

FINANCE COMMITTEE MINUTES

May 1, 2006

The Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 1, 2006 at 4:03 p.m.

COMMITTEE PRESENT

Tom Rawles, Chairman
Janie Thom
Claudia Walters

COUNCIL PRESENT

Rex Griswold
Keno Hawker, Mayor

STAFF PRESENT

Christopher Brady
Debra Dollar
Paul Wenbert

City Manager Christopher Brady arrived at 4:31 p.m.; Councilmember Griswold arrived at 4:43 p.m.; and Mayor Hawker arrived at 4:54 p.m.

1. Discuss and consider miscellaneous fee and charge adjustments for City of Mesa utility customers (see Attachment 1) as recommended by the Financial Services Department.

Assistant Financial Services Manager Jenny Sheppard stated that minimal customer service fee adjustments were being proposed. She advised that the only significant change was the proposed increase to the late fee from 1.5% to 2.0% or a minimum of \$5.00, whichever is greater.

In response to a question from Committeemember Walters, Ms. Sheppard advised that the \$5.00 minimum fee was in line with the fees charged by other local utility companies.

Responding to a question from Committeemember Thom, Ms. Sheppard advised that payments are due within 21 days and that a late fee would be assessed on the 22nd day.

It was moved by Committeemember Thom, seconded by Committeemember Walters, to recommend to the Council that staff's proposal for miscellaneous changes to fees and charges for City of Mesa utility customers be approved.

Carried unanimously.

2. Discuss and consider rate change recommendations by the Neighborhood Services Department for tenant rents at the Escobedo Apartments and loan subordination processing fees for the Housing Rehab Program (see Attachment 2).

Housing Services Director Ruth Anne Norris addressed the Committee regarding staff's recommendations for proposed changes.

In response to a request from Chairman Rawles, Ms. Norris explained that a \$50 loan-subordination processing fee was proposed in order to address the increased costs relative to the sale or refinancing of properties in the Housing Rehabilitation Program. She advised that the City utilizes Community Development Block Grant (CDBG) funds to provide rehabilitation assistance to low-income homeowners, and in return the City places a lien on the property and forgives a portion of the lien over a specified period of time. She added that when liens are repaid, the funds are reused for other CDBG projects. Ms. Norris reported that the volume of subordination requests increased substantially in the current fiscal year as a result of higher property values and lower interest rates. She stated that the fee would enable recovery of some staff costs and would discourage property owners from submitting multiple subordination requests in their attempts to secure the best interest rates.

Discussion ensued relative to the fact that \$50 might be insufficient for full cost recovery of two to three hours of staff time to process the request; and that staff is directed to provide detailed information on the City's actual costs to process loan subordination requests.

Responding to a question from Committeemember Thom, Ms. Norris stated that no legal restriction exists relative to the percent of increase that the City could impose on Escobedo Apartment rental rates. She noted that 90 of the 101 Escobedo tenants are at or below 30 percent of the Area Median Income. Ms. Norris noted that, including staff's recommended five percent increase for the next fiscal year, the increases imposed over a three-year period would total 22 percent.

Committeemember Thom expressed the opinion that the apartment rental rates are very reasonable, and she added that the apartments are larger than the typical apartments available in today's market.

In answer to a question from Committeemember Thom, Ms. Norris advised that the liens on rehabilitated properties must be paid in full prior to the owner selling the property. She cited the following example of a \$20,000 loan and advised that a permanent lien of \$10,000 would be filed against the property, and that the remaining \$10,000 would be forgiven at a rate of \$1,000 per year over a ten-year period. She explained that if the property owner sold the property after one year, only \$1,000 would be forgiven and that \$19,000 would be returned to the City and reused for CDBG projects. Ms. Norris further stated that if the property owner simply wished to refinance the loan, the forgivable portion of the lien would have to be repaid and the permanent lien against the property would remain in place.

It was moved by Committeemember Thom to recommend to the Council that a 7% increase to the Escobedo Apartment minimum rents be approved.

Responding to a question from Committeemember Walters, Ms. Norris advised that Escobedo Apartments are equipped with an evaporative cooling system. She added that tenants are permitted to have a room air conditioner installed for an additional monthly payment of \$15. Ms. Norris explained that the City purchases and installs the unit, and that the monthly fee and the cost of the utilities are the responsibility of the tenant.

Committeemember Walters expressed support for the five percent increase, and she noted that many of the elderly residents live on a very low, fixed income.

Ms. Norris clarified that the staff member responsible for processing the subordination paperwork carries out many other duties related to the Rehab Program.

Chairman Rawles advised that he would not support the motion to increase the Escobedo Apartment rents by seven percent.

Committeemember Thom withdrew her motion.

It was moved by Chairman Rawles, seconded by Committeemember Walters, to recommend to the Council that staff's recommendation for a five percent rent increase for the Escobedo Apartments be approved.

Carried unanimously.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that a Rehab Loan Subordination Processing Fee be considered that provides for cost recovery based on additional data to be provided to the Council by staff.

Carried unanimously.

Chairman Rawles thanked Ms. Norris for the presentation.

3. Discuss and consider rate change recommendations by the Community Services Department.

Acting Community Services Department Manager Trisha Sorensen introduced Commercial Facilities Director Rhett Evans, Parks and Recreation Director Bob White, and Arts Administrator Rob Schultz. She stated that the proposed rate changes were based on annual benchmarking data, and she added that all appropriate boards and committees have approved staff's recommendations. Ms. Sorensen provided a brief overview of the proposed fee increases.

a. Commercial Facilities

1. Cemetery (see Attachment 3).

In response to a series of questions from Committeemember Walters regarding the fees for "opening and closing of graves," Mr. Evans advised that staff's recommendation reflects an attempt to gradually increase the fees to market value. He added that the proposed fees fully recover the actual costs in addition to providing a small profit. Mr. Evans estimated that staff's recommendation would generate revenues of approximately \$170,500, which will increase the perpetual care fund.

Discussion ensued relative to the fact that the City's "niche" spaces are priced very low; that staff plans to propose fee increases on an annual basis; that although Glendale's cemetery is in poor condition, it was included in the comparison in order to provide information on a municipal cemetery in addition to the private operations; and that Tempe was not included in the comparison due to the fact that no space is presently available at that facility.

2. Golf (see Attachment 4).

Mr. Evans explained that staff proposes to reduce the number of rate schedules or seasons from four to two and to change the structure from a flat fee to a range of fees. He noted that staff's proposal would enable staff to implement fee adjustments within the approved range on a quarterly or monthly basis based on market trends.

It was moved by Chairman Rawles, seconded by Committeemember Walters, to recommend to the Council that staff's recommendation for proposed changes to fees and charges for the cemetery (see above discussion) and golf courses be approved.

Carried unanimously.

b. Parks and Recreation (see Attachment 5).

Mr. White reported that the Youth Sports Partners group voluntarily came forward to propose the implementation of a new lighting fee in order to reduce the City's subsidy, and he advised that the proposed fee is a range of \$3 to \$12 per hour for field lighting. He noted that the proposal also includes a "per child/per season" fee of \$4.00 rather than the current "per team" fee range, which does not impact revenues and is consistent with the Mesa Public Schools' fee structure.

Addressing the fees for the Red Mountain Multigenerational Center, Mr. White noted that this would be the first fee increase since the center opened in 1999. He reported that Red Mountain is a popular facility and that the fitness center alone serves approximately 1,000 to 1,200 people a day. Mr. White stated that the original cost recovery goal for the Red Mountain facility was 25 percent, and that the current recovery rate is approximately 52 percent.

Mr. White stated that staff is proposing that tennis court fees be changed to a range of fees, and he advised that the City issued a Request for Proposals (RFP) for private operation of the Gene Autry Sports Complex.

In response to a question from Chairman Rawles regarding the Aquatics' Program, Mr. White stated that the proposed fee range of \$50 to \$80 addresses the costs for lifeguards, coaches and instruction, and he added that by implementing an additional fee increase next year, the program would be very close to total cost recovery.

Discussion ensued relative to the fact that during the prime season, the youth league teams are scheduled for specific ball fields; that youth teams can reserve unused ball fields for practice sessions; that retention basins are available on a "first come, first served" basis; that staff could consider a reservation system for retention basins in the future; that retention basins do not have defined fields or backstops that could be assigned; that staff could investigate the possibility of charging a fee for the use of a reserved retention basin; that the primary purpose of

a basin is for water retention; and that some residents object when groups from other neighborhoods in the City utilize the retention basin in their neighborhood.

It was moved by Committeemember Thom, seconded by Committeemember Walters, to recommend to the Council that staff's recommendation for proposed changes to Parks and Recreation Department fees and charges be approved.

Carried unanimously.

c. Mesa Arts Center and Southwest Museum (see Attachment 6).

In response to a question from Chairman Rawles, Mr. Schultz explained that a proposed fee range of \$0 to \$10 for Stageworks' productions and recitals would provide flexibility to staff in establishing ticket prices for student programs. He noted that the proposed student price for Stageworks' "main stage productions" increases from \$10 to \$13, and he added that staff is very sensitive to the City's need for full cost recovery.

Chairman Rawles advised that he would support the \$0 to \$10 range as long as staff was aware that a \$0 fee should be utilized only on rare occasions.

Discussion ensued relative to the fact the Stageworks' student productions are typically attended by the student's family members, and that a ticket priced at \$1 would also incur printing costs, which could result in a negative impact on revenues.

It was moved by Chairman Rawles, seconded by Committeemember Walters, to recommend to the Council that staff's recommendation for proposed changes to fees and charges for the Mesa Arts Center and the Southwest Museum be approved, with the provision that the \$0 pricing for Stageworks' student productions be utilized judiciously.

Carried unanimously.

Chairman Rawles thanked the Community Services Department staff for the presentations.

4. Discuss and consider fee recommendations by the Fire Department.

a. CPR Certification classes (see Attachment 7).

Assistant Fire Chief Cliff Puckett advised that staff's proposal would implement a \$25 fee for cardiopulmonary resuscitation (CPR) certification classes offered to citizens by the Mesa Fire Department. He advised that the \$25 fee represents full cost recovery for the instructor and manuals.

Discussion ensued relative to the fact the Fire Department presently offers a free Lifesaver Class to the public which provides an overview of the 911 system, first aid and CPR; that the department receives many requests for CPR certification classes; that other providers of CPR certification classes include the American Heart Association, the Red Cross, several private organizations, and a few Fire Departments in the Valley; and that full cost recovery is based on a required minimum enrollment of seven students for each class.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that staff's recommendation to implement a \$25 fee for CPR certification classes be approved.

Chairman Rawles advised that although the amount of the fee appeared to be appropriate, he would oppose the motion. He expressed the opinion that the Council should first discuss whether offering CPR certification classes was an appropriate activity for the Fire Department.

Chairman Rawles called for the vote.

Upon tabulation of votes, it showed:

AYES – Thom-Walters
NAY – Rawles

Chairman Rawles declared the motion carried by a majority vote.

b. Drawing Digitizing (see Attachment 8).

Assistant Chief Puckett advised that the proposed fee relates to an ordinance that is scheduled for Council consideration at tonight's Regular Council meeting, which would require developers and architects to submit electronic drawings in addition to blueprints. He noted that single-family residences and other related residential projects are excluded from the ordinance, and that developers of small projects would be charged a \$200 per page fee for drawings in a digitized format. He added that the fee is competitive with amounts charged in the private sector for electronic drawings.

It was moved by Committeemember Walters to recommend to the Council that staff's recommendation to implement a \$200 per page fee for drawings in a digitized format be approved.

Chairman Rawles noted that the fee provides full cost recovery, but he questioned why the Fire Department would utilize staff to provide a service that is available in the private sector.

Discussion ensued relative to the fact that the Fire Department could provide the service in an efficient manner; that trained staff currently digitize drawings of both existing and new buildings; that providing the service would not require additional staff; and that owners of buildings in existence prior to the new requirement would not be charged a fee for the electronic drawings.

Committeemember Walters suggested that the Fire Department contract with a private business to prepare the drawings and then bill the actual costs to the developer. She expressed concern that the City could lose money over a period of time as costs for the service increase.

Ms. Spinner noted that subsection C permits non-electronic submissions.

In response to a question from Chairman Rawles, Councilmember Griswold addressed the Committee and explained that the service was proposed in order to accommodate requests from small "mom and pop" operations that were involved in the application process on a one-time basis and who were unfamiliar with the services available in the marketplace.

Committeemember Walters withdrew her motion.

Chairman Rawles suggested, and the Committeemembers concurred, to delay Committee action on the proposed fee until after Council consideration of the related ordinance at this evening's Regular Council meeting.

Chairman Rawles thanked Assistant Chief Puckett for the presentations.

5. Discuss and consider rate change recommendations by the Development Services Department.

a. Falcon Field Airport (see Attachment 9).

Falcon Field Airport Director Corinne Nystrom reviewed the fee recommendations, and she noted that the proposed changes are in addition to the five percent fee increases for the tie-down and hangar fees that were approved by the Council in May of 2005.

In answer to a question from Chairman Rawles, Ms. Nystrom advised that staff anticipates that most of the storage unit cleaning deposit would be returned to the tenant when the area is vacated.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that staff's recommendations for proposed changes to fees and charges for Falcon Field Airport be approved.

Carried unanimously.

b. Transportation (see Attachment 10).

Transportation Director Jeff Kramer provided a brief history of the speed hump program, and he noted that in fiscal year 2003/04 the Council approved reinstating the program with the requirement that the neighborhood requesting speed humps pays the data collection and construction costs. He stated that the proposed fee reflects a reduction in the cost for a traffic count from \$125 to \$105, and said that current costs are reflected in the proposed adjustments to the fees for the various types and groups of speed humps. Mr. Kramer advised that no citizen funded speed humps have been constructed under the new policy, but he noted that several neighborhoods are presently considering installing speed humps.

In reply to a question from Committeemember Walters relative to continued increases in the cost of petroleum-based products, Mr. Kramer advised that staff considered market conditions when preparing the cost estimates.

Responding to a question from Committeemember Walters relative to total cost recovery, City Attorney Debbie Spinner came forward to address the Committee. She stated that it was possible for the City to recover actual costs by providing reasonable notice to the public, and she further stated that her office would review the proposal prior to providing a definitive opinion.

Mr. Kramer clarified that the revenue of \$7,000 would be offset by corresponding expenses.

It was moved by Chairman Rawles, seconded by Committeemember Walters, to recommend to the Council that staff's recommendation to reduce the traffic count fee from \$125 to \$105 be approved, and to further recommend to the Council that a market-driven fee be implemented in order to achieve full cost recovery relative to the construction of speed humps.

Mr. Kramer stated that the speed hump policy would be placed on a future agenda for Council consideration.

In response to a question from Committeemember Thom, Mr. Kramer advised that the cost would be prohibitive for a neighborhood to privately contract for the construction of a speed hump. He explained that the City has agreements in place with contractors and material vendors that provide for quantity discounts when more than one speed hump is to be installed, and that these savings are passed on to the neighborhoods.

Ms. Spinner also advised that State Statutes mandate that municipalities are legally responsible to provide safe roadways, and therefore the City should maintain control of speed hump construction projects.

Chairman Rawles repeated the motion and called for the vote.

Carried unanimously.

6 Adjournment.

Without objection, the Finance Committee Meeting adjourned at 5:15 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 1st day of May 2006. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

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Attachments (10)