

# FINANCE COMMITTEE MINUTES

October 17, 2002

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 17, 2002 at 9:32 a.m.

**COMMITTEE PRESENT**

Kyle Jones, Chairman  
Rex Griswold  
Dennis Kavanaugh

**COUNCIL PRESENT**

Janie Thom

**OFFICERS PRESENT**

None

1. Discuss and consider impact fees for development projects by non-profit agencies.

Neighborhood Services Manager Bryan Raines addressed the Committee concerning this agenda item and provided brief historical background information concerning the City's development impact fee program. He advised that a local non-profit agency that is constructing a new facility on City-owned land has requested that the City waive the impact fees associated with their project. Mr. Raines reported that with limited exceptions, the City's impact fee regulations do not allow for exemptions, and further explained that if impact fees are waived for development, the City is then required to pay the fees on behalf of the project. He further reported that other than those cases that are specifically exempted by City Code, only the City Council has the discretion to authorize payment by the City for development impact fees assessed to development. Mr. Raines said that pursuant to State law, which requires that fees and waivers be equitably applied, if the City elects to waive/pay impact fees for one non-profit agency, all non-profit development projects must be given the same consideration.

Mr. Raines commented that although the non-profit agency in this case has submitted this request because the project is located on City-owned land, in staff's opinion, it is not the land itself but the development on the land that creates additional demands on City services.

In response to a question from Chairman Jones concerning the fact that this case involves a project located on City-owned land, Mr. Raines explained that this particular non-profit agency has operated a facility on City land for several decades. Mr. Raines noted that the City is currently in the process of considering the transfer of various City-owned properties (including this particular site) to non-profit agencies that are operating facilities on those parcels.

Committeemember Griswold commented on the benefits that non-profit agencies provide to the City and voiced concerns regarding staff's opinion that the agencies be assessed impact fees.

In response to concerns voiced by Committeemember Griswold, Mr. Raines discussed the fact that non-profit facilities impact a variety of infrastructure services provided by the City, including water, wastewater, police and fire.

Discussion ensued regarding the fact that a number of non-profit agencies in Mesa receive Community Development Block Grant (CDBG) funds and the fact that although CDBG funds can be used to pay permit fees, they cannot be used to pay impact fees.

In response to a question from Chairman Jones concerning financial impacts associated with setting the precedent of waiving/paying impact fees for non-profit agency projects, Mr. Raines advised that staff has not yet determined how many cases a policy change in this area would apply to in the future. He further commented that the possibility exists that churches and other non-profit entities may be entitled to equal treatment if a policy change is implemented.

Committeemember Griswold stated support for waiving impact fees in this case based on the fact that the facility is located on City-owned land and voiced opposition to penalizing non-profit agencies for expanding operations in the City. He stated the opinion that more enhanced non-profit agencies result in stronger neighborhoods and a stronger City.

Discussion ensued regarding the possibility of implementing a modified impact fee schedule for non-profit agencies.

Committeemember Kavanaugh voiced reluctant support for staff's recommendation that the agency's request for a waiver be denied and explained that he understands the importance of ensuring that City policies are applied to all non-profit agencies in a fair, consistent and equitable manner. He also voiced the opinion that transferring City land to non-profit agencies will provide significant long-term benefits to those agencies.

It was moved by Committeemember Kavanaugh, seconded by Chairman Jones, to recommend to the Council that staff's recommendation that the City not elect to pay impact fees associated with development projects undertaken by non-profit agencies, be approved.

Upon tabulation of votes, it showed:

AYES - Jones-Kavanaugh  
NAYS - Griswold

Chairman Jones declared the motion carried by majority vote.

2. Discuss and consider formalization of a policy regarding billing error adjustments for utility customers.

Customer Service/Tax and Licensing Director Don Ayers addressed the Committee concerning this agenda item. He stated that the City's Customer Service Operations has had an unwritten, informal policy in place for years that dictates that identified billing error adjustments that would benefit the customer be adjusted back to the date the problem began. He further reported that in accordance with this policy, in the event it is determined that a detected billing error would

ultimately benefit the City, rather than the customer, the adjustment is only applied to a six-month billing history.

Mr. Ayers reported that the City has experienced a number of billing errors primarily in conjunction with County annexed land in east Mesa, a majority of which involved sewer service. He stated that billing research associated with the existing informal policy places a time consuming burden on staff and commented on the arduous task of reviewing years worth of billing records that have been stored on microfiche in order to accurately research and rectify the billing errors.

Mr. Ayers further reported that a number of local municipalities have opted to retroactively adjust utility accounts up to a maximum of three years. He stated that staff recommends implementing a similar policy for the benefit of customers and/or the City. He noted that the City's existing Customer Service billing system automatically maintains customer records for a period of two years and added that the proposed formal policy would only require staff to conduct microfiche billing records research for up to one additional year.

Committeemember Kavanaugh voiced approval of staff's recommendation and added the opinion that a more formalized process will provide a clear-cut policy and will reduce the risk of miscommunication and misunderstanding between the City and its utility customers.

In response to a question from Committeemember Griswold, Mr. Ayers reported that the State Department of Archives requires that municipalities maintain utility billing records for a period of three years.

Committeemember Griswold stressed the importance of ensuring that accurate utility bills are issued by the City.

Mr. Ayers reported that updated utility maps now provide staff the ability to identify homes that are connected to the City's sewer system.

Chairman Jones voiced support for implementing a formal policy concerning this issue, as recommended by staff.

It was moved by Committeemember Griswold, seconded by Committeemember Kavanaugh, to recommend to the Council that staff's recommendation relative to limiting the amount of time that the City will retroactively adjust utility bills to three years from the date the error was detected, or to the date the error occurred, whichever is less, be approved.

Carried unanimously.

3. Discuss and consider recommended policies to address issues associated with customers' use of credit cards as payment for City services.

Material Management Director Sharon Seekins and City Controller Kathy Pace addressed the Committee concerning this agenda item and said that staff is seeking direction concerning the establishment of policies governing the City's acceptance of credit cards as payment for City services. Ms. Seekins discussed the City's current acceptance of credit cards and stated the opinion that the volume of credit card transactions is going to increase dramatically in the next

two years as new utility billing, Parks and Recreation registration and building permit systems are enhanced to allow Internet payment processing. She reported that bank charges associated with the acceptance of credit card payments range between \$2.00 and \$3.00 for every \$100 charged.

Ms. Seekins reported that staff recommends that the Council adopt the following policies relative to the acceptance and processing of credit card payments:

- City services will be priced identically regardless of the payment method used by the customer. This means that City departments must consider the impact of credit card transaction fees when recommending a fee structure for the services offered in their department or division.
- The type/brand of credit cards the City will accept will be identified in a Management Policy, and City departments that opt to accept credit cards shall accept all approved card types. (Currently, the City accepts Visa, MasterCard, American Express and Discover.)
- The City recognizes that transaction fees are based in part on the volume of transactions. Therefore, the number of clearinghouses used for processing credit card transactions will be limited in order to build volume and obtain favorable pricing.

Discussion ensued regarding the option of offering cash discounts and the problems associated with this option, and the future challenges staff will face in conjunction with correctly projecting credit card transaction fees for budget purposes.

Ms. Seekins said that in staff's opinion, offering a uniform pricing policy helps to ensure customer confidence in the fact that City fees are consistent, regardless of the payment method.

Committeemember Kavanaugh stated support for the recommendations, particularly the uniform pricing policy.

In response to a question from Committeemember Griswold concerning the processing fees paid in connection with MasterCard and Visa versus American Express, Ms. Seekins advised that fees vary depending on the manner in which the card is processed.

Discussion ensued regarding the fact that although processing fees for American Express transactions are higher than Visa and MasterCard for in-person transactions, fees for internet transactions are competitive between the three cards because Visa and MasterCard internet transaction fees are elevated; the fact that currently Visa and MasterCard transactions represent 99% of the City's credit card transactions and that American Express and Discover card represent the remaining 1%; that American Express is regularly used at the City's golf courses and Centennial Center; and that staff anticipates increased use of American Express and Discover in conjunction with future internet payment processing.

It was moved by Committeemember Kavanaugh, seconded by Committeemember Griswold, to recommend to the Council that staff's recommended policies to address issues associated with customers' use of credit cards for payment of City services, be approved.

Carried unanimously.

4. Discuss and consider the sale of excess City properties.

Property Acquisition Supervisor Craig Crocker addressed the Committee concerning this agenda item. He provided an historical overview concerning this item, previous Council direction that staff identify City-owned properties that could be available for sale and the results of staff's efforts to date.

Mr. Crocker referred to an *Excess Property List* dated September 1, 2002 (See Attachment), copies of which were provided to the Committeemembers, and stated that the list of City-owned properties is divided into three categories: Available, Redevelopment Area and Hold For Future Use or Sale. Mr. Crocker stated that the approximate values identified on this list are staff's estimates. He noted that properties #1 (northwest corner of 6<sup>th</sup> Avenue and Alma School) and #2 (northwest corner of 1<sup>st</sup> Place and Alma School) have been valued at \$500 each because the properties are too small to be independently developed. He added that in the past, the City has offered and sold properties of this type to adjoining property owners for \$500 to cover administrative costs.

Chairman Jones requested that staff provide the members of the Council with an itemized breakdown of the total amount of funds the City has invested in each property.

Mr. Crocker commented on the fact that demolition, clean-up and other costs were incurred in connection with a number of the listed properties. He said that although complete itemizations are not available at this time, staff will provide the Council with the requested itemizations within approximately two weeks.

Committeemember Kavanaugh stated support for staff's recommendations and discussed the fact that a number of listed properties categorized under Redevelopment Area (#9-#22) are currently involved in a bidding process and future sales are possible. He added that Hunter Consulting presented recommendations to the Council regarding the disposition of a number of parcels in this category.

Councilmember Thom commented on the size of parcels #1 and #2 and voiced concerns regarding staff's recommendation that the lots be sold for \$500 each. She commented on City development regulations relative to minimum lot size and dimensions and requested that staff provide her with information relative to actual lot dimensions when this issue is brought before the Council for discussion. She added that she is in favor of securing appraisals on these parcels.

Councilmember Thom also voiced concerns regarding the estimated value that staff has placed on parcel #3 (southeast corner of University and Alma School) and parcel #4 (southwest corner of Main and Gilbert) and reiterated her support for obtaining property appraisals. She also suggested that property values assessed by the Maricopa County Assessor's office be used as a benchmark for determining property values.

Discussion ensued regarding the fact that the City incurred environmental clean-up costs in conjunction with parcel #3; costs associated with conducting commercial property appraisals; the fact that staff has recommended retaining the services of a realtor for five of the eight properties; the fact that it has not been the City's policy in the past to use County Assessor valuations when determining City property values; and that historically, the City's use of realtor provided services has resulted in property sales at or above market values.

Chairman Jones stressed the importance of proceeding with the sale of the listed properties in a timely fashion.

Committeemember Griswold voiced support for staff's recommendations and spoke in favor of utilizing the services of a realtor and obtaining up to date market valuations. He commented on expenses associated with acquiring small parcels in order to construct bus pull-outs and urged staff to consider whether available small lots located on arterial streets could be used as bus pull-outs. He also stated support for pursuing the possibility of utilizing parcel #6 (west of the southwest corner of Greenfield and Southern) as a parking lot for the adjoining park.

It was moved by Committeemember Kavanaugh, seconded by Committeemember Griswold, to recommend to the Council that staff's recommendations regarding the sale of excess City properties, be approved.

Carried unanimously.

5. Hear an update on the budget calendar.

Budget Director Jamie Warner addressed the Committee concerning this agenda item. He referred to and commented on the *2002/03 Budget Calendar Highlights preparation of: Biennial Budget 2003/04 & 2004/05; Capital Improvement Program 2003/04 – 2010/11; Forecast Period 2005/06 – 2010/11*, copies of which were provided to the Committeemembers. He reported that the biennial budget process will begin on November 4, 2002 with a kick-off meeting and outlined various other budget-related dates.

Mr. Warner reported that during the upcoming budget process, two new areas of information that will be provided to Councilmembers. He explained that Department heads have been asked to provide seven year forecast information and to align fees and charges into the process as a single package.

In response to a question from Chairman Jones relative to State shared revenues, Mr. Warner said that at this time it is unknown whether the Legislature will enact additional cuts in this area. He added that there is a two-year lag period between the time the State receives income tax revenues and when shared revenues are distributed. Mr. Warner added that staff anticipates that a significant reduction will occur based on the fact that the State experienced decreased income tax revenues during tax year 2001 - 2002.

Discussion ensued regarding the fact that pursuant to an Arizona Supreme Court decision, cable television services are no longer subject to sales tax, and the sales tax revenue loss staff anticipates in connection with this development.

Chairman Jones thanked Mr. Warner for the update.

6. Adjournment.

Without objection, the Finance Committee Meeting adjourned at 10:34 a.m.

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 17th day of October 2002. I further certify that the meeting was duly called and held and that a quorum was present.

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BARBARA JONES, CITY CLERK

Attachment  
pjt