

# FINANCE COMMITTEE MINUTES

April 14, 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 April 14, 2005 at 9:33 a.m.

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

Chairman Rawles confirmed with Deputy City Manager Debra Dollar that the role of the Finance Committee in regard to rate and fee changes is to make recommendations to the Council, and he noted that all proposed rates, with or without a recommendation for approval, would move forward to the full Council for consideration.

1. Discuss and consider rate change recommendations by the Financial Services Department for refundable deposits for City of Mesa residential utility customers.

Assistant Financial Services Manager Jenny Sheppard advised that staff is recommending an increase in utility security deposits (see Attachment 1) for new City of Mesa customers who are not homeowners or who do not have a positive credit history. She stated that the last increase was implemented in 1992, and that debt write-offs have been increasing slightly each quarter. Ms. Sheppard explained that deposits for solid waste and wastewater services are being recommended because the City now has customers who receive only these services, and she noted that the unpaid bills are very difficult to collect.

In response to comments by Chairman Rawles regarding the fact that the total deposit of \$445 for all five services was a substantial amount, Ms. Sheppard advised that the deposit fees in other communities are similar, but are levied by a number of different providers. She advised that lower deposits in other communities may also reflect lower utility rates, and she added that neighboring communities do not provide the same range of utility services. Ms. Sheppard noted that the proposed deposit fee is approximately 2-1/2 times the average monthly bill, and that the City provides several notices to the nonpaying customer prior to disconnecting service, which is typically at the end of 2-1/2 months.

Committeemember Walters commented that the electric, gas and water deposits seem reasonable, but she suggested that the proposed wastewater and solid waste deposit fees be reduced by 50 percent. She noted that Glendale includes wastewater with solid waste service.

Committeemember Thom stated that the City of Chandler contracts for private collection of solid waste.

In response to questions from Committeemember Thom, Ms. Sheppard advised that there are several hundred customers who receive only wastewater or solid waste services from the City of Mesa.

Committeemember Thom stated that the proposed electric, gas and water deposit fees appeared to be reasonable, but she did not support the proposed wastewater and solid waste deposit fees.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that staff's proposal for increases to residential electric, gas and water utility deposit fees be approved.

Carried unanimously.

Chairman Rawles advised that the Committee would now discuss the proposed wastewater and solid waste deposit fees.

In response to a comment from Committeemember Walters, Ms. Sheppard explained that a deposit would not be required of residents who have good credit. She stated that the deposits would be required of only those people who are a risk for leaving the City without paying their bills.

Committeemember Walters acknowledged the City's risk in this area, and she expressed support for staff's recommendation.

It was moved by Committeemember Walters to recommend to the Council that staff's proposal for implementation of wastewater and solid waste deposit fees be approved.

Responding to comments from Committeemember Thom, Ms. Sheppard stated that the City has experienced problems with some individuals who move from one location to another without paying their utility bills and who are able to obtain utility services by applying for the service under a different name. She added that staff attempts to resolve nonpayment issues with customers prior to discontinuing service.

Chairman Rawles requested that staff provide information regarding the deposit fees imposed by private solid waste collection companies prior to Council consideration of the fees, and he expressed concern that the City of Mesa would be the only municipality to require these types of deposits.

Chairman Rawles seconded the motion, but he noted that his support for the fees at the time of Council consideration would depend on the additional information provided by staff.

Committeemember Thom expressed the opinion that solid waste collection service should be optional, and stated that she was opposed to wastewater and solid waste deposit fees.

Chairman Rawles called for the vote.

Upon tabulation of votes, it showed:

AYES - Rawles-Walters  
NAYS - Thom

Chairman Rawles declared the motion carried by majority vote, but he requested that the record reflect that the Chairman expressed reservations relative to the implementation of wastewater and solid waste deposit fees.

Chairman Rawles thanked staff for the presentation.

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

Committeemember Walters noted, and Chairman Rawles concurred, that although she lives in proximity to one of the facilities addressed in this agenda item, no potential conflict of interest exists due to the fact that the Committee is addressing Citywide policies.

Community Services Manager Joe Holmwood provided background on the new Commercial Facilities Division, which combines functions that have a "business" type of philosophy. He noted that the activities listed under agenda item 2a are now included with the Convention Center and the Amphitheater as part of the Commercial Facilities Division.

Mr. Holmwood advised that staff completes an annual comparative analysis of fees charged by other Valley facilities. He reported that the fee recommendations are estimated to generate revenues in the amount of \$250,000 for the cemetery, \$1.2 million for stadium events and professional baseball, \$61,000 for the library and \$62,000 for Parks and Recreation. He noted that the template from Budget and Research indicates that \$62,800 is the projected new revenue for Parks and Recreation, but he explained that approximately \$215,000 should be added to that figure due to the fact that the City's fee schedule provides Council-approved ranges, which enables the division to increase fees within those parameters.

a. Commercial Facilities

- Cemetery

Mr. Holmwood advised that the proposed fees (see Attachment 2) are based on a market analysis conducted by staff that indicated that cemetery fees should be increased in order to achieve the City's objective of recovering the costs associated with operations, infrastructure, and perpetual care requirements.

Discussion ensued relative to the fact that the grave opening/closing fee is one fee that addresses both activities; that market information on Mariposa Gardens should be provided prior to Council consideration of these fees; that a Council decision in 2000 or 2001 determined that the cemetery should be operated as an enterprise fund, which ensures that perpetual care will be funded in the future; that the current cemetery space will be built out by the year 2010, but niche banks could be constructed to accommodate cremations and some single grave

spaces could be utilized for companion graves; and that additional land would be available in 2015 when the radio tower lease expires.

It was moved by Committeemember Thom, seconded by Committeemember Walters, to recommend to the Council that staff's proposal for cemetery fee increases be approved.

Carried unanimously.

- Golf/Baseball

Mr. Holmwood confirmed that no fee increases are being recommended, and that golf presently operates at a 100% cost recovery.

- Stadium/Professional Ball

Mr. Holmwood advised that the revenues and proposed fees (see Attachment 3) reflect new events that are being planned for Hohokam Stadium. He noted that the fees listed primarily relate to service charges for the new events.

In response to a question from Chairman Rawles, Commercial Facilities Director Rhett Evans advised that the proposed fees would be assessed for any special event outside of baseball activities. He advised that Hohokam Stadium can accommodate 12,000 people including seating on the berm, and that there are approximately 8,500 fixed seats.

Discussion ensued relative to the fact that the revenues of \$1,272,000 are "gross revenues;" that the City's net revenue for three special events is expected to be approximately \$120,000; and that the "handling/facility fee per ticket" is comparable to or slightly below the fees charged by other Valley venues.

It was moved by Committeemember Walters, seconded by Chairman Rawles, to recommend to the Council that staff's proposal for special event fees be approved.

Carried unanimously.

b. Library

Mr. Holmwood advised that the six recommended fee adjustments (see Attachment 4) are expected to generate an estimated \$61,000 in additional revenues.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that staff's proposal for increased library fees be approved.

In response to a question from Chairman Rawles regarding the proposed fees for "holds" that are not picked up, Library Director Patricia Sorensen advised that the fees will cover some of the cost of staff's time to process the requests and then return the items to the shelves.

Committeemember Walters noted that the library no longer accepts on-line requests to place a hold on an item that is presently on the shelf. She suggested that a fee be charged to accept the on-line hold requests.

Chairman Rawles noted that the "hold" process provides a special service whether or not the customer picks up the item. He requested that staff provide information to the Council regarding the total number of "holds" processed by staff, and he also suggested that a fee be charged for the service.

Committeemember Walters stated that she would withdraw her motion, and Committeemember Thom, as the second, concurred.

Committeemember Walters requested that staff provide the Council with an estimate of revenues that would be generated as a result of charging a fee for the "hold" service.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that staff's proposal for the library process fee, library collection fee, library copies/downloads fee and meeting room rental fee be approved.

In response to a question from Committeemember Thom, Ms. Sorensen advised that the City of Mesa does not permit food service in the library meeting rooms.

Committeemember Thom stated that she might not support the meeting room fee when the Council considers the item, but she would vote to move the item forward.

Chairman Rawles called for the vote.

Carried unanimously.

Chairman Rawles stated that the Committee would not take a position regarding the "hold" fees, and he directed staff to provide information to the Council relative to the number of "holds" not picked up by customers, the number of "holds" requested and the proposed fees for these services.

c. Parks and Recreation

Mr. Holmwood advised that the fee proposal (see Attachment 5) resulted from meetings that staff held with the Parks and Recreation Advisory Board Subcommittee to review the fees, and that the proposal includes administrative fees that are in accordance with previous Council direction. He also advised that as a result of prior Council requests, the adult sports program is presently 100 percent self-supporting for all direct costs. Mr. Holmwood stated that the overall goal is a 30 percent cost recovery for Parks and Recreation programs, with some programs at 100 percent cost recovery and others at a much lesser rate. He noted that the current Adaptive Leisure fee is \$225 rather than the range indicated on the attached list of "Proposed Changes to Fees and Charges."

Discussion ensued relative to the fact that prior Council action approved ranges for certain Parks and Recreation services; and that Parks and Recreation administrators have the authority to negotiate or establish fees within the approved ranges.

In response to questions from Committeemember Thom, Parks and Recreation Director Bob White explained that the "adaptive leisure" program provides all-day camps for special needs' children who are supervised in a variety of activities. He also advised that the aquatics program punch tickets provide 35 punches for children and 17 for adults.

Additional discussion ensued relative to the proposed ramada reservation fees; that the proposed fees will provide 90 percent cost recovery; that staff will provide information to the Council relative to a fee that enables 100 percent cost recovery; and that ramada fees currently range from \$5 to \$60.

Committeemember Walters suggested that staff consider increasing the competitive aquatics fees. She stated the opinion that the current fees are a bargain, and that most competitive swimming participants are financially able to pay an increased fee. She added that scholarships could be provided to lower-income participants.

Mr. White stated that staff would review the fees for the competitive aquatics program.

In response to concerns expressed by Chairman Rawles relative to the City's liability risk associated with a climbing wall, Mr. White advised that climbing walls have become a common amenity in schools and recreational facilities throughout the country. He stated that an assessment by Risk Management determined the risk to be minimal due to the fact that staff members and each participant are thoroughly trained. He added that staff would provide additional information to the Council regarding this activity.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that staff's proposal for Parks and Recreation fee increases be approved.

Carried unanimously.

Chairman Rawles thanked staff for the presentation.

3. Discuss and consider rate change recommendations by the Neighborhood Services Department for tenant rents at Escobedo Apartments.

Housing Services Director Ruth Anne Norris confirmed that the current proposal (see Attachment 6) for a seven percent rent increase is in accordance with direction provided by Council during last year's budget discussions. She noted that the goal is for the Escobedo Apartments to become self-sufficient.

In response to a question from Chairman Rawles, Ms. Norris advised that Section 8 housing program participants are permitted to live in the Escobedo Apartments, but that only 6 to 8 tenants are presently utilizing Section 8 vouchers.

Budget Director Jamie Warner, responding to a question from Chairman Rawles, advised that Housing Services' share of the City's overhead is charged to the Escobedo Apartments, and that the estimated overhead for the year ending June 30, 2005 is \$404,000.

Ms. Norris explained that because Federal regulations prohibit charging indirect costs to Federal programs (Section 8 or Community Development Block Grant programs), the Escobedo Apartments is the only activity to which the Housing Services Division's indirect costs can be allocated. She stated that the Council Report reflects the operating expenses for the apartments, and she advised that the maintenance expense is the largest variable.

Committeemember Walters expressed appreciation to staff for their efforts regarding the Escobedo apartments, and she stated the opinion that the operation is moving in the proper direction.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that staff's proposal for Escobedo Apartment rent increases be approved.

Carried unanimously.

Chairman Rawles thanked staff for the presentation.

4. Discuss and consider implementing new permit/use fees by the Fire Department for special events.

Deputy Fire Chief Bob Horn introduced Fire Inspections Supervisor Pat Harman, and he noted that the department provides a significant number of free services to Mesa residents. He advised that a review of services identified four types of inspections, all of which utilize a significant amount of staff time, occur after regular hours and on weekends, include site visits, and require extensive reporting to State agencies.

Chief Horn advised that the proposed fees (see Attachment 7) relate to the following activities:

- Carnivals and Tents (which also includes outdoor assemblies and trade shows).
- Pyrotechnics and Fireworks.
- Underground Fuel Tank Removals.
- Residential Care Facility Inspections.

In response to a question from Committeemember Walters, Ms. Harman noted that the Fire Department does not have jurisdiction over school carnivals. She explained that the special event permit required for a carnival would apply to an entity such as Fiesta Mall. Ms. Harman added that the fee would apply to pyrotechnic and fireworks displays to which the public is invited.

Responding to a question from Committeemember Thom, Ms. Harman advised that representatives of the Fire Department and the State of Arizona Department of Environmental Quality are required to witness and document the removal of underground fuel tanks and to provide a report regarding the presence of soil contamination at the site. She explained that the Fire Department maintains the records of the number of underground tanks in place in the City of Mesa, and that the City does not report the information to the County.

Chairman Rawles asked whether Residential Care Facility Inspections were required by State law or City Charter.

Ms. Harman advised that the State requires annual fire inspections by the jurisdictional authority as part of a care facility's annual State inspection process.

Chief Horn confirmed that every city in the Valley, except Apache Junction, charges a fee for this service. He added that the department has taken a "middle of the road" approach to all of the fees.

In response to a question from Committeemember Thom, Ms. Harman advised that the residential care facilities are located in single-family dwellings, which are not normally included in the regular fire inspection program. She explained that the homes are primarily utilized for adult residential care.

Chief Horn clarified that the service is mandated by the State, and that the State could also include child-care facilities.

Chairman Rawles noted that nursing homes are presently inspected under a business program, but the proposed fee targets adult care businesses being operated in residential homes.

Ms. Harman explained that a residential care facility must register with Planning and Zoning, and that contacting the Fire Department is the next step in the process. She advised that obtaining a license for the facility is dependent on passing a fire inspection, and that the initial fire inspection creates a record of the home.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that staff's proposal for Fire Department fees be approved.

Carried unanimously.

Chairman Rawles thanked staff for the presentation.

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

Development Services Manager Jack Friedline advised that at Council's direction, rates are reviewed annually. He noted that Planning Divisions normally do not attempt to attain full cost recovery, but the fee increases being recommended represent movement in that direction. Mr. Friedline advised that an important issue relevant to airport fees is the decline in the number of hangar inspections. He explained that proposed increases to Engineering fees reflect an inflation factor for personnel and equipment, and he noted that staff is again presenting a recommendation to implement barricade fees.

a. Planning

Planning Director John Wesley stated that the fee proposal (see Attachment 8) moves the City of Mesa toward the higher end of Valley-wide fees in an effort to achieve greater cost recovery.

Chairman Rawles commented that the proposal would enable 37 percent cost recovery compared to the current level of 30 percent.

Mr. Wesley noted that increasing the staffing level to provide additional services would reduce the anticipated cost recovery to 36 percent.

Mr. Friedline added that the proposed fees would be presented at the next meeting of the Developer's Forum.

In response to a question from Committeemember Walters, Mr. Wesley advised that a "monthly zoning case subscription" is a report that provides up-to-date information on zoning applications.

Committeemember Walters expressed the opinion that individuals who receive a special service should pay for that service, and she asked if the City would recover the cost of staff time required for General Plan Amendments.

Mr. Wesley stated that the proposed General Plan Amendment fee of \$13,000 would provide an amount close to full cost recovery for staff time.

Responding to a question from Committeemember Thom regarding fees imposed by the City of Phoenix, Mr. Wesley advised that Phoenix has a sliding scale and a range of fees for commercial and residential zones.

It was moved by Committeemember Walters, seconded by Committeemember Thom, to recommend to the Council that staff's proposal for Planning Division fees be approved.

Carried unanimously.

b. Airport (see Attachment 9)

It was moved by Committeemember Walters to recommend to the Council that staff's proposal for increased T-hangar fees be approved.

In response to a question from Committeemember Thom, Assistant Development Services Manager Jeff Martin stated that he was unaware of the number of T-hangars being utilized for non-aviation purposes. He explained that at the present time there is insufficient staff available to accomplish the inspections.

Committeemember Thom noted that T-hangar rates were increased last year, and she questioned why inspections did not occur at the time of the last rate increase.

Mr. Martin explained that the previous rate increase of 2.1 percent was an inflationary adjustment.

Committeemember Thom volunteered to conduct the T-hangar inspections on her own time. She stated that callers to her office report that boats, recreational vehicles and household possessions are being stored in the T-hangars.

Mr. Martin concurred that T-hangars should not be utilized for non-aviation purposes.

Addressing the comments of Committeemember Thom regarding the waiting period for T-hangars, Mr. Martin stated that the City's rates for T-hangars are low, and that staff would

continue to recommend future rate increases. He noted that an additional staff position is being recommended in order to reinstitute the inspections, and he explained that inspections of the T-hangars require more than one person and that notice must be provided to the tenant.

In response to questions from Committeemember Walters, Mr. Martin advised that State law does not require that tenants receive advance notice of an inspection, but that many tenants utilize their own locks on the T-hangars. He stated that staff would consult with the City Attorney's Office in regard to the inspection process.

Chairman Rawles stated the opinion that general landlord/tenant laws would prohibit City employees from entering a T-hangar without reasonable notice to the tenant.

Chairman Rawles seconded the motion and called for the vote.

Carried unanimously.

c. Engineering

Assistant City Engineer Peter Knudson advised that the proposed increases to Engineering fees (see Attachment 10) are primarily adjustments for inflation.

Responding to a question from Committeemember Walters, Mr. Knudson noted that it is difficult to compare Engineering fees due to the fact that each city has a unique method of calculating permit fees. He noted that when comparisons are based on projects, the City of Mesa is usually at or below the fees of other cities.

It was moved by Committeemember Thom, seconded by Committeemember Walters, to recommend to the Council that staff's proposal for increases to Engineering fees be approved.

Carried unanimously.

d. Transportation

Committeemember Walters noted that in the past she opposed fees for providing barricades for use at neighborhood block parties, but due to budget considerations and the fact that other communities charge for the service, she would support the implementation of the fee (see Attachment 11).

It was moved by Committeemember Walters to recommend to the Council that staff's proposal for implementing fees for block party barricades be approved.

Traffic Director Jeff Kramer advised that the City contracts with a local company for barricades, and that the \$25 barricade fee per event represents only cost recovery for the City.

Chairman Rawles seconded the motion.

In response to a question from Committeemember Thom, Mr. Kramer stated that a neighborhood could rent barricades independent of the City, but the cost per event could average \$125. He also noted that staff's concern is that the neighborhood would utilize other methods to block the streets, such as parked cars, which could pose serious access problems for emergency vehicles. Mr. Kramer explained that the City's high volume of business with the barricade provider enables a discounted rate that the City is able to pass on to neighborhood groups.

Chairman Rawles called for the vote.

Carried unanimously.

Chairman Rawles thanked staff for the presentations.

6. Adjournment.

Without objection, the Finance Committee Meeting adjourned at 11:06 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 14<sup>th</sup> day of April 2005. 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

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Attachments (11)