



AUDIT, FINANCE & ENTERPRISE COMMITTEE

June 20, 2016

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 20, 2016, at 4:01 p.m.

COMMITTEE PRESENT

Christopher Glover, Chairman
Alex Finter
Kevin Thompson

COMMITTEE ABSENT

Christopher Brady, Ex Officio

STAFF PRESENT

Jim Smith
Michael Kennington

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation and discuss the Fire Prevention follow-up review audit.

City Auditor Jennifer Ruttman reported that this was a follow-up review of the Fire Prevention Division Audit from July 2014. (**See Attachment 1**) She stated that two of the six recommendations were successfully implemented.

Ms. Ruttman indicated that staff had some concerns that initiated an additional follow-up. She reported that at the time of the audit, the department did not have enough resources to complete the work as defined by their own standards. She said that changes were made successfully, but were hindered by subsequent changes in the national standards.

Ms. Ruttman stated that the information provided to City management and Council indicates that the work completed is that which is quoted in the standard (i.e., once a year inspection for high-risk occupancy and every two years for medium-risk occupancy), rather than the work actually completed. She explained that staff recommended that context be added in order to give Council and City management a clear understanding of what is being accomplished with the resources that are allocated. She stated that staff would follow-up on the progress at a later date.

Ms. Ruttman pointed out that another oversight was that inspections and fees were not being handled as management expected. She noted that a new system was recently implemented that should help deploy resources more effectively and more visibly to management. She added that staff will follow-up at a later date.

Chairman Glover thanked Ms. Ruttman for the presentation.

2-b. Hear a presentation, discuss and provide a recommendation on the proposed Audit Plan for FY 2016/17.

Ms. Ruttman reported that each year, a work plan is outlined for the coming year based on a number of criteria inclusive of management requests, Council requests, mandates, our audit history and what we know about the area. She stated that this year, staff plans to focus audit resources on the processes used by City departments to manage and monitor contracts. She indicated that contract monitoring has been reappearing in other audits over the years and is a common theme. (**See Attachment 2**)

Ms. Ruttman explained that while auditing a particular activity within a department, it was discovered that one or more contracts were not being actively or effectively monitored. She pointed out that the primary objective of these audits will be to determine whether adequate monitoring processes are in place to effectively ensure that the vendors comply with contract terms, that the City receives what it pays for, and that other contract-related risks are appropriately mitigated.

Ms. Ruttman gave a brief synopsis of the departments receiving audits on contract monitoring and listed their objectives as follows:

- Community Services/CDBG funding – to ensure that adequate processes are in place in order to hold non-profit organizations accountable that receive funding from Mesa.
- Transportation – to ensure that adequate succession planning is in place.
- Human Resources/Employee Benefits – to ensure good processes are in place to monitor contract compliance with the third-party benefit administration (Ameri-Ben).
- Parks, Recreation and Community Facilities – to ensure contract monitoring processes are properly in place after significant growth of the department.

Ms. Ruttman pointed out that construction permits in Development Services have not been audited in almost a decade. She stated that a new system is being developed and their processes have changed over the years. She explained that the objective is to determine whether effective controls are in place to ensure that applicable fees and charges are accurately calculated and collected.

Ms. Ruttman further reported that an audit of the supplies and equipment of the Police Department was carried over from the previous year. She noted that the audit was to evaluate internal controls and processes related to storage, inventory and issuance of supplies, equipment and/or other police property.

Ms. Ruttman stated that if resources are available, additional areas will be audited as follows:

- Financial Services and Engineering to determine whether effective controls are in place to ensure that: 1) Fixed Asset records are accurate and complete; and 2) Construction Work in Progress (CWIP) assets are placed in service in a timely manner upon completion.

- Mesa Arts Center (MAC) to determine whether effective internal controls are in place to ensure that revenues are collected, accurately recorded, and safeguarded from loss.

Ms. Ruttman reviewed the audits currently in process or in the reporting phase as of June 30, 2016, as well as follow-up reviews due in FY 16/17. She also highlighted other activities performed by her staff. (See Page 2 of Attachment 2)

Ms. Ruttman welcomed the Committee's input with respect to the Plan before it was forwarded on to the full Council for approval.

Committeemember Thompson thanked Ms. Ruttman for including contract monitoring since contractors often request more money. He asked if the outside entities, such as the Mesa Historical Museum, were audited to ensure that they are using the money as expected.

Ms. Ruttman confirmed that the contracts include standard language with a Right to Audit clause.

In response to a request from Committeemember Thompson, Ms. Ruttman agreed that the Mesa Historical Museum will be added to her audit list.

In response to a question from Committeemember Finter, Ms. Ruttman confirmed that her department has the necessary resources to perform well and indicated that the City Manager is always very responsive to her departmental needs.

Chairman Glover thanked staff for the presentation.

2-c. Hear a presentation, discuss and provide a recommendation on the Adaptive Reuse Program.

Development and Sustainability Department Director Christine Zielonka displayed a PowerPoint presentation related to the Adaptive Reuse Program. (**See Attachment 3**) She noted that Mesa has been practicing adaptive reuse over the years with the collaboration of several departments, but not as publicly as other cities. She introduced Development and Sustainability Project Manager Angelica Guevara who has researched the programs in other cities.

Ms. Guevara defined adaptive reuse as the process of renovating an existing building for a new use, including expansion or addition to the building. She provided examples of buildings that have been put to productive use, including the Santander Building that was a vacant shopping center and the expansion of Benedictine University. (See Pages 2 through 4 of Attachment 3)

Ms. Guevara explained that the purpose of an Adaptive Reuse Program is to facilitate vacant or underutilized buildings, streamline processes to help developers open the doors faster, and provide regulatory relief and incentives. She stated that the program attracts smaller, innovative businesses into existing buildings, and spurs additional redevelopment and reinvestment in the surrounding area, followed by additional jobs and sales tax revenues to the City. (See Pages 5 and 6 of Attachment 3)

Ms. Guevara implied that issues can arise when occupancy changes or expansions are made to an existing building, such as added expenses and time in order to bring the building up to City Code. (See Page 7 of Attachment 3)

Ms. Guevara reported that she has explored the Adaptive Reuse Programs in the Cities of Chandler, Tempe and Phoenix in order to compare with Mesa's program and highlighted the main differences. She stated that Tempe assigns a team leader, or main point of contact, to assist with the process from beginning to end. She highlighted the following items offered by Tempe that are helpful to business owners (See Pages 9 and 10 of Attachment 3):

- Tempe allows the use of an Evaluation Report in lieu of a full building plan submittal for permits, saving owners time and money.
- The Tempe building/life safety interpretation allows occupancy equivalency.
- Tempe allows a water supply line to be tapped for the sprinkler system from existing domestic service lines, providing cost savings.
- Tempe reduced the off-street parking requirements.

In response to a question from Committeemember Thompson regarding their sprinkler system, Ms. Guevara stated that the sprinkler system was connected before the water meter.

Ms. Guevara continued by describing the differences of the Adaptive Reuse Program in Chandler (See Pages 11 and 12 of Attachment 3) as follows:

- Chandler added an overlay zoning district in a specific geographic area that offers relaxed site development standards.
- Chandler has a separate Infill Incentive Plan (approximately one-third of the City) that targets redevelopment and reuse of older shopping centers.
- Chandler reimburses new users in that area for demolition and public infrastructure and funds are also set aside for store front renovations.

Ms. Guevara provided an overview of the Adaptive Reuse Program in the City of Phoenix (See Pages 13 through 15 of Attachment 3), and highlighted the following:

- Phoenix sets aside \$100,000 per fiscal year for permit incentives.
- Phoenix offers \$7,000 (per business owner) in incentives, which are applied to plan review and permit fees.
- Phoenix dedicates three staff members to supporting the program.
- Phoenix has a tiered program based on square footage, with tier 1 (5,000 sq. ft. maximum) being used the most.
- Limits the program to buildings that were constructed prior to 2000 and excludes certain business types.

Ms. Guevara provided a brief synopsis of the service comparisons between the City of Phoenix and the City of Mesa. (See Pages 16 through 30 of Attachment 3)

Ms. Guevara indicated that many of the same services are provided by Mesa, although there is room for improvement. She stated that Mesa could improve the marketing of services provided and benefit from an Adaptive Reuse Program. She said that Phoenix's Adaptive Reuse Program

is comprehensive and provides a good model, but Mesa would need to make policy and code changes in order to mirror Phoenix. (See Pages 31 and 32 of Attachment 3)

Ms. Guevara explained that moving forward, staff would need to determine the level of support and the changes needed in policy and code in order to provide a draft program for Council consideration.

Committeemember Finter emphasized his support in funding a Customer Advocacy Office in Mesa in order to have designated staff to carry out projects from start to finish.

Committeemember Thompson concurred with Committeemember Finter. He added that Mesa seems to make it more difficult for businesses to do business. He stated that he supports this effort and finding new ways to move our City forward.

Chairman Glover thanked staff for the presentation. He said that the Adaptive Reuse Program would be successful in Mesa and a Customer Advocacy Office would be helpful to the Council and the customers.

Chairman Glover noted that it was the consensus of the Committee that the Adaptive Reuse Program be brought before Council to determine what aspects Mesa does not currently have that should be adopted in order to fit our community. He added that expanding the program to incorporate buildings constructed prior to 2000 would benefit the properties east of Lindsay Road.

Ms. Zielonka announced that she would work with the City Manager's office to modify codes and will return to a Council Study Session in early Fall with specific proposals.

In response to a question from Committeemember Thompson related to current resources, Ms. Zielonka replied that the City of Phoenix has three staff members dedicated to this program and that Mesa is running on slim resources. She stated that if she had three dedicated staff members, then they could assist with plan review during this time when Mesa is experiencing the highest levels of development activity since before the recession.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 5:01 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 20th day of June, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

hm

(Attachments – 3)



CITY AUDITOR
mesaaz.gov

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Mesa, Arizona 85211-1466

Audit, Finance & Enterprise
June 20, 2016
Attachment 1
Page 1 of 8

Date: June 20, 2015

To: Audit, Finance and Enterprise Committee

CC: John Pombier, Assistant City Manager
Harry Beck, Fire Chief
Mike Dunn, Assistant Fire Chief
John Locklin, Deputy Chief/Fire Marshal

From: Jennifer Ruttman, City Auditor

Subject: MFMD – Fire Prevention Audit Follow-up Review

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a follow-up review of the MFMD Fire Prevention Division. The report is attached. Due to the number of recommendations that were not fully implemented, we plan to conduct another follow-up review later this year. Please feel free to contact me with any questions or concerns.

FOLLOW-UP REVIEW

CITY AUDITOR

Report Date: **June 20, 2016**
Department: **Mesa Fire and Medical Department (MFMD)**
Subject: **Fire Prevention Division**
Lead Auditor: **Dawn von Epp, Sr. Internal Auditor**

OBJECTIVE

The objective of this review was to determine whether the Mesa Fire and Medical Department (MFMD) effectively implemented the action plans presented in response to our July 2014 Fire Prevention audit report.

SCOPE & METHODOLOGY

To accomplish our objective, we reviewed departmental procedures, interviewed staff, and analyzed financial and inspection data for the 2015 calendar year.

BACKGROUND

In July 2014, we issued a report on our audit of the Fire Prevention Division of MFMD. The objective of that audit was to evaluate internal controls related to services, fees and charges administered by the Division. The audit report included the following six recommendations:

1. Develop and implement a plan to balance inspection demand with available resources.
2. Develop written procedures for critical tasks.
3. Strengthen oversight to ensure achievement of compliance and performance objectives.
4. Work with Facilities Maintenance to ensure code violations in City buildings are corrected in a timely manner.
5. Partner with ITD and Accounting to identify and resolve system issues.
6. Perform routine reconciliations/reviews to ensure payments are posted to the correct accounts, appropriate adjustments are made to receivables, and payment data is consistently recorded in the FireHouse system.

CONCLUSION

Two of the six recommendations (#4 and #5, above) were successfully implemented, and the remaining four were partially implemented. A complete list of the original corrective action plans, along with detailed information regarding their implementation status, is presented in the attached Appendix.

In our opinion, management should continue to work on implementing corrective actions to address the issues identified in the audit and follow-up review. Our updated recommendations, along with responses from MFMD, are listed below. We plan to conduct another follow-up review in approximately 9 months.

RECOMMENDATIONS & RESPONSES

- 1. Recommendation:** Management should regularly monitor to ensure that inspections are completed in compliance with established risk-based priorities.

Management Response: "Management will effectively monitor inspections using newly introduced iPad and reconfigured Firehouse Software. New program will allow the Sr. Program Assistant to more efficiently schedule inspections to meet our productivity standards and risk-based priorities."

- 2. Recommendation:** When inspection activity reports are provided to City management, the percentage of completion toward meeting the adopted standards (with regard to inspection frequency) should also be included in order to provide context.

Management Response: "Monthly report will be updated to include percentage of inspections completed fiscal year to date toward meeting the adopted standards and broken down between billable highs and mediums. (Falcon hangars and city facilities are inspected but are not billable and will not be included in this report.)"

- 3. Recommendation:** Staff should develop written procedures for invoicing activities, to ensure accuracy and consistency, and to maintain continuity of operations when employee turnover occurs.

Management Response: "Sr. Program Assistant will create a process document for all invoicing activities."

- 4. Recommendation:** Management should implement a process to ensure that follow-up inspections are conducted when required, and that all applicable fees are invoiced in a timely manner. Management should also regularly monitor these activities for compliance with established procedures.

Management Response: "The implementation of the iPad and Accela will assist management in accomplishing this goal. The iPad will visually identify all occupancies within an inspector's district that are due for follow-up inspection. Assistant Fire Marshal will check follow ups on a monthly basis to make sure they are completing these inspections within the guidelines. Accela will allow for immediate invoicing when follow-up is completed."

- 5. Recommendation:** Staff should complete all necessary revenue posting corrections, and should eliminate any remaining backlog of open Accounts Receivable documents. In

addition, regardless of existing backlogs, staff should perform monthly reconciliations to ensure that current payments are posted to the correct accounts, receivables are adjusted, and payments are accurately and consistently recorded in the FireHouse system.

Management Response: "Sr. Program Assistant will continue to reconcile Firehouse to Advantage line-by-line until all accounts are current. Sr. Program Assistant will also start doing a monthly reconciliation now."

APPENDIX / CAP IMPLEMENTATION STATUS REPORT

✓ = Implemented

◆ = In Progress

✗ = Not Implemented

Corrective Action	Implementation Status
CAP#1: Develop a plan to balance inspection demand with available resources.	
<p>Recommendation 1: Develop and implement a plan to more closely match the established inspection schedule with the resources available to sustain it. This may require increasing the available resources, decreasing the frequency of inspections, changing the service delivery model, or a combination thereof. To determine the most appropriate balance, a detailed risk analysis should be performed.</p> <p>Management Response: Fire Prevention will be pursuing a request to the Public Safety Committee presenting such options as:</p> <ul style="list-style-type: none">• Option 1: Hiring 4 new staff members under the current fee schedule. (Each Inspectors salary is already cost recovered at 80% of their total salary which means if we hire 4, 3 would be fully funded and the city would only have to cover 1 position.)• Option 2: Hiring 4 new staff members under an increase in fees. (This would fully fund all new Inspectors with the possibility of covering salaries of all current Inspectors, there has been no increase in fees since initial ordinance in 2007.)• Option 3: Changing our inspection frequency and performing a risk assessment to possibly reorganize hazard classifications to meet the goals with the current staffing levels. <p>In the meantime we will do a risk assessment to ensure that we are meeting the goals and objectives set by the Fire Prevention bureau with the current staff intact with no changes to the inspection frequency. This could be a long term solution yet we do not feel this strategy is all inclusive as our current model attempts to be.</p>	<p>In Progress (Not Effectively Implemented)</p> <p>Early in 2015, changes were implemented to increase inspector productivity to a level which, in theory, would have met the inspection demand at that time.</p> <p>However, in July 2015 the inspection frequency requirements were changed in order to match National Fire Protection Agency (NFPA) standards. As a result, as of January 2016, only about 75% of required inspections are being completed in accordance with the new schedule. Also, this is not a metric monitored by Division management.</p> <p>Lastly, internal controls could be improved to systematically ensure that all required inspections are conducted, and that they are prioritized to reduce overall risk. Currently, individual Fire Inspectors are expected to prioritize and complete daily inspections from both high and medium risk types within assigned geographical areas.</p>
CAP#2: Develop written procedures and improve management oversight.	
<p>Recommendation 1: Develop written procedures that provide clear guidance to staff at a level of detail necessary to ensure critical tasks are completed correctly and consistently, in accordance with Division policies and management's expectations.</p>	<p>In Progress</p> <p>An SOP was developed that provides guidance to Inspectors. However, procedures regarding</p>

APPENDIX / CAP IMPLEMENTATION STATUS REPORT

 = Implemented	 = In Progress	 = Not Implemented
Corrective Action	Implementation Status	
<p>Management Response: To ensure policies are followed, the Assistant Fire Marshal will develop written procedures for scheduling inspections, verifying payment of fees, checking for violations, and other critical task procedures. Currently the Assistant Fire Marshal is writing a goal oriented procedure for uniform completion of fire inspections. Formal training on the procedure will be conducted prior to implementation. To address training needs and requirements for inspectors the Assistant Fire Marshal will begin monthly mandatory training beginning November 3rd to ensure consistency and efficiency by all inspectors. The Sr. Program Assistant will develop written procedures for invoicing and FSOP permitting. The most critical written procedures will be completed by January 1, 2015.</p>	invoicing activities have not been developed due to a planned system replacement (scheduled for July 2016).	
<p>Recommendation 2: Strengthen and increase the frequency of management oversight activities to ensure compliance with procedures and achievement of key objectives. Useful reports should be developed and regularly reviewed to identify exceptions, monitor specific activities and metrics, and analyze resource needs.</p> <p>Management Response: Management will create reports that are monitored quarterly by management to ensure processes are being followed. All reports to be completed by January 1, 2015. Additionally, the Fire Marshal has reinstated a chain of command model. The Assistant Fire Marshal is responsible for direct oversight of daily activity of all inspectors. All inspectors will report operational issues, training needs, and customer relations issues directly to the Assistant Fire Marshal for timely disposition.</p>	<p>In Progress</p> <p>There has been an increase in oversight; however, the efforts have been narrowly focused on productivity targets. Management established and monitored monthly quotas for regularly scheduled inspections, but not for follow-up inspections or other activities.</p> <p>In contrast, activities that were not specifically measured or monitored did not improve. For example, follow-up inspections were not always conducted in a timely manner; and invoices were not always issued for follow-up inspection fees.</p>	

APPENDIX / CAP IMPLEMENTATION STATUS REPORT

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Corrective Action	Implementation Status
CAP#3: Improve the process for ensuring violations in City occupancies are resolved.	
<p>Recommendation 1: Develop an <i>actionable</i> plan to hold the Facilities Maintenance Department accountable for correcting City occupancy code violations in a timely manner. [Note: We believe that compliance would be more likely if there were a predetermined course of action to be taken at defined intervals, similar to the process followed for commercial occupancies. We also acknowledge that this will require support from the City Manager's office.]</p> <p>Management Response: Fire Prevention will create a policy that will outline the regulations for inspections performed on City buildings, including frequency and compliance. It is suggested that violations in any city building be submitted to a central person in Facilities. From her/him, violation correction orders can be given to an appropriate Facilities member either on site or otherwise assigned. The Assistant Fire Marshal will support that process as required. In partnership with Fire Prevention and Facilities Maintenance this policy will be put into both divisions operational procedures. Results of these inspections and follow ups will be included in month end reports. The policy will be completed by January 1, 2015.</p>	Implemented
CAP#4: Resolve system-related issues.	
<p>Recommendation 1: Partner with ITD and Accounting to identify/resolve system issues.</p> <p>Management Response: We will have a meeting with ITD and Accounting to identify issues between iNovah, Firehouse and Advantage to ensure all invoices and payments are reaching all systems correctly. Meeting to be schedule in month of November. Corrections will be made as soon as Accounting and ITD have time to work with Prevention in getting these items corrected.</p>	Implemented
<p>Recommendation 2: Perform routine reconciliations and reviews to ensure that payments are posted to the correct accounts, appropriate adjustments are made to</p>	In Progress

APPENDIX / CAP IMPLEMENTATION STATUS REPORT

✓ = Implemented

◆ = In Progress

✗ = Not Implemented

Corrective Action	Implementation Status	
<p>receivables, and payment data is consistently recorded in the FireHouse system.</p> <p>Management Response: We will initiate the meeting with Accounting in November to do a primary reconciliation between Firehouse records and Advantage records to ensure that all accounts match. Once that initial reconciliation is complete a month end report will be ran out of both systems so that reconciliation will be completed each month.</p>	As of January 2016, Fire Prevention and Accounts Receivable had reconciled approximately 53% of the previously identified discrepancies, and had not yet begun performing month-end reconciliations.	

Fiscal Year 2016/2017

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.*

Audit Planning Process:

The Audit Plan is a Council-approved document which outlines the planned activities of the City Auditor's office for the year. It is developed based on a combination of key risk factors, as well as direction provided by the City Council and City Manager. Changes in scope or complexity of individual audits, or other unforeseen circumstances, may impact our ability to complete all work on the plan. Factors considered when selecting areas to audit may include:

- Requests and/or Suggestions received from the City Council or City Manager
- Statutory mandates and/or regulation levels (highly regulated vs. unregulated activities)
- Prior audit history or lack thereof
- Complexity of operations or significant changes in operations or organizational structure
- Technological advances or challenges
- Cash handling volume and number of locations
- Impact & likelihood of potential adverse events (risk management/control failures)
- Activities commonly susceptible to fraud

FY 2016/2017 Audits

<u>Audit Subject</u>	<u>Initial Objectives</u>
Contract Monitoring: <ul style="list-style-type: none"> • Community Services/CDBG • Human Resources/Employee Benefits • Parks, Recreation & Community Facilities • Transportation 	This year, the City Auditor plans to focus audit resources on the processes used by a variety of City departments to manage and monitor contracts. The primary objective of these audits will be to determine whether adequate monitoring processes are in place to effectively ensure that the vendors comply with contract terms, that the City receives what it pays for, and that other contract-related risks are appropriately mitigated.
Development Services-Construction Permits	To determine whether effective controls are in place to ensure that applicable fees and charges are accurately calculated and collected.
Police Department – Supplies & Equipment	Evaluate internal controls and processes related to storage, inventory and issuance of supplies, equipment and/or other police property.
<u>Additional Audits (if resources are available)</u>	
Financial Services & Engineering – Fixed Assets and Construction Work in Progress (CWIP)	To determine whether effective controls are in place to ensure that: 1) Fixed Asset records are accurate and complete; and 2) CWIP assets are placed in service in a timely manner upon completion.
Mesa Arts Center (MAC)	To determine whether effective internal controls are in place to ensure that revenues are collected, accurately recorded, and safeguarded from loss.



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Audit
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Attachment 2

Fiscal Year 2016/2017

FY 2015/2016 Carryover (In Progress or in Reporting Phase as of 6/30/2016)

- Communications – Procurement & Inventory Management
- Engineering – Light Rail Project Reimbursements Follow-up Review
- Housing & Community Development – Rehab Program
- Financial Services – Payroll
- Police – Off Duty Employment Program Follow-up Review
- PRCF – Red Mountain Multigenerational Center
- Water Resources – Asset Management

Follow-up Reviews Due in FY 2016/2017

- City Attorney – Property & Public Liability Claims
- Human Resources/Safety Services – Workers Compensation Claims
- ITD – Procurement & Inventory Management Processes
- MFMD – Fire Prevention Division (2nd Follow-up)
- Police Department – Off Duty Program (2nd Follow-up)

The objective of each follow-up review is to verify that corrective action(s) agreed to in response to the audit were: 1) Implemented as agreed; and 2) Effective in resolving the related audit finding(s).

Other Activities

Citywide Cash Audits	Unannounced audits of cash handling sites citywide are conducted throughout the year.
Payment Card Industry Data Security Standards (PCI DSS) Review	Annual review of credit card acceptance sites for compliance with PCI DSS.
Fraud & Ethics Hotline Investigations	Monitor the City's Fraud & Ethics Hotline and conduct investigations as needed.
Consulting Services	Provide independent consulting/advisory services; data collection, validation and/or analysis; internal control reviews; risk analyses; financial statement reviews; etc. as needed.
Unscheduled Audits	As directed by the City Council or City Manager, conduct unscheduled audits, which may arise due to unforeseen circumstances.

Adaptive Reuse Program

AUDIT, FINANCE AND ENTERPRISE COMMITTEE

JUNE 20, 2016

ANGELICA GUEVARA



What is Adaptive Reuse

- ▶ The process of renovating an existing building for a new use
- ▶ Can include the expansion or addition to an existing building

Santander

Before



After



Benedictine University



Purpose of an Adaptive Reuse Program

- ▶ To encourage and facilitate the reuse of existing vacant or underutilized buildings
- ▶ Facilitates development guidance, streamline processes, reduce processing timeframes, and cost savings for projects in the program
- ▶ Provides regulatory relief!

Benefits of an Adaptive Reuse Program

- ▶ Attract smaller, innovative businesses into existing buildings
- ▶ Spurs additional redevelopment and reinvestment in the surrounding area
- ▶ Brings additional jobs and sales tax revenues to the city

Typical Issues

- Changing occupancy or expanding an existing building can create challenges complying with current codes:
- Physical Constrains
- Cost of Improvements
- Time

Existing Adaptive Reuse Programs



City of Phoenix



Tempe Adaptive Reuse Program

- ▶ ***Assigns a Team Leader or main point of contact***
- ▶ No monetary incentives and no additional staff
- ▶ Only applies to single tenant structures 5,000 s.f. or less permitted prior to 2000
- ▶ ***Evaluation Report used in lieu of full plan submittal for permits***
- ▶ Allows concurrent review of construction plans pending zoning actions for use permits or variances

Tempe Adaptive Reuse Program

- ▶ *Building/Life Safety Interpretation allows occupancy equivalency*
- ▶ *Affect Number of Toilet Fixtures for Restroom Facilities*
- ▶ *Allows water supply line for Sprinkler System from existing domestic service line*
- ▶ *Stormwater retention waived when project does not exacerbate downstream conditions*
- ▶ *Reduced off-street parking requirements*

Chandler Adaptive Reuse Program

- Overlay zoning district applicable to commercially zoned sites
- Arizona Ave and on Chandler Blvd
- Relaxes site development standards
- Buildings constructed prior to 1990 and less than 15,000 s.f.
- No new staff – team of existing staff address issues



Chandler Adaptive Reuse Program

- Separate Infill Incentive Plan targets redevelopment and reuse of older shopping centers
- Reimburses demolition costs and public infrastructure for new use
- Storefront renovations



City of Phoenix Adaptive Reuse Program

- ▶ \$100,000 in permit incentives per fiscal year
- ▶ Program Manager, Project Manager, and an Engineering Technician support the program
- ▶ Office of Customer Advocacy is in the Planning and Development Department



City of Phoenix Adaptive Reuse Program

- ▼ \$7,000 incentive applied to plan review and permit fees
- ▼ Citywide Program
- ▼ Tiered Program:
 - Tier 1: 5,000 s.f. max
 - Tier 2: 5,000 to 25,000 s.f. max
 - Tier 3: 25,000 to 100,000 s.f. max



City of Phoenix Adaptive Reuse Program

► Eligibility:

- Buildings constructed prior to 2000
- Excluded Uses: sexually-oriented business, retail sale of liquor for off-premises consumption, manufacturing, fabrication and assembly of finished products, tattoo shop, pawn shop, gun shop, bail bonds, check cashing/payday loans, hazardous occupancies



Service Comparison

City of Phoenix



mesa.
az

Business Assistance

Phoenix

- ▼ Management Technical Assistance
 - Private sector consultants available
- ▼ Expansion Assistance/Development
 - Collateral enhancement for loans
- ▼ Business/Workforce Development Center
 - Talent acquisition, training and development

Mesa

- ▼ Arizona @ Work and Mesa Community College provide talent acquisition, training and development
- ▼ Loan assistance through NEDCO
- ▼ LaunchPoint - Technology Accelerator
- ▼ Public/Private/Partnerships: BenU and Center for Higher Education
- ▼ Fire Sprinkler assistance Downtown

Planning/Entitlements

Phoenix

- ▶ Accelerated Zoning Adjustment request hearing date meeting Arizona State public notice requirements
- ▶ Variances
- ▶ Special Use Permits
- ▶ Form-Based Code Opt-In

Mesa

- ▶ Customized processing of Zoning and Design Review Cases with approval by Planning Director

Historic Preservation

Phoenix

- ▶ Give priority to adaptive reuse projects when processing HP zoning applications
- ▶ Expedited building permit review issue Certificates of No Effect vs Certificates of Appropriateness
- ▶ Prioritize projects for allocation of Historic Preservation Bond Funds

Mesa

- ▶ Certificate of Appropriateness required prior to repairing or remodeling exterior of structures
 - Staff level review
 - Appeals heard by Historic Preservation Board

Code Enforcement

Phoenix

- ▶ Extended timeframes for enforcement efforts with continued progress to correct code violations

Mesa

- ▶ Extends timeframes when applicants are actively working on resolving violations in a timely manner

Sustainability

Phoenix

- ▶ Communicate resources available
- ▶ Allows use of *2012 International Energy Conservation Code*
- ▶ Allows use of *2012 International Existing Building Code* for some projects

Mesa

- ▶ We communicate resources available and direct customers to the Sustainability Office
- ▶ Adopted the *2009 International Energy Conservation Code*
- ▶ Adopted the *2006 International Existing Building Code*

Assumed Risk Affidavit

Phoenix

- ▶ Concurrent reviews of building plans with pending zoning actions (use permits and variances)
- ▶ Owners must sign *Affidavit of Acknowledgement of Assumed Risk*

Mesa

- ▶ Allow concurrent reviews of building plans with pending zoning actions when approval is given by the Planning Director and Building Official

Building Permit Processing

Phoenix

- ▼ Priority given to projects in program
- ▼ Expedited building permit reviews
- ▼ Over-the-counter available where possible
- ▼ Issue Permit using Evaluation Report

Mesa

- ▼ Customized review - specific needs
- ▼ Expedited Plan Review 10 days 100% premium
- ▼ Super-Expedited Plan Review 5 days 200% premium
- ▼ Permit By Inspection
- ▼ Self-Certification (5 days)
- ▼ Phased Permits

Life Safety Issues

Phoenix

- ▶ *2012 International Existing Building Code (IEBC) provides relief from code required for new buildings*
- ▶ *Change of Occupancy determined on hazard level associated with each occupancy classification*
- ▶ *Options for Restroom Facilities*

Mesa

- ▶ *2006 International Existing Building Code (IEBC) provides relief from code provisions required for new buildings*
- ▶ *Building Official can allow alternate methods and materials and code modifications*

Change of Occupancy

Phoenix

- ▼ Interpretation allows occupancy equivalency for B and M Occupancies
- ▼ Interpretation for new requirements only for additions or alterations required
- ▼ Issue occupancy permit using Evaluation Report sealed by a registrant *when very little work is being done*
- ▼ Allows site, civil and traffic requirements to be met under a separate review
- ▼ Permit by Inspection for minor remodel or code upgrade work

Mesa

- ▼ Issue Duplicate or Verification of C of O Permit without needing sealed drawings when no work is proposed

- ▼ Allow phased permit submittals with approval by Deputy Director
- ▼ Allow Permit by Inspection for minor remodel or code upgrade work

Parking

Phoenix

- ▶ Amended the Zoning Ordinance to reduce the number of required parking stalls when certain conditions are met

Mesa

- ▶ Zoning Ordinance allows shared parking with an Administrative Use Permit
- ▶ Special Use Permit can authorize:
 - ▶ Parking reductions
 - ▶ Alternative Compliance with minimum parking requirements

Civil Improvements

Phoenix

- ▶ Proportionally apply site requirements based on the scope
- ▶ Existing driveways
- ▶ Existing alley access
- ▶ Street Lights
- ▶ Storm Water Retention Infill and Redevelopment Retention Policy

Mesa

- ▶ Interior improvements only:
- ▶ proportionally apply site requirements based on the scope
- ▶ Existing driveways
- ▶ Existing alley access
- ▶ Street Lights
- ▶ Storm Water Retention

Fire

Phoenix

Mesa

- ▶ A separate water meter for a Fire Sprinkler System is not required
- ▶ *Fire line can be tapped into the domestic water line prior to the meter*

Site/Landscape Plans

Phoenix

- ▶ Use Site/Landscape combination plan when less than 20 trees are proposed/required
- ▶ Zoning Ordinance amendment established guidelines for incremental improvement based on proportionality
- ▶ Commercial and Multi-Family

Mesa

- ▶ Can use Site/Landscape combination plan for minor projects

Utility Services/Lot Lines

Phoenix

- ▶ Existing utility lines crossing property lines can remain
- ▶ Use Utility Easements
- ▶ Combine multiple lots without re-platting

Mesa

- ▶ Utility lines cannot cross property lines

Summary

- ▶ We already provide some services
- ▶ Additional improvements can be made
- ▶ Mesa can benefit with an Adaptive Reuse Program
- ▶ Mesa can improve marketing of existing services

Summary

- ▶ These programs are successful and requested by developers
- ▶ Phoenix's Program is a good comprehensive model
- ▶ Policy and code changes
- ▶ Monetary incentives
- ▶ Dedicated staff to assist owners and developers

Moving Forward

- ▶ Determine:
 - ▶ Level of support (funding and staffing)
 - ▶ Policy changes needed
 - ▶ Code changes needed
- ▶ Staff can finalize a draft program for council consideration