



COUNCIL MINUTES

January 30, 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 January 30, 2020 at 7:30 a.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-a. Hear a presentation, discuss, and provide direction on the Mesa Achieves Higher Education Task Force recommendations.

Councilmember Heredia thanked the Taskforce for their commitment in working towards solutions to ensure success. He stated education is important to help the next generation gain the necessary skills to continue the economic growth.

Councilmember Duff expressed thanks and gratitude to the Taskforce for preparing for the future success of Mesa.

Mesa Counts on College Director Amy Trethaway displayed a PowerPoint presentation. **(See Attachment 1)**

Ms. Trethaway explained the Taskforce was assigned to examine the state of post-secondary education in Arizona, and most importantly Mesa; determine if Mesa should adopt the Achieve 60 AZ strategy; and recommend action items to impact post-secondary success. (See Page 2 of Attachment 1)

Ms. Trethaway illustrated in the last eight years Arizona's attainment of post-secondary education has grown 5%, reaching 45% in 2018, and the goal is to reach 60% over the next 10 years. She reported that would mean credentialing a million adults in that period; 135,000 in Mesa alone. (See Page 3 of Attachment 1)

Ms. Trethaway clarified credentialing means obtaining either a degree, a license or a certification after high school and gave examples of each. (See Page 4 of Attachment 1)

Ms. Trethaway pointed out of the 135,000 Mesa residents needing credentials, 45,000 have graduated high school and need to start a program and 75,000 need to finish a program they have already started. (See Page 5 of Attachment 1)

Ms. Trethaway presented the Taskforce recommendations include adopting the Achieve60 AZ initiative, creating a Mesa Achieve60 AZ steering team to develop an education related data dashboard and parameters for a Mesa Promise campaign, and then supporting school districts by addressing social and emotional challenges facing students. (See Page 6 of Attachment 1)

In response to a question from Councilmember Luna, Ms. Trethaway stated the steering committee would be made up of individuals representing all sectors of the community.

Ms. Trethaway described the Promise campaign as a nationwide effort to engage cities to work with community-based organizations to develop framework that will identify students coming out of high school who need assistance transitioning to further education.

Ms. Trethaway presented the next steps will be convening the Achieve60 AZ steering committee, adopting action steps to meet the goal, designing a Mesa Promise campaign and reporting back to Council for direction. (See Page 7 of Attachment 1)

In response to a question from Vice Mayor Freeman, Ms. Trethaway stated because of the education structure in the State of Arizona, charter schools are included in any programs or activities. She confirmed East Valley Institute of Technology (EVIT) will be a partner in the program.

Ms. Trethaway commented the Promise Program is set up for students who are low-income and Pell Grant eligible.

Mayor Giles emphasized the point of the program is to reach the students who have fallen through the cracks and need additional assistance moving down the right path and showing them how to access what is available for education.

Councilmember Thompson remarked he supports the concept but has concerns with dedicating City staff to the program for 10 years and using taxpayer dollars for a program outside of the purview of the City. He stated the responsibility of the City should be to lobby the legislature to re-implement workforce development dollars for education programs. He added if there are excess dollars, the City should be utilizing those funds towards paying down debt, paying down the PSPRS liability, or investing in infrastructure.

Ms. Trethaway reiterated there will be no additional costs for staffing and the current needs and recommendations of the Taskforce will be absorbed into activities already occurring. She explained funding will be pivoted to focus on strategies that align with the State and City. She mentioned before anything is added, staff will come back to Council for approval.

In response to a question posed by Councilmember Thompson, Deputy City Manager Scott Butler stated in the context of the Promise Program, the Governor's office is encouraging cities to pursue this path. He remarked he cannot speak for the discussions that have occurred regarding returning funding to workforce development.

Councilmember Luna expressed the opinion that it is the purview of the City to be a leader in the Promise Program to maintain the quality of life for Mesa residents by educating and bringing innovative businesses into the community.

In response to a series of questions from Councilmember Luna, Ms. Trethaway replied the progress meter came from Arizona State University's (ASU) Decision Center for Educational Excellence where you can check to see where Mesa compares to other cities and states, which will help drive steering committee decisions. She added all of Mesa's partners are using the same data source and she is encouraged by the collaboration throughout the state. She responded assembling the committee is a priority and will be starting within the next week.

Councilmember Heredia commented he sees this program as an investment for the future by ensuring Mesa can provide a skilled workforce to help grow the economy. He shared his story of growing up in a small town near the border and the importance of providing opportunities to residents.

Councilmember Duff explained the Promise Program does not fall solely on the City of Mesa but entails joining together with businesses and non-profits to ensure more opportunities. She stated one of the biggest concerns for Mesa is the homeless rates, and that many homeless individuals have jobs but don't earn a high enough wage compared to the cost of living. She advised education can have a great impact for a better quality of life and that this is the time to take action by committing to Achieve60 AZ. She pointed out the Promise Program will encourage employers to commit to tuition reimbursement to help meet the 60% goal by 2030.

In response to a series of questions posed by Councilmember Whittaker, Ms. Trethaway clarified there is always a potential cost with the Promise Program, but programs in other cities have been developed so that costs are determined based on partnership contributions. She stated Mesa can structure its Promise Program so there is no financial contribution, although the national standard is cities will contribute with businesses matching those funds. She added the main partner would be Mesa Community College (MCC) and a cost analysis showed the cost would be approximately \$200,000. She emphasized the program is also to help facilitate students' understanding of available grants. She commented Achieve60 AZ stats range from ages 18 to 65, and she would defer to them on how the stats were normalized.

Mayor Giles stated City money would be utilized; however, it will also help leverage philanthropy. He described businesses have already expressed interest in being a part of the program and that spending money on preventing poverty is appropriate.

In response to a question from Councilmember Whittaker, Mayor Giles reported MCC has committed \$1 million over a period of five years. He announced he will personally take on the task of reaching out to businesses in the community for participation.

Mayor Giles emphasized the City needs to be the leader in bringing the community and businesses together to achieve the 60% goal. He added discussions will need to take place regarding the most appropriate way to set up the committee.

Ms. Trethaway commented models are available to assist with the structure of the campaign.

Mayor Giles advised the consensus from Council is to proceed with staff recommendations.

1-b. Hear a presentation, discuss, and provide direction on a proposed ordinance to replace Mesa City Code Title 3, Chapter 3, with new language that would include the creation of a Utility Assistance Program, the permitted uses for the utility system revenues, and the permitted transfer of Utility Fund's primarily for Public Safety.

Deputy City Manager Mike Kennington displayed a PowerPoint presentation and discussed the key concepts in the proposed ordinance. **(See Attachment 2)**

Mr. Kennington stated the first concept is the public assistance concept which would formalize the ability for City Council to offer utility public assistance, and highlighted examples of programs. (See Page 2 of Attachment 2)

Mr. Kennington explained the franchise fee concept, which typically are charged to utility, telecommunication and cable companies to use city-owned streets and other rights-of-way. He described in lieu of the franchise fee, the proposed ordinance would have a right-of-way usage charge consisting of 3% for the gas and electric revenues and 5% for the water and wastewater revenues. (See Pages 3 and 4 of Attachment 2)

Mr. Kennington presented the final concept as the Public Safety and General Use Transfers, which would allow for a transfer of up to 25% of utility revenues to the General Fund for public safety use and an additional 5% may be transferred for general use. (See Page 5 of Attachment 2)

City Manager Christopher Brady remarked the intent of the ordinance is to create a formal policy regarding management of contributions from the utility fund in a manner that does not impact the delivery of City services. He stated the formula was applied looking backwards as well as looking forward and comparing the projections.

In response to a series of questions from Councilmember Thompson, Mr. Brady replied the current disconnect policy has been followed for years and is cautious about cutting off power to residents. He added the disconnect trigger changed from \$50 to \$150 to give a larger buffer. He explained the \$125,000 is a voucher program managed through the Salvation Army, Lutheran Social Services and MesaCAN. He remarked the City has long-term agreements for right-of-way use and the revenues from franchise fees goes to the General Fund.

Councilmember Thompson suggested instead of limiting the transfer amount, creating a policy that states the City will not leverage Enterprise dollars for a City project without full consent of Council so that future Councils will not be restricted when reacting to changing market conditions.

Mr. Brady advised discussions have taken place regarding requiring a certain number of Councilmembers agreeing to expenditures that fall outside of operational costs, and stated that Council can consider other options to establish controls.

In response to a series of questions from Councilmember Whittaker, City Attorney Jim Smith replied he would have to look into whether Council can adopt such an ordinance. He stated the Charter requires four affirmative votes from Council are needed to take action. He added there are certain circumstances under state law that require a supermajority vote.

In response to a series of questions posed by Councilmember Heredia, Mr. Brady commented that utilities will work with customers on providing different options to bring the bill current before

moving to disconnection and are sensitive to the excessive heat notices. He advised he will research the number of seniors that fall under the low-income discount and provide the data.

In response to a series of questions from Councilmember Luna, Mr. Brady estimated the low-income discount will be approximately \$100 per year on the fixed charges. He explained staff will work with Mesa's partners to come up with a definition of low-income seniors. He reported that ensuring utilities are not disconnected for fixed-income seniors is a top priority. He clarified the \$125,000 community partnership funds come from the Utility Fund dollars for utility assistance.

In response to a question from Councilmember Thompson, Mr. Brady advised the Electric Utility Assistance Program is still in place and staff will come back to Council with the specifics of that program.

Mr. Smith explained that the utility ordinance will formalize programs that already exist within the City, and that the particular details of the programs are not contained within the ordinance to allow flexibility.

In response to a question posed by Councilmember Duff, Mr. Brady remarked staff will look into how master meter customers handle disconnections and will report back to Council after confirming with the Corporation Commission.

Councilmember Heredia commented the Summer Electric Assistance (SEA) Program focuses on July, August and September as the target months.

Mayor Giles indicated support for establishing the ordinance to ensure clarity on the policies and processes followed by the City.

Michael Hughes, Chief Executive Officer of A New Leaf, discussed how receiving utility assistance funds helps to provide another avenue of assistance to individuals that need help in multiple areas. He supports the ordinance as long as there is not a decrease in the amount of funds available because \$100,000 of the \$125,000 community partnership funds have already been distributed this fiscal year and there are a lot of people in need.

Mayor Giles acknowledged how easy it would be for future Councils to change the ordinance unless it is incorporated into a Charter amendment. He encouraged a discussion of referring the ordinance to the ballot.

In response to a question from Councilmember Whittaker, Mayor Giles explained the process would involve placing the item on the agenda and then the ballot.

In response to a question from Vice Mayor Freeman, Mr. Kennington reported the estimate for the franchise fee would be approximately \$12 million.

In response to a series of questions from Vice Mayor Freeman, Mr. Brady stated the percentage of the franchise fee is based on revenues. He added the recession did affect the utility revenues due to foreclosures, but the impact from sales tax had a greater effect. He stressed the General Fund, sales tax collection and the utility transfer contribution are all needed to cover the cost of Public Safety, which does not include any other operating expenses for the City. He advised the contributions from the utility fund are in lieu of a primary property tax and sales tax on food.

Vice Mayor Freeman expressed his support, stating he appreciates the added measure of security and that the primary objective in the City is to provide public safety.

In response to a question from Councilmember Whittaker, Mr. Brady stated an estimate from approximately eight years ago calculated the loss of revenue from food sales tax at around \$25 million.

In response to a question posed by Councilmember Whittaker, Ms. Cannistraro clarified items purchased at a restaurant will have sales tax, but items for household consumption do not.

Mayor Giles pointed out Mesa is the lowest per capita collector of sales tax revenue in the Valley.

Further discussion ensued regarding the lack of food sales tax revenue.

In response to a question from Councilmember Whittaker regarding how the proposal lowers utility rates, Mr. Kennington stated the intent of the proposal is to maintain consistency with the current level of service and the resources provided from the Enterprise Fund to the General Fund. He explained the affordable piece comes from formalizing the ordinance which then gives the ability to offer assistance programs.

In response to a series of questions posed by Councilmember Whittaker, Mr. Brady replied a presentation was made regarding the impact of the proposed utility initiative, which showed the impact on reducing the amount of contributions from the utility fund was between \$30 to \$50 million. He added the ordinance maintains the current contribution levels to be consistent with past contributions and what is forecasted for the future to ensure there is not a major impact on the City's ability to provide services. He remarked neither the initiative nor the proposal dictates a change in utility rates.

Councilmember Whittaker commented on the difference in the language of the initiative which gives ratepayers the ability to challenge unreasonable rates, and the modified ordinance which states the City has the ability to set the rates to be deemed reasonable.

In response to a question from Councilmember Whittaker, Mr. Smith replied in order to adopt an ordinance, four Councilmembers must vote in favor. He remarked to change an ordinance that has previously passed requires the process of introduction, hearing and community participation. He stated Mesa is one of the few cities that require introduction of an ordinance before a vote, which gives residents two opportunities to discuss an item with a minimum of one week between meetings. He recalled the cap to the Enterprise Fund at a certain percentage based on inflation is not an ordinance but a Council policy.

Ms. Cannistraro verified the 3% cap was adopted by Council after the recession to gain stability in the Enterprise Fund, then was set to the Consumer Price Index (CPI), which has been followed for several years.

In response to a series of questions from Councilmember Whittaker, Ms. Cannistraro presented Fiscal Year (FY) 15/16 increased 4.1%, FY 16/17 increased 4.2%, and Council direction was to increase the transfer to fund Public Safety salaries. She pointed out that Comprehensive Annual Financial Reports (CAFR) numbers follow accounting practices and the budget side follows management rules, adding that the numbers tie back to the CAFR but will not match exactly because of the different formulas used.

In response to a question from Councilmember Whittaker, Mr. Kennington replied the cap on the transfer would be up to 30% of the total gross revenues, and the 3% franchise fees are separate. He agreed the amount transferred currently is approximately 33%.

In response to a question posed by Councilmember Whittaker, Ms. Cannistraro detailed the objective is to separate the Enterprise Fund into a utility fund and a non-utility Enterprise Fund. The non-utility Enterprise Fund are investments within the community and would be subsidized from the General Fund. She explained the non-utility Enterprise Fund would function like other funds that are subsidized from the General Fund, like the Transit Fund or Arts and Cultural Fund.

In response to a question from Councilmember Whittaker, Mayor Giles declared staff is seeking direction from Council; and if the consensus of Council is to proceed, the ordinance will be set for introduction.

Councilmember Whittaker stated the only issue he has with the ordinance is that it does not lower utility rates. He remarked Mesa is the second most unaffordable city in the Valley, and the ordinance does not solve the utility rate problem.

Councilmember Duff indicated support for the ordinance, stating if the community is interested in reducing utility rates, the choice has to be made to reduce Public Safety or incurring a property tax.

Councilmember Whittaker detailed if state shared revenue and sales tax were taken into account as a source for the budget, that would be equal to the sales tax and Enterprise Fund transfer, and that Public Safety funds could come from other sources of revenue.

Mr. Brady commented additional resources for Public Safety salaries and adding officers has come from the transfer. He stated the policy of Council for many years has been to consider the transfer as a source for Public Safety.

Mayor Giles confirmed consensus of Council is to move forward with introduction.

2. Acknowledge receipt of minutes of various board and committees.

2-a. Audit, Finance and Enterprise Committee meetings held on July 1, 2019 and January 9, 2020.

In response to a question from Councilmember Whittaker, Mr. Brady commented the policy regarding expenses and the role of gift cards will be brought to Council for introduction and approval.

Mr. Butler explained the discussion regarding gift cards was to ensure that City employees follow proper accounting and Internal Revenue Service (IRS) standards.

2-b. Museum & Cultural Advisory Board meeting held on November 21, 2019.

2-c. Transportation Advisory Board meeting held on September 17, 2019.

It was moved by Vice Mayor Freeman, seconded by Councilmember Luna, that receipt of the above-listed minutes be acknowledged.

Upon tabulation of votes, it showed:

AYES – Giles-Freeman-Duff-Heredia-Luna-Thompson-Whittaker
NAYS – None

Carried unanimously.

3. Current events summary including meetings and conferences attended.

Mayor Giles – Point-in-Time Homeless Count
Patterson Elementary School – Signed Big Brothers Big Sisters of America Pledge
United States-Mexico-Canada Agreement Signing – Washington, D.C.

Vice Mayor Freeman – Ride-along with Officer Jose Aguirre for the Point-in-Time Homeless Count

Councilmember Duff – Point-in-Time Homeless Count

Councilmember Luna – Point-in-Time Homeless Count
Resident’s Guide to Taking Care of Your Neighborhood

Councilmember Luna announced Saturday, February 1, 2020, 8:00 a.m. to 12:00 p.m., at Red Mountain Park there is a free family fishing day.

Councilmember Thompson stated Thursday, January 30, 2020, Texas Roadhouse on Stapley Road and U.S. 60 is hosting a fundraiser for fallen Officer Kaulike Kalama, who is the cousin of Mesa Police Officer Keolaimipono Kalama.

Councilmember Duff reported Saturday, February 1, 2020, 10:00 a.m. to 4:00 p.m. is the 20th Anniversary Historic Home Tour.

Mayor Giles invited everyone to attend or watch on Mesa Channel 11 the State of the City on Tuesday, February 4, 2020, at 8:00 a.m.

4. Scheduling of meetings.

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

Thursday, February 6, 2020, 7:30 a.m. – Study Session

Monday, February 10, 2020, 5:15 p.m. – Study Session

Monday, February 10, 2020, 5:45 p.m. – Regular Council Meeting

5. Adjournment.

Without objection, the Study Session adjourned at 9:31 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 Study Session of the City Council of Mesa, Arizona, held on the 30th day of January 2020. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

1a (Attachments – 2)

Mesa Achieves Higher Education Task Force Recommendations for Mesa City Council

Co-Chairpersons: Council Members Heredia and Duff
January 2020

Appointed in May 2019 by Mayor Giles to:

Examine

- the state of post secondary Education in Arizona and deeper into Mesa

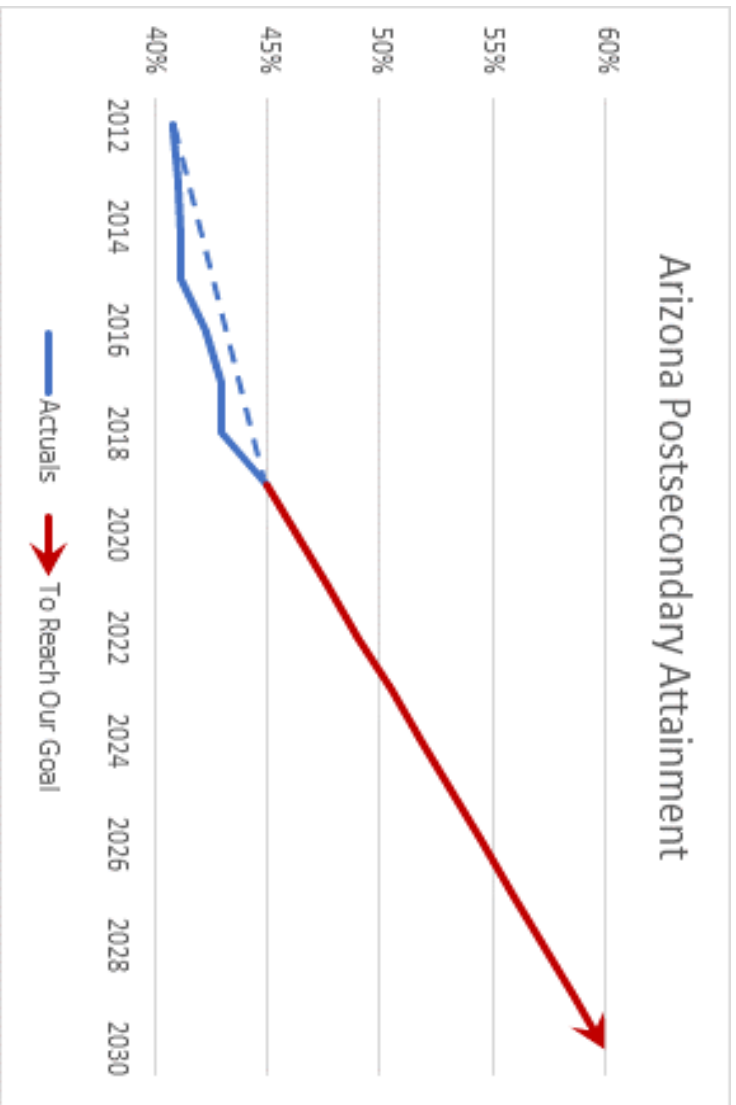
Determine

- how Mesa can adopt the Achieve60 AZ strategy to align with State Education Goal of 60% by 2030

Recommend

- specific steps to impact post secondary success of our MPS graduates now

WHY? BECAUSE Arizona's Attainment is in Jeopardy....



1,000,000 more adults with *credentials in the STATE

At least **135,000** credentials in Mesa alone

*License
Degree
Or
Certification



Attainment is:

A Degree

A License

A Certification

Mesa Attainment Data



Mesa has similar attainment challenges as the entire state



Only 35% of Mesa's are credentialed beyond HS

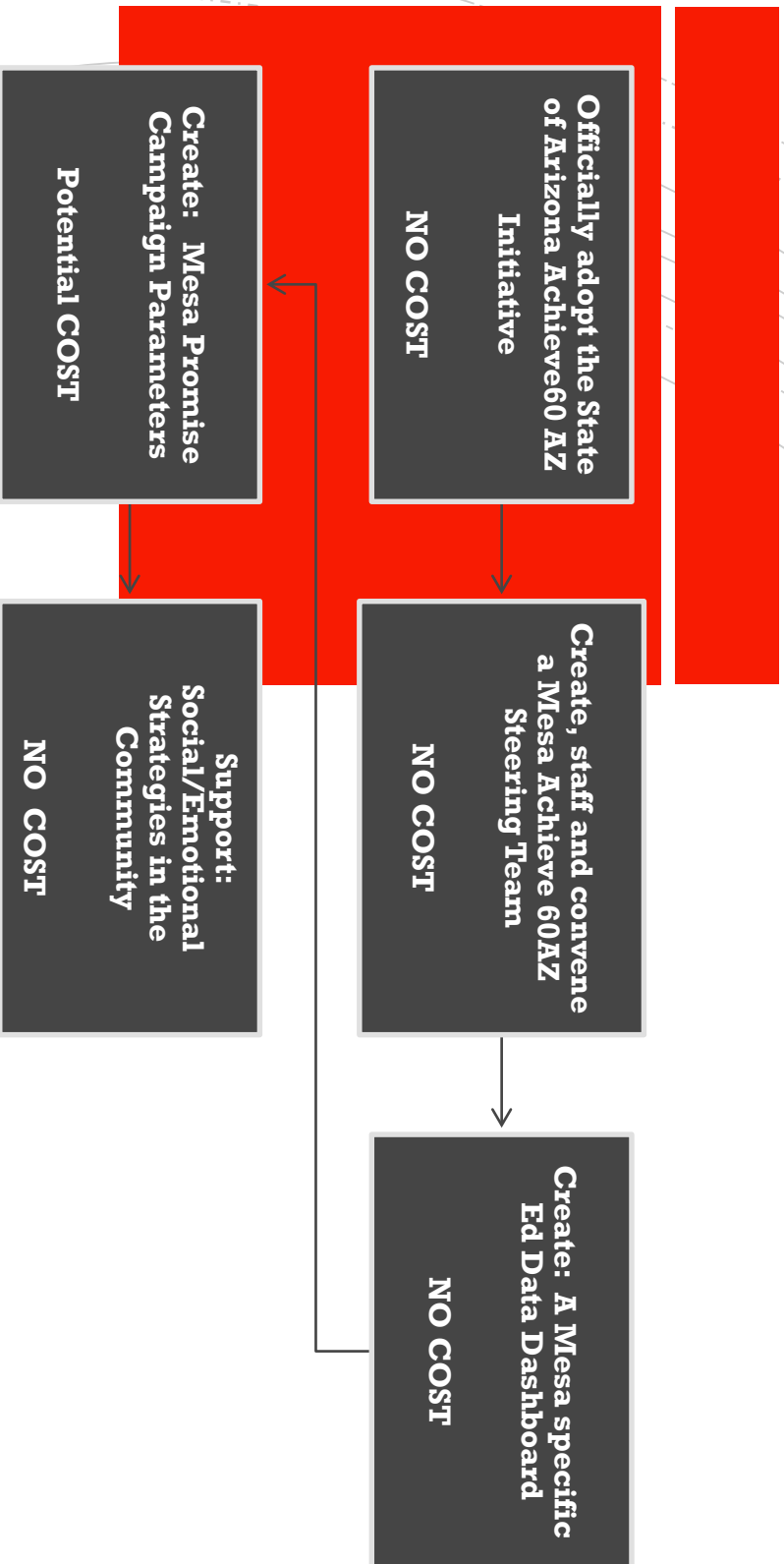


45K residents who need to start earning a credential beyond high school



75K residents need to finish a credential (started college or cert)

Task Force Recommendations



Desired next Steps



Convene

Convene the
Achieve60 AZ steering
team



Adopt

Adopt specific Action
steps to meet
Achieve60AZ goal of
60% by 2030



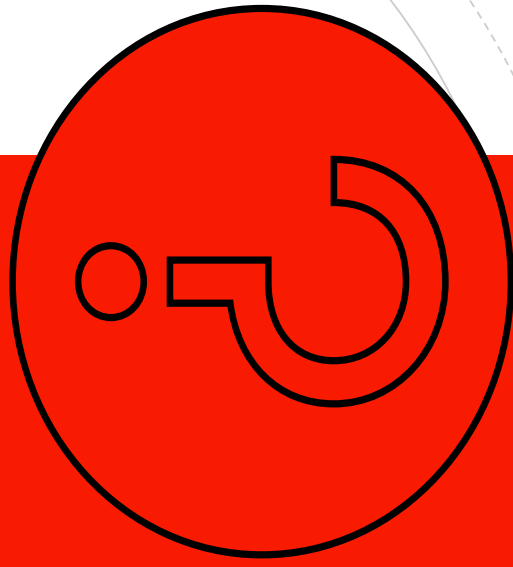
Design

Design “Mesa Promise
Campaign” structure
Develop Mesa specific
data Dashboard
Keep FAFSA efforts
going
Determine S/E
Support needs



Report

Report back to Council
for direction



Questions
or feedback or comments



Reliable and Affordable Utilities

January 30th, 2020



Public Assistance

- Ordinance formalizes ability to offer utility assistance programs. These programs may include:
 - 30% discount on the water service charge for low income seniors
 - No electricity or water disconnects during excessive heat warnings
 - Triples the amount of the delinquent balance to trigger a utility disconnect from \$50 to \$150
 - Provides \$125,000 in community partnership funds to assist low income customers with utility payments



Franchise Fee

- Franchise fees are typically charged to utility, telecommunication and cable companies to use city owned streets, alleys and other rights-of-way.
- Mesa currently has agreements with private gas and telecommunication companies with franchise fees up to 5% of gross revenues.



Franchise Fee (cont.)

- Ordinance would allow for a fee of 3% of the gas and electric revenues and 5% of the water and wastewater revenues.
- Other cities in the east valley have implemented similar approaches:
 - City of Scottsdale and Town of Queen Creek both have franchise fees of 5% charged to their municipal water and wastewater utilities.



Public Safety and General Use Transfers

- Ordinance would allow for the transfer of up to 25% of utility revenues to the general fund for public safety purposes.
- Up to an additional 5% of utility revenues may be transferred to general fund for general use.

