



COUNCIL MINUTES

November 4, 2021

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 November 4, 2021, at 7:30 a.m.

COUNCIL PRESENT

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

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

(*Participated in the meeting via video conference equipment.)

Mayor Giles conducted a roll call.

1-a. Hear a presentation on and discuss the Mesa City Council District Boundary Map approved by the City of Mesa Redistricting Commission on October 26, 2021.

Census and Redistricting Administrator Jeffrey Robbins introduced Redistricting Chairperson Deanna Villanueva-Saucedo and displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Robbins informed Council the Redistricting process began approximately a year ago when discussions commenced surrounding the provisions within the City's Charter and how Redistricting is conducted. He spoke about the challenges with this cycle, specifically because the data from the U.S. Census Bureau was delayed, and the desire to continue Mesa's rich history of a citizen-engaged process where residents provide feedback, which is then applied to the final map.

Ms. Villanueva-Saucedo expressed her pleasure in serving as Chair of the Redistricting Commission and thanked City staff for their work within a very compressed amount of time. She advised when the City received the census data in its raw form, the data still needed to be assembled for use in creating maps. She said she appreciates the public's participation in the outreach meetings and providing feedback and acknowledged Commission Members Greg Marek, Jo Martin, Catherine Jiang, and Elaine Miner for their dedication to the process and applauded the consultant Redistricting Partners for their support. (See Pages 2 and 3 of Attachment 1)

Ms. Villanueva-Saucedo shared the timeline, which included an extensive public outreach component. She reported public outreach took place over a series of public meetings, as well as online. (See Page 4 of Attachment 1)

Ms. Villanueva-Saucedo discussed the Charter requirements that are followed to ensure that the process is non-partisan when attempting to equalize the population of residents within each council district. She admitted the provision in the Charter that says a sitting councilmember cannot be removed from their district through a redistricting process can cause complications in that essentially the home of a sitting councilmember acts like an anchor and the boundaries must be redrawn around them. She encouraged Council to look closely at that provision for the next cycle. (See Page 5 of Attachment 1)

Ms. Villanueva-Saucedo highlighted the process where the Commission presents the map to Council for review and recommendation. She said the map could be approved by Council and would become effective immediately; however, if Council rejects the map, the Commission may or may not choose to take the feedback. She added the second map presented to Council will be the final map. (See Page 6 of Attachment 1)

Ms. Villanueva-Saucedo mentioned the Commission followed best practices used nationally throughout the process to equalize population such as remaining contiguous and compact, keeping communities together, recognizing communities covered by the federal Voting Rights Act, and maintaining Communities of Interest (COI). (See Page 7 of Attachment 1)

Ms. Villanueva-Saucedo stated COI are entirely self-defined and residents identify their communities in multiple different ways. She encouraged Council to look at the public feedback, which may not be mappable feedback in terms of clear boundaries but clearly demonstrates a community passion in the areas that the public considered COI. (See Page 8 of Attachment 1)

Ms. Villanueva-Saucedo emphasized three questions that the Commission asked the community to consider when defining COI. She said the seven public outreach meetings, one in each district and one virtual meeting, were open to all residents no matter what district they live in. She noted the City offered an online tool where the public could draw their maps electronically or on a piece of paper and submit them. (See Pages 9 and 10 of Attachment 1)

Ms. Villanueva-Saucedo presented a sample map that was available during all public outreach meetings to identify COI. (See Page 11 of Attachment 1)

Ms. Villanueva-Saucedo indicated two promises made at every single public outreach meeting were that not everyone would be happy, and all the competing interests would be balanced to the best of the Commission's ability. (See Page 12 of Attachment 1)

Ms. Villanueva-Saucedo stated the Commission heard from neighborhood groups that had a rich history for their area and provided justification for their recommended map on how the group views their community. She reminded the public that the requirement is to use current census data and the Commission is not allowed to make future projections; however, the Commission accounted for the faster growing districts with the deviations. (See Page 13 of Attachment 1)

Ms. Villanueva-Saucedo presented the recommended Redistricting map overlaid on the existing districts. She said the Commission was able to achieve a greater degree of compactness compared to some of the existing boundary lines. She added the issue of a sitting council

member's residence and the inability to draw them out could be an issue moving forward. (See Pages 14 and 15 of Attachment 1)

Ms. Villanueva-Saucedo shared the deviations per district and said the deviation for the map in its entirety is 8.1%, which is below the national best practice of 10%. (See Page 16 of Attachment 1)

Mayor Giles explained Council has the ability to provide feedback to the Commission at the November 15, 2021, Regular meeting but the final decision is up to the Commission.

Ms. Villanueva-Saucedo elaborated at that time the Commission can consider the feedback from Council, but it is the Commission's responsibility and duty to provide a map. She added the process is citizen driven and not political and the second map that the Commission submits is deemed the final map per the Mesa City Charter.

Councilmember Luna indicated from his vantage point the Commission has done a great job. He said he appreciates their hard work and is happy with their decision.

Councilmember Thompson expressed his concern with the area around Ellsworth Road and Baseline Road that is yet to be developed and making sure the area stays commercial or industrial and not residential. He said staff and future councilmembers need to take into consideration what is going on in the district next to them because good or bad decisions can have consequences for the rest of the community.

In response to a question from Councilmember Freeman regarding District 1 having the highest deviation percentage, Ms. Villanueva-Saucedo confirmed the deviation means District 1 will have less population by 2,420.

Councilmember Freeman suggested decreasing the positive deviation in District 5 to help balance the negative deviation in District 1.

Discussion ensued relative to the significance of the deviation percentage and the process for Council to give a recommendation.

Responding to a question posed by Councilmember Spilsbury, City Attorney Jim Smith remarked the vote on November 15, 2021, is to approve or disapprove. He added if the majority vote is to disapprove, then Council would provide recommendations to the Commission who would then go back to consider those recommendations and the Commission can incorporate the recommendations or not. He said the second map presented to Council would then be the final map.

Ms. Villanueva-Saucedo pointed out recommendations on a particular line or neighborhood is not a singular change and would create a chain reaction.

In response to a question from Councilmember Freeman relative to when the final map must be approved, City Clerk Dee Ann Mickelsen stated December 1, 2021, is the last date Council can take action and the final map must be sent to County no later than December 8, 2021.

Councilmember Spilsbury remarked that removing councilmembers out of their district during the redistricting process is not a viable option, especially for those who will be up for reelection.

Responding to a question from Councilmember Heredia regarding the potential growth in Districts 5 and 6 and the other districts that are landlocked, Ms. Villanueva-Saucedo explained the challenge was removing a minimum of 20,000 people out of District 6 and then redistributing with that domino effect to the other districts, especially given the COI testimony that came out and where some of the homes of current councilmembers are located. She commented the Commission chose to leave District 5 a little overpopulated in order to make sense for some of the other areas. She continued by saying the areas where Districts 1, 3 and 4 meet were particularly challenging because there are some very vocal communities in that area and decisions had to be made to be able to adjust across the city.

In response to a question posed by Councilmember Heredia relative to whether there are areas that can be annexed within District 5, Mr. Brady commented that annexation is probably not suitable because of the infrastructure and the cost it would take to extend roads and sewer to those areas. He said the annexation policy is that the City is not pursuing annexation but waits for annexation requests to come to the City.

Vice Mayor Duff thanked the Commission for doing a fabulous job in making difficult decisions to balance all the needs of our community. She stated she likes having a strong Latino representation in District 4 for a more unified voice, as well as the historic districts. She asked how community input weighs in regarding the proposed map and whether the Commission will consider the community feedback on the proposed map?

Economic Development Project Manager Jeffrey Robbins invited residents to provide their comments between now and November 15, 2021, by calling him or sending feedback to redistricting@mesaaz.gov. He noted if there were a situation where a neighborhood was inadvertently split and brought to the attention of Council, that would be an example of something the Commission would want to review.

Ms. Villanueva-Saucedo continued by saying the next time the Commission would meet to discuss the map would be after November 15. She stated the feedback that Council receives between now and November 15 will inform Council's decision; and if the majority rejected the map, then the Commission will reconvene to consider any feedback.

Mayor Giles stated this is not a done deal and residents can still send in their input. He provided his observations on the non-partisan process, which is different at the state level. He shared the intention of creating council districts was to increase regional diversity on the Council as the Council makes decisions for the entire city. He shared some history on the Redistricting Commission and the reasoning behind some of the decisions made. He added there is always room for improvement and putting something on the ballot to enhance the process can be considered for the next election.

Mayor Giles thanked Mr. Robbins and Commission Chairperson Villanueva-Saucedo for the presentation.

1-b. Hear a presentation, discuss, and provide direction on a proposed American Recovery Plan Electric Customer Credit.

Business Services Department Director Ed Quedens displayed a PowerPoint presentation. **(See Attachment 2)**

Mr. Quedens presented a chart which represents the City's energy contracted portfolio and the black line depicting demand. He remarked there is a gap between what is available through contracts and what the City must buy on the market during peak hours. He indicated with the growth in the Southwest portion of the country and retirement of generating plants, the market is experiencing pressures causing the market pricing to increase. (See Page 2 of Attachment 2)

Mr. Quedens compared the residential electric bill costs between Salt River Project (SRP) rates and Mesa's rates. He illustrated the slashed green line above the solid green is where rates would be if the full cost recovery price was applied to our customers in their rates, which is the area in particular where the City is seeing the increased price for the market demand. He added that area is what the City is looking to offset with the American Rescue Plan Act (ARPA) credit. (See Page 3 of Attachment 2)

Mr. Quedens reported the City has been awarded \$105.5 million in ARPA funds payable over two years. He said the proposal is to use up to \$20 million of that funding to offset customers' electric utility accounts on a monthly basis for the higher charges. (See Page 4 of Attachment 2)

Mr. Quedens clarified the credit would only apply to residential and commercial customers of the Mesa electric utility, not to SRP customers, and would not apply to City of Mesa (COM) facilities electric accounts. (See Page 5 of Attachment 2)

Mr. Quedens explained the credit rate would be a monthly calculation that is conducted by Energy Resources and Office of Management & Budget (OMB). He remarked the credit is per kilowatt hour and is the difference between the Mesa full recovery cost, including the increased electric purchase prices, and the SRP benchmark price. He clarified the tax would be calculated before the credit is applied to avoid creating a tax liability that the Enterprise or General Fund would have to pick up because tax is based on the gross revenue, not on what is collected from the customer. (See Page 6 of Attachment 2)

Mr. Quedens stated the program is forecasted to last up to two years, which could end earlier if funds run out or if no longer needed. He presented examples of an average residential bill during the month of August and for a year with the ARPA credit, which demonstrated the average bill will receive a credit of approximately \$585.48 annually. (See Pages 7 and 8 of Attachment 2)

Mr. Quedens indicated the credit will be shown as a separate line on the utility bill, titled as the "American Rescue Plan Electric Credit," so customers know where the money is coming from, and customers will receive the credit as long as the assistance funds are available. (See Page 9 of Attachment 2)

Mr. Quedens noted if directed to proceed, the credit will be generated for the December billing cycle, which is for energy consumed by customers in November. (See Page 10 of Attachment 2)

In response to a question from Councilmember Luna regarding whether after the two years of credit the customer bill will jump up significantly, Mr. Quedens indicated Energy Resources is working on projects to help mitigate a sudden increase and the hope is that the markets will stabilize in the next few years.

City Manager Christopher Brady added the credit will provide a chance for staff to come up with other solutions. He said projections show the City has approximately two years to come up with alternatives.

Energy Resources Department Director Frank McRae reported prices stabilized from the milder summer but were still historically much higher than what has been seen in the past. He added power plants are starting to be put into the ground, along with more generation, which should help stabilize things in the near term. He commented, in the long-term, another plan needs to be established to minimize the City's risk exposure to the events that have been occurring in the last couple of years. He advised Energy Resources is looking to bring in electric generation equipment and facilities inside the electric service area, fuel them with the natural gas system initially; and then as renewable gas comes onboard, will begin to fuel with renewable gas to further insulate from any type of market dynamics on both the electric market and the natural gas markets.

Responding to additional questions from Councilmember Luna regarding whether the increase will be gradual at the end of the two years, Mr. McRae remarked when the \$20 million runs out, other ways to minimize the bill impact will be examined. He suggested there may be ways to fill the gap with contracts for purchases, and if there is an overlap the City can then remarket the excess energy.

In response to a question from Councilmember Freeman relative to how far out in the future Energy Resources has purchased power for the utility, Mr. McRae said that depends on the resource. He mentioned the hydro contracts are 25-year contracts and the extension of the hydro contracts was negotiated a couple of years ago. He indicated most of the other contracts are in the three- to five-year timeframe, adding the reluctance to go beyond that to avoid being locked into a long-term contract and being restricted from going into agreements with longer-term contracts with renewable projects.

In response to multiple questions from Councilmember Thompson, Mr. McRae answered the way to keep energy prices down long-term is by finding ways to make customer consumption of energy more efficient. He spoke about proposing grant programs to start implementing energy efficiency measures to bridge the gap with incentives. He informed Council that a proposal has been submitted into the Community Development Block Grant (CDBG) process and would appreciate Council's support in helping implement the proposed programs.

In response to a question posed by Councilmember Spilsbury, Mr. McRae said the smart metering will be helpful to inform customers of their consumption which will encourage customers to conserve during the peak periods that cost more.

Mr. Quedens added the City is looking to implement a program similar to Salt River Project's (SRP) M-Power program to incentivize customers to be aware of and control their energy usage.

Responding to a question from Councilmember Heredia asking whether the City is applying the funding to commercial customers as well, Mr. Quedens affirmed that the program applies to residential and commercial customers.

In response to a series of questions from Vice Mayor Duff, Mr. McRae clarified that the rates would increase as costs increase but will be covered by the \$20 million ARPA funding. He mentioned the natural gas project is moving forward; however, the process is quite complicated. He remarked he will provide a schedule as soon as one is available.

In response to an additional question from Councilmember Duff regarding whether there are utility dollars available through the utility and rental assistance program, Mr. Quedens confirmed funding is still available.

Mayor Giles expressed his support in using the ARPA funding to allow time to figure out a long-term approach to the energy market increases.

It was moved by Councilmember Freeman, seconded by Councilmember Luna, that the staff recommendations on the proposed ARPA electric customer credit be adopted.

Upon tabulation of votes, it showed:

AYES – Giles-Duff-Freeman-Heredia-Luna-Spillsbury-Thompson

NAYS – None

Carried unanimously.

1-c. Hear a presentation, discuss, and provide direction on proposed utility rate adjustments.

Management & Budget Assistant Director Brian Ritschel introduced Management & Budget Coordinator Chris Olvey and displayed a PowerPoint presentation. **(See Attachment 3)**

Mr. Ritschel reminded Council at the end of September staff recommended rate adjustments to which Council provided suggested changes. He said staff followed the financial principles in making the changes. (See Page 2 of Attachment 3)

Mr. Ritschel presented the previous and revised rate adjustment recommendations. He pointed out the revisions include lowering residential water from 3% to 2.5%, lowering residential wastewater from 3.5% to 3%, and increasing solid waste roll off from 3.25% to 3.5% to maintain the 15.9% reserve percentage for Fiscal Year (FY) 26/27. (See Pages 3 and 4 of Attachment 3)

In response to a question from Councilmember Freeman regarding the non-residential gas service charge being at zero, Mr. Ritschel stated Energy Resources recommended not implementing a rate adjustment for gas.

Mr. Ritschel provided the summary of charges for a typical water and wastewater customer with Council's suggested modifications. (See Pages 5 and 6 of Attachment 3)

Mr. Ritschel shared the revised commercial roll off totals. He mentioned the City is very competitive with its pricing. (See Page 7 of Attachment 3)

Mr. Ritschel stated moving forward, the utility rate ordinances would be introduced at the November 15, 2021, meeting, December 8, 2021, would be the public hearing with February 1, 2021, being the effective date. (See Page 8 of Attachment 3)

In response to a question from Councilmember Luna inquiring as to whether Council can approve the rates for two years, City Attorney Jim Smith pointed out the rates will be effective moving forward and if Council decides not to change the rates in a year, the rates will remain the same until Council increases or decreases them.

Mr. Brady inquired whether Council could adopt the projected FY21/22 and the forecast FY 22/23 rates to avoid going through this exercise in a year or whether the rates would have to be re-noticed next year.

Mr. Smith agreed that the rates next year would have to be re-noticed since the notice was only for the current year.

Mr. Ritschel continued by saying there are a few cities who do adopt multiple year increases; however, the notice would have to be clear on what is being adopted.

Mr. Brady explained there is merit to locking the utility rates in for two years. He mentioned the growth in the city has allowed the flexibility to make the adjustments this year. He added because of the time needed between the notice and the action, the option of adopting rates for two years can be revisited next year.

Councilmember Thompson expressed concern with locking the rates in for two years because there are many factors that could arise. He pointed out when looking at the revenue and expenses, the expenses are expected to grow by approximately \$30 million over the FY21/22 timeframe, which is the cost of doing business; and raising rates is to help recover some of the overhead costs. He mentioned the City is continuing to subsidize utility bills in an effort to keep costs as low as possible.

Vice Mayor Duff inquired about the Notice of Intention rates within the presentation because the rates are different from the revised rates.

Mr. Ritschel clarified the Notice of Intention was the recommendation staff proposed to Council on September 23, 2021, with the intent of publishing the maximum amount of adjustment that the City could adopt. He explained Page 10 is a reminder of what the Notice of Intent said and basically sets the maximum amount that the City could adjust the rates. (See Page 10 of Attachment 3)

Mr. Brady stated after direction from Council on the proposed rates, the information will be shared on the website for the public to view. He indicated the Notice of Intent is for publication purposes to meet the obligation with the objective to provide some flexibility to Council.

Councilmember Spilsbury summarized that the typical water customer will be paying approximately \$0.95 more per month and \$0.70 per month for wastewater, equaling \$1.65 increase per month for the typical residential customer.

Mr. Ritschel confirmed Councilmember Spilsbury's understanding of the difference between 2021 rates and the revised rates.

Mayor Giles reiterated that Council is very reluctant to increase rates any more than necessary and he appreciates staff coming back with the lower proposed rates. He reminded the community that the proposed increase is well below the commodity price increases and the City is subsidizing to help absorb the cost increases. He said Councilmember Luna's suggestion to adopt for multiple years is worth looking into; however, with the volatile industry, the market is hard to predict long-term.

In response to a question posed by Mayor Giles, Mr. Brady advised the assumption is that each of the increases will take place to end up at the 15.9% reserve. He pointed out even though rates were adjusted down for the coming year, adjustments were required to make up the difference for future years, which was phased in to spread the impact out. He added inflationary factors are added into the forecast based on historical perspectives, but the numbers still need to be re-

visited every year. He mentioned staff could look at the numbers in a two-year window but would need a cushion to be able to adjust.

In response to a question from Councilmember Thompson regarding whether staff are factoring in the possibility of moving from Tier 1 to Tier 2 for Central Arizona Project (CAP) water charges, Mr. Brady confirmed that has been a consideration.

Mayor Giles indicated the consensus of Council is to move forward with the revised recommended rate increases proposed by staff and thanked staff for the presentation.

2. Convene an Executive Session.

It was moved by Councilmember Luna, seconded by Councilmember Thompson, that the Study Session adjourn at 8:52 a.m. and the Council enter into an Executive Session.

Upon tabulation of votes, it showed:

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

Carried unanimously.

2-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal, or resignation of a public officer, appointee, or employee of the City (A.R.S. §38-431.03A(1)).

1. City Clerk applicants and selection process.

(The Council adjourned the Executive Session and reconvened the Study Session at 9:24 a.m.)

3. Reconvene the public meeting and provide direction on the candidates who will be selected to interview for the position of City Clerk.

Mayor Giles thanked everyone who applied for the City Clerk position.

Councilmember Luna provided the names of the candidates to be interviewed for the position of City Clerk as follows:

- Agnes Goodwine
- Linda Mendenhall
- Holly Moseley

It was moved by Councilmember Thompson, seconded by Councilmember Spilsbury, that the above-listed candidates be accepted to move forward with the interview process.

Upon tabulation of votes, it showed:

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

Carried unanimously.

4. Current events summary including meetings and conferences attended.

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| Vice Mayor Duff – | Historic Preservation Community meeting |
| Councilmember Freeman – | Annual Lehi Community meeting |
| Councilmember Thompson – | Mesa Chamber of Commerce check presentation to United Food Bank |
| Councilmember Spilsbury – | Greenfield/University Meineke ribbon cutting |

Councilmember Luna, Vice Mayor Duff, and Councilmember Spilsbury attended the 20th anniversary of the Red Mountain Mesa Community College campus on November 2, 2021.

Councilmember Thompson announced Station 221 in Eastmark began dispatching calls for service today.

Councilmember Spilsbury reported this weekend the Mesa Convention Center will be holding a multicultural fair and the Pride Parade will take place in Downtown Phoenix.

Councilmember Heredia invited the community to attend the Fall Fiesta Event at Rhodes Junior High on Saturday, November 6, 2021, from 1:00 to 4:00 p.m.

Councilmember Freeman noted a community meeting will take place this evening at 80 East 9th Place from 5:30 to 6:30 p.m. to discuss the heat challenges in West Mesa.

5. Scheduling of meetings.

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

Monday, November 15, 2021, 5:00 p.m. – Study Session

Monday, November 15, 2021, 5:45 p.m. – Regular Session

Mr. Brady remarked the ceremonial opening of Station 221 in Eastmark will take place on Thursday, November 18, 2021, after the Study Session.

6. Adjournment.

Without objection, the Study Session adjourned at 9:32 a.m.

JOHN GILES, MAYOR

ATTEST:

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 4th day of November 2021. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 3)