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OFFICE OF THE CITY CLERK

COUNCIL MINUTES

March 26, 2015

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 March 26, 2015 at 7:32 a.m.

COUNCIL PRESENT	COUNCIL ABSENT	OFFICERS PRESENT
John Giles	None	Christopher Brady
Alex Finter		Debbie Spinner
Christopher Glover		Dee Ann Mickelsen
Dennis Kavanaugh		
David Luna		
Dave Richins		
Kevin Thompson		

1-a. Hear a presentation, discuss and provide direction on the Human Relations Advisory Board recommendations and a proposed anti-discrimination ordinance.

Assistant to the City Manager for Special Projects Natalie Lewis and Diversity Program Administrator Ruth Giese addressed the Council relative to this agenda item. Ms. Lewis also recognized Denise Heap, Chairwoman of the Human Relations Advisory Board (HRAB), and Boardmember Cheryl Anderson, who were present in the audience.

Ms. Lewis displayed a PowerPoint presentation **(See Attachment 1)** and discussed the HRAB's recommendations relative to its year-long study to assess how well Mesa was doing in promoting diversity and awareness. She explained that the data-driven study process focused on four main areas as follows: 1.) Reviewing demographics; 2.) Conducting a statistically valid telephone survey of Mesa residents; 3.) Convening community dialogues; and 4.) Reviewing existing federal, state and local law.

Ms. Lewis offered a short synopsis of the HRAB's data-driven findings. (See Page 3 of Attachment 1) She cited, for instance, that residents enjoy living in a multi-cultural community, but also believe that there should be an enhanced focus on education relative to cultural inclusion and awareness.

Ms. Giese indicated that as a result of the HRAB's efforts and hard work, a report was drafted, which was distributed to the Council last year. She stated that the report identified seven categories of recommendations and included 25 specific tasks to be implemented in order to meet the goals of such recommendations. She highlighted the seven categories. (See Pages 4 and 5 of Attachment 1)

Ms. Giese outlined various ways in which the City is aligned with the HRAB's recommendations as follows:

- The "One Mesa" community pledge was introduced by Mayor Giles in January of this year. The pledge is available to help businesses and individuals in the community demonstrate that Mesa is a welcoming and respectful place to live, work and visit.
- Title VI implementation planning is underway. All recipients of federal financial assistance are required to comply with various non-discrimination laws and regulations.
- Hometown Heroes Banner Program, which began in 2014, honors Mesa residents who are currently serving in the United States Armed Forces, as well as veterans.
- Latino Diversity Strategic Plan. Councilmember Luna is currently reviewing Mesa's efforts regarding inclusivity and communication with its Latino community. The goal is to create more effective outreach to those individuals.

Ms. Lewis continued with the presentation and reported that staff would continue to work on the various recommendations. She pointed out that in staff's opinion, three tasks were sufficiently compelling to bring forward at this time for consideration by the Council, City management and the community. She provided a short synopsis of the tasks, which include the following:

- Purchase a braille embosser and associated software to print documents in braille.
- Create a gender identity management policy for current and future transgender employees and update existing management policies to include those subgroups currently not protected by state or federal law.
- Enact an anti-discrimination ordinance in an effort to provide legal protections for all subgroups.

Mayor Giles thanked staff and the HRAB for their professionalism and hard work in conducting the study and drafting the recommendations. He stated that he was handed two speaker cards and invited those individuals to come forward.

Denise Heap, who was previously introduced by Ms. Lewis, expressed support for the HRAB's report and concurred with the City moving forward with the three tasks previously outlined. She explained that with respect to the creation of a gender identity management policy, she was aware of a situation in which a female employee in the Mesa Police Department approached former Police Chief Frank Milstead requesting that such a policy be drafted. She stated that although Chief Milstead was supportive of moving forward in that direction, he was informed that he could not implement such a policy. She noted that the employee experienced difficulty as she underwent transition and added she is not the only City employee going through such a process.

Ms. Heap, in addition, remarked that not only would the recommended non-discrimination ordinance be applicable to the lesbian, gay, bisexual and transgender (LGBT) population, but also veterans, the disabled, marital/family status, age, and gender identity. She emphasized that the ordinance was necessary in order to address employment, housing and public accommodations, whether for Mesa residents or visitors from other communities.

Mayor Giles commented that Cheryl Anderson submitted a speaker card indicating support for the HRAB's report, but did not wish to address the Council.

Mayor Giles stated that he was supportive of the recommendation regarding a braille embosser, but suggested that perhaps staff could research more current technology that would serve the same purpose.

City Manager Christopher Brady responded that staff intends to assess whatever technology would best serve the needs of the vision-impaired community and determine the most appropriate site at which it should be located.

Mayor Giles also voiced support for the recommended employment policy update, but said that such efforts would be in the purview of City management rather than the City Council. He also noted that employees would be impacted by such a policy and encouraged City management to address this matter.

Mayor Giles, in addition, remarked that with regard to the City enacting an anti-discrimination ordinance, he would support exploring what the document "would look like." He commented that until staff drafts an ordinance, there was not much detail for the Council to discuss. He also said that he would be willing to ask City Attorney Debbie Spinner to provide draft language to the Council and noted that issues such as hospitality, restaurants and small businesses should be addressed in addition to housing and employment. He stressed the importance of staff soliciting feedback from the community and reaffirming religious freedom as an element of such discussions.

Mayor Giles commended the HRAB for the professional manner in which the study was conducted. He pointed out that one of the first steps that the Board took was to commission the Morrison Institute to conduct a survey. He added that he looked forward to addressing the recommendations in a positive manner and also accomplishing the associated tasks.

Vice Mayor Kavanaugh spoke in support of the HRAB's recommendations and commented that he has had a close working relationship with the Board since it was first adopted in 2000. He explained that several years ago when Mesa hosted a statewide conference of Human Relations Advisory Boards, he first learned about the issue of anti-discrimination ordinances. He noted that although other Arizona communities have addressed the matter, it has been "on the burner for a while" in Mesa. He acknowledged the HRAB's approach in monitoring what the other communities have done in this regard. He also recounted Phoenix and Tempe's efforts to enact anti-discrimination ordinances, both of which have proven to be important documents in those communities.

Vice Mayor Kavanaugh further remarked that he was pleased the HRAB was focusing on Mesa's veterans and the homeless in addition to the LGBT community. He pointed out that the Board's recommendations are data driven and compassionately driven and said he looked forward to the Council's future discussions concerning a non-discrimination ordinance. He suggested that it might be appropriate for Ms. Spinner to present several options with respect to issues that have been considered by the other communities, such as employment, housing and hospitality.

Councilmember Thompson thanked the HRAB and staff for bringing the recommendations forward to the Council. He voiced support for the first two tasks, but not enacting an anti-discrimination ordinance. He stated that in his opinion, government is not the solution when it comes to business, but rather the problem. He added that for that reason, he would not support an anti-discrimination ordinance unless religious freedoms were protected and the ordinance applied only to businesses that employed more than 100 people.

Responding to a question from Councilmember Richins, Ms. Lewis clarified that federal law prohibits discrimination on the basis of genetic information (i.e., genetic predisposition to develop a disease in the future) with respect to health insurance and employment. She explained that staff basically "copied and pasted" what other communities included in their anti-discrimination ordinances as it relates to protected classes. She added that it would be a policy decision for the Council to determine whether they would prefer to remove that item from the protected classes.

Councilmember Richins inquired whether LGBT housing rights are included under federal law.

City Attorney Debbie Spinner responded that with respect to fair housing or employment, there are no expressed federal or state law protections for sexual orientation or gender identity and expression. She explained that the Equal Employment Opportunity Commission (EEOC) has filed several cases and broadened its interpretation of sex discrimination to include some gender identity issues.

Councilmember Richins remarked that he has closely followed several national cases in Oregon and Ohio in which small businesses chose not to provide certain wedding-related services to couples. He voiced concern that the City of Mesa could create a legal mechanism with an anti-discrimination ordinance that creates more tension in the community as opposed to breaking down barriers with respect to diversity. He added that he was not expressly opposed to gay marriage, but cautioned that it was important that the government wield its power "very carefully" if it creates laws that could be used to publicly shame a small business, for example, that chooses not to make a wedding cake for a couple.

Ms. Spinner clarified that most of the anti-discrimination ordinances across the country either include public accommodation, which includes all businesses and the protected classes for sexual orientation and gender identity and expression, or they do not include any public accommodation. She suggested that Mesa could possibly consider a middle ground that narrows public accommodation to more public hospitality, which could be defined per the discretion of the Council. She cited, for instance, that it could include hotels and restaurants, but exclude catering, which would address the cases alluded to by Councilmember Richins. She added that if the Councilmembers convey to her what they are interested in including in the document, staff would attempt to address those concerns to ensure that the ordinance is "tightly drawn."

Ms. Spinner, in addition, reported that under federal or state law, members of a protected class cannot be denied service because they are a member of such a class. She explained that those individuals, however, could be denied service for other reasons, such as not wearing shoes or a shirt at a business establishment. She also noted that if the Council has concerns with respect to religious protections, a number of ordinances across the country include similar protections. She said that religious organizations are typically exempted from anti-discrimination ordinances, but still subject to federal and state law.

Councilmember Richins clarified that he was not opposed to an anti-discrimination ordinance and exploring what would be appropriate for Mesa and the community.

Councilmember Glover expressed support for all of the recommendations and thanked the HRAB and staff for the thorough and methodical way in which the study and recommendations were completed. He commented that one cannot create a stronger, unified community and have progress without people firmly believing that the actions that the Council takes and the policies

they openly implement will make life better for everyone. He said that he firmly believes that there must be genuine inclusion for all social and economic levels in our society, including Mesa residents and visitors to the community.

Councilmember Glover, in addition, remarked that he appreciated his colleagues' comments and insight and noted that he did believe there was room for compromise. He commented that today's discussion is the beginning of a dialogue, wherein the Council can direct Ms. Spinner to frame the ordinance to fit Mesa and the Council can work together to create something that is acceptable to everyone involved.

Councilmember Luna expressed support for all of the recommendations and thanked City staff and the HRAB for their efforts and hard work in this regard. He also stated that he looked forward to working on the Latino Diversity Strategic Plan which, in his opinion, will be a valuable tool for the City.

Mayor Giles stated that it was the consensus of the Council that staff draft a "Mesa specific" ordinance and also provide various options for the Council to consider. He noted that he wanted to ensure that the document has community support and will be an asset to Mesa.

Mayor Giles thanked everyone for the presentation.

1-b. Hear a presentation, discuss and provide direction on the Public Safety Personnel Retirement System (PSPRS) and the potential impact on the General Governmental Budget.

Chief Financial Officer Mike Kennington introduced Office of Management and Budget Director Candace Cannistraro and Office of Management and Budget Deputy Director Ryan Wimmer, who were prepared to address the Council.

Mr. Wimmer displayed a PowerPoint presentation **(See Attachment 2)** and provided brief historical background of the Arizona Public Safety Personnel Retirement System (PSPRS). (See Page 2 of Attachment 2) He explained that the City of Mesa provides sworn police and fire/medical personnel a retirement plan benefit through the PSPRS. He stated that the investment and administration of the plans (distinct plans for police and fire) are managed by the Arizona PSPRS agency. He added that the required contribution amounts are the estimated cost of participating in the plans in the upcoming year, plus a portion of any unfunded cost (liability) from prior years.

Mr. Wimmer remarked that during FY 2013/14, the funded status of Mesa's PSPRS plans declined significantly. (See Page 3 of Attachment 2) He stated that as of June 30, 2014, the unfunded liability totaled more than $405 million. He noted that PSPRS requires that all unfunded liability be fully funded by FY 2037/38.

Mr. Wimmer, in addition, discussed the causes which resulted in the City's PSPRS unfunded liability. (See Page 4 of Attachment 2) He cited, for instance, that the Arizona Supreme Court recently ruled that certain aspects of the 2011 pension reforms, which were adopted by the State Legislature, were unconstitutional. He added that such a ruling has resulted in a major impact on the funding status of the plans.

Mr. Wimmer further reported that in order to fund the unfunded liability, the City's FY 2015/16 required contribution for active employees has increased substantially. He pointed out that as a result of such an impact on plan participants, PSPRS is allowing employers the option to phase

in the FY 2015/16 increase over three years. He said that the phase-in of the contribution increase would result in lower contributions in FY 2015/16, which would necessitate the City to make higher contributions in future years in order to make up the difference.

Mr. Wimmer provided a short synopsis of three payment options for the Council's consideration as follows:

- Option 1 – Full Payment. An $8.7 million contribution increase from FY 2014/15 to FY 2015/16. (See Page 6 of Attachment 2)
- Option 2 – Partial Phase-In. A $5 million contribution increase from FY 2014/15 to FY 2015/16. (See Page 7 of Attachment 2) The additional cost to pay off the total liability over 22 years would equate to $7.6 million.
- Option 3 – Entire Phase-In. A $2.2 million increase from FY 2014/15 to FY 2015/16. (See Page 8 of Attachment 2) The additional cost to pay off the total liability over 22 years would amount to $13 million.

Mr. Wimmer displayed a chart illustrating the cost breakdown of the unfunded liability payment options. (See Page 18 of Attachment 2)

Ms. Cannistraro remarked that with respect to Option 1, the estimated impact of full implementation of the new contribution rate would equate to a $5.7 million increase (3.4%) of the Mesa Police Department's (MPD) FY 2014/15 adopted budget and a $3 million increase (3.8%) of the Mesa Fire and Medical Department's (MFMD) FY 2014/15 adopted budget; that regarding Option 2, the estimated impact of the new contribution rate would represent a $3.3 million increase (2%) of the MPD's FY 2014/15 adopted budget and a $1.7 million increase (2.1%) of the MFMD's FY 2014/15 budget.

Ms. Cannistraro further reported that staff would recommend Option 2, which would enable the City to cover the additional costs through vacant positions and ensure less impact to the current service levels that are provided. She also stated that the partial phase-in would provide staff time to determine how the costs would be paid in FY 2016/17 and beyond.

City Manager Christopher Brady pointed out that Option 2 would enable the City to accelerate future payments, similar to homeowners paying down their mortgage early, and also help the City with this year's operating budget. He explained that staff was exploring alternatives that would utilize savings generated by vacancies realized over the next year, but not impact public safety services. He added that it would not be prudent for the City to select Option 3 and only make a minimum payment.

Responding to a question from Councilmember Richins, Mr. Brady clarified that the reason the City is required to make up the shortfall is due to the pension reforms that were passed in 2011 and eventually overturned by the Arizona Supreme Court. He explained that another case was ready to go through the court system that could have a similar impact to all agencies that participate in PSPRS. He said that the PSPRS's actuarial estimates have been fairly consistent and noted that the fact they include a cost of living adjustment (COLA) for retirees in the calculation not only demonstrates the impact of the benefit on the overall system, but also a true picture of what the actuarial status of the fund looks like.

Discussion ensued relative to possible new legislation to address PSPRS pension reforms; that the Arizona League of Cities and Towns is reviewing the issue and will make recommendations to its Executive Board in May of this year; that the PSPRS Board invests in international equity

funds and more risky investments as compared to the City of Mesa's investments; that the Board also incurs higher losses; that currently, the City's PSPRS contributions are made throughout the year as part of the payroll process; and that a possible option for the Council to consider would be for the City to make an annual contribution at the beginning of the year and allow PSPRS to invest those monies.

Councilmember Finter commented that prudence would suggest that staff's recommendation is an appropriate way in which to proceed. He stated that he does not understand why Arizona cities and towns do not endorse reforms of the PSPRS pension system at the state level. He added that the "glide path" with respect to this issue "is not moving in a good direction." He pointed out that he was concerned about participating in today's discussion since he retired from the Fire Department and receives benefits from the PSPRS. He added that he was assured by the City Attorney's Office that he did not have a conflict of interest since the Council is addressing the pensions of active employees.

Councilmember Finter further indicated that if the Council approved staff's recommendation, hopefully there would be reforms in the PSPRS system sometime in the future, which might create an adjustment on future contribution impacts to the City.

Mr. Kennington responded that reforms would most definitely allow the City's unfunded liability to decline.

Mr. Brady cautioned that in 2011, the City believed that reforms were being made, adjusted its PSPRS contributions and paid less into the system. He stated that in doing so and now having the law overturned, the City is paying the price for such action. He concurred that it was important for reforms to take place, but said that he would wait until all legal channels have been explored. He also commented that it was difficult for a municipality to experience such budget spikes since they are hard to absorb. He added that the rate of increase in public safety costs is significantly higher than the City's major source of funding (i.e., sales tax) and impacts the City's ability to increase salaries, offer benefits and hire more police officers and firefighters.

Vice Mayor Kavanaugh remarked that it was discouraging that the City has to pay the burden of legislation that many have argued is unconstitutional. He stated that it was his understanding that Councilmember Finter, who serves as Chairman of the Public Safety Committee, intends to ask the members to review public safety service levels this year as one of its priorities. He commented that maintaining or increasing such levels is something that the City should be moving towards. He further noted that he would hope that the contribution option that the Council selects would not have an adverse impact on the City's immediate service levels. He added that for those reasons, he would support Option 2.

Councilmember Luna expressed support for Option 2 which, in his opinion, would be a logical approach for the City.

Councilmember Glover concurred with his fellow Councilmembers and voiced support for Option 2.

Mr. Brady commented that with the Council's direction, staff will incorporate Option 2 into the upcoming budget discussions.

Ms. Cannistraro continued with the presentation and provided a brief update of the FY 2014/15 General Governmental budget. (See Page 12 of Attachment 2) She noted that revenue receipts

are still projected to end the year below budget, while it is anticipated that expenses will end the year below budget, but not to the same magnitude as revenues. She also stated that City departments have been asked to identify savings in their FY 2014/15 budget wherever possible.

Ms. Cannistraro also highlighted the FY 2015/16 General Governmental budget (See Page 13 of Attachment 2) and pointed out that growth in revenues is not forecasted to keep pace with growth in expenditures. She noted that it will be necessary to ensure that the FY 2015/16 ongoing budget aligns with anticipated ongoing resources. She added that all departments, with the exception of Police and Fire, were asked to identify 5% of their operating budget for reduction consideration by the City Manager. She also displayed a graph titled "City of Mesa Forecasted Budget – General Governmental." (See Page 14 of Attachment 2)

Ms. Cannistraro, in addition, reviewed the FY 2015/16 areas of emphasis and a timeline of the upcoming budget discussions. (See Pages 15 and 16 respectively of Attachment 2)

Mayor Giles thanked staff for the presentation.

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

Vice Mayor Kavanaugh:	Neighborhood meeting at Crismon School
Councilmember Richins:	Conference on housing and neighborhood sustainability
Councilmember Luna:	Verde Dimora Apartment Homes Grand Opening
Mayor Giles:	Bistro 13 Luncheon

3. Scheduling of meetings and general information.

Due to time constraints, this item was continued to a future date.

4. Convene an Executive Session.

It was moved by Councilmember Glover, seconded by Councilmember Luna, that the Council adjourn the Study Session at 8:52 a.m. and enter into Executive Session.

Mayor Giles declared the motion carried unanimously by those present.

4-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with designated representatives of the City in order to consider the City's position and instruct the City's representatives regarding negotiations for the purchase, sale, or lease of real property. (A.R.S. §38-431.03A (7)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))

1. Properties located at 145 East Main Street, 156 East Main Street and the 100 block of East 1st Avenue.
2. Properties located at 51 and 55 East Main Street.
3. Property located at 1 West Main Street.

Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal, or resignation of a public officer, appointee or employee of the City. (A.R.S. §38-431.03A (1))

4. Police Chief recruitment process.

5. Adjournment.

Without objection, the Study Session adjourned at 8:52 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 26th day of March, 2015. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

pag
(attachments – 2)

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Mesa's Diversity & Inclusion

Human Relations Advisory Board Recommendations Overview

City Council

March 26, 2015

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Background

- As part of their mission, Mesa's Human Relations Advisory Board (HRAB) engaged in process to assess how well Mesa is doing in promoting diversity awareness and respect.
- A four-step, data-driven study process was completed:

1. Reviewed demographics
2. Conducted telephone survey (statistically valid)
3. Convened community dialogues
4. Reviewed existing laws

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Data-Driven Findings

- Majority of Mesa residents enjoy living in Mesa and feel valued and accepted.
- Residents enjoy living in a multi-cultural community.
- City's commitment to education about respecting diversity should be active and more visible.
- Certain subgroups (some without existing legal protections) reported higher levels of exclusion, discrimination.

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HRAB Recommendations

Seven categories of recommendations, each with specific tasks (25 total) suggested.

1. Expand communication to population subgroups with the highest percentages of limited English proficiency.
2. Make the City's commitment to welcoming and serving its diverse populations more transparent.
3. Engage and learn more about the needs of those population subgroups most alienated from the community:
   a) Hispanic/Latino
   b) People with disabilities
   c) LGBT people

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HRAB Recommendations

4. Create ways to bring the community together to learn about and celebrate Mesa's diversity.
5. Create legal protection from discrimination for those subgroups not protected in Federal or State law.
6. Educate the public about the cultural diversity within Mesa to break down barriers and misunderstandings between population subgroups that can lead to discrimination.
7. Expand the City's visible recognition of veterans.

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Activities (to date)

- Of the 25 tasks– Mesa has responded to 22 in whole or in part. Recent examples:
  - **'One Mesa' community pledge:** available to help community demonstrate that Mesa is a welcoming and respectful place to live, work and visit.
  - **Title VI Implementation:** planning is underway
    - All recipient of federal financial assistance are required to comply with various nondiscrimination laws and regulations.

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Activities (to date)

- **Hometown Heroes Campaign & Banner Program** – Both honor Mesa residents serving today or who are Veterans who have served in the United States Armed Forces.
- **Latino Diversity Strategic Plan** – A review of Mesa's efforts towards inclusivity and communication with its Latino population, and a new model for outreach to diverse populations.
  - Example: Downtown Vision Committee Outreach (Literacy Classes)

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Activities (to date)

Outstanding tasks to consider:

- Purchase a braille embosser and associated software to print documents in braille.
- Review existing management policies to help provide a conducive work environment for employees undergoing gender transitions.
- Enact an anti-discrimination ordinance (legal protections for all subgroups).

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Mesa's Diversity & Inclusion Questions & Discussion

City Council

March 26, 2015

Public Safety Personnel Retirement System (PSPRS)
FY 15/16 Contribution Options
and
Budget Update

March 26, 2015

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PSPRS - Background

The City of Mesa provides sworn police and fire/medical personnel with a retirement plan benefit through the Arizona Public Safety Personnel Retirement System (PSPRS).

Mesa has two distinct PSPRS plans, one each for police and fire/medical.

Investment and administration of the plans are managed centrally by a State PSPRS agency.

Each year, PSPRS commissions an actuarial study for each plan to determine contribution amounts needed in the following year in order to adequately fund the plans.

Required contribution amounts are the estimated cost of participating in the plans in the upcoming year, plus a portion of any unfunded cost (liability) from prior years.

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PSPRS Unfunded Liability

During FY 13/14 (which ended June 30, 2014), the funded status of Mesa's PSPRS plans declined significantly:

Mesa PSPRS Plans - Funded Status (Pension and Health)

	As of June 30, 2013		As of June 30, 2014	
Plan	**Funded**	**Unfunded Liability**	**Funded**	**Unfunded Liability**
Mesa - Fire/Medical	61.8%	$ 105,604,693	55.9%	$ 135,654,327
Mesa - Police	58.1%	$ 204,673,038	51.7%	$ 270,325,643
Total		$ 310,277,731		$ 405,979,970

PSPRS requires that all unfunded liability be fully funded by FY 2037-38.

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PSPRS Unfunded Liability - Causes

Significant increases to FY 15/16 PSPRS unfunded liability are due to:

- Arizona Supreme Court ruling that certain aspects of 2011 pension reforms were unconstitutional
- Continued recognition of investment losses during 2008-2009 economic recession (smoothed over seven years)
- Adjustment of actuarial assumptions to account for anticipated permanent benefit increases/cost of living adjustments

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PSPRS – Required Contribution

In order to fund the unfunded liability, the City's FY 15/16 required contribution for active employees increased substantially.

Recognizing the impact that the large increase would have on plan participants, PSPRS is allowing employers the option to phase in the FY 15/16 increase over three years.

Phase-in of the required contribution increase would result in lower contributions in FY 15/16, however, contributions in future years would need to be higher in order to make up the difference.

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Y15/16 Contribution: Option 1 – Full Payment ($8.7M Increase)

Option 1 – Full Payment

$8.7M contribution increase from FY 14-15 to FY 15-16

	FY 2014/15		FY 2015/16		Increase	
Plan	Amount	Rate	Amount	Rate	Amount	Rate
Mesa - Fire/Medical	$11,869,541	32.6%	$14,845,235	40.8%	$2,975,694	8.2%
Mesa - Police	20,831,464	33.1%	26,558,033	42.2%	5,726,569	9.1%
Total	$32,701,005		$41,403,268		$8,702,263	

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15/16 Contribution: Option 2 – Partial Phase-In ($5.0M Increase)

Option 2 – Partial Phase-In

$5.0M contribution increase from FY 14-15 to FY 15-16

	FY 2014/15		FY 2015/16		Increase	
Plan	Amount	Rate	Amount	Rate	Amount	Rate
Mesa - Fire/Medical	$11,869,541	32.6%	$13,579,265	37.3%	$1,709,724	4.7%
Mesa - Police	20,831,464	33.1%	24,121,740	38.3%	3,290,276	5.2%
Total	$32,701,005		$37,701,005		$5,000,000	

Additional Cost (over 22 years): $7.6 million

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15/16 Contribution: Option 3 – Entire Phase-In ($2.2M Increase)

Option 3 – Entire Phase-In

$2.2M contribution increase from FY 14-15 to FY 15-16

	FY 2014/15		FY 2015/16		Increase	
Plan	Amount	Rate	Amount	Rate	Amount	Rate
Mesa - Fire/Medical	$11,869,541	32.6%	$12,528,301	34.4%	$ 658,760	1.8%
Mesa - Police	$20,831,464	33.1%	$22,375,075	35.5%	$1,543,611	2.5%
Total	$32,701,005		$34,903,376		$2,202,371	

Additional Cost (over 22 years): $13.0 million

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FY15/16 Contribution Increase Options

Increase in FY15/16 PSPRS Contributions by Plan and Payment Option (millions)

	Option 1	Option 2	Option 3
	Full Payment	Partial Phase-In	Entire Phase-In
Police	$5.7	$3.3	$1.5
Fire/Medical	$3.0	$1.7	$0.7
Total	**$8.7**	**$5.0**	**$2.2**

Additional Cost (over 22 years)	**$0.0**	**$7.6**	**$13.0**

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PSPRS FY 15/16 Budget Impact – Full Payment

Estimated impact of full implementation of new contribution rate:

$8.7M

Police Department:

$5.7M, 3.4% of FY 14/15 adopted budget

Fire and Medical Department:

$3.0M, 3.8% of FY 14/15 adopted budget

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PSPRS FY 15/16 Budget Impact – Partial Phase-In

Estimated impact of partial phase in implementation of new contribution rate: $5.0M

Police Department:

$3.3M, 2.0% of FY 14/15 adopted budget

Fire and Medical Department:

$1.7M, 2.1% of FY 14/15 adopted budget

Departments have identified the operating budget reductions that would be needed to cover the increased cost

Can be covered in FY 15/16 with vacant positions and less impact on current services

Allows time for further review of how to cover the cost increase in FY 16/17 and future years

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FY 14/15 General Governmental Budget Update

Revenue receipts are still projected to end the year below budget

Expenses are anticipated to end the year below budget but not in the same magnitude as the revenues

Savings have been identified in various areas such as: operations related to capital improvement projects, reduced claims paid against the Worker's Compensation Fund and reduced claims paid against the Property and Public Liability Fund

Additional costs have been identified in various areas such as: personal services for police officer trainees, additional temporary employees to provide planning services, a fire fighter recruit academy and restocking of ambulance supplies

Departments have been asked to identify savings in their FY14/15 budget wherever possible

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FY 15/16 General Governmental Budget Update

Growth in revenues is not forecasted to keep pace with growth in expenditures

The FY 15/16 on-going budget needs to be aligned to the anticipated on-going resources

All departments (except Police and Fire) were asked to identify 5.0% of their operating budget for reduction consideration by the City Manager

The financial goal is to better align the on-going expenses with the on-going revenues by FY 16/17

Some unrestricted reserve fund capacity is available to ease the transition over two years due to savings achieved in FY 13/14

The FY 15/16 recommended budget will be discussed at the City Council study session on April 9, 2015

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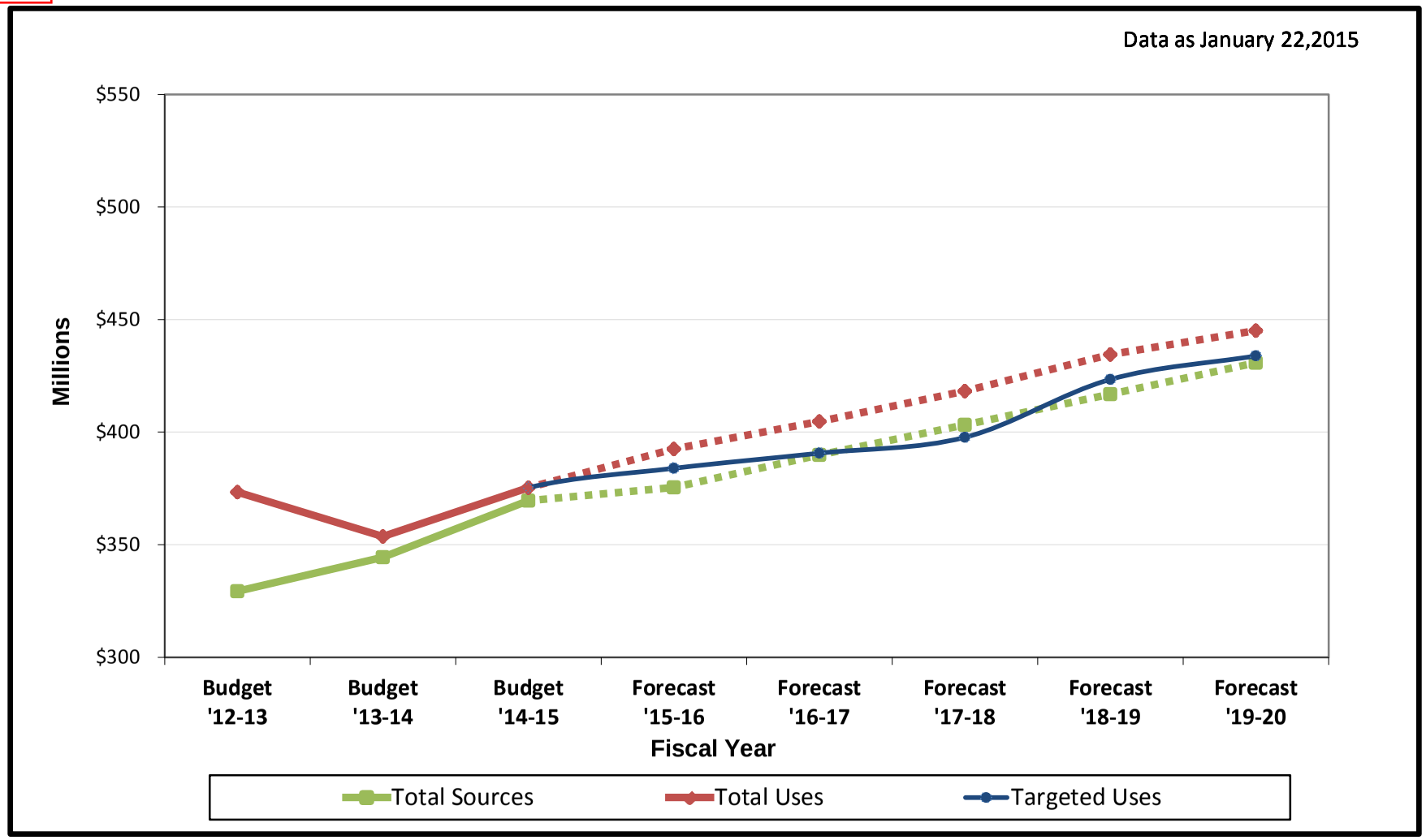
City of Mesa Forecasted Budget – General Governmental



Note: Effective 07/01/2012, grants and restricted funding are no longer included in the general governmental summary.

FY 15/16 Budget: Areas of Emphasis

Financial Sustainability

Competitive Compensation for Quality Workforce

Public Safety: Increasing service levels and decreasing costs through programmatically reducing vacancy duration

Economic Development

- Marketing the “Next Mesa” and Downtown Mesa
- Falcon Field Development Area

Storm Water Infrastructure Improvements

Transit Infrastructure and Operations

Utilities: Aligning rates with service demand on the system

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Current Budget Discussion Schedule

April 2	Capital Improvement Program Review
	Utilities, Parks, Public Safety
April 2	Audit, Finance and Enterprise Committee
	Utility Rates and Fees & Charges
April 6	Capital Improvement Program Review
	Transportation, Transit, Storm Sewer
April 9	FY 15/16 Budget Summary
April 16	Utility Rates and Fees & Charges
April 20	Police/Transit
April 23	Communications/Fire/Library
April 30	Parks/Dev. & Sustainability/Arts & Culture
May 4	Transaction Privilege Tax Update

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PSPRS - Unfunded Liability Payment Options

	Option 1 - Full Payment ($8.7M)		Option 2 - Partial Phase-In ($5.0M)		Option 3 - Entire Phase-In ($2.2M)	
Fiscal Year	Contribution	(Savings)/Cost	Contribution	(Savings)/Cost	Contribution	(Savings)/Cost
2015/16	27,658,578	-	24,054,391	(3,604,187)	21,254,391	(6,404,187)
2016/17	28,764,921	-	26,654,182	(2,110,739)	25,434,744	(3,330,177)
2017/18	29,915,518	-	30,362,471	446,953	30,678,375	762,857
2018/19	31,112,139	-	31,576,970	464,831	31,905,510	793,371
2019/20	32,356,624	-	32,840,049	483,425	33,181,730	825,106
2020/21	33,650,889	-	34,153,651	502,762	34,508,999	858,110
2021/22	34,996,925	-	35,519,797	522,872	35,889,359	892,434
2022/23	36,396,802	-	36,940,589	543,787	37,324,933	928,132
2023/24	37,852,674	-	38,418,212	565,539	38,817,931	965,257
2024/25	39,366,781	-	39,954,941	588,160	40,370,648	1,003,867
2025/26	40,941,452	-	41,553,139	611,687	41,985,474	1,044,022
2026/27	42,579,110	-	43,215,264	636,154	43,664,893	1,085,783
2027/28	44,282,275	-	44,943,875	661,600	45,411,489	1,129,214
2028/29	46,053,566	-	46,741,630	688,064	47,227,948	1,174,383
2029/30	47,895,708	-	48,611,295	715,587	49,117,066	1,221,358
2030/31	49,811,537	-	50,555,747	744,210	51,081,749	1,270,212
2031/32	51,803,998	-	52,577,977	773,979	53,125,019	1,321,021
2032/33	53,876,158	-	54,681,096	804,938	55,250,019	1,373,862
2033/34	56,031,204	-	56,868,339	837,135	57,460,020	1,428,816
2034/35	58,272,452	-	59,143,073	870,621	59,758,421	1,485,969
2035/36	60,603,351	-	61,508,796	905,445	62,148,758	1,545,407
2036/37	63,027,485	-	63,969,148	941,663	64,634,708	1,607,224
2037/38	0	0	0	0	0	0
Total	**947,250,146**	**0**	**954,844,632**	**7,594,486**	**960,232,184**	**12,982,038**

Note: Amounts are based on PSPRS assumptions and may vary slightly from city budget estimates

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Y15/16 Change in Contributions to State-Run Pension Plans

Retirement Plan	FY 14/15 Rate	FY15/16 Rate	% Change	Cost Increase (all funds)
Arizona State Retirement System (ASRS)	11.5%	11.4%	-1%	($0.2M)
Elected Official Retirement Plan (EORP)	57.5%	85.4%	+48%	$0.1M
Public Safety Personnel Retirement System (PSPRS) - Fire	32.6%	40.8%	+25%	$3.0M
Public Safety Personnel Retirement System (PSPRS) - Police	33.1%	42.2%	+27%	$5.7M

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