



AUDIT, FINANCE & ENTERPRISE COMMITTEE

April 2, 2015

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 April 2, 2015, at 8:45 a.m.

COMMITTEE PRESENT

Chris Glover, Chairman
Alex Finter
Kevin Thompson

COMMITTEE ABSENT

Christopher Brady – Ex Officio

STAFF PRESENT

Debbie Spinner
Alex Deshuk

Chairman Glover excused Ex Officio Christopher Brady from the entire meeting.

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation and discuss the following audits:

1. Animal Control Follow-up Review

City Auditor Jennifer Ruttman reported that this audit (**See Attachment 1**) was being presented merely as a formality since the report was issued in December 2014, but inadvertently omitted from the Committee's January 6, 2015 meeting agenda.

Ms. Ruttman explained that the audit was a follow-up review of Animal Control and noted that the Department had one corrective action plan to implement, which was to perform periodic reviews of all animal control cases to ensure timely and proper follow up. She stated that the corrective action plan has, in fact, been implemented.

2. Police Off-Duty Employment

Ms. Ruttman remarked that this audit (**See Attachment 2**) was conducted to evaluate internal controls related to the Mesa Police Department's (MPD) Off Duty Employment Program. She indicated that third parties hire MPD police officers to perform security and other law enforcement-related services in the community. She noted that the officers are paid by the third

parties through the Off Duty Hiring Coordinator at the MPD. She added that the third parties include certain City departments.

Ms. Ruttman commented that the audit revealed that there were several areas that required improvement in order to ensure better transparency, control, accountability and more accurate data. She said that the first finding dealt with the timekeeping system in terms of what an officer may have been paid for off duty work hours that overlapped with City work hours and/or between two off duty assignments. She explained that the data in the City's timekeeping system was inaccurate and referenced the audit which noted that "77% of the discrepancies were dated after the Officers stopped using the Kronos system to capture their actual hours worked." She further commented that it becomes problematic when two timekeeping systems reflect that officers are on duty at two different places at the same time.

Ms. Ruttman, in addition, reported that the audit recommended that the MPD resume the use of time clocks. She pointed out that the City has worked to increase accessibility of the equipment so that the officers can clock in and out from their mobile devices and make the process easier. She said that the MPD concurred with such a recommendation and was working with the City's Payroll and Time and Labor Department in this regard. She noted that such a process will enable the auditors, when follow-up audits are performed, to view more reliable data that will hopefully demonstrate no overlap in timekeeping. She added that the MPD was also improving its database technology to track the off duty hours, as well as implement a review process internally with its Inspections Department.

Ms. Ruttman reported that another area of concern was the fact that some officers exceeded the maximum allowable number of work hours (16) in a 24-hour period. She explained that it was determined that the supervisors for those individuals were not cognizant of that fact. She stated that the audit recommended that the MPD implement controls to address those concerns and noted that the Department has agreed to do so.

Ms. Ruttman further commented that with regard to the MPD's non-compliance with document requirements, staff had already implemented a well thought out policy for off duty employment. She stated, however, that the Department was not necessarily following those requirements, including having the officers submit the forms and maintain the necessary records. She added that once that information was brought to the MPD's attention, the Department agreed to address that matter as well.

Chairman Glover thanked Ms. Ruttman and her staff not only for identifying these problem areas in the MPD, but also for showing best practices on how the solutions can be implemented. He expressed confidence that a positive resolution could be achieved in this regard.

3. Aquatics Program

Ms. Ruttman stated that this audit (**See Attachment 3**) was conducted to determine whether internal controls are in place to ensure that the Aquatics Program revenues are safeguarded from loss and also to evaluate administrative processes associated with the program.

Ms. Ruttman explained that the auditor did not find any significant areas of discrepancy or missing revenue, but rather that staff was not reconciling the revenues against the system in such a manner to determine whether they could, in fact, encounter a problem.

Ms. Ruttman noted that the Parks, Recreation and Commercial Facilities (PRCF) Department was encouraged to reconcile those records and update the procedures. She said that staff was happy to implement such suggestions.

4. Light Rail Project Cost Recovery

Ms. Ruttman explained that this audit (**See Attachment 4**) was conducted to assess whether all reimbursable light rail project costs are being captured and recovered in accordance with applicable agreements that the City has entered into with Valley Metro Rail, Inc. (METRO).

Ms. Ruttman reported that the audit revealed “room for improvement” with respect to staff’s tracking of such costs and submitting for reimbursement. She stated that if staff had written procedures that outlined such a process, it would have been less likely that they would have missed anything. She noted, therefore, that the auditor’s first recommendation was that staff develop written procedures with respect to correctly calculating and obtaining reimbursement for eligible project costs.

Ms. Ruttman commented that the second area of concern was that the Engineering Department failed to submit certain costs for reimbursement. She pointed out that the costs were in the City’s system, but said it was necessary to improve the process in order to capture that information. She continued that once staff was notified of the oversight, they immediately requested and received reimbursement for approximately \$630,000 of that amount.

Ms. Ruttman further remarked that fringe benefits costs (i.e., medical and dental insurance) are also reimbursable for this project per federal guidelines. She explained that even though Mesa was neither the recipient nor sub-recipient of those federal monies, it was still accountable for such funds as METRO is the sub-recipient. She reiterated that per the City’s agreement with METRO, all of the standard fringe benefit costs are covered.

Ms. Ruttman stated that the audit revealed that the costs for medical and dental benefits associated with each hour worked by employees have not been charged to the project. She noted that those were the only costs that the auditor determined were not identified in the “project bucket.” She indicated that after the fact, a percentage of such costs have now been brought back into the project as an allocation for indirect costs. She pointed out, however, that does not help the City in recovering those costs. She added that it would be beneficial to the City if staff identified a way in which to capture those costs that are directly associated with those hours in order to receive reimbursement.

Ms. Ruttman reported that such an issue leads to a Citywide problem in that it is necessary to direct resources to resolve this matter. She explained that there are projects in transportation, as well as other federally-funded projects throughout the City in which this is an issue. She stated that with any federal project, unless excluded, the City can pursue the recovery of similar fringe benefit costs which, she added, were not insignificant.

Chairman Glover inquired whether staff would be able to tell the vendor what the City wants to accomplish with respect to this issue. He suggested, for example, if the City requests that the vendor reprogram the system, staff could at least try to recapture the costs of the program and allocate those dollars to the actual project instead of overhead and administration.

Manager of Technology and Innovation Alex Deshuk responded that staff has entered into discussions with CGI to look at the scope and magnitude of that effort in order to implement the changes suggested by Chairman Glover. He stated that the Accounting Department was also researching what changes would have to be made to the system Citywide in an effort to capture all of the fringe benefits and not just medical and dental costs.

Chairman Glover commented that this matter has a much more long-reaching effect since it is not strictly related to the light rail project, but any project that has federal funds attached to it throughout the entire City. He urged City staff and the vendor to resolve these problems. He added that City participation should include not only the Budget Office or Payroll, but City management all the way down so that the vendor clearly understands the importance of the City recapturing those costs.

Mr. Deshuk concurred with Chairman Glover's remarks and assured the Committee that was the direction that staff was taking in this regard.

Ms. Ruttman continued with her presentation and reported that the City was on track to exceed the total amount of the budget as stated in the original agreement. She explained that the original agreement understands that with the magnitude and the length of time to complete the project, that the total budget amount was destined to change. She stated that a process was built into the contract that outlined the steps to increase such amounts, as necessary. She also remarked that the audit revealed that the City had not requested an increase, in accordance with that process, and added that it was recommended that the City move forward with the budget change process.

Ms. Ruttman commented that the last recommendation in the audit was to modify the design and construction agreement with METRO so that as project activities change, amendments to the contract can be drafted to specifically detail what those changes would be.

Chairman Glover stated that he would challenge the City departments to which this issue applies not only to work with the City Auditor to implement the necessary changes, but also with City management. He noted that such efforts will ensure that the vendor correctly identifies how the funds should be allocated so that the City can recover not only the costs for the light rail project, but also for other ongoing projects.

Ms. Ruttman acknowledged that there was a long list of issues that the City and the vendor were working on and added that such issues must be prioritized appropriately.

5. Annual Credit Card Security Review

Ms. Ruttman reported that this audit (**See Attachment 5**) was an assessment of the City's operational efforts to protect customers' credit card information, as required by the Payment Card Industry's Data Security Standard (PCI DSS). She stated that the audit is a segment of the

PCI DSS compliance and pointed out that from an IT perspective, her staff does not audit the technological requirements, which are performed by the security group within the City's ITD.

Ms. Ruttman explained that the audit was "much improved" from prior years, with all of the corrective action plans from prior reviews having been implemented. She noted, however, that in the past year, compliance with annual credit card training requirements declined significantly.

Ms. Ruttman commented that it was recommended that the Accounting Services Division utilize the Learning Center system to track compliance with training requirements and ensure that employees and supervisors are notified when they are due for annual training with respect to the new standards. She said that some of the new standards were implemented in January, while others will be implemented in July. She noted that one service contract was coming up for renewal and added that staff would ensure that the vendor is also PCI DSS compliant.

Chairman Glover thanked Ms. Ruttman and her staff for their hard work and professionalism. He stated that the Committee not only appreciates when City departments work with the Auditor's Office to ensure that the best practices are implemented, but also when the respective departments follow the processes and procedures that are already in place.

2-b. Hear a presentation, discuss and provide a recommendation on the proposed fees and charges for various departments.

Office of Management and Budget Director Candace Cannistraro stated that she would facilitate agenda items 2-b and 2-c. She noted that all of the department directors, in addition to appropriate staff, were present in the audience and available to respond to any questions the Committee might have.

Ms. Cannistraro displayed a PowerPoint presentation (**See Attachment 6**) and reported that this year, limited changes are proposed to the FY 2015/16 Schedule of Fees and Charges. She offered a short synopsis of the changes submitted by the following departments: Development and Sustainability (See Pages 3 through 5 of Attachment 6); Engineering (See Page 6 of Attachment 6); Mesa Fire and Medical (See Page 7 of Attachment 6); Solid Waste Management (See Page 8 of Attachment 6); and Transportation. (See Page 9 of Attachment 6)

Development and Sustainability Department Director Christine Zielonka addressed the Committee and introduced Senior Fiscal Analyst Pam Alexander.

In response to a question from Chairman Glover, Ms. Zielonka clarified that Development Services and particularly the land development area, is charged with coming as close to full cost recovery as possible. She explained that staff attempts to achieve this on an average basis. She cited, for example, on a rezoning case, a determination would be made relative to the amount of staff time it would take to complete the task. She explained that due to the recession, the Department has not recommended any changes to its cost of services, which is primarily composed of personnel services.

Ms. Zielonka pointed out that the "fiscal impact" is a calculation based on the number of permits staff estimates will be issued, the potential fiscal impact to the development community and the Department's revenues to ensure that its costs are covered. She added that the last time the Development and Sustainability Department's fees were increased was prior to 2008.

Chairman Glover inquired why the City chooses to list out “miscellaneous fees” and not have a blanket hourly rate like other Valley cities.

Ms. Zielonka responded that Mesa does, in fact, have an hourly rate and staff knows what some of the miscellaneous fees are. She noted, for example, she will occasionally negotiate hourly fees, which provides flexibility to individuals on various projects and still covers staff costs for completing the work.

Responding to a question from Chairman Glover, Ms. Alexander explained that on a yearly basis, staff conducts an analysis of Mesa’s rates as compared to those in other local communities. She pointed out that at the present time, Mesa is “within the cluster” of what comparable cities charge. She added that she would be happy to provide the statistical data to Chairman Glover for his review.

In response to a question from Committeemember Finter, Manager of Technology and Innovation Alex Deshuk clarified that the City just signed a contract with a new credit card processor, which will immediately reduce the City’s fees by an estimated \$250,000. He stated that it was necessary for staff to implement a variety of changes, such as security components and points of sale. He noted that ultimately, staff proposes to outsource all credit card processing so that the fees are paid by the cardholder and no longer absorbed by the City.

Business Services Department Director Ed Quedens further commented that staff was finalizing the transition of all credit card machines over to the new provider. He stated that the e-commerce transactions are being moved over to the new provider as well. He added that next week, staff and the new provider will meet to discuss the ability to transfer the transaction fees on to the consumer.

Responding to a question from Committeemember Finter, Ms. Zielonka clarified that the Development and Sustainability Department was currently impacted by transaction fees in the range of \$70,000 per year.

In response to a question from Chairman Glover, Interim Solid Waste Director Patrick Murphy stated that solid waste customers are provided a small, in-home container that they can use to collect recyclable items to take out to their blue recycle barrel. He noted that the container lists the acceptable recyclable items and is used as an educational tool. He added that the cost of a container is \$4.25, which is included in the proposed increase to the Solid Waste Residential Development Fee.

Chairman Glover suggested that in future presentations, he would like staff to include in the PowerPoint presentation the type of “financial impact” (i.e., whether the City will generate revenue, recoup costs, lose money) so that Mesa residents have a better understanding of such impacts on the community.

Ms. Cannistraro stated that she would be happy to add those items to future PowerPoint presentation slides.

2-c. Hear a presentation, discuss and provide a recommendation on the proposed utility rate adjustments.

Office of Management and Budget Director Candace Cannistraro displayed a PowerPoint presentation (**See Attachment 7**) and reported that although each utility within the Enterprise Fund is operated as a separate business center, the Fund itself is managed as a whole. She explained that the combined ending reserve balance will adhere to the adopted financial policy of at least 8% to 10% per year over the forecast period. She stated that the reserve balance can be used to “smooth” rate adjustments on a year-to-year basis, as well as phase in new programs or changes in operations.

Ms. Cannistraro provided a short synopsis of the revenue targets and indicated that the forecasted expenses are compared with forecasted revenues based on current rates and projected customer growth. She noted that for FY 2015/16, staff has determined that it will be necessary for the City to increase its revenues in the Enterprise Fund by approximately \$12.9 million. (See Page 3 of Attachment 7) She pointed out that the increased percentages are not increased rates, but rather increased revenues that are needed in order for the City to cover the cost of the utilities.

Ms. Cannistraro further remarked that the methods of implementation of rate adjustments vary from year to year based on the needs and goals of the respective utilities. She said that the impact on individual customers also varies based on the method of implementation and the consumption of services by those individuals.

In response to a question from Committeemember Finter, Ms. Cannistraro clarified that staff was recommending certain structural changes to the water utility, which will enable the City to not charge such a high rate increase for this year. She explained that last year, the City implemented a water utility rate increase through a flat increase of the service charge and a 3.2% increase of the variable rate. She stated that the City received a 7% increase in revenues, but pointed out that the consumption of water changed the impact. She noted that last year, staff received a significant amount of feedback and confusion from the City’s water customers concerning such rates and assured the Committee that staff intended to be very clear as it relates to the proposed water utility rates in the upcoming fiscal year.

Ms. Cannistraro invited Interim Solid Waste Department Director Patrick Murphy to join her while she briefly discussed ongoing projects and efforts in the Solid Waste Department. (See Page 5 of Attachment 7) She noted, for example, that the conversion of the department’s diesel vehicles to compressed natural gas (CNG) will continue to move forward over the next six years in an effort to reduce future fuel costs.

Committeemember Thompson inquired whether, in addition to the reduced fuel costs, the Solid Waste Department has begun to realize some maintenance savings with regard to those vehicles that have already been converted to CNG.

Mr. Murphy responded that although the CNG conversion program has only been in existence for a few years, staff does anticipate some savings in the future. He noted that at this point in time, the maintenance costs for both diesel and CNG vehicles are somewhat similar.

Ms. Cannistraro further commented that when the City acquires new vehicles, Fleet Services has the ability to conduct an analysis of the maintenance on the CNG vehicles as compared to the diesel models.

Ms. Cannistraro offered a brief overview of the recommendations for the solid waste utility rates. (See Page 6 of Attachment 7) She cited, for instance, that staff proposes a 5% increase on all residential rates, with the average residential customer's bill increasing from \$26.10 to \$27.46. She noted that the commercial front load rates would increase by 1.2% and added that there was no recommendation for adjustment of the commercial roll-off rates.

Ms. Cannistraro further highlighted the electric utility rate recommendations. (See Pages 7 and 8 of Attachment 7) She stated that it was recommended to increase the residential service charge component \$1.41 per month, which would represent an increase from \$6.50 to \$7.91. She noted that no adjustment was recommended for the consumption component of the customer's particular rate. She also indicated that the above-listed increase would result in the average residential customer's bill increasing from \$89.78 to \$91.19 or a 1.6% increase (including the commodity pass-through cost). She added that staff was also considering developing concepts for a low income electric residential rate.

Chairman Glover stated that he was curious why the City would not impose a flat residential service charge, similar to Salt River Project (SRP), which would result in an increase of, perhaps, \$8.00 as opposed to the proposed \$7.91.

Energy Resources Department Director Frank McRae responded that he would not have any objection to Chairman Glover's suggestion. He explained that staff creates a revenue target for their financial forecast and calculates as precisely as possible the number that will generate that additional revenue. He noted that rounding up the \$7.91 amount to \$8.00 would generate an additional \$12,000 annually in revenue. He acknowledged that such an amount is not significant, but added that staff was attempting to be mindful of the customers who experience challenges paying their bills.

Chairman Glover commented that he would not be opposed to rounding up the \$7.91 amount to \$8.00, depending upon the input from his fellow Committeemembers.

Committeemember Finter recounted that over the past few years, he has questioned why the City charged less in the Magma area than Southwest Gas. He inquired, in a similar manner, why the City did not charge similar electric rates as SRP and noted that he did not see the advantage of Mesa charging less than the electric utility.

Mr. McRae clarified that staff was simply proposing rates that would justify the services that the City provides to its customers. He indicated that if it were the Council's direction that Mesa's rates be equal to those of SRP, staff would proceed in that manner. He further commented that staff attempts to follow the cost-based rate philosophy and would also want to implement gradual rate changes to match those of SRP. He added that making such adjustments in one year would result in significant economic impacts on the customers.

Committeemember Finter questioned whether the City fully accounts for the transfers to the Enterprise Fund. He stated that while Mr. McRae views this as the cost to provide services, he, on the other hand, considers the fact that Mesa does not have a primary property tax and that

police and fire services are paid for through the Enterprise Fund. He inquired why Mesa would not at least be on par with SRP and use the added revenue, not what it costs to generate services, as an Enterprise Fund.

Mr. McRae reiterated that if that were the Council's direction, staff would be happy to proceed in that manner. He explained that in reviewing the electric utility's financial plan, it generates approximately \$6 million in revenue that is transferred to the City's General Fund. He noted that for the utility's 16,000 customers, that is a "fair share" of the \$100 million a year that is transferred to the General Fund. He commented that if the utility increases its rates and transfers the additional revenue to the General Fund, it's important to remember that there are fewer types of services in the downtown area as compared to in other parts of the community, such as parks. He added that in his opinion, there is a balance that should be considered in terms of how many types of facilities or services are in one part of Mesa versus another part of the community.

Mr. McRae, in addition, remarked that his primary focus is to determine whether the gas and electric utilities recover their costs of service and provide adequate and reliable services to their customers. He said that the current rates generate sufficient revenue to fully recover the utilities' costs and also make "a pretty healthy" transfer to the General Fund that is quite a bit above the national average.

Mr. McRae also reported that staff has used SRP as a benchmark on the electric side as it has used Southwest Gas as a benchmark on the gas side. He noted that for quite a few years, Mesa's electric rate was "significantly above" SRP's on the residential side and said that by being below SRP for a couple years, the City is offsetting those years when its rates were higher. He suggested that perhaps now would be the time for Mesa to start moving those rates "closer and closer towards equality."

Committeemember Thompson commented that staff was recommending no adjustment with respect to the non-residential service charge component. He inquired whether it would be possible to reduce the residential service charge and increase the commercial rate.

Mr. McRae clarified that the relationship between Mesa and SRP's rates are different for the commercial or non-residential customers. He explained that Mesa's non-residential rates are significantly below SRP's and said that for Mesa's smaller residential customer, it's an estimated 16% below SRP's comparable bill. He stated that Mesa's commercial customers' bills are still above those of SRP's.

Mr. McRae further noted that over the last few years, the strategy has been that since Mesa has the advantage on the residential side, that is where the City would generate the additional revenue to cover increased costs and inflationary pressures. He said that it would be advantageous for the City to keep its commercial rates as low as possible, so that over time as SRP raises its commercial rates and Mesa's remain static, the rates would eventually converge.

Chairman Glover concurred with Committeemember Finter's comments that the City should consider mirroring its electric rates with those of SRP. He also stated that it would be a good first step to implement a residential service charge component of \$8.00, and in the future, assess how to make Mesa's rates more in line with SRP's rather than being below or above.

Mr. McRae pointed out that in reviewing the demographics of the City's service territory, in conjunction with developing a concept for an electric residential energy bill assistance program, Mesa has a very high percentage of households (i.e., customers) that fall below the poverty line. He said that may not be an issue that SRP faces in a similar fashion.

Committeemember Finter commented that the City's utilities are its "cash cows" that have been designated to fund Mesa's vital services. He said that he would not mind "whipping those cash cows a little bit," especially if there is a baseline of industry providing similar services "literally across the street" from Mesa's service area.

Mr. McRae reiterated that increasing the residential service charge \$7.91 to \$8.00 would generate an estimated \$12,000 per year. He also noted that increasing that amount to \$9.00 would generate an additional \$120,000 annually.

Mr. McRae introduced Senior Fiscal Analyst Herta Fairbanks, who distributed a handout to the Committee titled "Electric Residential Energy Bill Assistance FY 2015/16." (**See Attachment 8**) He stated that Chairman Glover asked him to develop a conceptual proposal to help some of Mesa's low income electric customers with their bills, and specifically those who might be on fixed incomes.

Mr. McRae reported that staff would propose to develop a program that focuses on the summer months when low income customers might have the greatest difficulty paying their bills. He explained that the City's standard rate for the first quartile is approximately 16% lower than SRP's standard bill. He stated that staff developed the concept by using SRP's economy rate as a guide. He noted that comparing SRP's economy rate customer to Mesa's standard rate customer, SRP's customer has an advantage of approximately \$112.00 per year based on the proposed FY 2015/16 rate of \$7.91.

Mr. McRae offered a brief overview of Conceptual Proposal A and Conceptual Proposal B. (See Page 1 of Attachment 8) He noted that in both scenarios, the City would waive the customer's service charge fixed amount for six months (Conceptual Proposal A) or three months (Conceptual Proposal B) and the customer would receive the first 80 kilowatt hours (kWh) each month for zero cost.

Mr. McRae, in addition, remarked that if the City moved forward with such a project, he would suggest first implementing a pilot program during July, August and September. He noted that during that period of time, the impact on the electric utility would be minimized and staff could target those three months in which customers' bills are likely to increase significantly as compared to the prior and/or subsequent months.

Mr. McRae further discussed the various steps in implementing the program. (See Page 2 of Attachment 8) He pointed out that staff would like to target those customers who try to minimize their delinquencies and pay their bills on time; have infrequent reliance on payment plans; and work to minimize their consumption of electricity. He added that a means by which to fund the program would be to round up the residential electric service charge component from \$7.91 to \$8.00 and perhaps even to \$9.00 for the other customers.

Chairman Glover stated that he would be comfortable starting with Conceptual Proposal B and staff moving forward with a pilot program in that regard. He suggested that Mr. McRae's staff

work with other City departments and the City Attorney in order to draft a document outlining the requirements of the program. He noted that what he had in mind was helping people who are on fixed incomes, such as the elderly who have no source of income other than Social Security benefits. He added that during the summer months, it was important that those individuals have access to air conditioning.

In response to a question from Committeemember Finter, Mr. McRae clarified that if SRP's customers qualify for the 150% of the local poverty level, the utility waives its customer service charge for those individuals. He stated that the benefit equates to approximately \$240 per year in savings for the residential customers that qualify for SRP's economy rate. He pointed out that the City has never offered a program such as this in the form of a different rate customer category.

Committeemember Finter expressed support for moving this item forward to the full Council for discussion and consideration. He noted that in his opinion, "it's the right thing to do." He also stated that the Council has put pressure on the different City utilities to be innovative and creative in the programs and services they offer their customers and expressed appreciation to Mr. McRae and his staff for their efforts and hard work in this regard.

Mr. McRae thanked the Council for their support in encouraging staff to develop new ideas and reach out to customers.

Ms. Cannistraro restated that the Committee's recommendation to forward on to the full Council is that staff come back with an \$8.00 residential service charge per month and also implement a pilot program for the electric residential energy bill assistance program.

Chairman Glover confirmed Ms. Cannistraro's statement.

Ms. Cannistraro continued with the presentation and discussed the natural gas utility rate recommendations. (See Page 9 of Attachment 7) She reported that the commodity costs are passed through directly to the customers and not included in the annual rate review. She stated that staff recommends a service charge increase of \$1.29 per month, which would result in the average residential customer's monthly bill increasing from \$33.55 to \$34.84, including the commodity pass-through.

Committeemember Thompson inquired why the City of Mesa does not sell CNG.

Mr. McRae responded that the City has a tariff for CNG service that uses the same rates as the City's co-generation. He noted that the Solid Waste Management Department converted its fleet at the southeast transfer station to CNG and will soon be one of the gas utility's top five customers. He also explained that the City intends to build a CNG station at the East Valley Institute of Technology (EVIT) campus, but indicated that prior to that taking place, staff would like to gain as much experience and knowledge as possible through the full conversion of the Solid Waste fleet to CNG. He added that on a continuous basis, the City promotes CNG to the school systems, SRP and any major fleets that are located in Mesa.

Committeemember Thompson indicated that it was his understanding that United Parcel Service (UPS) and other companies have converted their fleets to CNG. He stated that he was curious to know what it would take to attract those companies to Mesa, and perhaps to the

District 6 area near Phoenix-Mesa Gateway Airport. He noted that fueling stations could serve not only commercial fleets, but also individuals who drive CNG vehicles.

Mr. McRae clarified that other utilities have built CNG stations and reiterated that staff is working to ensure that they “learn all of the lessons from them that they learned the hard way.” He reported that staff has reached out to QT since the company has begun to add CNG to some of their gas stations in the Midwest. He further remarked that the conversion to CNG is a fairly capital intensive endeavor and added that there is not necessarily an assured market that customers will come to a company’s gas station and purchase CNG. He added that one of the advantages of the EVIT station is its close proximity to a corporate entity and a school district’s food distribution warehouse, both of which would hopefully take advantage of its services.

Chairman Glover thanked Mr. McRae for conducting research and performing outreach efforts as it relates to the feasibility of the City selling CNG.

Ms. Cannistraro invited Water Resources Department Director Dan Cleavenger to join her for the presentations on the water and wastewater utility rate recommendations. She reported that during recent years when the City has adjusted its water rates, staff has focused on the service charge. She explained that water has two components, including the fixed charge and a variable or consumption charge. She stated that in the past, staff has determined that the service charge, which provides a stable source of revenues for the water utility, was not in alignment with the fixed costs, regardless of the variability of consumption. She noted that during the recession, water consumption decreased, but the fixed costs remained the same. She added that last year, staff worked to align those components, with an additional flat dollar amount on the service charge and a lower percentage increase on the variable rate.

Ms. Cannistraro remarked that staff’s target is fixed revenues at 35% to 40% of the total costs of the water utility and commented that the goal has been reached at this time. She said that for FY 2015/16, staff anticipates a target of 36% and will endeavor to maintain that goal as rates are adjusted in the future.

Ms. Cannistraro, in addition, commented that this year, staff reviewed the variable rate to ensure that it was in alignment with the demands on the water system. She stated that staff conducted an analysis with respect to the City’s water customers and how their water consumption patterns vary. She explained that the analysis revealed four or five standard levels of residential water usage and pointed out that the high demand customers use much more water during the summer months as compared to their average water consumption throughout the year.

Ms. Cannistraro displayed a graph titled “Average Residential Monthly Usage – Current Tiers,” which illustrates the three tiers or demand service levels. (See Page 11 of Attachment 7) She noted that the variable rates include: 12,000 gallons and below; 13,000 gallons to 24,000 gallons; and 25,000 gallons and greater. She said that 76.4% of all water bills are within the 12,000 gallons and below range.

Ms. Cannistraro, in addition, reported that it was the recommendation of staff that the average residential monthly usage tiers be realigned based on the current consumption patterns of the City’s water users. (See Page 12 of Attachment 7) She explained that the variable rates would consist of 7,000 gallons and below; 8,000 gallons to 15,000 gallons; 16,000 gallons to 23,000

gallons; and 24,000 gallons and greater. She added that 55.4% of all of the water bills would fall within the first tier of water usage.

Ms. Cannistraro stated that staff would further recommend that the City transition to the new tier structure over five years in order to decrease the annual impact to the customers, allow time for the customers to assess their water usage and implement conservation techniques, if possible. She displayed charts illustrating "5 Year Implementation – Monthly Bill Amounts" and "5 Year Implementation – Monthly Bill Variance." (See Pages 14 and 15 respectively of Attachment 7)

Ms. Cannistraro commented that it was important to note that a customer in a high-tier bracket would pay the same amount for the first 12,000 gallons of water as an individual who only uses 12,000 gallons. She clarified that the additional rate is only on the incremental amount that goes into the second tier or the third tier. She added that one of the advantages of realigning the tiers is the ability to offer some relief on the variable rate to those customers who are not placing a high demand on the system. She added that staff recommends a 5% increase on the variable rates for all customers as opposed to a 7% increase, which they initially anticipated would be recommended.

Ms. Cannistraro reviewed the remaining water utility rate recommendations. (See Page 16 of Attachment 7)

Committeemember Finter stated that with all of the confusion that the City's water customers experienced last year, he expressed concern that the proposed five-year transition to the new tier structure might be difficult to convey to those same individuals. He noted, in particular, those customers who are elderly and on fixed incomes.

Mr. Cleavenger responded that once the five-year transition period has been completed, those water customers who use 7,000 gallons or less will only see a straight percentage increase and not the variability that the high demand water users will experience. He noted, however, that high demand water users, especially during the summer months, will see some variability in their rates in their bills.

Committeemember Finter spoke regarding the current drought conditions in Arizona and California and inquired how the proposed rate variability would impact water conservation efforts in Mesa.

Mr. Cleavenger clarified that as the City raises its rates, staff would anticipate an element of conservation and that the typical high demand water user will use less. He also noted that the tier one rate has not changed in 30 years and added that many water conservation efforts are already in place, such as xeriscaping, new high efficiency appliances and newer housing developments with smaller lots.

In response to comments from Committeemember Finter, Mr. Cleavenger concurred that the proposed rate adjustments are not outside of what many Arizona communities have already implemented. He noted, in fact, that most of Mesa's neighboring cities have four or five tiers and added that some might argue that Mesa was "a little bit behind in making this move."

Ms. Cannistraro continued with her presentation and provided a brief overview of the wastewater utility rate recommendations. (See Page 17 of Attachment 7) She said that staff

would recommend a 5% increase on all rate components. She noted that the residential average monthly consumption total bill is estimated to increase from \$26.26 to \$27.59. She further pointed out that wastewater rates are not subject to seasonality and added that the monthly rate is adjusted annually based on the winter water average usage of the individual customer.

Ms. Cannistraro briefly reviewed the average residential customer impact of the proposed utility rates (See Page 18 of Attachment 7); the impact to the Enterprise Fund per the recommended utility rate/structure adjustments (See Page 19 of Attachment 7); the Enterprise Fund Reserves (See Page 20 of Attachment 7); and the Schedule for FY 2015/16 Utility Rate Consideration. (See Page 21 of Attachment 7)

Ms. Cannistraro concluded her presentation by noting that staff was seeking the Committee's direction to take the proposed utility rate adjustments to the full Council for discussion and consideration at the April 16, 2015 Study Session.

Chairman Glover stated that it was the consensus of the Committee that staff move forward with the proposed utility rate adjustments to the full Council, including increasing the amount of the electric utility residential service charge to \$8.00.

2-d. Hear a presentation and discuss an overview of the City's annual budget process.

Office of Management and Budget Director Candace Cannistraro displayed a PowerPoint presentation (**See Attachment 9**) and reported that staff was requested to provide an overview of the City's annual budget process.

Ms. Cannistraro explained that operational planning is embedded throughout the budget process and continues during the year. (See Page 2 of Attachment 9) She offered an extensive analysis of various steps in the budget cycle process as follows:

- Financial Forecast (See Page 3 of Attachment 9)
- Establishing Budget Priorities (See Page 4 of Attachment 9)
- Review/Approval of Budget (See Page 5 of Attachment 9)
- Management of Resources (See Page 6 of Attachment 9)
- Budget Amendments/Modifications (See Page 7 of Attachment 9)

Responding to a question from Committeemember Thompson, Ms. Cannistraro clarified that at the end of the fiscal year, if a department has any savings in its budget, those monies would remain, if it was a utility program, in the Enterprise Fund, and if it was a General Governmental program, in the General Fund.

Committeemember Thompson questioned how City departments could be incentivized to find year-end savings and not have them taken away. He suggested, for example, if a department had an unfunded project that was "sitting on the shelf" that it would like to pursue, perhaps those dollars could be allocated in that manner.

Ms. Cannistraro responded that staff has considered such a scenario in the past. She noted, however, that unfortunately during the recession, it was necessary for the City to use those monies in order to balance the budget. She also offered an extensive analysis of the process by

which City departments can request funding for projects, which is reviewed by the City Manager's Office, and prioritized with project requests from other departments.

Chairman Glover concurred with Committeemember Thompson's comments. He stated that if there were a worthwhile project that the Council and City management determined was feasible, realistic and could be funded with one-time savings, in his opinion, that should be considered and a program developed by City staff.

Ms. Cannistraro, in addition, provided a short synopsis of Budget Requirements and Limitations (See Page 8 of Attachment 9); a Summary of City of Mesa Financial Policies (See Pages 9 through 11 of Attachment 9); and the Legal Deadlines in the FY 2014/15 Budget Process. (See Page 12 of Attachment 9)

Chairman Glover commented that it was important that the City have an open and transparent budget process that residents can understand and that also follows the Council's Strategic Initiatives and the Council's direction to the City Manager. He stated that he would like to see a more user-friendly budget website. He acknowledged that although the budget process is very complex, the basic concept is simple. He noted that unfortunately, the City's budget website tends to have "information overload" and does not provide examples in brief and precise detail.

Chairman Glover further remarked that he prepared a mock-up of what the budget website should look like, which he provided to the City Manager, so that when residents go online, they would be able to obtain basic information that is easy to understand. He indicated that it would be appropriate to maintain the hyperlinks in order to provide more in-depth information, but reiterated that a brief description of the basic concepts and what action is being taken by staff and the Council would help residents to read and comprehend the process the first time and not several times.

Ms. Cannistraro stated that she appreciated Chairman Glover's suggestions. She explained that staff have attempted to modify the website in the past, but been unable to do so due to a lack of resources. She indicated that staff is moving in that direction and would appreciate any feedback from the Council in this regard.

Chairman Glover clarified that his suggestions were the result of his viewing the website and feedback he has received from residents in the community.

2-e. Hear a presentation and discuss FY 14/15 year-to-date budget estimate modifications.

Office of Management and Budget Director Candace Cannistraro displayed a PowerPoint presentation (**See Attachment 10**) and reported that her department has prepared an overview of the types of budget estimate modifications that occur each year.

Ms. Cannistraro explained that the adopted budget sets the maximum that the City can spend during the fiscal year which, for FY 2014/15, is \$1.34 billion. She stated that the City tracks revenues and expenses using various codes and noted that at the time of adoption, estimated resources needed to provide services are allocated to those codes. She added that actual expenses can vary from the original estimate.

Ms. Cannistraro also discussed a series of topics as follows: the City's management tools (See Page 3 of Attachment 10); the authorization to spend (See Page 4 of Attachment 10); and budget amendments/modifications. (See Page 5 of Attachment 10) She said that all requested modifications are reviewed for funding availability, alignment with City Council Strategic Initiatives and the needs of the City. She added that regardless of the reason for the modification, the net estimated expenses must remain at or below the expense budget adopted by the Council.

Ms. Cannistraro, in addition, highlighted the top ten reasons why it might be necessary for a department to modify its budget estimates. (See Pages 6 through 8 of Attachment 10)

Discussion ensued relative to contingency; that such monies are held at the City level; that when departments have a need for such funds, requests are made to the Office of Management and Budget, which are reviewed by the City Manager's Office; that the FY 2014/15 adopted budget includes \$64 million in contingency; and that amount is based on the reserve balance in the General Fund and the Enterprise Fund.

Ms. Cannistraro reported that staff also provided the Committee a document outlining the FY 2014/15 Budget Modifications through March. **(See Attachment 11)** She pointed out that the items are only those modifications that were reviewed by her office and approved in FY 2014/15. She added that this report is distributed to the City Manager's Office each month.

Additional discussion ensued relative to a Mesa Fire and Medical Department (MFMD) budget modification in which \$900,000 in CIP monies for outfitting replacement fire apparatus was no longer needed (See the first item on Page 6 of Attachment 11); that those dollars were removed from the Department's budget; that the Department cited savings associated with the above-referenced item and requested additional operational funds (\$228,238); and that in Ms. Cannistraro's opinion, the remainder of the \$900,000 could be applied to the new Mesa Regional Fire and Medical Dispatch Center project as operational money to a project that is currently funded with bonds.

Chairman Glover thanked Ms. Cannistraro and Chief Financial Officer Mike Kennington for assembling all of this information for the Committee in such a timely manner. He commented that he was aware of the fact that the City Manager receives the monthly updates with respect to budget modifications. He suggested that it would also be beneficial for the entire Council to receive those updates, as well as an explanation of why the modifications were made. He suggested that the updates could be attached to the City Manager's weekly e-mails to the Council. He added that this would enable the Council to view what is actually occurring in various City departments, especially as it relates to large sums of money.

Chairman Glover further remarked that the MFMD's \$900,000 budget modification, for instance, is a significant portion of its budget. He stated that he finds it disconcerting that the Council is not made aware of those changes through formal channels. He also noted that another item, by way of example, is the new credit card system at the museums, which will be an ongoing cost of \$25,000 annually. He indicated that the issue of ongoing costs is also an item that the Council should take into consideration. He further suggested attaching a number to the budget modifications, such as \$25,000 or more, and said that those items should also be shared with the Council.

Responding to a question from Chairman Glover, City Attorney Debbie Spinner clarified that the Committee's request for certain documents from staff would not require a change in the City's financial policies.

Chairman Glover thanked everyone for attending the meeting.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 10:58 a.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 2nd day of April, 2015. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

pag
(attachments – 11)



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

Date: April 2, 2015

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Animal Control – Follow-Up Review

cc: Mayor and Council
Natalie Lewis, Assistant to the City Manager
Diane Brady, Animal Control Supervisor

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a follow-up review of our audit of the City's Animal Control program. The attached report was issued in December 2014, but was inadvertently omitted from the Committee's agenda on January 6. In order to ensure full transparency, it is included on the April 2, 2015 agenda.

FOLLOW-UP REVIEW

CITY AUDITOR

Report Date:	December 4, 2014
Department:	Neighborhood Outreach and Animal Control
Subject:	Audit of Animal Control
Lead Auditor:	Karen Newman, Sr. Internal Auditor

OBJECTIVE

The objective of this review was to determine whether the Neighborhood Outreach and Animal Control department has effectively implemented the action plan presented in their response to our August 2013 audit of Animal Control.

SCOPE & METHODOLOGY

To accomplish our objective, we interviewed City staff members and reviewed case status reports and other documentation used by management to monitor Animal Control activities.

BACKGROUND

On August 1, 2013, we issued a report on our audit of Animal Control. The objective of that audit was to evaluate compliance with and efficiency/effectiveness of policies, procedures and processes. The report contained one recommendation and a response from management.

In July 2014, when we began our standard follow-up process, we found the department needed additional clarification and time to fully implement their corrective action plan. We returned to complete this follow-up review in November 2014.

CONCLUSION

2013 Audit Recommendation: Animal Control Management should perform periodic reviews of all animal control cases to ensure timely and proper follow up.

2013 Management Response: At least two staff members will run weekly case status reports of both ACT (active) and REC (received) reports to ensure timely and appropriate follow up and closure. This will also allow staff to monitor additional follow up entries such as citations, quarantines, inspections, etc. to be conducted in a timely manner.

Follow-up Conclusion: The Corrective Action Plan has been implemented. Case status reports are being reviewed and cases have been followed up on and closed timely and appropriately. Additionally, a report listing "Animal Control Open Cases Older Than 30 Days" has been created and is reviewed weekly by the Animal Control Supervisor and her Supervisor.



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

Date: March 2, 2015

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Audit of Police Off-Duty Employment Program

cc: Mayor and Council
John Pombier, Deputy City Manager
John Meza, Interim Police Chief

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed an audit of the Mesa Police Department Off-Duty Employment Program. The audit report is attached and will be presented at the next scheduled meeting of the Audit, Finance & Enterprise Committee. We wish to extend our appreciation to the MPD staff members for their professionalism and cooperation throughout the audit process.

Please feel free to contact me with any questions or concerns.

AUDIT REPORT

CITY AUDITOR

Report Date: March 2, 2015
Department: Police
Subject: Off Duty Employment Program
Lead Auditor: Karen Newman

OBJECTIVE

This audit was conducted to evaluate internal controls related to MPD's Off Duty Employment Program.

BACKGROUND

The Mesa Police Department (MPD) Off Duty Employment Program allows off duty uniformed Police Officers to provide law enforcement related services to other City departments as well as to outside employers. "Contract Off Duty" jobs are those in which police services are provided to an outside company, person, or not-for-profit entity. The compensation rate for contract jobs is \$40 per hour for a Police Officer or \$45 per hour for a Police Supervisor (required when 4 or more Officers are needed). "City Overtime Off Duty" jobs are those in which police services are provided to other City departments. Officers are compensated for City Overtime Off Duty jobs at their individual overtime rates and the cost is charged to the requesting department. If a police vehicle is required, such as for roadway construction or traffic control jobs, the vehicle usage is billed at a rate of \$5 per hour. Both Contract Off Duty and City Overtime Off Duty jobs are arranged through the MPD Hiring Unit; and all aspects of the program are administered by a Sr. Program Assistant, who serves as the Off Duty Hiring Coordinator.

In order to be eligible to participate in the Off Duty Program, an Officer must have 1) received a rating of "Successful Performance" on his/her most recent Performance Appraisal Form; 2) passed an Internal Affairs check; and 3) submitted an *approved* Annual Work Permit to the Off Duty Hiring Coordinator. To employ a Mesa Police Officer for an Off Duty job, contract employers are required to complete and sign a Temporary Employment Agreement, which lists the requirements, guidelines, and restrictions for Off Duty jobs. Employers are also required to provide proof of commercial general liability insurance and statutory workers' compensation insurance. These and other program requirements are set forth in DPM 1.2.115, Off Duty Employment Protocols. Although this policy is quite detailed and includes specific consequences for non-compliance, there has been no effective oversight or enforcement of the policy by MPD management.

SCOPE & METHODOLOGY

The audit scope included all 6,054 Off Duty jobs worked by Mesa Officers in 2013. It did not include any outside employment unrelated to law enforcement. To meet our objective, we interviewed staff members, reviewed MPD policies and procedures, analyzed data from the MPD

Off Duty Jobs database and the City's Kronos timekeeping system, and performed other tests and procedures as needed.

CONCLUSION

In our opinion, more effective internal controls are needed to provide reasonable assurance that Off Duty work is administered in accordance with MPD policies. Although the Department has detailed Off Duty Protocols in place, including specific consequences for non-compliance, there has been no effective oversight or enforcement of these Protocols. In addition to extensive non-compliance with Protocols, we found inaccurate timekeeping data entered into the City's Kronos system, and inconsistent record keeping overall. As a result, we were unable to determine with reasonable certainty that payments to Officers for Off Duty work were accurate and appropriate. Our findings are summarized below. For detailed findings and recommendations, along with responses from MPD management, please see the attached Corrective Action Plans (CAPs).

SUMMARY OF FINDINGS

CAP #1

Timekeeping data and Off Duty employment records indicate that Officers may have been paid for Off Duty work hours that overlapped with their City work hours. In some cases, a Contract Off Duty job overlapped with the beginning or end of the Officer's regular shift, and the Officer did not utilize paid leave for those hours as required by policy. In addition, many instances were found in which the Officer's Off Duty hours immediately followed or preceded their on duty hours, indicating that any time that may have been needed to travel or transition from one job to the other may have been inappropriately compensated by either the City or the outside employer. However, as a result of a 2013 MPD procedural change that eliminated automated timekeeping for Police Officers, some of these discrepancies may be attributable to inaccurate timekeeping records. We are recommending improvements to timekeeping and other record keeping processes, stricter program guidelines to prevent overlapping shifts, and independent monitoring by the MPD Inspections Unit.

CAP #2

Officers exceeded the maximum allowable number of work hours (16) in a 24-hour period, without obtaining approval as required by Department policy. We are recommending additional oversight to enforce compliance with work hour limits.

CAP #3

Documentation required by MPD Off Duty Employment Protocols has not always been completed and/or retained by staff. Examples include Temporary Employment Agreements, Off Duty Time Sheets, Patrol Vehicle Usage Forms, insurance documents, and Annual Work Permits. Each of these documents serves an important purpose and is necessary to limit the City's liability, increase billing accuracy, ensure accountability, and protect Police Officers and the public. We are recommending that controls be implemented to enforce existing documentation requirements, and that electronic solutions be employed to increase efficiency and accuracy.

CAP #1: Overlapping of Off Duty/On Duty Hours; Unreliable Timekeeping Data

Observations:

Contract Off Duty work hours recorded in the Off Duty database coincided with hours recorded in the City's Kronos timekeeping system or with other records in the Off Duty database. These overlapping hours indicate that one or both of the following occurred:

- Officers were paid more than once for the same hours worked.
- Officers' work hours were not accurately recorded.

In addition, many instances were found in which the Officer's Off Duty hours immediately followed or preceded their on duty hours, indicating that any time that may have been needed to travel or transition from one job to the other may have been inappropriately compensated by either the City or the outside employer.

Comments:

The MPD Off Duty Hiring Coordinator maintains a database in which she creates a record of every Off Duty job, including but not limited to the name of the employer, the Officer assigned to the job, the hours worked, billing information, and payments received. Contract Off Duty work hours are recorded only in the Off Duty database, but City Overtime Off Duty work hours are recorded in both the Off Duty database and the City's Kronos system, so that the Officer can be paid overtime for the Off Duty work hours. Data recorded in the Kronos system must be completely accurate for the Officer to be paid correctly, and because Kronos is the official "system of record" used to document all time worked by non-exempt City employees.

During the first 5 months of 2013, Officers clocked in and out of the Kronos timekeeping system to record their time worked. This practice was discontinued in June 2013, when all City time worked by sworn Police employees began being recorded in the Kronos system by timekeepers throughout the Police Department.

We compared the dates and hours worked on Contract Off Duty jobs recorded in the Off Duty database with the dates and hours worked on City jobs (both on and off duty) recorded in the Kronos system, and found overlapping time periods ranging from a few minutes to several hours. Approximately 300 of these discrepancies were found within the records we were able to test¹. The majority (77%) of the discrepancies were dated after the Officers stopped using the Kronos system to capture their actual hours worked. It is possible that some of these

¹ Much of the data could not be tested, because the timekeeping process changes made by MPD resulted in less information being captured by the Kronos system.

discrepancies are the result of inaccurate timekeeping data. However, if that is the case, the more significant concern is that such widespread timekeeping inaccuracies represent even greater risks than those that may be associated with the Off Duty discrepancies.

- Recommendation:**
- 1-1. MPD should implement more effective internal controls to ensure that Officers are not scheduled and/or paid for more than one job at a time, that Contract Off Duty employers are billed accurately, and that all hours worked (both on and off duty) are accurately recorded. To that end, we recommend the following:
 - A. Police Officers, like other non-exempt City employees, should be required to electronically capture their exact start and end times for all City work, using a time clock, computer, or other mobile device. To facilitate this, the City now has a Kronos mobile application that enables users to clock in or out in seconds, from anywhere, using a smartphone.
 - B. The MPD Off Duty Hiring Coordinator should develop an improved process to ensure that all hours worked on Off Duty jobs (both City and Contract) are accurately reflected in the Off Duty database and all Contract Off Duty employers are billed accurately.
 - C. Officers should be prohibited from accepting Off Duty assignments that overlap with their regularly scheduled work hours. Assignments that immediately follow or precede a regular work shift should only be permitted when no location change or transition time is needed.
 - 1-2. To ensure compliance with all requirements of DPM 1.2.115, Off Duty Employment Protocols, management should implement additional program oversight and continuous monitoring by the MPD Inspections Unit. This should include a formal structure for corrective action and accountability when violations are detected.

**Management
Response:**

1-1.A. Agree.

Implementation Plan:

The police department historically provided justification as to the business need to opt out of Kronos. However, as a result of this audit, and previous internal time keeping issues, the MPD has noted this as an area for improvement. The MPD agrees there is a significant need to electronically capture exact start and end times utilizing a time clock, computer or other mobile device, however, the MPD has also noted there are some instances where it may be necessary to manually input

employees' start and/or end times.

Accurate timekeeping can be vastly improved through better awareness of this issue by all sworn supervisors in addition to a random monthly compliance check. The MPD Inspections Unit can develop a random monthly inspection of those individuals and their supervisors whom work off-duty jobs. Similar inspections (to various areas of MPD) are conducted on a monthly basis by the Inspections Unit.

Individual or Position Responsible:

Inspections Unit

Estimated Completion Date: 5/1/2015

1-1.B. Agree.

Implementation Plan:

In October 2014, the off duty program system was being evaluated in an effort to improve accuracy and efficiency. As part of this evaluation, City of Mesa ITD worked with Mesa PD IT and the Off-Duty Hiring supervisors to design a web-based program, which will alleviate these inefficiencies and increase accountability and accuracy of the Off-Duty Hiring recordkeeping. This program has been scheduled as a 400 hour job by City ITD engineers and is slotted to begin development in October 2015.

Off-Duty Hiring Coordinator to ensure all Off-Duty Time Sheets are received by members not later than 72 hours after the completion of off-duty work.

The MPD Inspections Unit will conduct a random inspection on a quarterly basis to ensure all hours worked are accurately reflected.

Individual or Position Responsible:

Off-Duty Unit/MPD HR/
City ITD & Inspections Unit

Estimated Completion Date: 12/31/2015

1-1.C. Agree.

Implementation Plan:

As of October 2014, the off-duty hiring policy has been under review. As part of this review, language will be added indicating a prohibition of overlap with regularly scheduled work hours and that of off-duty work.

As well, a minimum time gap will be proposed between off-duty work hours and regular work hours. An exception will be permitted for those instances where a location change or transition time is not needed.

This policy update will be included as an inspection item on a quarterly basis by the MPD's Inspections Unit.

Individual or Position Responsible:

Off-Duty Hiring Supervisor
Inspections Unit

Estimated Completion Date: 5/1/2015

1-2. Agree.

Implementation Plan:

In addition to regular supervision of the Off Duty Hiring Coordinator, the MPD's Inspections Unit will develop monthly and quarterly inspections as an oversight mechanism for the off-duty hiring program. These inspections will ensure policies and procedures are consistent with off-duty hiring practices. The reports of these inspections will be routed to MPD Executive Staff for review.

Individual or Position Responsible:

MPD Inspections Unit

Estimated Completion Date: 5/1/2015

CAP #2: Combined Total Work Hours Exceeded the Allowable Maximum

Observations: Some Officers exceeded the maximum allowable number of work hours (16) in a 24-hour period, without obtaining approval as required by Department policy.

We identified 51 instances in 2013 when Off Duty hours combined with on duty hours exceeded the 16 hour maximum. This analysis did not include the 300 overlapping shifts identified in CAP #1 because, in those instances, the number of hours actually worked could not be definitively determined. Also, a significant number of other shifts were excluded from analysis because the specific on duty work hours were not recorded in the Kronos system after the timekeeping procedure change in June 2013.

Comments: Per DPM 1.2.115, Off Duty Employment Protocols:

"Member Requirements: ...

- *Employees shall not work more than a combined total of sixteen (16) hours of regularly scheduled duty and Off Duty work within a twenty-four (24) hour period.*
 - *Employees must have a continuous eight (8) hour rest period during each twenty-four (24) hour work period. Twenty-four (24) hour work period means a combination of off duty and on duty work.*
 - *Exceptions must be approved by the employee's Lieutenant or an on duty Lieutenant prior to working beyond the sixteen (16) hour restriction.*
 - *When exceptions are granted, the employee must have a continuous eight (8) hour rest period before returning to work."*

Recommendation: 2-1. MPD should implement controls, such as additional management oversight, to ensure that Officers working Off Duty jobs do not exceed the maximum combined number of work hours permitted by Department policy.

**Management
Response:**

2-1. Agree.

Implementation Plan:

[Incorporate this recommendation into the monthly/quarterly inspections.](#)

[Conduct awareness education for Police Department Supervisors to monitor employees working off-duty jobs, so they are not working over the maximum allowable time between regular duty time and off-duty time.](#)

Individual or Position Responsible:

MPD Inspections Unit

Off-Duty Hiring Supervisor

Estimated Completion Date: 5/1/2015

CAP #3: Non-Compliance with Documentation Requirements

Observations:

Forms and other documents required by the MPD Off Duty policy have not been completed, obtained, and/or retained by staff. For example:

- Temporary Employment Agreements (DPM 1.2.115F2) were not maintained or could not be located.
- The Uniformed Off Duty Time Sheet (DPM 1.2.115F4), which is required for documenting actual Off Duty hours worked, is not being used.
- The Patrol Vehicle Usage Form (DPM 1.2.115F5), which is required for documenting the use of a patrol vehicle on an Off Duty job, is not being used.
- Updated insurance documents are not always obtained and/or retained as needed to ensure adequate coverage is maintained by employers.
- Approved Annual Work Permits (DPM 1.2.115F3) are not always submitted by Officers in a timely manner.

Comments:

The following are excerpts from DPM 1.2.115, Off Duty Employment Protocols:

"... *Temporary Employment Agreement:*

DPM 1.2.115F2, Temporary Employment Agreement is required from the independent company, person or not-for-profit entity requesting Off Duty officers, which includes proof of Workmen's Compensation and General Liability coverage for any COM employee being allowed to work. This form must be signed by the Contract employers and returned to the MPD prior to Department member beginning the Off-Duty job. ..."

"... *Uniformed Off Duty Employment Timesheet:*

DPM 1.2.115F4, Uniformed Off-Duty Officer Time Sheet is required after working an Off Duty job documenting time worked for an independent company, person or not-for profit entity."

"... *Use of Department Equipment:* ...

A fully marked police vehicle may be required on specific types of Off-Duty jobs. That request shall be specified in the work order, and vehicle usage fees will cover the use of the vehicle on DPM 1.2.115F5, Off-Duty Patrol Vehicle Usage. ..."

"... *Off Duty Annual Work Permit*

Prior to working any COM Overtime Off Duty, Contract Off Duty, or Outside Employment, Department members must have completed and

submitted DPM 1.2.11F3, Annual Work Permit, approving employment eligibility.

- *DPM 1.2.11F3, Annual Work Permit must be renewed each calendar year. ...*
- *The original approved Off-Duty Annual Work Permit will be maintained by the Off-Duty Hiring Coordinator. ..."*

The documents referenced above exist for the protection of Officers, Contract Employers, the City and the public. Each of them serves an important purpose in the administration of the Off Duty Program:

- The **Temporary Employment Agreement** is critical because it specifically outlines the many rules, terms, and conditions associated with Off Duty employment, so that all parties know what to expect and what is required of them. However, there is currently no requirement that this Agreement be periodically renewed or updated.
- The **Uniformed Off Duty Time Sheet** is supposed to be used to document the actual hours worked and other information about the specific job and the Officer who worked it. It also contains specific instructions for the Officers to help ensure they are paid correctly and timely.
- The **Off Duty Patrol Vehicle Usage** form is supposed to be used to document specific information about the vehicle, as well as the time and location in which it was used for an Off Duty job. This enables the Department to bill the employer accurately for the use of the vehicle.
- The **Off Duty Annual Work Permit** is designed to ensure that only eligible Officers participate in the program.

These forms have not been recently updated and, in our opinion, they do not capture the necessary information in the most efficient way possible. If they were converted to electronic forms, the information could be captured and imported directly into the Off Duty database, which would save time and improve accuracy.

- Recommendation:**
- 3-1. MPD should implement controls to ensure that signed Temporary Employment Agreements are obtained from all Contract Off Duty employers, maintained in a retrievable manner, and retained in accordance with records retention requirements. In addition, these Agreements should be subject to renewal on a periodic basis. Lastly, Off Duty job requests should not be accepted from any employer without the required Agreement on file.

- 3-2. MPD should require that all hours worked on Off Duty jobs, and all Off Duty vehicle usage, be fully and accurately documented in accordance with Department policy. Compliance with these requirements should be actively monitored, and non-compliance should result in suspension of eligibility for Off Duty assignments.
- 3-3. MPD should implement controls to ensure that current insurance certificates are periodically obtained from employers, as needed to verify that required coverage is maintained. Off Duty job requests should not be accepted from any employer without the required insurance documents on file.
- 3-4. MPD should implement controls to ensure that only Officers with current, approved Annual Work Permits on file are permitted to work Off Duty jobs.
- 3-5. The forms required under DPM 1.2.115 should be updated to ensure they capture the necessary information in the most efficient and effective way possible, incorporating available electronic solutions.

**Management
Response:**

3-1. Agree.

Implementation Plan:

Update MPD policy to include an annual renewal process and create a tracking system to utilize by off duty hiring coordinator. This tracking system will identify when a company is nearing the annual expiration of the Temporary Employment Agreement. Once near expiration, the off-duty hiring coordinator will facilitate the renewal of the agreement with contractors. A file system will be created to ensure accessibility to the agreement.

Individual or Position Responsible:

Off-Duty Hiring Coordinator

Estimated Completion Date: 5/1/2015

3-2. Agree.

Implementation Plan:

Update policy to reflect repercussion for failing to complete required documentation (off-duty time sheet) in a timely manner including a scaled suspension for off-duty employment violations.

Implement protocols for the off-duty hiring coordinator to notify

members and members' supervisors when documentation is not completed timely and accurately.
Implement quarterly inspection as an independent compliance measure.

Individual or Position Responsible:

Off-Duty Hiring Coordinator
MPD Inspections Unit

Estimated Completion Date: 5/1/2015

3-3. Agree.

Implementation Plan:

Implement this recommendation in conjunction with recommendation 3-1.

Individual or Position Responsible:

Off-Duty Hiring Coordinator

Estimated Completion Date: 5/1/2015

3-4. Agree.

Implementation Plan:

In October 2014, the off-duty program system was being evaluated in an effort to improve accuracy and efficiency. As part of this evaluation, City of Mesa ITD worked with Mesa PD IT and the Off-Duty Hiring supervisors to design a web-based program, which will alleviate these inefficiencies and increase accountability and accuracy of the Off-Duty Hiring recordkeeping. This program has been scheduled as a 400 hour job by City ITD engineers and is slotted to begin development in October 2015.

Increased supervisory oversight off the Off-Duty Coordinator will ensure accurate and timely Annual Work Permits are on file.

As an oversight mechanism, The MPD Inspections Unit will conduct a random inspection on a quarterly basis to ensure all hours worked are accurately reflected.

Individual or Position Responsible:

City of Mesa ITD
Off-Duty Hiring Unit
MPD Inspections Unit

Estimated Completion Date: 12/31/2015

3-5. Agree.

Implementation Plan:

As of October 2014, the off-duty hiring policy has been under review. As part of this policy review, the off-duty hiring forms are being reviewed and updated where appropriate. As well, the web-based program, as discussed, will incorporate these forms into an electronic system.

Individual or Position Responsible:

Off-Duty Hiring Unit

Estimated Completion Date: 12/31/2015



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

Date: March 10, 2015

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Audit of Aquatics Program Revenue & Administration

cc: Mayor and Council
Kari Kent, Deputy City Manager
Marc Heirshberg, PRCF Department Director

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed an audit of the PRCF Aquatics Program Revenue & Administration. The audit report is attached and will be presented at the next scheduled meeting of the Audit, Finance & Enterprise Committee. We wish to extend our appreciation to the PRCF staff members for their professionalism and cooperation throughout the audit process.

Please feel free to contact me with any questions or concerns.

AUDIT REPORT

CITY AUDITOR

Report Date:	March 10, 2015
Department:	Parks, Recreation and Commercial Facilities (PRCF)
Subject:	Aquatics Program Revenue and Administration
Lead Auditor:	Dawn von Epp

OBJECTIVE

This audit was conducted to determine whether internal controls are in place and operating effectively to ensure Aquatics Program revenues are safeguarded from loss and to evaluate administrative processes associated with the program to ensure adequate controls are in place.

SCOPE & METHODOLOGY

To accomplish our objectives, we interviewed PRCF and Accounting Services staff members, conducted unscheduled site visits, observed procedures, reviewed Active and Advantage data, and performed other tests and procedures as necessary.

BACKGROUND

PRCF operates 9 aquatics complexes, each of which is located at a Mesa Public School. Pools, special amenities such as the FlowRider, swimming lessons, and competitive team sports are available during the summer season. Lap swimming is available year round at 2 pools. Customers can also rent pools for private parties or special events.

In April 2014, PRCF implemented the Active Network system, which is used to complete point of sale transactions, process program registrations and pool rentals, and track program participation. However, only 3 of the 9 aquatic complexes are able to utilize this new system, while the remaining 6 use stand-alone cash registers. Transactions from these registers must be re-keyed later into the Active Network system by PRCF Registration staff. The new "Mesa High" pool, which will replace the Taylor pool in 2015, will also use the new system. The remaining pools will remain off-line until connectivity obstacles and budget constraints are resolved.

CONCLUSION

In our opinion, internal controls are in place and operating effectively to provide reasonable assurance that Aquatics revenues are safeguarded from loss; however, we identified a few opportunities for improvement in administrative processes and management oversight. A summary of our findings and recommendations is included below. For more detailed explanations, along with responses from management, please see the attached Corrective Action Plans (CAPs).

FINDINGS & RECOMMENDATIONS

CAP #1

The process used by management to reconcile season pass and punch ticket inventories was ineffective. While there is no evidence that any significant losses occurred, the current process did not identify several minor discrepancies and it is likely that more serious discrepancies would also have remained undetected. Therefore, we are recommending that the reconciliation process be modified to include a comparison of ending inventories, tracking logs, and recorded sales transactions.

CAP #2

Written procedures for some key activities are outdated or have not been created. Several minor issues that were discovered during the audit might have prevented or detected sooner if written procedures had been in place. We are recommending that PRCF create or update written procedures that provide clear guidance at a level of detail necessary to ensure critical tasks are completed correctly, consistently, and in accordance with management's expectations.

CAP #3

Management did not have processes in place to identify and correct non-compliance in some key areas, such as voided and discounted transactions, refunds, chain of custody of cash and cash equivalents, cash and credit card training, and other requirements of MP 210-Cash Handling and MP 212-Credit Card Handling. We are recommending that management take steps to ensure sufficient oversight activities are being conducted to identify and correct non-compliance with departmental or City policies and procedures.

CAP #1: Season pass/punch ticket reconciliation process needs improvement.

Observation:	The process used by management to reconcile season pass and punch ticket inventories was ineffective.
Comments:	<p>Season passes and punch tickets are sold in numerical order and tracked using a manual logging system. These logs are used by management as part of the end-of-season reconciliation process.</p> <p>PRCF administrative staff compares unsold inventories of season passes and punch tickets to the logs. However, they do not reconcile this information to recorded sales. This process failed to detect some discrepancies, such as sales that were not logged, sales that occurred out of sequence, a Flowrider 30-Punch ticket that could not be accounted for, and punch ticket sales that were recorded incorrectly. While these issues were minor, under the current process, it is likely that more serious discrepancies would also have remained undetected.</p>
Recommendation:	1-1. When performing the end of season reconciliation of season pass and punch ticket inventories, PRCF should include a comparison to recorded sales transactions.
Management Response:	<p>1-1. Agree.</p> <p>Implementation Plan:</p> <p>Ongoing throughout the season and as part of the end-of-season reconciliation process, PRCF Staff will reconcile season passes and punch ticket inventories to manual inventory logs and to recorded sales transactions in the ActiveNet reservation and registration system. This process will be included in the written procedures documentation.</p> <p>Individual or Position Responsible:</p> <p>Tammy Davenport and PRCF Finance Staff, Full-time Aquatics Programming Staff</p> <p>Estimated Completion Date: 8/7/2015</p>

CAP #2: Written procedures for key activities need to be updated or created.

Observations: The following procedure documents require updates to be consistent with current processes and systems:

- PRCF Guidelines 2.4 – Refund Policy
- Aquatics Cash Handling Procedures
- PRCF Deposit Procedures

Procedure documents do not exist for the following areas:

- Pool Runner procedures for transporting and safeguarding pool deposits.
- Aquatics administrative procedures for transferring start-up funds, season passes, and punch tickets to pool managers, and for performing end of season reconciliations.
- Internal control activities conducted by PRCF Finance personnel, such as validating the chain of custody of deposits and reconciling deposits to Advantage records.

Comments: Written procedures provide the guidance necessary for consistently and correctly performing necessary tasks. In addition, these documents aid in setting clear expectations and minimizing disruptions of essential operations during employee absences and turnover.

Recommendations:

2-1. PRCF should update the PRCF Refund Policy, Aquatics Cash Handling Procedures, and PRCF Deposit Procedures to be consistent with current processes and systems.

2-2. PRCF should create written procedures for transporting pool deposits, transferring aquatics start-up funds/season passes/punch tickets to pool managers, performing end of season reconciliations, and for internal control activities conducted by PRCF Finance personnel, such as validating the chain of custody of deposits and reconciling deposits to Advantage records.

Management Response:

2-1. Agree.

Implementation Plan:

With the implementation of the new ActiveNet reservation and registration system PRCF is currently updating PRCF Guideline 2.4 - Refund Policy, Aquatics Cash Handling Procedures, and the PRCF Deposit Procedures to be consistent with current processes and the new software system.

Individual or Position Responsible:

Tammy Davenport, Leslie Clark, Darla Armfield

Estimated Completion Date: 4/9/2015

2-2. Agree.

Implementation Plan:

With the completion of a full season of Aquatics utilizing the ActiveNet registration and reservation software. PRCF Staff is currently creating written procedures for transferring, transporting, reconciling, and safeguarding of all pool funds, passes, logs and tickets. The processes and procedures will include the validation and reconciliation of all such items by PRCF Finance personnel including the chain of custody and reconciliation of deposits to Advantage records.

Individual or Position Responsible:

Tammy Davenport and PRCF Finance Staff, Leslie Clark, Darla Armfield

Estimated Completion Date: 4/9/2015

CAP #3: Additional management oversight is needed to identify non-compliance.

Observation: Management did not have processes in place to identify and correct non-compliance in some key areas, such as:

- Voided and discounted transactions.
- Refunds.
- Chain of custody of cash and cash equivalents.
- Cash and credit card training, and other requirements of MP 210-Cash Handling and MP 212-Credit Card Handling.

Comments: Management oversight activities should be effective in identifying and correcting non-compliance with policies/procedures. Some minor non-compliance issues identified during the audit should have been identified through routine management oversight activities.

- Start-up funds transfer documents were not completed.
- Training records were not maintained to ensure staff attended cash and credit card handling training as required by MP 210 and MP 212.
- No exception was obtained from Accounting for MP 210 cash movement requirements.
- Refund miscalculations were not discovered.
- Reviews of voided and discounted transactions were not documented.

Recommendation: **3-1.** Management should ensure sufficient oversight activities are being conducted to identify and correct non-compliance with departmental or City policies and procedures. Additional oversight is needed in the areas of voided/discounted transactions, chain of custody of cash/cash equivalents, and training requirements for cash handling/credit card handling.

Management Response: **3-1.** Agree.

Implementation Plan:
PRCF Management will ensure oversight activities are regularly conducted to identify and correct non-compliance issues. Written procedures and documentation of the oversight activities will be kept. Logs, documentation and signed rosters will be kept and regularly checked by PRCF Finance to ensure compliance with City and PRCF policies and procedures; especially MP210-Cash Handling and MP 212-Credit Card Handling. PRCF Staff will continue to work with City Accounting to ensure that cash handling and credit card training is available. This will be an ongoing and continuous procedure.

Individual or Position Responsible:
PRCF Finance and Management Staff

Estimated Completion Date: Ongoing



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

Date: March 26, 2015

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Central Mesa Light Rail Project Cost Recovery Audit

cc: Mayor and Council
Kari Kent, Deputy City Manager
Michael Kennington, CFO
Beth Huning, City Engineer
Jodi Sorrell, Transit Services Director

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a Cost Recovery audit of the Central Mesa Light Rail Project. The report is attached will be presented at the next scheduled meeting of the Audit, Finance & Enterprise Committee.

Please feel free to contact me with any questions or concerns.

AUDIT REPORT

CITY AUDITOR

Report Date: March 26, 2015
Department: Engineering
Subject: Central Mesa Light Rail Project Cost Recovery
Lead Auditor: Tami Steadman

OBJECTIVE

This audit was conducted to determine whether all reimbursable light rail project costs are being captured and recovered in accordance with applicable agreements.

SCOPE & METHODOLOGY

To achieve our objective, we:

- Interviewed City staff members from Engineering, Transit, and Financial Services.
- Reviewed agreements between the City of Mesa and Valley Metro Rail, Inc. (METRO).
- Reviewed applicable laws and other authoritative guidance regarding Federal Awards.
- Reviewed Right of Way and Administrative budgets, as well as the specific Cost Allocation Plan prepared for this project.
- Reviewed the Central Mesa Light Rail Extension project financial activity from fiscal year 2010/2011 through December 2014.

BACKGROUND

The Light Rail Transit program (LRT) is a regional project that extends through and serves the cities of Phoenix, Tempe, Mesa, and Glendale. The cities formed a non-profit corporation, Valley Metro Rail, Inc. (METRO), and entered into a Joint Powers Agreement for the purpose of planning, designing, constructing, and operating the LRT.

METRO receives funding for the entire LRT project from the Federal Transit Administration and other federal, state, and regional sources. The City of Phoenix, as majority member of METRO, is the designated recipient for the Federal funding. METRO reimburses each city for property acquisition and other costs incurred for the project. The City of Mesa is obligated to account for all allowable costs associated with this 3.1 mile LRT segment and submit properly documented reimbursement requests to METRO.

Fiscal Impact

The original approved budget for reimbursable costs to be expended by the City of Mesa for this segment was approximately \$16 million. Through December 2014, the City had incurred costs of approximately \$15.8 million and had submitted requests to METRO for

reimbursement of approximately \$15.3 million. Work on this segment is expected to continue through fall of 2015.

CONCLUSION

In our opinion, the procedures and controls currently in place are not adequate to ensure that the City is recovering all reimbursable light rail project costs. We identified opportunities to improve procedures, oversight, and compliance with agreements. A summarized list of our findings and recommendations is included below. For additional details and responses from management, please see the attached Corrective Action Plans (CAPs).

FINDINGS & RECOMMENDATIONS

1. No written procedures exist for calculating reimbursable costs and processing the related reimbursement requests; and there were insufficient controls in place to ensure all costs were included and/or accurately calculated. Consequently, reimbursement requests have been incomplete and calculated inconsistently. We recommend that staff develop written procedures for how to correctly calculate and obtain reimbursement for eligible project costs.
2. Through fiscal year 2013/2014, the City had incurred approximately \$1.1 million of eligible costs that were not submitted for reimbursement. When we notified Engineering staff, they immediately requested and received reimbursement for approximately \$630,000 of this amount. The remaining \$470,000 consists of approximately \$310,000 in acquisition costs deposited with the Court and roughly \$160,000 in personal services and related overhead costs. We recommend that City staff reconcile previous reimbursement requests to system reports and recalculated payroll and indirect cost amounts for the project. Any previously omitted costs should then be submitted for reimbursement.
3. Through fiscal year 2013/2014, the City had expended more than the budgeted-to-date amount; and, as of this writing, the City is on track to exceed the total original project budget by approximately \$300,000. The Design and Construction Agreement with METRO contains a budget change process, but the City has not requested a budget increase in accordance with that process. If the required budget increases are not requested and approved in a timely manner, the City may not fully recover all project costs. We recommend that the budget change process described in the Design and Construction agreement be utilized to formally request necessary budget increases as soon as possible.
4. Reimbursable fringe benefit costs for medical and dental insurance have not been directly charged to this project since May 2013. As a result, the City has not been

reimbursed for these costs. We recommend that these medical and dental insurance costs be identified and included in all reimbursement requests for the remainder of this project. We further recommend that City staff determine whether other projects have been and/or continue to be impacted by this issue.

5. City staff did not have a copy of the federal award document which would define reimbursable costs. Without referring to the award document, staff cannot be certain of compliance, which is required by all parties (not just the designated grantee) under the Joint Powers Agreement. It is also possible that additional personnel-related costs could be eligible for reimbursement. We recommend that City staff obtain a copy of the federal award document and verify which costs are eligible for reimbursement. If necessary, reimbursable payroll and indirect overhead costs should be recalculated. As a standard practice when the City participates in federally funded projects, even when not the designated grantee, staff should obtain a copy of the award document and use it to inform the process of accounting for project costs.
6. Modifications to the Design and Construction Agreement with Valley Metro Rail, Inc. have been agreed to verbally, but have not been formalized in written amendments. We recommend that these and all other changes agreed to by the City of Mesa and METRO be documented in formal amendments to the Design and Construction Agreement and signed by both parties.

CAP#1: Inadequate Processes and Lack of Written Procedures

Observation: There were no established processes and no written procedures for calculating reimbursable costs and submitting reimbursement requests to METRO for the Central Mesa Light Rail Extension project. In addition, the processes that were being used to identify and/or calculate reimbursable project costs did not include adequate internal controls to ensure all costs were included and/or accurately calculated.

Criteria: Written procedures should be maintained for significant and/or complex business processes or functions, to ensure management's objectives are achieved in a consistent, efficient and reliable manner.

Comments: In order to accurately account for all project costs and submit all eligible amounts to METRO for reimbursement in a timely manner, staff must have definitive direction regarding:

- Where and how to obtain accurate, complete cost data, including but not limited to staff labor and benefits costs.
- Which costs are eligible for reimbursement and which costs are excluded (if any).
- Which supporting documents are required for each type of expense.
- How to correctly apply the indirect cost allocation rate.
- Internal review processes in place to ensure accuracy and completeness prior to submission.
- How and when to submit reimbursement requests.

The staff members responsible for tracking expenses and submitting for reimbursement did not have established procedures in place to ensure the accuracy and completeness of the reimbursement requests. As a result, some costs were not included in the reimbursement requests. In addition, inconsistent methods were used to calculate labor and benefits costs; and the indirect cost allocation rate was not applied correctly.

A contributing factor in these issues was the fact that Engineering was unable to obtain clear, consistent guidance from the Accounting division with regard to the proper way to

track personal services costs and apply the indirect cost rate. Another significant factor was the learning curve associated with the financial system changes the City was undergoing at the time.

Recommendation: 1-1. Staff should prepare formal written procedures for calculating reimbursable project costs and submitting reimbursement requests to METRO. The procedures should include sufficient details and internal controls to minimize the risk that errors, omissions, or inconsistencies could occur and not be detected. In the future, administrative procedures should be created for each unique project or agreement, incorporating the specific requirements applicable to that arrangement.

(Note: When designing the process or developing written procedures, any element that staff is unable to define with certainty must be escalated to the extent necessary to resolve the issue.)

**Management
Response:**

1-1. Agree

Implementation Plan:

Engineering will develop processes and procedures and to improve internal controls.

Individual or Position Responsible:

Sr. Fiscal Analyst, Engineering (Michele Davila)

Estimated Completion Date: 4/30/2015

CAP#2: Unrecovered Costs

Observation: From the inception of the Central Mesa Light Rail Extension project through fiscal year 2013/2014, the City incurred approximately \$1.1 million of recoverable costs which were not submitted for reimbursement. When we notified Engineering staff, they immediately requested and received reimbursement for approximately \$630,000 of this amount. The remaining \$470,000 consists of approximately \$310,000 in acquisition costs deposited with the Court and roughly \$160,000 in personal services and related overhead costs.

Criteria: Recital I of the Design and Construction Agreement states:
"METRO will reimburse the City for certain City costs including, but not limited to, engineering costs, real estate acquisition costs, staff time, overhead, and other fees and costs as further described in this Agreement."

Comments: To process reimbursement requests, staff relied on copies of invoices and other documentation (provided by other staff members) for amounts expended on the project, as opposed to running system financial reports to identify all expenditures charged to the project; and there was no process in place to reconcile the reimbursement requests to financial system data.

In addition, there was no process in place to verify that the methods and amounts used to calculate allowable payroll costs and indirect overhead costs were correct.

Without additional controls to ensure errors are detected and corrected, additional costs may be incurred and not reimbursed over the remainder of the project.

Recommendation:

- 2-1. Staff should reconcile previous reimbursement requests to City financial reports and to recalculated payroll and indirect cost amounts. Reimbursement should then be requested for all previously omitted costs.
- 2-2. Controls should be implemented to ensure errors and omissions are detected and corrected prior to submitting additional reimbursement requests.

**Management
Response:**

2-1. Agree

Implementation Plan:

Engineering fiscal staff will pursue reimbursement for the remaining portion (approximately \$160,000) from Valley METRO.

Individual or Position Responsible:

Sr. Fiscal Analyst, Engineering (Michele Davila)
Administrative Coordinator, Engineering (Connie Lint)

Estimated Completion Date: 4/30/2015

2-2. Agree

Implementation Plan:

Engineering staff has identified the issues associated with reimbursement cost recovery. Going forward, staff will develop a process to ensure that errors and omissions are detected and corrected prior to submitting additional reimbursement requests.

Individual or Position Responsible:

Sr. Fiscal Analyst, Engineering (Michele Davila)
Administrative Coordinator, Engineering (Connie Lint)

Estimated Completion Date: 4/30/2015

CAP#3: Budget Increases not Requested

Observation: Through fiscal year 2013/2014, the City had expended more than the original budgeted-to-date amount; and, as of this writing, the City is on track to exceed the total original budget by approximately \$300,000. Although a budget change process is included in the Agreement, the City has not requested an increase in accordance with that process.

Criteria: Section 10.4.3 of the Design and Construction Agreement outlines the budget change process, which requires "a forecast of planned expenditures through the end of the Project, based on the current schedule, for review and approval, as appropriate, by the City Manager and METRO's Executive Director."

Comments: As the project has progressed, City and METRO staff have been aware that costs were running over the original budget. According to City staff, METRO has increased the overall LRT budget, but has provided only verbal assurances that all City project costs will be reimbursed.

If budget increases are not requested in a timely manner and documented in an amendment to the Agreement, the City may not fully recover all project costs.

Recommendation: 3-1. The City should follow the budget change process described in the Design and Construction Agreement and formally request budget increases as soon as possible.

Management Response:

3-1. [Agree](#)

Implementation Plan:

[Develop an internal process to monitor and manage the project budget on a monthly basis in order to identify budget shortfalls and/or discrepancies.](#)

Individual or Position Responsible:

[Project Manager, Engineering \(Trevor Collon\)](#)
[Deputy Engineer, Marc Ahlstrom](#)

Estimated Completion Date: [4/15/2015](#)

CAP#4: Uncaptured and Unrecovered Fringe Benefit Costs

Observation: Reimbursable medical and dental insurance costs have not been directly charged to this project since May 2013.

Criteria: Attachment B of OMB Circular A-87 "Cost Principles for State, Local, and Indian Tribal Governments" addresses selected items of cost which may be allowable under Federal awards. Regarding compensation for personal services, the Circular states that compensation includes but is "not necessarily limited to wages, salaries, and fringe benefits." It goes on to define fringe benefits as including "but not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans."

Comments: In the City's previous financial system, all costs (i.e. salary and benefits) associated with hours worked on a project were charged to a Work Order, which facilitated the process of reporting for grant purposes. However, with the City's new Payroll system, certain fringe benefit costs are no longer directly charged to projects. Instead, these costs are charged to a default "Admin" code and may later be allocated to projects as an indirect charge. As a result of this change, reimbursable medical and dental insurance costs have not been charged directly to the project since May 2013 and therefore have not been submitted for reimbursement.

Recommendations: 4-1. Staff should determine whether medical and dental premium costs associated with this project can be identified and documented adequately to request reimbursement from METRO for the remainder of the project.

4-2. Staff responsible for tracking costs on other City projects for reimbursement purposes should be informed of this issue; and these costs, if eligible, should be identified and recovered whenever possible/practicable.

**Management
Response:**

14-1. Agree

Implementation Plan:

The Engineering Department agrees that the medical and dental costs associated with the project need to be identified

and documented adequately in order to request reimbursement from Valley METRO. However, this is a system issue that has City-wide implications. As a result, Engineering met with Financial Services to request help in resolving the issue. Financial Services will work on a solution.

Individual or Position Responsible:

Financial Services Director, Irma Ashworth

Estimated Completion Date: 6/30/2015

CAP#5: Federal Award Document not on File

Observation: City staff did not have a copy of the federal award document which would specify the components of pay that are eligible for reimbursement, as well as define all reimbursable costs.

Criteria: Paragraph 4. "Federal Funding" of the Joint Powers Agreement states:

"The Parties intend that the Corporation apply for and receive Federal funding to pay for a portion of the cost of the LRT. The Corporation is authorized to apply for and receive Federal funding. In conjunction with applying for and receiving Federal funding, the Corporation is authorized to bind the Parties to comply with applicable Federal funding requirements. Each Party agrees to execute such documents and perform such acts as are necessary to comply with applicable Federal funding requirements."

The City cannot be certain of compliance with all applicable funding requirements for this project without having a copy of the document which details the specific requirements.

Comments: Since the City of Phoenix is the designated recipient of the federal funding for this project, this award is not a direct "grant" to the City. As such, staff in Accounting and Grants Management are not tracking this project, and City staff did not consider it necessary to obtain and review a copy of the federal award document.

Additionally, staff interpreted METRO's acceptance and payment of their reimbursement requests as confirmation that the requests were accurate, complete, and compliant with all requirements; no further analysis of specifically defined allowable costs was done.

Recommendations: 5-1. The Engineering department should obtain a copy of the federal award document and verify which costs are eligible for reimbursement. If necessary, reimbursable payroll and indirect overhead costs should be recalculated.

5-2. In the future, when receiving federal grant funding, whether directly or indirectly, staff should obtain and review a copy of the award document, and should use it to inform the process of accounting for project costs.

**Management
Response:**

**5-1. Agree
Implementation Plan:**

The Project Management team will ensure that a copy of the agreements will be made available and accessible in the project file. The Project Management team will review the agreements and ensure that the City is adhering to the criteria identified in the agreements.

Individual or Position Responsible:

Engineering Project Manager (Trevor Collon)
Engineering Deputy Engineer (Marc Ahlstrom)

Estimated Completion Date: 4/15/2015

**5-2. Agree
Implementation Plan:**

Going forward, the Project Management team will ensure that a copy of the agreements will be made available and accessible in the project file. The Project Management team will modify the agreement process to include Engineering fiscal staff.

Individual or Position Responsible:

Engineering Project Manager (Trevor Collon)
Engineering Deputy Engineer (Marc Ahlstrom)
Engineering Sr. Fiscal Analyst (Michele Davila)
Engineering CIP Analyst (Craig Alteri)

Estimated Completion Date: 4/15/2015

CAP#6: Oral Amendments to the Design and Construction Agreement

Observation: Modifications to the Design and Construction Agreement with Valley Metro Rail, Inc. have been agreed to verbally, but have not been formalized in written amendments.

Criteria: When terms of a contract or agreement are modified, an amendment should be written and signed by all parties showing knowledge and acceptance of the changes.

Comments: The Design and Construction Agreement for the Central Mesa Light Rail Extension project was executed almost 4 years ago. As with any complex, long term project, circumstances can change over time making it necessary to modify the original terms.

According to City staff, while representatives from both parties were diligent in estimating budgets and drafting project documents, they anticipated that changes would most likely be necessary as the project advanced. According to City staff, however, both parties have verbally agreed to necessary changes, but have not formally amended the Agreement.

Recommendation: 6-1. All changes agreed to verbally by the City of Mesa and Valley Metro Rail, Inc. should be documented as amendments to the Design and Construction Agreement and signed by both parties.

Management Response:

6-1. Agree

Implementation Plan:

The Engineering Deputy Engineer will review the Design and Construction agreement and document the items that were verbally agreed to deviate from the agreement. These items will be presented to METRO for their review and concurrence.

Future material changes to this and other agreements with METRO will be properly documented by amendment when necessary.

Individual or Position Responsible:

Engineering Deputy Engineer (Marc Ahlstrom)

Estimated Completion Date: 4/30/2015



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

Date: March 26, 2015

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Annual Credit Card Security Review

cc: Mayor and Council
Michael Kennington, CFO
Alex Deshuk, Manager of Technology and Innovation
Natalie Lewis, Assistant to the City Manager
Ed Quedens, Business Services Department Director
Cindy Ornstein, Arts & Culture Department Director

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed our annual credit card security review, which includes a follow-up review of the prior year's findings. The report is attached will be presented at the next scheduled meeting of the Audit, Finance & Enterprise Committee.

Please feel free to contact me with any questions or concerns.

AUDIT REPORT

CITY AUDITOR

Report Date:	March 26, 2015
Department:	Citywide
Subject:	Annual Credit Card Security Review
Lead Auditor:	Dawn von Epp

OBJECTIVES

Our annual credit card security review is an assessment of the City's operational efforts to protect customers' credit card information, as required by the Payment Card Industry's Data Security Standard (PCI DSS). Specifically, our objectives were to determine whether:

- City departments maintain and enforce policies and procedures that meet PCI DSS requirements.
- Individuals who handle credit card information are adequately screened and trained.
- Management has effectively implemented all corrective action plans developed in response to prior PCI DSS reviews.

SCOPE & METHODOLOGY

This review was focused on assessing compliance with the operational (non-IT) requirements of PCI DSS, which apply to credit card handling activities at the City's 31 credit card acceptance sites. Specific criteria and guidance for assessing compliance were provided by the PCI Security Standards Council's *Payment Card Industry (PCI) Data Security Standard Requirements and Security Assessment Procedures v3.0*, November 2013. To accomplish our objectives, we interviewed staff members; observed operations and processes; and reviewed policies, procedures, document inventories, and training records.

BACKGROUND

As a merchant that accepts credit cards, the City is required to comply with PCI DSS. Failure to do so could place our customers at risk for identity theft and could result in credit card companies levying fines or prohibiting the City from accepting credit card payments. To help ensure compliance citywide, the Accounting Services Division is responsible for maintaining Management Policy 212 – Credit Card Handling (MP 212) and training individuals on PCI DSS requirements and credit card handling procedures. They also manage the City's merchant accounts. The Information Technology Department (ITD) is responsible for ensuring the City's compliance with the IT-related requirements of the PCI DSS.

In November 2013, the PCI DSS was updated to Version 3.0, which provided clarification and guidance, as well as some changes and additional requirements designed to align the Standards with new technologies and emerging threats. Under Version 3.0, several new requirements are referred to as "best practice until June 30, 2015, after which it becomes a requirement". New requirements related to operations (non-IT) were incorporated into this year's review, to assess the City's readiness to maintain compliance beyond July 1, 2015.

Our 2014 report included specific recommendations for three departments, along with a general recommendation for the City Manager's office to clearly communicate to all departments the need for, and expectation of, ongoing PCI DSS compliance in the future.

CONCLUSION

Follow-up Review:

In our opinion, all of the outstanding corrective actions plans from our prior reviews have been implemented. For additional details, please see the attached APPENDIX.

Current Review:

Overall, we found that City credit card handling operations are in compliance with PCI DSS. However, over the past year, compliance with annual credit card training requirements has dropped significantly. Only 20% of personnel who handle credit cards completed the required training in 2014, down from approximately 91% in 2013. In addition, citywide and departmental policies, procedures, and credit card handling training materials need to be updated to comply with PCI DSS v3.0 requirements related to Point of Sale (POS) terminals and card swipe/dip devices. A summary of our findings and recommendations is included below. For additional details, along with responses from management, please see the attached Corrective Action Plans (CAPs).

SUMMARY of FINDINGS & RECOMMENDATIONS

1. Many employees who handle credit cards have not attended the required annual training. We are recommending that the Accounting Services Division utilize the Learning Center system to track compliance with training requirements and ensure employees and supervisors are notified when they are due for annual training.
2. Citywide and departmental procedures and training materials do not meet PCI DSS v3.0 requirements related to POS terminals, card swipe/dip devices, and access to Primary Account Numbers (PANs). We are recommending that the Accounting

Services Division revise the citywide procedures and training documents and ensure that impacted departments revise their procedures to include the new requirements.

3. One department has a service agreement that involves vendor access to cardholder data but the agreement does not require the vendor to be PCI compliant. We are recommending that this agreement not be renewed unless it is amended to include the requirements, and that the department should partner with Purchasing to ensure that PCI DSS requirements are incorporated into all agreements. In addition, to fully comply with PCI DSS v3.0, staff should implement a process to monitor the service provider's PCI DSS compliance status and should document which requirements are managed by the service provider.

CAP #1: Non-compliance with credit card training requirements.

Observation: Many employees who handle credit cards have not attended the required annual training.

Comments: PCI DSS requires that applicable personnel be educated upon hire and at least annually regarding the importance of cardholder data security. These employees are also required to acknowledge at least annually that they have read and understand the associated policies and procedures.

From 2013 to 2014, the percentage of credit card handlers that completed required annual training decreased from 91% to 20%.

The drop in compliance appears to be largely due to a change in training delivery systems that resulted in stopping the automated notifications to employees that the annual training was due. Staff also cited as a contributing factor a lack of awareness of when training was being offered.

Recommendation: 1-1. Accounting Services should track compliance with credit card training requirements and ensure employees and supervisors are notified when they are due for annual training. We recommend that the Learning Center system be used to accomplish this. In addition, a communication plan should be implemented to help ensure information on available training reaches those who need it.

Management Response:

1-1. Agree.

Implementation Plan:

Learning Center does not have the capability to track or notify individual employees of upcoming training requirements or training completion dates. Accounting Services had been in contact with ITD and working with ITD prior to this audit to modify the Learning Center to facilitate this, however this is still a work in progress and ITD is actively working this project. We would anticipate this project being completed by end of fiscal year 2015. In the interim, Accounting Services will track CC Handling training requirement due dates manually and manually notify employees of upcoming CC Handling Training due dates.

Employees were notified of available CC Handling Training via "Featured" postings on the Learning Center which gave notice of live CC Handling classes and were often notified directly via email or phone call. Notification generally made approximately 2-3 weeks prior to a training session. Going forward, in addition to continued use of a "Featured" posting on Learning Center, Accounting Services will send email notifications/reminders to all department Fiscal Analyst so that they can notify their members of upcoming training and / or due dates for recurring training requirements.

To further assist with tracking and formalize the designation of citywide Credit Card Handlers, as a process does not currently exist, Accounting Service is implementing a Credit Card Handler registration process whereby departments will be required to complete a Credit Card Handler registration form listing designated Credit Card handlers. This Form will also incorporate an acknowledgement of card handler training requirements and understanding of City Policy and Procedure. Form will require card handler manager's signature.

Individual or Position Responsible:
Joseph Scalmato

Estimated Completion Date: 6/30/2015

CAP #2: Procedures and training materials require updates.

Observation: Procedures and training materials do not meet PCI DSS v3.0 requirements.

Comments: PCI DSS v3.0 includes new requirements related to procedures and training content for locations that utilize Point of Sale (POS) terminals and/or card swipe/dip devices to gather cardholder data during sales transactions. Some requirements became effective 1/1/15 while others do not go into effect until 7/1/15.

Recommendation: 2-1. Accounting Services should revise the "CC101 Minimum Required Credit Card Handling Procedures" and related training materials to include the new PCI DSS requirements related to tampering and substitution inspections on POS terminal and card swipe/dip devices. The new requirements should be disseminated to all personnel with a need to know.

2-2. Accounting Services should ensure that departmental credit card handling procedures are updated as follows:

- Arts & Culture, Library Services, Materials & Supply, Municipal Court, Police and PRCF should incorporate into their procedures the new POS terminal and card swipe/dip device requirements.
- Municipal Court and Tax Audit & Collections should include in their procedures a list of roles that need access to displays of full Primary Account Numbers (PANs) along with the business need for such access. The PAN masking requirements should also be included.

Management Response:

2-1. Agree.

Implementation Plan:

"CC101 Minimum Required Credit Card Handling Procedures" have been updated to include the new PCI DDS requirements. These will be distributed at upcoming live training sessions, emailed to current credit card handlers, and a notification posted on Inside Mesa regarding revised Credit Card Handling Procedures.

Individual or Position Responsible:

Joseph Scalmato

Estimated Completion Date: 6/30/2015

2-2. Agree.

Implementation Plan:

Accounting Services will provide all departments with updated Minimum Required Credit Card Handling Procedures, which include the PCI DSS v3.0 revisions, and request that all departments update their procedures accordingly and then submit their revised procedures to Accounting Services for review and approval. The referenced departments above will be included in the process.

Individual or Position Responsible:

Joseph Scalmato

Estimated Completion Date: 6/30/2015

CAP #3: Service provider contract should require PCI compliance.

Observation: A service provider contract allows the vendor to have access to customers' cardholder data, but does not require the vendor to be PCI compliant.

Comments: The City has an agreement with a service provider that does not require that the service provider be responsible for cardholder data security and does not require that they provide evidence of PCI compliance annually. In addition, the vendor is not listed as PCI compliant on the Visa Global Registry of Service Providers, and the vendor's web site does not indicate that they hold any comparable certifications that would mitigate the risk of using a service provider not listed as PCI compliant.

The original 1-year agreement was established in 2006, prior to the City being required to comply with PCI DSS, and has been automatically renewed every year without being amended.

An agreement with a service provider with access to customers' cardholder data should require that the service provider be responsible for cardholder data security and that they provide evidence of PCI compliance annually. In addition, the City is required to document which PCI DSS requirements are managed by the vendor and to have a process in place to monitor the vendor's compliance status. Without these protections, the City is exposed to a higher risk of loss if the vendor does not secure cardholder data.

Recommendation:

- 3-1. The department should partner with Purchasing to ensure that this agreement is not renewed unless it is amended to incorporate the PCI DSS requirements.
- 3-2. City staff should document which PCI DSS requirements are managed by the vendor and should implement a process to monitor the vendor's PCI DSS compliance status.

Management Response: **3-1. Agree.**
Implementation Plan:
The vendor has provided the COM with documentation that

shows proof of PCI compliance. When we renew or seek proposals in the future all contractual language will include the requirement for PCI compliance.

Estimated Completion Date: 5/1/2015

3-2. Agree.

Implementation Plan:

The City's contract administrator is developing a process to ensure that applicable vendors certify that they are PCI DSS compliant.






Individual or Position Responsible:





Tom LaVell, Contracts Administrator

Estimated Completion Date: 6/30/2015

APPENDIX

Follow-up Review of 2014 CAPs

 = Implemented  = In Progress  = Not Implemented		
<u>Corrective Action</u>		<u>Implementation Status</u>
i.d.e.a. Museum (formerly AMY)		
<p>Recommendation: AMY should ensure that current fiscal year credit card receipts are secured at all times and that credit card records that exceed the retention schedule are destroyed. In addition, the Friends of AMY credit card terminal should be configured to require a password to process refunds. All credit card terminal passwords should be actively managed to ensure that passwords are known only by employees who need them to perform their job duties, and that passwords are changed periodically, including when there is staff turnover or when the passwords are thought to have been compromised.</p> <p>Management Response: <i>"AMY has secured current year credit card receipts in a locked filing cabinet, and has destroyed all other credit card records. The Friends of AMY credit card terminal is now password protected when a refund is required."</i></p>	<p>Implemented</p> <p>The i.d.e.a. Museum has appropriately secured current receipts and receipts that were past their retention schedule have been destroyed. All POS terminals are now password protected for processing refunds.</p>	
Financial Services, Accounting Services Division		
<p>Recommendation: Accounting Services Division should destroy the numerous credit card documents stored by the City's off-site provider that are now well beyond the retention date. At the time of this review, there were at least 196 cartons known to contain credit card data that were past due for destruction (i.e.</p>	<p>Implemented</p> <p>The 196 cartons containing credit card data that were past the retention schedule were destroyed; and a Document Retention Destruction Procedure was</p>	

 = Implemented  = In Progress  = Not Implemented		
<u>Corrective Action</u>	<u>Implementation Status</u>	
<p>more than 7 years old). This has been a finding in all 5 of our PCI DSS reviews; therefore, management should also develop an improved internal control mechanism to ensure compliance with credit card document retention policies in the future.</p> <p>Management Response: <i>"The cartons containing credit card documents have been destroyed. We are currently writing procedures to ensure ongoing compliance with document retention standards."</i></p>	<p>developed to ensure future compliance.</p>	
Library Services, Mesa Express Library		
<p>Recommendation: The Mesa Express Library (MEL) should ensure ongoing compliance with departmental credit card handling procedures, which require that:</p> <ol style="list-style-type: none"> 1. Credit card terminal passwords are changed annually or when there is turnover of staff. 2. Transaction receipts and all other cardholder data, including balancing and audit reports, are secured at all times. <p>Management Response: <i>"The password for MEL's credit card terminal has been reset and will be reset again at least annually. Staff has been trained on all policies and procedures to ensure future compliance. Additionally, Management Policy 210 and 212 as well as Library procedures for cash and credit card handing will be reviewed with all library supervisors annually. Receipts are now stored in a secure location."</i></p>	<p>Implemented The Mesa Express Library reset the password on the credit card terminal. In approximately July 2014 the terminal was replaced with a terminal that performs both chip and swipe functionality, and which utilizes a password formula which changes daily. Receipts have been appropriately secured.</p>	

City of Mesa

FY 15/16 Fees & Charges Summary

April 2, 2015

Presented by the Office of Management and Budget



FY 2015-16 Fees & Charges

- Development & Sustainability
- Engineering
- Mesa Fire and Medical
- Solid Waste Management
- Transportation

Development & Sustainability

Planning

- No Financial Impact
- Revise language to provide better clarification
- Delete the fee for the General Plan Land Use Map since the information is now available on the City's website

Development & Sustainability

Development Services

- Financial Impact \$70,000
- Increase Manufactured Homes, Park Models and Recreational Vehicles fees to align with the cost of providing plan review and inspection services
- Revise language to provide better clarification.
- Update the hourly rate and minimum number of hours for various residential and commercial services to align with cost of providing the service

Development & Sustainability

Development Services (continued)

- Increases in various Other Miscellaneous Fees
- Clerical update to the Mesa Development Impact Fees to indicate that the Library Impact Fees are no longer being collected

Engineering

- Financial Impact \$25,000
- Create new annual Wireless Communication Facilities Fee based on the cubic feet of equipment placed in the City's right-of-way and public utility easements

Mesa Fire and Medical

- Financial Impact \$14,254
- Increase the Fire Inspection Fees to bring the program closer to cost recovery

Solid Waste Management

- Financial Impact \$30,000
- Increase the Solid Waste Residential Development Fee for new single-residence (attached and detached) dwelling units to cover the cost of purchasing and delivering trash and recycle containers

Transportation

- No Financial Impact
- Add the amount for Pole types L & S that were inadvertently left off the fee schedule for deposits charged to contractors that borrow City-owned traffic signal equipment
- Remove the “informational only” amounts that are listed for contractor installed speed humps



City of Mesa

FY 15/16

Utility Rate Recommendations

Audit, Finance and Enterprise Committee

April 2, 2015

Presented by the Office of Management and Budget



Enterprise Operations

Each utility is operated as a separate business center

Combined Ending Reserve Balance adheres to the adopted financial policy of at least 8-10% over the forecast period

Reserve balance can be used to smooth rate adjustments year-to-year

Reserve balance can be used to phase in new programs or changes in operations

Revenue Targets

Forecasted expenses are compared with forecasted revenues based on current rates and projected customer growth

In FY 15/16, the following increase in revenues is needed to accommodate the estimated costs

Utility	Revenue	Increase
Electric	\$ 197,000	1.2%
Natural Gas	\$ 770,000	2.9%
Water	\$ 6,201,000	5.2%
Wastewater	\$ 3,673,000	5.2%
Solid Waste	\$ 2,099,000	4.2%
Total	\$ 12,940,000	

Rate Adjustment Implementation

Methods of implementation of rate adjustments can vary from year to year based on needs and goals of the individual utilities

Impact on individual customers can vary based on the method of implementation and the customer consumption of services

Solid Waste Utility Rate Recommendations

CNG conversion continues to move forward over the next six years to reduce future fuel cost

- Cost of capital investment creates pressure in early years with relief anticipated to begin in FY 18/19
- Two new contracts that will provide funds for recycling education and outreach program
- The tools and technology to further assist in maintaining a top-rated, competitive, customer service driven business operation are being continually reviewed and upgraded

Solid Waste Utility Rate Recommendations

5% increase on all residential rates

- Residential 90 gallon barrel rate: \$1.27 per month, from \$25.45 to \$26.72
- Residential 60 gallon barrel rate: \$1.14 per month, from \$22.72 to \$23.86
- Mesa Green and Clean Fee: \$0.09 per month, from \$0.65 to \$0.74
- Average residential customer increase: \$1.36 from \$26.10 to \$27.46
- 1.2% increase on Commercial Front Load rates
- Commercial Roll Off rates: no recommendation for adjustment at this time.

Electric Utility Rate Recommendations

Residential Service Charge component: \$1.41 per month, from \$6.50 to \$7.91

- Consumption component of rate: No adjustment recommended
- Average residential customer: \$1.41 per month, from \$89.78 to \$91.19, 1.6% (Including commodity pass-through cost)
- Second proposed increase since FY 03/04
- Non-residential rates: No adjustment recommended
- Developing concepts for Low Income Electric residential

Electric Utility Rate Recommendations

Proposed service charge of \$7.91 is:

- \$10.59 per month less than SRP's Summer Monthly Service Charge of \$18.50
- \$12.09 per month less than SRP's Winter Monthly Service Charge of \$20.00
- Monthly bills during calendar year 2014 were approximately \$8.97 less per month than if served by SRP (\$107.64 less per year)
- Commodity costs for power are passed through to the customers and are not included in the annual rate review

Natural Gas Utility Rate Recommendations

All customers Service Charge: increase \$1.29 per month

- Residential customers summer: from \$10.82 to \$12.11 per month
- Residential customers winter: from \$13.75 to \$15.04 per month
- Average residential customer monthly bill: from \$33.55 to \$34.84, 3.8% (Including commodity pass-through)
- Commodity costs for natural gas are passed through to the customers and are not included in the annual rate review

Water Utility Rate Structure

City previously focused on better aligning fixed revenues with fixed costs. Target is fixed revenues at 35-40% of total costs. FY 15/16 estimated at 36.3%

- Water consumption per account has declined in recent years: more widespread use of water saving appliances, smaller number of people per household, less landscaping and more water conservation awareness
- Residential water tiers are based on demands on the system. The current tier levels do not align with standard usage patterns
 - Analysis revealed four or five standard levels of residential water usage

Avg. Residential Monthly Usage – Current Tiers

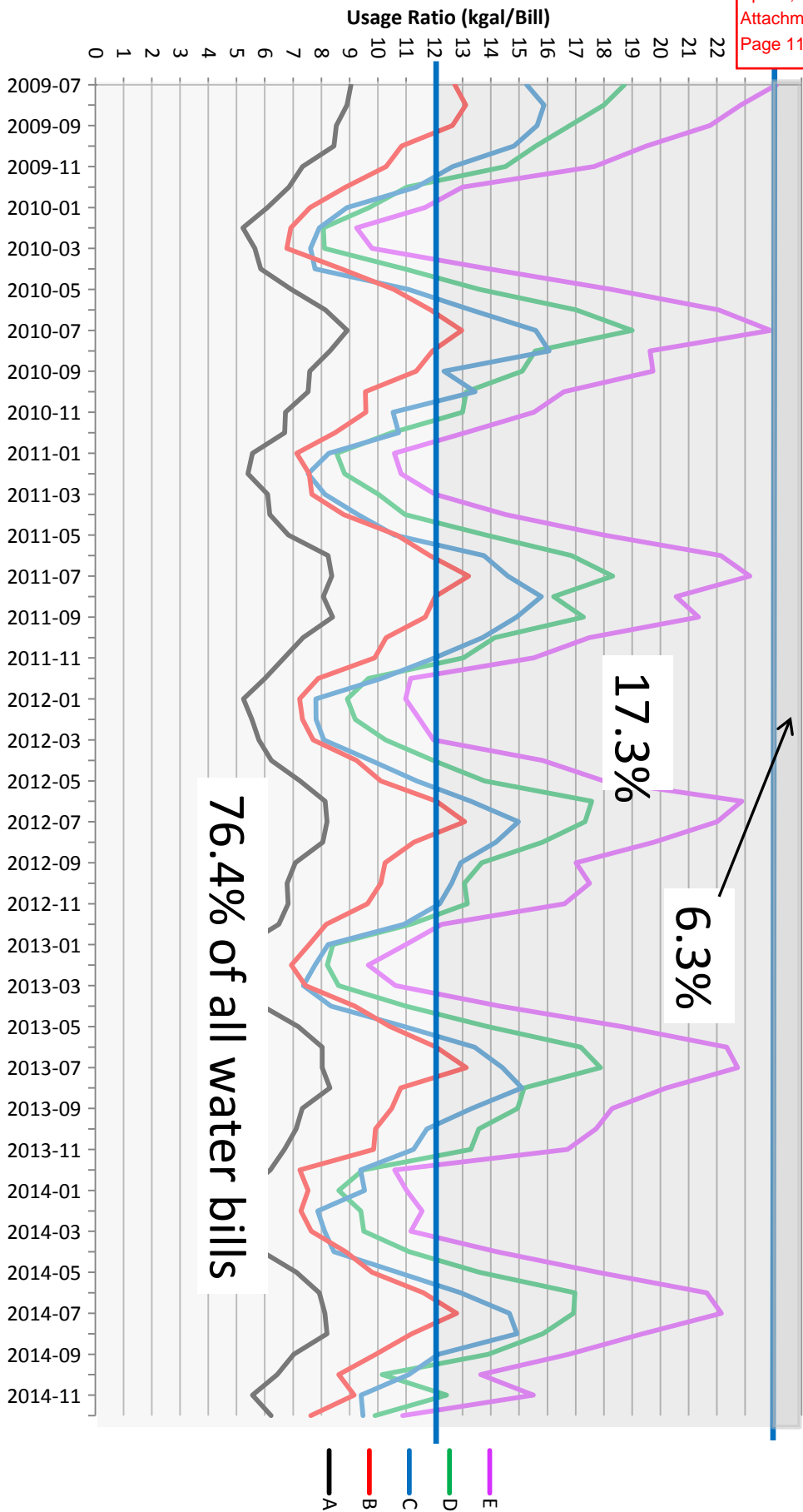
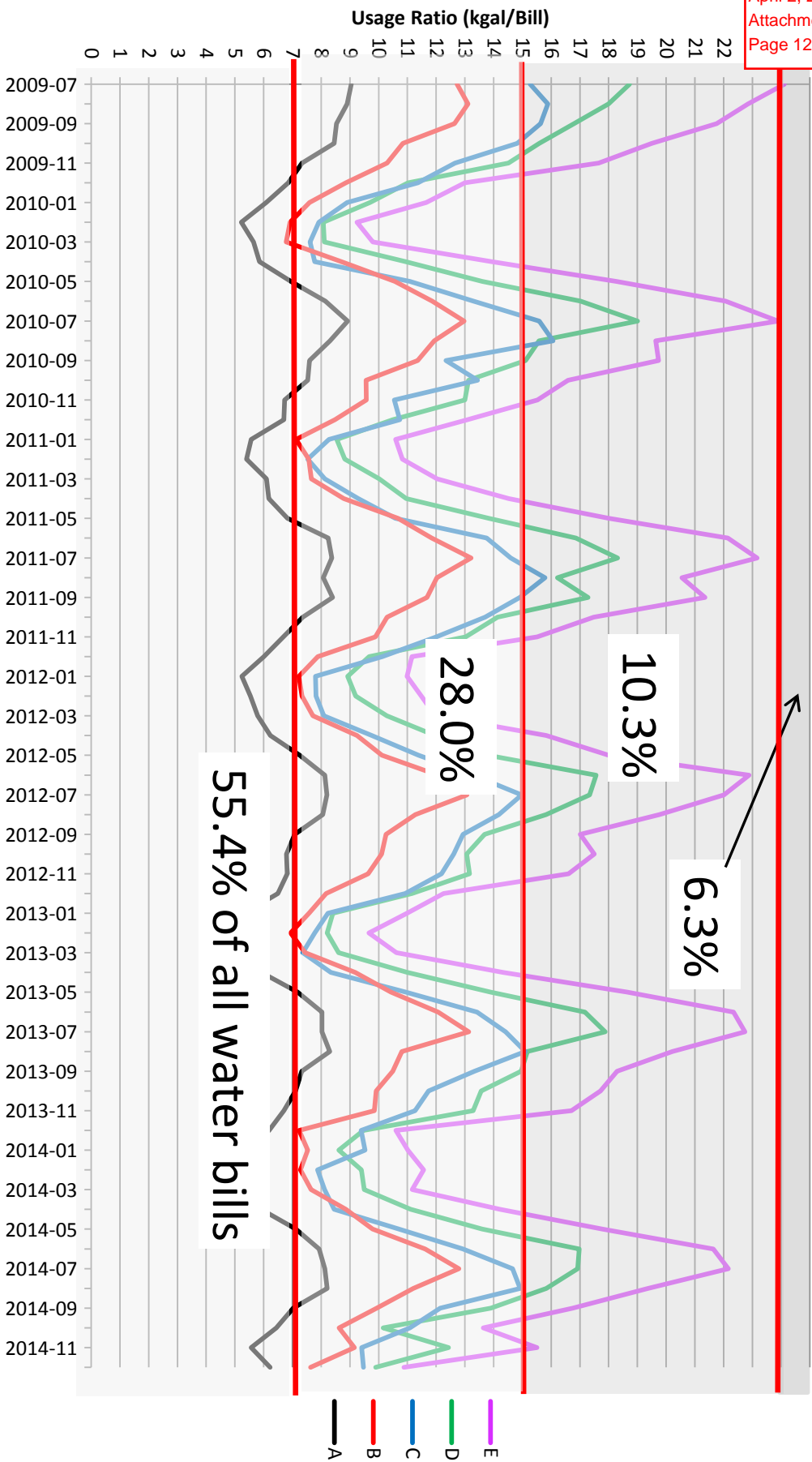


Fig. Residential Monthly Usage – Proposed Tiers



Water Utility Rate Structure Recommendation

Current Residential Tier Structure:

First 3,000 gallons included in service charge
4,000 – 12,000 gallons
13,000 – 24,000 gallons
25,000 gallons and greater

Recommended Residential Tier Structure at full implementation:

First 3,000 gallons included in service charge
4,000 – 7,000 gallons
8,000 – 15,000 gallons
16,000 – 23,000 gallons
24,000 gallons and greater

Transition to new tier structure over five years to decrease annual impact to customers and to allow time for customers to assess water usage and apply conservation techniques if possible

5 Year Implementation – Monthly Bill Amounts

MONTHLY BILL AMOUNTS							
YR0	YR1	YR2	YR3	YR4	YR5	YR6	
30 kgal	\$125.72	\$136.01	\$147.31	\$159.74	\$173.35	\$187.24	\$196.62
29 kgal	\$121.12	\$130.96	\$141.77	\$153.67	\$166.71	\$179.98	\$189.00
28 kgal	\$116.52	\$125.91	\$136.23	\$147.60	\$160.07	\$172.72	\$181.38
27 kgal	\$111.92	\$120.86	\$130.69	\$141.53	\$153.43	\$165.46	\$173.76
26 kgal	\$107.32	\$115.81	\$125.15	\$135.46	\$146.79	\$158.20	\$166.14
25 kgal	\$102.72	\$110.76	\$119.61	\$129.39	\$140.15	\$150.94	\$158.52
24 kgal	\$98.12	\$105.71	\$114.07	\$123.32	\$133.51	\$143.68	\$150.90
23 kgal	\$94.01	\$100.81	\$108.84	\$117.75	\$127.58	\$137.37	\$144.27
22 kgal	\$89.90	\$95.91	\$103.61	\$112.18	\$121.65	\$131.06	\$137.64
21 kgal	\$85.79	\$91.59	\$98.38	\$106.61	\$115.72	\$124.75	\$131.01
20 kgal	\$81.68	\$87.27	\$93.15	\$101.04	\$109.79	\$118.44	\$124.38
19 kgal	\$77.57	\$82.95	\$88.61	\$95.47	\$103.86	\$112.13	\$117.75
18 kgal	\$73.46	\$78.63	\$84.07	\$89.90	\$97.93	\$105.82	\$111.12
17 kgal	\$69.35	\$74.31	\$79.53	\$85.13	\$92.00	\$99.51	\$104.49
16 kgal	\$65.24	\$69.99	\$74.99	\$80.36	\$86.07	\$93.20	\$97.86
15 kgal	\$61.13	\$65.67	\$70.45	\$75.59	\$81.06	\$86.89	\$91.23
14 kgal	\$57.02	\$61.35	\$65.91	\$70.82	\$76.05	\$81.63	\$85.71
13 kgal	\$52.91	\$57.03	\$61.37	\$66.05	\$71.04	\$76.37	\$80.19
12 kgal	\$48.80	\$52.71	\$56.83	\$61.28	\$66.03	\$71.11	\$74.67
11 kgal	\$46.06	\$48.39	\$52.29	\$56.51	\$61.02	\$65.85	\$69.15
10 kgal	\$43.32	\$45.51	\$47.75	\$51.74	\$56.01	\$60.59	\$63.63
9 kgal	\$40.58	\$42.63	\$44.73	\$46.97	\$51.00	\$55.33	\$58.11
8 kgal	\$37.84	\$39.75	\$41.71	\$43.80	\$45.99	\$50.07	\$52.59
7 kgal	\$35.10	\$36.87	\$38.69	\$40.63	\$42.66	\$44.81	\$47.07
6 kgal	\$32.36	\$33.99	\$35.67	\$37.46	\$39.33	\$41.31	\$43.39
5 kgal	\$29.62	\$31.11	\$32.65	\$34.29	\$36.00	\$37.81	\$39.71
4 kgal	\$26.88	\$28.23	\$29.63	\$31.12	\$32.67	\$34.31	\$36.03
3 kgal	\$24.14	\$25.35	\$26.61	\$27.95	\$29.34	\$30.81	\$32.35
2 kgal	\$24.14	\$25.35	\$26.61	\$27.95	\$29.34	\$30.81	\$32.35
1 kgal	\$24.14	\$25.35	\$26.61	\$27.95	\$29.34	\$30.81	\$32.35
0 kgal	\$24.14	\$25.35	\$26.61	\$27.95	\$29.34	\$30.81	\$32.35



5 Year Implementation – Monthly Bill Variance

	VAR\$ - MONTHLY BILL						VAR% - MONTHLY BILL					
	YR1	YR2	YR3	YR4	YR5	YR6	YR1	YR2	YR3	YR4	YR5	YR6
30 kgal	\$10.29	\$11.31	\$12.42	\$13.62	\$13.89	\$9.38	8.2%	8.3%	8.4%	8.5%	8.0%	5.0%
29 kgal	\$9.84	\$10.82	\$11.89	\$13.05	\$13.27	\$9.02	8.1%	8.3%	8.4%	8.5%	8.0%	5.0%
28 kgal	\$9.39	\$10.33	\$11.36	\$12.48	\$12.65	\$8.66	8.1%	8.2%	8.3%	8.5%	7.9%	5.0%
27 kgal	\$8.94	\$9.84	\$10.83	\$11.91	\$12.03	\$8.30	8.0%	8.1%	8.3%	8.4%	7.8%	5.0%
26 kgal	\$8.49	\$9.35	\$10.30	\$11.34	\$11.41	\$7.94	7.9%	8.1%	8.2%	8.4%	7.8%	5.0%
25 kgal	\$8.04	\$8.86	\$9.77	\$10.77	\$10.79	\$7.58	7.8%	8.0%	8.2%	8.3%	7.7%	5.0%
24 kgal	\$7.59	\$8.37	\$9.24	\$10.20	\$10.17	\$7.22	7.7%	7.9%	8.1%	8.3%	7.6%	5.0%
23 kgal	\$6.80	\$8.04	\$8.90	\$9.84	\$9.79	\$6.90	7.2%	8.0%	8.2%	8.4%	7.7%	5.0%
22 kgal	\$6.01	\$7.71	\$8.56	\$9.48	\$9.41	\$6.58	6.7%	8.0%	8.3%	8.4%	7.7%	5.0%
21 kgal	\$5.80	\$6.80	\$8.22	\$9.12	\$9.03	\$6.26	6.8%	7.4%	8.4%	8.6%	7.8%	5.0%
20 kgal	\$5.59	\$5.89	\$7.88	\$8.76	\$8.65	\$5.94	6.8%	6.7%	8.5%	8.7%	7.9%	5.0%
19 kgal	\$5.38	\$5.67	\$6.85	\$8.40	\$8.27	\$5.62	6.9%	6.8%	7.7%	8.8%	8.0%	5.0%
18 kgal	\$5.17	\$5.45	\$5.82	\$8.04	\$7.89	\$5.30	7.0%	6.9%	6.9%	8.8%	8.1%	5.0%
17 kgal	\$4.96	\$5.23	\$5.59	\$6.88	\$7.51	\$4.98	7.1%	7.0%	7.0%	8.1%	8.2%	5.0%
16 kgal	\$4.75	\$5.01	\$5.36	\$5.72	\$7.13	\$4.66	7.3%	7.2%	7.1%	7.1%	8.3%	5.0%
15 kgal	\$4.54	\$4.79	\$5.13	\$5.48	\$5.83	\$4.34	7.4%	7.3%	7.3%	7.2%	7.2%	5.0%
14 kgal	\$4.33	\$4.57	\$4.90	\$5.24	\$5.58	\$4.08	7.6%	7.4%	7.4%	7.4%	7.3%	5.0%
13 kgal	\$4.12	\$4.35	\$4.67	\$5.00	\$5.33	\$3.82	7.8%	7.6%	7.6%	7.6%	7.5%	5.0%
12 kgal	\$3.91	\$4.13	\$4.44	\$4.76	\$5.08	\$3.56	8.0%	7.8%	7.8%	7.8%	7.7%	5.0%
11 kgal	\$2.33	\$3.91	\$4.21	\$4.52	\$4.83	\$3.30	5.1%	8.1%	8.1%	8.0%	7.9%	5.0%
10 kgal	\$2.19	\$2.25	\$3.98	\$4.28	\$4.58	\$3.04	5.0%	4.9%	8.3%	8.3%	8.2%	5.0%
9 kgal	\$2.05	\$2.11	\$2.23	\$4.04	\$4.33	\$2.78	5.0%	4.9%	5.0%	8.6%	8.5%	5.0%
8 kgal	\$1.91	\$1.97	\$2.08	\$2.20	\$4.08	\$2.52	5.0%	4.9%	5.0%	5.0%	8.9%	5.0%
7 kgal	\$1.77	\$1.83	\$1.93	\$2.04	\$2.15	\$2.26	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
6 kgal	\$1.63	\$1.69	\$1.78	\$1.88	\$1.98	\$2.08	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
5 kgal	\$1.49	\$1.55	\$1.63	\$1.72	\$1.81	\$1.90	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
4 kgal	\$1.35	\$1.41	\$1.48	\$1.56	\$1.64	\$1.72	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
3 kgal	\$1.21	\$1.27	\$1.33	\$1.40	\$1.47	\$1.54	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
2 kgal	\$1.21	\$1.27	\$1.33	\$1.40	\$1.47	\$1.54	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
1 kgal	\$1.21	\$1.27	\$1.33	\$1.40	\$1.47	\$1.54	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
0 kgal	\$1.21	\$1.27	\$1.33	\$1.40	\$1.47	\$1.54	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Water Utility Rate Recommendations

All customers: 5% increase on all rate components

- Residential Service Charge: \$1.21 per month, from \$24.14 to \$25.35
- Residential average monthly seasonal consumption: \$1.87 per month, from \$17.81 to \$19.68
- Residential average monthly seasonal consumption total bill: \$3.08, from \$41.95 to \$45.03, 7.3%
- The City average monthly consumption is about 9,600 gallons however seasonality takes into account high demand summer months that experience some water consumption in tier 2. The resulting impact is greater than a straight 9,600 gallons per month.

Wastewater Utility Rate Recommendations

- All customers: 5% increase on all rate components
- Residential Service Charge: \$0.82 per month, from \$16.40 to \$17.22
- Residential average monthly consumption: \$0.51 per month, from \$9.86 to \$10.37
- Residential average monthly consumption total bill: \$1.33, from \$26.26 to \$27.59, 5.1%
- Wastewater rates are not subject to seasonality. The monthly rate is adjusted annually based on the winter water average usage of the individual customer

Average Residential Customer Impact

Utility	Monthly	Annual
Solid Waste	\$1.36	\$16.32
Water	\$3.08	\$36.96
Wastewater	\$1.33	\$15.96
<u>Total</u>	<u>\$5.77</u>	<u>\$69.24</u>
Electric	\$1.41	\$16.92
Natural Gas	\$1.29	\$15.48

Enterprise Fund Fiscal Impact

The FY15/16 recommended utility rate/structure adjustments are anticipated to meet the revenue increase target of \$12,940,000

Utility	Revenue
Electric	\$ 197,000
Natural Gas	\$ 770,000
Water	\$ 6,201,000
Wastewater	\$ 3,673,000
Solid Waste	\$ 2,099,000

Enterprise Fund Reserves

	Actuals FY 13/14	Estimate FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18
Beginning Reserve Balance	\$54,457,000	\$48,953,726	\$43,781,511	\$39,559,125	\$41,594,964
Total Sources	\$306,179,518	\$321,122,188	\$337,500,666	\$355,086,628	\$374,131,436
Total Uses	\$311,682,791	\$326,294,403	\$341,723,051	\$353,050,790	\$377,349,739
Ending Reserve Balance	\$48,953,726	\$43,781,511	\$39,559,125	\$41,594,964	\$38,376,661
Ending Reserve Balance Percent*	15.0%	12.8%	11.2%	11.0%	9.8%

*As a % of Next Fiscal Year's Operating, Capital and General Fund portion of Debt Service Expenditures
 (a subset of total uses)

Schedule for FY 15/16 Utility Rate Consideration

April 16 – City Council Discussion of Utility Rates

May 4 – Introduce Utility Rate Ordinances

May 18 – City Council Action on Utility Rates

July 1 – Effective date for Utility Rate changes



ELECTRIC RESIDENTIAL ENERGY BILL ASSISTANCE FY 2015/16

BACKGROUND

- ~ 13,900 total Mesa residential electric customers
 - Increased consumption in summer months causes bill spikes
- Mesa's current & proposed residential electric rates are lower than SRP's standard rate
 - 16% lower for first quartile consumption; 10% less for Average consumption
- Use SRP's Residential "Economy Rate" as guide
 - ~ \$110/yr less than Mesa's proposed FY 15/16 rate
 - 11% less for average residential consumption

CONCEPTUAL PROPOSAL A

- Comparable to bills under SRP's Economy Rate program
- Focus bill reductions in six summer months
 - Reduce Electric residential System Service Charge during six summer months to zero
 - Proposed FY 15/16 rate = \$7.91 / month
 - Implement 3 tiers
 - 1st tier of 80 kWh / month @ \$0.0000/kWh
- Electric Bill Reduction of \$ 77.88 per year; ~ 5% higher than SRP Economy

PROPOSAL A		
INCOME LEVEL	# OF CUSTOMERS	REVENUE IMPACTS
\$ 25K OR LESS	4,758	\$ 370,553
\$ 35K OR LESS	6,851	\$ 533,556

CONCEPTUAL PROPOSAL B

- Reduce Electric residential System Service Charge to zero during 3 highest summer month bills (July, Aug, Sep)
 - Proposed FY 15/16 rate = \$7.91 / month
 - Implement 3 tiers
 - 1st tier of 80 kWh / month @ \$0.0000/kWh
 - Electric Bill Reduction of \$ 38.94 per year

PROPOSAL B		
INCOME LEVEL	# OF CUSTOMERS	REVENUE IMPACTS
\$ 25K OR LESS	4,758	\$ 185,277
\$ 35K OR LESS	6,851	\$ 266,778

IMPLEMENTATION

- Pilot Program
 - Gain understanding of customers' needs
 - Identify & define the specific, narrow issue wanting to address
 - Manage participation limits & related revenue loss
 - Additional staffing requirements
- Eligibility & Qualification of applicants
 - Income verification & limits
 - Additional staffing needed
 - Target customers with minimal delinquencies & infrequent reliance on payment plans
- Round up proposed Residential "Electric System Service Charge" to \$ 8.00 / \$ 9.00 per month

City of Mesa

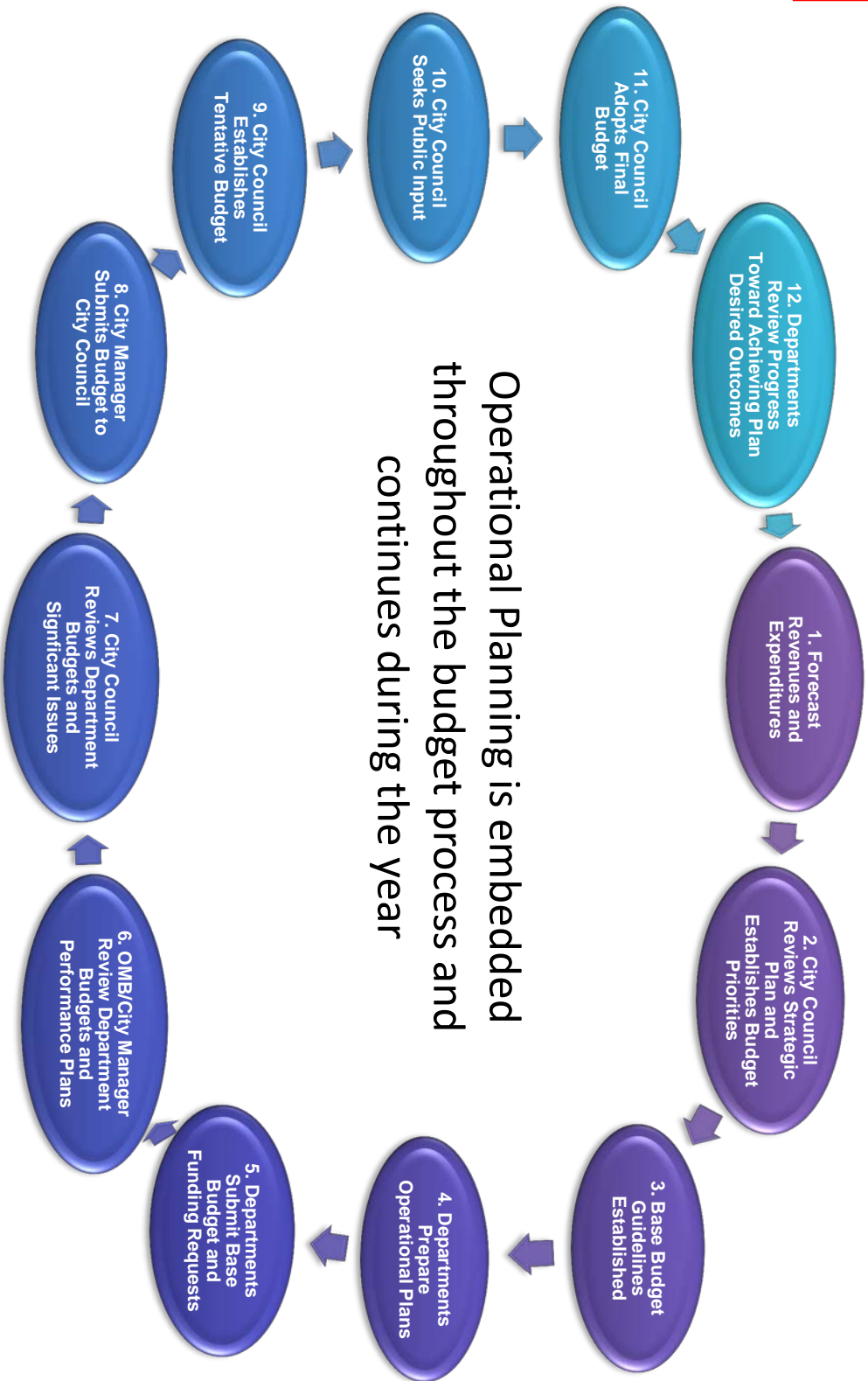
The Annual Budget Process

April 2, 2015

Presented by the Office of Management and Budget



The Budget Cycle



Financial Forecast

- Financial forecasting plays a major role in the budget cycle
- The City runs multi-year analysis of revenues and expenditures
- Historical trends, current events and analysis of future economic indicators are incorporated into the forecast
- The forecast is used as a framework for Mesa's elected officials and executive team in making important resource decisions
- Forecasting is a continuous process

Establishing Budget Priorities

- City Council holds a planning workshop each year where the City's strategic plan is reviewed as well as the latest financial forecast
- Base budgets for departments are established according to anticipated resources
- Departments prepare operational plans that include desired outcomes, necessary resources and methods of evaluating progress
- Operational plans and associated financial resources are submitted by the departments

Review/Approval of Budget

- Departments review operational/performance plans and budget requests with the Office of Management and Budget (OMB) and the City Manager's Office
- Preliminary/proposed budget information is presented to the City Council through various reports and presentations
- City Council feedback is incorporated into the plans and a balanced budget is presented to the City Council
- City Council holds a public meeting and then takes action on the annual budget and five-year CIP

Management of Resources

Budget to actual financial review

- Departments have real-time access to their financial data. Monthly summary reporting is available through multiple avenues
- Target to actual performance review
 - Departments enter performance actuals once a month. Month to month comparison data is available to review and analyze trends
- MesaStat meetings
 - City Manager meets with departments on a regular basis to review performance targets and receive financial status updates

Budget Amendments/Modifications

- All requested modifications are reviewed for funding availability, alignment with City Council strategic initiatives and the needs of the City
- The adopted budget sets the annual maximum expenditure amount that can be spent by the City
- In order to achieve the desired outcomes, department directors may realign resources within their department
- Some requests must be reviewed by OMB and approved by the City Manager's Office: budget adjustments between departments or between funds, additional positions or vehicles, increase in needed resources

Budget Requirements and Limitations

City of Mesa is bound by:

The Arizona Constitution

State of Arizona statutes

The City Charter

Generally Accepted Accounting Principles

City Financial Policies

Summary of City of Mesa Financial Policy Areas

- 1) **The Annual Budget:** the adopted budget needs to be balanced, monitored and include performance measures. The City Manager may institute changes to the operating budget during the fiscal year as budget trends dictate.
- 2) **Fund Balances and Contingency Fund Targets:** the adopted budget will maintain an unrestricted funds balance of 8-10% per fiscal year in key funds.
- 3) **Fees and Charges:** the policies to provide a consistent, stable, fair and appropriate means to fund public services.
- 4) **Debt Issuance and Management:** the policies and guidelines to appropriately issue debt according to state and federal guidelines.

Summary of City of Mesa Financial Policy Areas

- 5) **Capital Improvement Program (CIP) and Asset Replacement:** the provision for a rolling five-year projection of the city's capital projects to identify future financial requirements as part of the overall financial forecast.
- 6) **Investments and Cash Equivalents:** the policies for the investment of City resources to balance risk and return while preserving sufficient liquidity.
- 7) **Financial Reporting:** the policies to report the City's finances in a way to satisfy both management and the transparency needs of government.

Summary of City of Mesa Financial Policy Areas

- 8) **Long Range Planning and Forecasting:** the policies to accurately assess future finances to allow resource allocation adjustments as necessary.
- 9) **Risk Management:** the policies designed to protect against losses that would affect the ability to provide on-going services and reduce risk overall.
- 10) **Amending and Updating Financial Policies:** these policies are subject to regular review and will be revised as needed.

Legal Deadlines in FY 14/15 Budget Process

Action Required	City Charter Deadlines	Arizona State Statute Deadlines	Date Completed
Operational Budget Process			
City Council adopts tentative budget	None	On or before the third Monday in July	May 5, 2014
Publish summary of tentatively adopted budget and notice of public hearing which must precede final adoption.	None	Once a week for two consecutive weeks following tentative adoption and before final adoption.	May 10, 2014 May 17, 2014
City Council holds public hearing and adopts final budget	None	On or before the 14th day before a tax levy is adopted	May 19, 2014
City Council adopts secondary property tax levy.	None	On or before the 3rd Monday in August.	June 2, 2014
Capital Improvement Program Process			
Publish summary of the Five Year Capital Improvement Program and notice of public hearing which must precede final adoption	One publication at least two weeks prior to public hearing.	None	May 3, 2014
City Council holds public hearing and adopts the Five Year Capital Improvement Program	Not less than 2 weeks after the publication	None	May 19, 2014
Utility Rate Process			
City Council adopts a Notice of intention to adjust utility rates and sets a public hearing	None	At a regular Council Meeting at least 30 days prior to public hearing	April 7, 2014
Utility Rate Adjustment written report submitted to the City Clerk's office	None	30 days prior to the public hearing	April 17, 2014
Publish Notice of intention and notice of public hearing for utility rate adjustments	None	One publication at least 20 days before the public hearing	April 12, 2014
City Council introduces utility rate adjustment ordinances	Ordinance is required for all utility rate adjustments and must be introduced at a regular Council Meeting	Only water and wastewater are included in state statute and may use either an ordinance or resolution	May 5, 2014
City Council holds public hearing on utility rate adjustments	At least 6 days after the publication	Not less than 30 days after the adoption of the notice of intent	May 19, 2014
City Council adopts utility rate adjustment ordinances and resolutions	After the public hearing	After the public hearing	May 19, 2014
Utility rate adjustments become effective	30 days after adoption of ordinance or any later date specified in the ordinance	30 days after adoption of ordinance	July 1, 2014



City of Mesa

Budget Estimate Modification Process FY 2014/15 Examples

April 2, 2015

Presented by the Office of Management and Budget



Overview of Process

- Adopted budget sets the maximum that the city can spend during the fiscal year
 - FY 14/15 maximum is \$1.34 billion
- The city tracks revenues and expenses using various codes such as Department, Activity, Unit, Fund/Subfund, Object . . .
- At the time of adoption, estimated resources needed to provide services are allocated to the various codes
- Actual expenses can vary from the original estimate

Better Management Tools

- The process for budget modification has not changed but the tools available have significantly improved
- New financial system allows for better day-to-day management of allocated resources
- Estimates are able to be updated in real time, usually same day, without losing the original allocation amounts
- OMB uses the year-to-date actual expenditures and the revised budget estimates to project year-end expenditures

Authorization to Spend

- Modifications to budget estimates do not change the authority needed to expend the funds
- Changes to positions or additions of fleet vehicles must be approved by the City Manager's Office
- Purchases and contracts must follow City/State policy and be approved by the City Council
- The adopted budget sets the annual maximum expenditure amount that can be spent by the City

Budget Amendments/Modifications

- All requested modifications are reviewed for funding availability, alignment with City Council strategic initiatives and the needs of the City
- Some requests must be reviewed by OMB and approved by the City Manager's Office: budget adjustments between departments or between funds, additional positions or vehicles, increase in needed resources
- Regardless of the reason for the modification, the net estimated expense budget must remain at or below the expense budget adopted by the City Council.

Examples of Modification Types

- 1) A department needs to move funding between different units, activities or object type within their department.
- 2) A department needs to move funding between an operating fund and a capital fund or change the funding source of an item.
- 3) A department needs to move funding from their department to a different department because roles/responsibilities have changed.
- 4) The budget estimate includes carryover funding for items that ended up being received in the prior year. The carryover funding is removed from the department.

Examples of Modification Types

- 5) The budget estimate includes a grant that is not awarded or an intergovernmental agreement that is not entered into. The funding is removed from the department. A department receives a grant that was not anticipated. Funding is added to the department.
- 6) A department experiences unexpected costs and cannot cover them within their budget allocation.
- 7) A department experiences or anticipates higher activity that results in both increased revenues and increased expenses. A department submits a business plan for increasing activities/expenses and funding the increase with an anticipated increase in revenue.

Example of Modification types

-) An error occurred during the initial budget allocation and needs to be corrected.
- 9) The annual allocation for a Capital Improvement Program (CIP) or Lifecycle project needs to be modified.
- 10) The method of allocating costs or tracking of expenditures is modified during the fiscal year.

Attachment 1 contains a listing of the budget estimate modifications that have been reviewed by OMB and approved in FY 14/15. Modifications that move funding within a department or between departments are not included.

A summary report is distributed to the City Manager's Office each month.



/15 Budget Modifications through March

DOC ID	Month	Department	Description of Request/Action	Fund Name	Expense	Revenue
SC15000033	September	ARTS & CULTURE	Increase the expense budget for the Performing Live Series by \$2,090,000 with a corresponding increase in estimated revenue of \$2,290,485 for 37 additional shows. These shows will bring in new audiences, providing a variety of programs that appeal to all ages and interests, and will create greater amounts of activity at MAC and in downtown Mesa.	General Fund	\$2,090,000	\$2,290,485
CTGC15000057	November	ARTS & CULTURE	National Endowment for the Arts (NEA) grant awarded for \$60,000 to be used for educational programs for Jazz A to Z that was not budgeted. Also, \$27,000 for a grant from the Arizona Commission on the Arts to go toward Outreach programs that was awarded for \$60,000 when only \$33,000 was expected and budgeted.	Grants - Gen. Gov.	\$87,000	\$87,000
CTGC15000080	January	ARTS & CULTURE	The Mesa Arts Center is increasing ticket fees by \$0.75 per ticket (within approved price range) to cover the increased cost of Audienceview charges and credit card fees. They estimate that 93,000 tickets will be sold in the next 6 months realizing additional revenue of \$69,750. They are requesting an increase to their ongoing expenditure budget of \$52,500 to pay for these increased costs.	General Fund	\$52,500	\$69,750
CTGC15000079	January	ARTS & CULTURE	The new Activenet system automatically charges a fee on each transaction (cash, check, gift card, and credit card) at the Arizona Museum of Natural History (AZMNH) and the i.d.e.a Museum. This fee is in addition to the current merchant credit card fees. The estimated ongoing annual fees will be \$25,000 at the AZMNH and \$17,000 at the i.d.e.a Museum.	General Fund	\$25,000	\$0
CTGC15000079	January	ARTS & CULTURE	The new Activenet system automatically charges a fee on each transaction (cash, check, gift card, and credit card) at the Arizona Museum of Natural History (AZMNH) and the i.d.e.a Museum. This fee is in addition to the current merchant credit card fees. The estimated ongoing annual fees will be \$25,000 at the AZMNH and \$17,000 at the i.d.e.a Museum.	General Fund	\$17,000	\$0
CTGC15000056	January	ARTS & CULTURE	Grant received in October, 2014 by the Arizona Museum of Natural History (AZMNH) from the Gila River Indian Community to promote educational facilities and programs that are rich in culture, history and science. This is a three year grant totaling \$89,050, payable in yearly installments of \$29,600 the first year (\$4,000 used for admission fee revenue), \$29,800 the second year and \$29,650 the third year. Receiving this grant would allow the AZMNH to target approximately 10,500 Title I school children in the Phoenix Metro area with field trip scholarship fees and transportation to the Mesa Grande Cultural Park.	Grants - Gen. Gov.	\$25,600	\$29,600
150000000042	July	CENTRALIZED APPROPRIATIONS I	CFD: Modify financial system to match to Adopted CFD budget that was adopted at a later date.	Community Facilities Districts - Capital	\$1,370,000	\$0
150000000016	July	CENTRALIZED APPROPRIATIONS II	CFD: Contingency for bond issuance expenses on that were not originally budgeted.	Community Facilities Districts - Debt	\$700	\$0
150000000042	July	CENTRALIZED APPROPRIATIONS II	CFD: Modify financial system to match to Adopted CFD budget that was adopted at a later date.	Community Facilities Districts - Operating	\$9,300	\$0
150000000042	July	CENTRALIZED APPROPRIATIONS II	CFD: True-up Adopted CFD budget with amounts included in FIN one month earlier.	Community Facilities Districts - Debt	\$386	\$0

00000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	General Obligation Bond Redemption	\$40	\$0
00000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	General Obligation Bond Redemption	\$360	\$0
00000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	General Obligation Bond Redemption	\$830	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	General Obligation Bond Redemption	\$40	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	General Obligation Bond Redemption	\$860	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	General Obligation Bond Redemption	\$1,130	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	General Obligation Bond Redemption	\$410	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	General Obligation Bond Redemption	\$580	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	General Obligation Bond Redemption	\$2,040	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Special Improvement District Bond Redemption	\$400	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Highway User Revenue Bond Redemption	\$3,930	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Utility Systems Bond Redemption	\$220	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Utility Systems Bond Redemption	\$760	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Utility Systems Bond Redemption	\$30	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Utility Systems Bond Redemption	\$4,000	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Utility Systems Bond Redemption	\$3,600	\$0
1500000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Non-Utility Bond Redemption	\$810	\$0

0000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Utility System GO Bond Redemption	\$10	\$0
0000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Utility System GO Bond Redemption	\$10	\$0
0000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Utility System GO Bond Redemption	\$10	\$0
150000000111	August	CENTRALIZED APPROPRIATIONS II	Bank Service charges for FY15 - US Bank (not included in Adopted budget).	Utility System GO Bond Redemption	\$10	\$0
150000000112	August	CENTRALIZED APPROPRIATIONS II	Adjustment to changes in BGE90 15*96 (in lieu of reversing). Costs of issuance omitted from budget.	General Obligation Bond Redemption	\$70,238	\$0
150000000355	February	CENTRALIZED APPROPRIATIONS II	Debt service bank service charge higher than anticipated.	Special Improvement District Bond Redemption	\$40	\$0
150000000401	March	CENTRALIZED APPROPRIATIONS I	Funding for the Mesa Utility Assistance Funding Program. The program was approved during the budget process but it was unknown how it would be implemented until this time.	Enterprise Fund	\$50,000	\$0
CTGC15000004	March	CITY ATTORNEY	Unanticipated grant from the National Association of VOCA (Victims of Crime Act) Assistance Administrators. Funds to be used to purchase various items related to observance of the National Crime Victims' Rights Week Community Awareness Project.	Grants - Gen. Gov.	\$4,994	\$0
CTGC15000004	July	CITY MANAGER	Provide budget capacity for Mesa Counts on College to spend unspent grant revenue from the Gates Foundation.	Grants - Gen. Gov.	\$16,810	\$0
CTGC15000086	January	CITY MANAGER	Mesa Counts on College received a grant from the Salt River Pima-Maricopa Indian Community for the furnishings for the Mesa Counts on College Education Center. This grant was not received until November 3, 2014 and therefore not included in the FY14/15 budget.	Grants - Gen. Gov.	\$79,055	\$79,055
CTGC15000051	October	COMMUNICATIONS	Due to interference caused by the iDEN network, Sprint reached an agreement with the Federal Communications Commission to "re-band" radio users in the 800 MHz band. The City's amount of the negotiated settlement is \$2,364,320 with \$1,800,000 being paid in November, 2014. The City has signed a Lifecycle Upgrade Contract with Motorola Solutions for \$1,800,000. In October-November, 2015, we will certify to Sprint that we have completed our Lifecycle Upgrade, moved to the new radio frequencies, vacated the old radio frequencies, and request the remaining \$564,320 from Sprint. Most of this amount will be used for the lease payment due to Motorola in FY 15/16. A BAR will be submitted during the FY 15/16 Budget Cycle for the \$564,320 portion of the settlement amount (revenue and expenditure).	TOPAZ Joint Venture Fund	\$1,800,000	\$1,800,000
150000000376	February	COMMUNICATIONS	Radio funding not needed per R. Thompson	Capital - General Fund	(\$84,000)	\$0
150000000020	July	DEVELOPMENT & SUSTAINABILITY	Reverse out a portion of carryover number 6319 that was received and paid for in FY 13/14.	General Fund	(\$738)	\$0
CTGC15000001	July	DEVELOPMENT & SUSTAINABILITY	Funding for additional code compliance efforts utilizing funding from city logo royalties.	Special Programs	\$40,000	\$0
150000000052	July	DEVELOPMENT & SUSTAINABILITY	Correcting data issue on Carryover Form #6387.	Grants - Gen. Gov.	\$82,788	\$0

0000000053	July	DEVELOPMENT & SUSTAINABILITY	Reverse out a portion of carryover number 6319 for Toughbooks that were received and paid for in FY 13/14.	General Fund	(\$7,763)	\$0
0000000053	September	DEVELOPMENT & SUSTAINABILITY	New Federal Historic Preservation Fund grant with a \$6,000 participant match. The Planning area of DSD intends to utilize non-paid volunteers, interns and staff time to provide the participation match out of their existing budget.	Grants - Gen. Gov.	\$9,000	\$9,000
0000000290	November	DEVELOPMENT & SUSTAINABILITY	Return of approved carryover.	General Fund	(\$37,509)	\$0
CTGC15000048	November	DEVELOPMENT & SUSTAINABILITY	Also in Solid Waste. Council approved a \$0.09 increase to the monthly fee charged to utility customers that funds the Household Hazardous Waste (HHW) program. The cost of the HHW program had reached a point where a rate increase was needed in order to sustain the funding for the program. Due to an increase in popularity of the HHW events, expenses to conduct the events have increased. The majority of these expenses are directly related to an increase in contract costs to provide collection and disposal services (\$113,300 - Development and Sustainability), with a small portion being attributed to new disposal fees for TVs & CRT bulbs (\$5,500 - Solid Waste). This fee increase will result in an additional \$118,800 of revenue (120,000 average households x \$0.09 x 11 months realized revenue increase).	Enterprise Fund	\$113,300	\$0
CTGC15000081	February	DEVELOPMENT & SUSTAINABILITY	Anticipated expenditures over current budget in temporary services of \$260,000 plus an additional \$5,000 for engineering structural review consultant costs for the Eastmark DUS South Structural plans. Through the end of December, DSD General Fund revenues appear to be on track to cover these increased costs.	General Fund	\$265,000	\$0
CTGC15000088	February	DEVELOPMENT & SUSTAINABILITY	Anticipated credit card fees for February - June. Over the last six months the Department has been charged \$55,062. The department budgeted \$65,000 for credit card fees.	General Fund	\$50,000	\$0
CTGC15000093	March	DEVELOPMENT & SUSTAINABILITY	During the FY 14/15 budget process, DSD received approval to hire two new Code Compliance Officers beginning in January 2015. The adopted budget included the compensation for the officers but did not include budget for new vehicles. Per direction from the City Manager's Office, DSD can purchase the vehicles using the City Logo Royalty revenues currently being received from Service Line Warranties of America. Per Finance, the balance of funds for City Royalty Logos is \$110,279 as of 01/31/15.	Special Programs	\$56,804	\$0
CTGC15000102	March	DEVELOPMENT & SUSTAINABILITY	Bureau of Reclamation grant that was awarded in September 2014 for the Non-Residential Grass-to-Xeriscape Rebate program. This funding will be used to provide a rebate to non-residential customers who remove grass and replace it with xeriscaping. A total of ten rebates are available for non-residential customers. The grant period is 10/01/14 - 09/30/16.	Grants - Gen. Gov.	\$50,000	\$50,000
CTGC15000103	March	DEVELOPMENT & SUSTAINABILITY	Grant awarded in September 2014 from the U.S. Environmental Protection Agency that will be used to inventory, characterize, assess, and conduct cleanup planning and community involvement related activities for Brownfields sites along the Gilbert Road Light Rail expansion. DSD plans to conduct approximately 54 Phase I Assessments and 10 Phase II Assessments. The grant period is 10/1/2014 - 9/30/2017.	Grants - Gen. Gov.	\$400,000	\$400,000
CTGC15000053	November	ECONOMIC DEVELOPMENT	Federal grant from the Office of Economic Adjustment for operations at the AZ Labs. The original amount budgeted for this grant is \$134,198 but the actual award amount came in higher at \$151,311.	Grants - Enterprise	\$17,113	\$17,113
150000000032	July	ENERGY RESOURCES	Carryover / re-budget form 6362 - reversal	Enterprise Fund	(\$9,351)	\$0

0000000032	July	ENERGY RESOURCES	Carryover / re-budget form 6362 - reversal	Enterprise Fund	(\$9,351)	\$0
0000000042	July	ENGINEERING	Centralized Appropriations - CFD:	Community Facilities Districts - Operating	\$68	\$0
50000000301	November	FINANCIAL SERVICES	True-up Adopted CFD budget with amounts included in FIN one month earlier. Temporary contingency needed to process JVA 15*1008. JVA 15*1008 is being processed to change the BFY for MD 15*021. Once that document is processed, the contingency will be reversed.	General Fund	\$191,781	\$0
15000000302	November	FINANCIAL SERVICES	Reverse BGE90 15*301	General Fund	(\$191,781)	\$0
150000000038	July	FIRE AND MEDICAL	Reduce grant funding and General Fund match based on actual amount received.	Grants - Gen. Gov.	(\$554,174)	\$0
150000000085	July	FIRE AND MEDICAL	Reversal of carryover for items received and paid for in FY 13/14.	Capital - General Fund	(\$29,591)	\$0
150000000085	July	FIRE AND MEDICAL	Reversal of carryover for items received and paid for in FY 13/14.	General Fund	(\$37,621)	\$0
150000000038	July	FIRE AND MEDICAL	Reduce grant funding and General Fund match based on actual amount received.	Capital - General Fund	(\$83,804)	\$0
CTGC15000017	August	FIRE AND MEDICAL	On 06/19/14, Fire and Medical was approved FY 13/14 contingency (CTGC14000156) for a 2014 SHSGP Reallocation Grant received from the Arizona Department of Homeland Security that will be used to purchase four gas meters. They were not able to expend the funds in FY 13/14 so they are requesting the contingency again for FY 14/15.	Grants - Gen. Gov.	\$22,650	\$22,650
CTGC15000022	August	FIRE AND MEDICAL	Move the remaining funds for the County Immunization Grant from FY 13/14 to 14/15. The carryover was not requested by Fire as they were planning on spending all of the funds by the end of last fiscal year. Since this did not occur, they are now requesting budget capacity to spend in FY 14/15.	Special Programs	\$54,349	\$0
150000000163	September	FIRE AND MEDICAL	CMS Grant. Additional budget not funded in the first year. Fire requested amount to be removed.	Grants - Gen. Gov.	(\$131,191)	\$0
CTGC15000070	December	FIRE AND MEDICAL	To cover the cost of a second recruit academy to be held in March, 2015. According to the department, Fire typically budgets for a single academy each fiscal year, but at times a second academy is needed to fill vacant positions. This request will cover the personnel costs (instructors), training materials, supplies, uniforms and equipment needed for this additional training academy.	General Fund	\$238,306	\$0
CTGC15000071	December	FIRE AND MEDICAL	Historically, Southwest Ambulance has restocked medical supplies used on patients in the field and on their ambulances after M/FMD responded to an emergency. As part of the recent renegotiation for ambulance service with Southwest Ambulance, the City of Mesa will now pay for the restocking of supplies. \$125,000 will cover the remainder of FY 14/15 but the annual ongoing cost will be \$250,000. The renegotiation does not introduce any savings to the City to offset this new cost and the City will actually have additional costs as Southwest Ambulance will only fund \$50,000 per year for the Performance Advisor II position in Fire instead of the \$100,000 they were contributing previously.	General Fund	\$125,000	\$0
CTGC15000084	January	FIRE AND MEDICAL	Fire and Medical has contracts with 4 other municipalities for Fire Apparatus Maintenance Services with a predetermined hourly rate on labor, plus parts reimbursement. Budget is needed for overtime of \$55,000 and \$20,000 of parts and supplies.	General Fund	\$75,000	\$75,000

0000000371	February	FIRE AND MEDICAL	Portion of CIP non-capital budget for outfitting replacement fire apparatus is no longer needed. Department confirmed that needed equipment has been transferred from vehicles being replaced or has been acquired. Fire has identified other needs for use of part of this savings. That request is still being processed.	CIP - General Fund	(\$900,000)	\$0
0000000396	March	FIRE AND MEDICAL	Department requested to additional operations funds for one-time items. Cited savings associated with doc 15*371.	General Fund	\$228,238	\$0
15000000397	March	FIRE AND MEDICAL	Department identified 14/15 savings in Fire Fleet Small Vehicle lifecycle plan due to bids coming in lower than anticipated. Remaining savings removed from operations budget per dept.	Capital - General Fund	(\$211,959)	\$0
15000000303	November	FLEET SERVICES	Energy Resources costs to upgrade vehicles from gas to CNG.	Utility Replacement Extension & Renewal	\$62,000	\$0
150000000047	July	INFORMATION TECHNOLOGY	FY 14/15 Rebudgets already paid for in FY 13/14	Capital - General Fund	(\$2,515,187)	\$0
150000000044	July	INFORMATION TECHNOLOGY	FY 14/15 Rebudgets already paid for in FY 13/14	Capital - General Fund	(\$444,718)	\$0
150000000118	August	INFORMATION TECHNOLOGY	15*44 and 15*47 were processed in error for too much.	Capital - General Fund	\$25,000	\$0
150000000169	September	INFORMATION TECHNOLOGY	15*44 and 15*47 were processed in error for too much.	Capital - General Fund	\$1,504,050	\$0
150000000213	September	INFORMATION TECHNOLOGY	15*44 and 15*47 were processed in error for too much.	Capital - General Fund	\$39,045	\$0
150000000280	November	INFORMATION TECHNOLOGY	Position #5160 IT Engineer II was inactivated as the position was created only for use during the CityEdge project implementation.	General Fund	(\$102,315)	\$0
150000000048	July	MUNICIPAL COURT	Reducing carry over for security camera retrofit.	General Fund	(\$4,717)	\$0
150000000198	September	MUNICIPAL COURT	Transcript costs that Court provides to City Attorney.	General Fund	\$5,000	\$0
150000000381	March	MUNICIPAL COURT	Court has double budgeted during the re-budget/carry over process last fiscal year and is correcting.	Special Programs	(\$1,813,542)	\$0
CTGC150000049	October	PARKS, RECREATION & COMMERCIAL FACILITIES	PRCF Summer Programs received a \$13,000 check for sponsorship from Banner Health, dba Cardon Children's Medical Center. The sponsorship is to be used by Summer Programs to support various programs and camps for 'Fit Kids'.	Special Programs	\$13,000	\$13,000
CTGC150000089	February	PARKS, RECREATION & COMMERCIAL FACILITIES	Most of the existing budget to be able to run the Hohokam stadium was moved over to the new Cubs stadium. This request is to fully fund operations of both stadiums.	Enterprise Fund	\$147,442	\$0
CTGC150000089	February	PARKS, RECREATION & COMMERCIAL FACILITIES	Most of the existing budget to be able to run the Hohokam stadium was moved over to the new Cubs stadium. This request is to fully fund operations of both stadiums.	Enterprise Fund	\$599,371	\$0
Pending	April	PARKS, RECREATION & COMMERCIAL FACILITIES	Two park projects scheduled for this year have been delayed. Operations and maintenance associated with them for this year is no longer needed. (Buckhorn Baths and West Mesa Connector)	General Fund	(\$118,525)	\$0
150000000026	July	POLICE	Remove 6 IGA funded SRO positions from budget per request of dept. Grant not awarded to school district.	General Fund	(\$711,185)	\$0
CTGC150000007	July	POLICE	Return of approved carryover.	General Fund	(\$215,853)	\$0

0000000200	September	POLICE	Return of approved carryover.	General Fund	(\$204,756)	\$0
0000000200	September	POLICE	Return of approved carryover.	Grants - Gen. Gov.	(\$219,786)	(\$288,021)
0000000200	September	POLICE	Return of approved carryover.	Special Programs	(\$54,705)	(\$53,305)
0000000200	September	POLICE	Return of approved carryover.	Capital - General Fund	(\$19,999)	\$0
CTGC15000039	September	POLICE	Purchase an Automated Accident Report Export Interface from Integrax Corporation which will upgrade the Police Department's Records Management System to directly interface with the Arizona Department of Transportation. The purchase award was approved by City Council on September 11, 2014. The Arizona Department of Transportation will reimburse the City for expenses related to the project up to \$50,000.	General Fund	\$45,000	\$45,000
CTGC15000043	October	POLICE	To purchase mobile feedback trailers and moving radar systems. This is a reinvestment of funds back into the Traffic Safety Program that was discussed at the Photo Safety Committee meeting on September 29, 2014.	Capital - General Fund	\$73,000	\$0
CTGC15000045	October	POLICE	For overtime to support the Food and Drug Administration Task Force approved by Council on September 22, 2014. This Task Force was not anticipated during the development of the FY 14/15 budget.	General Fund	\$25,000	\$25,000
CTGC15000076	December	POLICE	Donations received of \$2,000 from the Mesa Police Association and \$500 from the Fraternal Order of the Police to help pay for the Mesa Public Safety Annual Awards Dinner held on October 6, 2014. Also a donation of \$12,938.39 from Firehouse Subs to purchase a K-9.	General Fund	\$15,438	\$15,438
CTGC15000090	February	POLICE	Unanticipated revenue from regional Police Departments for SWAT School training for 26 officers. Police would like to use this revenue to fund the purchase of supplies for the SWAT School training.	General Fund	\$11,700	\$11,700
CTGC15000091	February	POLICE	Unanticipated revenue from the Mesa Public Safety Foundation for the Police Department's Motor, SWAT, Negotiator and K-9 units. The funds will be used for supplies within each area.	General Fund	\$12,577	\$12,577
CTGC15000097	March	POLICE	Unanticipated donation from the Mesa Public Safety Foundation for the Police Department's Family Appreciation Day event. The Department will use these funds to purchase supplies and services for this event.	General Fund	\$13,567	\$13,567
CTCG15000099	March	POLICE	Unanticipated revenue received from Police seizures and Police range fees. Department requests to use this revenue for the purchase of additional ammunition and to expand Evidence's impound lot.	General Fund	\$119,496	\$119,496
Pending	April	POLICE	Personal Services cost coverage due to aggressive recruiting program. OMB and department worked together to implement a more aggressive recruiting/training program in order to reduce length of time a budgeted sworn position is vacant. 64 recruits are currently in some phase of training. As the program levels off, the department will be able to cover the cost of recruits within their baseline. For 15/16, additional funds are needed.	General Fund	\$2,000,000	\$0
150000000039	July	PROJECT MANAGEMENT	Transit: Repaint bus shelters salvaged along Central Mesa Light rail corridor. Intended to use FY13/14 Transit operating budget savings, but not processed in time.	Transit Fund	\$40,829	\$0

BC15000031	September	PROJECT MANAGEMENT	Engineering: For Buchhorn Baths acquisition. Project originally budgeted with Park bonds. Per the CMO, 2 parcels will be sold off so these parcels cannot be purchased with bond funding. Remaining property to be paid for with Park bonds.	Capital - General Fund	\$465,000	\$0
BC15000044	October	PROJECT MANAGEMENT	Parks, Recreation & Commercial Facilities: CDBG funds are being used at Kingsborough Park for a playground shade and Guerrero Rotary Park for a playground shade and basketball court replacement. The contingency is to cover the CIP overhead of 3.5% of the total project costs that are not eligible for reimbursement through CDBG.	Capital - General Fund	\$15,750	\$0
CTGC15000062	December	PROJECT MANAGEMENT	Engineering: City Management has requested some minor upgrades to the City suite at the Hohokam Stadium that per the agreement with the Oakland A's, must be separately funded from the rest of the project.	Capital - Enterprise	\$8,000	\$0
CTGC15000063	December	PROJECT MANAGEMENT	Parks, Recreation and Commercial Facilities: To begin repair of the wooden gym floor at the Broadway Recreation Center that flooded during a storm on September 8, 2014. Engineering will scope the project and get a company under contract to begin the investigative work and ultimate repair/replacement. The gym floor is currently not functional and the City and the gym tenants, Mesa Association of Sports for the Disabled and Gene Lewis Boxing, are experiencing losses in programming and revenue as a result of the gym floor conditions.	Capital - General Fund	\$65,000	\$0
CTGC15000078	January	PROJECT MANAGEMENT	Engineering: Additional work that was completed at the Mesa Center for Higher Education. These items were not included in the original project as they were identified during construction.	Capital - Enterprise	\$60,000	\$0
CTGC15000087	January	PROJECT MANAGEMENT	Engineering: Approximately \$13,500 of additional equipment needed by ITD for the Hohokam Stadium plus an additional \$11,500 of upgrades to the City Suite requested by City Management. This is in addition to CTGC15*62 for \$8,000 of City Suite upgrades and CTGC15*75 for \$8,000 of furniture upgrades in the City Suite.	Capital - Enterprise	\$25,000	\$0
15000000391	March	PROJECT MANAGEMENT	Project Management: One-time equipment costs associated with replacement apparatus is not needed per Fire dept.	Capital - General Fund	(\$254,679)	\$0
CTGC15000096	March	PROJECT MANAGEMENT	Project Management - Parks, Recreation & Commercial Facilities: Repair of the wooden gym floor at the Broadway Recreation Center damaged due to flooding from the September 8, 2014 storm event. An initial contingency was approved for \$65,000 to determine scope and investigative work. The total project will be \$440,000 with up to \$320,000 being reimbursed through a flood insurance claim. The insurance deductible is \$100,000 and there is expected to be \$20,000 in Engineering costs.	Capital - General Fund	\$375,000	\$0
CTGC15000100	March	PROJECT MANAGEMENT	Project Management - Information Technology: Business Services is revising the CIS upgrade project estimate from \$325,000 to \$400,000. The current budget for the project is in the Project Management department but managed by ITD.	Enterprise Fund	\$6,750	\$0

C15000100	March	PROJECT MANAGEMENT	Project Management - Information Technology: Business Services is revising the CIS upgrade project estimate from \$325,000 to \$400,000. The current budget for the project is in the Project Management department but managed by ITD.	Enterprise Fund	\$10,500	\$0
C15000100	March	PROJECT MANAGEMENT	Project Management - Information Technology: Business Services is revising the CIS upgrade project estimate from \$325,000 to \$400,000. The current budget for the project is in the Project Management department but managed by ITD.	Enterprise Fund	\$20,250	\$0
CTGC15000100	March	PROJECT MANAGEMENT	Project Management - Information Technology: Business Services is revising the CIS upgrade project estimate from \$325,000 to \$400,000. The current budget for the project is in the Project Management department but managed by ITD.	Enterprise Fund	\$18,000	\$0
CTGC15000100	March	PROJECT MANAGEMENT	Project Management - Information Technology: Business Services is revising the CIS upgrade project estimate from \$325,000 to \$400,000. The current budget for the project is in the Project Management department but managed by ITD.	Enterprise Fund	\$19,500	\$0
CTGC1500020	August	PUBLIC INFORMATION & COMMUNICATIONS	The City Council directed staff to "reinvest" some of the revenue generated from school zone and red light camera enforcement back into the program. Council also indicated a desire to educate the public regarding school zone safety and controlled intersection safety. Working with representatives from American Traffic Solutions, Mesa Channel 11 developed two specific scripts addressing both of these issues as well as a plan to distribute the video content via valley-wide Channel 11 stations, social media and an Internet optimized, target demographic campaign.	General Fund	\$20,000	\$0
CTGC1500075	December	PUBLIC INFORMATION & COMMUNICATIONS	City Manager requested furniture upgrades for the City Suite at Hohokam Stadium.	Enterprise Fund	\$8,000	\$0
150000000041	July	SOLID WASTE MANAGEMENT	Reversal of Carryover form #6430 (Solid Waste Trademark expense)	Enterprise Fund	(\$1,900)	\$0
CTGC15000019	August	SOLID WASTE MANAGEMENT	Unusable front-load bins and a roll-off box were sold as "scrap metal" and the revenue was received and recorded late in FY13/14. The revenue will be used to purchase new front-load and roll-off bins.	Enterprise Fund	\$9,546	\$0
CTGC15000032	September	SOLID WASTE MANAGEMENT	New contract in FY 13/14 with two material recovery facilities (Waste Management and ReCommunity) to receive revenue for each ton of recyclable material delivered to their sites. \$12,242 in revenues were received at the end of FY 13/14. Anticipated revenues in FY 14/15 (based on the "guaranteed tons" in the contracts) are \$18,153. The funds will be spent on recycling education and outreach programs for all residents and businesses that the City provides service to. Solid Waste Management is requesting to add additional expenditure budget due to the additional revenue.	Enterprise Fund	\$30,395	\$18,153
CTGC15000040	September	SOLID WASTE MANAGEMENT	Funding for position #5620 (Customer Service Specialist I) that was increased from 0.5 to 1.0 FTE in June 2013. This was after the budget was adopted so it was too late to add the additional compensation to the FY 14/15 adopted budget.	Enterprise Fund	\$27,337	\$0

GC15000046	November	SOLID WASTE MANAGEMENT	Also in Development and Sustainability. Council approved a \$0.09 increase to the monthly fee charged to utility customers that funds the Household Hazardous Waste (HHW) program. The cost of the HHW program had reached a point where a rate increase was needed in order to sustain the funding for the program. Due to an increase in popularity of the HHW events, expenses to conduct the events have increased. The majority of these expenses are directly related to an increase in contract costs to provide collection and disposal services (\$113,300 - Development and Sustainability), with a small portion being attributed to new disposal fees for TV's & CRT bulbs (\$5,500 - Solid Waste). This fee increase will result in an additional \$118,800 of revenue (120,000 average households x \$0.09 x 11 months realized revenue increase).	Enterprise Fund	\$5,500	\$0
CTGC15000077	January	SOLID WASTE MANAGEMENT	The Solid Waste Recycling and Outreach team doesn't have a vehicle that is properly equipped to transport all of the equipment and supplies necessary for recycling education events. They would like to purchase a cargo van for \$30,000. Solid Waste is requesting \$19,000 to be funded from a recent green barrel field audit which resulted in an estimated additional \$39,666 of revenue for FY 14/15 (service fee of \$6.01 x 600 additional green barrel accounts x 11 months). Solid Waste is requesting \$19,000 of this revenue to fund a portion of the outreach van. The additional \$11,000 will come from the recycling education portion of Solid Waste's budget.	Capital - Enterprise	\$19,000	\$0
15000000338	January	SOLID WASTE MANAGEMENT	Solid Waste Fleet Adjustment. The adjustment was not included in the initial budget as we were waiting for the completion of the analysis of the fleet database to confirm the amount needed. The adjustment has been included in the 15/16 budget baseline.	Enterprise Fund	\$1,420,000	\$0
CTGC15000082	January	SOLID WASTE MANAGEMENT	The current parking pad at Solid Waste will be under construction starting February 2015 in order to outfit the area with CNG filling stations to accommodate the current CNG fleet as well as the additional 14 CNG vehicles being delivered in June 2015. During the approximate 6 month construction, the Solid Waste vehicles will need to be relocated to an off-site location. Initially the plan was to move the vehicles to the City's east yard but then it was determined that there was insufficient space. The vacant lots on the south west corner of University and Mesa Dr. are the new parking location. Improvements to the surface and additional security are needed. Approximately \$15,904 is requested for supplies and surface improvements and \$51,040 for security guards and associated security items.	Enterprise Fund	\$66,944	\$0
CTGC15000101	March	SOLID WASTE MANAGEMENT	Grant from Waste Management/Keep America Beautiful that will fund the cleansweep/greensweep program in support of the national Make A Difference Day, which occurs in October 2015. If awarded, the grant funds will be distributed in April 2015 but the expenditure will not happen until October 2015. The expenditure budget will be carried over to FY 15/16.	Grants - Enterprise	\$10,000	\$10,000
Pending	March	TRANSIT	Central Mesa LRT will not go-live until next fiscal year. Operations and maintenance budgeted this year is not longer needed.	Transit Fund	(\$582,000)	\$0
CTGC15000047	October	TRANSPORTATION	Install Driver Speed Feedback signs as part of the reinvestment back into the Photo Safety Program.	General Fund	\$30,000	\$0
CTGC15000060	November	TRANSPORTATION	Grant from the Federal Highway Safety Program to update the existing Crash Analysis software to the newer web-based version with improved functions and analytical abilities. The total purchase price of this hosted software is \$26,400 (\$25,000 for the licensing and \$1,400 for use tax). The \$2,825 not covered by the grant will come from Transportation's FY14/15 Operations budget.	Grants - Gen. Gov.	\$23,575	\$23,575

GC15000098	March	WATER RESOURCES	Purchase of parts for the UV disinfection systems in use at the Greenfield Water Reclamation Plant (GWRP). Revenue of \$84,390 is expected from billing the GWRP partners. The remaining \$60,610 will be funded with anticipated savings in the Enterprise Fund.	Greenfield WRP Joint Venture	\$145,000	\$84,390
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