



COUNCIL MINUTES

May 10, 2018

The City Council of the City of Mesa met in a Special Council Meeting in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 10, 2018 at 9:50 a.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

1. Take action on the following resolutions declaring terms/rates/fees/charges to be public records and available to the public, and introducing the following ordinances to modify City-owned utility terms/rates/fees/charges and setting May 21, 2018 as the date of the public hearing on these ordinances:

- 1-a. A resolution declaring proposed terms/rates/fees/charges for electric utility services to be a public record. **(Districts 1 and 4)** – Resolution No. 11132.
- 1-b. An ordinance modifying terms/rates/fees/charges for electric utility services. **(Districts 1 and 4)**
- 1-c. A resolution declaring proposed terms/rates/fees/charges for natural gas utility services to be a public record. **(Citywide)** – Resolution No. 11133.
- 1-d. An ordinance modifying terms/rates/fees/charges for natural gas utility services. **(Citywide)**
- 1-e. A resolution declaring proposed terms/rates/fees/charges for water utility services to be a public record. **(Citywide)** – Resolution No. 11134.
- 1-f. An ordinance modifying terms/rates/fees/charges for water utility services. **(Citywide)**
- 1-g. A resolution declaring proposed terms/rates/fees/charges for wastewater utility services to be a public record. **(Citywide)** – Resolution No. 11135.
- 1-h. An ordinance modifying terms/rates/fees/charges for wastewater utility services. **(Citywide)**

- 1-i. A resolution declaring proposed terms/rates/fees/charges for solid waste utility services to be a public record. **(Citywide)** – Resolution No. 11136.
- 1-j. An ordinance modifying terms/rates/fees/charges for solid waste utility services. **(Citywide)**

City Manager Christopher Brady commented that the utility rates presented are the rates that Council recommended at the April 5, 2018 Study Session. He noted that approval of the rates will establish the rates and create the public hearing date of May 21, 2018.

Councilmember Freeman requested that staff review the utility rate increases over the past four years.

Budget Director Candace Cannistraro highlighted the process of determining the utility rates and the forecast. She clarified that the original staff recommendation for FY 2018/19 was a 3.5% increase which was the same rate from FY 2017/18. She pointed out that she is using water rates as the example as each rate varies slightly. She stated that at the April 5, 2018 Study Session, Council recommended Scenario C for FY 2018/19 at the following rates:

- Water – 2% increase
- Wastewater – 2.5% increase
- Solid Waste – Residential – 2% increase
- Solid Waste – Commercial – 2% increase
- Electrical Residential Service Charge - \$1 increase
- Gas Residential Service Charge - \$0.45 increase
- Gas Non-Residential Service Charge - \$0.45 increase

Ms. Cannistraro stated that if the ordinances are approved at the May 21, 2018 Council meeting the utility rates would be effective July 1, 2018.

In response to questions posed by Councilmember Whittaker, Ms. Cannistraro replied that the forecast period is through FY 2023/24 for a sustainable rate for the expenses. She noted that for FY 2018/19, if approved at the 2% increase, the FY 2019/20 rate would increase to 3.85%. She stated that for the forecast periods the revenues must be sufficient to match the expenses and whether placed in the first or the second year the end amount will be the same.

Mr. Brady pointed out that at the end of the forecast period the expenses still exceed revenues by \$4 million. He explained that by having small increments each year, when the larger payments for the water and wastewater treatment plants occur in the near future, the City will not have to implement larger periodic increases. He clarified that Council adopts the utility rates annually.

Discussion ensued relative to bond ratings and fund balance.

In response to a question from Councilmember Whittaker, Ms. Cannistraro responded that the \$6 million is placed in the financial schedules as a placeholder for downtown investments in the Enterprise Investment fund.

Mr. Brady clarified that there are multiple business centers such as water, gas, and electric that feed into the placeholder for downtown investments and is treated as a transfer. He added that the question is, "Is the \$6 million creating utility rate increases?" and it is not increasing the rates.

In response to a question posed by Councilmember Whittaker, Mr. Brady reported that the increases in the utility rates over the last five years did not include the \$6 million. He added that the reason for the increases are due to operational and debt service costs.

Mr. Brady explained that Council will have flexibility in the future to decide where the funding for the ASU project comes from. He added that staff cannot bind a future Council on how to handle future expenses and staff presents annually to Council for direction.

Councilmember Thompson stated that with the upcoming larger utility payments, he would prefer to see Scenario G implemented where in FY 2018/19 a 0% utility rate increase and then future years forecasted at 2% increases. He clarified that he would prefer a one-year relief to the residents.

Ms. Cannistraro reported that Scenario G was given to Council, however, the scenario did not include a placeholder for the downtown investment.

Discussion ensued relative to debt service and operating cost increases.

Mayor Giles stated that freezing rates is not prudent due to the fact that it could escalate the spending of the reserve balance at a faster rate.

Councilmember Whittaker stated that despite what has been said, the ASU building costs an estimated \$120 million, it is a \$70 million building, and the bonds will last for 20 years at a 5% interest rate. He noted that if the General Fund is unable to support Public Safety and has resulted in a possible sales tax rate increase of .25%, the only funding left for the ASU building is from the utility ratepayers. He pointed out that over the last 20 years the City has raised the utility rates 4.7% compounded annually. He stated he does not agree that taking \$120 million out of the utility fund, has no affect in increasing the utility rates.

It was moved by Councilmember Whittaker, seconded by Councilmember Thompson that none of the City's utility rate schedules, resolutions, and ordinances are to be used to fund ASU until our Public Safety is adequately funded through the sales tax increase in November.

City Attorney Jim Smith pointed out that the motion binds future Councils. He commented that if the intent is the adoption of a specific rate this year, Council could consider. He pointed out that Council is unable to decide for next year and for the next 20 years for future Council's.

In response to a question posed by Councilmember Whittaker, Mr. Smith replied that the scenario where the Council binds future Council's to long-term debt has been litigated and is allowed.

Mayor Giles stated that the sales tax increase is for future growth and feels that Public Safety is currently fully funded.

Mayor Giles called for the vote.

Upon tabulation of votes, it showed:

AYES: Thompson-Whittaker

NAYS: Giles-Luna-Freeman-Glover-Heredia

Mayor Giles declared the motion failed.

It was moved by Vice Mayor Luna, seconded by Councilmember Freeman that the resolutions declaring terms/rates/fees/charges to be public records and available to the public, and introducing the ordinances to modify City-owned utility terms/rates/fees/charges and setting May 21, 2018 as the date of the public hearing on these ordinances be adopted.

Upon tabulation of votes, it showed:

AYES: Giles-Luna-Freeman-Heredia
NAYS: Glover-Thompson-Whittaker

Mayor Giles declared the motion carried by majority vote.

2. Adjournment.

Without objection, the Special Council Meeting adjourned at 10:26 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 Special Council Meeting of the City Council of Mesa, Arizona, held on the 10th day of May, 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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