



AUDIT, FINANCE & ENTERPRISE COMMITTEE

February 4, 2013

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on February 4, 2013 at 3:35 p.m.

COMMITTEE PRESENT

Alex Finter, Chairperson
Dina Higgins
Scott Somers

COMMITTEE ABSENT

Christopher Brady, Ex Officio

STAFF PRESENT

Alex Deshuk
Debbie Spinner

(Chairperson Finter excused Councilwoman Higgins from the beginning of the meeting; she arrived at 3:36 p.m.)

1. Items from citizens present.

There were no items from citizens present.

2-a. Parks, Recreation and Commercial Facilities Schedule of Fees and Charges.

Director of Parks, Recreation and Commercial Facilities (PRCF) Marc Heirshberg displayed a PowerPoint presentation (**See Attachment 1**) and reported that the purpose of this presentation was to review the recommended changes to fees and charges for various services provided by the PRCF Department. He briefly discussed the fees and charges review process and stated that the Parks and Recreation Advisory Board has approved the recommended fees and charges. He added that pending approval by this Committee, staff will present such proposals to the full Council in the near future. (See Page 2 of Attachment 1)

Mr. Heirshberg explained that regarding the Commercial Operations (See Page 3 of Attachment 1), the recommended changes to the fees and charges for Commercial Facilities will result in a fiscal impact of approximately \$26,800 for FY 12/13 and \$250,000 for FY 13/14. He noted that the majority of the revenue generated will be as a direct result of the new fees implemented for the recently completed cemetery expansion as well as a new Repeat Round fee at Dobson Ranch Golf Course. He added that along with some language changes, the Riverview Golf Course fee will be eliminated from the Fee Schedule since the course is now closed.

Mr. Heirshberg stated that staff is recommending that the Adult Twilight fee and the Summer Cart fee range be expanded to allow for changes in market conditions. He indicated that a discounted fee for Repeat Play will be implemented for golfers who play more than one round of golf per day. He added that due to the lack of sales over the last few years, the 20 Round Play Ticket will be eliminated. (See Page 4 of Attachment 1)

Mr. Heirshberg discussed the new Cemetery fees that will be imposed for companion grave upright, single grave upright, conversion from a single to a companion grave, and the exchange of space from the older areas of the cemetery to the new expanded area. (See Page 5 of Attachment 1)

Mr. Heirshberg outlined the recommended changes to the Aquatics Program fees and charges, which would have an estimated total fiscal impact of \$31,180 for FY 12/13 and \$37,330 for FY 13/14. He added that Mesa residents will be provided a 20% cost savings over non-residents. (See Page 6 of Attachment 1)

Mr. Heirshberg advised that staff is researching the possibility of providing an "individual" season pass. He said that currently, the City only offers a family or a household pass. He stated that the proposed option will allow single individuals and smaller families the opportunity to take advantage of a season pass.

Mr. Heirshberg said, in addition, that staff recommends adjusting the fee range for Flowrider rentals so that the cost is based on the number of persons in the rental group, as opposed to a flat public or commercial rate.

Mr. Heirshberg further remarked that staff is recommending that the fee range for Aquatic lessons be adjusted to cover the increased American Red Cross fees. He said that staff is also recommending that Partner Group fees be established for aquatic facility usage, as well as a new Lane surcharge for regional/national competitions. (See Page 7 of Attachment 1)

Mr. Heirshberg noted that in the area of youth sports, a non-resident field use fee will be added that is consistent with other resident/non-resident fee usage. In addition, he said that the Safe Kids Program fee will be eliminated since the program is no longer offered. (See Page 8 of Attachment 1)

Responding to a question from Committeewoman Higgins, Mr. Heirshberg explained that the Parks and Recreation Advisory Board established Pool-Use guidelines similar to the Field-Use policy. He said that the Pool-Use guidelines have been implemented and added that staff will now manage all PRCF rental properties as one complete system.

Mr. Heirshberg further explained that with regard to lane requests, Partner Groups will take priority based on their historic usage, the number of people they have participating, the number of residents in the program and the amount of area they consume. He said the teams must submit rosters so that staff can verify who is using the facilities.

Mr. Heirshberg indicated that the fees for pool users are the same as for field users (\$4 for resident and \$6 for non-resident). He said that groups utilizing the fields/pool are also charged an hourly rental fee. He added that teams are required to submit their lane and/or field requests every quarter.

It was moved by Committeemember Somers, seconded by Committeewoman Higgins, that the Parks, Recreation and Commercial Facilities Schedule of Fees and Charges be forwarded on to the full Council for discussion and consideration.

Carried unanimously.

2-b. Hear a presentation on a new City program called Managed Print Services.

Chief Information Officer Diane Gardner introduced Information Technology Manager Angie Earl who was prepared to address the Committee. Ms. Gardner displayed a PowerPoint presentation **(See Attachment 2)** and provided a brief overview of the Managed Print Services Program. She noted that the City currently supports approximately 1,750 printers, scanners and fax machines.

Ms. Gardner indicated that with the new Managed Print Services Program, the vendor will provide all hardware maintenance and supplies (toner). She said that as older equipment is retired, the vendor will bring in new devices.

Ms. Gardner reported that the vendor, Arizona Office Technologies (AOT), conducted a high-level assessment to determine how much of a savings the program will generate for the City. She explained that AOT will have a five-year contract to manage all of the City's printers, copiers, fax machines and scanning services. She added that the contract will include an "optimization" phase for all City Departments.

Ms. Gardner stated that after completing the high-level assessment process the vendor is recommending the following:

- Retire 582 older City-owned devices
- Add 132 new devices (if purchased by the City would cost \$1.3 million)
- Repurpose some devices across the City to improve overall efficiency

Ms. Gardner remarked that once all optimizations are completed, the projected annual savings to the City will be \$347,000. She advised that all of the printers will be metered and departments will be billed back based on the number of pages printed. She explained that the City will utilize the following budgets to fund the program:

- Information and Technology Department budget for printer maintenance
- City-wide toner budget
- Funds available for the purchase of new printers

Ms. Gardner displayed a list of the other organizations around the Valley that have similar contracts with AOT. (See Page 5 of Attachment 2) She said that AOT will offer a wide variety of devices and noted that a demo room will be set up so that employees will have the opportunity to view some of the new and different devices that may be placed in their work areas.

Ms. Gardner said that some of the new technology included with the program is "secure print" and "fax from desktop" capabilities. She stated that it is anticipated that the number of support calls and printer downtime will be reduced, as well as a reduction in energy consumption. She added that staff may even start to print less.

Ms. Garner indicated that it is anticipated that staff will obtain Council approval sometime in March and that the program will begin in April. She said that it could take at least 12 months to completely optimize each department, move existing printers and insert new printers.

Committeewoman Higgins described a problem she experienced when trying to print a document. She said that she noticed that there were at least 12 printers on one floor. She stated that this program will reduce the number of printers to a manageable amount.

Ms. Gardner remarked that the floor plans and printer locations in each office have been taken into consideration. She added that most departments were surprised that the optimization was not as extreme as they had anticipated.

In response to a question from Committeemember Somers, Ms. Gardner explained that the City does not have the capability to allow printing from mobile devices. She said that the City is working on "Mobile Device Management" that will provide employees with the ability to use mobile devices within the network.

Manager of Technology and Innovation Alex Deshuk stated that staff would provide the Committee with a briefing on the "Mobile Device Strategy" at a future date.

Chairperson Finter remarked that the Managed Print Services Program will provide a more efficient way to do business and save the City money.

It was moved by Committeewoman Higgins, seconded by Committeemember Somers, that the Managed Print Services Program proposal be forwarded on to the full Council for discussion and consideration.

Carried unanimously.

2-c. Hear an update on the Information Technology lifecycle roadmap items remaining for FY 12/13.

Chief Information Officer Diane Gardner provided a brief update on the Information Technology Roadmap for FY 12/13. **(See Attachment 3)** She briefly outlined some of the planned roadmap purchases as follows:

- Capital Improvement Project Management Software
- Replacement of Parks and Arts Registration Systems
- Mobile Device Management Software
- Event Management and Ticketing Systems
- Managed Print Services

Responding to a question from Committeewoman Higgins, Ms. Gardner explained that the Supervisory Control and Data Acquisition (SCADA) system controls and monitors events and alarms in the gas, electric, water and wastewater facilities. She said that the utility systems have a specialized set of needs and added that it was important that the City replace the aging servers in order to maintain the security of the systems.

Committeewoman Higgins stated that the SCADA system is a specialized security system that will send an alert if someone is in the plant who should not be there. She added that this type of system eliminates the need for an employee to stand around and monitor valves.

In response to a question from Committeewoman Higgins, Ms. Gardner explained that the Event Management and Ticketing Systems are two different systems used by the Parks and Recreation Department and the Arts and Cultural Department to schedule events or purchase tickets. She said that the City is seeking to put these systems out in the "cloud" to be hosted on a web-based system.

Chairperson Finter thanked Ms. Gardner for the presentation.

2-d. Hear a presentation, discuss and accept the City's Comprehensive Annual Financial Report (CAFR), Single Audit Act Reports and Management letter for Fiscal Year Ended June 30, 2012.

Chief Financial Officer Michael Kennington introduced Sandy Cronstrom, a partner with CliftonLarsonAllen, LLP, the City's external audit firm, and Director of Finance Doug Yeskey, who were prepared to address the Committee.

Mr. Yeskey stated that the City of Mesa's Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2012 received an unqualified opinion. He pointed out that the City received a Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the prior year's CAFR. He added that this is the 31st year that the City has received this award. **(The CAFR is available for review in the City Clerk's Office.)**

Chairperson Finter commented that the Committee will hear a report on the CAFR at this time and the Council will take action on this item at tonight's meeting.

In response to a question from Committeewoman Higgins, Mr. Yeskey explained that typically, the CAFR is completed within six months following the end of the fiscal year, which in this case would be December 31, 2012. He noted that staff requested an extension through the end of January 2013. He added that the Council does not necessarily need to take action on the CAFR tonight.

Committeewoman Higgins remarked that she just saw the CAFR on her desk at 3:00 p.m. today and has not had an opportunity to review it.

Mr. Kennington stated that it was staff's intention to provide the Council with enough time to review the report. He advised that the ratings agencies use the Council approved financial statements to issue the ratings for the City.

Mr. Yeskey advised that staff restricts the release of the CAFR until it has been approved by the Council. He said that the CAFR has been sent to the GFOA and noted that the deadline was the end of January.

Chairperson Finter expressed concern regarding the amount of time in which the Council had to review the CAFR. He said that due to the size of the document, it was very hard to view the document electronically. He requested that in the future, the Council be provided more time to review the CAFR before they are asked to take action on it.

Mr. Yeskey noted that normally the CAFR is provided to the Council two weeks before they are asked to take action. He advised that Ms. Cronstrom was prepared to address the Single Audit Report **(The Single Audit Report is available for review in the City Clerk's Office and will be made part of the official minutes/attachment of the meeting.)**

Ms. Cronstrom reported that nine programs were tested and those findings have been included in the Single Audit Report.

In response to a question from Committeemember Somers, Ms. Cronstrom explained that the external auditors did not have any contact with the person assigned to manage the City's Federal grant programs. She said that the external auditors deal directly with the program directors of specific departments and their individual grants.

Responding to a question from Committeewoman Higgins, Ms. Cronstrom advised that the programs that were tested were not selected at random. She stated that programs are selected based on the dollar amounts that were spent and whether those programs have been tested in prior years.

City Auditor Jennifer Ruttman clarified that it would be premature to expect to see any impact as a result of the new Grants Coordinator that was hired to manage the City's grant programs. She said that it is anticipated that the new grants module will provide more accountability and documentation of the grants. She added that the Council should see some improvements reflected in next year's Single Audit Report.

In response to a question from Chairperson Finter, Ms. Ruttman advised that the Fire Department will have a follow-up review in the near future regarding the inventory of the equipment requirements of the Homeland Security Grant Program. She said that the external auditor has highlighted the same Homeland Security Grant issues in the Single Audit Report.

Assistant Fire Chief Dan Stubbs reported that some improvements have been made and assured the committee that by the time the City Auditor presents the follow-up report to the Committee, all of the corrections should be completed.

Responding to a question from Committeewoman Higgins, Ms. Cronstrom indicated that there are certain criteria that the City must meet in order to be considered a low risk. She said that in the last two years, the City must not have had a material weakness on the Single Audit Report.

Ms. Cronstrom said that if the City were considered to be a low-risk, only 25% of its programs would need to be tested. She noted, however, that since the City is not considered low-risk, the auditors were required to test 50% of the City's programs.

In response to a question from Committeewoman Higgins, Mr. Kennington explained that the external auditors are required to do sample testing and noted that as the risks increase, so does

the sampling size. He said that there are some quantifiable costs associated with increasing the sampling size.

Ms. Cronstrom advised that a material weakness is a finding that is deemed to be material to the financial statements. She reported that this year, the auditors found three material weaknesses and noted that three similar weaknesses were found last year.

Chairperson Finter remarked that the goal is not to have repeated findings each year.

Ms. Cronstrom stated that there were several findings related to the Community Development Block Grants (CDBG) and housing programs. She described one finding that pertained to the contracts that are signed by the sub-recipient that lack the Federal grant number. She said that this number identifies the grant so that the sub-recipient can be aware of the grant regulations and requirements.

Chairperson Finter stated that he was concerned that this is the second year that similar findings have been noted. He added that he understands that it is a process to correct some of these issues.

Director of Housing and Community Development Tammy Albright reported that last year, the external auditor identified nine findings related to Housing and Community Development and noted that this year, four were identified. She said that in reviewing the findings with her financial staff, it was determined that the only critical finding was with regard to timely reimbursements. She explained that staff has struggled in this area since the implementation of the new system. She noted, however, that this problem should be resolved by next year.

Ms. Albright pointed out that the external audit is conducted in September and City departments are not notified of the findings until January. She indicated that while corrections may have been made, the problems may continue to appear on the audit report for a few years.

Ms. Cronstrom noted that there is a timing issue concerning when the audit is conducted.

Chairperson Finter remarked that the large amounts of paperwork associated with Federal regulations make it difficult to address the administrative aspects that have been "red flagged" in previous audits.

Ms. Albright responded that her department has experienced some challenges due to a turnover in staff. She said that temporary workers have been hired to help distribute the packets before HUD reviews its account in April. She explained that the new system has made it difficult to obtain the necessary reports.

Chairperson Finter commented that there is "a lot of red tape and regulations" involved with Federal money, as well as costs associated with maintaining those funds.

Mr. Yeskey clarified that out of the nine findings that were identified in last year's report, seven have been corrected and two are ongoing. He stated that the City is making progress and noted that while this year's findings may be similar, there has been some improvement.

In response to a question from Committeewoman Higgins, Ms. Albright commented that the CityEdge grant module will be helpful and added that staff will continue to work through “the bugs.”

Mr. Yeskey reported that the grants module is up and running, however, there are still “bugs” that will need to be worked out. He indicated that the CityEdge system will provide more control where grants are concerned.

Discussion ensued relative to the benefits of the new CityEdge Financial System that has been up and running for the last seven months.

Ms. Cronstrom remarked that the CityEdge System is a work in progress and stated that with the help of the new Grants Coordinator, the issues will begin to smooth out.

Chairperson Finter suggested that the Committee be provided an update on the CityEdge system at a future date. He remarked that the Council has received significant feedback regarding the system and noted that there have been many challenges and hoped the “small fortune” that has been spent on the services of the external audit will be beneficial to the City.

Committeewoman Higgins stated that since she was not able to review the CAFR, she did not feel comfortable making a motion at this time.

It was moved by Chairperson Finter, seconded by Committeemember Somers, that the CAFR, Single Audit Act Reports and Management Letter for Fiscal Year Ended June 30, 2012, be forwarded on to the full Council for discussion and consideration.

Upon tabulation of the votes, it showed:

AYES: Finter-Somers
NAYS: Higgins

Chairperson Finter declared the motion carried by majority vote.

Chairperson Finter thanked staff for the presentation. He said that it was difficult to review the entire CAFR on such short notice due to the difficulties associated with downloading such a large document.

Mr. Yesky assured the Committee that next year they would have more time to review the CAFR.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 4:25 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 4th day of February 2013. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, INTERIM CITY CLERK

bdw
(attachments 3)

Fees & Charges Review

FY 12/13 and FY 13/14

Parks, Recreation & Commercial Facilities Department (PRCF)





Review Process

- **PRCF Department**
- **Parks & Recreation Advisory Board Fees and Charges Subcommittee**
- **Full Parks and Recreation Advisory Board**
- **City Council Audit, Finance and Enterprise Committee**
- **City Council**



Commercial Operations

- Fiscal Impact
 - FY 12/13 - \$26,800
 - FY 13/14 - \$250,000
- New fees for the recently completed cemetery expansion
- New Repeat Round fee at Dobson Ranch Golf Course
- Verbiage Changes for clarification and cleanup.
- Eliminate Riverview Golf Course from the Fee Schedule.



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Commercial Operations

Golf

- Expand range of the Adult Twilight and Summer Green Cart Special fee to adjust as market conditions require.
- Implement a new fee for Repeat Play. This will offer a discounted rate for players wishing to play more than one round during a day.
- Eliminate the 20 round play ticket due to lack of sales over the last two years.
- Eliminate the Riverview Golf Course from the Fee Schedule since the course no longer exists.



Commercial Operations

Cemetery

- Implement new fees for upright markers and exchanges or conversions in the recently completed expansion area of the cemetery. Fees will be implemented for Companion Grave Upright, Single Grave Upright, Single Conversion to Companion, and exchange space to new area.



Recreation Operations

- Fiscal Impact
 - FY 12/13 - \$31,180
 - FY 13/14 - \$37,330
- Verbiage changes and minor adjustments to offer services that customers have come to expect, while remaining competitive with comparable facilities
- Recreation Programs/Facilities Non-Resident Fees
 - 20% Cost savings advantage for Mesa citizens



Recreation Operations

• *Aquatics Programs*

- Offer a new “individual” season pass to provide an additional opportunity for individuals and/or smaller households to take advantage of season pass.
- Restructure Flow-Rider rental rates so that it is based on the number of persons in the rental group as opposed to flat public or commercial rates. Will allow us to extend rental opportunities and provide more options.
- Expand range of Aquatic lessons to adjust accordingly as fees with the American Red Cross are changed for program participation.
- Establish Partner Group Fees for aquatic facility usage and appropriate charges for regional and national meets.



Recreation Operations

- **Youth Sports**
 - Add a non-resident field use fee to be consistent with resident/non resident fee usage.
- **Summer Recreation**
 - Eliminate Safe Kids program from the fee schedule as the program is no longer offered.



Questions?

Managed Print Services Program Proposal

Audit, Finance and Enterprise Committee Meeting
February 4th, 2013





Program Overview

- 5-Year vendor contract to manage our printer, copier, fax, scanning services
- Vendor provides hardware maintenance, all supplies (except paper), and new devices as older ones are retired
- Selected vendor is Arizona Office Technologies (AOT), a Xerox subsidiary



Program Overview

- **Start of contract includes “Optimization” phase for all City departments. Initial vendor study recommends;**
 - **Retirement of 582 older City-owned devices**
 - **Placement of 132 new devices**
 - **Repurposing of some devices across City to improve overall efficiency**



Program Overview

- **Projected annual savings of \$347,000, once all optimizations are completed**
- **No capital investment or start-up costs, per-click fee usage charges per device**
- **Vendor assumes all supply costs (except paper), and is responsible for device replacements at end of life**



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About The Vendor

- AOT has similar contracts with;
 - City of Phoenix
 - Southwest Gas
 - Republic Services
 - AZ Dept of Environmental Quality
 - AZ Diamondbacks
- New devices offered include; Xerox, Toshiba, HP and KIP.



Expected Benefits

- This program is anticipated to:
 - Introduce initially 130 or more new devices
 - Reduce support calls, printer “downtime” and administrative time for staff and ITD
 - Provide new “secure print” and “fax from desktop” capabilities for staff
 - Reduce energy consumption



Questions?



Additional Detail



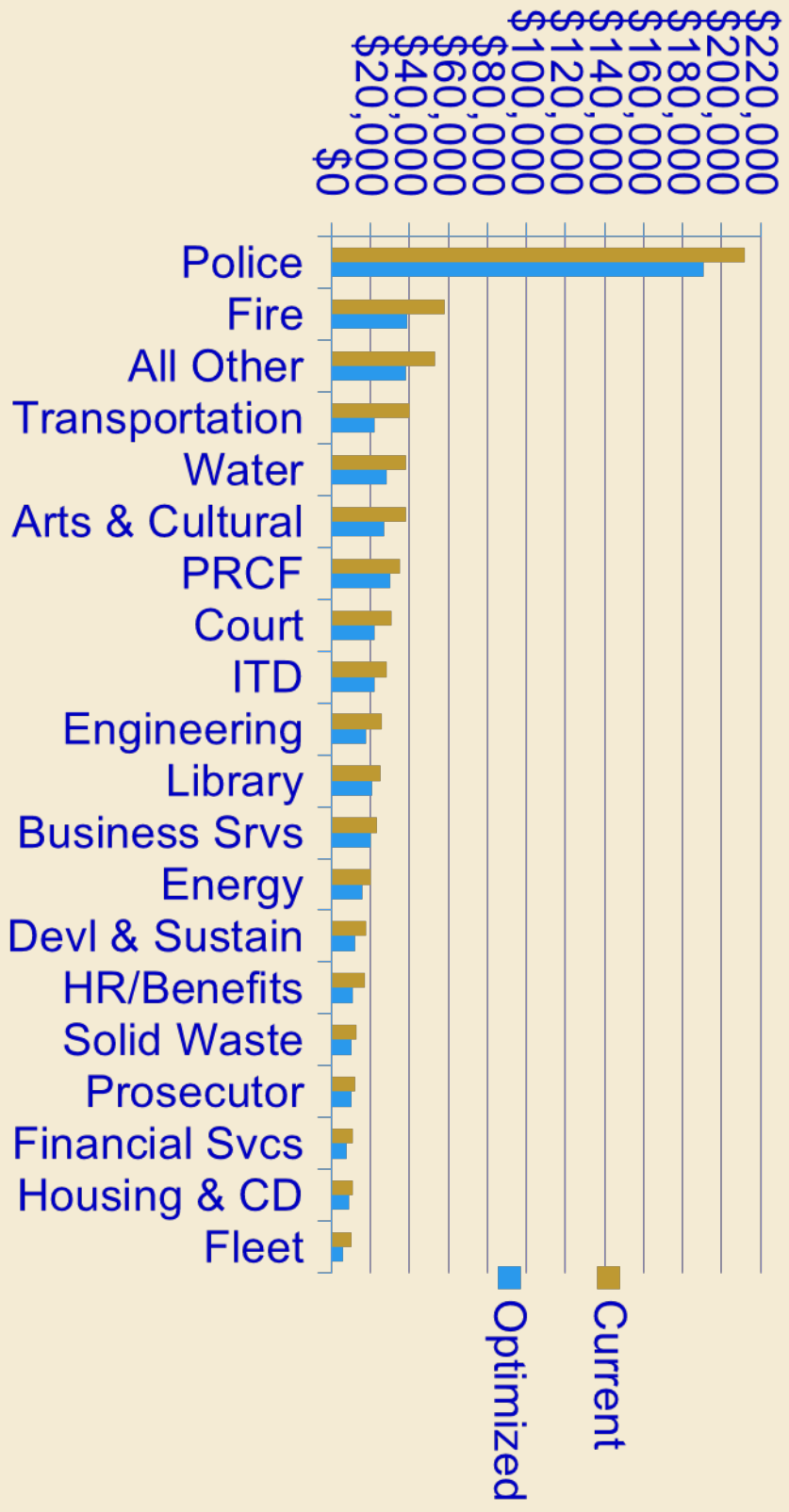


Project Timeline

- Comprehensive Citywide assessment was performed Sep- Dec 2012
- Council Review / Final Contract, March
- Target start-up date with AOT April 1st
- 12-month Citywide optimization phase through April 2014



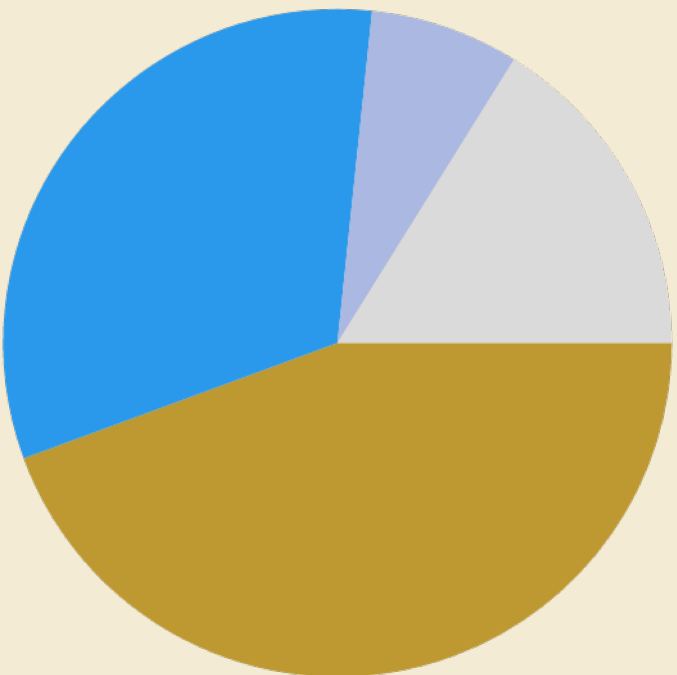
Dept Cost Comparison





31% Cost Reduction

Annual Savings By Source



- Operational - \$154K
- Device Repl - \$112K
- Energy - \$25K
- Other - \$56K





Example Devices





Example Devices





Audit, Finance & Enterprise Committee

Date: February 4, 2013
To: Councilmember Alex Finter, Chair
Through: Alex Deshuk, Manager of Technology and Innovation
From: Diane Gardner, CIO
Subject: Information Technology Roadmap Update Fy12/13

The IT Roadmap is composed of planned replacement activities we must do to maintain the City's infrastructure, forecasting needs for application upgrades, and changes in technology or newly emerging strategies such as mobile or cloud services. The visual helps us discuss the interdependencies and timing in addition to funding sources. We continue to focus on FY13/14 and FY14/15 as well as the 7 year forecast timeline.

Council will see the following planned roadmap purchases come before Council before Fy12/13 year end:

- **Server hardware purchases** as part of our standard replacement of aging servers in the City – the primary focus this year being the Utility SCADA systems;
- **Replacement of aging components of the Police network** that support and secure critical Police services;
- **CIP Project management software** to improve the management and citywide oversight of our CIP investments;
- **Replacement of Parks and Arts registration systems** with improved functionality and processes;
- **Replacement of the City Prosecutor system** as part of our overall plan to retire our mainframe applications and provide improved capabilities;
- Improvements to leased **connectivity for non-fiber connected Fire stations and other City facilities;**
- **Mobile Device Management** software to increase access and improve our management of mobile services;
- Improvements in **availability and redundancy of FileNet** – our document management system serving Court to Financials to HR and becoming more critical every day to City services;
- **Additional phones and redundant services** for the final stages of our phone replacement effort;
- Replacements to **event management and ticketing systems** within Parks & Recreation, and Arts and Culture,
- and a new service for the City – **Managed Print Services!**

As always, I am available to discuss specifics of any items and will continue to provide updates as this is a working document that by necessity will change as technology and our strategy changes. Thank you!