

COUNCIL MINUTES

April 2, 2018

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 2, 2018 at 5:00 p.m.

COUNCIL PRESENT

John Giles
David Luna
Mark Freeman
Christopher Glover
Francisco Heredia
Kevin Thompson
Jeremy Whittaker*

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

(*Councilmember Whittaker participated in the meeting through the use of telephonic equipment.)

1. Review items on the agenda for the April 2, 2018 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.

Items removed from the agenda: 6-b and 6-c to be continued to a future Regular Council meeting.

2-a. Hear a presentation and discuss the fiscal year 2018/19 summary of the proposed budget.

Management and Budget Director Candace Cannistraro introduced Deputy Management and Budget Director Brian Ritschel who displayed a PowerPoint presentation. **(See Attachment 1)** She commented that the FY 2018/19 proposed budget is an overview and that each department discussed will return to Council with a full presentation in April.

Ms. Cannistraro stated that in the proposed FY 2018/19 budget a 4% step pay increase is identified and would be effective July 2018 for non-sworn eligible positions.

In response to a question posed by Councilmember Thompson, City Manager Christopher Brady responded that the Parks and Recreation Department regularly compares in-house versus contracted costs. He noted that costs include labor, equipment, and maintenance.

Ms. Cannistraro displayed a chart of FY 2017/18 General Government Funds Budget by department and stated that 73% of General Government expenses are personnel related. She noted that 62% relates to Public Safety operating expenses and excludes capital expenses. (See Page 9 of Attachment 1)

In response to a question posed by Mayor Giles, Ms. Cannistraro explained that the transfers out section represents combined capital costs of items being purchased in the current fiscal year and the costs are not included in the public safety totals.

Ms. Cannistraro commented that the stability factors the City considered for FY 2017/18 included reduction of ongoing expenses, Public Safety Personnel Retirement System (PSPRS) liability payment extension to 25 years, increase in sales tax, and environmental growth through permits. (See Page 11 of Attachment 1)

In response to a question posed by Councilmember Whittaker, Ms. Cannistraro replied that the PSPRS extension from 20 years to 25 years saves approximately \$4 million annually.

Ms. Cannistraro pointed out that in the forecasted FY 2019/20 budget the net sources and uses line item is less than \$3 million, which shows that the City has achieved structural financial balance. (See Page 12 of Attachment 1)

In response to a question by Mayor Giles, Ms. Cannistraro confirmed that structural financial balance means that ongoing expenditures and revenues are balanced.

In response to a question posed by Mayor Giles, Mr. Brady reported that some of the increased costs in public safety are due to the change from the Maricopa County jail facility to the Core Civic facility, but emphasized there are savings and that the costs will be presented during the Police Department budget presentation.

Councilmember Thompson requested that staff present a general update on Core Civic.

Mr. Brady confirmed that a Core Civic update will be reported during the Police Department budget presentation.

In response to a question by Mayor Giles, Mr. Brady stated that after the local market review the City's salary ranges are competitive and the City places second out of six valley cities.

In response to a question posed by Councilmember Whittaker, Mr. Brady remarked that at the April 5, 2018 Council meeting, staff will present various scenarios of utility rates recommended by the Audit, Finance, and Enterprise Committee.

Ms. Cannistraro pointed out that today's presentation is based on the 3.5% increase in water rates recommended by staff.

Mr. Brady stated that the FY 2018/19 utility rate scenarios, compare keeping the rate the same against a rate change and the impact it has for future rates.

In response to a question from Councilmember Whittaker, Ms. Cannistraro explained that at the April 5, 2018 meeting, staff will present the utility rate recommendations. She noted that the options achieve a fiscally sound Enterprise Fund.

Discussion ensued relative to the utility rates and how they affect the budget.

Mr. Brady mentioned that in the past, staff has worked with non-profit agencies to establish funds where qualified residents apply for vouchers to receive relief on utilities and other services.

Discussion ensued relative to the Enterprise Fund and the increases and transfers from that fund.

Ms. Cannistraro explained that the increase for the FY 2018/19 Enterprise Fund is equivalent to the Consumer Price Index (CPI), however, expenses such as water and chemicals are greater than the CPI and affects the rates.

Discussion ensued relative to the Economic Investment Fund and how it relates to the General Fund.

Mr. Brady clarified that the Economic Investment Fund does not have an operating cap due to the fact that the fund varies and is used as a tool to invest in the growth of utilities and economic opportunities.

In response to a question posed by Councilmember Whittaker, Mr. Brady stated that a discussion on the Economic Investment Fund can be brought back to Council.

Mayor Giles thanked staff for the presentation.

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

- 3-a. Self-Insurance Trust Fund Board meeting held on February 5, 2018; and pursuant to A.R.S. § 11-981(B)(1), verifying the current insurance licenses for the insurance administrators designated for the Public Property and Liability, Worker's Compensation and Employee Benefits Trust Funds.

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

Carried unanimously.

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

Councilmember Thompson:	Queen Creek High School #2 Groundbreaking
Vice Mayor Luna:	Orbital ATK Project Dutchman Groundbreaking
	"The Rio Reimagined" project signing

5. Scheduling of meetings and general information.

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

Thursday, April 5, 2018, 7:30 a.m. – Study Session

Saturday, April 7, 2018, 9:00 a.m. – CycloMesa

6. Adjournment.

Without objection, the Study Session adjourned at 5:36 p.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 April, 2018. I further certify that the meeting was duly called and held and that a quorum was present.


DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 1)

PROPOSED BUDGET OVERVIEW

FISCAL YEAR 2018/19

APRIL 2, 2018
CITY OF MESA

Presented by:

Candace Cannistraro, Management and Budget Director

Brian Ritschel, Deputy Management and Budget Director





The FY 18/19 Proposed Budget continues the City's effort to create and maintain a great place to live, work and play.

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

Emphasis on Public Safety

Public Safety continues to be a high priority in the budget



2 nd Critical Response Team (4 sworn)	\$1.5M personnel placeholder for
Civilian patrol support positions (4)	implementation of
Evidence technicians (3)	emergency medical response
Detention officers (5) and detention	staffing model
support (1)*	Fire Inspectors/Investigators (2)*
Forensic Scientist (1)*	

**Implemented mid-year FY 17/18*

Emphasis on Service

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

Quality services require skilled professional employees

In order to recruit and retain the best employees, the city periodically conducts a salary study comparing city pay to comparable positions in other municipalities

During the last review, some positions were found to be below the local market and have been adjusted accordingly

Employees at the maximum of their pay range last July were not eligible for step pay at that time.

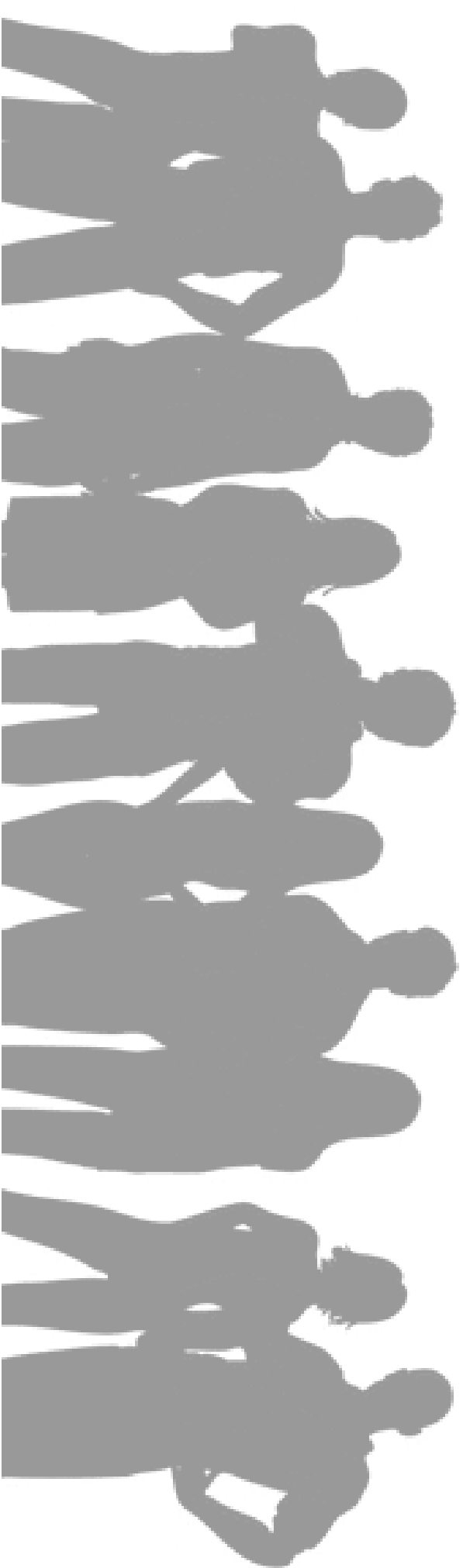
Step pay was approved retroactively to *January 1, 2018* for positions affected by the salary range adjustments

Public Safety Salary Range Adjustments



Civilian Salary Range Adjustments

Employees in the impacted positions who were at the maximum of the pay range in *July 2017* will now be eligible for step pay in *July 2018*



Emphasis on Growth Response/Management

- Development Services Department
 - Transition of temporary personnel to 5 permanent positions and addition of a customer support position (6)
- Parks, Recreation and Community Services
 - Park Ranger (1)
 - Additional personnel to supervise Eagles Community Center and Field (2, multiple part-time)
 - Increased cost of park operations and maintenance
- Water Resources
 - Meter Reader (1)
 - Wastewater maintenance crew (3)
 - Increased cost of water and chemicals



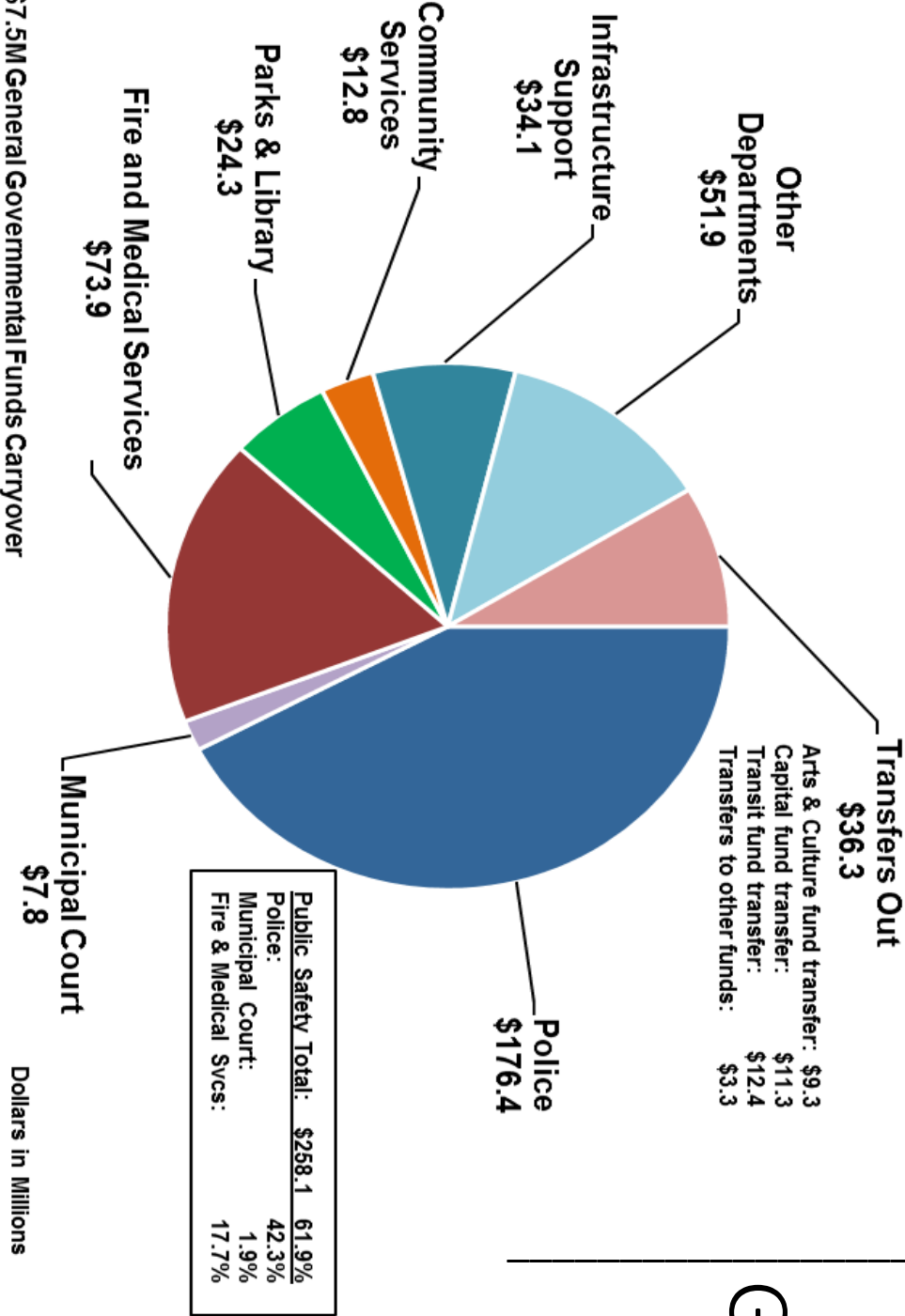
Proactive Code Compliance

Based on City Council interest, a proactive code compliance program is included in the proposed budget

Addition of four code compliance officers



Fiscal Year 2017/18
General Governmental Funds Budget by Department \$417.5M*



*Excludes \$7.5M General Governmental Funds Carryover

Dollars in Millions

**FY 2017/18
General Governmental
Expenses**

Budget By Category

- 72.7% Personal Services
- 15.1% Other Services
- 8.7% Transfers to Other Funds
- 3.5% Commodities

City of Mesa
General Governmental Funds
(updated 05/15/2017)

2017/18 Tentative Budget	Projected FY 16/17	Proposed FY 17/18	Forecast FY 18/19	Forecast FY 19/20	Forecast FY 20/21
Beginning Reserve Balance	\$ 92.1	\$ 92.7	\$ 83.5	\$ 66.3	\$ 55.4
Total Sources	\$ 402.5	\$ 415.9	\$ 421.4	\$ 436.1	\$ 450.7
Total Uses	\$ 401.9	\$ 425.1	\$ 438.6	\$ 447.0	\$ 460.6
Net Sources and Uses	\$ 0.6	\$ (9.2)	\$ (17.2)	\$ (10.9)	\$ (9.9)
Ending Reserve Balance	\$ 92.7	\$ 83.5	\$ 66.3	\$ 55.4	\$ 45.5
Ending Reserve Balance Percent*	21.8%	19.0%	14.8%	12.0%	9.6%

Dollars in Millions
FY 17/18 Includes \$7.5M of carryover in both Total Sources and Total Uses
Does not include an economic correction
*As a % of uses of funding of the the following year

City of Mesa
General Governmental Funds
(updated 03/02/2018)

FY 18/19 Forecast Budget

2018/19 Forecast Budget	Actual FY 16/17	Budget FY 17/18	Projected FY 17/18	Forecast FY 18/19	Forecast FY 19/20	Forecast FY 20/21	Forecast FY 21/22	Forecast FY 22/23
Beginning Reserve Balance	\$93.6	\$92.7	\$100.9	\$91.1	\$79.4	\$71.7	\$59.7	\$49.9
Total Sources	\$405.7	\$415.9	\$418.6	\$421.1	\$432.8	\$436.7	\$447.0	\$455.3
Total Uses	\$398.4	\$425.0	\$425.4	\$429.8	\$437.5	\$448.7	\$456.8	\$472.9
Net Sources and Uses	\$7.3	(\$9.1)	(\$6.8)	(\$8.7)	(\$4.7)	(\$12.0)	(\$9.8)	(\$17.6)
Future Economic Correction	\$0.0	\$0.0	(\$3.0)	(\$3.0)	(\$3.0)	\$0.0	\$0.0	\$6.0
Ending Reserve Balance	\$100.9	\$83.6	\$91.1	\$79.4	\$71.7	\$59.7	\$49.9	\$38.3
Ending Reserve Balance Percent*	23.7%	19.1%	21.2%	18.1%	16.0%	13.1%	10.6%	8.0%

Dollars in Millions

Note: Includes an economic correction beginning FY 20/21

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

City of Mesa
General Governmental Funds
(updated 03/29/2018)

FY 18/19 Proposed Budget

2018/19 Proposed Budget	Actual FY 16/17	Budget FY 17/18	Projected FY 17/18	Forecast FY 18/19	Forecast FY 19/20	Forecast FY 20/21	Forecast FY 21/22	Forecast FY 22/23
Beginning Reserve Balance	\$93.6	\$92.7	\$100.9	\$91.9	\$74.9	\$69.3	\$59.9	\$50.9
Total Sources	\$405.7	\$415.9	\$419.4	\$426.6	\$435.2	\$438.8	\$449.1	\$456.0
Total Uses	\$398.4	\$425.0	\$425.4	\$440.6	\$437.8	\$448.2	\$458.1	\$472.2
Net Sources and Uses	\$7.3	(\$9.1)	(\$6.0)	(\$14.0)	(\$2.6)	(\$9.4)	(\$9.0)	(\$16.2)
Future Economic Correction	\$0.0	\$0.0	(\$3.0)	(\$3.0)	(\$3.0)	\$0.0	\$0.0	\$4.0
Ending Reserve Balance	\$100.9	\$83.6	\$91.9	\$74.9	\$69.3	\$59.9	\$50.9	\$38.7
Ending Reserve Balance Percent*	23.7%	19.1%	20.9%	17.1%	15.5%	13.1%	10.8%	8.0%


Dollars in Millions

Note: Includes an economic correction beginning FY 20/21 (Urban Revenue Sharing impact is in FY 22/23)


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

Scheduled Budget Presentations


 **April 2** FY 18/19 Proposed Budget Overview

 **April 5** Utility related CIP
Environmental Management & Sustainability
Energy Resources
Water Resources

 **April 12** Police  **April 16** Fire and Medical

 **April 19**
Transportation
Transit
Parks, Recreation & Community Facilities

 **April 26** Non-Utility related CIP
Development Services
Arts and Culture

 **May 3** Library
Community Services
Budget Wrap Up

Budget Process Calendar



May 7

Introduction of Utility Rate Ordinances



May 21

Public Hearing on Utility Rate Adjustments
Adoption of Utility Rate Ordinances
Adoption of Five-Year Capital Improvement Program
Tentative Adoption of Annual Budget



June 4

Public Hearing on Annual Budget and Secondary Property
Tax Levy
Public Hearing on Home Rule Election
Final Adoption of Annual Budget



June 18

Adoption of Secondary Property Tax Levy

