



COUNCIL MINUTES

July 8, 2019

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 July 8, 2019 at 5:15 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

*Mayor Giles excused Councilmember Duff from the beginning of the meeting. She joined the meeting through the use of telephonic equipment at 5:26 p.m.

1. Review and discuss items on the agenda for the July 8, 2019 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

Fire Department Assistant Chief Cori Hayes provided information on Item *4-f (**Three-Year Term Contract with Two Years of Renewal Options for Emergency Medical Supplies and Pharmaceuticals for the Mesa Fire and Medical Department. (Citywide)**) on the Regular Council meeting agenda.

Assistant Chief Hayes reported the contract will allow the Fire Department to streamline the purchasing process of medication, as well as soft goods. She pointed out with the call volume, the new process will allow the Fire Department to restock medications out of several centrally-located stations to keep units in service and available for calls versus having to follow up at the hospital to restock medication. She stressed the process will be simplified by using one single vendor.

In response to a question from Vice Mayor Freeman, Assistant Chief Hayes reported the process allows for greater accountability of pharmaceuticals. She added the process will also help with waste of materials, which is important to the cost and the impact to the Fire Department's budget.

Economic Development Department Director William Jabjiniak introduced Economic Development Project Manager J.D. Beatty and provided an update to Item *5-d (**Approving the sale of land, and authorizing the City Manager to enter into a Purchase and Option Agreement, Development Agreement, and Ground and Parking Garage Lease with Union Mesa Holdings, LLC, for a phased office campus development (UNION) of approximately 28.2 acres of property located north and northeast of the intersection of Cubs Way and Riverview Drive.) (District 1)**) on the Regular Council meeting agenda.

Mr. Jabjiniak stated he wanted to make Council aware of a few final negotiation changes in the development agreement for a Phase C utility relocation reimbursement cap of \$1.2 million, which matches with Phase A, for a total of \$2.4 million. He added the other change is allowing the developer to carry forward anything unused from Phase A to Phase C under utility relocation.

Mr. Jabjiniak advised the second item in the development agreement is regarding the ground and parking garage lease, which estimates the total public parking spaces for the west garage on the ground floor at 430 spaces. He added under the ground and parking garage lease, the ground lease structure is at a 6.25% rate based on a City appraisal. He stated the rate will be adjusted every 10 years based on a reappraisal, with a maximum corresponding base rent increase of 10%, which is different compared to the purchase side. He clarified this is only on the lease on the west garage parcel; the purchase side is still at 5%. He reported the terms are based on discussions with outside legal counsel and the developer, which are reflective of current market conditions.

In response to an inquiry from City Manager Christopher Brady, Mr. Beatty stated the Consumer Price Index increases annually and is between 3% and 5%. He explained the reappraisal is every five years on the purchase.

Mr. Jabjiniak continued with his presentation and noted in response to the Cubs' concerns regarding parking, the developer has agreed to commence and complete construction during the 11-months between spring training seasons to eliminate stress on parking.

Responding to a question from Vice Mayor Freeman, Mr. Jabjiniak stated the facility use agreement requires 2,500 spaces west of Riverview, which includes the existing paved parking next to the water treatment facility. He added the City will maintain the area during the length of the agreement. He added there will be an annual parking plan submitted by the developer and the Cubs will be part of the review process.

Discussion continued regarding the construction of parking spaces and maintaining adequate parking spaces during game days.

Mayor Giles commented he appreciates the annual parking plan each year due to the fact this will be an ongoing project for several years. He stated there needs to be some flexibility through this transition.

Mayor Giles thanked staff for the presentation.

2-a. Hear presentation, discuss, and provide direction on the proposed Audit Plan for FY 2019/20.

City Auditor Jennifer Ruttman introduced Deputy City Auditor Joseph Lisitano, who displayed a PowerPoint presentation and provided a brief overview of the proposed Fiscal Year (FY) 2019/20 Audit Plan. (**See Attachment 1**)

Mr. Lisitano highlighted the current work in progress, which included the following:

- PRCF – Convention Center Operations Audit
- Police – Jail Services Contract Audit
- i.d.e.a. Museum – Earned Revenues Follow-up Review
- Payment Card Data Security Standards (PCI DSS) Review

Mr. Lisitano stated pertaining to the Risk Assessment process, the City has a detailed process to review various departments and activities in the City. He pointed out the factors considered are any previous audits in place, risk factors identified related to those departments or activities, prior audit history, and any requests by Council and the City Manager's office.

Mr. Lisitano explained next year's audit plan by department and noted the plan includes carryovers. (See Page 4 of Attachment 1) He stated the objective of the Business Services/Purchasing Procurement Process is to determine whether effective controls are in place to prevent or detect errors, fraud, waste or abuse; ensure compliance with policies and statutes, and any other applicable requirements related to the procurement process.

Mr. Lisitano outlined Fire and Medical Transport Services and Billing, and added staff will be reviewing to ensure effective controls are in place for cost recovery, building services meet contract terms and other financial risks are mitigated.

Mr. Lisitano noted the Human Resources/Employee Benefits Claims Administrative Contract will be reviewed to ensure accuracy of compliance, and performance expectations are being met.

Mr. Lisitano reported the last audit carryover is the Utilities Metering Process to ensure controls are in place so meters are accurately measured and recorded for billing purposes.

Mr. Lisitano highlighted the new audits for FY 2019/20, stating the Transient Lodging Tax will be reviewed to ensure revenues are being used in accordance with applicable laws and contractual agreements, and determine whether reliable metrics are in place to measure the programs' effectiveness.

Mr. Lisitano commented staff will also be reviewing the Engineering Department's Job Order Contracting (JOC) process, as well as the Engineering Capital Improvement Program (CIP), to ensure both are carried out in accordance with established criteria and whether effective controls are in place.

Mr. Lisitano reported the Police Photo Safety Program will also be audited to review the financial impact of the program and how revenues are used to determine whether the established goals and objectives are being met.

Mr. Lisitano discussed the Information Technology Department (ITD) Software Application Management Program will be reviewed to ensure controls are in place to verify all applications used to conduct business are licensed, inventoried and meet City ITD security standards. (See Page 5 of Attachment 1)

He highlighted the follow-up reviews, including Procurement Card Program, Nonprofit Support Organization Agreements, Eastmark Community Facilities District (CFD) and Fees & Charges.

Ms. Ruttman highlighted other activities, including a citywide cash handling review process that goes on all year. She noted with this process, staff will drop in unannounced to various locations throughout the City that handle cash and ensure staff are following the City's procedures and processes, which are designed to safeguard the million dollars plus that goes through those locations.

Ms. Ruttman explained other department activities as follows: (See Page 7 of Attachment 1)

- PCI DSS Annual Review
- Fraud & Ethics Hotline Investigations
- Consulting
- Unscheduled Audits

Discussion ensued relative to conducting audits on Construction Manager-at-Risk (CMAR) contract projects and whether the current process is providing the most effective price.

Responding to a question from Mayor Giles, City Engineer Beth Huning commented the City currently has several projects that are CMAR, for example, Mesa Drive. She pointed out it is too early in the process to conduct an audit on that project. She stated the Greenfield Plant under construction is a \$160 million project and is about 60% complete.

Ms. Ruttman stated regarding CMARs, there are a couple different audits which can be done. She commented a financial review can be done, however, the greater question might be to look at the process within engineering from start to finish to ensure all the rules are being followed.

Discussion ensued regarding the auditing process, the different types of audits and timelines of the audits.

In response to a question from Councilmember Heredia, Ms. Ruttman stated the reports are posted online, including the management responses, for access to the public.

Mayor Giles thanked staff for the presentation.

2-b. Appointment to the Economic Development Advisory Board.

It was moved by Vice Mayor Freeman, seconded by Councilmember Luna, that the Council concur with the Mayor's recommendation and the appointment be confirmed. **(See Attachment 2)**

Upon tabulation of votes, it showed:

AYES – Giles-Freeman-Duff-Heredia-Luna-Thompson-Whittaker

NAYS – None

ABSENCE - None

Carried unanimously.

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

3-a. Economic Development Advisory Board meeting held on May 7, 2019.

It was moved by Councilmember Luna, seconded by Councilmember Thompson, 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
ABSENCE - None

Carried unanimously.

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

Mayor Giles: United States Conference of Mayors
Naturalization Ceremony

Councilmember Luna: Naturalization Ceremony

5. Scheduling of meetings and general information.

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

Thursday, August 15, 2019, 7:30 a.m. – Study Session

Monday, August 19, 2019, 5:15 p.m. – Study Session

Monday, August 19, 2019, 5:45 p.m. – Regular Council Meeting

6. Adjournment.

Without objection, the Study Session adjourned at 5:55 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 8th day of July 2019. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

Abg/la
(Attachments – 2)

City Auditor

Proposed FY 2020 Audit Plan

City Council Study Session

July 8, 2019

Jennifer Ruttman, City Auditor
Joseph Listano, Deputy City Auditor

Audit Plan Overview:

- Current work in progress
- Audits planned for FY 2020
- Follow-up reviews due in FY 2020
- Other activities

Current work in progress:

- PRCF – Convention Center Operations Audit
- Police – Jail Services Contract Audit
- i.d.e.a. Museum – Earned Revenues Follow-up Review
- Payment Card Data Security Standards (PCI DSS) Review

New audits:

- *Business Services/Purchasing – Procurement Processes
- *Fire & Medical – Transport Services & Billing
- *HR/Employee Benefits – Claims Admin. Contract
- *Utilities – Metering Processes
- Transient Lodging Tax (TLT)

*Carried over from FY19 Audit Plan

New audits:

- Engineering – Job Order Contracting (JOC)
- Engineering – CIP Mesa (process review)
- Police – Photo Safety Program
- ITD – Software/Application Management

Follow-up reviews:

- Citywide – Procurement Card Program
- Arts and Culture – Nonprofit Support Organization Agreements
- Financial Services – Eastmark CFD
- Development Services – Fees & Charges

Other Activities:

- Citywide Cash Handling Audits (continuous)
- PCI DSS Annual Review
- Fraud & Ethics Hotline Investigations
- Consulting (limited reviews, other projects, etc.)
- Unscheduled Audits (*if requested by City Manager or City Council*)

Questions or changes?

July 8, 2019

TO: CITY COUNCILMEMBERS

FROM: MAYOR JOHN GILES

SUBJECT: Appointments to Boards and Committees

The following is my recommendation for appointment to City of Mesa Advisory Boards and Committees.

Economic Development Advisory Board – Nine-member board including new appointee.

Brad Wilson, District 1. Mr. Wilson is a self-employed business owner doing medical sales distribution with GM Biomedical LLC. He holds a Bachelor of Science in Biology from Colorado College in Colorado Springs, Colorado and is a lifelong Mesa resident. His term will expire June 30, 2022.