to verify that corrective action(s) agreed to in response to the audit have been implemented as agreed and were effective in resolving the related audit finding(s).
Surplus Property Disposal	
MFMD Fire Prevention Division	
City Manager – Public Defender Contracts	

Other Activities:

Activity	Description
Citywide Cash Counts	All cash handling sites citywide are subject to unannounced audits at any time.
Assistance to Other City Departments	Provide assistance upon request, such as internal control reviews, risk analysis, financial statement reviews, data analysis, etc.
Fraud & Ethics Hotline Investigations	Monitor the Fraud and Ethics Hotline and perform investigations as needed.
Payment Card Industry Data Security Standards (PCI DSS) Reviews	Review credit card acceptance sites for compliance with PCI DSS.
Special Consulting Requests	Provide independent data collection, validation, and/or analyses upon request for Councilmembers, the City Manager, or Department Directors.

Approved By:

Jennifer Ruttman, City Auditor	Date
Christopher Brady, City Manager	Date
Dave Richins, Audit, Finance & Enterprise Committee Chair	Date
Alex Finter, Mayor	Date