

FINANCE COMMITTEE MINUTES

October 18, 1996

The Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on October 18, 1996 at 8:44 a.m.

COMMITTEE PRESENT

John Giles, Chairman
Joan Payne
Jim Stapley

COMMITTEE ABSENT

None

COUNCIL PRESENT

Dennis Kavanaugh

STAFF PRESENT

C.K. Luster
Don Ayers
Cindy Barris
Neal Beets
Fred Conway
Mike Hutchinson
Sandy Mason
Frank Mizner
Kathy Pace
Bryan Raines
Tom Remes
Jenny Sheppard
Debbie Vickman
Jamie Warner
Larry Woolf

OTHERS PRESENT

John Back

1. Review and consider recommending acceptance of the Comprehensive Annual Financial Report for Fiscal Year 1995-1996.

Finance Director Don Ayers introduced John Back, auditor from K.P.M.G. Pete Marwick, LLP.

Mr. Back informed the Committee that his office has completed the annual audit of the City's financial statements. Mr. Back emphasized that the purpose of the audit was to assess the internal control environment of the City to determine the nature and extent of the City's auditing procedures but not to issue an opinion on the City's internal control structure. Mr. Back advised that there were no reportable conditions, significant audit adjustments, or material weaknesses. Mr. Back commended staff for their excellent work.

In response to questions from Committeemember Stapley, Mr. Ayers and Controller Larry Woolf provided clarification pertaining to the reporting of debt service.

City Manager Charles Luster and the Committee expressed appreciation to Mr. Ayers, Mr. Woolf, and Assistant Controller Kathy Pace for their assistance in meeting the October 1 deadline and commended them for an audit with no exceptions.

It was moved by Committeemember Stapley, seconded by Committeemember Payne, to recommend to Council that the Comprehensive Annual Financial Report for FY 1995-1996 be approved.

Carried unanimously.

2. Consider a recommendation concerning changes to commercial and multi-unit housing utility account deposits.

Customer Service Administrator Jenny Sheppard presented the Committee with a recommendation for changes to the Terms and Conditions for the Sale of Utilities to commercial and multi-unit customers. Ms. Sheppard said that it is staff's recommendation that commercial and multi-unit customers not be required to provide the City with a commercial utility deposit unless a need has been identified through a Dun and Bradstreet report.

In response to questions from Committeemember Stapley, Ms. Sheppard advised that staff collects deposits on a daily basis and that the City's leverage position would not change. Ms. Sheppard stated that deposits would only be waived if the customer showed a good past credit performance based on the Dun and Bradstreet report. Ms. Sheppard said that the City would have the ability to go back and collect a deposit if problems occur.

Assistant City Manager Mike Hutchinson noted that the change in the collection of deposits would assist the City in remaining competitive with other suppliers of gas and electric.

In response to a question from Chairman Giles, Ms. Sheppard indicated that the City currently averages less than one-half percent of bad debt per year, which equates to between \$30,000 and \$50,000 per quarter. Mr. Luster stated that no significant increase in the amount of bad debt is anticipated due to the selectiveness when authorizing a waiver of deposit.

It was moved by Committeemember Stapley, seconded by Committeemember Payne, to recommend to Council changes to commercial and multi-unit housing utility account deposits as proposed by staff.

Carried unanimously.

3. Consider a proposal to have a consultant analyze the City's development fee structure.

Senior Management Assistant Bryan Raines briefed the Committee concerning impact fees. Mr. Raines informed the Committee that it may be appropriate at this time to consider the use of impact fees as part of an overall evaluation of the City's current development-related fee structure. Mr. Raines stated that staff is requesting permission to proceed with the issuance of a Request for Proposals (RFP) to elicit a consultant to analyze Mesa's development fee structure.

In response to questions from Committeemember Stapley, Mr. Raines noted that the adoption of impact fees could possibly cause the current total residential development fees to double. Mr. Raines further indicated that the full effect of the impact fees would not be known until a consultant has had an opportunity to research and prepare a report.

Mr. Raines noted that there are several qualified consulting agencies in the Southwest. Mr. Raines stated that the cost of a consultant is unknown at this time but is estimated to be more than \$60,000.00.

Mr. Hutchinson noted the controversial nature of the issue of development fees and advised that it would be difficult for City staff to prepare this type of a report. Mr. Hutchinson commented that the City would achieve the most reliable results through the utilization of a consultant.

Committeemember Payne stated opposition to the request and noted that she will not vote in favor of a motion for approval.

In response to questions from Chairman Giles, Mr. Hutchinson clarified that at this time, staff is only requesting approval to proceed with an RFP. Mr. Hutchinson stated if the request is approved, staff anticipates providing to the Committee within the next two months a recommendation concerning a consultant.

Mr. Hutchinson added that over time, impact fees would have a significant effect on revenue streams.

It was moved by Committeemember Stapley, seconded by Chairman Giles, to authorize staff to issue a Request for Proposals (RFP) for a consultant to analyze the City's development fee structure.

Upon tabulation of votes, it showed:

AYES - Giles-Stapley
NAYS - Payne

Chairman Giles declared the motion carried by majority vote.

4. Adjournment.

It was moved by Committeemember Stapley, seconded by Chairman Giles, that the Finance Committee meeting adjourn at 9:10 a.m.

Carried unanimously.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Finance Committee meeting of the City of Mesa, Arizona, held on the 18th day of October, 1996. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 25th day of October 1996

BARBARA JONES, CITY CLERK