



COUNCIL MINUTES

February 24, 2020

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 February 24, 2020 at 5:16 p.m.

COUNCIL PRESENT

John Giles
Mark Freeman
Jennifer Duff
Francisco Heredia
David Luna
Kevin Thompson
Jeremy Whittaker

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

1. Review and discuss items on the agenda for the February 24, 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: None

Vice Mayor Freeman thanked the Hickey Family Foundation regarding Item 6-d, **(Approving and authorizing the City Manager to enter into a grant agreement with the Hickey Family Foundation to accept \$175,000 for overtime, equipment, and training for the Police Department to combat domestic minor sex trafficking, and to comply with the requirements set forth in the award notice. (Citywide))**, on the Regular Council meeting agenda. He mentioned their goals are to rescue victims, investigate individuals and organizations engaged in sex trafficking, child prostitution and related crimes.

In response to a question posed by Councilmember Whittaker regarding Item 10-b, **(An ordinance modifying terms/rates/fees/charges for non-residential water utility services. (Citywide))**, on the Regular Council meeting agenda, City Manager Christopher Brady stated Homeowners Associations (HOA) are billed under the commercial category and he does not know if staff is able to identify how many HOAs will be affected.

In response to a question posed by Councilmember Whittaker regarding Item 7-a, **(Repealing Mesa City Code Title 3, Chapter 3 (“Utility Departments”) and replacing it with a new Title 3, Chapter 3 titled “Water Resources, Energy Resources, and Environmental Management & Sustainability Departments.”** The new language includes the creation of a Utility

Assistance Program, the permitted uses for the utility system revenues, and the permitted transfer of Utility Funds, primarily for Public Safety. (Citywide)), on the Regular Council meeting agenda, Office of Management & Budget Deputy Director Brian Ritschel explained using the calculation called for in the ordinance, the Enterprise Fund transfer for Fiscal Year (FY) 18/19 would have been \$105 million and the actual transfer was \$108 million.

In response to a question from Councilmember Whittaker regarding the numbers used to make the calculation, Mr. Brady stated the calculation was based on the ordinance language.

Office of Management & Budget Director Candace Cannistraro informed Councilmember Whittaker the transfer is based on a percentage of the utility revenues, minus the pass-through revenue from electric and natural gas, and those numbers are available in the cash flow statements.

In response to a series of questions from Councilmember Whittaker regarding the difference in the reported numbers versus the Comprehensive Annual Financial Report (CAFR) numbers, Ms. Cannistraro advised the transfer is from the Enterprise Fund to the General Fund and that the CAFR numbers include additional transfers to various funds. She stated the utility revenue transfer is the only one that goes into the General Fund and for CAFR purposes other funds roll into the General Fund. She explained the ordinance would limit all transfers out of the Enterprise Fund regardless of what fund they were going into and lists exactly what uses are allowed for the revenues. She stated future numbers will come from the cash flow statement forecast and those numbers are published each year.

Mr. Brady expanded by saying the base number is the same number used today which is based on the current formula that takes inflation into account. He stated the CAFR number is derived by an outside source using the budgeted numbers. He commented the ordinance will limit the transfer to 25% of the gross revenues from the City or Public Safety services and 5% of the gross revenue for City discretion.

Ms. Cannistraro discussed how the cash flow statement numbers are used to look at what happened in the past, look at what is currently happening, and forecasting into the future. She remarked the three categories included are residential rate revenues, non-residential rate revenues and other revenues. She provided an example for FY18/19 the water revenues were \$145 million, which would be the number used as the base for the percentage outlined in the ordinance. She added the number ties back to the CAFR, but there are different components and pieces that go into the CAFR.

In response to a question posed by Councilmember Whittaker, Ms. Cannistraro confirmed the difference in the numbers is due to not accounting for the pass-through commodities. She indicated staff could explain how the numbers tie back to the CAFR.

In response to a question from Councilmember Whittaker regarding how much money can be extracted from utilities and still be sustainable, Ms. Cannistraro stated if the ordinance had been in place last year, the transfer to the General Fund would have been \$3 million less

Mr. Brady clarified the numbers in the Enterprise Fund would be close to what they are today, but not exactly the same. He reported staff attempted to create a formula going forward that would be close to what has already been built into the forecast that created specific buckets and percentages to use instead of using an inflator.

Ms. Cannistraro emphasized the main difference between what is done today and what the ordinance proposes is the new ordinance designates the purpose of the funds as part of the transfer.

In response to a question from Councilmember Whittaker regarding the percentage of revenue that can be extracted from utilities before becoming unsustainable, Mr. Brady remarked there is no formula to answer that question.

Mayor Giles stated the question calls for a hypothetical answer that has not been delved into and that Councilmember Whittaker could explore that question with staff.

2. Current events summary including meetings and conferences attended.

Mayor Giles –	Cubs Spring Training Game
Councilmember Duff –	The Grid Groundbreaking Portal to Places Workshop Cubs Spring Training Game
Vice Mayor Freeman –	Chief Cameli AED Presentation at Westwood High School

3. Scheduling of meetings.

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

Thursday, February 27, 2020, 7:30 a.m. – Strategic Planning meeting

4. Adjournment.

Without objection, the Study Session adjourned at 5:39 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 24th day of February 2020. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK