

## COUNCIL MINUTES

February 28, 2022

The City Council of the City of Mesa met in a Study Session in the lower-level meeting room of the Council Chambers, 57 East 1st Street, on February 28, 2022, at 5:16 p.m.

### COUNCIL PRESENT

John Giles  
Jennifer Duff  
Mark Freeman  
Francisco Heredia  
David Luna  
Julie Spilsbury  
Kevin Thompson

### COUNCIL ABSENT

None

### OFFICERS PRESENT

Christopher Brady  
Holly Moseley  
Jim Smith

Mayor Giles conducted a roll call.

### 1. Review and discuss items on the agenda for the February 28, 2022, Regular Council meeting.

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

Conflict of interest: Mayor Giles declared a conflict of interest on Item 11-a, on the February 28, 2022, Regular Council meeting agenda and will refrain from discussion/consideration of this item.

Items removed from the consent agenda: 5-j

Vice Mayor Duff commented on Item 10-a, **(A convenience store is requesting a new Series 10 Beer and Wine Store License for Fonecs LLC, 757 South Country Club Drive; Elizabeth Anne Olisky, agent. There is no existing license at this location. (District 4))**, on the Regular Council meeting agenda, that after conducting research on the property and the owner, she is in support of the liquor license permit. She stated that the owner also runs the Mercado on 8th Avenue and McDonald, which does not have any liquor license incidents and is engaged in the neighborhood.

Vice Mayor Duff expressed she has changed her position after speaking with residents in the area. She added that the business operates as a convenience mart that sells fried chicken and will not only be selling alcohol.

Mayor Giles stated that this item is off the consent agenda and further discussion can take place during the Regular meeting. He noted that it is very difficult to operate a convenience store without alcohol sales.

Councilmember Thompson voiced his concern with Item 5-j, **(Three-Year Term Contract with Two Years of Renewal Options for Tire Maintenance and Repair Services for the Fleet Services Department. (Citywide))**, on the Regular Council meeting agenda being a service-only contract that costs the City \$1 million a year without including materials.

Mayor Giles indicated a discussion will take place regarding Item 5-j during the Regular meeting since the item is off consent.

In response to a question from Councilmember Freeman regarding how many applications were submitted, City Manager Christopher Brady explained there were three submitted in total.

Business Services Department Director Ed Quedens clarified two of the vendors did not supply information on how the specifications of the contract would be met.

2-a. Hear a presentation, discuss, and provide direction on the FY 2022/23 General Governmental and Utility funds principles, priorities, and forecast.

Office of Management and Budget Assistant Director Brian Ritschel introduced Budget Coordinator Chris Olvey, who displayed a PowerPoint presentation on the Fiscal Year (FY) 2022/23 General Governmental and Utility Funds principles, priorities, and forecast. **(See Attachment 1)**

Mr. Ritschel commented the presentation will focus more on the expenditure side, and the presentation on Thursday will focus on the revenue side. He highlighted the five principles of the General Governmental Funds that are taken into consideration. (See Page 3 of Attachment 1)

Mr. Olvey explained the financial forecasting begins with making sure staff understand where the current expenditures and revenues are, along with historical trends. He added forecasting over a multi-year period allows staff to assess the sustainability of existing programs and services, evaluate potential new programs and services, and proactively plan for future expenses. He reported that the financial policies call for the use of ongoing revenues for ongoing expenditures. (See Page 4 of Attachment 1)

Mr. Olvey commented the City accesses raw data through a forecast from the University of Arizona to analyze the correlation between economic trends and the City's revenue sources. He added the impact of an economic correction is accounted for in the forecast beginning FY 23/24. He stated the City has taken a conservative approach to the revenue forecast relative to local sales tax, state sales tax, and state income tax, which can be subject to macroeconomic factors that are out of the City's direct control. (See Page 5 of Attachment 1)

Mr. Olvey explained the operational expenditures are analyzed and forecast individually and highlighted each category. (See Page 6 of Attachment 1)

Mr. Ritschel outlined the Personnel Priority Expenditures that are in the budget. (See Page 7 of Attachment 1).

In response to a question from Mayor Giles about the medical premiums, Mr. Ritschel stated that while Cigna administers the program, the revenue and expenses come out of the Employee Benefit Trust Fund that the City manages.

Mr. Brady commented that Cigna provides health benefit services and staff evaluates their ability to provide a network of services, wellness programs, and other employee benefits. He added the premium cost and control costs are also included with the services to manage claims.

Responding to a question from Mayor Giles, Mr. Brady explained a health service consultant reviews trends across the healthcare industry, which helps analyze the City's trust fund and reserves. He added assumptions are made to forecast expenditures; however, utilization by the employees and the value of the claims do impact the cost.

Discussion ensued relative to rising health care costs, industry trends, and the City's insurance services and forecasting process.

Mr. Ritschel reported the national average is increasing between 7% and 8%, with some as high as 10%.

Councilmember Heredia announced that other employers are seeing a 12% to 15% increase but based on the agreement that the City has and the internal wellness program, the increase has been limited to 6%. He commended staff for keeping the increases low.

Mr. Brady commented the volume of City of Mesa (COM) employees allows the City to negotiate and manage plan costs. He reported that the Wellness Center is highly utilized and growing, especially with providing in-house COVID testing for employees.

In response to a question posed by Mayor Giles, Mr. Ritschel pointed out that employee benefits are analyzed in July and August, with premiums presented to Council in September to propose an adjustment for calendar year 2023 and prepare for open enrollment.

Mr. Ritschel highlighted priority expenditures for one-time costs consisting of the following: (See Page 8 of Attachment 1)

- Department base budget increase of 5.17%
- Capital project cost increases
- Mesa Climate Action Plan Implementation
- Facility Improvements and Renovation

Mr. Ritschel shared the five-year forecast of the general governmental fund, which showed fluctuations between the actuals projected for FY 21/22 and the forecast due to higher than anticipated revenues and contracting sales tax. He added funding has been set aside for one-time infrastructure needs such as Mesa City Plaza (MCP) and other projects. He mentioned the forecast for FY 26/27 shows a reserve fund balance of 20.3%. (See Page 9 of Attachment 1)

Responding to a question from Councilmember Luna regarding the impact to the City budget without spring training, Mr. Brady remarked the good news is visitors will still come to Arizona in March and will create sales tax based on rooms and restaurants.

Mr. Ritschel indicated, based on estimations, the drop would be around 8% for March, which totals approximately \$2.5 to \$3 million.

Mr. Ritschel described the utility operations as a separate business. He noted the reserve balance can be used to smooth rate adjustments year-to-year and the reserve balance can be used to phase in any new programs or changes in operation. (See Page 11 of Attachment 1)

Mr. Ritschel commented on the five principles that are followed within the Utility Fund. (See Page 12 of Attachment 1)

Responding to a question from Councilmember Thompson, Mr. Brady confirmed the Signal Butte Treatment Plant has been built into the forecast, along with other capital projects.

Mr. Ritschel continued by saying the debt service, as well as the operation and maintenance are built into the forecast.

Mr. Olvey stated the revenue forecasting is similar to the general governmental funds process which is run through a statistical analysis. He remarked staff work closely with each of the utility departments to forecast the account and consumption growth. (See Page 13 of Attachment 1)

Mr. Olvey commented that the expenditure categories for the Utility Fund has large budget items that can fluctuate year to year, such as the water commodity price or chemical costs. He added that the debt service payments in the forecast are up to date according to the schedules. (See Page 14 of Attachment 1)

Mr. Ritschel listed the personnel priority expenditures for the Utility Funds. He mentioned the base budget was increased by a little over 5% due to inflation and funds have been set aside for capital project increases. (See Pages 15 and 16 of Attachment 1)

Mr. Olvey presented the utility net source and uses table which includes the 5% salary increase, the step pay, the base increase, and the four capital project costs. He pointed out that the negative net source and uses in FY 21/22 is negative; however, improved throughout the forecast period. He mentioned the Utility is reviewed throughout the year and adjustments are made accordingly. (See Page 17 of Attachment 1)

Mr. Ritschel reminded Council of the estimated FY 22/23 forecasted utility rate adjustments were presented to Council in December that were used to calculate the next fiscal year. (See Page 18 of Attachment 1)

Mr. Brady advised today's presentation is an update for the future forecast and additional discussion will take place after summer break.

In response to a question posed by Vice Mayor Duff, Mr. Brady confirmed there is an assumed increase on the following FY 23/24 budget.

Mr. Ritschel provided the anticipated budget calendar dates. (See Page 24 of Attachment 1)

Mayor Giles thanked staff for the presentation.

2-b. Appointments to the Historic Preservation Board and the Housing and Community Development Advisory Board.

It was moved by Councilmember Luna, seconded by Councilmember Spilsbury, that the Council concur with the Mayor's recommendations and the appointments be confirmed. **(See Attachment 2)**

Upon tabulation of votes, it showed:

AYES – Giles-Duff-Freeman-Heredia-Luna-Spilsbury-Thompson  
NAYS – None

Carried unanimously.

3. Current events summary including meetings and conferences attended.

Councilmember Freeman –	Mesa Chamber of Commerce Cyber Security Meeting Mesa Historical Museum Cactus League Baseball Exhibit Opening Dreamscape Tour
Councilmember Luna –	Guaymas, Sonora sister city meeting - Día de los Muertos
Councilmember Spilsbury –	Mind 24-7 ribbon cutting House of Refuge - 25 <sup>th</sup> Anniversary fundraising gala
Vice Mayor Duff –	We Run Mesa Youth Running Program award ceremony STEM Night – Porter Elementary Dr. Martin Luther King, Jr. Peaceful Humanitarian awards gala

4. Scheduling of meetings.

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

Thursday, March 3, 2022, 7:30 a.m. – Strategic Planning Session

Monday, March 7, 2022, at 5:00 p.m. – Study Session

Monday, March 7, 2022, at 5:45 p.m. – Regular Council Meeting

5. Adjournment.

Without objection, the Study Session adjourned at 6:04 p.m.

---

JOHN GILES, MAYOR

ATTEST:

---

HOLLY MOSELEY, 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 28<sup>th</sup> day of February 2022. I further certify that the meeting was duly called and held and that a quorum was present.

---

HOLLY MOSELEY, CITY CLERK

abg/la  
(Attachments – 2)

# General Governmental Funds and Utility Fund Fiscal Year 2022/23 Budget Principles, Priorities, and Forecast February 28, 2022

## City of Mesa

---

Presented by: Brian A. Ritschel, Management and Budget Assistant Director  
Chris Olvey, Management and Budget Forecast Coordinator



# GENERAL GOVERNMENTAL FUNDS



# General Governmental Funds Financial Principles



Balance net sources and uses



10% – 15% reserve fund balance over the 5-  
year forecasted period



Sustainability of programs and services



Keep wages and benefits competitive  
compared to other valley cities in order to  
retain and recruit quality staff



Investment in capital and lifecycle replacement  
projects

# Financial Forecasting

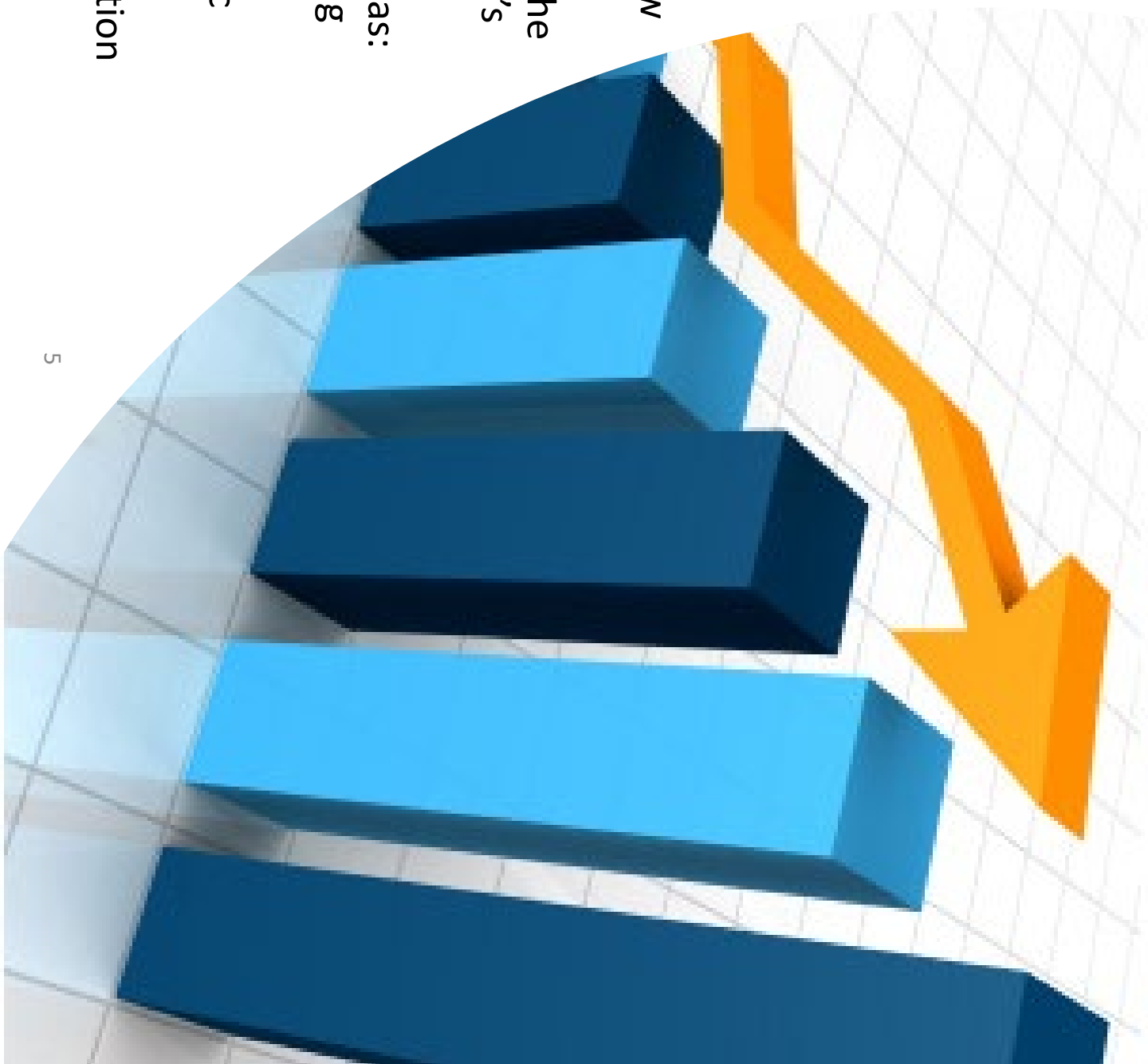
- The City uses current expenditures and revenues along with historical trends as a basis to forecast future expenditures and revenues over multiple years
- Multi-year forecasting allows for evaluation of the sustainability of programs and services
- Future needs are incorporated to enhance ability to plan
- The City's financial policies call for the use of on-going revenues for on-going expenditures



# Revenue Forecasting

---

- The City subscribes to a forecast group out of the University of Arizona which allows for access to raw data to use econometrics
- Statistical software is applied in house to analyze the correlation between economic trends and the City's revenue sources
- Relevant economic indicators are considered such as: population growth, wages, unemployment, building permits, gas prices, etc.
- Mesa specific factors are applied such as economic development activities, retail trends, etc.
- Includes estimated impact of the economic correction



# Operational Expenditure Forecasting

- Expenditure categories are analyzed and forecasted individually
- **Personal Services**
  - Many factors contribute to overall estimates such as pension rates, medical premiums, salary movement, etc.
- **Other Services/Commodities**
  - Large specialty contracts are handled separately while forecasted consumer price index is applied to general expenditures
- **Capital**
  - Majority of expenditures are related to construction projects and vehicle purchases. Multi-year plans are developed and included in the forecast



# Personnel Priority Expenditures

- **Public Safety Personnel Retirement System employer contributions** in FY 22/23 will remain consistent with FY 21/22, including additional funding paid towards unfunded liability
- **Arizona State Retirement System employer contribution rate** decreases to 12.17% (from 12.41% in FY21/22)
- **Medical premiums** increased at 6% for CY2022. Premiums are forecasted to increase at 6% for CY2023
- **5% salary increase** for all City employees (Effective January 31, 2022)
- Up to a **3% step increase** for all eligible employees effective the first full pay period in July 2022 with an ongoing evaluation of providing competitive wages.

# Other Priority Expenditures

- Department base budget **increase of 5.17%** due to higher-than-normal inflation over the past year
- Capital project cost increases due to inflation
- Mesa Climate Action Plan Implementation
  - Examples: electric vehicle charging stations, 55 N. Center parking solar installation, Streetlights LED conversion, City facility energy efficiency projects
- Facility Improvements and Renovation
  - Examples: Mesa City Plaza (MCP), Mesa Family Advocacy Center (MFAC), The Post

# GENERAL GOVERNMENTAL FUND BALANCE

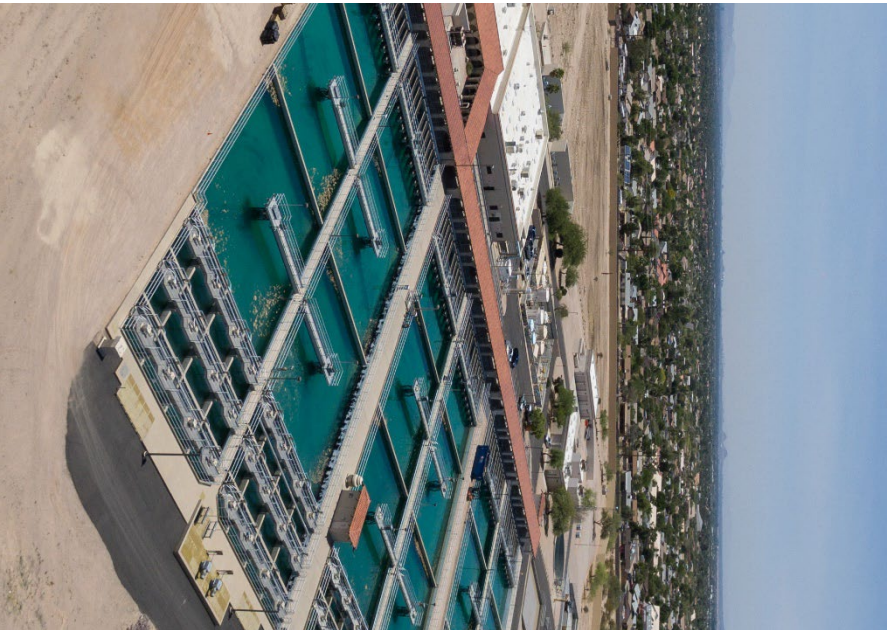
	Actuals	Budget	Projected	Forecast	Forecast	Forecast	Forecast	Forecast
	FY 20/21	FY 21/22	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
Beginning Reserve Balance	\$126.5	\$177.9	\$203.1	\$158.0	\$148.1	\$161.2	\$144.6	\$135.1
Total Sources	\$532.3	\$503.4	\$548.1	\$551.4	\$555.4	\$552.5	\$562.1	\$580.3
Total Uses	\$445.6	\$504.0	\$593.2	\$561.4	\$542.2	\$569.1	\$571.6	\$595.8
Net Sources and Uses	\$86.6	(\$0.6)	(\$45.1)	(\$10.0)	\$13.2	(\$16.6)	(\$9.5)	(\$15.5)
Future Economic Correction	(\$10.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Reserve Balance	\$203.1	\$177.2	\$158.0	\$148.1	\$161.2	\$144.6	\$135.1	\$119.6
Ending Reserve Balance Percent*	34.2%	31.6%	28.1%	27.3%	28.3%	25.3%	22.7%	20.3%

\*As a % of all Next Year's uses of funding

Note: Includes economic correction beginning FY 23/24

data as of February 2022  
dollars in millions





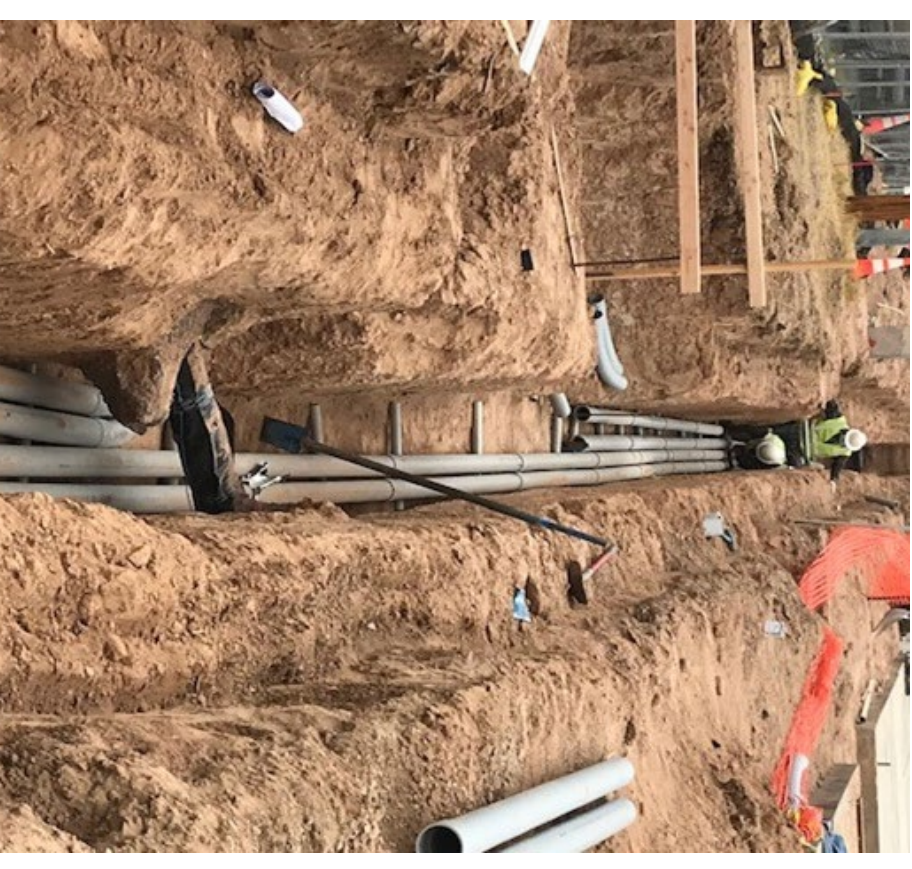
# Utility Fund





# Utility Operations

- Each utility is operated as a separate business center
- Reserve balance can be used to smooth rate adjustments year-to-year
- Reserve balance can be used to phase in new programs or changes in operations



# Utility Fund Financial Principles



BALANCE NET  
SOURCES AND USES



20% OR HIGHER  
RESERVE FUND  
BALANCE



RATE ADJUSTMENTS  
THAT ARE  
PREDICTABLE AND  
SMOOTHED  
THROUGHOUT THE  
FORECAST



EQUITY BETWEEN  
RESIDENTIAL AND  
NON-RESIDENTIAL  
RATES



AFFORDABLE  
UTILITY SERVICES

# Sources Forecasting

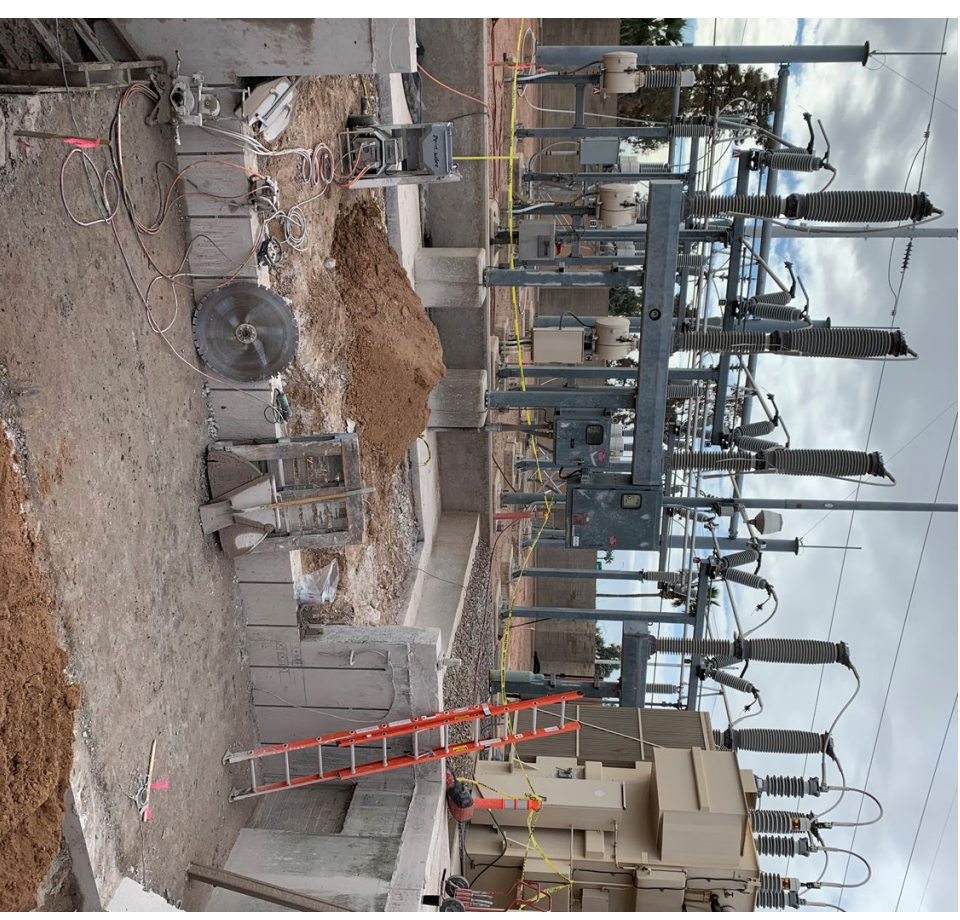
- The City's forecasting approach to utility revenues includes statistical analysis and collaboration with departments
- Statistical software is applied in house to analyze the correlation between economic trends and the City's utility sources
- Relevant economic indicators are considered, such as population growth, along with reviewing historical trends in account growth and consumption/usage
- Mesa specific factors are applied such as economic development activities, additional large customers, etc.





# Uses Forecasting

- Departments provide specific forecasts for large budget items where costs can fluctuate over time, including water commodity purchases, water and wastewater treatment plant chemicals, and solid waste tipping fees
- Debt service payments are included in the Utility Fund forecast, where funds are transferred according to utility debt service schedules



# Personnel Priority Expenditures

- **Arizona State Retirement System employer** contribution rate decreases to 12.17% (from 12.41% in FY21/22)
- **Medical premiums** increased at 6% for CY2022. Premiums are forecasted to increase at 6% for CY2023
- **5% salary increase** for all City employees (Effective January 31, 2022)
- Up to a **3% step increase** for all eligible employees effective the first full pay period in July 2022 with an ongoing evaluation of providing competitive wages.

# Other Priority Expenditures

- Department base budget **increase of 5.17%** due to higher-than-normal inflation over the past year
- Capital projects cost increases due to inflation
- Significant capital projects:
  - Signal Butte Expansion
  - East Mesa Interconnect
  - Central Reuse Pipeline
  - Advanced Meter Infrastructure

# Utility Net Sources and Uses

UTILITY FUND	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
NET SOURCES AND USES	Actuals	Projected	Forecast	Forecast	Forecast	Forecast	Forecast
WATER	\$19,416	(\$5,151)	(\$4,365)	(\$1,754)	(\$6,553)	(\$9,330)	(\$13,287)
WASTEWATER	(\$8,878)	(\$11,758)	(\$10,148)	(\$8,801)	(\$5,270)	(\$3,420)	(\$618)
SOLID WASTE	\$5,612	(\$7,339)	(\$3,630)	(\$65)	\$2	\$3,032	\$4,132
ELECTRIC	\$791	\$2,995	(\$1,188)	(\$1,821)	(\$1,063)	(\$1,464)	(\$1,351)
NATURAL GAS	(\$2,385)	(\$131)	(\$595)	(\$1,070)	(\$149)	(\$92)	\$295
DISTRICT COOLING	(\$68)	(\$715)	(\$55)	(\$1,439)	(\$215)	(\$90)	(\$58)
TOTAL NET SOURCES AND USES	\$14,488	(\$22,098)	(\$19,982)	(\$14,949)	(\$13,248)	(\$11,363)	(\$10,885)
Beginning Reserve Balance	\$136,773	\$151,261	\$129,163	\$109,181	\$94,232	\$80,984	\$69,621
Ending Reserve Balance	\$151,261	\$129,163	\$109,181	\$94,232	\$80,984	\$69,621	\$58,736
Ending Reserve Balance Percent*	33.4%	28.2%	23.1%	19.7%	16.3%	13.5%	11.0%

\*As a % of Next Fiscal Years Expenditures

data as of February 2022  
Dollars in Thousands

# FY 22/23 Forecasted Utility Rate Adjustments

WATER Residential	2.50%
WATER Non-Residential - usage only	5.00%
WASTEWATER Residential	4.25%
WASTEWATER Non-Residential	4.50%
SOLID WASTE Residential	2.00%
SOLID WASTE Commercial	2.00%
SOLID WASTE Rolloff	2.00%
ELECTRIC Residential - svc charge only	\$2.00
ELECTRIC Non-Residential - svc charge only	\$2.50
GAS Residential - svc charge only	\$0.75
GAS Non-Residential - svc charge only	\$2.00



# Next Steps – Anticipated Calendar

March 3	City Council Strategic Planning Meeting
March 31	Review Proposed FY 22/23 Budget Review Non-Utility CIP
April 4 – May 2	Hear from various departments Review Utility CIP
May 5	Budget Wrap-up
May 16	Adoption of the CIP Tentative Adoption of the FY 22/23 Budget
June 6	Final Adoption of the FY 22/23 Budget
June 20	Adoption of the Secondary Property Tax Levy



# Utility Net Sources and Uses Detail

NET SOURCES AND USES	FY 20/21 Actuals	FY 21/22 Projected	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast
WATER	\$19,415,775	(\$5,150,665)	(\$4,364,782)	(\$1,753,585)	(\$6,552,819)	(\$9,330,203)	(\$13,286,544)
WASTEWATER	(\$8,877,905)	(\$11,758,030)	(\$10,148,419)	(\$8,801,058)	(\$5,270,366)	(\$3,419,858)	(\$617,703)
SOLID WASTE	\$5,612,049	(\$7,339,363)	(\$3,629,548)	(\$64,522)	\$2,145	\$3,032,187	\$4,132,434
ELECTRIC	\$791,215	\$2,995,215	(\$1,188,479)	(\$1,820,609)	(\$1,062,848)	(\$1,463,823)	(\$1,351,138)
NATURAL GAS	(\$2,384,850)	(\$130,797)	(\$595,300)	(\$1,069,926)	(\$149,062)	(\$92,171)	\$295,314
DISTRICT COOLING	(\$68,367)	(\$714,642)	(\$55,379)	(\$1,438,974)	(\$215,059)	(\$89,540)	(\$57,707)
TOTAL NET SOURCES AND USES	\$14,487,917	(\$22,098,282)	(\$19,981,906)	(\$14,948,673)	(\$13,248,008)	(\$11,363,409)	(\$10,885,343)
Beginning Reserve Balance	\$136,773,320	\$151,261,238	\$129,162,956	\$109,181,050	\$94,232,377	\$80,984,369	\$69,620,959
Ending Reserve Balance	\$151,261,238	\$129,162,956	\$109,181,050	\$94,232,377	\$80,984,369	\$69,620,959	\$58,735,617
Ending Reserve Balance Percent*	33.4%	28.2%	23.1%	19.7%	16.3%	13.5%	11.0%
*As a % of Next Fiscal Year's Expenditures							
WATER Residential	1.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.00%
WATER Non-Residential - usage only	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	3.00%
WASTEWATER Residential	3.50%	3.00%	4.25%	4.25%	4.25%	4.25%	4.00%
WASTEWATER Non-Residential	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.50%
SOLID WASTE Residential	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Commercial	3.50%	3.75%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	1.00%	3.50%	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge only	\$1.00	\$1.50	\$2.00	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge only	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge only	\$0.25	\$0.50	\$0.75	\$1.00	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge only	\$2.00	\$0.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

# Moving Forward – Financial Forecast

Recruit and retain  
quality staff to  
maintain current  
level of services

Staff will adjust the  
forecast based on any  
legislative actions  
that may occur

Staff will continue to  
monitor economic  
situation and will  
update as needed

research.n



February 28, 2022

TO: CITY COUNCILMEMBERS

FROM: MAYOR JOHN GILES

SUBJECT: Appointments to Boards and Committees

The following are my recommendations for appointments to City of Mesa Advisory Boards and Committees.

**Historic Preservation Board** – Seven-member board including new appointments.

B.J. Parsons, District 6. Ms. Parsons is a real estate professional with 33 years of experience in residential and commercial property sales. She earned an associate's degree in liberal arts from Fort Hayes State University and is a licensed realtor. Ms. Parsons has participated on several boards including the Chico Association of Realtors, American Heart Association and Soroptimist International. Her term expires June 30, 2024.

**Housing & Community Development Advisory Board** – Eleven-member board including new appointments.

Jennifer Hill, District 5. Ms. Hill is a commercial real estate professional with extensive experience finding retail tenants. She earned a bachelor's degree in business and marketing from the University of Phoenix and is a licensed realtor. Ms. Hill has volunteers with many organizations including the Salvation Army and Feed My Starving Children. She is filling a partial term vacated by a resignation. Her term expires June 30, 2022.

Denise Moon, District 2. Ms. Moon is a realtor and associate broker with experience at several large firms in the Valley. She earned a master's degree in innovative leadership from Western International University, a bachelor's degree in business management from University of Phoenix and is a licensed realtor. Ms. Moon is a member of the National Society of Leadership and Success and is a certified real estate instructor. She is filling a partial term vacated by a resignation. Her term expires June 30, 2022.