

AUDIT & FINANCE COMMITTEE MINUTES

December 14, 2006

The Audit & Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on December 14, 2006 at 10:16 a.m.

COMMITTEE PRESENT	COUNCIL PRESENT	STAFF PRESENT
Claudia Walters, Chairman Rex Griswold Tom Rawles Christopher Brady, Ex Officio	None	Debbie Spinner

1. Hear a presentation and accept the City's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2006.

Chairman Walters advised that the Committee has reviewed the report (a copy of the report is available for review in the City Clerk's Office), and she suggested that staff provide brief highlights.

Controller Kathy Pace introduced Sandy Cronstrom and Carter Smitherman of Cronstrom, Osuch & Company, representatives of the certified public accounting firm retained by the City to perform an audit of the financial statements of the City of Mesa, Arizona for the year ended June 30, 2006.

Ms. Pace highlighted the following information from the report:

- The City's total net assets increased in value by \$37.4 million in 2005-06, of which \$35 million was attributable to "governmental-type" activities and \$2.4 million to "business-type" activities.
- The City's net assets total \$1.6 billion, of which \$354 million are unrestricted and may be used for ongoing City obligations, although \$255 million of the unrestricted amount represents investments in joint ventures.
- The City's Governmental Fund ending balance was \$138 million, an increase of \$31.3 million from the previous year.
- The unrestricted General Fund balance at the end of 2006 is approximately \$32 million, which is an increase of \$8.4 million or 36 percent.
- The Enterprise Fund has an unrestricted ending fund balance of \$22 million, which represents an increase of \$14 million or 175 percent.

Ms. Pace summarized that the combined ending fund balances for the Enterprise Fund and the General Fund are approximately 8.9 percent of budgeted expenditures for 2006-07, which meets the Council's goal of an ending fund balance in the range of eight percent. She also reported that the City of Mesa received the Certificate of Excellence for Financial Reporting for the 24th consecutive year, and she recognized the contributions of her staff, Assistant Controllers Doug Yeske and Don Miller, in achieving this award.

Chairman Walters noted that the ending General Fund balance was increased in order to service a City bond debt payment that is due in the near future.

Mr. Smitherman stated that the preparations by City staff facilitated a very smooth and professional audit process.

In response to a question from Committeemember Griswold regarding a ratio that would be comparable to private industry's current assets to current liabilities ratio, Mr. Smitherman advised that the financial statements utilize two different accounting methods:

- The full accrual method, which is comparable to the long-term business model, lists assets and liabilities in the order of liquidity, and he referred to the statement of net assets on page 18 of the CAFR.
- The modified accrual method reflects current (within a 60 day timeframe) assets and liabilities and is located on the governmental funds balance sheet on page 21 of the CAFR.

Mr. Smitherman also advised that some assets are restricted for certain purposes and are not available to address current liabilities.

It was moved by Committeemember Rawles, seconded by Committeemember Griswold, to recommend to the Council that the 2005-06 Comprehensive Annual Financial Report (CAFR) be accepted.

Chairman Walters thanked the audit firm and staff for their efforts.

Discussion ensued relative to the fact that the firm addressed several non-financial issues that were discovered during the audit process; and that the problems identified regarding I-9 forms were for personnel hired during the 1980's.

Chairman Walters called for the vote.

Carried unanimously.

2. Hear a presentation, discuss and provide direction on the transfer of property at 924 N. Country Club Drive from the City of Mesa to the Marc Center.

Chairman Walters advised that the Committeemembers have already read the background information on this agenda item.

It was moved by Committeemember Rawles, seconded by Committeemember Griswold, to recommend to the Council that ownership of the property at 924 N. Country Club Drive be transferred from the City of Mesa to the Marc Center.

Councilmember Griswold explained that the City may utilize Federal grants to purchase a property for use by a non-profit agency, and that the property is transferred to the agency after a certain number of years of successful performance. He noted that the Marc Center is a well-established organization in the community, and he expressed support for the motion.

Chairman Walters called for the vote.

Carried unanimously.

Acting Community Revitalization/Housing Director Kit Kelly advised that the Audit and Finance Committee's recommendation would be considered by the Council at the first Regular Council meeting in January of 2007.

3. Hear a presentation, discuss and consider including on the December 18th agenda an ordinance to establish a thirty day vehicle impound administrative fee.

Chairman Walters thanked staff for providing detailed cost information (see Attachment 1), and she requested clarification regarding State Statute limitations relative to the amount of the fee.

Police Commander Ron Kirby confirmed that State Statutes limit the amount of the administrative fee to a maximum of \$150.

In response to a question from Committeemember Rawles, Traffic Program Coordinator Joe Bonacci explained that the administrative burden placed on the Police Department is the same for an immobilization or an impoundment. He confirmed that the proposal for a \$150 fee is designed to recover administrative costs relative to the State requirement.

Chairman Walters noted that the State of Arizona requires municipalities to impound or immobilize vehicles when certain conditions exist as outlined in the State Statutes.

It was moved by Committeemember Griswold, seconded by Committeemember Rawles, to recommend to the Council that a thirty-day vehicle impound administrative fee of \$150 be established and that staff be directed to place this item on the December 18th Regular Council meeting agenda.

Carried unanimously.

4. Convene an executive session.

It was moved by Committeemember Griswold, seconded by Councilmember Rawles, that the Audit and Finance Committee convene an executive session beginning at 10:33 a.m.

Carried unanimously.

5. Executive Session.

- a. 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)).

1. 115 E. University Drive and 229 E. 1st Avenue.

6. Reconvene the Audit and Finance Committee meeting.

Chairman Walters reconvened the Audit and Finance Committee meeting at 10:50 a.m.

7. Discuss and provide direction on the exchange of City-owned property located at 115 E. University Drive for property owned by Mesa United Way at 229 E. 1st Avenue.

City Manager Christopher Brady suggested that the Committee recommend to the Council that an exchange of properties not occur and that the two adjacent properties owned by the United Way and the City of Mesa in the area known as Temple Court be jointly marketed/brokered and that each entity share in the pro-rated portion of the sale proceeds.

Committeemember Rawles said that an exchange of property with the United Way could make the Temple Court property more valuable resulting in only the City of Mesa receiving the added benefit of the properties being joined together. He explained that by jointly marketing the properties, the Mesa United Way would share in the benefit of the increased value associated with the joint sale. He added that the property located at 115 E. University Drive would be addressed separately at another time.

Committeemember Griswold stated that this action indicates to the citizens that City government is addressing the issue in an open and transparent manner.

It was moved by Committeemember Griswold, seconded by Committeemember Rawles, to recommend to the Council that the City of Mesa not enter into an exchange of City-owned property at 115 E. University Drive for property owned by Mesa United Way at 229 E. 1st. Avenue, and that the properties located in proximity to each other owned by the United Way and the City of Mesa in the area known as Temple Court be jointly marketed/brokered and that each entity share in the pro-rated portion of the sale proceeds.

In response to question from Chairman Walters, Real Estate Services Director Doug Tessendorf explained that the concept is that the United Way and the City of Mesa would enter into separate contracts with the same broker for the joint sale of the properties.

Discussion ensued relative to the manner in which the sale proceeds would be divided; that dividing the proceeds on the basis of square footage fails to account for the appraised value of the individual properties; and that the equitable method of dividing the sale proceeds would be based on the percentage of the current appraised value designated for each property.

Committeemember Griswold moved to amend his motion to reflect that the joint sale proceeds would be divided between the City of Mesa and the Mesa United Way based on the percentage of current appraised value assigned to each property, and the seconder accepted the amendment.

Chairman Walters called for the vote on the amended motion.

Carried unanimously.

8. Adjournment.

Without objection, the Audit and Finance Committee meeting adjourned at 10:56 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit & Finance Committee meeting of the City of Mesa, Arizona, held on the 14th day of December 2006. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

baa

Attachment (1)