

COUNCIL MINUTES

February 10, 2005

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 10, 2005 at 8:12 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Kyle Jones
Tom Rawles
Janie Thom
Claudia Walters
Mike Whalen

COUNCIL ABSENT

None

OFFICERS PRESENT

Mike Hutchinson
Debbie Spinner

1. Hear a presentation, discuss and consider accepting the Comprehensive Annual Financial Report of the City of Mesa for the fiscal year ending June 30, 2004.

Financial Services Manager Bryan Raines advised that a Finance Committee recommendation is not available relative to accepting the Comprehensive Annual Financial Report (a copy of the report is available for review in the City Clerk's Office). He explained that the doors to the Council Chambers were inadvertently locked during the January 13th Finance Committee meeting prohibiting public access, and therefore action taken by the Committee cannot be recognized. Mr. Raines introduced Controller Kathy Pace and representatives of the City's independent auditing firm, Deloitte and Touche, John Hunter, a partner in the firm, and Greg Lee, Audit Senior Manager.

Mr. Lee stated that as part of the audit process, the firm of Deloitte and Touche LLP is required to communicate certain items on an annual basis, including the following areas of responsibility:

- Verify that the firm is an independent entity with respect to the City of Mesa.
- Conduct the audit under generally accepted auditing standards and Government Auditing Standards.
- Achieve an understanding of the internal controls of the City of Mesa.
- Identify and document any issues utilizing a management letter that may address reportable conditions (resulting from significant findings), material weaknesses (errors that resulted in material misstatement and classified as the most serious), and general observations/recommendations (considered to be the lowest level management letter, and the type of letter issued to the City of Mesa).

- Evaluate management judgments and accounting estimates. Mr. Lee advised that the City of Mesa calculates estimates regarding health insurance and other insurance liability issues, and that KPMG provides assistance to the City relative to calculating the estimates.
- Make audit adjustments.
- Identify significant accounting policies/changes.
- Report disagreements with management.
- Advise regarding consultation with other accountants.
- Discuss major issues with management prior to retention.
- Report difficulties encountered in performing the audit.
- Address any other material written communication.

Mr. Lee advised that the Finance Department staff was fully cooperative, and that consultation with other accountants was not required. He added that no significant issues or difficulties were encountered during the audit process. Mr. Lee stated that other letters issued to the City include the management letter, the management representation letter and the engagement letter.

Mayor Hawker, noting that other cities have enormous pension obligations, requested information relative to the manner in which the City's reserves for accrued vacation, sick leave, and pensions are handled.

Mr. Lee responded to Mayor Hawker's question by advising that the audit includes a review of the methodology and source documentation utilized, and he noted that the Arizona State Retirement System is responsible for the City of Mesa's pension accruals. He advised that the City's insurance estimate was developed by KPMG based on information provided by the City of Mesa.

Responding to Mayor Hawker's question relative to unforeseen liabilities, Mr. Lee replied that all liabilities are reflected in the audit. He added that no errors or differences in the estimates were identified.

Mr. Hunter explained that the pension funding level is a function of the Arizona State Retirement System, which calculates the level as a percentage of the payroll. He advised that an actuary hired by the State Retirement System provides recommendations regarding the funding level. Mr. Hunter noted that the State Legislature could establish a different rate based on factors such as the State's economic situation or an upcoming election. He added that the political climate could affect the rate, and that the City of Mesa must comply with the established rate. Mr. Hunter further stated that the Arizona State Retirement System is highly rated.

Mr. Hutchinson explained that the City participates in the Arizona State Retirement System, the Public Safety Retirement System (for police and fire) and the Elected Officials Retirement System, all of which are determined by actuarial analysis. He added that the police and fire systems are individually rated, and that the City complies with the determined contribution rate. Mr. Hutchinson noted that the State Legislature has the authority to change the amount, but that the Legislature seldom takes that type of action.

Mr. Hunter advised that the cities of Phoenix and Tucson do not participate in the State Retirement System.

In response to a question from Vice Mayor Walters regarding the accessibility and transparency of the City's financial data, Mr. Hunter advised that the average person is unable to understand the statements, and he added that very few Certified Public Accountants are able to prepare this type of financial data. He explained that Deloitte and Touche do not review the City's compliance with public information requirements.

Vice Mayor Walters suggested that the auditing firm provide an additional letter summarizing the City's financial condition in a manner that could be understood by members of the public.

Discussion ensued relative to the fact that the best information for the general public is located in the "Management Discussion and Analysis" section of the report; and that the City's financial reporting must adhere to specific Federal rules regarding the information and the structure of the data in the reports.

It was moved by Councilmember Rawles, seconded by Councilmember Griswold, that the Council accept the Comprehensive Annual Financial Report of the City of Mesa for the fiscal year ending June 30, 2004.

Carried unanimously.

2. Acknowledge receipt of minutes of boards and committees.

- a. Ad Hoc Redevelopment Advisory Committee meeting held January 10, 2005.

It was moved by Vice Mayor Walters, seconded by Mayor Hawker, that receipt of the subject minutes be acknowledged.

Carried unanimously.

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

Councilmember Jones: Financing the Future Committee Public Forum

Vice Mayor Walters: Commission on Excellence for Mesa Community College

4. Scheduling of meetings and general information.

City Manager Mike Hutchinson stated that the meeting schedule is as follows:

Wednesday, February 16, 2005, 7:30 a.m. – Joint Meeting with Mesa School Governing Board

Thursday, February 17, 2005, 7:30 a.m. – Study Session

Thursday, February 17, 2005, 9:30 a.m. – General Development Committee

Thursday, February 17, 2005, 6:00 p.m. – Joint Meeting with Salt River Pima-Maricopa Indian Community Tribal Council

Tuesday, February 22, 2005, 3:30 p.m. – Finance Committee

Tuesday, February 22, 2005, TBA – Study Session

Tuesday, February 22, 2005, 5:45 p.m. – Regular Council Meeting

Thursday, February 24, 2005, 7:30 a.m. – Study Session

Thursday, February 24, 2005, 9:30 a.m. – Transportation Committee

5. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

6. Items from citizens present.

There were no items from citizens present.

7. Adjournment.

Without objection, the Study Session adjourned at 8:33 a.m.

KENO HAWKER, MAYOR

ATTEST:

BARBARA JONES, 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 10th day of February 2005. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

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