



COUNCIL MINUTES

May 16, 2013

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 May 16, 2013 at 7:35 a.m.

COUNCIL PRESENT

Scott Smith
Alex Finter
Dina Higgins
Dennis Kavanaugh
Dave Richins

COUNCIL ABSENT

Christopher Glover
Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Dee Ann Mickelsen

(Mayor Smith excused Councilmembers Glover and Somers from the entire meeting.)

1. Review items on the agenda for the May 20, 2013 Regular Council meeting.

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

Conflicts of interest: None.

Items removed from the consent agenda: None

Items deleted from the agenda: None

Development and Sustainability Director Christine Zielonka displayed a PowerPoint presentation (**See Attachment 1**) and discussed Items 6-ae, 6-af, and 6-ag (Solar Services Agreement and a Performance Guarantee Agreement with Solar City for the purchase and sale of solar services) on the Regular Council Meeting agenda. She introduced Utility Conservation Specialist Janet Bunchman and Larry Marchman, Senior Project Development Manager for Solar City, who were prepared to assist with the presentation.

Ms. Zielonka recalled that in 2012 Council had directed staff to evaluate solar options for the Mesa Police Department (MPD) and that at that time a Request for Qualifications (RFQ) was conducted using the City of Chandler's RFQ, for which Solar City was the successful bidder. She explained that SRP awards a certain amount of megawatt hours (mWh) of Production Based Incentives (PBI) annually, and that 5 mWh were made available on May 1, 2013 for these PBIs. She stated that last year the City of Mesa went out to bid for citywide solar services

RFQs at which time Solar City and Kitchell were awarded the Fiesta Police Department project for a three-year term with a possible two-year renewal. (See Page 3 of Attachment 1)

She noted that there are three separate solar services agreements (SSAs) being presented, each with varying system sizes, guaranteed price per kilowatt hour and production guarantees. She commented that Solar City will install, operate and maintain the solar systems for the entire 20-year period, and Mesa will purchase the energy at an agreed upon rate which will be guaranteed for a 20-year contract term for all three contracts.

Ms. Zielonka highlighted the contracts (See Pages 6 – 11 of Attachment 1) for the Public Safety Training Facility, Red Mountain Multi-Generational Center (RM MGC) and Fire Station 212.

In response to a question from Mayor Smith, Ms. Bunchman clarified that the current SRP rates are different among the three facilities due to varying kWh usage at each facility and SRP's rate structure relating to higher demand charges.

Ms. Zielonka summarized the estimated savings for each facility. (See Page 12 of Attachment 1) ranging from \$4,700 to \$8,900 annually and from \$293,500 to \$368,100 over a 20-year period.

City Manager Christopher Brady noted that the savings from the proposed SSAs and other sustainability improvement projects will be reinvested into future projects which will be presented to Council at a later date as part of a comprehensive proposal for facilities-related work.

Mayor Smith thanked staff for the presentation.

Assistant to the City Manager Scott Butler introduced Jason Bezozo, Sr. Director of Government Relations for Banner Health, and discussed Item 7-a (Amending Title 5, Chapter 10 of the Mesa City Code to add Article VII regarding an Access to Care Program) on the Regular Council Meeting agenda. He stated this item is being presented at the request of the Healthcare industry under authorization given to cities by the State Legislature.

Mr. Bezozo displayed a PowerPoint presentation (**See Attachment 2**) and outlined the challenges being faced by the healthcare industry. He pointed out that there have been significant increases in uncompensated care as a result of the recession which had a great impact on eligibility for the Arizona Health Care Cost Containment System (AHCCCS) and on those who had healthcare coverage through employers. He further noted that based on existing trends, it is expected that uncompensated care will grow to more than \$101 million and that the current system is unsustainable for hospitals which will impact local jobs and healthcare services for the entire community. (See Page 2 of Attachment 2)

Mr. Bezozo highlighted data showing the childless adult enrollment freeze and hospital uncompensated care from 2009 through the first quarter of 2013 (See Page 3 of Attachment 2) and noted that uncompensated costs to hospitals have doubled from 3% to approximately 7% of charges since the State cut funding for the childless adult population in 2011. He commented that Mesa hospitals have gone from \$38,711,665 in costs for 2009 to over \$80,000,000 in 2012. (See Page 4 of Attachment 2)

In response to a question from Mayor Smith, Mr. Bezozo explained that a large portion of the uncompensated costs are a result of the Federal Emergency Medical Treatment and Active Labor Act (EMTALA) which requires hospital staff to screen and stabilize all patients who come to the emergency department. He further explained that Banner Healthcare has charity care policies that make it their mission to help all who need healthcare services.

Mr. Bezozo reported that when the State Legislature cut funding for childless adult enrollment into AHCCCS, it passed Senate Bill (SB) 1357 which stated if someone can find a local matching dollar from a political subdivision or municipality (economic funding pool), they can continue drawing down matching dollars from the Federal government. He noted that Safety Net Care Pool was the first pool established under this authority and approved by the Centers for Medicare and Medicaid Services, and that the City of Phoenix also established the Phoenix Access to Care pool. (See Page 5 of Attachment 2)

Mr. Bezozo highlighted the proposed Access to Care Ordinance, (See Page 6 of Attachment 2) as follows:

- Establishes new funding source for uncompensated care payments to Mesa hospitals
- Payments based on hospitals' share of uncompensated care to uninsured and low income patients
- Payments funded by assessment on hospital discharges at \$461.91 per discharge
- Monies transferred to AHCCCS are eligible for 2-to-1 federal match
- Generates nearly \$49 million in federal funding for uncompensated care payments
- Portion of funding will be used to restore AHCCCS coverage
- Does not conflict with Governor Brewer's Medicaid Restoration Plan

Mr. Bezozo clarified that the proposed ordinance is temporary and would expire at the end of this year, therefore, it would not interfere with the Governor's Medicaid Plan which begins on January 1, 2014.

In response to a question from Mayor Smith, Mr. Bezozo stated that assessments will be based on discharges and that the ordinance will prohibit costs from being passed along to patients, insurance companies or businesses. (See Page 7 of Attachment 2)

Vice Mayor Finter confirmed that the City's cost to administer this program will be reimbursed by the hospitals and there will be no additional City staff needed to administer the program. Mr. Bezozo replied that \$6,250.00 will be withheld quarterly to cover the City's cost in administering the program. Mr. Butler added that the Tax and Licensing Department has evaluated the cost to administer this program against similar programs administered by the City, and that this fee is also competitive with the City of Phoenix fee structure.

Mayor Smith pointed out that this is a real problem, and cited the closing of Arizona Regional Medical Center as an example of what happens when funding formulas are changed and State funds are cut.

Mayor Smith thanked Mr. Butler and Mr. Bezozo for the presentation.

David Short, Executive Director of the Downtown Mesa Association (DMA), discussed agenda item 11-a on the Regular Council Agenda (Mesa Town Center Improvement District No. 228 annual assessment). He informed the Council that the DMA has a reserve fund balance to be used for the purpose of funding special projects or during challenging or transitional times. He stated that the DMA is proposing a 50% reduction in property assessments over the next two fiscal years for downtown property owners.

City Manager Christopher Brady added that several downtown projects were evaluated for allocation of these funds, however, in consideration of the major transition currently being experienced by the downtown property owners, City staff and the DMA came to a consensus to propose a 50% reduction of assessments this year and next year, and that the reserves in place are sufficient to absorb those reductions in collections over the next two years while providing relief from the impact of the light rail construction to property owners at the same time.

Mayor Smith thanked Mr. Short and Mr. Brady for the presentation.

2-a. Hear a presentation, discuss and provide direction on the Information Technology Department budget.

Chief Information Officer Diane Gardner introduced Assistant Chief Information Officer Joe Sugihara and Information Technology Budget Analyst Jennifer Means, who were prepared to assist with the presentation.

Ms. Gardner displayed a PowerPoint presentation (**See Attachment 3**) and stated that the update will focus on “roadmap” items and their impacts on the budget. She remarked that in FY 2010/11 staff updated its Information Technology (I.T.) products to the latest version available and, therefore, decided not to renew the maintenance and software licensing agreement with Microsoft, which saved the City \$2.25 million over the last three years. She noted that staff has been in discussions with Microsoft and Google to evaluate future needs, options and costs in preparation for the next platform in FY 2014/15.

Ms. Gardner advised that staff is close to retiring the City’s last two mainframe applications (Court and Prosecutor systems) and added that as employees have learned new technologies, the number of Full Time Employees (FTEs) has been reduced. She further stated that with the completion of the Court and Prosecutor systems, the City will save \$800,000 annually. (See Page 4 of Attachment 3)

In response to a series of questions from Councilmember Richins, Ms. Gardner clarified that when computer applications are moved from the mainframe to the Cloud, thus reducing the need for an FTE, that position may be retrained for another job function or may be pooled for future use.

Further discussion ensued regarding the financial advantages of shifting applications from in-house to web-based (Cloud); whether the use of web-based applications actually reduces costs or shifts costs; the efficiency and benefits of automatic upgrades and better service for web-based applications; and the benefits of having a hybrid approach that would utilize both web-based and in-house applications across several types of devices (PCs, tablets, smartphones, and the Cloud).

Ms. Gardner stated that staff is recommending extending the PC Cycle Replacement from a 3-year cycle to a 5 or 6-year cycle in order to ensure all technology is compatible with Windows 7. She pointed out that there is a \$1.2 million savings as a result of adjusting the cycle replacement by one year.

In response to a question from Councilmember Richins, Ms. Gardner commented that I.T. staff conducts comprehensive testing of new applications. She indicated that several City departments (utility billings, permitting, work order management) are still using applications that are not web-based systems, therefore, the procurement model will include these types of programs as well as web-applications.

In response to a question from Mayor Smith, Ms. Gardner explained that Public Safety departments such as Police and Fire have separate I.T. staff to provide desktop support and manage customized software programs such as CAD and GIS, however, the main I.T. Department provides infrastructure and email support to these departments.

City Manager Christopher Brady advised that staff will bring a proposal to Council regarding consolidation and integration of support and infrastructure of the City-wide system in order to reduce redundancy. He added that the goal of this proposal is to more efficiently manage systems that will consistently provide service across all departments, while still maintaining security.

Councilmember Richins voiced concern regarding critical applications that need 100% uptime, such as 9-1-1, and asked what other systems are considered critical for which the City cannot afford any downtime. Mr. Brady replied that water and wastewater systems are critical, and that when computerized systems are down, there is also a tremendous amount of lost resources and productivity.

Ms. Gardner briefly highlighted the cyber security priorities and noted that an update will be provided at a future Study Session. (See Page 8 of Attachment 3) She outlined a few of the successful innovations including iPads and e-Agenda, email and calendaring, and Citywide Bring Your Own Device, and added that the next part of this process will be mobile management and access to the City's network from mobile devices and home PCs. (See Page 9 of Attachment 3)

Ms. Gardner explained that the support model will be called iSupport and will include items such as a device bar in the lobby of the Mesa City Plaza building. She stated that additionally, I.T. is focusing on preparing the I.T. employee for "tomorrow", with emphasis on business analysis and vendor management skills. (See Page 10 of Attachment 3)

Ms. Gardner presented the operating expenditures for FY 2012/13 and the proposed FY 2013/14 budget. She stated that the difference in the adopted budget of \$29,770,548 and proposed \$27,294,433 is re-budgets from multi-year lifecycle budgets, in addition to an approximately \$600,000-800,000 savings in the "Personal Services" from temporary vacancies.

Mayor Smith thanked staff for their hard work and effort.

2-b. Hear a presentation, discuss and provide direction on a FY 13/14 budget update and utility rate adjustments.

Budget Director Candace Cannistraro displayed a PowerPoint presentation (**See Attachment 4**) and provided a brief update on the General Fund. She stated that sales tax is reviewed monthly and base retail sales are on track, however, contracting is above the forecasted amount. Additionally, she stated that there has been a \$6.0 million savings, mainly from personal services and turnover, which is experienced each year, and has been included in the forecast.

Ms. Cannistraro presented the FY 2013/14 Budget Summary (See Page 4 of Attachment 4), and noted the following:

- \$8.5 million is needed to maintain reserves at the targeted level over the forecast period.
- \$3.5 million is necessary to maintain the City's step pay compensation plan.
- The City Manager is recommending funding a minimum number of additional Departmental budget requests totaling \$3.4 million.

Ms. Cannistraro displayed a potential solutions package for ongoing items, which includes an increase of \$6.4 million to the Enterprise Fund for a total transfer of \$90 million, and debt service relief to the General Fund in the amount of \$2.2 million to be funded by the secondary property tax levy.

Ms. Cannistraro added that the solutions package also includes a new technology and sustainability fee recommended by the Municipal Court to fund its technology needs and offset existing municipal security costs and that this fee will provide estimated revenue of \$0.9 million in the General Fund. (See Pages 6 and 7 of Attachment 4)

Ms. Cannistraro briefly outlined the Employee Benefit Trust Fund balance which improved in FY 2011/12 and was therefore able to be used to provide a one-time relief to the scheduled medical premium increases (See Page 8 of Attachment 4) as follows:

- Premium holiday in December 2013.
- Maintain current medical premium levels for 2014.
- Schedule a 2015 contribution increase of 5% rather than 9%.

In response to concerns raised by Mayor Smith, City Manager Christopher Brady pointed out that beyond this year, there will likely be premium increases, but that staff will review this annually and manage the reserves cautiously. Ms. Cannistraro added that staff is using reserves to provide a cushion and that it is hoped that the implementation of the wellness center will provide some savings. She stated that when reserves were reviewed for this year, the cost of the wellness center was considered, but estimated claims savings were not factored in.

Ms. Cannistraro summarized the recommended solution package, which will maintain the targeted reserve fund over the entire forecast period. (See Page 9 of Attachment 4)
Councilmember Kavanaugh expressed his appreciation for the recommended solution because this approach is benefitting both the City and its employees, and the City's bond rating is sustained by maintaining the targeted amount in the reserves and taking a fiscally conservative approach.

In response to a question from Vice Mayor Finter, Mr. Brady stated that the proposed budget will be presented to Council on May 30, at which time the cap will be set. He indicated that Council will have an opportunity to make changes during the next two Study Sessions.

Mr. Brady stated that due to time constraints, the Enterprise Fund summary will be presented to Council at its Study Session on May 20.

Mayor Smith thanked staff for the presentation.

2-c. Report of upcoming Job Order Contracts.

Due to time constraints, this item was continued to a future Study Session.

2-d. Appointment to Boards and Committees.

Reappointments to the Industrial Development Authority.

Nathan Ricks – Term Expires May 15, 2019

Bryan Watkins – Term Expires May 15, 2019

It was moved by Councilmember Kavanaugh, seconded by Councilwoman Higgins, that the Council concur with the Mayor's recommendations and the reappointments be confirmed.

Mayor Smith declared the motion carried unanimously by those present.

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

3-a. Parks and Recreation Advisory Board Minutes for meeting held March 13, 2013.

3-b. Economic Development Advisory Board meeting held April 2, 2013.

It was moved by Vice Mayor Finter, seconded by Councilwoman Higgins, that receipt of the above-listed minutes be acknowledged.

Mayor Smith declared the motion carried unanimously by those present.

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

Due to time constraints, there were no reports on meetings and/or conferences attended.

5. Scheduling of meetings and general information.

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

Saturday, May 18, 2013, 9 a.m. - 1 p.m.	“National Emergency Medical Services” Week Open Houses: Fire Station #201 at Mesa Dr./First St. Fire Station #208 at McKellips Dr./Greenfield Rd. Fire Station #209 at Southern Rd./Power Rd.
Monday, May 20, 2013, TBD	Study Session
Monday, May 20, 2013, 5:45 p.m.	Regular Council Meeting

6. Items from citizens present.

There were no items from citizens present.

7. Convene an executive session.

It was moved by Councilwoman Higgins, seconded by Vice Mayor Finter, that the Council adjourn the Study Session at 9:17 a.m. and enter into Executive Session.

Mayor Smith declared the motion carried unanimously by those present.

7-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4)) Discussion or consultation with designated representatives of the City in order to consider the City's position and instruct the City's representatives regarding negotiations for the purchase, sale, or lease of real property. (A.R.S. §38-431.03A (7))

1. Easement rights for the Power Road Project

8. Adjournment.

Without objection, the Executive Session adjourned at 9:44 a.m.



SCOTT SMITH, MAYOR

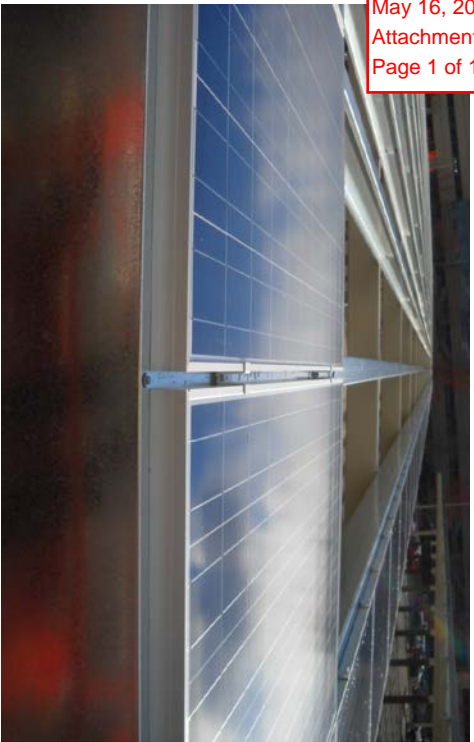
ATTEST:

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 16th day of May, 2013. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

bw/ljm
(Attachments – 4)



City Council Presentation

Proposed Solar Service Agreements

Christine Zielonka
Development & Sustainability Director
May 16, 2012

Agenda

- Background
- Solar Services Agreement (SSA)
- Proposed Locations
- SRP Incentives



Mesa Solar Bid Process

Used City of Chandler Request for Qualifications

- 12 Pre-Qualified Vendors

City of Mesa - REQUEST FOR PROPOSALS

- City Wide Solar Power Services
- Solar City and Kitchell Awarded
- 3 Year Term with a Possible Two Year Renewal

First Project Under Construction Fiesta PD

Mesa SSA



SSA – Solar Services Agreement

- Separate SSA for each site - system size, price per kilowatt hour (kWh), production guarantees
- Solar vendor installs, operates and maintains solar system and sells power
- Mesa purchases energy at a agreed upon rate
- Term 20 years

SRP Solar Program

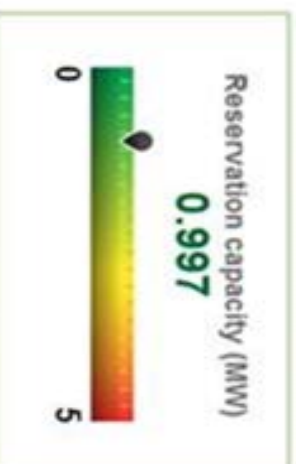
PBI Customer Cap of 1 MW

Solar for Nonprofits Program

SRP has set aside funding for 5 megawatts (MW) of Production Based Incentive for schools, governments, and eligible non-profit customers for the Fiscal Year 2014 (May 1, 2013 - April 30, 2014).

The current incentive is \$0.04 per kWh for a total of 5 MW.

Progress towards the 5 MW goal is reflected in the



Updated May 6, 2013

SSA Highlights – Public Safety Training Facility



- 130 kW System
- \$0.058/ kWh for 20 years with no escalator
- Current rate \$0.085/kWh
- Production 225,000 kWh Year 1 (~ 35% of estimated energy use)
- No upfront cost
- Savings between \$100K and \$200K over 20 years

Public Safety Training



SSA Highlights – Red Mountain Multi-Gen Center

- 305 kW System
- \$0.061/ kWh for 20 years with no escalator
- Current rate \$0.079/kWh
- Production 490,000 kWh Year 1 (~ 47% of estimated energy use)
- No upfront cost
- Savings between \$200K and \$300K over 20 years

Red Mountain



Multi-Generational Center



SSA Highlights – Fire Station 212

- 185 kW System
- \$0.067/ kWh for 20 years with no escalator
- Current rate \$0.077/kWh
- Production 300,000 kWh Year 1 (~ 72% of estimated energy use)
- No upfront cost
- Savings between \$100K and \$200K over 20 years

Fire Station 212



Fire Station 212
(756) 245W modules
185.22kW



Cost and Savings

	RM1-MGC 305.3kW System	Pub Training 130.3 kW System	FS 212 185.2 kW System	Total
Annual Savings	\$4,700	\$8,700	\$8,900	\$22,300
20 Year Savings (*est.) SolarCity	\$293.5K	\$309.8	\$368.1	\$971.5

QUESTIONS?

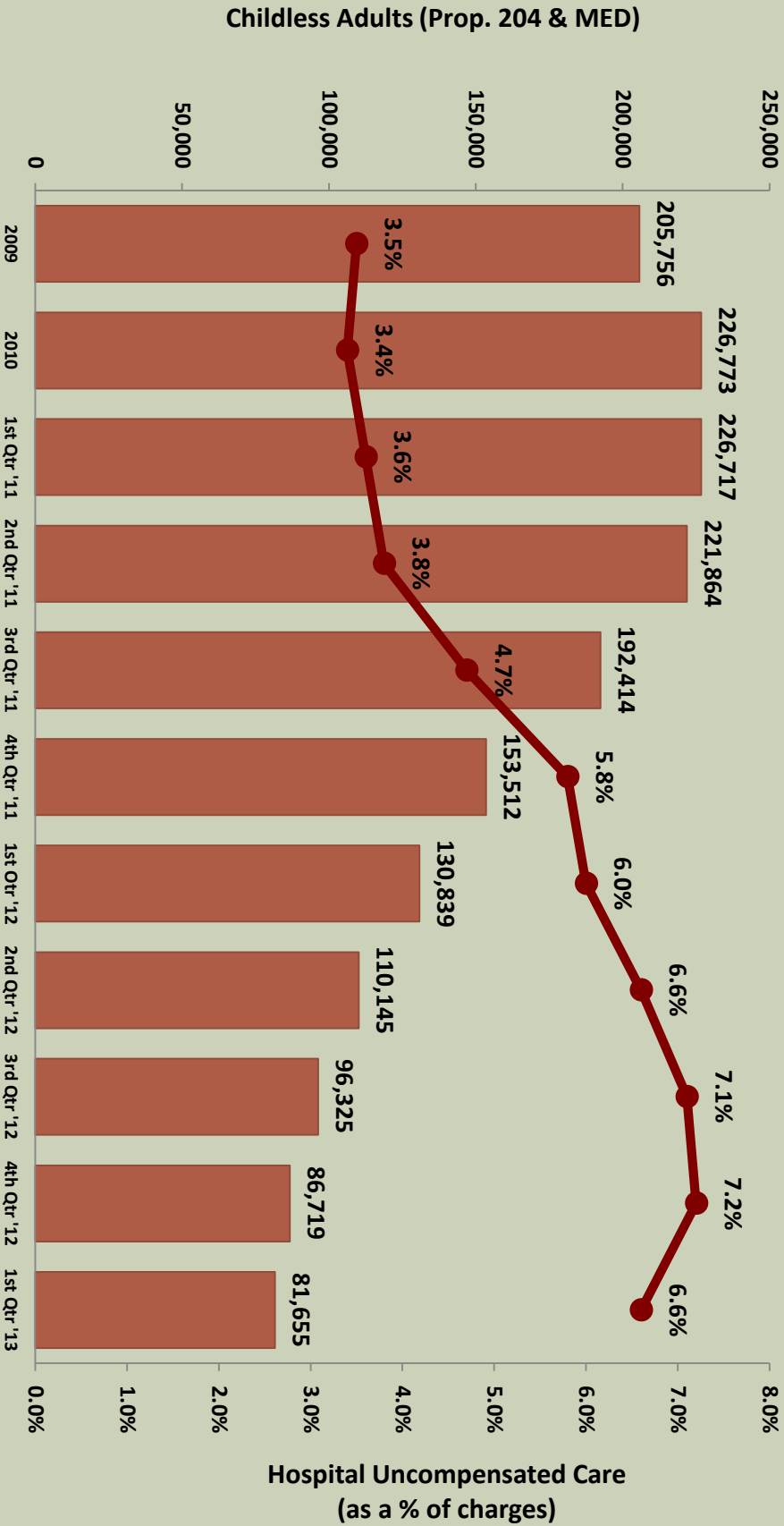
MESA ACCESS TO CARE ORDINANCE

Protecting
Mesa's
Hospitals and
Emergency
Departments

HOSPITAL UNCOMPENSATED CARE IS UNSUSTAINABLE

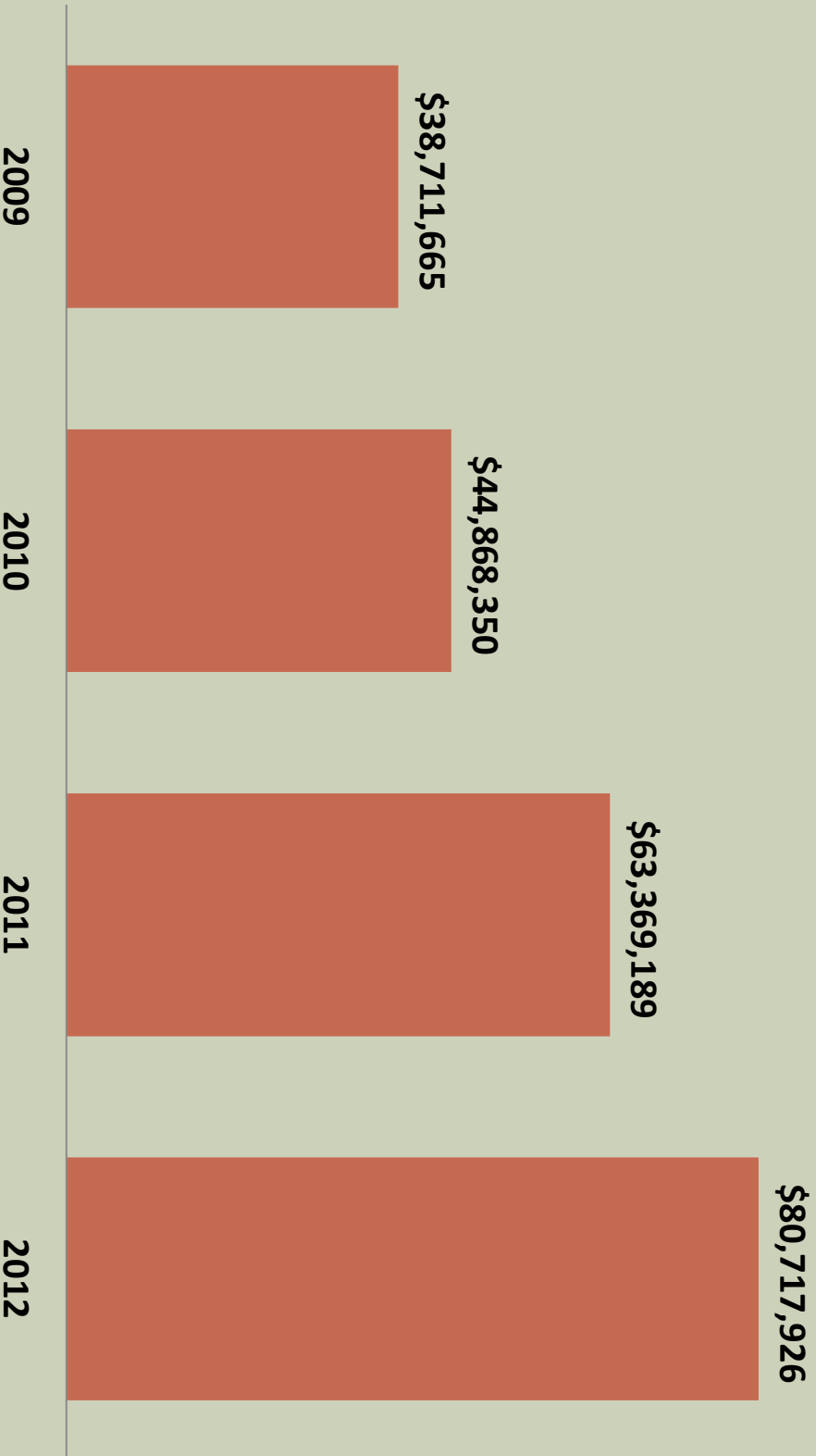
- Impact of recession on Arizona's Medicaid program and unemployment has resulted in significant increases in hospital uncompensated care
- Mesa hospitals expect uncompensated care to grow to more than \$101 million in 2013
- Hospitals create jobs that high-quality, pay well and provide great benefits
- The current system is unsustainable for hospitals threatening local jobs and health care services for the entire community

CHILDLESS ADULT ENROLLMENT FREEZE & HOSPITAL UNCOMPENSATED CARE



Data from Hospital Financial Result Reports, Arizona Hospital and HealthCare Association, and AHCCCS Population Statistics, Arizona Health Care Cost Containment System.

MESA HOSPITALS TOTAL UNCOMPENSATED CARE (AT COST)



ENABLING STATUTE

- **In 2011, Arizona lawmakers and the Governor created an opportunity that allows political subdivisions to create economic funding pools by drawing down federal Medicaid matching dollars**
- **Safety Net Care Pool was first pool established under this authority (approved by the Centers for Medicare and Medicaid Services)**
- **City of Phoenix established the Phoenix Access to Care pool (approved by CMS)**

PROPOSED ACCESS TO CARE ORDINANCE

- Establishes a new funding source for uncompensated care payments to hospitals that are located in Mesa
- Payments based on hospitals' share of uncompensated care to uninsured and low income patients
- Payments funded by assessment on hospital discharges
 - \$461.91 per discharge
- Monies transferred to AHCCCS are eligible for two-to-one federal match
- Generates nearly \$49 million in federal funding for uncompensated care payments
- Portion of funding will be used to restore AHCCCS coverage
- Does not conflict with Governor Brewer's Medicaid Restoration Plan

TAXPAYER PROTECTIONS

- **No additional costs or taxes for Mesa residents**
- **No increased spending by the City**
- **Ordinance prohibits hospitals from passing on the costs to patients, businesses or insurance companies**

SUPPORTED BY MESA'S HOSPITALS

- Arizona Spine and Joint Hospital
- Banner Baywood Medical Center
- Banner Desert Medical Center & Cardon Children's Medical Center
- Banner Heart Hospital
- Healthsouth East Valley
- Mountain Vista Medical Center
- Promise Hospital
- Restora Hospital

Information Technology

»» FY13 / 14 BUDGET

Roadmap Planning & Budget

- ▶ A few key examples
 - Microsoft Enterprise Software Agreement
 - Mainframe Retirement
 - PC Cycle Replacement
 - Cloud

Supporting PC Software

- ▶ Microsoft Enterprise Agreement – License for Email, Office, SharePoint, PC Operating Systems
- ▶ In FY10/11 strategic decision to Not Renew
 - Saved \$2.25 Million over the past three years
- ▶ This year review / decision point for FY14/15
 - Google or Microsoft or ?
 - Cloud or Mesa or Hybrid

Mainframe Retirement

- ▶ Complete moving all mainframe applications to the web
- ▶ In FY11/12 – 2 FTEs reduction
 - Reduction in workforce as mainframe needs reduced
 - Retrain staff to support other systems
- ▶ In FY14/15 – \$800,000/year savings plus 1 FTE

PC Cycle Replacement

- ▶ Cycle Replacement
 - We have gradually extended original 3 year cycle to a 5 - 6 year PC cycle replacement program
- ▶ For FY13 / 14 - Adjusting cycle replacement one year = \$1.2 Million Savings
 - Deferring will move 25% of fleet to 5+ years
 - Managing the Risk
 - Web and Cloud are impacting desktops

Managed Print Services

- ▶ Optimization underway – many Departments have signed up to be “first”
 - Estimated Annual savings – \$350,000

Other Innovations

- PC Power Management
- Software and PC Pooling

The Cloud

- ▶ Continuing progress with using the Cloud for hosted software applications
 - 12 Applications already in the Cloud with 4 underway
- ▶ Procurement model is to first look at Cloud for all new business applications
- ▶ City's internal Private Cloud with 76% of environment virtualized

Cyber Security

- ▶ A Priority for us
 - Data confidentiality
 - HIPAA and PCI
 - Loss of Service
 - Critical Infrastructure
- Individual Council updates on this topic

Innovation

▶ Our Mobile Strategy



iPads & e-Agenda



Email and Calendaring



Citywide Bring Your Own Device

- Next – Access to your files and applications on the City network from tablet / Home PCs
- Core Business applications

Innovation

- ▶ **iSupport – Changing the IT Help Desk**
 - Extend hands on assistance to all City Staff
 - Bridge the Mesa Staff Digital divide
- ▶ **Preparing the IT employee for tomorrow**
 - Recruit new and train existing staff for new realities of IT
 - Cloud Evolution – From hardware managers to business and software problem solvers

Operating Expenditures

<u>OPERATING EXPENDITURES BY CATEGORY</u>			
	2012-13 ADOPTED BUDGET	2012-13 ACTUAL YEAR-END ESTIMATE	2013-14 PROPOSED BUDGET
PERSONAL SERVICES	\$17,116,702	\$16,577,702	\$17,169,409
OTHER SERVICES	\$7,048,931	\$6,400,000	\$6,794,526
COMMODITIES	\$2,418,015	\$2,336,143	\$1,875,498
PURCHASED CAPITAL	\$3,186,900	\$3,186,900	\$1,455,000
TOTAL	\$29,770,548	\$28,500,745	\$27,294,433

Questions?

City of Mesa

FY 2013/14 Budget Update

May 16, 2013

Presented by the Office of Management and Budget



Multi-year Forecast

- Revenues and Expenditures are estimated for the current fiscal year and forecasted over five to eight years

Projects related to the Capital Improvement Program are projected over ten years

Actual revenues and expenditures are reviewed each month and assessed for impact on the forecast

- Unrestricted fund balances are managed according to the City's adopted financial policies.

Fund balance (reserves) as a percent of the following fiscal year's estimated costs are maintained above 8% for each year of the forecast period

Ongoing expenses are identified and funded with on-going revenues

The General Fund



General Update

- Local sales tax is showing some strengthening, however the most significant increase is in the contracting category (\$1.1M).
Contracting sales tax has the greatest volatility. The forecast assumes a base level of construction activity each year. Activity greater than the base is considered one-time revenue.
State legislation is still pending regarding contracting sales tax. The City will continue to track the movement in this area.
- City departments have been asked to manage the FY 13/14 budget to achieve \$6.0M in general fund savings. This savings has been included in the forecast.

FY 13/14 Budget Summary

- \$8.5M is required to maintain our reserves at the targeted level over the forecast period.
- The cost to maintain the City's compensation plan (step pay) in FY 13/14 is \$3.5M.
- Departments have requested additional budget items. The City Manager recommends funding a minimum number of requests totaling \$3.4M.

Potential Solutions: On-going

Various potential solutions have been identified previously. The recommended solution package includes the following items.

- The enterprise fund transfer has been maintained at the same level for five years. The transfer is a significant resource for the general fund and therefore public safety. Staff recommends increasing the enterprise fund transfer by \$6.4M for a total transfer of \$90.0M.
- Staff recommends providing debt service relief to the general fund by covering \$2.2M in scheduled debt service payments with the debt service fund. The resource for the debt service fund is the secondary property tax levy. This would leave \$8.6M of debt service covered by the general fund in FY 13/14.

Potential Solutions: On-going (continued)

- The Municipal Court recommended a new technology and sustainability fee which will fund technology needs of the court as well as off set existing costs of municipal security related to the court. The fee would fund the Court's budget requests as well as have a savings impact to the general fund. The total revenue estimate is \$0.9M.

Potential Solutions: One-time

The Employee Benefit Trust Fund balance improved in FY 11/12, providing some relief to the scheduled medical premium increases. Staff recommends drawing down the fund balance over the next two years to allow for decreased costs to both the City and employees.

Implement a premium holiday in December, 2013. City savings of \$3.6M total and **\$2.5M** in the General Fund. Total employee savings of \$1.1M.

Hold medical premiums at current levels for 2014. Reduction in expenses for the City of **\$0.4M** in FY 13/14 and \$0.8M annualized. Employees scheduled increases will also be avoided.

Schedule a 2015 contribution increase of 5% rather than the 9% cost increase currently predicted by the City's consultant.

Solution Summary

The recommended solution package provides for a balanced budget while maintaining the targeted reserve fund balance over the forecast period.

The Enterprise Fund



Overview

The refinancing of existing debt service in FY 11/12 allowed the City to forego utility rate increases in FY 12/13. The projected length of the recovery from the recession is longer and slower than expected. It is necessary to implement minimum utility rate adjustments in FY 13/14 in order to maintain the targeted fund balance over the course of the forecast.

Utility Rate Adjustment Recommendation

	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
ELECTRIC-(residential only)	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%
GAS	0.0%	0.0%	3.0%	3.0%	3.0%	3.0%
WATER	0.0%	2.0%	4.9%	4.9%	2.0%	2.3%
WASTEWATER	0.0%	2.0%	4.9%	4.9%	2.0%	2.3%
SOLID WASTE	0.0%	2.0%	4.9%	4.9%	2.0%	2.3%

FY 13/14 for Solid Waste is residential only

Average Residential Homeowner Impact

Impact to Monthly Bill

Average Residential Homeowner

	Current					
	Monthly Bill	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Water	\$38.21	\$0.76	\$1.91	\$2.00	\$0.86	\$1.01
Wastewater	\$25.03	\$0.50	\$1.25	\$1.31	\$0.56	\$0.66
Solid Waste	\$23.88	\$0.48	\$1.19	\$1.25	\$0.54	\$0.63
Avg Homeowner	\$87.12	\$1.74	\$4.35	\$4.57	\$1.96	\$2.29
Electric	\$44.80	\$0.00	\$0.90	\$0.91	\$0.93	\$0.95
Gas	\$24.10	\$0.00	\$0.72	\$0.74	\$0.77	\$0.79

