



# COUNCIL MINUTES

April 2, 2020

The City Council of the City of Mesa met in a Study Session via a virtual format streamed into the lower level meeting room of the Council Chambers, on April 2, 2020 at 7:31 a.m.

## COUNCIL PRESENT

John Giles\*  
Mark Freeman\*  
Jennifer Duff\*  
Francisco Heredia\*  
David Luna\*  
Jeremy Whittaker\*

## COUNCIL ABSENT

Kevin Thompson

## OFFICERS PRESENT

Christopher Brady  
Dee Ann Mickelsen  
Jim Smith

(\*Council participated in the meeting through the use of video conference equipment.)

Mayor Giles excused Councilmember Thompson from the entire meeting.

### 1. Review and discuss items on the agenda for the April 6, 2020 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: Items 6-d through 6-g.

City Attorney Jim Smith explained the updated process on how to submit Public Comment Cards for the public to engage in the Regular Council meetings.

In response to a question from Vice Mayor Freeman regarding Item 4-p, **(One-Year Term Contract with Two Years of Renewal Options for Two Master Job Order Contracts for Park and Playground Supply and Installation Services. (Citywide))**, on the Regular Council meeting agenda, City Manager Christopher Brady stated the Item is establishing a job order contract to identify Mesa businesses when playground equipment needs updating or fixing as needed.

### 2-a. Hear a presentation, discuss, and provide direction on the impact of COVID-19 on the City's financial position, forecast, and budget modification recommendations.

Management and Budget Director Candace Cannistraro introduced Management and Budget Deputy Director Brian Ritschel who displayed a PowerPoint presentation. **(See Attachment 1)**

Ms. Cannistraro commented that an economic recession was anticipated for Fiscal Year (FY) 2020/21 was included in the FY2019/20 budget forecast. She stated as sales tax increased the Office of Management and Budget department continued to be conservative by adding ongoing expenses and making use of one-time money to prepare for the recession. She mentioned there was money set aside in a separate fund that will be used to offset decreased revenues in the coming years. She continued by saying there will be a focus on process improvement and using data analytics to help guide the department in making decisions when adjusting operations or adding staff. (See Page 2 of Attachment 1)

Ms. Cannistraro reviewed the new budget expectations since the recession came earlier and is deeper than anticipated, but explained the recovery process is predicted to be faster depending on when the stay at home guidelines are lifted. (See Page 3 of Attachment 1)

Ms. Cannistraro reported FY2019/20 sales tax increases from the Fall have surpassed the budgeted numbers creating a cushion for the current impact. She stated one year ago the department did not know that in FY2020/21 an additional \$7,500,000 would be received from Urban Revenue Sharing, which is state income tax. (See Page 4 of Attachment 1)

Ms. Cannistraro stated step-pay for employees has been removed from the FY2020/21 forecasted. She continued by saying salary market adjustments for employees has also been delayed one year, providing one-time savings. She added recruitment for vacant positions that are not critical or essential have also been placed on hold. She stated Budget staff has been working with the following departments that have been impacted the most by the closures of facilities: Arts and Culture, Parks, Recreation and Community Facilities, and Libraries. She requested departments review multiple scenarios if the closure of facilities lasts until October 1, 2020, January 1, 2021, or April 1, 2021. She advised the main focal point should be October 1, 2020 until further information is received. She pointed out the departments identified \$11,200,000 in possible expense savings to offset the lost revenues and/or reduced services. (See Page 5 of Attachment 1)

Ms. Cannistraro reported capital projects and one-time savings continue to be worked on and projects that have not already been obligated or underway have been placed on hold until further notice. She explained staff has identified potential projects that can be deferred, saving the City \$10,000,000 to \$15,000,000 in operational and maintenance costs. (See Page 6 of Attachment 1)

Ms. Cannistraro projected the already closed facilities will remain closed until October 1, 2020. She stated this will allow staff to implement a savings plan for the three departments most impacted by COVID-19. (See Page 7 of Attachment 1)

Ms. Cannistraro recommended the three departments most affected also work on nine and twelve-month implementation plans in case the facilities are unable to open by October. She mentioned staff is still waiting to receive and review the March sales tax activity. (See Page 8 of Attachment 1)

Ms. Cannistraro reported staff will return to Council in June after reviewing sales tax dollars and adjusting the FY 2020/2021 budget. She noted there will be discussions regarding the opening of facilities in October and what operational changes can be made that are associated with decreased revenues. (See Page 9 of Attachment 1)

Mr. Brady explained the challenge is that there are several closed facilities supported by staff that are unable to perform daily work duties, which includes collecting revenues to offset operating

expenses. He recommended moving forward with opening facilities in October until the department can review sales tax dollars from March and April 2020, which could result in the extension of facility closures.

Councilmember Duff expressed the opinion that Mesa's economy would suffer if the closures last longer than 90 days. She suggested maintaining essential employees from closed facilities to put together virtual classes, performances, and engagements for the residents as an alternative to turning them away. She stated it is critical to sustain the arts and the economy until there is clarity and a plan to put into place.

In response to multiple questions from Councilmember Luna, Mr. Brady responded by saying he hopes the City can redirect employees who are currently out of work to help provide relief and assistance to Mesa businesses and residents. He noted some costs could be eligible for reimbursement through the Mesa CARES Act, but it is unknown at this time. He stated there is no timeline as to when social distancing restrictions will be lifted, which impacts the ability for the closed facilities to bring in revenues. He continued by stating other City resources are carrying the operating expenses of the closed facilities without any incoming revenues which is creating a significant economic impact. He mentioned when the facilities can reopen, the City must be cautious of commitments to events and performances in the future. He noted the City picked the possible opening date of October because of contractual obligations that are depending on facilities reopening.

In response to multiple questions from Councilmember Luna regarding furloughed City employees, Mr. Brady responded by stating every employee impacted by the reductions will be placed on a list for rehire when the City is financially ready to bring back those positions. He noted those employees will be contacted first and will not have to reapply for the position. He reported there is a specific policy regarding severance and continuation of benefit packages that are determined by the employee's tenure with the City.

In response to a question from Councilmember Whittaker regarding municipality workforce provisions, Mr. Brady explained the City is waiting on clarification of the CARES Act guidelines.

Mr. Brady commented when the restrictions are lifted, staff will be prepared to help reopen the closed facilities.

Ms. Cannistraro mentioned the implementation processes are not just financial. She explained services are also reviewed to determine the integrity and cultural aspects of the programs, while finding ways to cut costs to get through the recovery period. She continued by saying the implementation plans include how quickly day to day functions can be restored when social distancing restrictions are lifted.

Mr. Brady pointed out all departments are being asked to adjust budgets and defer projects at this time, not just the departments/facilities that have been closed. He continued by saying the departments that are closed are the focus since revenues are not being collected to offset expenses.

Councilmember Heredia commented he would like to see multiple reopening plans for several dates if restrictions are lifted sooner than expected and that it should be a slow process when opening those facilities.

Councilmember Duff commented she would like to see the closed facilities get back to business when restrictions are lifted because the closures cause impacts to sales tax dollars that help pay for public safety.

In response to multiple questions from Councilmember Duff, Ms. Cannistraro stated the \$7,000,000 was forecast last fiscal year to be used for future years, which the City may use earlier than expected. She noted the department is focusing on the three facilities that are closed and how revenues can be offset with expenses. She explained the second step in the implementation plan process is to go through all departmental revenues to create a new forecast.

Mr. Brady commented the City has been conservative over the last three years putting away \$7,000,000 that will now be used during this impactful time, along with the \$7,500,000 from the State income tax. He mentioned the reserves are 10% higher than the City's goal because of managing budgets, significant reserves, and having a good year in sales tax. He continued by stating the reserves are helping cushion the impact until it is decided whether reductions are needed beyond October.

In response to a question from Vice Mayor Freeman, Mr. Brady clarified staff estimated the City will be down \$6,600,000 by the end of fiscal year, which shows the impact of resources on the budget. He mentioned reductions are being made based on current restrictions, and facilities will be reopened at Council's discretion once the restrictions are lifted.

In response to multiple questions from Councilmember Whittaker, Ms. Cannistraro explained the three closed facilities will have an estimated revenues loss of \$9,100,000 and a savings of \$11,200,000. She continued by saying personnel costs, payroll, custodial, utilities and incurred expenses contribute to the savings cost.

In response to a question from Councilmember Whittaker, Mr. Brady stated the City is carrying the cost of lost revenues from the closure of facilities and will take time before seeing those savings.

Councilmember Whittaker suggested exploring the options of a 25% pay cut for all employees, instead of laying off those employees that are not a part of the core business.

Ms. Cannistraro stated when looking at reductions to the budget the closed facilities are reviewed first. She mentioned the next set of reductions considered is vacant positions followed by current filled positions. She continued by stating the City attempts to shield employees as much as possible from layoffs. She commented in the last recession the City relocated employees to vacant positions before layoffs occurred, and implemented a two percent pay reduction for all employees.

In response to multiple questions from Councilmember Whittaker, Ms. Cannistraro responded by saying pension plans will be affected by the pandemic because of their investments in the market. She pointed out Public Safety Personnel Retirement System (PSPRS) will take the reductions from the investments and spread them out over seven years so the impacts to rates will not be seen all at one time. She indicated there will be an updated forecast in June that staff will bring to Council with updates on revenues and increased expenses. She commented staff is working on two projects, the FY2020-21 budget, and adjustments and revisions to the expense assumptions in the forecast.

Mr. Ritschel reported the City receives actuarial updates from PSPRS in December.

In response to multiple questions from Councilmember Whittaker, Ms. Cannistraro explained staff has compiled a forecast of rates since the actual update will not be available until the end of the calendar year. She summarized the total obligated and underway projects which falls under the Capital Improvement Program (CIP) document that reflects annual costs. She stated there is not a summary list for projects that are underway.

Councilmember Whittaker requested a spreadsheet that reflects projects currently underway or obligated, total costs, and annual costs for the specific projects.

Mr. Brady commented the City's priority is to balance the budget. He stated when the budget is balanced staff will work on creating a spreadsheet with the projects currently underway, contractually obligated, and what would happen to the City if contracts were terminated.

Mayor Giles informed Council there will be a presentation on deferring capital projects on a future agenda and hopes all questions and concerns will be answered at that time about City projects.

Mayor Giles remarked the City endorses staff recommendations for public health purposes and that classes and programs will not be open for the next 90 days. He commented staff and Council will reevaluate in June how quickly classes and programs can be brought back online until in person classes can begin.

Mayor Giles thanked staff for the presentation.

2-b. Hear a presentation, discuss, and provide direction on Mesa CARES; a Citywide initiative to assess community needs resulting from COVID-19 through outreach efforts, and by providing needed support and resources.

City Manager Christopher Brady introduced Assistant City Manager Kari Kent who displayed a PowerPoint presentation. **(See Attachment 2)** He commented the largest stimulus package in the Country's history has been approved by the Federal Government and is known as Coronavirus Aid, Relief, and Economic Security (CARES) Act. He stated it is intended to provide relief and assistance to those who have been impacted by COVID-19.

Ms. Kent reported the Federal Government will be distributing money to the City of Mesa within the next 30 days, and the Citywide response to the pandemic will be called Mesa CARES. She continued by saying Mesa CARES will extend relief and assistance to individuals and businesses in Mesa. She highlighted the three components of the Mesa CARES program. (See Page 3 of Attachment 2)

Ms. Kent commented the first portion of the Mesa CARES program is to conduct a community needs assessment by phone to gain an understanding of key issues, concerns and needs. She stated staff will take the feedback and create categories of assistance and work with external partners to provide assistance to the community. She added there will be over 100 employees trained to make these calls to the community and multiple organizations. She stated the Chamber of Commerce and Economic Development have also been surveying businesses for feedback on key issues and concerns. (See Page 4 of Attachment 2)

Ms. Kent reviewed the second component of the program which is a Community Resource and Call Center geared toward Mesa residents and businesses that will be staffed by City of Mesa Library personnel. She mentioned the Call Center will be open seven days a week from 8:00 a.m. to 5:00 p.m. She stated the goal of the Call Center is to be a reliable resource to the community

to ensure guidance for the needs of Mesa residents. She continued by stating when the CARES funding is received, new programs for Mesa residents and businesses will be developed, and can be found at [www.mesaaz.gov/mesaCARES](http://www.mesaaz.gov/mesaCARES). (See Page 5 of Attachment 2)

Ms. Kent pointed out the third component of the Mesa CARES program will be to assign staff to work on a funding, tracking, and documentation team. She mentioned the team will be learning the requirements of the CARES Act, and manage distribution and documentation for the Federal Government to ensure Mesa meets the requirements for reimbursement. (See Page 6 of Attachment 2)

Mr. Brady commented he wanted the Mesa CARES program to be a Mesa specific resource to talk with residents and businesses to help identify needs and help find resources. He stated programs will be designed and geared towards resident and business needs, and how to utilize partners in the Mesa community. He noted dollars must be distributed efficiently to those who are in need while meeting all fiduciary responsibilities that the Federal Government will require of the City. He noted the Mesa CARES program can utilize employees from closed facilities to help serve the Mesa community.

In response to a question from Councilmember Duff, Ms. Kent responded by stating the phone calls and surveys are developing categories of specific challenges residents and businesses are facing. She continued by stating when the CARES dollars are received, programs will be developed internally or with external partners to address the specific categories.

Mayor Giles commented the current situation has exposed great needs in the community and it is critically important how the City responds. He expressed his appreciation for utilizing current employees who are out of work in other departments.

In response to questions from Councilmember Heredia, Ms. Kent stated a series of questions will be asked of residents and businesses to ensure the City is on track with the services being provided, or if the needs of the community are changing.

Vice Mayor Freeman expressed gratitude to the Mesa CARES Call Center because members of the community will need the help and support during the pandemic. He pointed out using Library staff who are knowledgeable is a great resource. He thanked staff for the implementation of the Mesa CARES process.

Councilmember Luna expressed appreciation to staff for addressing the concerns of the community. He added having bilingual staff is a great resource to help ensure the Spanish speaking community needs are also being met.

Ms. Kent commented the City will continue to use Mesa en Español to communicate with the Spanish speaking community. She continued by saying the City's webpage is embedded with Google Translate allowing for the site to be translated into several other languages.

Mayor Giles thanked staff for the presentation.

### 3. Current events summary including meetings and conferences attended.

Mayor Giles –

Food distribution event – Mesa Convention Center  
Small Business Summit

Councilmember Duff – World Autism Day  
Teddy Bear Hunt – Community wide event

Councilmember Heredia – National Census Day

4. Scheduling of meetings.

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

Monday, April 6, 2020, 5:30 p.m. – Study Session

Monday, April 6, 2020, 5:45 p.m. – Regular Session

5. Adjournment.

Without objection, the Study Session adjourned at 9:38 a.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 2<sup>nd</sup> day of April 2020. 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

jpg  
(Attachments – 2)

# FINANCIAL UPDATE

## COVID-19 FINANCIAL IMPACT

City of Mesa

April 2, 2020

Candace Cannistraro:  
Management & Budget  
Director

Brian Ritschel:  
Management & Budget  
Deputy Director



# Prior Planning and Setting of Expectations Continued

- Economic recession anticipated in FY 20/21
  - 12-month downturn with a three-year recovery
  - Anticipated revenue decreases: FY 20/21 \$5.5M, FY 21/22 \$12.8M
- Multi-year discussions with City staff regarding planning for a downturn
  - Sales tax revenues steadily climbed up while a conservative approach was applied to new programs and expenses
  - Focus on increased efficiency: use of technology, process improvement, data-based evaluation, alignment with mission
  - Setting aside funds for service stabilization, \$7.0M

# New Expectations

- Recession is earlier and deeper than anticipated. However, the recovery should be faster than anticipated
  - *Artificial decrease in consumer demand due to social distancing and stay-at-home guidelines*
  - *When guidelines are lifted, some of the demand will return*
  - *A longer unemployment period may result in a longer recovery period*
  - *Reductions/deferments in expenses are needed to cover the recovery period*
  - *Early action reduces the impact of reductions*

# Some Good News

- Increased sales tax receipts (local and State) in first half of FY 19/20 is cushioning the impact of a \$17.6M swing in the last quarter
  - *Initial year-end estimate about \$11.0M above budget*
  - *Current year-end estimate about \$6.6M below budget*
- Availability of one-time State income tax revenue
  - *Urban Revenue Sharing (State income tax) for FY 20/21 will come in \$7.5M more than anticipated in the Spring 2019 forecast. Most of it is considered one-time as it was due to a change in the Federal tax rules*

# Actions Already Taken

- Personnel Related Expenses
  - Step-pay anticipated and included in the Spring 2019 forecast for implementation on 7/1/2020 has been removed
  - Salary market benchmark adjustments anticipated for implementation in 7/1/2020 have been delayed one year
  - Vacant positions are being held open related to non-critical/non-essential services
- Departments with closed facilities have identified possible expense savings to offset the lost revenues and/or reduced services
  - \$9.1M estimated lost revenues Mar-Sep 2020 (6-month/Oct. 1 scenario)
  - \$11.2M estimated reduced expenses Mar-Sep 2020 (6-month/Oct. 1 scenario)

Expense Adjustments	FY 19/20	FY 20/21
Removal of Merit Pay for Salary Benchmark Delayed One year	\$ (3.5)	\$ (3.5)
Closed Facility Savings (Apr-Sep)	\$ -	\$ (1.9)
<b>Total Savings</b>	<b>\$ (7.4)</b>	<b>\$ (12.7)</b>

# Capital Projects/One-time Savings

- All projects not currently underway or obligated have been put on hold
- Each project will be evaluated for: impact to the General Fund, safety concerns, grant funding availability, etc.
- Staff currently estimates \$10.0M - \$15.0M of projects could be considered for deferral
- Additional information will be presented to the City Council next week

# Action Needed

- Staff feels confident that the closed facilities will need to remain closed for some time to maintain public health and safety due to COVID-19
- **Based on this, staff recommends the City continue the closure of the facilities through the month of September**
  - *This allows staff to implement the operational savings plans outlined by the departments*
  - *Implementation plan will be provided to the City Council next week*

# Next Steps

- The departments affected by closed facilities are preparing 9-month and 12-month closure plans
  - *These operational plans would impact more full-time staff and require additional ramp-up time to reopen the facilities*
- March sales tax activity will be available by the end of May
  - *Initial assessment of the impact to major revenues*

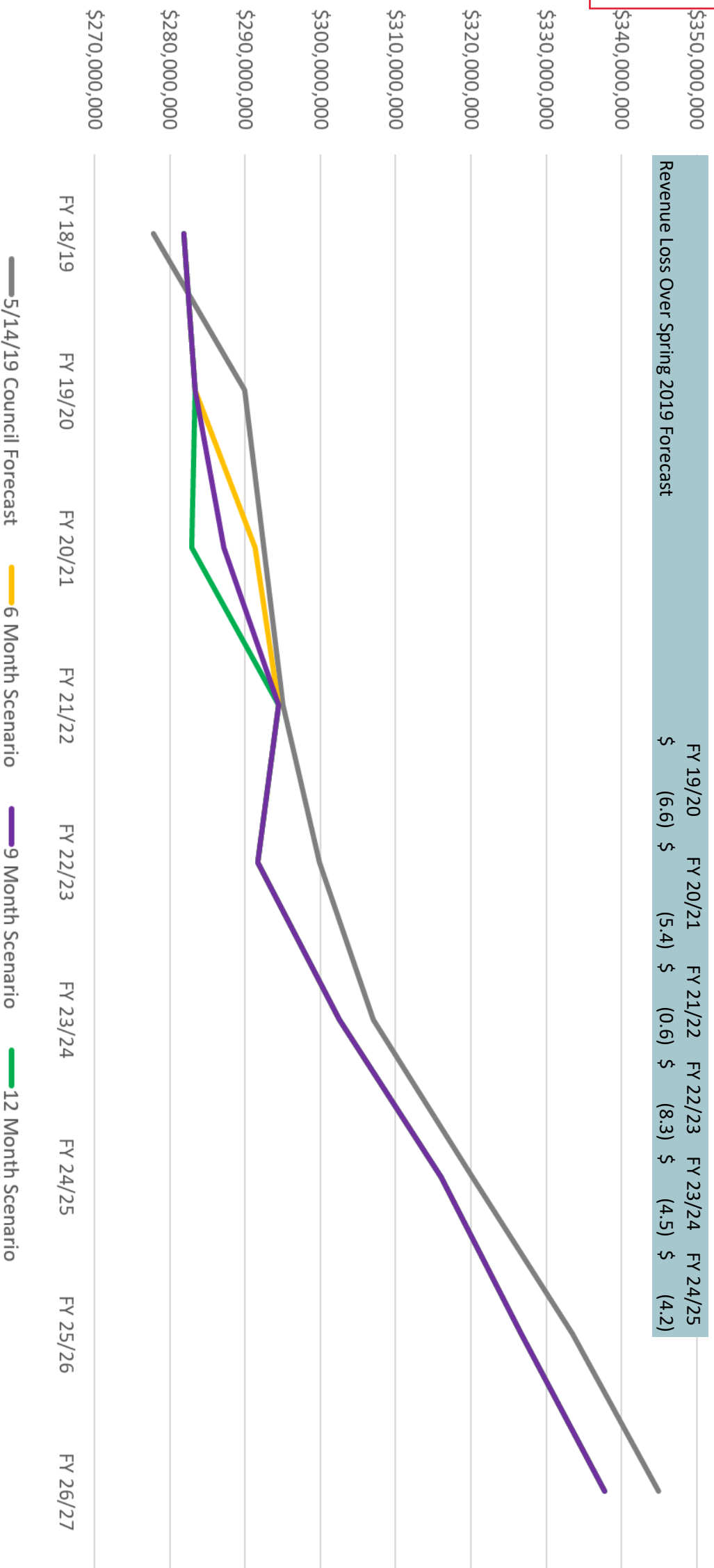
# Next Steps Continued

- Staff will return to City Council in the beginning of June to:
  - Discuss possible date extension of closed facilities
    - *Staff concerned that economic recovery will not be sufficient to support reopening of facilities before January 1, 2021*
  - Recommend other operational budget modifications





General Governmental Major Revenues Forecast Comparison



\*FY 20/21 excludes \$7.5M in one-time revenues from Urban Revenue Sharing (State Income Tax)



# Mesa CARES

April 2, 2020

# Coronavirus Aid, Relief, and Economic Security (CARES) Act

- Became law on March 27, 2020.
- Complex \$2.2 trillion package; federal funding allocations.
  - Awaiting clarification and guidance on the new law.
  - Funding availability in 30+ days.



Mesa CARES



**Community  
Needs  
Assessment**



**Mesa-Specific  
Resource and  
Call Center.**



**Funding  
Tracking,  
Documentation**

## Goals:

- Establish connection with community.
- Inform them of Mesa CARES.
- Gain insights about key issues, concerns and needs. Staff will be using this feedback to inform the process to request and fund proposals from CARES Act.
- Temporary repurpose of approx. 100+ staff.
  - Includes bi-lingual staff.
- Focus on calls to non-profits, faith-based agencies, key community contacts (businesses, industry, Veterans, airports, neighborhood leaders, user groups).
- Calls scheduled for week of April 6.
- Council review of results on April 14.



Mesa CARES

**Community  
Needs**

**Assessment**



Hosted and Managed by Mesa Libraries.

7 days per week, 8a to 5p phone line that is answered by our librarians; four are bilingual.

- Goals:
  - Be a reliable source of Mesa-based information for residents and businesses.
  - Be active listeners, really understand needs and help to refer community members to available services.
  - Information available on website and also by calling 480-644-CARE; mesaaz.gov/mesaCARES
- Critical part of ongoing communication strategy in partnership with PIO, Council offices, social media, etc.
- Live, beginning Monday, April 6.



MesaCARES

**Community**

**Resource and**

**Call Center**

**480-644-CARE**



A team of City staff will be reassigned to this Mesa CARES team, at least for rest of 2020 or until they are no longer needed.

- Goals:
  - Understand federal requirements for use of dollars.
  - Manage fund distribution, documentation.
  - Ensure City meets federal requirements for reimbursement AND that City is taking full advantage of investing these funds in our community.



Mesa CARES

Funding

Tracking and

Documentation







Mesa  
**CARES**

# QUESTIONS?

April 2, 2020