

COUNCIL MINUTES

February 2, 2017

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on February 2, 2017 at 7:33 a.m.

COUNCIL PRESENT

John Giles
Mark Freeman
Christopher Glover
David Luna
Kevin Thompson
Jeremy Whittaker*
Ryan Winkle*

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

(*Councilmembers Whittaker and Winkle participated in the meeting through the use of telephonic equipment.)

1. Review items on the agenda for the February 6, 2017 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None.

Items removed from the consent agenda: None.

2-a. Hear a presentation and discuss proposed bond refundings and defeasance and bond program update.

Chief Financial Officer Mike Kennington introduced Larry Givens, Director of Hilltop Securities, Inc., who displayed a PowerPoint presentation (**See Attachment 1**) related to the proposed bond refundings and defeasance and bond program update.

Mr. Kennington explained that municipal bonds are loans made to the City's investors for a certain time period to fund capital improvement projects. He pointed out that the bonds are issued at a favorable rate due to the fact that the bonds are tax exempt, and investors are not required to pay federal income taxes on these loans.

Mr. Kennington stated there are two primary types of bonds, General Obligation (G.O.) Bonds which are backed by the full faith and credit of the cities to guarantee repayment, and Revenue

Bonds which are backed by the revenues from projects that the bonds are paying for. He added that after 2008, in order to find a stable source of revenue to pay for debt service, the Council has tied all voter approved G.O. Bond authorizations to the secondary property tax.

Mr. Kennington reported that the focus of the presentation is on utility revenue bonds collected from utility payments which in turn pays for the infrastructure covered by the bond. He displayed a list of the City of Mesa's bond portfolio (See Page 4 of Attachment 1) as follows:

- Utility Revenues
- General Obligation
- Excise Tax Bonds
- HURF (Streets)
- State Water Loans

Mr. Kennington explained the G.O. Bond chart in detail showing the authorized but unissued bonds, future debt service obligations, and ratings. (See Page 5 of Attachment 1) He clarified that debt service represents the interest and principal payments. He stated that per the Arizona Constitution, the outstanding G.O. Bond debt for various areas within the City may not exceed 20% of a City's net assessed valuation. He added that outstanding G.O. Bond debt for general municipal purposes may not exceed an additional 6% of a city's net assessed valuation. He pointed out that the G.O. Bond debt capacity used for the City is 40% and displayed a comparison graph of surrounding cities, showing that the City of Mesa falls in the middle for debt capacity used. (See Page 6 of Attachment 1)

Mr. Kennington reviewed the Utility Systems Revenue Bond chart and stated that the debt service is secured by and repaid from revenues of the utility systems. He explained that the State breaks down the debt by taking the bond principal outstanding (\$1,604 million) and divides the amount by the number of residents, to establish debt per capita (\$3,483). He displayed a chart showing the debt comparison to other valley cities. (See Pages 7 and 8 of Attachment 1)

Mr. Kennington stated that refunding bonds are issued to replace or refinance previously issued debt with new debt and typically used for the following:

- Restructure debt
- Save borrowing costs through lower interest rates

Mr. Kennington explained that the City's internal policy is to achieve a minimum of 3% present value savings of the refunded debt and listed the anticipated 2017 bond refunding activity as follows:

- Refunding General Obligation Bond Issuance (\$3.7 million estimated savings over 12 years).
- Refunding Utility Revenue Bond Issuance (\$7.9 million estimated savings over 11 years).
- Early Retirement of \$6 million debt of Utility Revenue bonds using the Restricted Impact Fee Fund balance.

Mr. Kennington reviewed the anticipated 2017 bond refunding activity timelines, the anticipated 2017 new money bond issuance to be an estimated \$47 million in G.O. Bonds and an estimated \$124 million in new Utility Revenue Bonds, and listed the estimated timeline for the new money bond activities. (See Pages 11 through 13 of Attachment 1)

Vice Mayor Luna thanked Mr. Givens, Mr. Kennington, and city staff for the savings to the City over the next 10-12 years.

In response to a question posed by Councilmember Thompson, Deputy City Manager Scott Butler clarified that the Governor's Budget did include the traditional reallocation of Highway User Revenue Funds (HURF) to pay for the Department of Public Safety (DPS). He stated that the HURF transfer amount has decreased over the last several years and the DPS amount is included in the budget estimates.

City Manager Christopher Brady commented that the City's Local Street Sales Tax and HURF dollars are entered into the transportation fund, and in return the City pays the debt service fees and operations related to street maintenance from the fund.

In response to a question posed by Mayor Giles, Mr. Given clarified that State law requires contributions to HURF at the level of the debt service, and that the outstanding HURF bond payments are approximately \$12 million per year with a final payment in 2027.

In response to a question posed by Mayor Giles, Mr. Butler stated that all of the national organizations representing cities and every level of government that issue debt are concerned about the state level bonds being cut, since they are vital to the infrastructure development in the Country. He confirmed that there was a delegation of mayors that met with President-Elect Trump, and he indicated that he did not support cutting state bonds as it would be detrimental to the infrastructure development and the tax exempt status of those bonds. He pointed out that state bonds go through the congressional budget approval process.

In response to a question from Councilmember Winkle, Mr. Kennington clarified that the G.O. Bond chart represents the current outstanding bonds and each year that the City takes on new bond debt, a new fiscal year will be added to reflect that debt.

In response to questions posed by Councilmember Whittaker, Mr. Kennington explained that refunding bonds have associated issuance fees, and that the net costs are built into the estimated savings and include the following:

- Bond council fees
- Rating agency fees
- Financial advisor fees

Mr. Kennington added that the 2017 new money bond activity has been authorized by the voters but has not been issued. He stated that projects take multiple years to complete and the City tries to minimize the amount of debt issued each year. He clarified that the bonds listed that are prior to 2008 do not expire, however, the City does not have an identified source of revenue to pay for those bonds, and has no current plans of issuing them.

Mr. Brady explained that bonds issued prior to 2008 were backed by the general fund resources. He said that beginning in 2008, it was stated to the voters that bonds would be secured with a secondary property tax.

In response to a question posed by Councilmember Whittaker, Mr. Brady answered that in order for the City to receive a AAA bond rating, numerous factors are considered such as:

- Economy
- Dependence on sales tax
- Pension liabilities
- Reserves

Mr. Given pointed out that the City's current bond rating is the highest in the last 30 years and that the City has relatively low debt.

Discussion ensued relative to investment costs, debt, savings, and ratings.

Mayor Giles thanked staff for the presentation.

Mr. Brady explained that utilizing debt is an effective instrument in saving the City money. He stated that sometimes the City is able to use the debt to accelerate major projects, and by doing so, the cost of construction inflation versus interest costs provides a huge savings for the City. He added that this benefits residents by having the improvements completed earlier than anticipated.

2-b. Hear a presentation, discuss and provide direction on a process to update Mesa's citywide Housing Master Plan, which is planned to include both information gathering and community engagement processes.

Housing and Community Development Director Liz Morales displayed a PowerPoint presentation (**See Attachment 2**) related to Mesa's citywide Housing Master Plan, which will include both information gathering and community engagement processes.

Ms. Morales explained that the purpose of the Housing Master Plan is to assist in developing a policy to update Mesa's General Plan. She stated that this section will produce a broad and comprehensive review to include community input about the housing inventory, types, and varieties and will be data-driven for decision-making. She added that the plan will provide guidance to support the Consolidated Plan and provide focus and priority for the investment of federal funding (See Page 3 of Attachment 2).

Ms. Morales displayed three phases of the Housing Master Plan with timelines starting February 2017 through November 2017. She reported that Phase I will include gathering information to create a community profile and determine housing inventory. She added that a consultant has been selected to collect data (See Page 4 of Attachment 2) as follows:

- Existing housing stock
- Rent and home price ranges
- Income levels, family size, age, jobs, and education statistics
- Trends of housing over the past ten years
- Projections over the next ten years to set the context for plan recommendations

Ms. Morales stated that once the consultant's report is complete, Housing and Community Development will present a report to Council for review and discussion.

Ms. Morales explained that Phase II consists of community engagement and input. (See Page 5 of Attachment 2)

Ms. Morales remarked that Phase III involves City Council review and direction to develop the final framework of the policy for the Housing Master Plan and highlighted the timelines of each Phase. (See Page 6 and 7 of Attachment 2)

In response to a question posed by Councilmember Thompson, Mr. Brady emphasized that by charting past housing trends that included foreclosures assists the department, specifically the Neighborhood Stabilization Program (NSP). He added that by including past trends enables staff to see the post-recession transformation.

In response to a question posed by Vice Mayor Luna, Ms. Morales explained that the intent is to provide guidance and a policy to determine where the greatest housing needs are.

In response to questions posed by Councilmember Winkle, Ms. Morales clarified that the Housing Master Plan will define density areas throughout the City, including types of housing, location, and whether they are multi-family, single-family, or mobile home communities. She further clarified that the Request for Proposal (RFP) asked the Consultant to consider all items within the Consolidated Plan and pointed out that the Housing Master Plan will not replace the Consolidated Plan, but will supplement and broaden the understanding of housing.

Councilmember Freeman stated that for District 1, community engagement has perplexed developers due to the fact that the City lacks a Housing Master Plan. He added that developers are challenged with meeting the City's requirements and the needs of the neighborhoods.

Ms. Morales responded by saying that community input is important to the Housing Master Plan and that Housing and Community Development will ensure they are doing what is best for the community and residents.

Mayor Giles commented that the City is completing the task of developing the Housing Master Plan and noted that current and past councils have made redeveloping downtown with more residential development a strategic goal. He hoped that the Consultant's opinion would be to advise Council on what the goals should be regarding the number of residential areas instead of Council estimating that number. He concluded by saying that the homelessness issue needs to be addressed and a strategic plan developed.

In response to a question posed by Mayor Giles, Ms. Morales clarified that the consultant is tasked with reviewing all housing types, including affordable housing from low to moderate income and that the review will be included in a future discussion with Council.

Mr. Brady stated that the Housing Master Plan study will take some time and will be used as a tool to establish a policy, however, discussions with Council regarding the HOME and CDBG fund allocations for 2017 will occur within the next week.

In response to a question posed by Vice Mayor Luna, Planning Director John Wesley explained that as development proposals come in, staff balances the different development types throughout the City. He remarked that the study will provide an understanding of the different types of development and added that the department will utilize the information to assist with development decisions.

Mr. Brady remarked that staff can identify vacant properties, so Council can see the types of development surrounding them.

Mayor Giles thanked Ms. Morales for the presentation.

2-c. Hear a presentation and discuss the financial revenues of the City with emphasis on the General Governmental Funds.

Budget Director Candace Cannistraro introduced Deputy Director Brian Ritschel, who was prepared to assist with the presentation.

Ms. Cannistraro displayed a PowerPoint presentation (**See Attachment 3**) related to the financial revenues of the City with emphasis on the General Governmental Funds.

Ms. Cannistraro reported that over the next few meetings she will be breaking down the revenues and expenses into their major components and highlighting specific funds. She added that next week's presentation will focus on the Enterprise Funds and major expenses within the General Fund. She presented a graph of the FY 2016/17 budget of \$1.67 billion and explained that the chart shows the sources of revenues available to the City within each major section. (See Page 2 of Attachment 3)

Ms. Cannistraro stated that a fund is a way to track revenues and expenses that are intended for or restricted to a particular purpose. She explained that the revenues break into particular categories based on the restrictions of many different funds the City uses and displayed a chart and remarked that she will highlight the General and Grant Funds. (See Page 3 and 4 of Attachment 3)

Ms. Cannistraro explained that the General Fund includes the resources and expenses that are discretionary in nature, are not restricted in their use, and the Council decides on how to use and allocate to each fund (See Page 5 of Attachment 3) as follows:

- Fire and Medical
- Police
- Parks
- Library
- Municipal Court
- Neighborhood Outreach
- Any general governmental type activities

Ms. Cannistraro stated that the General Governmental Fund represents \$400 million in unrestricted general governmental funds for FY 2016/17. She added that the Quality of Life Sales Tax is a restricted fund, it is also completely committed to public safety. (See Page 6 of Attachment 3)

Discussion ensued relative to the Quality of Life Sales Tax and applying a portion of the funds to the operations and maintenance of the Mesa Art Center (MAC); that if outstanding funds were left after the 120 police officers and 65 firefighter units (Captain, Engineer, Firefighter, etc.) had been paid, then the fund could be used for MAC, however, due to the rising costs of public safety, the fund is used in its entirety to public safety, with the general fund covering any shortfalls.

Ms. Cannistraro remarked that the City has a subscription with the University of Arizona to obtain raw economic data. She added that staff takes the economic indicators and factors and uses statistical software to apply the City's revenue streams to assist in economic forecasting to determine the outlook for the community, economic development, and building permits. She

added that staff adjusts the revenue estimates based on what is occurring in the City of Mesa. (See Page 7 of Attachment 3)

Ms. Cannistraro clarified that within the general governmental funds there are three major contributors (See Page 8 of Attachment 3) as follows:

- City Sales and Use Tax
- State Shared Revenues
- Transfer from the Enterprise Fund

Ms. Cannistraro displayed two charts, the first reflects the relative revenue contributions from each operating revenue source and the second highlights the FY 2017/18 forecast showing a 2.9% increase in available revenues, compared to the FY 2016/17 year end estimate. (See Pages 9 and 10 of Attachment 3)

In response to a question posed by Councilmember Thompson, Ms. Cannistraro confirmed that the Urban Revenue Sharing amount budgeted for FY 2016/17 is a known factor. She added that there is a 2-year delay between the income tax that is earned in the State of Arizona and when the City receives the funds.

In response to a question posed by Councilmember Thompson, Mr. Butler clarified that the only concern related to State Shared Revenues deals with the universities taking a portion of the sales tax collected that is attributable to four-year research institutions and allowing the universities to retain that sales tax and use it for bonding for capital investment. He stated that the amount is approximately \$3 million out of a much larger pot, so it's not necessarily the amount of money, but the fact that the state shouldn't be making unilateral decisions that impact our bottom line.

Ms. Cannistraro displayed the breakdown of the City Sales Tax Rate of 1.75% (See Page 12 of Attachment 3) as follows:

- City Sales Tax Rate (1.20%)
- City Quality of Life Sales Tax Rate (.25%)
- City Street Sales Tax Rate (.30%)

Ms. Cannistraro stated that there are two seasonal peaks in sales tax, Christmas and Spring Training. (See Page 13 of Attachment 3) She pointed out that there is a one-month delay in the reporting, however, moving forward there will be a two-month delay in reporting, due to the fact that the sales tax now goes through the Department of Revenue (DOR) first, then to the City. She added that the graph represents the last five years of sales tax and reflects the recession and the recovery.

In response to a question posed by Vice Mayor Luna, Ms. Cannistraro responded that actual numbers from Spring training receipts will not be known until May, however, staff will know ticket sales and how many people attended much sooner.

Ms. Cannistraro reviewed the City's sales tax by category and emphasized that the City is dependent on the retail sales tax portion. (See Page 14 of Attachment 3) She remarked that rental and contracting have been targeted for legislation in the past and would have been detrimental to the City if the bills had passed.

In response to a question posed by Mayor Giles, Mr. Butler stated that the Legislative Session is in the early stages and concurred with Ms. Cannistraro's comment that staff remains vigilant and

that the new legislative leadership has done a great job in limiting the mechanism referred to as strike everything amendments. He added that staff will continue to watch for bills related to contracting and residential rental taxes, and confirmed that bills have not been presented on these issues.

Ms. Cannistraro briefly reviewed that City Sales Tax - Historical View (See page 15 of Attachment 3) and highlighted a graph that shows the time period (2005/06) pre-recession through the recovery period and into the future. She pointed out that the graph makes it appear as though the City is growing, when actually the City is getting back to where it was 10 years ago.

Ms. Cannistraro stated the second major revenue source is State Shared Revenue, defining it as any revenue collected at the state level, then disbursed back to the City through a formula based on population. She listed the three main State Shared Revenue Services (See Page 16 of Attachment 3) as follows:

- Urban Revenue Sharing (state-shared income tax)
- State Sales Tax
- Vehicle License Tax

In response to a question posed by Mayor Giles, Ms. Cannistraro clarified that State Shared Revenues have decreased as a result of changes to the commercial side of the income tax as well as population changes that affected the formula.

Ms. Cannistraro stated that the Transfer from the Enterprise Fund (See Page 21 of Attachment 3) is expected to produce a reasonable rate of return, and that a portion of that would be re-invested into the Public Safety fund. She briefly explained that building permits is the other revenue category. (See Page 22 of Attachment 3)

Ms. Cannistraro displayed the building permit activity and revenues, (See Pages 23 and 24 of Attachment 3) and added that the changes in revenues represent expedited reviews that have an additional cost.

Councilmember Freeman remarked that developers can have commercial building permits expedited for an additional fee in order to meet developer needs. He added that we need to be sensitive to this need on both the commercial and residential side since time is money for developers.

Ms. Cannistraro explained that Grant Funds are important due to the fact that they augment General Fund revenues. She commented that the biggest recipients of Grant Funds are the Police and Fire and Medical Departments, enabling those departments to purchase specialty and emergency equipment not otherwise funded. (See Page 25 of Attachment 3) She pointed out that one grant for the Fire and Medical Department is set to expire in September 2017 and the grant currently allows the department to facilitate community care type services. She added that moving forward, the department will need to decide if they are going to continue this service and how they will fund it without this particular grant as a funding source.

In response to a question posed by Vice Mayor Luna, Mr. Brady clarified that the Budget Department has a video outlining taxes and where the money goes. He stated that he would have it forwarded to Council for their review.

Mayor Giles requested that this presentation and the bond presentation be provided to assist residents in understanding the City's challenges.

Mayor Giles thanked staff for the presentation.

3. Information pertaining to the current Job Order Contracting projects.

(This item was not discussed by the Council.)

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

4-a. Museum and Cultural Advisory Board meeting held on November 17, 2016.

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

Carried unanimously.

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

Councilmember Freeman: Lehi Celebration

Mayor Giles: 2017 Regional Annual Unity Walk

Mayor Giles: State of the City Breakfast

6. Scheduling of meetings and general information.

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

Saturday, February 4, 2017, 8:00 a.m. – Household Hazardous Waste Collection Event

Saturday, February 4, 2017, 10:00 a.m. – Mesa Arts & Crafts Festival

Monday, February 6, 2017, 4:45 p.m. – Study Session

Monday, February 6, 2017, 5:45 p.m. – Regular Council Meeting

Friday, February 24, 2017, 12:00 p.m. – Chicago Cubs Championship Rally

7. Adjournment.

Without objection, the Study Session adjourned at 9:00 a.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 2nd day of February, 2017. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

js
(Attachments – 3)



Bond Program Update

February 2, 2017

Municipal Bonds

- Loans made to the City by investors (bondholders) for a certain time period (typically 20-25 years) to fund capital improvement projects
 - Interest paid on municipal and state bonds is typically exempt from federal income tax
- Issuing municipal bonds is similar to taking out a home mortgage to build or buy a house

Primary Types of Bonds

- **General Obligation (G.O.) Bonds** – Bonds for which the issuer (the City) pledges its full faith and credit to guarantee repayment of the bonds by any means necessary. Since 2008, the City of Mesa has repaid G.O. bonds primarily through a secondary property tax.
- **Revenue Bonds** – Bonds that are repaid using the revenues from projects that the bonds funded. For example, City Utility Revenue Bonds are repaid with revenue from rate payers that utilize the infrastructure financed by the bonds.

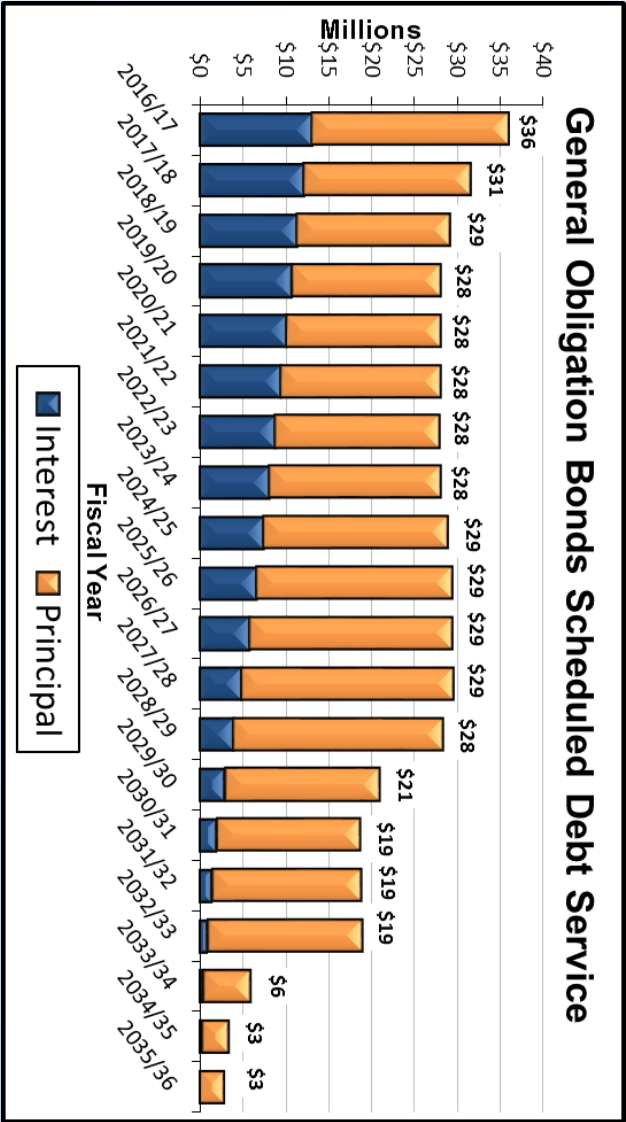
City of Mesa Bond Portfolio

Bond Category	Principal (\$M)
Utility Revenue	\$1,064
General Obligation	351
Excise Tax Bonds	94
HURF (Streets)	93
State Water Loans	2
Total	\$1,604

General Obligation (G.O.) Bonds

- Debt service is paid primarily from the City's secondary property tax levy.

Election Year	Authorization	Authorized but Unissued
1987	\$153,310,000	\$213,000
1996	168,800,000	15,094,000
2004	96,100,000	27,199,000
2012	70,000,000	26,535,000
2013	130,800,000	71,990,000

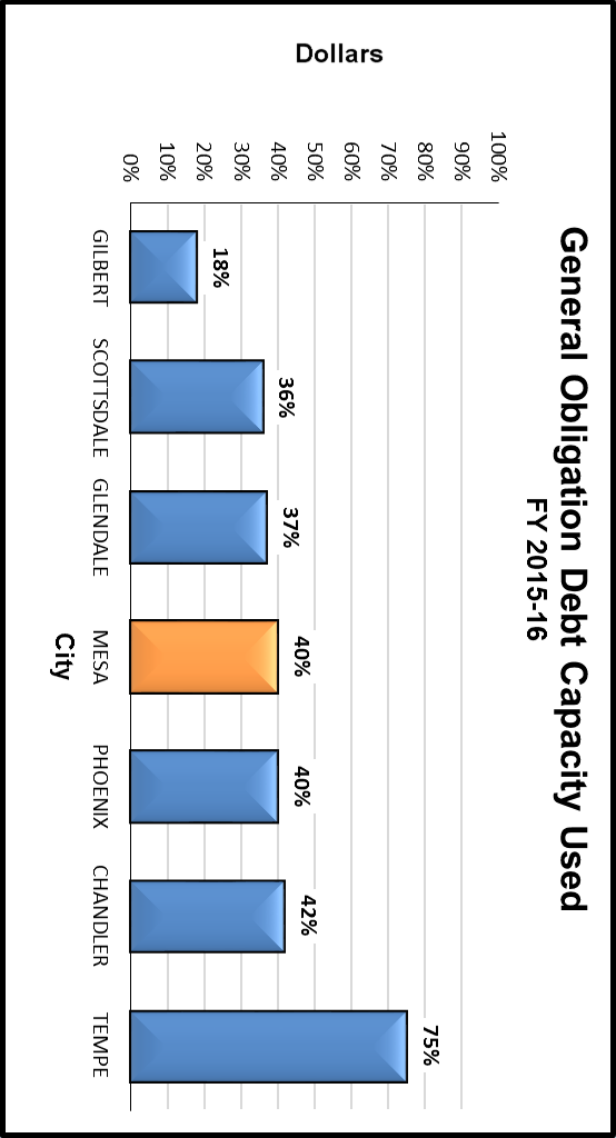


Type	Outstanding Principal	Moody's Rating	S&P's Rating
General Obligation	\$350,950,000	Aa2	AA-

General Obligation Bond Debt Limit

- Per Arizona Constitution,
 - Outstanding GO debt for water, wastewater, artificial light, parks and recreational facilities, public safety, and transportation may not exceed **20%** of a city's net assessed valuation, and
 - Outstanding GO debt for general municipal purposes may not exceed an additional **6%** of a city's net assessed valuation.

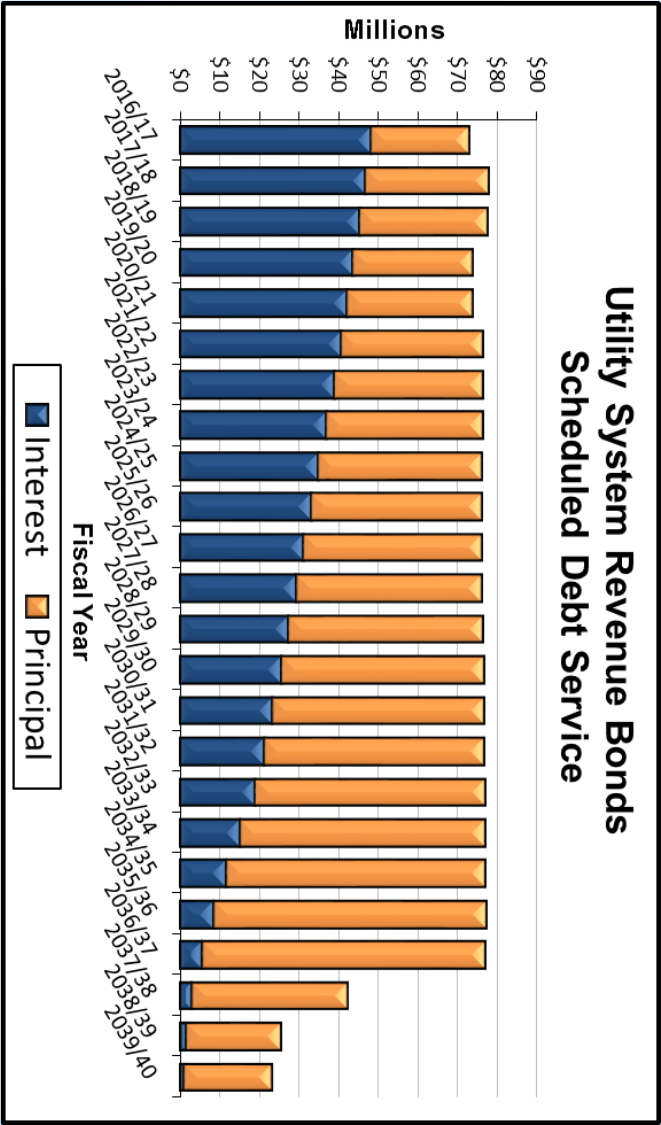
General Obligation Bonds – Debt Limit (FY 2015-16)			
Debt Category	20%	6%	Total
Constitutional Limitation	\$673,179,040	\$201,953,712	\$875,132,752
Bonds Outstanding	349,902,931	1,047,069	350,950,000
G.O. Debt Capacity Used			40%
Borrowing Capacity Remaining	\$323,276,109	\$200,906,643	\$524,182,752



Utility Systems Revenue Bonds

- Debt service is secured by and repaid from revenues of the utility systems.

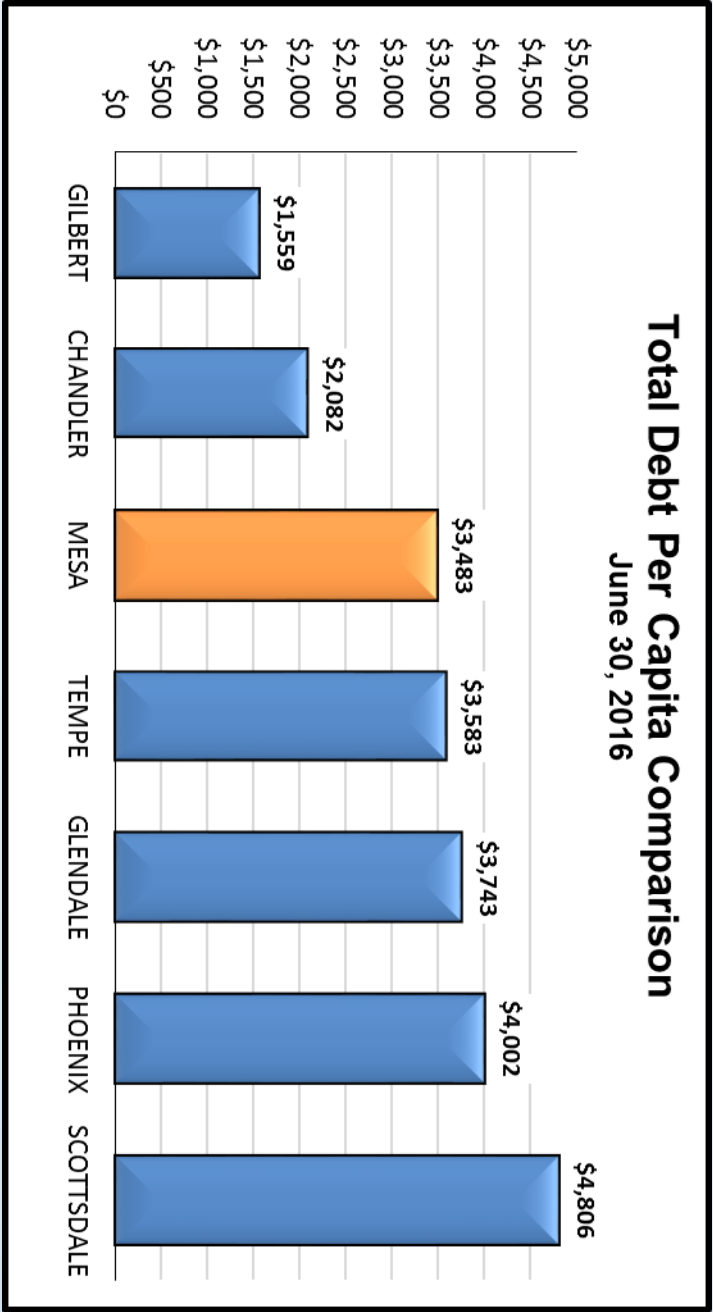
Election Year	Authorization	Authorized but Unissued
1994	\$46,00,000	\$3,570,000
2010	202,100,000	32,577,788
2014	580,000,000	495,345,402



Type	Outstanding Principal	Moody's Rating	S&P's Rating
Utility System	\$1,063,710,000	Aa2	AA-

Debt Comparison

Mesa – Bond Principal Outstanding (\$M): \$1,604
Debt Per Capita: \$3,483



Refunding Bonds

- Refunding bonds are issued to replace or refinance previously issued debt with new debt
- Refunding is typically used to:
 - Restructure Debt
 - Save borrowing costs through lower interest rates
- City of Mesa internal policy to achieve minimum of 3% present value savings of the refunded debt

Anticipated 2017 Bond Refunding Activity

- Refunding General Obligation Bond Issuance (\$3.7M estimated savings over 12 years)
- Refunding Utility Revenue Bond Issuance (\$7.9M estimated savings over 11 years)
- Retire \$6M of Utility Revenue bonds early with impact fee fund balance

Anticipated 2017 Bond Refunding Activity

Estimated Timeline

Feb 6th – City Council considers resolution authorizing refunding issuances

Week of Feb 6th – Staff conducts ratings calls

Week of Feb 27th – Price refunding bonds

Week of April 3rd – Close refunding bonds

Anticipated 2017 New Money Bond Activity

- New Money General Obligation Bond Issuance (est: \$47M)
(Public Safety, Parks, Streets)
- New Money Utility Revenue Bond Issuance (est: \$124M)
(Water, Wastewater, Natural Gas, Electric)

Anticipated 2017 New Money Bond Activity

Estimated Timeline

Week of Feb 6th – Staff conducts ratings calls

Early April – City Council considers resolution authorizing new money bonds

Early May – Price new money bonds

Late May – Close new money bonds



Housing Master Plan

Feb. 2nd, 2017



PURPOSE Policy

- Update of former Housing Plan for Mesa's General Plan 2040.
- Broad and comprehensive review, community input and update of all housing inventory types/varieties.
- Data-driven approach for decision-making.

PURPOSE Guidance

- Guidance to support the Consolidated Plan to provide focus and priority for investment of federal funding, i.e. Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), and HOME Investment.
- Data-driven approach on establishing priorities for investment.

PHASE I:

Housing Community Profile

Timeline: February-June 2017
Consultant has been selected.

Examples of data to be collected:

- Existing housing stock
- Rent and home price ranges
- Income levels, family size, age, jobs, and education stats
- Trends of housing for the past ten (10) years
- Projections for the next ten (10) years that can help set the context for plan recommendations
- **Council presentation on report findings.**

PHASE II: Community Engagement & Input

Timeline: July-October

- Outreach and engagement with key stakeholders and neighborhood leaders to review and discuss Phase I report results and community vision.
- Public meetings, engagement apps/technology to be used to seek broader input.
- Organize information and recommendations from public meetings and stakeholders for Council.

PHASE III: City Council Review and Direction

Timeline: **November**

- Community & Cultural Development Committee
- City Council Study Session
- Council Action

TIMELINE

Phase I- Housing Community Profile:
February-June 2017

Phase II- Community Engagement & Input:
July –October 2017

Phase III- City Council review and Direction:
November 2017

Housing Master Plan Questions?

Feb. 2nd, 2017



Governmental Funds - Revenues

February 2, 2017

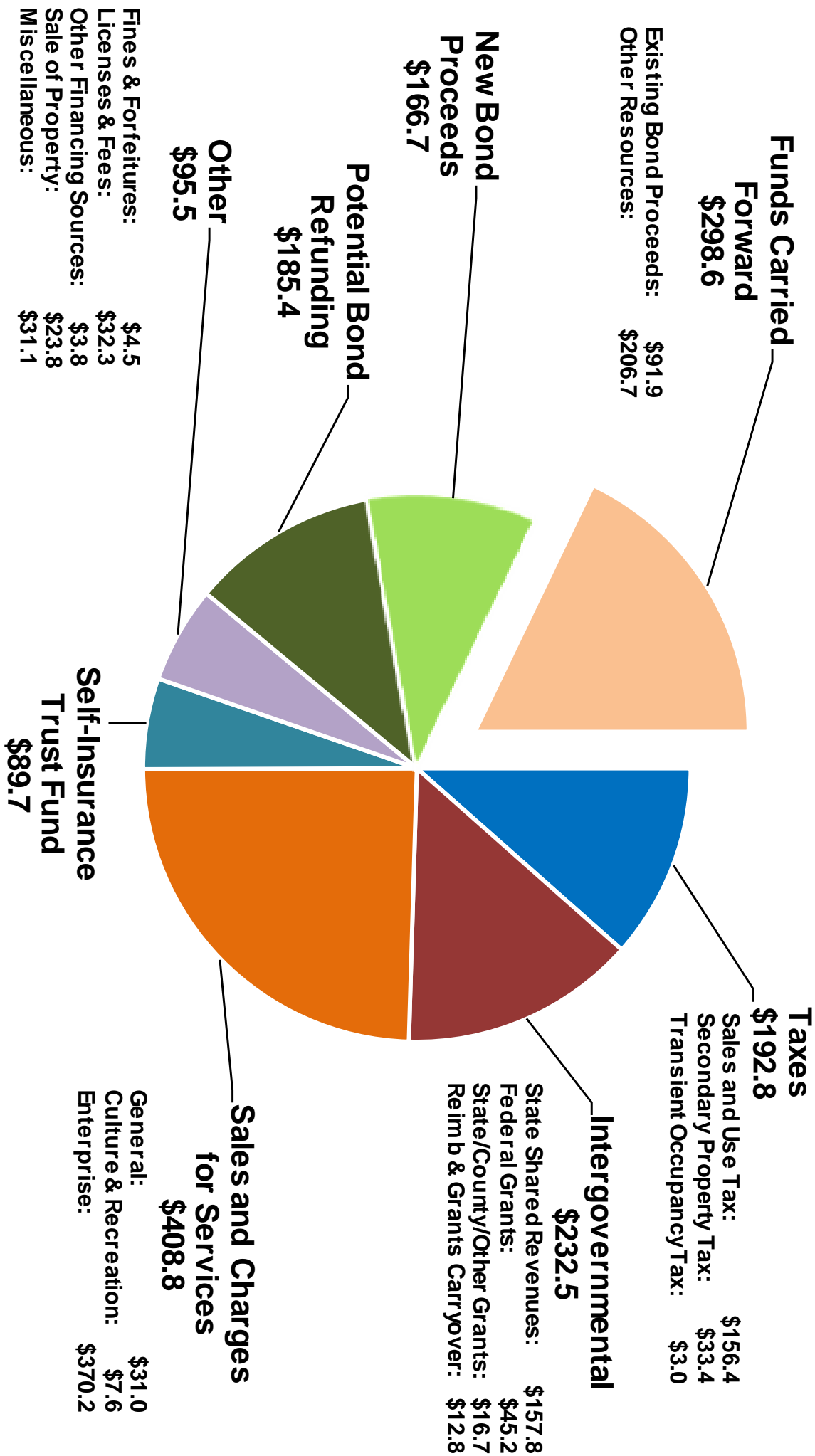
City of Mesa

Presented by the Office of Management and Budget



Fiscal Year 2016/17

Total City Available Resources \$1.67B



Resources/Revenues

Taxes

Intergovernmental

Reimbursements and Grants

Sales and Charges for Service

Self-Insurance Trust Funds

Other Revenues

Potential Bond Refunding

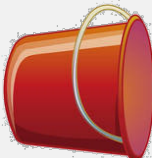
New Bond Proceeds



General Fund/ General Capital Fund



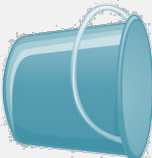
Enterprise Fund/ Enterprise Capital Fund



Restricted Funds



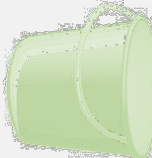
Grant Funds



Self-Insurance Trust Funds



Debt Service Funds



Bond

What is a FUND?

A self-balancing set of accounts recording cash and/or other resources, together with all related liabilities and expenses, for the purpose of carrying on specific activities or attaining certain objectives.





General Funds

These are resources and expenses that are discretionary in nature and can be allocated based on the needs of the City.



Parks



Library

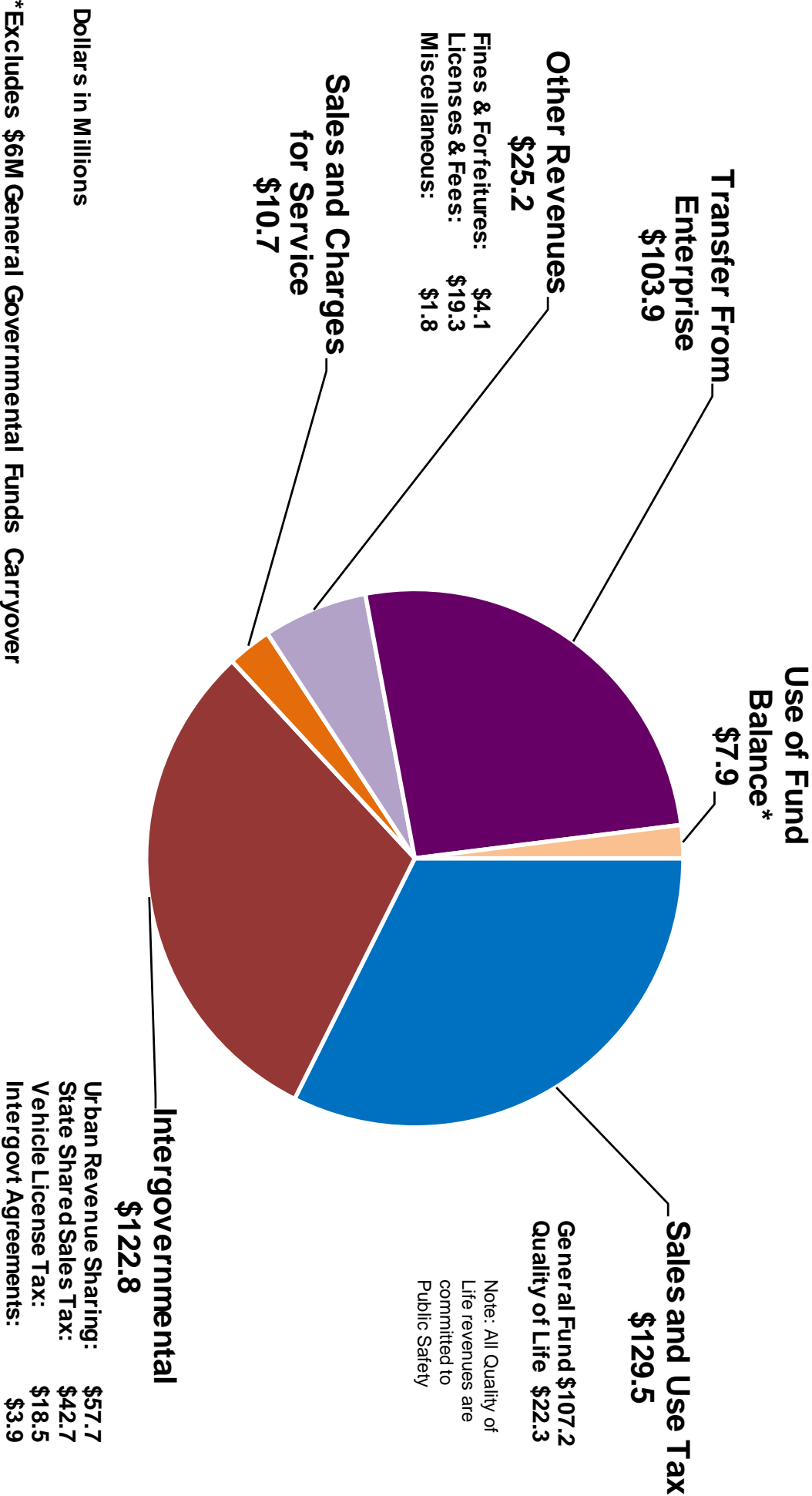


Police



Fire

Fiscal Year 2016/17
General Governmental Funds Available Resources \$400.0M



For presentation purposes: includes all General Fund revenues and Quality of Life sales tax

Revenue Forecasting Process

The city subscribes to a forecast group out of the University of Arizona which allows for access to raw data regarding econometrics



Statistical software is applied in house to analyze the correlation between economic trends and the City's revenue sources



Relevant economic indicators are considered such as: population growth, wages, unemployment, building permits, gas prices, etc.



Mesa specific factors are applied such as economic development activities, retail trends, etc.

Governmental Funds Operating Revenues

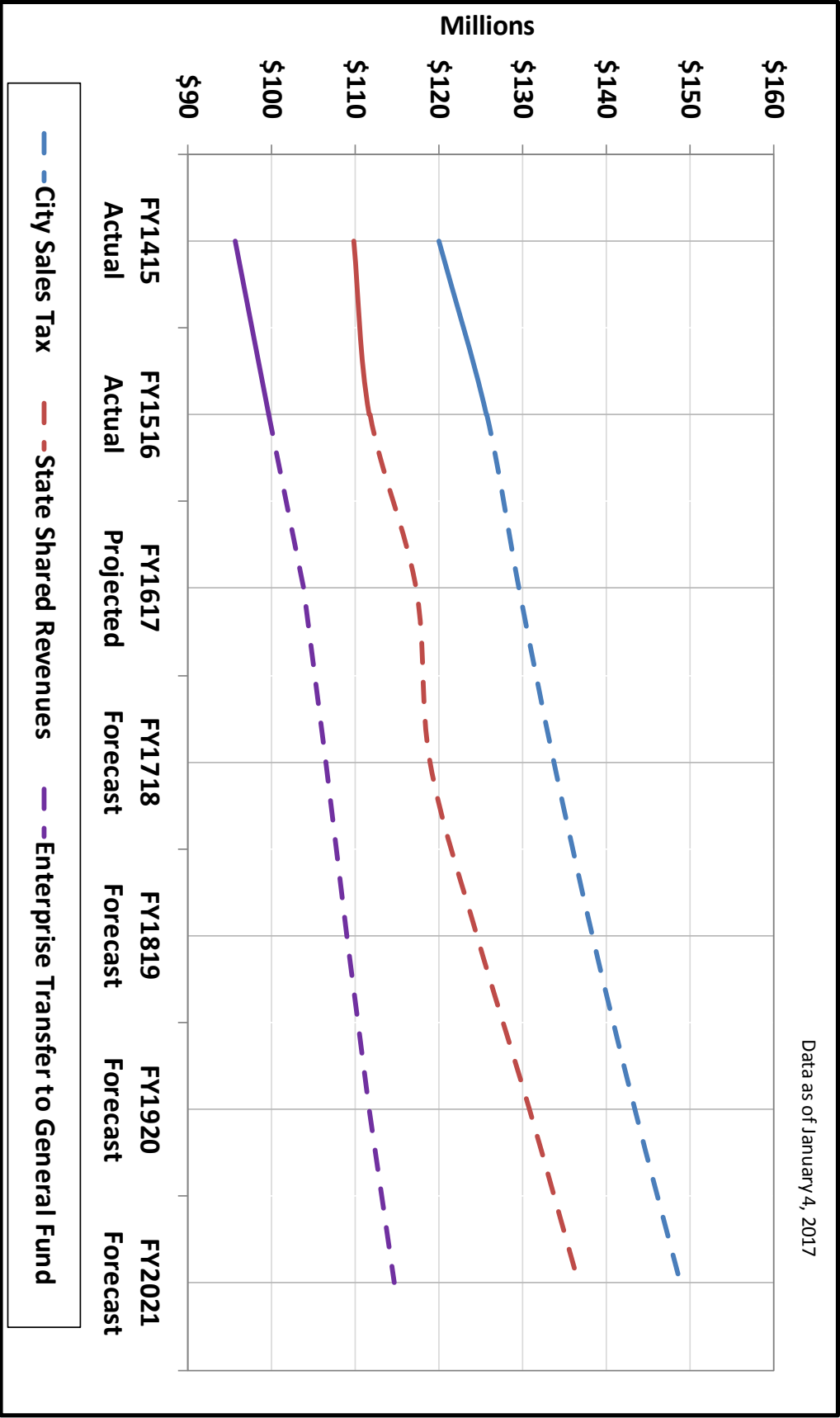
General Governmental revenues in the City of Mesa
come from three primary sources:

**City sales and
use tax**

**State shared
revenues**

**Transfer from
the enterprise
fund**

Government Funds Operating Revenues



A standard economic cycle correction is anticipated during the forecast period and has not been included in the revenue amounts at this time. This issue will be addressed as part of the proposed budget.

Government Funds Operating Revenues

	FY 15/16 Actuals	Change from FY 14/15	FY 16/17 Budgeted	FY 16/17 Projected	Change from FY 15/16	FY 17/18 Forecast	Change from FY 16/17 Projected
Local Sales Tax	\$125.8	3.5%	\$129.5	\$132.5	5.3%	\$134.8	1.8%
State Shared Revenues							
State Sales Tax	\$41.6	3.9%	\$42.6	\$43.3	4.1%	\$45.6	5.1%
Urban Revenue Sharing	\$52.9	-0.5%	\$57.7	\$57.8	9.3%	\$59.3	2.6%
Vehicle License Tax	\$18.2	8.5%	\$18.6	\$19.0	4.2%	\$19.7	3.9%
Enterprise Transfer	\$99.7	4.1%	\$103.9	\$103.9	4.2%	\$106.5	2.5%
Other*	\$41.2	3.8%	\$39.7	\$38.5	-6.7%	\$40.5	5.3%
Total	\$379.5	3.4%	\$392.1	\$395.0	4.1%	\$406.4	2.9%
(as of Dec 2016) Dollars in millions							

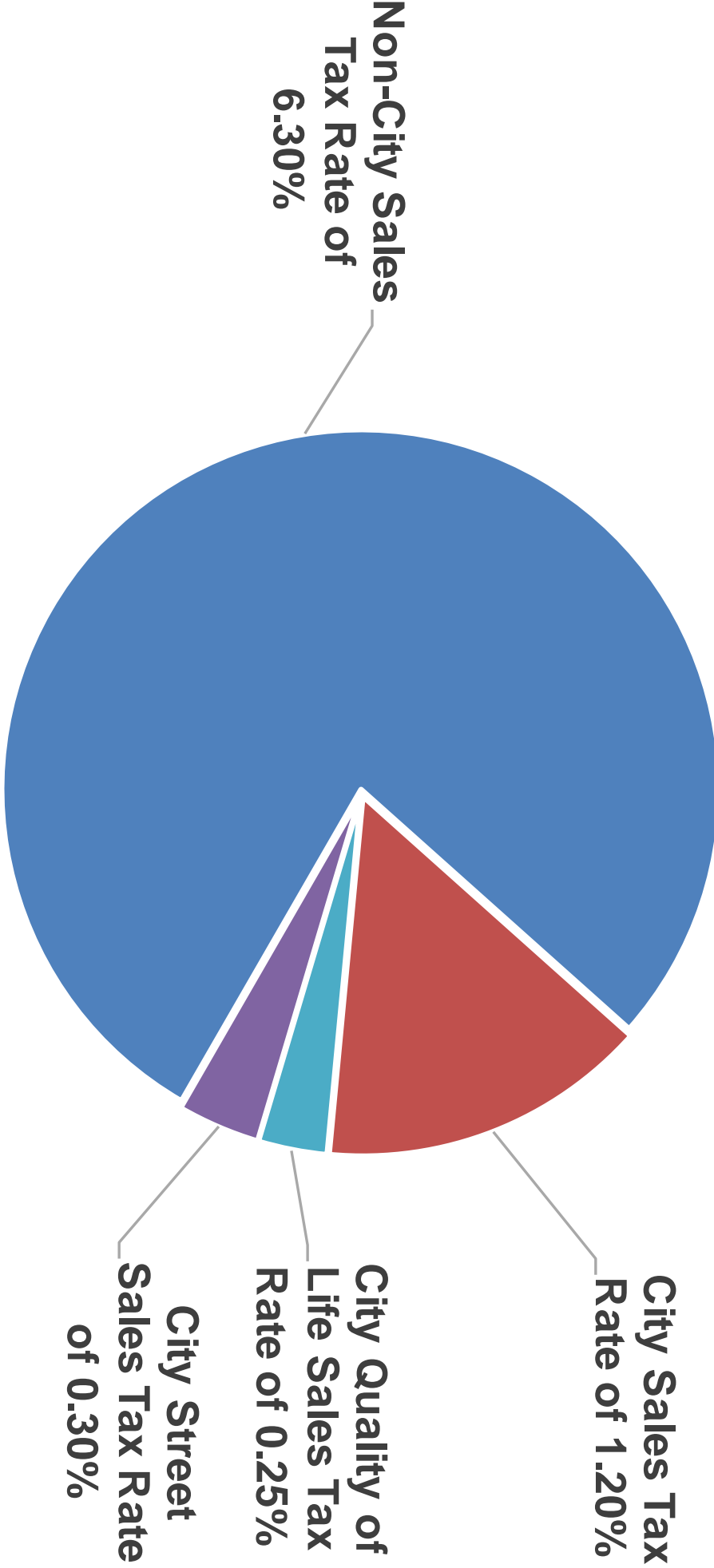
FY 16/17 Budget excludes \$6.0M in carryover.



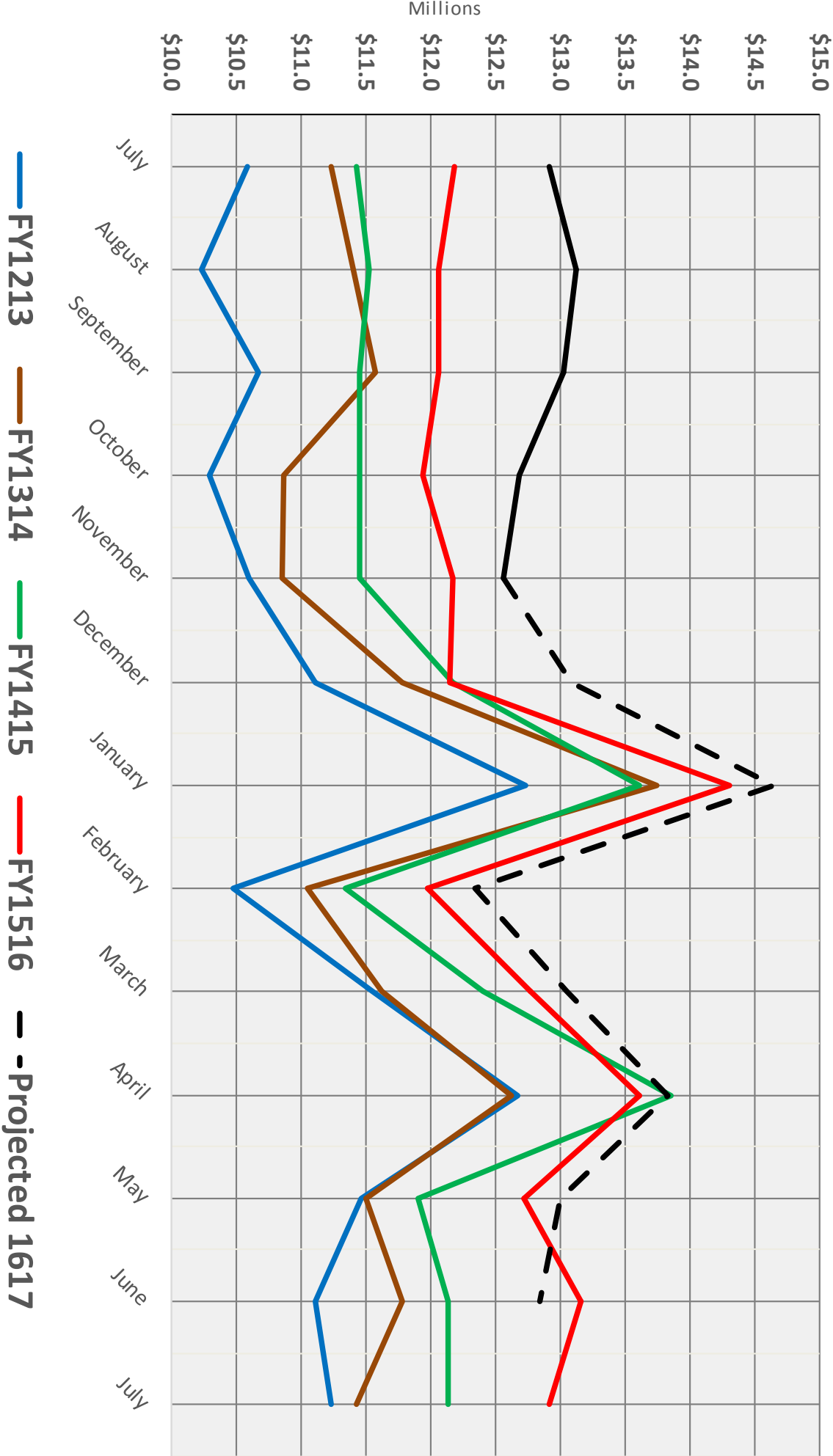
City Sales and Use Tax



Mesa Total City Sales Tax Rate of 1.75%



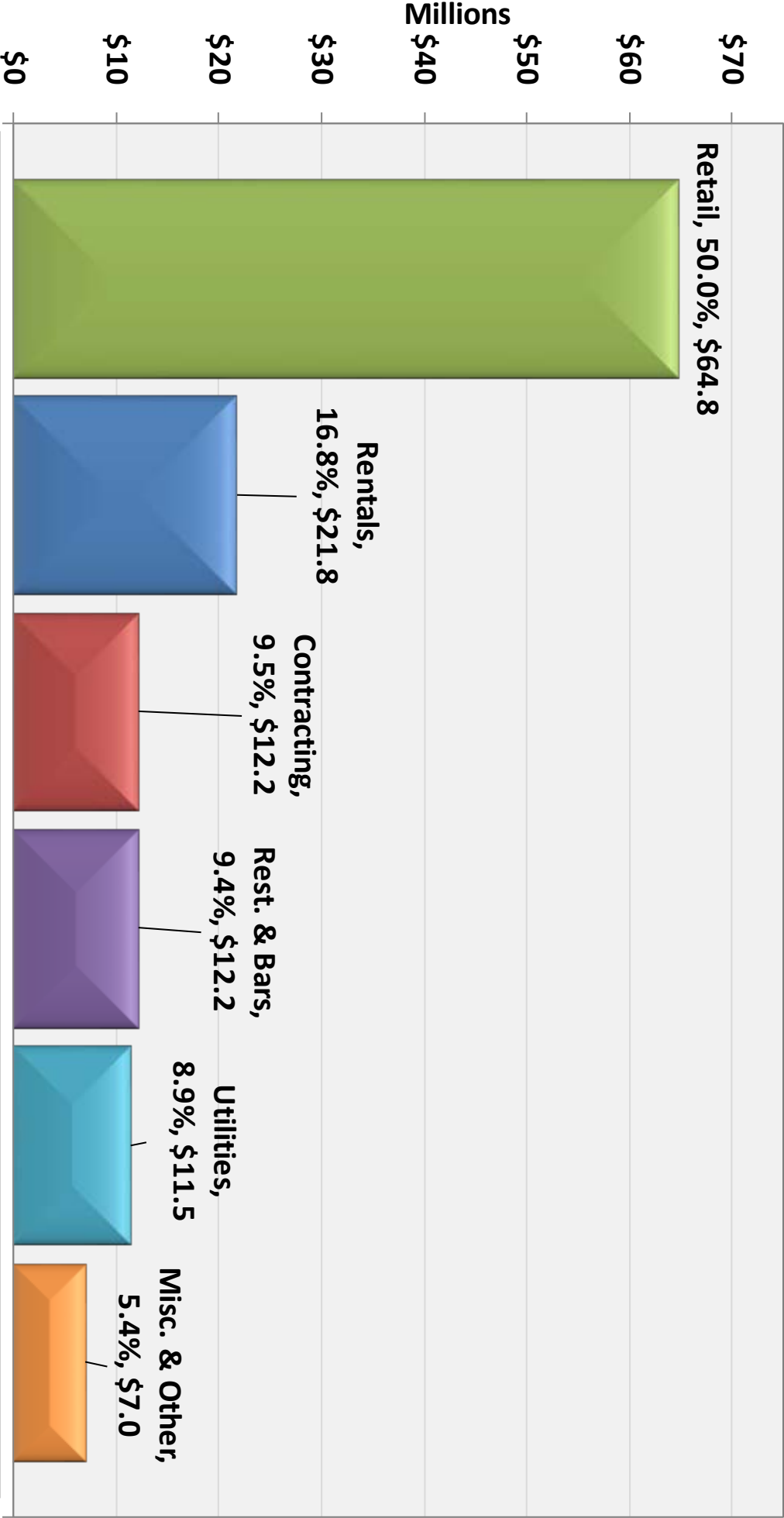
City Sales Tax Seasonal Trend



Data represents consumer activity from the previous month.

City Sales Tax by Category

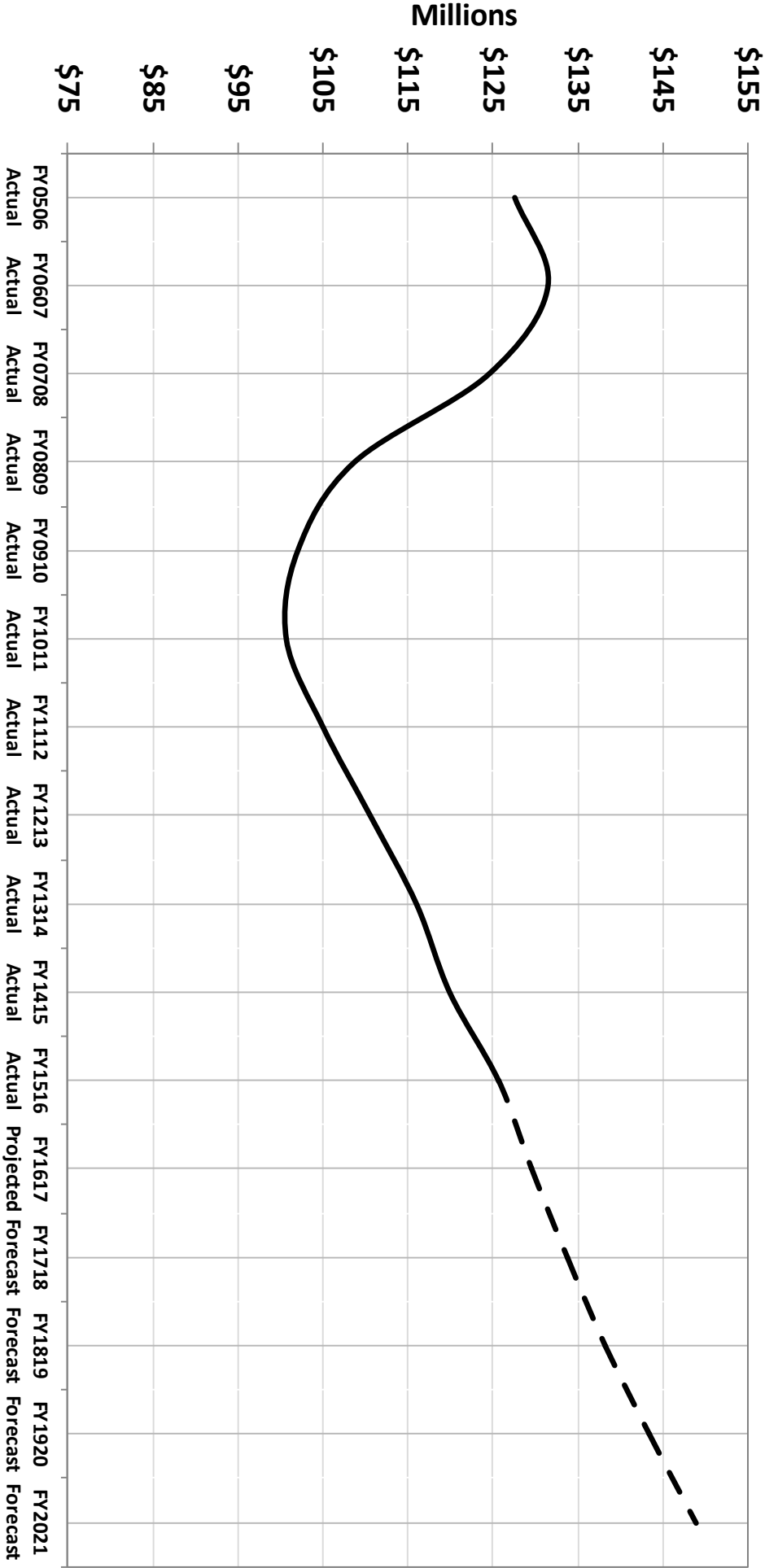
Data as of January 4, 2017



FY1617 Projected General Governmental Sales Tax: \$129.5M Total

City Sales Tax – Historical View

Data as of January 4, 2017



State Shared Revenues

Three sources that impact the General Fund

Urban Revenue Sharing (state-shared income tax)

Two year lag between what is reported to when it is received

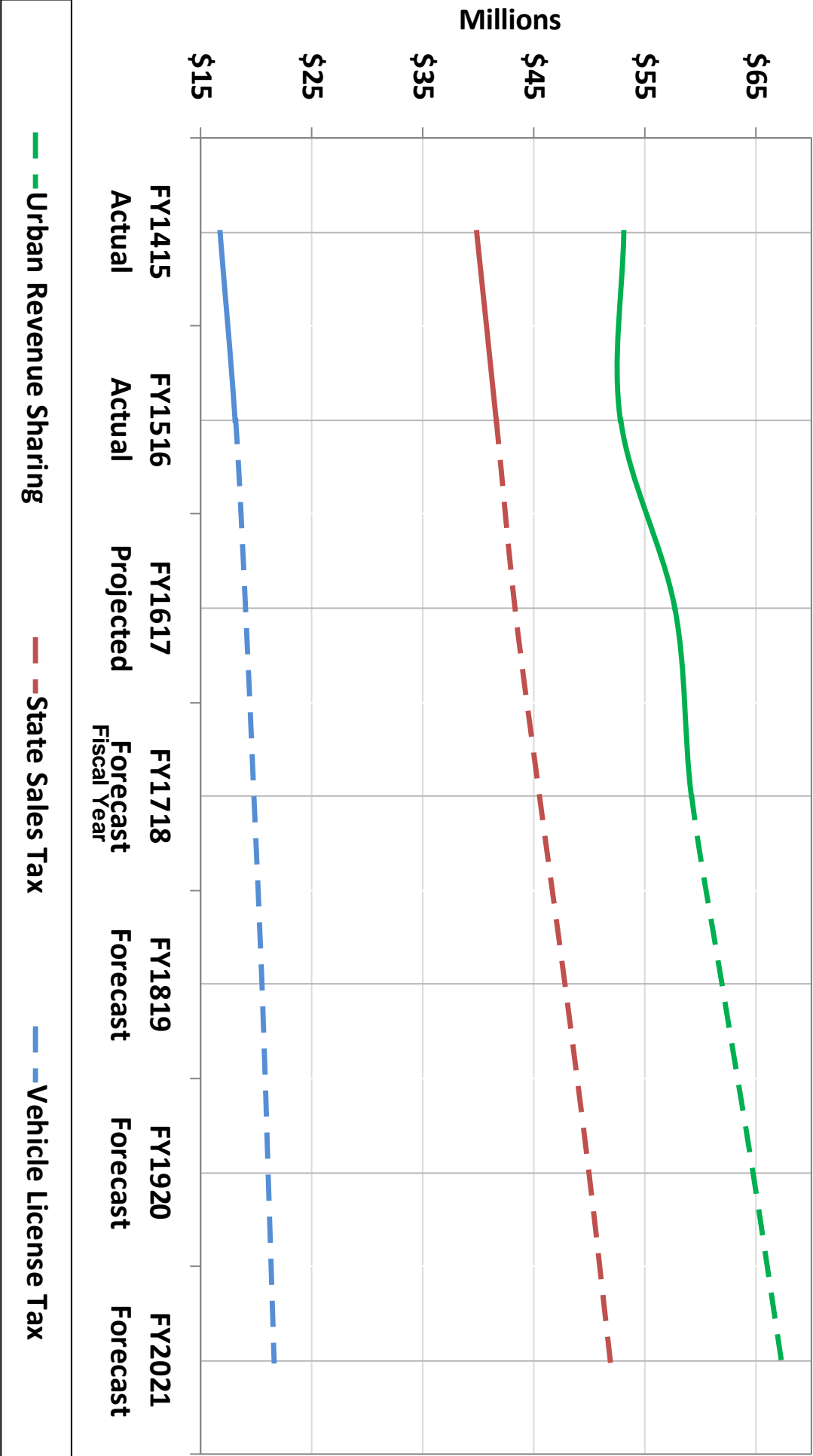
State Sales Tax

Vehicle License Tax

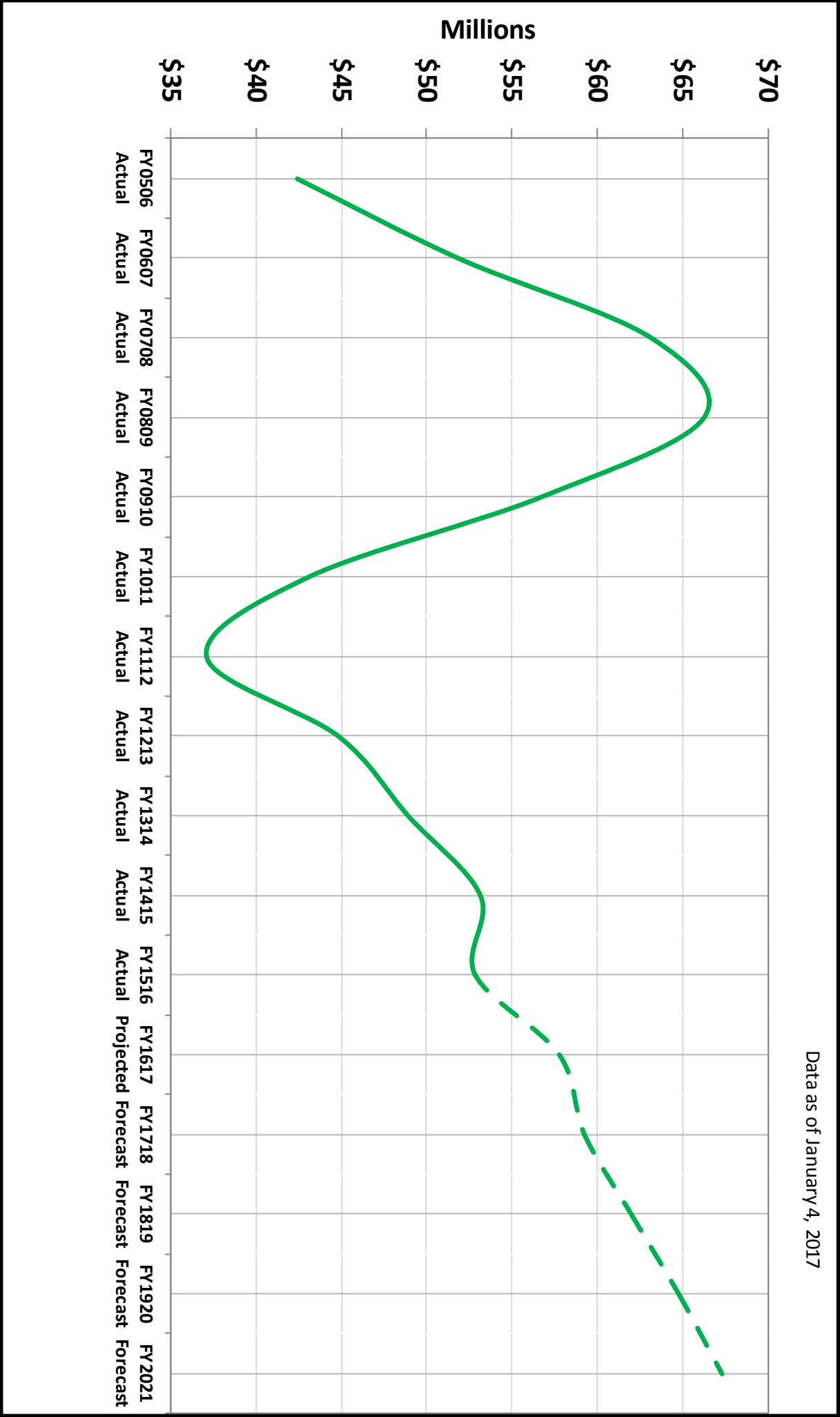
All state shared revenue is based on population formulas.

State Shared Revenues

Data as of January 4, 2017

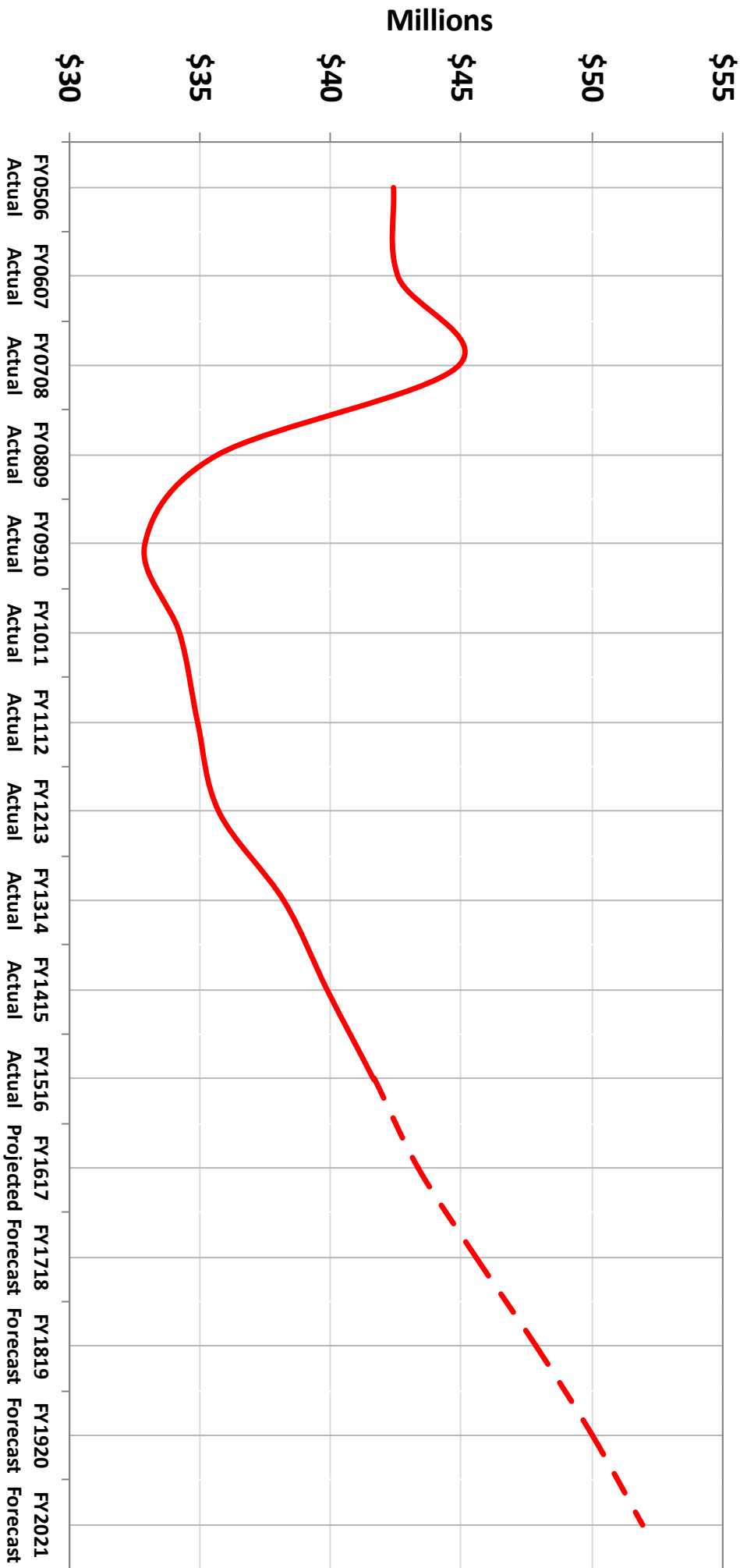


Urban Revenue Sharing (Income Tax)



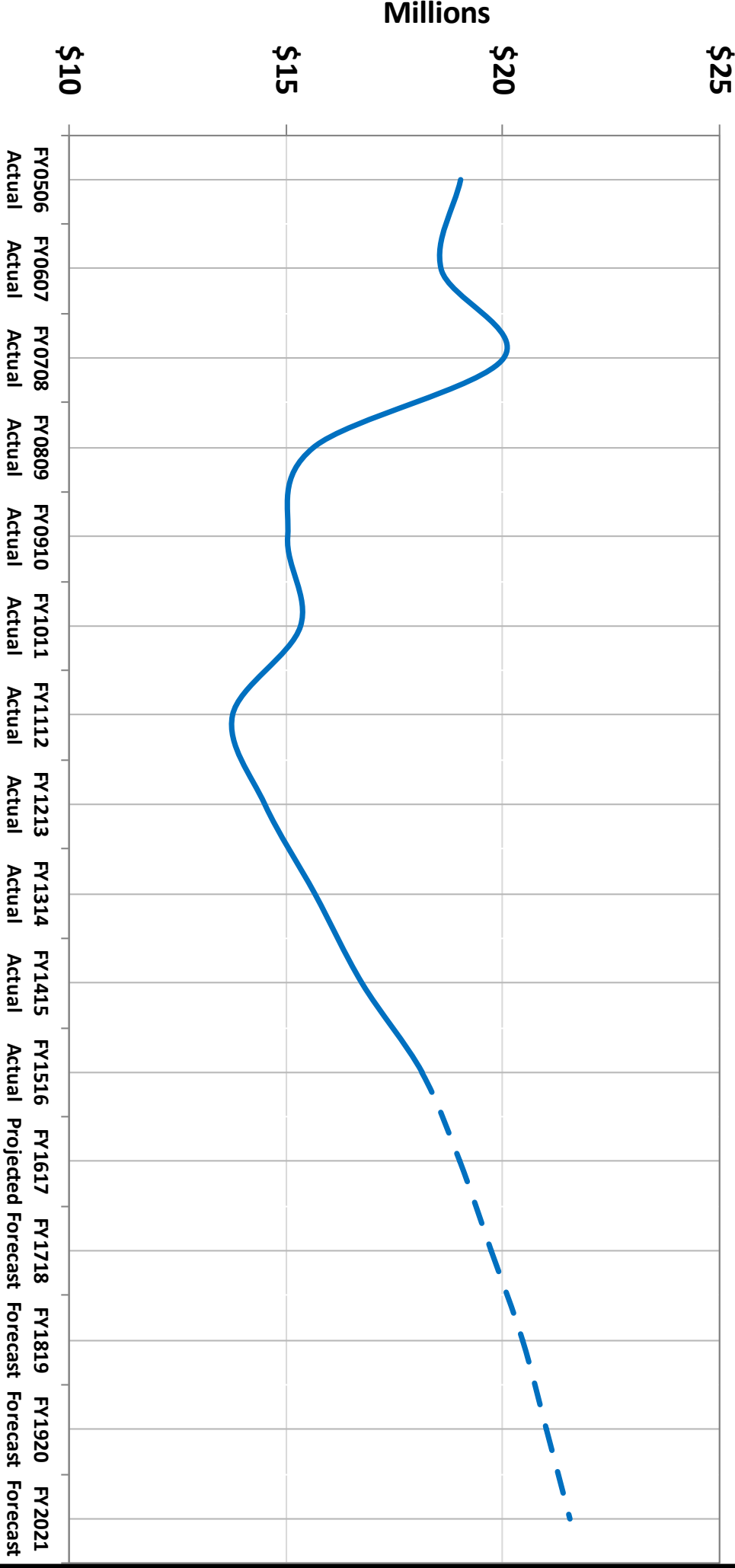
State Sales Tax

Data as of January 4, 2017



Vehicle License Tax

Data as of January 4, 2017



Transfer from the Enterprise Fund

City's method of providing funding for general governmental services such as police and fire.

The City invests the net revenues from the utilities back into the city.

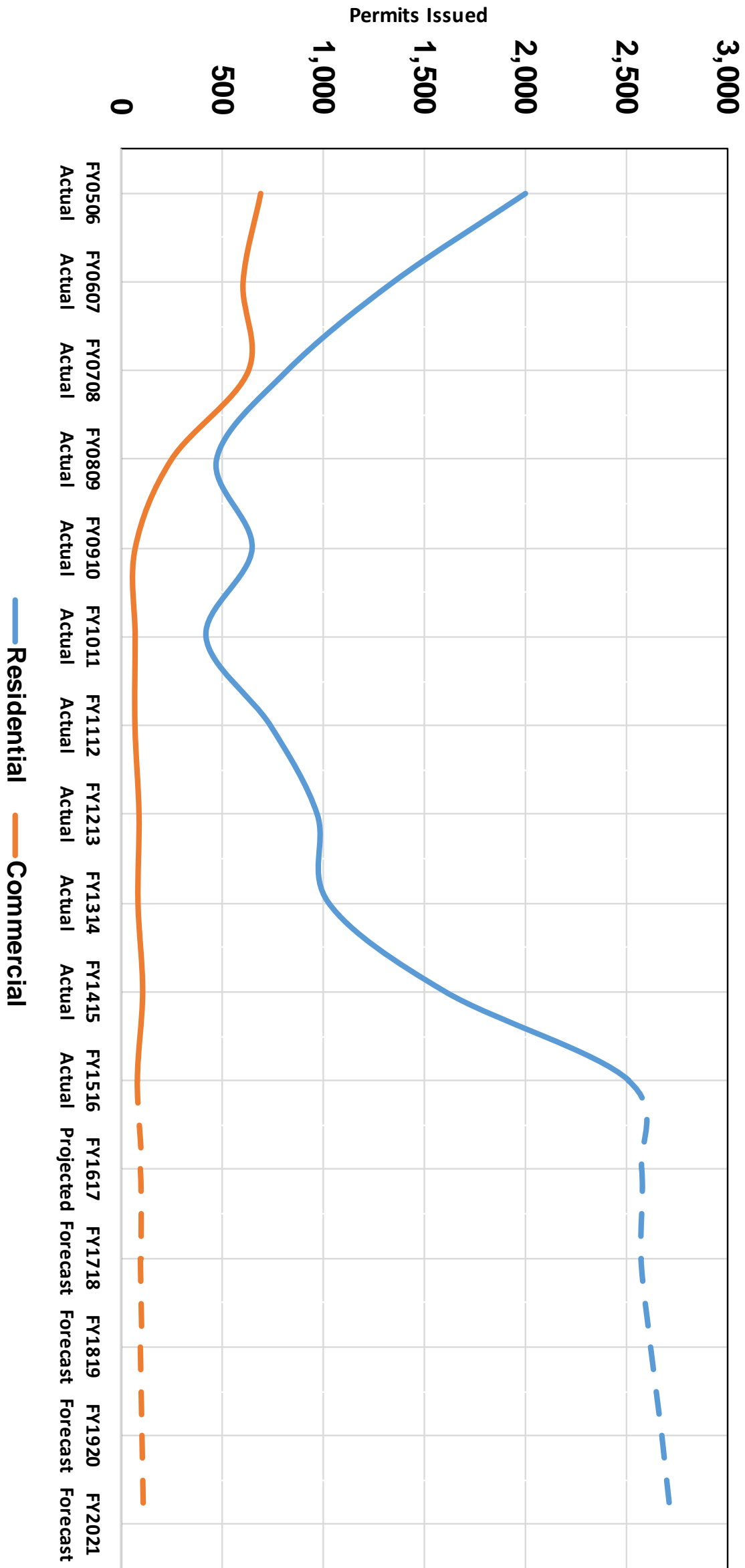
The FY17/18 forecast includes an increase to the transfer amount equal to the consumer price index (CPI) of 2.5%.



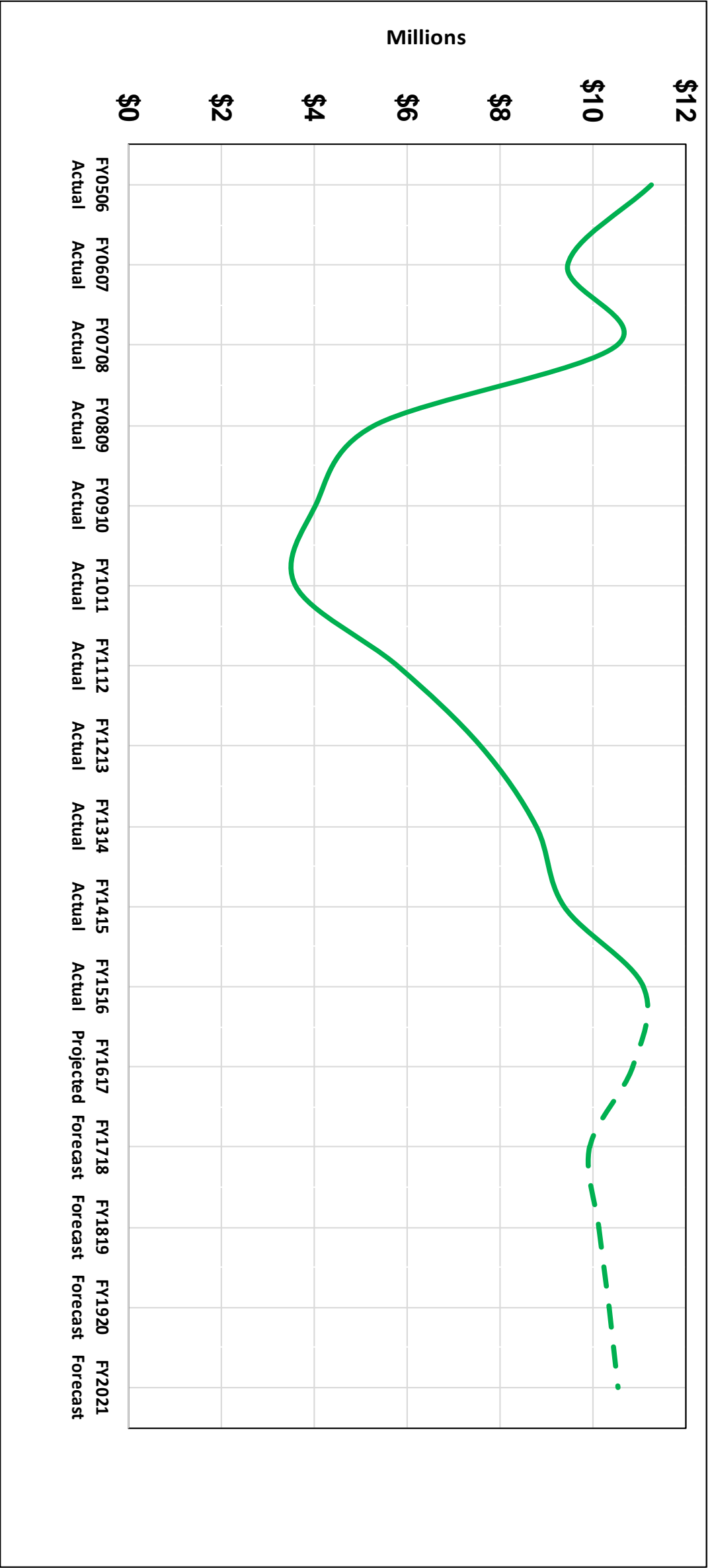
Building Permit Activity

- Monitoring Permit Activity is helpful as an economic indicator
- When permit activity increases, other revenues also tend to increase
- Commercial permit activity has slowed therefore permit revenues have decreased

Building Permit Activity



Building Permit Revenues





Grant Funds

The City pursues grants to fund projects, implement or enhance programs, and fund the acquisition of new equipment. Grant awards provide the City with the means to fund services that would not otherwise be funded in the City's budget.



Police Grants



Fire Grants

Grant Funds

Police

- Homeland Security Grant provides resources for the acquisition of equipment to support homeland security activities
- Governor's Office of Highway Safety (GOHS) Grant provides resources for DUI and traffic enforcement activities, traffic safety equipment, traffic enforcement vehicles, and overtime for officers supporting the City's traffic safety program
- Mesa Family Advocacy Center (MFAC) Grants providing for the salaries and benefits for Victim Support Services personnel and equipment
- Multiple forensics grants for forensic personnel overtime and software, acquisition of new computer equipment, travel and training for forensic personnel
- Governor's Office of Highway Safety (GOHS) Grant for the acquisition of a Gas Chromatograph Mass Spectrometer.
- Justice Assistance Grant for equipment acquisitions
- Tribal Gaming Grants provides funding for the police Video downlink, pilot flight training request, license plate readers.
- High Intensity Drug Trafficking Areas (HITDA) Grant provides funding for officer overtime to coordinate activities that address drug trafficking in specially designated areas of the United States.

Grant Funds

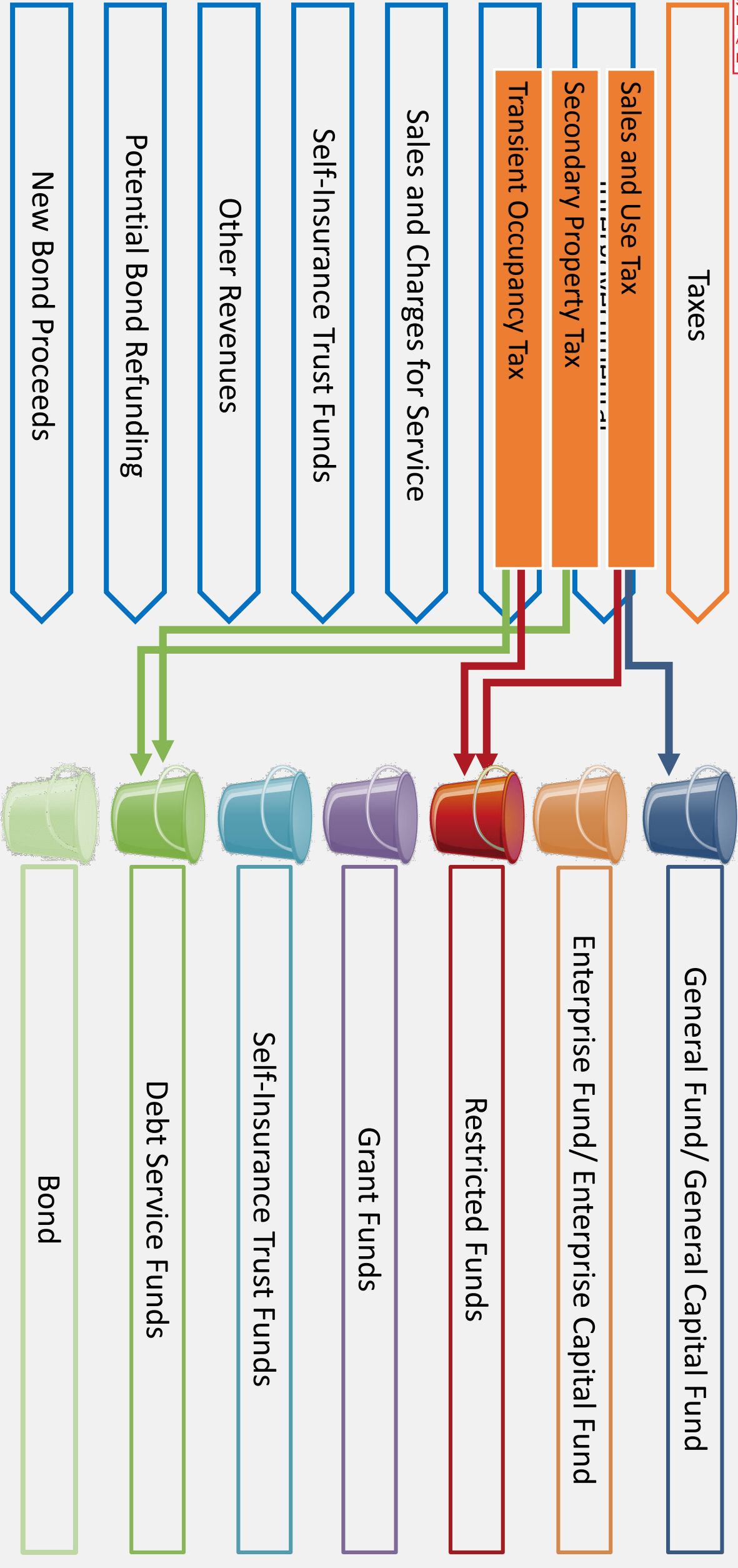
Fire and Medical

- \$4.3 million in FY 16/17 from the Centers for Medicare and Medicaid Services (CMS) Healthcare Initiative Grant. FY 16/17 was the third and final year of funding for the department's Community Care Response Initiative which provides high-quality immediate patient care at the point of calling for low-level emergencies. This program is expected to save millions of dollars in healthcare costs, while improving patient healthcare outcomes and enhancing efficiencies at local hospitals. The grant supports the salaries and benefits for key personnel, supplies, and equipment. A grant match is not required from the City. The grant expires in September, 2017.
- Urban Area Security Initiative (UASI) Rapid Response Team (RRT) for salary & benefits, including travel, conferences and training for key fire personnel.
- Various other grant awards which include immunizations and provide support for Community Emergency Response Teams.



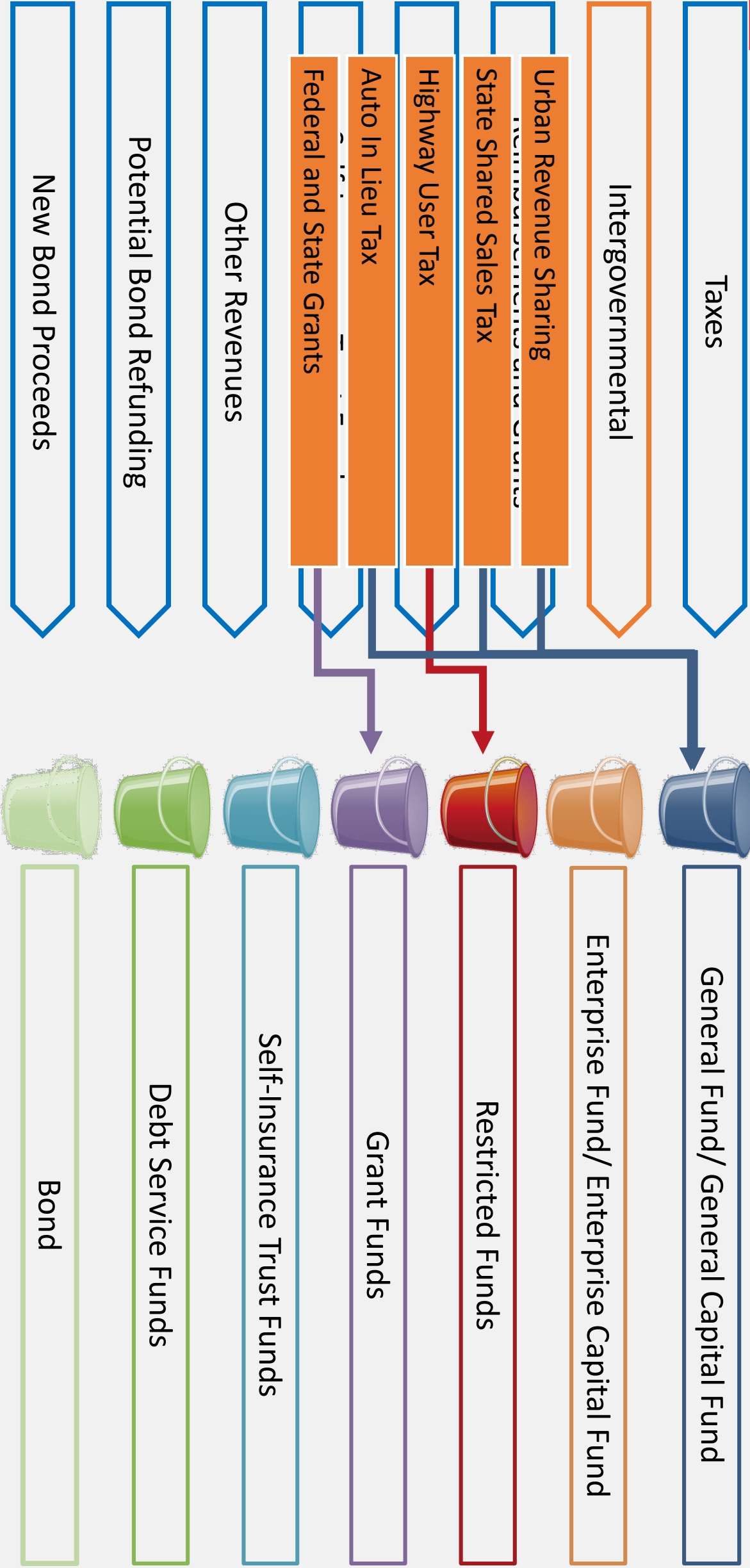
Resources

Funds



Resources

Funds



Resources

Taxes

Intergovernmental

Reimbursements and Grants

Sales and Charges for Service

Self-Insurance Trust Funds

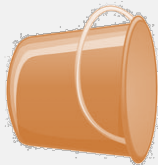
Other Revenues

Potential Bond Refunding

New Bond Proceeds



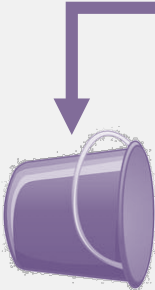
General Fund/ General Capital Fund



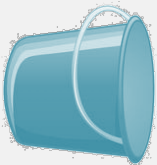
Enterprise Fund/ Enterprise Capital Fund



Restricted Funds



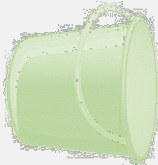
Grant Funds



Self-Insurance Trust Funds

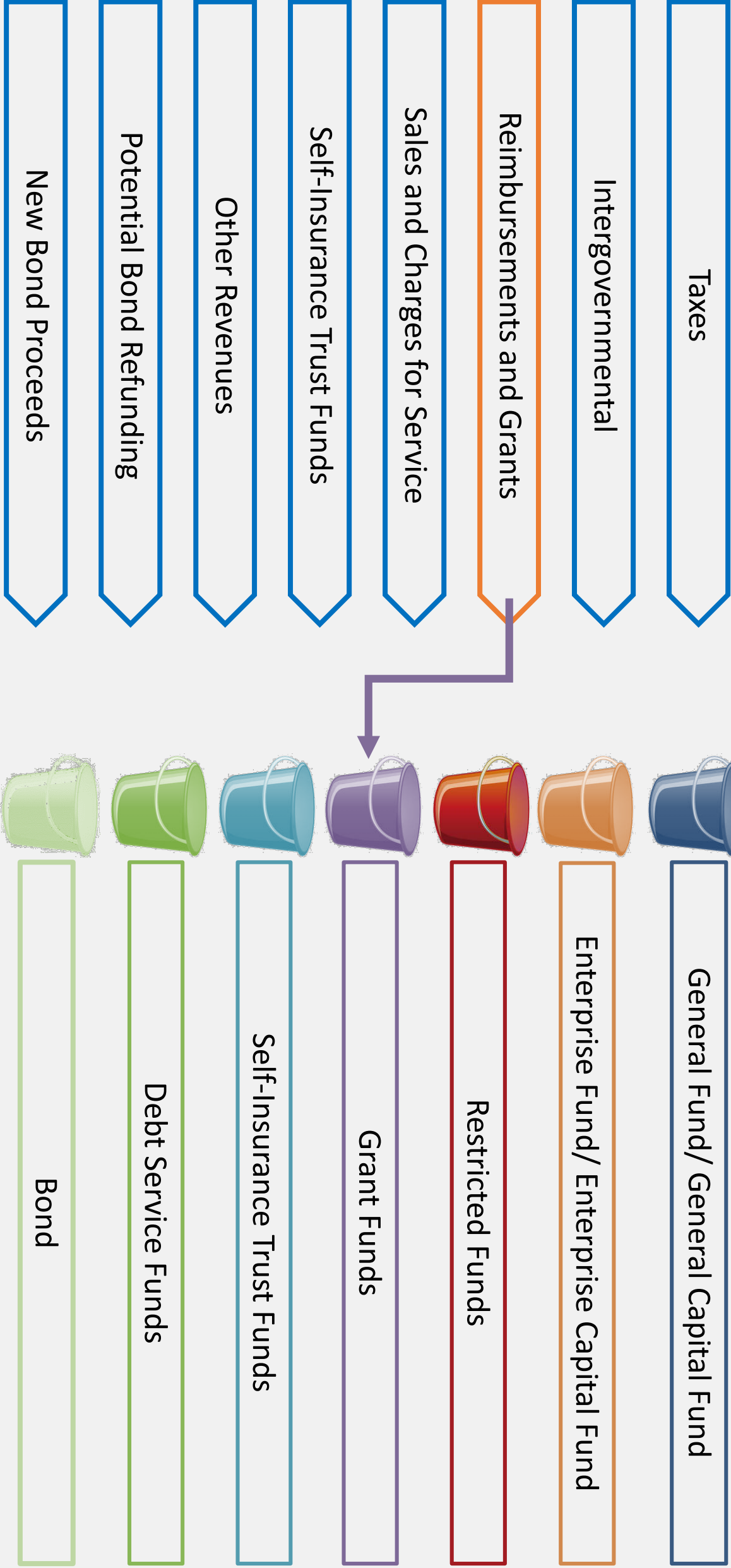


Debt Service Funds

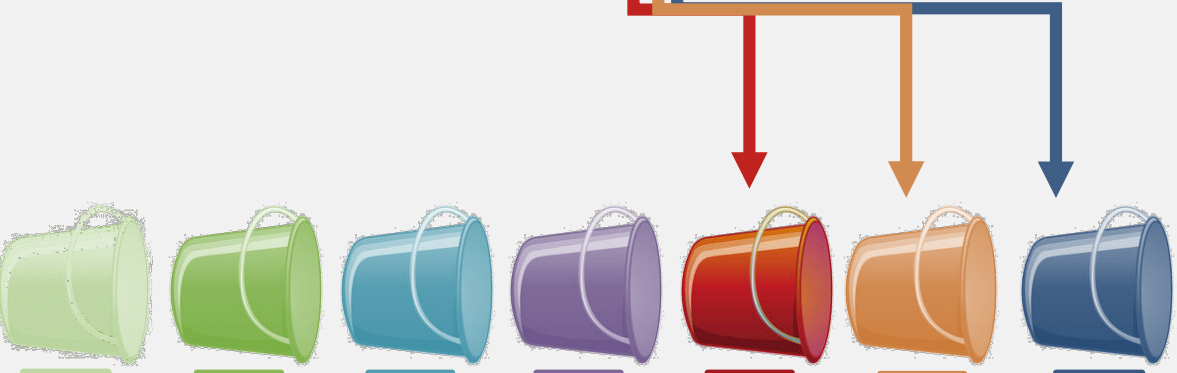
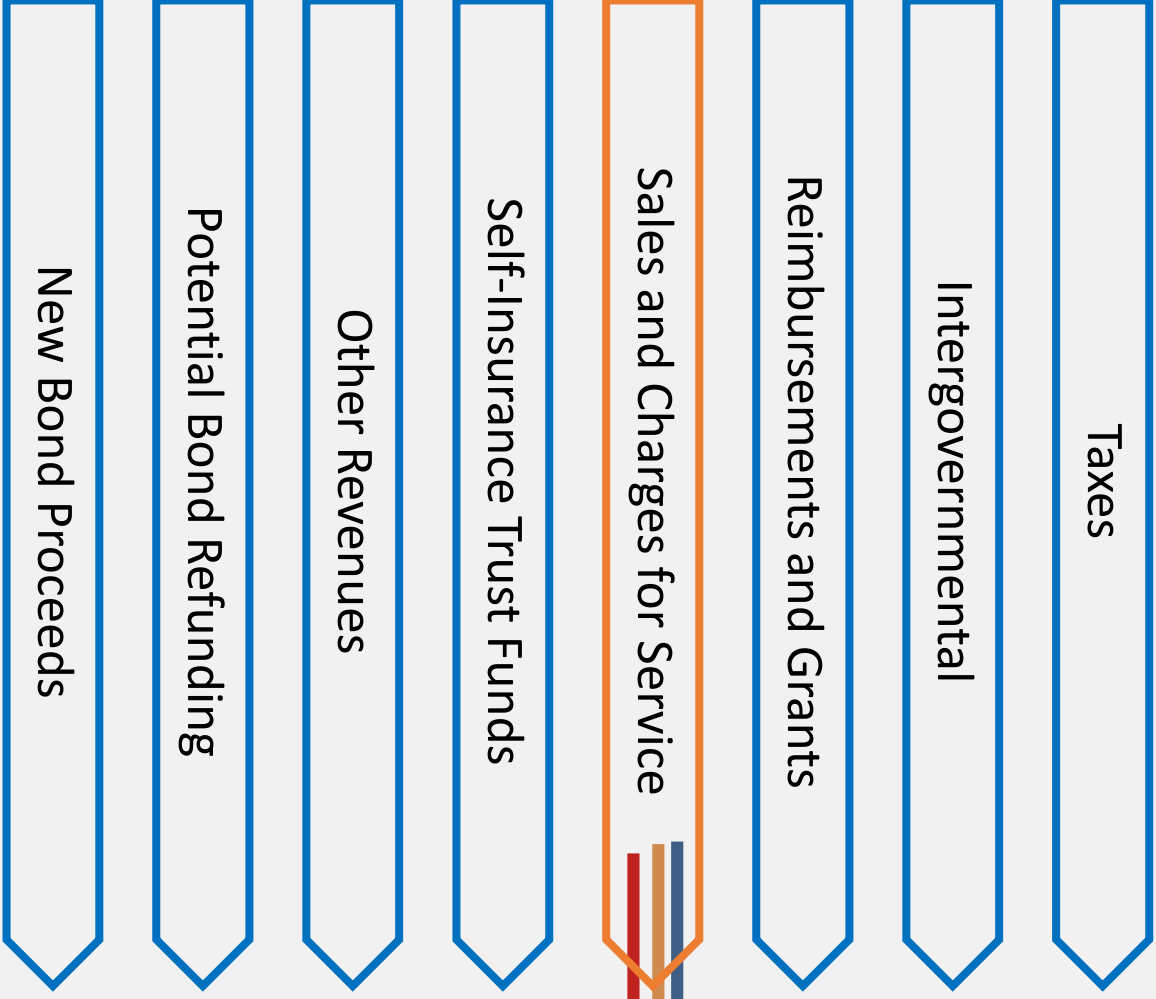


Bond

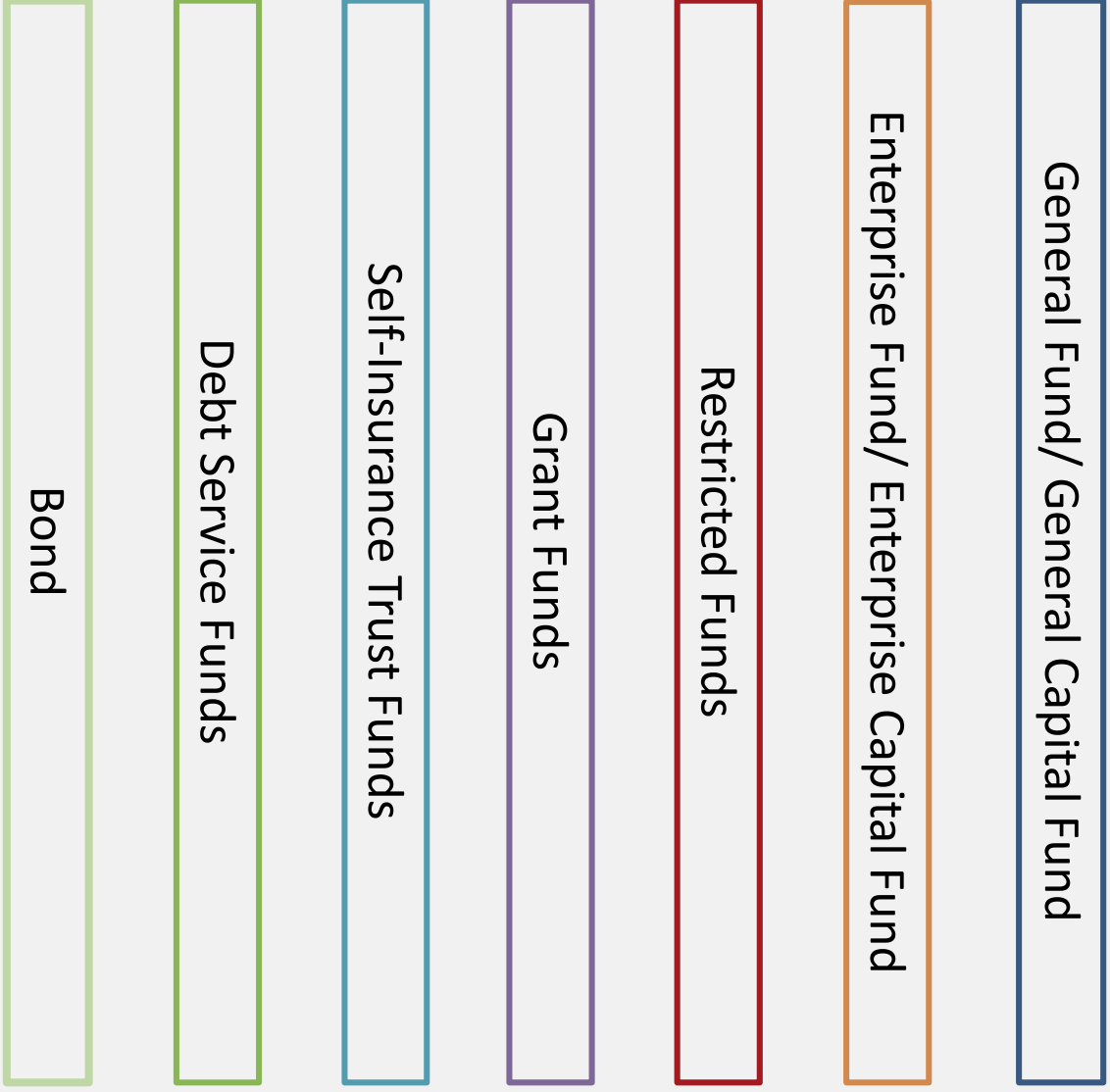
Funds



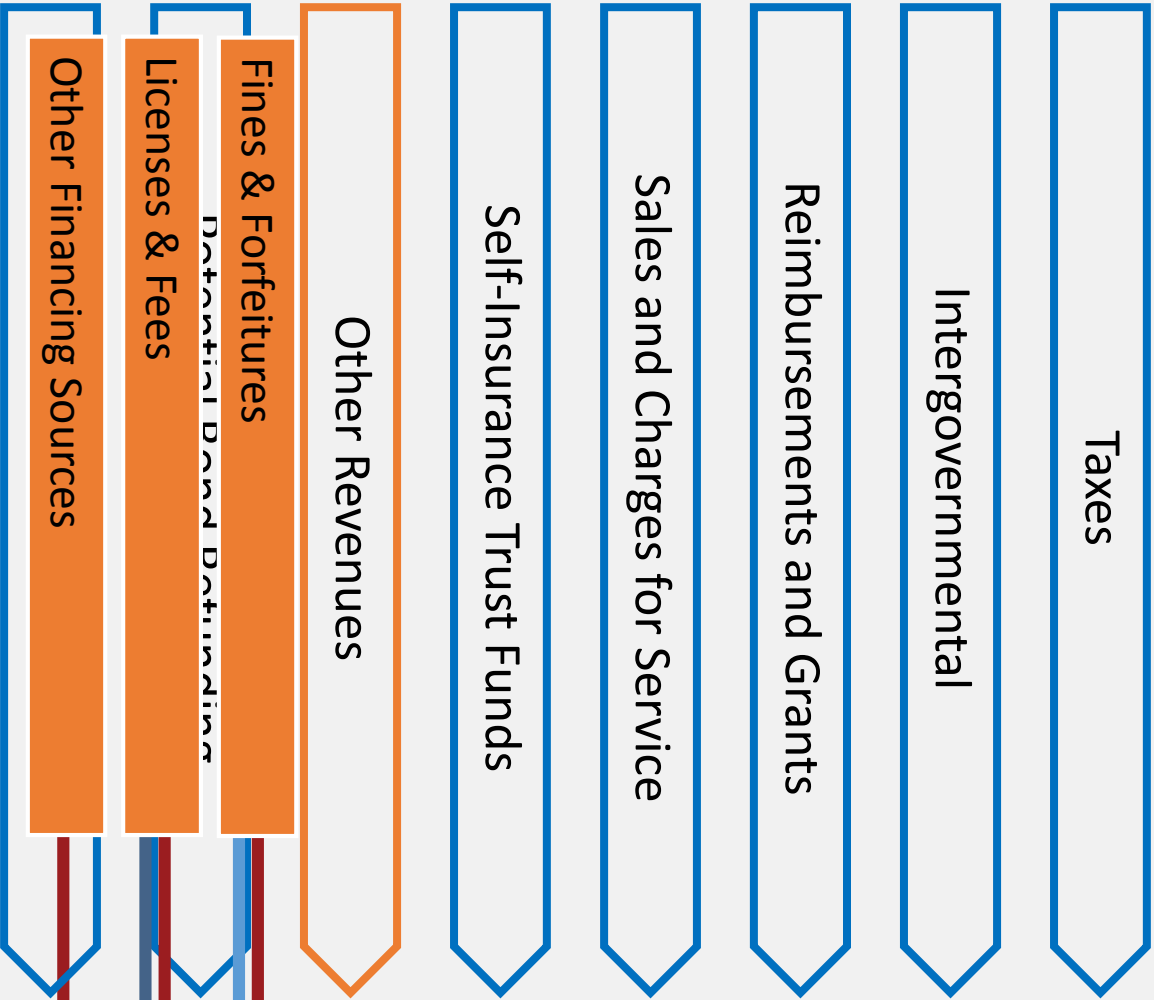
Resources



Funds



Resources



Funds

