



## MESA 2025: FINANCING THE FUTURE CITIZEN COMMITTEE

April 13, 2005

The Mesa 2025: Financing the Future Citizen Committee met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on April 13, 2005 at 5:30 p.m.

### COMMITTEE PRESENT

Kyle Jones, Chairman  
Kirk Adams  
Jill Benza  
Don Grant  
Rex Griswold  
Greg Holtz  
Aaron Huber  
Eric Jackson  
Dennis Kavanaugh  
Robert McNichols  
Scott Rhodes  
Pat Schroeder  
Robin White

### COMMITTEE ABSENT

Pat Esparza  
Mark Killian

### STAFF PRESENT

Various Members

(Ex-Officio Member Keno Hawker was absent a portion of the meeting.)

#### 1. Approval of minutes from previous meetings.

It was moved and seconded that the minutes of the March 9, 2005 meeting be approved.

Carried unanimously.

#### 2. Continued discussion related to items discussed at the last meeting.

Chairman Jones stated that the Committee would continue the discussion they were having at the last meeting and noted that they were discussing accountability and the processes that might be employed.

- a) Program accountability and City Auditor activities
- b) Presentation by Scottsdale City Auditor Cheryl Barcala
- c) Alternative budget processes

d) Committee recommendations on program accountability and budget process revisions  
Chairman Jones said that they have invited Ms. Cheryl Barcala, the auditor for the City of Scottsdale, to join them and provide a brief overview of how the process works in the City of Scottsdale and associated pros and cons.

Ms. Barcala explained that the office in Scottsdale was created as part of a Charter Amendment that was voted on by the citizens in 1987. She said that in 1989 the first auditor was hired and noted that she has been with the City of Scottsdale for 15 years and served as an auditor for 11 of those years. She referred to a handout distributed to the Committee that contained the actual language that was put into the Charter when it was voted upon as well as a copy of the ordinance. She noted that Scottsdale has a provision in their Charter that allows the Council to appoint the auditor and then there are provisions in the City Code that sets out how the office is to operate. She further stated that the ordinance provides for an Audit Committee composed of three members of the Council and calls for an annual audit plan. She explained that the auditing staff prepares the audit plan, submits it to the Audit Committee, which reviews it and then makes recommendations to Council as far as whether to accept it. She added that the audit plan is accepted in a public meeting and becomes part of their work plan for the year. She said that right now the Audit Committee is meeting approximately every quarter to review the status of the plan and their role is to help them coordinate their work with the City Manager. She stated that their office reports directly to the Council and that provides a way to have some discussion with the Councilmembers without necessarily getting the entire group together.

Discussion ensued relative to the fact that the auditing department consists of seven staff members and an administrative secretary; the fact that a copy of their current and proposed budget has also been provided and that at the current time they are operating on an approved budget of \$680,000, most of which consists of personnel services; and the fact that the proposed budget for next year is \$740,000.

Ms. Barcala further stated that in accordance with the City ordinance, the auditing department is required to prepare their report, share it with management for input and after review by management, they incorporate the responses into the report, publish it and distribute it to the Council. She added that at that point it becomes a public document. She advised that she has also brought copies of different types of reports they prepare and a copy of their work plan if anyone is interested in reviewing them. She said that they are required to conduct audits according to government auditing standards developed by the Comptroller General of the United States. She noted that they are also required to conduct peer reviews every four years although the current standard is three years. She discussed the fact that the City Auditor or one of the Deputy Auditors must be certified and they are required to participate in continuing education. She noted that whether the auditors are certified or not, they are required to maintain education levels in order to ensure proficiency throughout the office.

Additional discussion ensued relative to the fact that there is currently one Assistant, two Senior Auditors and three Internal Auditors; the fact that they have received approval for two Deputy Auditor positions but they have been downgraded to better represent the type of work they need to do within the office; the fact that in order to obtain a Senior position, staff must first achieve certification; the fact that most of the people in the office have multiple certifications; various types of audits conducted by the office, and the fact that Financial Services handles all of the financial audits.

Chairman Jones thanked Ms. Barcala for her input and said that they are attempting to gain the confidence of the public. He asked whether Ms. Barcala believes that her department has benefited Scottsdale in terms of gaining the public trust and ensuring the citizens that money is being spent appropriately and as efficiently as possible. She expressed the opinion that having an Auditor who reports to the Council adds a level of independence and noted the importance of having reports available for the public. She also stressed the importance of the various reviews that take place and communication.

Committeemember Rhodes commented on the fact that the City Manager currently hires the City's Auditors and asked what took place in Scottsdale prior to 1987. Ms. Barcala stated that they used to have an internal auditor, not really a department, but a group of auditors who reported through the Personnel Director in Human Resources. She added that it was not a "high level" process and reiterated that what makes an Audit Office perform effectively and efficiently is the requirement to adhere to government auditing standards, a certification requirement and a process that requires obtaining Audit Report approval. She said that this can be accomplished with an auditor appointed by the Council or one who reports to the City Manager.\

In response to a question from the Committee relative to audits conducted for efficiency in the use of City resources, Ms. Barcala explained that they audit functions/processes that have not been recently audited and look at any potential problems they may have come across while conducting other audits.

Committeemember Kavanaugh thanked Ms. Barcala for her attendance at the meeting and asked how she would characterize her office's relationship with other City departments that they audit. He also questioned whether her office received legal advice or assistance from the City Attorney's office when legal questions or issues arise and, if so, what do they do when the City Attorney's office is representing both the City department and providing advice to the auditors.

Ms. Barcala stated that there could definitely be times when they end up worrying whether obtaining legal advice in certain situations is actually legal or not. She summed it up by saying that sometimes they just have to rely on the professionalism of their City Attorney to review the situation and agree that change needs to take place. She added that she has not run into any issues to date but if she did, she would go to the Council and request funds to hire an outside attorney.

Committeemember Kavanaugh asked whether the department being audited has an opportunity to respond and/or make corrections and how situations such as that are presented to the Auditor Committee and Council. Ms. Barcala explained that according to their ordinance, they provide a draft copy of their report to management and they have thirty days to respond as to whether they agree or disagree with the findings. She noted that if they disagree, they are required to state why and bring forward a plan to correct the situation. She said that all of the information is printed in the full report, it is not edited.

Additional discussion occurred relative to the fact that Ms. Barcala's department would make recommendations to implement revised procedures if they found that something was not working the way it was intended to; and the fact they talk with other businesses and/or look to see if there is some place else that is doing the same thing so they can incorporate into it.

Committeemember Griswold commented that a good Audit Department usually pays for themselves many times over. He said he noticed that Ms. Barcala's operation does everything from looking at the Sheriff's billing to reviewing shared revenue agreements with other cities. He asked whether

Scottsdale was receiving its fair share. Ms. Barcala responded that they are. Committeemember Griswold asked whether they identify enough savings to offset the \$500,000 annual cost and Ms. Barcala stated that they have not focused on or identified the amount of savings realized because it falls outside of their control (whether or not the recommendations are actually implemented). She explained that the auditors conduct the studies and then turn them over to management and it is their responsibility to follow up on items such as over payments. She added that there have been some cost-sharing agreements in the past that they have gotten involved in as far as determining how to split the overcharges from a contractor back between the involved parties but noted that for the most part they do the work and then step back and let management take over.

Chairman Jones asked if they ever find themselves needing some assistance in understanding the process they are auditing as opposed to working with just the numbers. She said that in accordance with set standards, they cannot conduct an audit if they do not believe they possess the expertise to do so and if they cannot gather that expertise, then either decline to do the work or bring in an expert to help them. She advised that other than a utility billing issue, they have not had to go outside. She added that they have also gone out for computer vulnerability assessments, simply because the expertise for that changes so rapidly that it is much more cost effective to obtain outside help than to try and maintain in-house expertise.

In response to a question from Committeemember Adams, Ms. Barcala noted that she serves at the pleasure of the Council.

Committeemember Rhodes asked whether Ms. Barcala and her staff also gets involved in studies for proposed programs and looking at costs/efficiencies before the City enters into new ventures. She responded that they could be called upon to do so but added that the current City Manager has chosen to carry out those kinds of processes with internal committees.

Chairman Jones asked whether any animosity exists between Ms. Barcala's department and the departments they audit. She stated that most of the time staff welcomes them and are excited about finding ways to improve. She noted that when they have experienced animosity, they found that it was because there was a reason and staff did not want to have outside people looking at their operations. She further stated that for the most part they have a fairly good relationship with management and if there is a disagreement it is usually over something significant, not simply a minor issue. She said that they are in a position to present information to the Council that employees might be hesitant to bring up.

In response to a question from Committeemember Rhodes, Ms. Barcala said that because she reports directly to the Council, and serves at their pleasure, she has found herself subject to political pressure from time to time. She said they determine how to accomplish their job without changing their ethics and added that in most cases a solution is found that addresses everyone's concerns.

Committeemember Rhodes asked if it would be better if she reported directly to the City Manager instead of the City Council. She responded that if they took away the fact that she has seven bosses, she would prefer to serve under the Council. She explained that when you report to a City Manager, there is only one person who sets the work plan and it is easier to keep track of where you are. She added that when you report to the Council, elections come into play and the fact that just about the time someone gets "up to speed" with what they are doing, there's a chance that they won't run again or won't be re-elected and the learning process begins all over again for the next members. She further stated that they have to go through the budget process the same as

everyone else so even though they say they are independent, they still have to go to the City Manager and other departments such as Financial Services to get their budget approved.

Committeemember Kavanaugh commented on the fact that Ms. Rhodes can lose her employment as a result of a simple majority vote and asked if the Council had put in place a requirement that five or six members of the Council were needed to vote in support of her termination in order for it to occur whether that would provide her a higher degree of comfort or insulation from political pressures. She responded that it definitely would and commented that to be really independent, the person would have to be elected but absent that, there should be more certainty in place regarding job security.

Committeemember Rhodes asked how common it is in Arizona, particularly in the Phoenix area, to have an auditor reporting to the City Council as opposed to the City Manager. Ms. Barcala said that she is the only one she knows of but added that the County Auditor Ross Tate reports to the Board of Supervisors. She stated that the auditor for the City of Phoenix reports to the City Manager but they also have a committee in place that reviews their work plan. She reiterated that it is possible to have an independent auditor reporting to the City Manager as long as there are sufficient checks and balances in place to ensure that the work gets done the way that it is supposed to. She expressed the opinion that the committee in Phoenix is composed of members of the Council and citizen appointees.

In response to a question from Chairman Jones, Ms. Barcala advised that her staff is hired the same way everyone else in the City is and she does their job performance reviews, decides on promotions, etc. She added that they do not have any interaction with the Council, that is her responsibility.

Committeemember Griswold asked whether all of the auditors in Scottsdale were Certified Public Accountants and she said some are and most of the auditors are Certified Internal Auditors and abide by Government reporting standards. She explained that most of the audits they conduct are not financial in nature.

Ms. Barcala discussed the reports she and her staff prepares and noted that they put extensive effort into including significant background information, explaining standards that were used in making the evaluation, any State Statutes or City Codes that apply, etc. She said their goal is to prepare reports that citizens should be able to pick up and obtain enough information to be able to understand why they thought something needed to be addressed. She emphasized that this is an "internal" requirement, not a formal requirement.

Committeemember Huber asked who conducts the City's financial audits and Ms. Barcala reported that they are outsourced and the City's Financial Services Department handles the contracts.

Chairman Jones thanked Ms. Barcala for her informative presentation.

Chairman Jones encouraged the members of the Committee to provide input this evening and asked that they forward written ideas for consideration to Denise so that they can be discussed at a future meeting.

Committeemember Huber asked whether a Charter Change would be required to move the auditor's position from under the City Manager to the City Council and Chairman Jones confirmed

that a Charter Change would be necessary. Committeemember Huber asked how many staff persons are currently employed in the Audit Department and what their tasks are.

System Budget Director Chuck Odom, filling in for the Budget Director Jamie Warner, advised that he worked in the City's Auditing Department for 14 years. He reported that there are currently six staff members and they are all Certified Public Accountants. He added that a majority of them are Certified Fraud Examiners as well and some have received Certified Internal Audit designations. He explained that their responsibilities cover a broad scope and stated the opinion that Mesa's operation mirrors Scottsdale's pretty closely other than the fact that the office reports to the City Manager rather than the City Council. He noted that they conduct operational, efficiency, financial and contractual audits. He added that they also review vendor financial liability contract compliance and look at internal efficiencies along with support jobs. He commented that the Department has handled some "heavy duty audits."

Committeemember Kavanaugh stated that during his eight years on the Council, he can't remember seeing more than one or two audits and asked whether they became public records once they are completed. Mr. Odom responded that once a report has been officially completed it does become a public document. He said that the department prepares an Annual Audit Plan and anyone who wants to know which audits have been conducted can request a copy of that plan.

In response to a question from Committeemember Adams regarding financial audits, Mr. Odom reported that the City again operates similar to the City of Scottsdale and the main financial audit is conducted by an outside firm. He added that the department handles efficiencies, reconciliations, resolves system problems and conducts special audits on an as-needed basis.

Committeemember White asked whether copies of the City's audits are given to the press (Scottsdale provides the press with copies) and Mr. Odom responded that during his four years in the budget office, whenever a reporter requested a report he/she was provided with one. Committeemember White emphasized the importance of getting the word out to citizens and members of the media that those reports are available.

Committeemember Rhodes asked what the budget is for the City Auditor's Department and Mr. Odom stated that it is approximately \$600,000 (best guess estimate). Committeemember Rhodes asked why the department hires Certified Public Accountants while Scottsdale hires Certified Internal Auditors. Mr. Odom commented that speaking as a CPA, their certification is much more difficult to achieve. He added that employees can have other backgrounds, and they encourage fraud experience. He expressed the opinion that CPA's tend to prefer CPA's.

Committeemember Rhodes asked Mr. Odom whether he would be allowed to review an initial draft of an Audit Department report before staff has had an opportunity to respond and there has been some negotiations. Mr. Odom said that it would probably depend upon the individual situation. He added that there would probably be a little reluctance to release a pre-finalized report that has not gone through the entire process. He said that significant discussion has taken place among members of the audit profession relative to whether documents become public records as soon as they are finalized. He reported that most of them have taken the position that once a report is finalized it can be distributed. He commented that he has been out of that area for a while and is not sure whether any new case law has come forward or other decisions rendered.

Committeemember Holtz asked how many operations audits are conducted during the course of a year and Mr. Odom said that it depends on their size. He estimated that with six staff members in

place, approximately 20 to 40 audits or phases of audits are conducted in a year. Committeemember Holtz expressed the opinion that "there's not much sun shining" on the entire audit function. Mr. Odom stated that there are two forms of local governmental auditors and both Scottsdale and Mesa belong to a National Association of Local Governmental Auditors. He added that there are two models within that industry, one being the City Manager and the other being a form of City Council. Mr. Holtz advised that he has not checked recently, but he would not be surprised if some of the audit information is already posted on the City's website.

Chairman Jones asked Committeemember Benza to describe the auditing processes that are conducted by the Mesa School District. She explained that they are required to hire an outside auditor to audit the financial records and they also have an inside person who conducts performance audits, checks on property management and the different methods of doing business. She stated that when they get the preliminary report from the outside auditor, they have the opportunity to review it and look at what is cited. She added that the auditor's report is not made public until after discussion takes place. She said that the School District wanted to take a look at their Information Systems Department and despite the fact that they have an excellent in-house auditor, they wanted to look at more than just what they were doing, they wanted to compare themselves to other sectors and so they hired someone from a university to conduct an audit. She added that it is not unusual for them to bring someone in from the outside. She agreed that the School District operates in a similar manner to Mesa. She pointed out that the auditor wears "two hats" in the School District, i.e. property management and keeping track of the inventories of different projects/properties and serving as the internal auditor and reporting directly to the Superintendent.

Mr. Odom pointed out that all financial audits are submitted to the Auditor General for evaluation.

Committeemember Griswold commented on the fact that Mesa has a Quality and Organizational Development Office that looks at the effectiveness of programs and the efficiency of various departments. He asked whether Mr. Odom and staff ever interacts with them. Mr. Odom responded that they do interact and pointed out that internal audits assist in designing systems but they will not be responsible for implementing them because then they are no longer independent from those systems. He explained that the purpose of the Quality and Organizational Development Office is to serve as the designers and implementers in order to maintain independence. He added that they did not want the auditors to be too cross-cultured and so independence is necessary.

Discussion ensued relative to the fact that the public can obtain stapled copies of the audit reports; the fact that the report will include information as to what the auditors believed and comments; the fact that Mesa has experienced very little conflict regarding problems/resolutions since employees appear eager for the help and expertise the auditors provide; and the fact that the City's audit plan is approved through the City Manager's Office.

Committeemember Jackson said that a perception exists that there is distrust among the public and asked whether it would be better to take the Audit Department as it currently exists and move it outside, under the umbrella of a Charter Amendment that would require the City Auditor to be appointed by the Council and serve at their pleasure. He added that the audit reports would be presented to and approved by the Council.

Discussion ensued relative to the importance of communicating to press/public on the availability of the reports; the fact that the approximate 20 to 40 audits are pretty mundane and most people would not be interested in reviewing them; audits that have been conducted by the City that have

been highly publicized with press briefings (i.e. one on impact fees); the fact that an independent audit firm was brought in to look at Police Department performance (a six-month audit conducted by an independent auditing agency); the fact that decisions regarding how much to publicize audits are made on a case-by-case basis; the fact that the audits are available on the web; and staff's efforts to publicize audits that may have a high level of public interest.

Committeemember Adams commented that the decision as to whether or not an audit is relevant is better left to the public or to the press than to the Audit Department. He expressed the opinion that this speaks to the advantage of hiring a more independent auditor who reports directly to the City Council.

Committeemember Kavanaugh noted that in the absence of a Charter Change, they could consider formalizing a policy that would regulate the distribution/presentation of reports. He added that the Council could create an Audit Committee if they so wished. He said that the City could also look at implementing a more standardized format or process so that when the reports are completed they are available to the press as well as the Council, reports ranging from the mundane to the infamous. He stated that he is aware of audits that have been conducted that received a high degree of press interest including audits of colleagues' behavior on the City Council. He expressed the opinion that for the most part, like the performance audit at the State level, many of the reports are not intriguing but some are and it's all in the eye of the beholder. He agreed that the process could be improved and added that he believes the City has a very good audit system but the question is how do they develop it in a way that increases public confidence and accessibility and allows opportunities for input in the construction or development of the Annual Audit Plan. He noted that these are things that can be accomplished without a Charter Change and although a Charter Change with a Council appointed auditor is certainly something that should be looked at, he believes there are some interim steps they can take and recommendations that can be made.

Committeemember Jackson concurred with Committeemember Kavanaugh's remarks and spoke in favor of creating an Audit Committee, similar to the one in existence in the City of Scottsdale. He said that the Committee could meet with the City Auditor and the City Manager to address issues, discuss audits that are being conducted and talk about what they can do to heighten community interest.

Committeemember Jackson asked what access the press has to the City Manager and whether they are able to come in on a regular weekly basis to find out what has been done that week so that they can disseminate the information to the public. Mr. Odom responded that when he worked in the Audit Department, staff was assigned different beat reporters. He stated that it was common for a new beat reporter to come into the office and obtain a list and set of reports. He agreed with a previous comment that most of the reports were too mundane for them and over time they decreased their visits. He added that typically staff efforts results in press coverage.

Committeemember Huber agreed that a lot of issues could be addressed without benefit of a Charter Change. He said he is aware of a feeling that a lack of independence exists because the auditor reports to the City Manager but balanced that by saying in Scottsdale reporting to the City Council has created a political situation. He said he agrees it may not be necessary to enact a Charter Amendment.

Committeemember Rhodes concurred that a Charter Amendment is not necessary. He added that one of the things the Committee talked about at the last meeting was the concept of putting into text that City staff is responsible for finding the most efficient way to do any job, including perhaps

looking at private sector alternatives. He said that in order to put “some teeth” into the process, he believes an Audit Committee should be formed, composed of Councilmembers and citizens.

Committeemember Holtz agreed with Committeemember Rhodes’ remarks and said that if they look through some of the audit reports they have obtained, they don’t have to be accountants to figure out what they say.

Additional discussion ensued relative to the fact that the City typically inserts a clause into all outside vendor contracts that states the City has the right to conduct an audit if they deem appropriate to do so; the fact that the Audit Department operates with minimal staff; the importance of doing a better job to inform the public about what the City does and what it is getting in return for the dollars spent.

Committeemember Griswold commented that they are talking about public trust and he has always said that Mesa could discover the cure for cancer and no one would know. He added that the City really does not “trumpet” what they do right but there is a lot of press when something goes wrong. He emphasized the importance of implementing a more open process that will make people have faith in their government again.

Committeemember Huber suggested that if an Audit Committee is formed, results of the activities should be quantified.

Mr. Odom stated that during his tenure with the City, management has never attempted to influence his decisions.

Chairman Jones said that it appears there is a general consensus of the Committee to not enact a Charter Amendment or have the auditor report to the City Council. He added, however, that there is also consensus that they want to create an over-sight process in order to open the matter up to the public. He stated that he would like to go around the room quickly and obtain everyone’s input on this issue.

Committeemember comments included the following:

- \* There is no need to have the auditor serve at the pleasure of the Council but there needs to be wording in the Committee’s recommendation to the effect that an Audit Committee be formed to review the audits, help determine audit schedules, look at performance, etc. The composition and size of the Committee needs to be further discussed.
- \* It would be in the City’s best interest for the Auditor’s reports to be made more accessible. The possibility of placing executive summaries of different audit reports on the City’s website and distributing copies of the executive summaries to the City Council on a regular basis.
- \* Some doubts regarding the necessity of forming a Committee and wanting more time to consider the matter.
- \* The City will miss an opportunity to maximize public confidence if they choose not to maximize independence. Support for an independent City Auditor who would report to the City Council and serves at their pleasure. Implementing the necessary Charter change to do so.

- \* The importance of maximizing citizen involvement in order to increase public confidence.
- \* The importance of having the current City Auditor address the Committee and provide any updated information as well as his input.
- \* The possibility of scheduling an annual event for the Council to review the Audit Plan and audit reports issued for the previous twelve months or having the reports distributed to them on a regular basis. A suggestion that a review of the Audit Plan and reports be a permanent fixture on the Council's Annual Retreat agenda.
- \* The opinion that "oversight" already exists, the Council oversees the work of the City Manager and the Manager directs the work of the City Auditor. But the importance of better communication.
- \* The fact that a good internal auditing system is already in place but the public is not aware of it. The importance of transforming the office into one that is reportable to the Council is at least an issue worthy of discussion but the difficulties associated with minimizing political influence.
- \* The possibility of requiring a "super majority" of the Council to terminate employment of an independent auditor who reports to the City Council. Putting together the Committee to serve as an interim measure, approximately two years, while they put together a Charter Amendment to put before the voters.
- \* The possibility of improving voter perception and goodwill without a Charter change by use of a well thought out promotional plan that takes into account what the Council is planning to do now and in the future. The audit plan and the Council should be intertwined.
- \* Not proceeding with a Charter change at this point and the importance of finishing up their responsibilities as a finance-related committee. Support for the formation of an audit committee composed of possibly three Councilmembers and three members of the public. Encourage citizen members to participate in the Mesa Leadership & Training Program to gain a clearer understanding of the City and its workings.
- \* The current system is not being misused in any manner and whatever they decide to do should not increase the bottom line of what it costs to have an Audit Department. Mesa should consider adopting the same standards/guidelines as Mesa.
- \* Comfortable having the auditor report to the City Manager because most of them are performance audits based at such a level that there won't be major shifts necessary. Importance of ensuring that there is an infiltration of fresh thought that comes to all of the process of City government and this could be accomplished as a result of the Committee/citizen audit committee. They can oversee the process and make some decisions as to what is being audited and forward recommendations on to the Council. They can also look at the standards and the parameters that are set up at the last minute for the budget process and make sure that they carry over into the audits. They will instill some consistency in the way things are handled.

- \* No need for a Charter Amendment. If the City Manager is not following up as well as the oversight committee believes he should, then the committee will bring their recommendations to the Council.
- \* Hesitant to make significant, long-term changes, such as Charter Amendments, particularly when the problems do not justify doing so.
- \* Scottsdale's auditor reports to the City Council and there are constant changes which create problems as well. City needs to do a better job of communicating and they need to create something that becomes "the mind" of this Council and future Councils as far as the way business in Mesa is conducted.
- \* The political influence versus independence is the issue and there is a code of professional ethics but more information needs to be disseminated.
- \* The Committee would not just look at audits, they would decide what audits should be conducted as well and determine which issues are the "heavy hitters" and which are citizen priorities.
- \* The Committee might be charged with establishing financial priorities and/or looking into other areas such as the Utility Department. Although a Charter Change is a very practical alternative to obtain what they want, the type of committee they are discussing could do the same job.

Chairman Jones thanked everyone for their input and said that he would get together with Denise and put all of the comments into a format that reflects what they have discussed. He noted that nothing is set in stone, but it will represent a general consensus for the Council to read.

Committeemember Griswold added that this seems to be the consensus at this point in time but in the future some of the members may want to go a little further than that.

Committeemember Holtz recommended that the City's website contain a listing of all operational audits that have occurred over the past year and general findings that were determined.

Committeemember Jackson commented that they are talking about the City Council directing the City Manager as far as the audit processes and outlines the particular areas/issues they would like audited during the upcoming year. He added that discussion could take place in a public meeting so that citizen input would be obtained.

Chairman Jones asked whether Committeemember Adams would like to present the additional items/revisions he had prepared.

Committeemember Adams said that he wants to maximize public confidence and expressed the opinion that an independent auditor who reports to a legislative branch, much like the City Council is a legislative branch of Mesa's government, is a fairly common practice on many governmental levels. He agreed that caution should be exercised when talking about Charter changes but noted that they are revised on a fairly frequent basis in the State. He advised that he has made some changes to the addendum he did to Scott's document and stated that mainly he has taken out the provision that items (a) The prioritization and (b) The Mesa Commission for Efficiency in

Government be treated by mandate of Charter and has changed it to reflect that the language will be created by the City Council so they can do a resolution, ordinance, etc. He commented that they have several citizen committees in the City and they work very well but added that the creation of a Mesa Committee for Efficiency in Government would be another one that works along the same lines so he struck the word "commission" and made it "committee" to conform with the rest of the City operations as far as citizen committees.

Committeemember Adams highlighted a number of other changes/suggestions he has outlined and reported that he is calling for the City Council to establish a priority-based budget that actually flows through to the actual budget dollars spent on those priorities. He emphasized the importance of having specific indicators of success in place and have the performance reports be citizen friendly. He indicated that he would provide each of the members with written copies of his changes within the week and urged them to contact him with their suggestions and responses.

Committeemember Rhodes asked Committeemember Adams whether his final language will imply that the sole purpose of the Committee will be to look at the possible private sector alternatives or include that as perhaps one of the objectives of the Committee. Committeemember Adams responded that he was open to suggestions and Committeemember Rhodes stated that he would prefer that it be one of the objectives. Committeemember Adams said that he would indicate that in his revision.

Chairman Jones thanked everyone for their input.

3. Discuss and review the committee's timeline and final meeting topics (Committee's work targeted for completion by August 1, 2005).

- a. Revenue discussion
- b. Develop recommendations on revenues and expenditures
- c. Draft preliminary report
- d. Develop opportunities for public input
- e. Finalize report and submit to City Council

Committeemember Griswold spoke in support of an action-based budget and stated the opinion that it will allow the City Council/City to move ahead into the 21<sup>st</sup> century with a budget that works rather than a "political football." He agreed that it will be a two-year process.

Ex-Officio Member Mayor Hawker, who had recently joined the meeting, stated that the last time they met they tried to get across the point that the Budget in Brief has percentages indicating Council ranking on expenditure priorities. He noted that public safety is the number one priority. He emphasized the importance of making decisions such as whether they are going to live within their means as they currently exist no matter what the outcome or are they going to raise additional money to offset the outcomes. He explained that when he leaves office, "debt valley ends, and it is going to be difficult for whoever takes over administration as well as the Mayor and Council. He said that he does not want to leave the City in that condition and reported that they will have \$50 million in cuts to make after "debt valley" is over. He noted that the City does not have a budget crisis this year and they won't have one next year but in three years it is going to get extremely tough. He advised that he would like the committee to put the revenues and expenses back into the model and have something sustainable. He added that right now with the roadway repairs and other expenses, it is not sustainable and they will need to either do some drastic cuts or identify additional revenue.

Mayor Hawker (speaking as an ex-officio member throughout the meeting) stated that at some point they have to vote or get a consensus and move forward with the fact that they are going to do it all through budget cuts or do a certain portion and, depending on the results of the outcome base and what the citizens want, do the rest with additional revenues that are identified. He explained that this is the type of information he is seeking from the Committee. He noted that the Council is going to begin looking at current priorities and cutting from the bottom. He added that they are going to bring back the results of their Council Retreat decisions and review them. He emphasized the importance of developing something that can be modeled out for 25 years and noted that the task of Financing the Future long term is to figure out how the City can achieve stability 25 years out. He said that might mean building infrastructure around utilities and using that as a profit center, etc. He said that he is looking for advice from the Committee on how to achieve this goal.

Chairman Jones noted that the City does not have the monies in place to take care of infrastructure needs and said they have been postponing replacement of vehicles, equipment, etc. for far too long and the model that they create must include those types of reserves.

Committeemember Rhodes commented that there is no doubt in his mind that the Committee is going to attack each and every one of these difficult issues but noted that they are going to do it in the order that they believe is the most logical. He stated that a decision was made to look at the process first and establish some parameters and they have virtually finished that job and will move onto the schedule that has been set up.

Committeemember White asked how the Committee was supposed to know how much revenue they need to provide if in fact some of the talked about cuts are made and remain permanent. She noted that that would change the revenue picture. Chairman Jones responded that they would merely make recommendations to the Council and they will decide what actual cuts will be made.

Discussion ensued relative to the fact that City employees have been offered early retirement and questioned whether one of the revenues that must be generated will supplement the retirement fund for the increased number of people retiring; the fact that this figure will be offset by a decrease in stability pay; the replacement of some of those employees and associated costs; the possibility of selling the City's electric utility; a request for additional information including a summary that shows the \$50 million deficit in the fiscal year that exists and the major items that represent that shortfall on the capital side; the fact that staff has been working on updating the forecast and could present something to the Committee at their next meeting; staff's willingness to provide an existing revenue structure reflecting current services and what would happen if they fund all of the requests submitted; and additional projections and information (retirement projections/stability offsets) that staff could provide to the Committee to help them gain a clearer understanding of the financial situation.

Committeemember Jackson commented on the fact that the City is in a very competitive economy at the current time and is losing some of its larger sales tax revenue generators to the San Tan, which will be moving out of Mesa. He asked whether staff was taking a close look at that and estimated what the losses are going to be as well as what they are going to need to do to replace those revenue sources.

Chairman Jones noted that the model is going to be looking at what this is going to cost the City and added that it will also reflect that Mesa has been in a 20-year downturn as far as sales tax.

Committeemember Adams stated the opinion that the next time they meet they should be able to vote on a budget process document, containing or not containing the proposed amendment. He noted that they have already approved Committeemember Rhodes' portion of the document. He said that he is leery of doing things by consensus and would prefer to formalize their operations, vote and move forward in an organized manner. He agreed with Committeemember White's comment that they need to look at the expenditures, what is going to be cut and then move on to the revenue side. He added that he believes they need a consensus on that process before they leave today or a vote on it if they decide to do a motion. Chairman Jones responded that he believes they have already achieved consensus on this issue.

Additional discussion ensued relative to putting all of their ideas down on paper so they have something to mold; the fact that their ideas can be discussed at the next meeting, hopefully finalized, and then they can move on; the importance of discussing and receiving information regarding the possible sale of the utility, impacts of revenue and other revenue sources that might be drawn upon to replace that; the importance of determining what funds from the sale of a utility can be used for; the fact that minority reports will be included with the Committee's recommendations; and a request from the Chairman to submit requests on items they would specifically like to address regarding expenditures.

Committeemember Rhodes requested that Committeemember Adams circulate his draft to the entire Committee by e-mail in order to speed up the process and allow sufficient review time. He also requested that Denise re-circulate copies of the document that many of them created containing initial impressions on where to go on the expenditure and revenue side.

Committeemember Griswold referred to a report containing all of the City's various programs by Council ranking and encouraged members to contact Denise to obtain copies.

4. Scheduling of meetings and general information.

Wednesday, April 27, 2005, 5:30 p.m.

Wednesday, May 11, 2005, 5:30 p.m.

5. Items from citizens present.

There were none

6. Adjournment.

Without objection, the Mesa 2025: Financing the Future Citizen Committee adjourned at 8:02 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Mesa 2025: Financing the Future Citizen Committee meeting of the City of Mesa, Arizona, held on the 13th day of April 2005. I further certify that the meeting was duly called and held and that a quorum was present.

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BARBARA JONES, CITY CLERK

lgc