

# FINANCE COMMITTEE MINUTES

January 23, 2003

The Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on January 23, 2003 at 9:53 a.m.

**COMMITTEE PRESENT**

Kyle Jones, Chairman  
Rex Griswold  
Dennis Kavanaugh

**COUNCIL PRESENT**

None

**OFFICERS PRESENT**

Debra Dollar

1. Discuss and consider the Comprehensive Annual Financial Report of the City of Mesa for fiscal year ended June 30, 2002.

Finance Director Larry Woolf addressed the Committee and introduced Greg Lee, a manager with Deloitte and Touche, and John Hunter, a partner with the firm. He also commended Controller Kathy Pace and Accountant IV Doug Yeskey for their efforts and hard work in connection with the preparation of the City's Comprehensive Annual Financial Report.

Mr. Hunter reported that this year, as a result of newly implemented regulations initiated by the General Accounting Office (GAO), any public entity that receives Federal funding and has undergone an audit will now receive an Audit Committee letter from the certified public accounting firm which conducted the audit. He provided the Committeemembers with a brief overview of the key points contained in his firm's Audit Committee letter to the City of Mesa.

Mr. Hunter commented that in fiscal year 2002, the City of Mesa adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB), including Statement Nos. 34, 37 and 38. He explained that GASB 34, in particular, establishes new financial reporting requirements for State and local governments and provides the most significant changes in financial reporting for the City of Mesa in over 20 years. Mr. Hunter noted that the major changes to the financial reporting model include government-wide financial reporting; new focus for governmental activities; fund financial statements; infrastructure reporting; budgetary reporting, and required supplementary information.

Mr. Lee discussed various formatting modifications to the Comprehensive Annual Financial Report. (The document is available in the City Clerk's Office for review.)

Discussion ensued relative to a comparison between the GASB 34-formatted statements and budgetary statements and the confusion associated with the various reporting methods; the fact that financial statements for the City are prepared in accordance with generally accepted accounting principles (GAAP); the fact that the City prepares its annual budget on a basis that differs from the GAAP basis, and that additional schedules of revenues and expenditures are presented for the General Fund to provide a meaningful comparison of actual results to budget on the "budget basis."

Committeemember Kavanaugh commented that the implementation of the GASB 34 statement would be meaningless to the average citizen who is more familiar with a traditional budgetary statement. He urged staff to discuss with the media modifications in the City's financial reporting model in an effort to avoid inaccurate reporting and to prevent confusion within the community. Committeemember Kavanaugh commended the representatives of Deloitte and Touche and also City staff for the thoroughness of the Comprehensive Annual Financial Report.

It was moved by Committeemember Kavanaugh, seconded by Committeemember Griswold, to recommend to the Council that the City of Mesa Comprehensive Annual Financial Report and Management Comments for Fiscal Year ended June 30, 2002, be approved.

Chairman Jones concurred with Committeemember Kavanaugh's comments.

Carried unanimously.

Chairman Jones thanked everyone for the presentation.

2. Discuss and consider the sale of \$22,565,000 General Obligation Bonds, \$50,470,000 Utility Systems Revenue Bonds and \$26,805,000 Highway User Revenue Bonds.

Financial Services Director Larry Woolf, addressed the Committee and introduced Capital Improvement Program Administrator Anthony Araza, and Larry Given, the City's financial advisor.

Mr. Woolf reported that \$106,480,000 was initially included in Fiscal Year 2002/03 capital improvement budget for the sale of General Obligation Bonds, Utility Systems Revenue Bonds and Street and Highway User Revenue Bonds. He explained that after careful review of the 2002/03 bonding program, staff is requesting that the Finance Committee recommend to the City Council the order of the sale of \$22,565,000 General Obligation Bonds, \$50,470,000 Utility Systems Revenue Bonds and \$26,805,000 Street and Highway User Revenue Bonds through competitive sale to provide funding for specific projects included in the City's Capital Improvement Program. Mr. Woolf added that the bonds represent portions of bond authorizations approved by Mesa voters in the 1987, 1994, 1996 and 2000 elections.

Mr. Woolf provided the Committee with a brief overview of the City Council Report and discussed the voter-approved authorizations, the proposed bond sale amounts, as well as the projected remaining authorizations. (See Attachment 1) He stated that Mr. Araza distributed a handout to the members of the Committee entitled "FY 2002/03 Bond Project Dollar Allocation by District." (See Attachment 2) Mr. Woolf also referred to an estimated operation and maintenance cost analysis, as well as an overview of the City's debt structure. (See Attachments 3 and 4)

Discussion ensued relative to the fact that limited Revenue Bond authorization exists for various wastewater programs and the fact that it will be necessary for the Council to address this issue in the near future.

Committeemember Kavanaugh commented that Councilmember Thom has expressed the opinion that the City of Mesa should never use bond financing for any purpose, but rather it should pay for various capital improvement projects on a "pay as you go" basis. He requested input from staff with regard to this issue.

In response to Committeemember Kavanaugh's inquiry, Mr. Woolf advised that at the present time, the City of Mesa has approximately \$100 million worth of projects scheduled for completion in FY 2002/03; that at the end of December 2002, Mesa had a fund balance of \$40 million; that without using bond financing for the proposed capital improvement projects, the City's fund balance would be completely depleted, and that many of the anticipated projects include essential services, such as the installation of water and sewer lines. Mr. Given also commented that the issuance of bonds is necessary to allow Mesa residents to share in the cost of various capital improvement projects which will benefit the entire community now and in the future.

Committeemember Kavanaugh stated that the reason he raised the issue is because an East Valley citizen-driven group, the Valley Business Owners, share Councilmember Thom's point of view regarding bond financing and, in fact, are sponsoring an initiative in the Town of Gilbert in an effort to prevent the Town from using bonding for Gilbert's transportation improvements. He stated the opinion that this is an extreme viewpoint with regard to obtaining funding for a municipality's infrastructure.

Mr. Given commended Mr. Araza for his efforts and hard work relative to this process. He also commented that the competitive bids are scheduled to be received on February 19, 2003. Mr. Given briefly reviewed the estimated retirement schedules for the General Obligation Bonds, Utility Systems Revenue Bonds and Street and Highway User Revenue Bonds. (See Attachments 5, 6 and 7)

Further discussion ensued relative to the fact that the proceeds from the sale of Langley Ranch (estimated at approximately \$80,000 per acre) will be earmarked for wastewater capital improvement projects.

It was moved by Committeemember Griswold, seconded by Committeemember Kavanaugh, to recommend to the Council that staff's recommendations for the sale of \$22,565,000 General Obligation Bonds, \$50,470,000 Utility Systems Revenue Bonds and \$26,805,000 Street and Highway User Revenue Bonds, be approved.

Carried unanimously.

Chairman Jones thanked everyone for the presentation.

3. Adjournment.

Without objection, the Finance Committee Meeting adjourned at 10:43 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Finance Committee meeting of the City of Mesa, Arizona, held on the 23<sup>rd</sup> day of January 2003. 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

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Attachments