

## COUNCIL MINUTES

April 3, 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 April 3, 2017 at 5:17 p.m.

### COUNCIL PRESENT

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

### COUNCIL ABSENT

None

### OFFICERS PRESENT

Christopher Brady  
Dee Ann Mickelsen  
Jim Smith

#### 1. Review items on the agenda for the April 3, 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 the Fiscal Year 2017/18 Summary of Proposed Budget.

Office of Management and Budget Director Candace Cannistraro introduced Office of Management and Budget Deputy Director Brian Ritschel. She displayed a PowerPoint presentation of the proposed budget for FY 2017/18, which was created with a focus on the City's effort to create and maintain a great place to live, work and play. **(See Attachment 1)**

Ms. Cannistraro recalled that in February, a funding gap was identified between the estimated annual expenses and the forecasted available resources. She reported that the gap is widening for the upcoming fiscal year, due to increased pressure from pensions, healthcare and the increase in minimum wage.

Ms. Cannistraro provided an update of the General Governmental Fund since the original forecast provided in February. She noted that all positions in the City have been updated with the actual employees in the positions, and indicated that savings have occurred due to higher-level employees leaving and lower-level employees filling those positions. She pointed out that the

estimated FY 2017/18 budget is considered as the starting point of the forecast. (See Pages 4 and 5 of Attachment 1)

Ms. Cannistraro recognized that the key to financial sustainability is the balance between the needs of today and preparing for the growth and opportunities of tomorrow. She added that the proposed budget focuses on aligning current resources with core services, while continuing to invest in economic growth.

Ms. Cannistraro stated that Mesa is a service organization and tries to provide quality services with skilled professionals. She illustrated charts of FY 2016/17 expenses and pointed out that personal services make up 72.5 percent of the General Governmental Fund expenses. She noted that the breakdown by department shows that public safety makes up the majority of the General Government Fund. She indicated that when looking for adjustments in the budget, that the focus would be on personal services and public safety. (See Pages 7 and 8 of Attachment 1)

Ms. Cannistraro stated that there were four methods used in the FY 2017/18 budget. She highlighted the changes made for each method as follows (See Pages 9 through 11 of Attachment 1):

- Limiting 'Step Pay' Increases to 3 percent, for an estimated savings of \$2.4 million
- Cost Minimization, which is minimizing the use of sworn personnel in positions that can be filled by civilian personnel

Ms. Cannistraro reported that the Police Department identified 15 positions that could be performed by a civilian, and the Fire and Medical Department identified one position. She explained that the savings would be the difference between the cost of the two positions, and said that a transition period would be required. She stated that approximately \$2.7 million in temporary funds are needed to cover the cost of the civilian personnel until the sworn personnel can be transferred to an available and budgeted sworn position in the City.

In response to a question from Mayor Giles, Ms. Cannistraro clarified that the transition period may be one year. She explained that approximately 33 police positions turn over each year and the sworn personnel would fill any remaining positions after the upcoming academy graduates. She added that the adjustment would offer savings in overtime as well, since additional sworn officers would be available to fill those shifts.

City Manager Christopher Brady clarified that the sworn officers will be transferred to field positions as soon as possible, which will increase the pool of employees to pull from and help manage overtime. He noted that no sworn officers would be laid off, so temporarily the City will have more officers than authorized.

In response to a question from Vice Mayor Luna, Ms. Cannistraro provided examples of positions identified for civilians as evidence officers, range personnel, hiring detectives, and districting coordinators at the Police Department. She stated that the position identified at the Fire and Medical Department is the alarm room captain.

In response to a question from Councilmember Winkle, Ms. Cannistraro clarified that the memo from Interim Police Chief Dvorak is referring to a separate issue, which will be detailed in a future presentation related to public safety.

In response to a question from Mayor Giles, Ms. Cannistraro estimated that phasing in the identified civilian positions should take less than one year, but it may take longer to transfer the sworn personnel into vacant positions. She advised that the Police Department would have over-hires for a short time period, which means more people than available positions.

Councilmember Freeman emphasized that keeping staff well informed on these personnel topics would be beneficial to prevent any miscommunication.

In response to a question from Councilmember Thompson, Mr. Brady stated that the decision of not holding the June academy was separate and independent from the civilianization. He explained that the retirement schedule is known and built into the system to determine how many positions will become available. He noted that there are currently 40 over-hires, which is a high amount of available officers to absorb retirements and departures.

Mr. Brady described cost minimization as identifying administrative positions that are currently assigned to a sworn position, and filling those positions instead with a civilian person that costs less. He said that it will take some time to see the savings that are anticipated from the adjustment.

In response to a question from Councilmember Whittaker, Mr. Brady pointed out that sworn positions require specific training according to state law, such as enforcing the law or performing highly skilled activities. He explained that often sworn positions are functioning in administrative roles that can be filled by someone who has not completed the academy, yet are confident enough to fill those positions.

In response to a question from Councilmember Freeman, Mr. Brady informed the Council that the estimated cost savings would be detailed in the departmental presentations.

In response to a question from Mayor Giles, Mr. Brady reiterated that the City will have more bodies than positions for a short period of time. He indicated that the real need for the City is to increase the number of positions needed to serve the City. He added that staff is trying to be more efficient and effective with the City's resources.

In response to a question from Councilmember Whittaker related to the future of the Community Care Units, Mr. Brady confirmed that the topic would be addressed in a future discussion.

Ms. Cannistraro continued by discussing the method of repurposing existing staff, which entails taking sworn positions that are performing more administrative duties, and adding those to the leave pool (i.e., positions available for sick and vacation call-outs). She added that the repurposing of existing staff would extend more personnel out in the field and save on overtime. (See Page 12 of Attachment 1)

Ms. Cannistraro recognized that the last method applied to personnel is elimination of positions and is used as a last resort. She reported that a variety of positions have been identified for elimination and out of the twelve positions identified in the Police Department, six are sworn and six are civilian. She noted that they will not lay-off sworn officers and pointed out that only four of the sworn positions are currently filled and those officers will be transferred to other vacant positions. She listed the eliminated positions in the other departments and emphasized that the eliminations will have no impact on employees. She added that the Engineering Department identified one position as well, which is currently vacant and noted that one position identified in Arts and Culture is up for retirement next year and will not be filled at that time. (See Page 13 of Attachment 1)

Ms. Cannistraro discussed the impact of the minimum wage increase and that it mostly affected part-time and contracted employees, such as landscape and custodial. She indicated that staff is budgeting an increase of \$300,000 to landscaping contracts and \$170,000 to custodial contracts in City facilities. (See Page 14 of Attachment 1)

In response to a question from Mayor Giles, Ms. Cannistraro clarified that contracts pertaining to the parks result in an increase of \$250,000 to the General Fund. She explained that contracts pertaining to City facilities (i.e., \$50,000 for landscape and \$170,000 for custodial) are dependent on the building as to whether it affects the Enterprise Fund or the General Fund.

Ms. Cannistraro continued by stating that in preparation for the growth and opportunity for tomorrow, the Capital Improvement Projects (CIP) continue to address infrastructure, mostly in southeast Mesa. (See Page 15 of Attachment 1)

Ms. Cannistraro reported that the proposed FY 2017/18 Budget includes an annual allocation of \$2 million from the Enterprise Fund to the Economic Investment Fund to assist in the stimulation of economic growth and the customer base for utilities. She noted that Falcon Field has been designated as a marketing area and includes a branding project. (See Page 16 of Attachment 1)

Ms. Cannistraro announced that the secondary property tax rate will be reduced for FY 2017/18 and explained the difference between the levy and the rate. (See Page 17 of Attachment 1) She noted that the levy is the total amount collected by the City and is static each year, whereas the rate is based on the assessed value of the City. She added that the higher the assessed value, the lower the rate. She indicated that new construction in Mesa increases the value of the City and spreads that same levy to more people.

Mr. Brady commented that the Council will be approving a property tax rate decrease of approximately five percent this year, due to new construction growth and higher values of existing property.

Ms. Cannistraro reported that the assessed value of the City rose 5.6% going into next year, of which 2.5% is due to new construction. She noted that Mesa is increasing its base, which allows the rate per household to decrease. She quoted that "broad base equals low rates."

Ms. Cannistraro stated that all departments were asked to reduce rates and maximize savings and most departments will present their efforts to Council individually. She added that she will provide the information from some smaller departments in her budget wrap-up presentation on May 4, 2017.

Ms. Cannistraro explained that staff is always looking at both sides, expense and revenue, to recover costs whenever possible. She reported that the Municipal Court anticipates increased fine collections due to participation in the State's Fines/Fees and Restitution Enforcement (FARE) program. She clarified that individuals will need to settle outstanding court fines and fees before they will be allowed to renew their vehicle registration. She added that other departments have established revenue enhancement ideas that will be presented to Council individually. She said that some departments are working on larger projects that will take longer than one year and will not be included in the proposed budget for FY 2017/18.

Ms. Cannistraro summarized by saying that after the various adjustments to the proposed budget, the net impact is an \$8.6 million decrease in the funding gap for FY 2017/18. (See Pages 20 and 21 of Attachment 1)

Ms. Cannistraro provided a handout (**See Attachment 2**) that highlighted the difference in the Net Sources and Uses line item between the estimated and proposed budgets for FY 2017/18. She explained that the funding gap started at \$17.5 million and after the identified adjustments, has decreased to \$8.9 million. She indicated that the FY 2017/18 proposed budget includes an implementation phase-in of \$2.1 million, which she described as a one-time funding to phase-in the sworn officers that will not be carried over to future years. She commented that the cumulative affect of the decisions made today are already showing in the forecast and pointed out the Ending Reserve Balance for FY 2019/20, which started at 4.9 percent and is now forecasted at 10 percent.

Ms. Cannistraro announced that the proposed budget does not address any increases in ongoing lifecycle items, such as software technology, facility repairs and remodels above the current level of funding, and replacement of park equipment. She noted that staff continues to look for one-time savings each year.

In response to a question from Mayor Giles, Mr. Brady confirmed that although the forecast for FY 2020/21 shows an Ending Reserve Fund Balance of 6.6 percent, it will never get that low. He advised that some issues must be addressed in the next forecast period, such as competitive pay for employees and lifecycle issues.

In response to a question from Councilmember Whittaker related to the Public Safety Personnel Retirement System (PSPRS) return rate of 7.5 percent, Ms. Cannistraro clarified that the forecast assumes all changes and assumptions of the actuarial studies. She reported that the forecast does include that \$12 million impact, and noted that an itemized list was provided to Council as part of the presentation in February. She added that the forecast also includes a \$6 million anticipated impact for the Hall Case that will begin in FY 2018/19.

Mr. Brady clarified that the financial impact of PSPRS rates hits the budget this year and stays in the forecast as a perpetual cost. He informed the Council that the numbers added in the budget are based on the actuarial study provided by PSPRS and allow for a margin of error.

In response to a concern from Councilmember Whittaker, Ms. Cannistro explained that the bulk of the \$12 million adjustment in FY 2017/18 was due to the changes in legislation and benefits, and not the return on investment. She elaborated that if there is a change in the return on investment, that it would be spread out over seven years of recovery instead of one year.

Ms. Cannistraro provided the schedule of budget presentations and the budget process calendar. (See Pages 22 and 23 of Attachment 1) She requested that Council let staff know if they need more information from a department or topic that is not currently scheduled for an individual presentation.

2-b. Appointment to the Fire Department Pension Board.

Chris Tiller – Term Expires June 30, 2020

It was moved by Councilmember Thompson, seconded by Councilmember Glover, that the Council concur with the Mayor's recommendation and the appointment (**See Attachment 3**) be confirmed.

Carried unanimously.

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

- 3-a. Library Advisory Board meeting held on January 17, 2017.
- 3-b. Transportation Advisory Board meeting held on December 20, 2016.
- 3-c. Judicial Advisory Board meeting held on February 6, 2017.
- 3-d. Museum and Cultural Advisory Board meeting held on January 26, 2017.

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

Carried unanimously.

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

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

5. Scheduling of meetings and general information.

There was no schedule of meetings provided.

6. Adjournment.

Without objection, the Study Session adjourned at 6:08 p.m.

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JOHN GILES, MAYOR

ATTEST:

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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 3<sup>rd</sup> day of April, 2017. I further certify that the meeting was duly called and held and that a quorum was present.

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DEE ANN MICKELSEN, CITY CLERK

# Proposed Budget Overview for Fiscal Year 2017/18

Presented by the  
Office of Management and Budget  
April 3, 2017







The FY 17/18 Proposed Budget continues the City's effort to create and maintain a great place to live, work and play



# Financial Stability

Financial stability is achieved when annual operational and maintenance expenditures are managed at the same level or below annual operating revenues

Currently, a gap exists between the expected annual expenses and the forecasted available resources

Increased expenditure pressure from pension, healthcare, and the minimum wage increase has widened this gap



# Update of General Governmental Forecast

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FY 17/18 estimated expenses have been updated with the latest position information

For example: employees topped out in their pay ranges may have retired and been replaced with employees at the beginning of the pay range



FY 17/18 revenues have been updated as additional receipt data is available

# Updated Forecast

**City of Mesa**  
**General Governmental Funds**  
(updated 03/14/17)

<b>17/18 Estimated Budget</b>	<b>Projected FY 16/17</b>	<b>Estimated FY 17/18</b>	<b>Forecast FY 18/19</b>	<b>Forecast FY 19/20</b>	<b>Forecast FY 20/21</b>
<b>Beginning Reserve Balance</b>	\$ 92.1	\$ 89.4	\$ 71.9	\$ 44.2	\$ 23.1
<b>Total Sources</b>	\$ 401.8	\$ 407.1	\$ 419.9	\$ 434.6	\$ 449.3
<b>Total Uses</b>	\$ 404.6	\$ 424.6	\$ 447.5	\$ 455.7	\$ 472.2
<b>Net Sources and Uses</b>	\$ (2.8)	\$ (17.5)	\$ (27.7)	\$ (21.1)	\$ (22.9)
<b>Ending Reserve Balance</b>	\$ 89.4	\$ 71.9	\$ 44.2	\$ 23.1	\$ 0.2
<b>Ending Reserve Balance Percent*</b>	21.0%	16.1%	9.7%	4.9%	0.0%

Dollars in Millions

Does not include an economic correction

\* As a % of uses of funding of the following year

# Focus on the Future

The key to financial sustainability is the balance between meeting the needs of today and preparing for the growth and opportunities of tomorrow

The proposed budget focuses on aligning current resources with core services while continuing to invest in economic development





# Service Excellence

Mesa is a service organization that strives to provide high quality interactions with residents, businesses and visitors

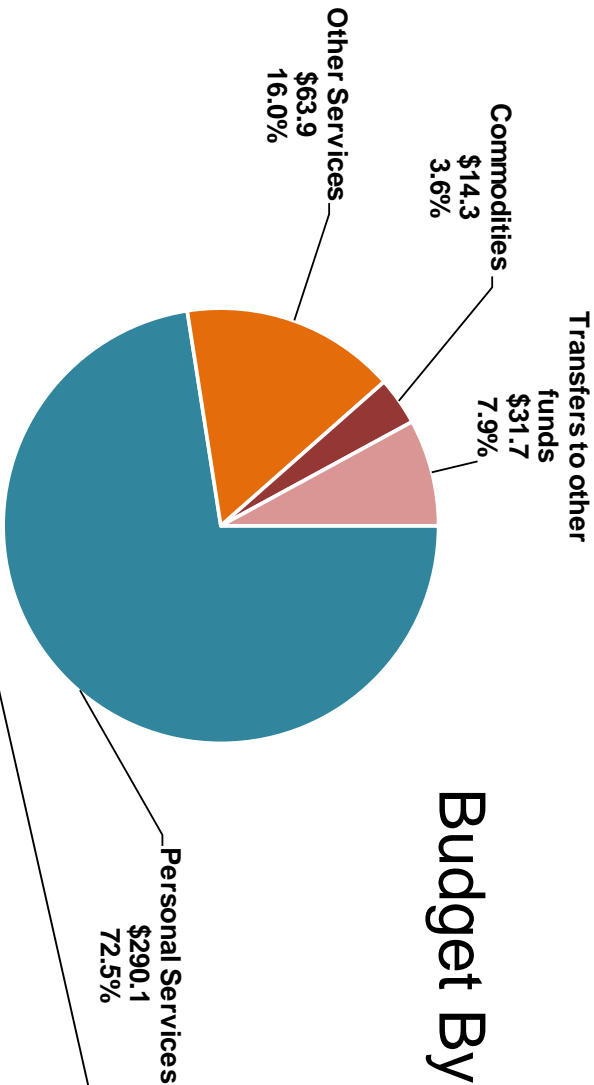
Quality services require skilled professional employees

Personnel costs are the greatest portion of the General Governmental budget

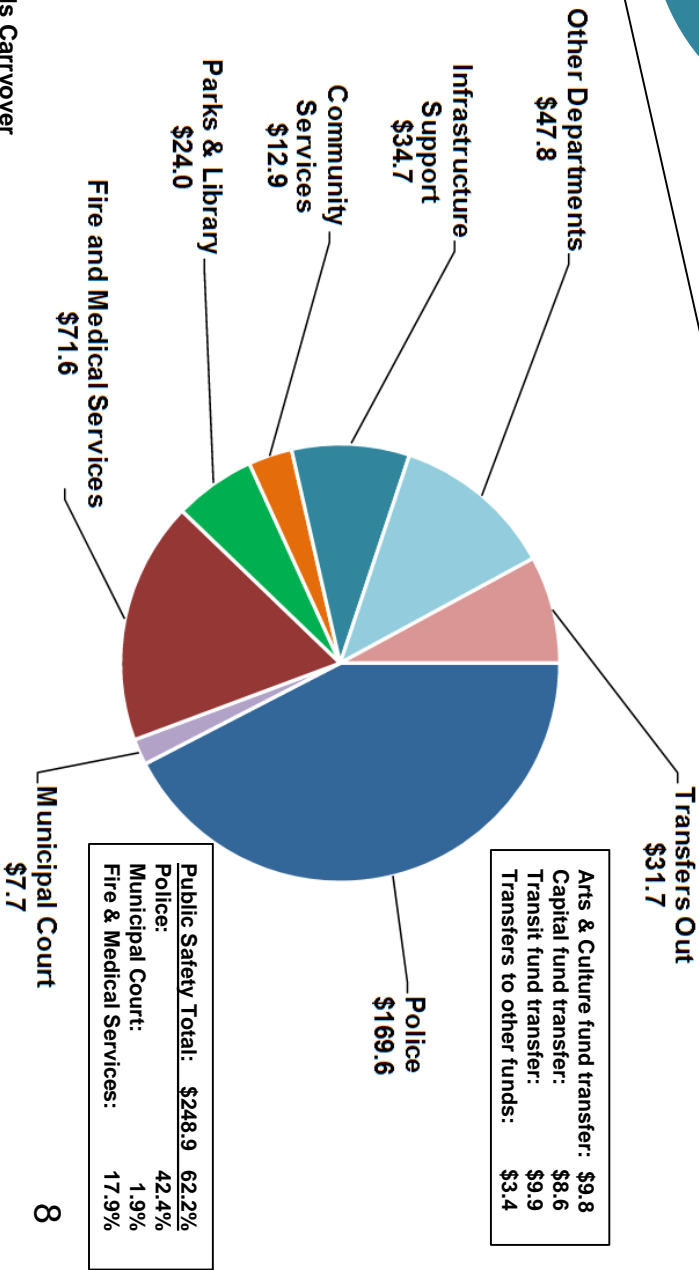


# 2016/17 General Governmental Expenses: \$400M

## Budget By Expenditure Category



## Budget By Department



# Adjustments in Personnel

Four methods were implemented in the proposed budget

Limiting “step pay” increases

Minimizing costs by replacement of higher cost personnel with lower cost where possible

Repurposing existing staff to core services

Elimination of positions

# Limiting “Step Pay” Increases

The original forecast included a step pay maximum of 5% for eligible employees. The proposed budget includes a maximum of 3%

The savings to the general fund is estimated at \$2.4M and helps to avoid layoffs and/or reduction in services to our customers



# Cost Minimization

The cost associated with sworn personnel continues to rise each year

The Police Department and the Fire and Medical Department have identified sworn positions whose current duties can be transferred to civilian personnel

The sworn administrative positions will be replaced by civilian positions and the sworn employees will be reassigned to other existing positions

# Repurposing Existing Staff

As funding continues to be limited, existing resources will be realigned to focus on core services

The Fire and Medical Department has identified sworn personnel currently serving in support roles, that will be repurposed to cover first responder shifts, which will result in overtime savings

# Elimination of Positions

The proposed budget includes the elimination of some positions

12 in Police Department  
(6 sworn, 6 civilian)

3.5 in Information Technology  
Department

1 in Business Services Department

All of the civilian positions are vacant

Four of the sworn positions are filled, however the employees will be reassigned to existing positions when available



# Impact of Minimum Wage Increase

The Parks, Recreation and Community Services Department is experiencing cost increases for landscaping and custodial services

Some decreased service levels are included for FY 17/18 in order to maintain similar costs to FY 16/17



# Economic Development

The proposed budget continues the City's investment in the future

Infrastructure expansion is included in the proposed Capital Improvement Program (CIP) to service growing areas of the City:

Elliott Road Corridor  
Signal Butte Water Treatment Plant  
Central Arizona Project Water Line  
Greenfield Wastewater Treatment  
Plant Expansion

# Economic Development (Continued)

An annual \$2M transfer from the Enterprise Fund to the Economic Investment Fund is included to support projects that will help stimulate utility customer growth

A Falcon Field Area marketing plan will augment the unique signage being installed this year



# Secondary Property Tax Rate will be Reduced for FY 17/18

The LEVY is the total dollar amount to be collected from all property classifications

The RATE is set based on the total assessed value of the City in order to attain the levy

Mesa's assessed value increased due to both increase values of existing property as well as the addition of new construction



# Other Reductions/Adjustments

Reductions in non-personnel areas are included throughout many departments

Effort was made to maximize the savings while minimizing the service impact to residents, businesses and customers

# Increased Revenues

The Municipal Court anticipates increased fine collections due to participation in the State's FARE program

Individuals will need to settle outstanding court fines before they will be allowed to renew their vehicle registration

Other departments are modifying fees to allow for better cost recovery while staying competitive within the market



# Proposed Budget Summary

The proposed budget includes:

An estimated \$8.1M  
in decreases in  
expenditures

An estimated \$0.6M  
in increases in  
expenditures  
(landscaping  
contracts, etc.)

An estimated \$1.1M  
in increased fine  
recovery and  
various fees and  
charges

The net impact is an \$8.6M decrease  
in the funding gap for FY17/18

# Proposed Budget

**City of Mesa**  
**General Governmental Funds**  
(updated 03/29/17)

<b>17/18 Proposed Budget</b>	<b>Projected FY 16/17</b>	<b>Proposed FY 17/18</b>	<b>Forecast FY 18/19</b>	<b>Forecast FY 19/20</b>	<b>Forecast FY 20/21</b>
<b>Beginning Reserve Balance</b>	\$ 92.1	\$ 89.4	\$ 78.4	\$ 59.1	\$ 46.3
<b>Total Sources</b>	\$ 401.8	\$ 408.2	\$ 420.7	\$ 435.4	\$ 450.1
<b>Total Uses</b>	\$ 404.6	\$ 417.1	\$ 440.0	\$ 448.2	\$ 464.7
<b>Net Sources and Uses</b>	\$ (2.8)	\$ (8.9)	\$ (19.4)	\$ (12.8)	\$ (14.6)
<b>Implementation Phase-in</b>		\$ (2.1)			
<b>Ending Reserve Balance</b>	\$ 89.4	\$ 78.4	\$ 59.1	\$ 46.3	\$ 31.7
<b>Ending Reserve Balance Percent*</b>	21.4%	17.8%	13.2%	10.0%	6.6%

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# Scheduled Budget Presentations

<b>April 3</b>	<b>FY 17/18 Proposed Budget Overview</b>
<b>April 6</b>	<b>Non Utility CIP</b>
	<b>Parks, Recreation and Community Facilities</b>
<b>April 13</b>	<b>Utility CIP</b>
	<b>Utility Rate Recommendations</b>
	<b>Environmental Management and Sustainability</b>
	<b>Energy Resources</b>
	<b>Water Resources</b>
<b>April 17</b>	<b>Transit</b>
	<b>Transportation</b>
<b>April 20</b>	<b>Police</b>
	<b>Fire and Medical</b>
<b>April 27</b>	<b>Arts and Culture</b>
	<b>Development Services</b>
	<b>Library</b>
<b>May 4</b>	<b>Budget Wrap Up</b>

# Budget Process Calendar

May 8	Introduction of Utility Rate Ordinances
May 22	Adoption of Five-Year CIP
	Adoption of Utility Rate Adjustments
June 5	Public Hearing on Annual Budget and Secondary Property Tax Levy
	Final Adoption of Annual Budget
June 19	Adoption of Secondary Property Tax Levy





  
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**City of Mesa**  
**General Governmental Funds**  
(updated 03/14/17)

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April 3, 2017

TO: CITY COUNCILMEMBERS

FROM: MAYOR JOHN GILES

SUBJECT: Appointment to the Fire Department Pension Board

Attached is my recommendation for an appointment to the Fire Department Pension Board.

**Fire Department Pension Board** - Five-member board with one new appointment.

New Appointment:

Chris Tiller was recently elected to the Fire Department Pension Board by sworn membership in accordance with guidelines set forth in the Public Safety Personnel Retirement System of the State of Arizona. Council is asked to ratify the appointment. Mr. Tiller is a fire captain with the City of Mesa. His appointment will fill a vacancy created by the resignation of Mr. Rick Jaime. Mr. Tiller's partial term will expire June 30, 2020.