

MEETING MINUTES
Office of Economic Development
Economic Development Advisory Board
57 E. 1st Street, Mesa, AZ 85201
Lower Level Council Chambers

Date: May 3, 2022 Time: 7:30 a.m.

MEMBERS PRESENT

Rich Adams, Vice Chair
Deb Duvall
Michelle Genereux
Matt Likens
Christopher Nickerson
Dominic Perry (Virtual)
Brad Wilson (Virtual)

EX-OFFICIO

Mayor Giles (Excused)
Chris Brady (Excused)
Sally Harrison
Jim Kasselmann, Chair
Natascha Ovando-Karadsheh (Virtual)
Jeff Pitcher
Jennifer Zonneveld

STAFF PRESENT

William Jabjiniak
Lori Collins
Chris Molnar
Jaye O'Donnell
Rebecca Perks
Bryan Smith
Maribeth Smith

MEMBERS ABSENT

Brian Campbell (Excused)

GUESTS

Brian Ritschel

The EDAB meeting was conducted in-person and via virtual platform with options for public participation.

1. Chair's Call to Order

Chair Kasselmann called the May 3, 2022, meeting of the Economic Development Advisory Board to order at 7:31 a.m.

2. Items from Citizens Present - None

3. Approval of Minutes from April 5, 2022, Meeting

Chair Kasselmann called for a motion to approve the minutes from the April 5, 2022, meeting. Christopher Nickerson moved to approve the minutes as presented; seconded by Deb Duvall.

Upon tabulation of votes, it showed:

AYES – Adams, Duvall, Genereux, Likens, Nickerson, Perry, Wilson

NAYS – None

Chair Kasselmann declared the motion carried by unanimous vote.

4. Hear a presentation on City of Mesa Proposed Budget Overview FY 2022/23

Brian Ritschel, Assistant Director for the Office of Management and Budget presented an economic condition update and the proposed budget which was presented to Council. General governmental revenues consist of city sales tax and state shared sales tax which are the major revenues that the city receives. General governmental is combined with the general fund and the quality-of-life fund. In 2021/22, we're projected to end the year well with city sales tax and then there is a dip in state shared revenues due to some economic conditions and the tax deadline shift (April to July) from a few years ago. We are

forecasting a mild recession or correction and have factored it into projections. Current economists are predicting next fiscal year, our fiscal year 2023/24. We are doing very well in sales tax revenues which is contributed to inflation, prices are higher, and people are spending within Mesa. We have seen transient lodging tax, the hotel tax, go up significantly year over year. Mesa collects the following sales tax: retail, rentals, contracting, restaurants and bars, and utilities, and is reliant on sales tax for revenue. In 2021/22, we've seen significant development activity, so we are seeing an increase in our one-time revenues. As the slide reflects, we are significantly higher than other fiscal years. It is due to construction costs. Some of the City's own construction projects have seen a 30, 40 to 50% increase in costs. While it increases revenues for the City, it also costs us more too. The City budgets ongoing expenses with ongoing revenues and one-time expenses with one-time revenue. A one-time expense would be a capital project. We know the revenue from development activity will not maintain this level forever, so we're categorizing those revenues as one-time and reinvesting them.

Bill Jabjiniak commented while the increase in revenue is impacted by inflation it also reflects the sheer dominance of what's going on in Mesa, and if it wasn't for supply chain delays, you'd see a lot more. From what I'm hearing those numbers will show for a bit, but there are still projects that are ready to get going, and they're still investing. I believe we're going to perform better than the national average here in the greater Phoenix area. It is a major advantage to take these increased revenues and reinvest with capital projects.

Brian Ritschel clarified the state shared revenues the city receives are state income tax, state sales tax and vehicle license tax. Regarding City of Mesa employment, we are back above pre-pandemic levels and are estimating we will drop almost to 2% unemployment. This is the lowest the city has been in decades.

Mr. Ritschel stated that property valuations in the City have been increasing, as you've noticed, around the valley also. Which puts the City in a good position even though the City does not have a primary property tax, we do have a secondary property tax that pays for the general obligation bonds for projects. Permit revenues have been very strong as well. Over the past ten years or so, permit revenue has been increasing and a spike is reflected in 2019-2021, and likely this fiscal year too. Even through the pandemic, the City of Mesa's permit activity has stayed very consistent and very strong. We did not see a slowdown during the pandemic.

The focus is on sustained quality services for the fiscal year 2022/23 proposed budget. As you all well know, recruiting new staff is difficult in the current climate and we have many vacancies throughout city departments. The annual budget does set the maximum expenditure limit for the fiscal year. And then a balanced budget means that total resources available, revenues and reserves, are sufficient to cover the budgeted expense. There were impacts to the budget due to increased costs of labor, as we've seen around the valley and the nation as well as higher than normal inflation on commodity services and contracts. We're also experiencing growth pressures from new business and new residents. Brian discussed the proposed staff positions across the city including the Real Time Crime Center.

Mr. Jabjiniak mentioned that the Advisory Board should plan to play a role in the general plan update. To reiterate the importance employment corridors.

Matt Likens asked whether we have any information on employee turnover and what rate that it runs at. Is there a lot of competition from other communities?

Brian Ritschel replied that we are seeing, in some departments, a higher-than-normal turnover. Some staff are leaving some departments for higher paying jobs in the private sector which is why the City is looking to retain and recruit quality staff and at the same time sustain quality services.

Rich Adams appreciated the presentation and the easy-to-understand graphs. He asked if there are unfilled vacant positions in public safety and if we have dealt with all unfunded liabilities, old pension plans.

Mr. Ritschel responded that there is always turnover in public safety; however, that is one of the reasons the city holds three police academies per year to assist with that turnover. We are adding more patrol officers and staff to match the growth of the city. One academy for the fire is planned with 40 recruits. Twelve of those recruits are for the new fire station and the rest are for any vacancies or retirements. On the unfunded liability, we do have it in the forecast.

Mr. Jabjiniak mentioned that the engineering department is down a number of people. Because of the current development volumes, the private sector is luring engineers, civil, and can pay a lot more. This trend usually reverses when the economy changes.

Jennifer Zonneveld appreciated the detail in the presentation regarding adding personnel. She asked if there was a comparison against revenue for previous years and the number of FTEs that you're adding compared to previous years.

Brian Ritschel thanked Jennifer for the question and stated that the City is currently staffed at just over 4,000 FTEs, and we are looking to increase that slightly with some of these new positions. Towards the end of the presentation there is a 5-year forecast which reflects annual expenses and revenues.

Deb Duvall mentioned she was the Chair of the Planning and Zoning Board during a general plan update. She suggested that the Advisory Board consider a joint meeting with the Planning and Zoning Board to re-emphasize the significance of employment sectors. Deb felt it would have been helpful, at that time, if there had been other folks in the room to at least offer some opposing viewpoints regarding how decisions were made since those decisions impact what happens a decade or two in the future.

Jeff Pitcher stated the inflation on your slides is showing as a double-edged sword. It's good for us in some ways, but we're also a victim of it in others. How will interest rates affect this? Are any of the City's obligations affected by the raising interest rates or are we pretty much at a fixed rate?

Mr. Ritschel stated that when the City goes out for debt, general obligation bond or revenue bonds, that percentage or interest rate is fixed. There is a call date at 10 years, usually, on some of those, to where we could refinance.

Brian Ritschel stated that the City is also investing in transportation. As you know, as the city grows, we continue to gain lane miles, so we have increased the transportation budget to help with the street overlays, to keep those streets maintained, also adding two equipment operators and some field workers. We're doing a pilot program for the Fiesta Buzz Neighborhood Circulator. This will help, hopefully, increase transportation options and enhance experience for citizens. Transportation is also continuing their bus shelter design and construction and a streetcar extension feasibility study. Additionally, the City is completing a Climate Action Plan and created a scoring system for projects to see which would best benefit the City including solar projects and electric vehicle charging stations.

Mr. Ritschel moved into the budget presentation stating we try to maintain the fund balance between 10 and 15%. In fiscal year 2026/27 we're forecasting 15.9%. Additionally, the net sources and uses for the coming up budget year proposed \$7.9 million to the positive. We review our forecast on a periodic basis throughout the year as well as complete a 5-year forecast. To Jennifer's comment, we determine if the city will be able to sustain services by adding staff. Regarding the utility fund, the city is investing heavily in the expansion of the utility system, especially the water and wastewater, with the Signal Butte Water Treatment Plant expansion and with the Central Mesa Reuse Pipeline. This will be a big project going down the center of the City and we're adding some staff as well as equipment. Additionally, the Northwest Water Reclamation Plant has not been majorly rehabbed in many years. Solid waste will add some trucks and relocate half of the fleet from West Mesa Service Center to the East Mesa Service Center. This should cut down a significant amount of drive time. He shared the forecast that was presented to council for the proposed budget. The reserve ending fund balance is 7.4%; however, this coming up budget year, we are looking at 23.3%. We will be looking at this during the Fall when the rate adjustment process happens, but we do know there are some significant projects that we need to invest in.

Mr. Adams mentioned that the utility fund budget trend does not look good, although he understood that there are some capital expenditures included. What does the future forecast reflect?

Brian Ritschel stated that we usually look at the first few years, in this case 2024/25. As you know it becomes hazier when you forecast out four to five years. At that point, we're just forecasting expected expenses. We're projecting this year to end at 28% and then 23%. When we have a warm year, like we did two years ago, water usage goes up. Due to this fluctuation, we review this on an annual basis. In past years, we have stayed around 25% to 30%, but we manage it periodically during the year. As I mentioned, the large capital projects will eventually create revenue. The City's electric area covers downtown, which is experiencing significant growth. We do not forecast, for instance, if we have a major water user that economic development is looking at bringing in, we do not put that in the forecast until we know they're up and running, and we know what their usage is or what's projected. We like to be on the conservative side and wait for those companies to come in, and then we can see what their trend is and then start forecasting those revenues out that way. The Office of Management and Budget works closely with the Water Resources Department and the Energy Resources Department, along with the Environmental Management Sustainability Department on account growth. We do project out account growth and work closely with them on this forecast for revenues.

Mr. Jabjiniak mentioned that the City of Mesa's gas utility does extend beyond our city limits. The new LG plant that was announced in Queen Creek will be a significant gas user and is located in Mesa's gas territory; however, it's not included in the forecast yet. When we invest in infrastructure from an economic development perspective, we cut entitlement risk.

Chair Kasselmann thanked Brian for the worthwhile presentation and the Board's interest in the important information.

5. Hear a presentation on the Office of Economic Development Workforce Strategy Update

Bryan Smith mentioned that he outlined the steps we're taking to develop a workforce strategy that last time he presented to the board and will now provide an update on what we have done to date and what progress we're seeing. He reiterated that we're not doing this alone as a department but rather working with the Education Workforce Roundtable, as well as Community Human Services, to come at this problem from both sides - from the services to the individuals in the community to services to businesses.

The Education and Workforce Roundtable's evolving strategic priorities, approved on March 30th, are to provide affordable and equitable access to up-skill, train, and educate Mesa's residents, students, and adults; to respond to workforce needs of Mesa's industry, now and in the future; improve the link between the students' education pathway and workforce industry needs; and engage Mesa's students, adults, small businesses, industry, and school service, trade staff, custodians, bus drivers, food and nutrition nurses; to understand workforce and job training needs and expectations, post-pandemic; and leverage local partnerships to create awareness, access, and coordination to respond to those needs. This compares to our team's developed goals for this strategy by identifying and mitigating the skills gap in hiring, which is understanding hiring supply and demand, and aligning those two forces in the market, expanding job opportunities and retention of employees. Which is to say, developing career paths with businesses and across industry sectors, and communicating and marketing those to individuals, and providing equitable access to resources and support for Mesa employers. Which is to say individuals of all demographics and abilities should be able to access the programs that we develop. And businesses of all sizes and sectors should be able to utilize the resources that we develop. So, you can see that we're well aligned conceptually between those three strategies, on both sides, but approaching the problem from opposite sides of the coin, if you will. We are working with the Education Workforce Development Roundtable, and as we pull together the final document over the next two months, we'll have some of those semantic components of our priorities aligned.

In March, we launched our talent recruitment series, with the assistance of the Chamber. We began with a Workforce Resources Connection Webinar on March 3rd to help our businesses understand what resources are currently available, who to go to for what, and provide a single composition of how to reach out to those companies and the individuals with each service. Arizona at Work, Maricopa County Business Services, ASU Economic Developments Team, Maricopa Community Colleges, including career services at MTC and CGCC, EMCOR and Benedictine University's career services each provided presentations in partnership with Pipeline AZ. More than 60 participants participated in the webinar at its peak of the 70 who registered. We've had over ten businesses reach out to us to facilitate introductions to those service providers since then and provided all the recordings and presentation materials from the webinar to attendees so that they could reach out on their own. A few weeks ago, we conducted an in-person workshop at Mesa Contemporary Arts Museum with Ryan Englin of the Core Matters. Twenty-two businesses joined us to learn about best practices in job post marketing to improve the conversion of individuals applying, being hired, and ultimately staying employed. There were 30 businesses registered for the workshop and several of those that attended reached out to continue working with the Core Matters consulting services for recruitment, training, and engagement best practices. We are finalizing details for our third event as we speak and will share details as soon as we're able. This event will consist of an economic update on labor force supply and demand issues, while also sharing the outcome of our employer survey.

We developed our long-term strategy by conducting a SOAR analysis. We looked at things we're doing well currently, things we have an opportunity to improve on, best practices we can look to implement or aspirations as well as results metrics to measure progress toward each of our goals. We facilitated 12 group interviews with internal and external stakeholders, including Office of Economic Development staff, Education and Workforce Office staff, which staffs the Education Workforce Roundtable, the Community College District, Arizona State University, Arizona at Work, Maricopa County, Arizona Commerce Authority, Office of Economic Opportunity, Greater Phoenix Economic Council, Pipeline AZ, many of our major employers in aerospace and technology sectors, as well as staffing agencies and training service providers. Currently, we're processing the notes and feedback that we received from that process, from those interviews, and we're planning to have a draft of the strategic plan back to our stakeholders by the end of the month to be approved for the new fiscal year.

Rich Adams thanked Bryan for the presentation and commented that the office staff do a great job of promoting this on social media. He mentioned that he could do a much better job of pushing the message out or forwarding it on but will make a conscious effort to do so. Natascha agreed with Rich and asked that we send members an email if there is a specific post/item they should be aware.

Jennifer Zonneveld commented that this is a big, broad strategy and asked when formulating the plan, which ideas we felt we could have the most impact on. Do you have the resources and funding to support the strategy?

Mr. Smith responded that some of the initial feedback we've seen across the groups mentioned, is that, generally, there is a lot of confidence in our current training and educational assets in the long-term pipeline. It's understanding what we can do to fill the top of the recruitment funnel now. For instance, assistance in job post marketing, like what we did with the recent workshop, but potentially systematizing it and making accessible to more employers, as well as marketing for career opportunities at the sectoral level, were identified as some high impact opportunities. There are a couple other things that we could approach but improving the messaging around what job opportunities are available now and how we can get more individuals applying for them, whether that's in market in the East Valley, or if it's a bit more broad-spectrum talent attraction marketing on larger geographies, has been singled out as a big opportunity.

Matt Likens appreciated the comprehensive approach that is suggested here. What a lot of organizations miss is how important that first 30, 60, 90-day onboarding process is to keeping folks long-term. And often, once that position is filled, we move on to whomever we need to hire next or whatever the next most important thing is, versus being thoughtful about how we work this new person into the organization in the best way, so that they feel welcome and included, so that you're making contacts for them early, so that they have a positive experience. This approach leads to a lot more job satisfaction and longevity for employees.

Mr. Wilson asked if there was a central place for a young person to determine what careers were available at the City of Mesa and how to reach those potential applicants.

Mr. Smith replied that City of Mesa position openings are posted to the City's website and the City conducts an annual employee satisfaction survey.

Bill Jabjiniak mentioned that the City is focusing on a number of ways to hire additional employees as well as keep current employees. On the retention front, a midterm raise was approved in January to stay competitive and additional education benefits are also being discussed. This focus is a tribute to the leadership we have. As Jennifer mentioned, we could go in a number of strategic directions, but we're focusing on the needs of our current businesses and the needs we're hearing from the new attraction opportunities. Bill thanked Bryan for leading the development of the department's workforce strategy.

6. Director's Report

Bill Jabjiniak reminded members of the election of a new Board Chair and Vice Chair next month and two of our members are reaching the end of their second full term. FujiFilm recently completed their expansion and JX Nippon, an international company, purchased 65 acres in Southeast Mesa. piece, JX has the ability, you know, they bought a 65-acre piece of land in Southeast Mesa. Mayor and I are traveling to

Washington, D.C. next week with the Greater Phoenix Economic Council and are on the foreign investment track. There is an announcement scheduled for tomorrow – look to social media.

As a department, we challenged ourselves with a goal of 330 business retention and expansion (BRE) visits this fiscal year. We're seeing a tremendous amount of Mesa businesses that continue to expand and grow and building those relationships has been very important. Project Manager Celine Kilic has been doing a nice job and challenged other staff to complete their own BREs as well. Statistics say, approximately 80% of growth comes from your existing business community - think about that number for a minute.

Mr. Jabjiniak welcomed Michelle Genereux to her first formal Advisory Board meeting and introduced Rebecca Perks our recently hired Administrative Assistant II. Rebecca completes our team of 15, in contrast to several other city departments who are not yet fully staffed.

Lastly, Bill congratulated Lori Collins for finishing her term as the Arizona Association for Economic Development Board President. It has been exciting to see the economic growth across the state and Lori was very strategic getting a plan in place for the statewide effort. Thank you for your service to our industry.

7. Other Business

The next Economic Development Advisory Board meeting will be on Tuesday, June 7, 2022.

Chair Kasselmann thanked Jaye O'Donnell for coordinating the quarterly Broadway Corridor meeting last week. It was a very worthwhile meeting with great connections.

8. Adjournment

Chair Kasselmann called for a motion to adjourn. A motion was made to adjourn the meeting at 8:48 a.m. by Rich Adams, seconded by Matt Likens.

Upon tabulation of votes, it showed:

AYES – Adams, Duvall, Genereux, Likens, Nickerson, Perry, Wilson

NAYS – None

Chair Kasselmann declared the motion carried by unanimous vote.

Submitted By:



William J. Jabjiniak

Economic Development Department Director