



## COUNCIL MINUTES

July 8, 2013

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 July 8, 2013 at 4:18 p.m.

### COUNCIL PRESENT

Scott Smith  
Christopher Glover  
Dina Higgins  
Dennis Kavanaugh  
Dave Richins

### COUNCIL ABSENT

Alex Finter  
Scott Somers

### OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Dee Ann Mickelsen

Mayor Smith excused Vice Mayor Finter and Councilmember Somers from the entire meeting.

### 1. Review items on the agenda for the July 8, 2013 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None

Items removed from the consent agenda: None

Items deleted from the agenda: 6-h

Mayor Smith stated that with respect to agenda item 5-g (Ordering and calling a Special Bond Election to be held on November 5, 2013, to submit to the qualified electors the question of authorizing the issue and sale of General Obligation Bonds), the Council previously discussed including questions on the ballot related to Streets and Public Safety projects. He noted that the Mesa Historical Society and other parties requested that an item related to a Spring Training Museum also be included on the ballot.

Lisa Anderson, President of the Mesa Historical Museum (MHM), addressed the Council and thanked Mayor Smith and City Manager Christopher Brady for meeting with her and various community partners this afternoon to discuss the Arizona Spring Training Experience and Cactus League Hall of Fame. She stated that after today's meeting, it was determined that there was tremendous potential to develop the project beyond the scope that has been presented to the Council thus far.

Ms. Anderson explained that just this week, new opportunities have arisen that the Mesa Historical Society and its community partners would like to explore. She asked, therefore, that the Council table the vote to place this item on the 2013 Special Bond Election ballot. She added that the parties will continue to work together to present this matter to the voters at a future date, possibly in 2014.

Mayor Smith remarked that he was excited about the fact that the Mesa Historical Society and other community partners looked at this as an opportunity "to do something bigger and better." He also recognized that the short timeframe to include this item on the ballot was somewhat difficult to achieve. He urged that work on the project begin immediately, including the development of a detailed site plan and a vision that can be presented to the public.

Mayor Smith reiterated that Question 3 relating to the Spring Training Museum Bonds will be deleted from the 2013 Special Bond Election ballot.

In response to a question from Councilmember Kavanaugh, City Attorney Debbie Spinner clarified that if the Council approves 5g, staff intends to move forward with the resolution and the proposed ballot language that is included in the Council's packet. She stated that if any of the Councilmembers have modifications they would like to make, staff can make those changes tonight.

Councilmember Kavanaugh commented that with respect to the Mesa Fire and Medical Communications Facility, in order to provide Mesa voters with greater clarity, he would prefer that the project be designated as the Mesa Fire and Medical Dispatch Center. He acknowledged that the Council has discussed the matter of providing additional capacity and redundancy, but suggested that such terminology "may not go over well with voters." He added that the voters will be asked to consider a number of Public Safety projects and inquired if his colleagues would be willing to identify the project in a more specific manner.

Mayor Smith stated that he thought the idea was to give the Fire and Medical Department staff as much flexibility as possible to design the communications center per their needs and not to limit the scope as to what the City can do.

Councilmember Kavanaugh clarified that it was not his intent to narrow the scope with respect to the site or the type of building. He suggested that the Mesa Fire and Medical Communications/Dispatch Center was a more descriptive term and would better explain to the voters what the City is asking them to approve.

Ms. Spinner referenced Question No. 1 (**See Attachment 1**) and suggested the inclusion of the following verbiage: "... which may include but is not limited to, fire stations, **Fire and Medical Dispatch/Communications Centers**, support equipment .."

Councilmember Kavanaugh concurred with Ms. Spinner's suggestion.

Councilmember Richins commented that his only concern was how the suggested verbiage might limit the use of the building if it were purchased under a Public Safety Bond question. He cited, for instance, if the City wanted to use part of the facility for a Utilities Bill Collection Center.

Ms. Spinner clarified that the “.. may include but is not limited to ..” verbiage not only provides the Council the flexibility, but also informs the voters of their current plans.

Councilmember Richins questioned whether the proposed language would preclude the Mesa Police Department (MPD) from using the building.

Ms. Spinner responded that the issue is that at the present time, the Council does not know exactly what would be included in the building. She explained that if a new building is constructed, it will include the Fire and Medical Dispatch/Communications Centers as proposed. She reiterated that the “.. may include but is not limited to ..” language would allow the City to use the building, if it is a building, for other purposes.

Mayor Smith commented that to specifically answer Councilmember Richins’ question, it would be acceptable for the MPD to use the building. He pointed out that is not what the Council’s plans are right now or what was presented, but indicated that “things change” and they may find additional uses for the building.

Mr. Brady suggested that perhaps it was the opinion of Councilmember Kavanaugh that the term “Communications Center” was very generic.

Councilmember Kavanaugh confirmed Mr. Brady’s statement and acknowledged that he would like to be able to explain to the voters what the primary purpose of the bond package is.

Mr. Brady stated that staff attempted to make the ballot language fairly broad and yet also inform the voters of the projects. He noted that on the other hand, and more to Councilmember Kavanaugh’s point, the publicity pamphlet will provide the voters more detail on each project.

Ms. Spinner offered an additional option to broaden the description as follows: **Public Safety Dispatch/Communications Centers.**

Responding to a question from Mayor Smith, Ms. Spinner indicated that it was her understanding of the Council’s direction that Question 1 would read, in part: “.. fire stations, **Fire and Medical Dispatch/Communications Centers.**”

Mayor Smith stated that the Council concurred with the proposed revisions as outlined above by Ms. Spinner.

Mayor Smith cautioned that “he better not hear someone from the Fire and Medical Department come back and say ‘you specifically said this, this and this on that day.’” He stated that although he recognizes the importance of the voters having a clear understanding of the ballot question, the fact of the matter is that as presented to the Council, “this was an evolving issue” upon which they agreed to a concept and the need for such a project. He emphasized, however, that the final form of the project has not been decided since there are many factors that would impact how such a project moved forward.

Mr. Brady clarified that earlier today, the total amount of the bond package was \$147.9 million. He stated that with the deletion of the \$17.1 million in Spring Training Museum Bonds, the new total is \$130,800,000 (Street and Highway Bonds and Public Safety Bonds).

2-a. Hear a presentation, discuss and provide direction on Utility Service Line Warranty Programs.

Management Assistant II Keith DeVore introduced Business Services Department Director Ed Quedens, who was prepared to assist with the presentation. He also noted that Brian Davis, a representative of Service Line Warranties of America (SLWA), was in the audience and available to respond to any questions that the Council might have.

Mr. DeVore displayed a PowerPoint presentation (**See Attachment 2**) and reported that at the June 17, 2013 Sustainability & Transportation Committee meeting, former Water Resources Department Director Kathryn Sorensen made a presentation regarding Water and Sewer Line Warranty Programs. He explained that the Committee recommended that this item be brought forward to the full Council for their direction.

Mr. DeVore advised that several companies offer insurance programs to property owners that provide some level of coverage for water and sewer lines that are the responsibility of the homeowner. He stated that a third-party vendor would create a mailing campaign letter that would be sent to each resident in the community. He noted that if the homeowner chose to sign up with the warranty company, the person would pay a fee and, in turn, receive repair services under coverage in the event of a problem with a service line. He added that the monthly fee would average \$5 to \$10 per utility.

Mr. DeVore remarked that the items covered by a warranty program would include the underground service lines from the point of connection at the City main to the meter and/or exterior foundation of the home. He pointed out that lines to spas, pools and fountains, as well as damage by the homeowner, a third party, natural disasters and breaks inside of the house would not be covered.

Mr. Quedens reported that this program is being brought to the City of Mesa through the National League of Cities (NLC). He stated that SLWA is the vendor that has partnered with the NLC and has approached the City about a contract. He noted that the NLC markets the following benefits: No cost for cities to participate; Affordable rates for residents; and Repairs made by local contractors.

Mr. Quedens explained that the City of Mesa's involvement in the program would be to allow the use of its name and logo. He said that SLWA's contracts provide compensation to the cities it partners with, including a flat license fee per residence and an annual royalty per products sold. He pointed out that SLWA would offer compensation to Mesa in exchange for the City allowing its logo on the company's letter. He added that the City's support would alert residents of the legitimacy of the program, thereby resulting in more enrollments.

Mr. Quedens highlighted the City's proposed options as follows:

- Enter into a non-exclusive licensing agreement (Phoenix and Avondale have entered into a similar agreement) **Staff's recommendation**
- Piggyback on an existing cooperative contract by the North Central Texas Council of Governments (NCTCOG) (Atlanta, Kansas City and other communities have entered into agreements with the NCTCOG)
- Issue a Request for Proposals (RFP)

Mr. Quedens stated that staff was seeking direction from the Council as to whether they were interested in pursuing the NLC Service Line Warranty Program.

Councilmember Kavanaugh remarked that he currently serves as a member of the NLC Board of Directors, which strongly supports this program for its member communities. He explained that the program has proven to be quite successful in both large and small cities. He also stated that many residents do not understand where a city's responsibility ends and their own liability begins. He added that this program is similar to the Prescription Card Program, which the NLC vetted very carefully, and has saved citizens hundreds of thousands of dollars in terms of pharmacy costs.

Councilmember Kavanaugh further noted that the NLC Service Line Warranty Program would be beneficial to Mesa residents and pointed out that there is an opportunity for the participating communities to receive royalty monies, which can be earmarked for items such as educational or environmental programs. He said that he would hope that Mesa would join Phoenix and Avondale and other communities around the country to explore this program. He added that he appreciated staff's recommendations with respect to options.

In response to a question from Mayor Smith, Mr. Quedens clarified that the non-exclusive licensing agreements that Phoenix and Avondale entered into with SLWA allow for the communities to receive revenues.

Mayor Smith inquired what kind of program ownership the City would have if it allowed SLWA to use its logo.

Ms. Spinner responded that a potential problem could occur if the company used the City's logo to demonstrate the legitimacy of the program and the residents were confused if this was a City of Mesa program.

Mayor Smith suggested that the idea is that the company does not want confusion with the residents. He stated that if the City receives revenues, it does, in fact, become Mesa's program.

Ms. Spinner provided a scenario that ten years from now, if SLWA was no longer in existence, Mesa homeowners consistently paid their monthly fees throughout that time and eventually filed claims for repairs, they would look to the City of Mesa to remedy those situations.

Mayor Smith inquired what kind of protections would be included in the licensing agreement to address the company's inability to provide services to Mesa residents.

Assistant City Attorney II Kelly Gregan addressed the Council and clarified that staff is still considering what it would like to see as part of the licensing agreement to ensure that the scenario outlined by Ms. Spinner does not occur. She stated that staff recommended the non-exclusive licensing agreement, as opposed to the other options, since it provides flexibility regarding the terms to be included in the contract.

Mayor Smith commented that he would expect the agreement to include some kind of clause or bond requirements in order to protect the City from such a scenario.

Ms. Gregan responded that to the best of her understanding, neither Phoenix nor Avondale's contracts with SLWA contain bond requirements or a clause. She assured the Council, however, that such protections would be included in Mesa's contract.

Ms. Spinner stated that it was her understanding that the City of Tempe administers its own service line warranty program and does not use an outside vendor.

In response to a series of questions from Councilmember Richins, Mr. Davis clarified that SLWA includes an indemnity clause in all of its contracts so that each community it partners with is held harmless. He explained that for the last seven years, SLWA has partnered with more than 200 cities that have enrolled in the NLC Service Line Warranty Program. He also remarked that SLWA is required to put up a bond with the state in which it is doing business and said that if the City of Mesa enrolled in the program, the company would use only Mesa-based plumbers to perform the warranty work.

Mr. Davis further reported that Phoenix's enrollment in the NLC Service Line Warranty Program has already saved homeowners more than \$300,000 in utility line repairs that they were not required to pay out of pocket; that the City of Mesa would receive approximately \$100,000 to \$200,000 in revenue annually, based on its participation in the program; that the company can deny a claim if a homeowner stops paying the monthly fees for more than three months; that SLWA will make repairs on lines under the sidewalk, through a yard and into the slab of a house; that once a homeowner enrolls in the program, there is a 30-day waiting period before the warranty becomes effective; and that no out-of-pocket expenses would be incurred by the homeowner unless the repairs exceeded \$4,000.

Responding to a question from Councilmember Richins, Mr. Davis advised that the only way that SLWA can allow a Mesa homeowner to enroll in the program is if the City of Mesa partners with the company. He stated that it was important that the City "control the message" and the content of the letter outlining the program details that is sent to Mesa residents.

Mayor Smith expressed support for the non-exclusive licensing agreement option and stated that he liked the fact that SLWA was endorsed by the NLC.

In response to a question from Mayor Smith, Mr. Davis explained that a homeowner pays a month-to-month fee and can cancel the service at any time.

Ms. Spinner stated that if it is the direction of the Council that the City pursue the NLC Service Line Warranty Program, staff would recommend moving forward with a non-exclusive licensing agreement. She reiterated that this option would provide staff greater flexibility in order to negotiate the terms of the contract and protect the City's interests.

Mayor Smith stated that the Council concurred with staff's recommendation.

Mayor Smith thanked everyone for the presentation.

2-b. Hear a presentation, discuss and provide direction on the proposed Audit Plan for FY 2013/14.

City Auditor Jennifer Ruttman stated that she was seeking Council direction with respect to the content and the prioritization of the proposed Audit Plan for FY 2013/14. **(See Attachment 3)**

She explained that the Audit, Finance & Enterprise Committee approved the Audit Plan as proposed at its July 1, 2013 meeting.

Ms. Ruttman reported that the Audit Plan is developed based on a combination of factors including, but not limited to, various risk assessments (i.e., prior audit history, complexity of operations, impact of potential findings on public perception); federal and State mandates; and requests and/or suggestions received from the Mayor, Councilmembers, the City Manager and/or members of the Executive Management team.

Ms. Ruttman briefly reviewed the Scheduled Audits for 2013/2014. (See Page 1 of Attachment 3)

Ms. Ruttman also highlighted the following items: On-Going Audits and Follow-up Reviews from the 2012/2013 Audit Plan; Follow-up Reviews Scheduled in 2013/2014; and Other Activities. (See Page 2 of Attachment 3)

Mayor Smith stated that it was the direction of the Council that the prioritization of the proposed Audit Plan for FY 2013/2014 would be left to Ms. Ruttman's discretion.

Ms. Ruttman pointed out that if staff spends a significant amount of time on the larger audits, there is a chance that some of the smaller audits will not be completed this year and might be included on next year's Audit Plan.

Mayor Smith thanked Ms. Ruttman for the presentation.

2-c. Appointments to Boards and Committees.

DESIGN REVIEW BOARD

Danny Ray – Term Expires June 30, 2016

Donna Bleyle – Term Expires June 30, 2016

Ian Murray – Term Expires June 30, 2014

It was moved by Councilmember Kavanaugh, seconded by Councilmember Glover, that the Council concur with the Mayor's recommendations and that the appointments be confirmed.

Mayor Smith declared the motion carried unanimously by those present.

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

There were no reports on meetings and/or conferences attended.

4. Scheduling of meetings and general information.

Assistant to the City Manager Natalie Lewis addressed the Council and provided a brief overview of the Community Annual Report, a yearly summary of the City of Mesa's accomplishments and an overview of the budget.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Thursday, August 15, 2013, 7:30 a.m. – Study Session

(Mayor Smith adjourned the Study Session at 5:14 p.m. so that the Council could enter into the Eastmark Community Facilities District No. 1 Board meeting. The Council adjourned the Board meeting at 5:15 p.m. and reconvened the Study Session.)

5. Convene an Executive Session.

It was moved by Councilmember Glover, seconded by Councilmember Kavanaugh, that the Council adjourn the Study Session at 5:16 p.m. and enter into Executive Session.

Mayor Smith declared the motion carried unanimously by those present.

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

1. Ramon v. City of Mesa, et al., CV2012-010999

6. Adjournment.

Without objection, the Executive Session adjourned at 5:32 p.m.

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SCOTT SMITH, MAYOR

ATTEST:

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DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 8<sup>th</sup> day of July, 2013. I further certify that the meeting was duly called and held and that a quorum was present.

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DEE ANN MICKELSEN, CITY CLERK



**EXHIBIT A**

**QUESTION NO. 1**

PURPOSE: PUBLIC SAFETY BONDS  
AMOUNT: \$51,700,000

Shall Mesa, Arizona, be authorized to issue and sell general obligation bonds of the City in the principal amount of \$51,700,000 to provide funds to acquire, construct, improve, furnish and equip buildings, which may include but is not limited to, fire stations and communication centers, support equipment and technology, vehicles, land and interests in land for public safety purposes, and pay all costs thereof; the bonds, and any bonds issued to refund the City's bonds, may be sold at prices that include premiums not greater than permitted by law; may bear fixed or variable interest not exceeding nine percent (9%) per annum, and may have principal payable not later than 25 years from the date issued?

These bonds will be issued as General Obligation Bonds and the issuance of these bonds will result in a property tax increase sufficient to pay the annual debt service on bonds, unless the governing body provides for payment from other sources. The bonds may be refunded by the issuance of refunding bonds of a weighted average maturity of less than 75% of the weighted average maturity of the bonds being refunded.

FOR THE BONDS	<input type="checkbox"/>
AGAINST THE BONDS	<input type="checkbox"/>

# **Water and Sewer Line Warranty Program**

**Study Session  
July 8, 2013**

## **Utility Line Warranties**

- Presented to Sustainability and Transportation Committee on June 17
- Committee directed it be brought forward for Council direction

## How Utility Line Warranties Work

- Several companies offer insurance programs to property owners that provide some level of coverage for water and sewer lines that are the responsibility of the homeowner
- Mailing campaign letter to each residence
- Homeowner pays a fee to the company and receives repair services under coverage in the event of a problem with a service line
  - Fee is generally around \$5-10 per utility service per month

## How Utility Line Warranties Work

- Things usually covered
  - Underground service line from point of connection to the meter and/or exterior foundation
- Things usually not covered
  - Other lines (fire lines, spas, pools, fountains)
  - Damage by homeowner, 3<sup>rd</sup> party, natural disaster
  - Breaks inside of house

## National League of Cities

- Service Line Warranties of America (SLWA) partnered with NLC and approached Mesa about a contract
- NLC markets the following benefits:
  - No cost for cities to participate
  - Affordable rates for residents
  - Repairs made by local contractors

## City's Involvement

- Allow the use of City name and logo
- The SLWA contracts provide compensation to the cities it partners with:
  - Flat License Fee per Residence
  - Annual Royalty per product sold
- SLWA offers the City compensation for allowing the use for the city logo on the letter because the support of the city alerts residents of the legitimacy of the program resulting in more enrollments

## Options

- Enter into a non-exclusive licensing agreement (Phoenix and Avondale)
- Piggyback on existing cooperative contract by the North Central Texas Council of Governments (Atlanta, Kansas City and others)
- Issue an RFP (option for exclusivity)



# Questions?

**Our Mission:** *The City Auditor’s office provides audit, consulting, and investigative services to identify and minimize risks, maximize efficiencies, improve internal controls and strengthen accountability to Mesa’s citizens.*

**Scheduled Audits for 2013/2014**

Audit Subject	Initial Objectives
City Attorney – Property & Public Liability Trust Fund	<ul style="list-style-type: none"> <li>• Determine whether internal controls are in place and operating effectively to minimize the risks associated with the administration of the Property &amp; Public Liability (PPL) Trust Fund.</li> <li>• Evaluate application security &amp; processing controls associated with the Risk Master system (used to administer the PPL Trust Fund) and its interface to the City’s financial system.</li> </ul>
City Manager – Public Defender Contracts	<ul style="list-style-type: none"> <li>• Evaluate internal controls related to the administration of public defender contracts.</li> </ul>
Citywide – Disposal of Surplus Property	<ul style="list-style-type: none"> <li>• Determine whether City surplus property is managed and disposed of in accordance with applicable policies, procedures, and regulations.</li> <li>• Determine whether adequate internal controls are in place and operating effectively to minimize the risks associated with the various disposal methods and processes.</li> </ul>
ERP System Implementation	<ul style="list-style-type: none"> <li>• Review financial processes associated with the Advantage Enterprise Resource Planning (ERP) system to determine whether:               <ul style="list-style-type: none"> <li>○ Adequate internal controls are in place.</li> <li>○ Previously identified post-implementation issues have been appropriately addressed.</li> <li>○ The system substantially meets the requirements set forth in the vendor’s response to the City’s Request for Proposal.</li> </ul> </li> </ul> <p><i>Note: Due to its large scope and broad objectives, this audit may be conducted in more than one phase.</i></p>
Financial Services – Payroll	<ul style="list-style-type: none"> <li>• Determine whether internal controls related to timekeeping, payroll processing, and payroll accounting are adequate to provide reasonable assurance that employees are paid accurately and in accordance with all applicable City policies, State statutes, and Federal laws.</li> <li>• Determine whether findings from our last Payroll audit have been effectively addressed.</li> </ul>
Financial Services/Engineering/Transit – Light Rail Project Cost Recovery	<ul style="list-style-type: none"> <li>• Determine whether all reimbursable light rail project costs are being captured and recovered in accordance with applicable agreements.</li> </ul>
Library – Technology	<ul style="list-style-type: none"> <li>• Determine whether internal controls related to the use of technology (i.e. e-readers, public computers, automated processes, etc.) are in place and operating effectively to minimize the associated risks.</li> </ul>
MFMD – Fire Prevention	<ul style="list-style-type: none"> <li>• Evaluate internal controls related to services, fees, &amp; charges administered by the Fire Prevention Division of MFMD.</li> </ul>
Police – Off-Duty Employment Program	<ul style="list-style-type: none"> <li>• Evaluate internal controls related to off-duty employment of police officers.</li> </ul>
PRCF – Aquatics	<ul style="list-style-type: none"> <li>• Determine whether internal controls are in place and operating effectively to ensure aquatics revenues are safeguarded from loss.</li> <li>• Evaluate administrative processes associated with aquatics programs to ensure adequate controls are in place.</li> </ul>

**On-Going Audits and Follow-Up Reviews from 2012/2013 Audit Plan**

<b>Audit Subject</b>
Animal Control
Real Estate Leases
Fire Emergency Management (Follow-up)
Citywide Use of Temp Labor & Personal Services Contracts (Follow-up)

**Follow-Up Reviews Scheduled in 2013/2014:**

<b>Audit Subject</b>	<b>Initial Objectives</b>
Citywide Cash Counts	The objective of each follow-up review is to verify that corrective action(s) agreed to in response to the audit have been implemented as agreed and were effective in resolving the related audit finding(s).
Code Compliance	
Wildland Task Force Reimbursements	
AZ Museum of Natural History	
Cemetery	
Downtown Mesa Association (DMA) Contracts	

**Other Activities:**

<b>Activity</b>	<b>Description</b>
Assistance to Other City Departments	Provide assistance upon request, such as internal control reviews, risk analysis, financial statement reviews, data analysis, etc.
Fraud & Ethics Hotline Investigations	Monitor the Fraud and Ethics Hotline and perform investigations as needed.
Payment Card Industry Data Security Standards (PCI DSS) Reviews	Review credit card acceptance sites for compliance with PCI DSS.
Special Consulting Requests	Provide independent data collection, validation, and/or analyses upon request for Councilmembers, the City Manager, or Department Directors.

**Approved By:**

\_\_\_\_\_  
 Jennifer Ruttman, City Auditor Date

\_\_\_\_\_  
 Christopher Brady, City Manager Date

\_\_\_\_\_  
 Alex Finter, Audit, Finance & Enterprise Committee Chair Date

\_\_\_\_\_  
 Scott Smith, Mayor Date