

FINANCE COMMITTEE MINUTES

February 22, 2005

The Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on February 22, 2005 at 3:34 p.m.

COMMITTEE PRESENT	COUNCIL PRESENT	STAFF PRESENT
Tom Rawles, Chairman Janie Thom Claudia Walters	None	Debra Dollar

1. Discuss and consider possible utility reimbursement alternatives.

Assistant Financial Services Manager Jenny Sheppard reported that at the January 20, 2005 Study Session, the Council directed staff to begin to implement the “beginning of the bill period” methodology for future rate changes and advised that staff has already begun that process relative to the next rate adjustment period. Ms. Sheppard also explained that on a separate occasion, staff was directed to research cost and resources for possible utility rate adjustment alternatives based on comparisons of the revenue periods for July and August 2004 and to present such alternatives to the Finance Committee for discussion and consideration.

Ms. Sheppard highlighted the following alternatives:

Flat Amount Adjustment This proposal would consist of a \$2 to \$3 reimbursement per customer. She stated that staff agreed this method, although the most cost effective and requiring the least amount of time to implement, would result in, for example, a residential customer and a commercial customer (such as a mobile home park) both receiving identical adjustments and thereby creating questions of inequity. She added that as a result, some customers would actually receive more credit than what the City actually charged them initially.

Actual Multi-Line Adjustment This alternative would reimburse the actual amount of the rate adjustment from August and require “adjusting” a bill, which would entail approximately 960 man-hours performing extensive programming efforts. The earliest possible implementation for this option would be the September 2005 billing cycle.

Actual One-Line Adjustment This adjustment is similar to the Actual Multi-Line Adjustment; however, it would calculate credits based on services used and usage per service during the August revenue period and not prior period rates. The credit would appear in the “Other” section of the utility bill.

In response to a series of questions from Chairman Rawles, Customer Service Administrator Ken Langford clarified that staff prefers the Actual One-Line Adjustment because it is a more straightforward bill presentation and a simpler programmatic effort; that for both the Actual One-Line Adjustment and the Actual Multi-Line Adjustment, the calculations would be the same, but the difference between the alternatives would be in the bill presentation; and that the Actual One-Line Adjustment would take approximately 240 man-hours to complete and the earliest possible bill presentation for this alternative would be the May 2005 billing cycle.

Chairman Rawles stated that in his opinion, the Finance Committee has two decisions to make regarding this agenda item. He commented that the first decision would be to determine if the Committee wishes to make a recommendation to the Council that the City issue a refund, and secondly, does it wish to recommend the implementation of a particular methodology in order for that to be accomplished.

Chairman Rawles commented that during a meeting in Mayor Hawker's office, Assistant to the Mayor Heidi Gast had posed another alternative for consideration. He stated that assuming the City had a rate increase in the next budget cycle and the City already implemented the "beginning of the bill period" methodology, if the rate increase was approved, it would become effective, for example, on August 1st, but only prospectively and not retrospectively. Chairman Rawles added that another means by which to accomplish the refund, although it would be less accurate, would be to delay the institution of the new rate increase. He commented, however, that in that scenario, the Council would not know if there was going to be a rate increase or the amount of the increase.

Chairman Rawles thanked staff for the historical chronology contained in the February 4, 2005 City Council Report which discussed the fact that the action undertaken by the Council in June of 2004 with regard to the August implementation date was consistent with Mesa's historical billing practice for the last 20 to 25 years, and also that Mesa follows common utility industry rate change methodology used by most Valley municipalities. He commented that it was just different from what some of the Councilmembers thought they were doing and that is the reason for the refund and not because anybody did anything wrong. Chairman Rawles noted that he first raised the issue of a refund at a previous Finance Committee meeting and added that he would be supportive of pursuing a discussion with the full Council regarding whether or not a refund should be issued and the most appropriate methodology.

Committeemember Thom noted that thus far, the Council has only considered refunds with regards to discrepancies created as a result of last year's utility rate increase. She questioned whether the Council is also examining this issue because the process has created an error.

Chairman Rawles stated that in his opinion, the process did not create an error, but rather a misconception.

Committeemember Thom indicated that the Council is empowered to go back three years to make adjustments with regards to utility bills and suggested that that might be another issue for the Council to consider at this time. She also expressed support for the Actual One-Line Adjustment. Committeemember Thom added that in the future, the City may want to consider implementing Chandler's methodology wherein utility rates are effective 60 days after adoption for the prior period's usage as compared to Mesa's current 30 days after adoption policy.

Discussion ensued relative to the fact that the Council has already directed staff to implement the "beginning of the bill period" methodology, which is different than Chandler's methodology; and that modifications were made to the City Code to address utility billing errors up to a three-year period of time.

Committeemember Walters commented that the City Code modifications previously discussed were developed in case an error occurred in utility billings, and noted that the issue at hand is not an error, but it has to do with the Council not being aware of something. She added that if the City refunded money on everything that she was not aware of, it would be issuing refunds every single day.

Committeemember Walters further indicated that when this issue first arose, Chairman Rawles made the Council aware of something it had not considered before. She stressed that it wasn't that the City had changed its practices or done something wrong, but what it did do was make her uncomfortable, and once she was aware of it, she felt the need to address it on a prospective basis and not retrospectively. Committeemember Walters commented that she just feels more comfortable with the other methodology and therefore voted to support it. She also stated that whatever decision the Committee makes today would be forwarded to the Council for discussion, but stated that in her opinion, the Council needs to deal with this issue going forward and not backward. She added that the City bases budgets on those decisions and that such decisions were not made improperly.

Chairman Rawles stated that it was important to qualify that staff did exactly what the Council directed them to do in terms of the vote that the Council took and that staff did nothing improper or illegal. He noted that because last year was his first year on the City Council and he has only participated in one budget hearing process, in his opinion, he would not be comfortable going back more than one year as far as making adjustments to utility bills. He added that he is aware of other Councilmembers who have expressed an interest, once the parameters of this issue are known, in exploring the matter further.

Additional discussion ensued among the Committeemembers that it would be appropriate to forward two separate recommendations to the Council regarding this agenda item.

It was moved by Chairman Rawles, seconded by Committeemember Thom, to recommend to the Council that a refund for fiscal year 2004/05 utility rate adjustments be considered.

Committeemember Walters stated that she would vote no on the motion and explained that the reason for doing so is because when people read it, they would think she is in support of it. She noted that she appreciates the motion and the broadness of it, but would still vote no.

Chairman Rawles called for the vote.

Upon tabulation of votes, it showed:

AYES - Rawles-Thom
NAYS - Walters

Chairman Rawles declared the motion carried by majority vote.

Further discussion ensued among the Committeemembers relative to the most appropriate utility reimbursement alternative to forward on to the Council; and that only those customers that still reside in Mesa would be eligible for the reimbursement.

Committeemember Thom stated that in the interest of implementing a utility adjustment, while avoiding undue expense and staff time, in her opinion, the Actual One-Line Adjustment would be the most effective alternative.

It was moved by Committeemember Thom, seconded by Chairman Rawles, to recommend to the Council that if they elect to approve a refund, that the Actual One-Line Adjustment, as set forth in the February 4, 2005 City Council Report, be implemented.

Committeemember Walters commented that she would agree with her fellow Committeemembers that the Actual One-Line Adjustment is the preferable methodology of the alternatives outlined in the City Council Report and for the reasons listed. She stated that if the Council selects one of the alternatives, she would agree with their conclusion; however, in her opinion, she would be "sending the wrong message" by voting yes on the motion and would therefore vote no.

Chairman Rawles called for the vote.

Upon tabulation of votes, it showed:

AYES - Rawles-Thom
NAYS - Walters

Chairman Rawles declared the motion carried by majority vote.

Chairman Rawles expressed appreciation to staff for their presentation.

2. Adjournment.

Without objection, the Finance Committee Meeting adjourned at 3:53 p.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 22nd day of February 2005. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK