

# AUDIT, FINANCE & ENTERPRISE COMMITTEE MINUTES

April 4, 2024

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower-level meeting room of the Council Chambers, 57 East 1st Street, on April 4, 2024, at 10:50 a.m.

| COMMITTEE PRESENT   | COMMITTEE ABSENT | STAFF PRESENT                                    |
|---|------------------|--|
| Jennifer Duff, Chairperson<br>Mark Freeman<br>Francisco Heredia | None             | Mike Kennington<br>Holly Moseley<br>Jack Vincent |

Chairperson Duff conducted a roll call.

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation and discuss the following audits:

1. Mesa Tennis and Pickleball Center Revenues Follow-up Review (Parks, Recreation and Community Facilities)
2. Property and Evidence Follow-up Review (Police)
3. Annual Credit Card Security Review (Citywide)

City Auditor Joseph Lisitano displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Lisitano provided an outline of the audit reports in the presentation. (See Page 2 of Attachment 1)

Mr. Lisitano discussed the follow-up review for the Mesa Tennis and Pickleball Center revenues. He stated a report was completed last year to examine the internal controls regarding revenues with one recommendation. He noted that staff performed their follow-up test work and determined that the new procedures were implemented and did not encounter any issues. (See Pages 3 through 4 of Attachment 1)

Mr. Lisitano reviewed the audit results and the recommendation for the Property and Evidence Division of the Police Department. He reported that one recommendation is marked partially implemented since the Property and Evidence Division has revised their procedures; however,

has not yet implemented them due to the ongoing review process. He explained that the Property and Evidence Division had difficulty establishing a burn schedule due to the limited number of facilities, and that a procedure has now been implemented where all items can be disposed of in a timely manner. He indicated the City Auditor's Department does not intend to conduct a follow-up review as the Property and Evidence Division expects to have all their procedures finalized before their move later this year. (See Pages 5 and 6 of Attachment 1)

Mr. Lisitano provided an overview of the Annual Credit Card Security Review recommendations and described the process. He commented that the Auditor's Department conducts the operational requirements, while the Department of Innovation and Technology (DoIT) conducts the technological aspect. He emphasized last year's recommendation was successfully implemented, and this year the City is in compliance with the Payment Card Industry Data Security Standards (PCI/DSS) requirements. He stated that a follow-up review would take place in approximately one year. (See Pages 7 through 11 of Attachment 1)

Chairperson Duff thanked staff for the presentation.

2-b. Hear a presentation, discuss, and provide a recommendation on the proposed fees and charges for the following City departments and other administrative changes: Arts and Culture, Business Services, Development Services, Falcon Field, Mesa Fire and Medical, and Municipal Court.

Office of Management and Budget (OMB) Deputy Director Samuel Schultz introduced Budget Coordinator Kristi Griffin and displayed a PowerPoint presentation. **(See Attachment 2)**

Ms. Griffin discussed the annual process that the OMB coordinates with the departments to determine fee schedule updates for the following fiscal year (FY). She reviewed the recommendations, and stated more details are provided in the reports, as well as the exhibits. She shared upon approval of the fees and charges by Council in June 2024, unless otherwise noted, the changes will go into effect on July 1, 2024. She indicated the total estimated impact on revenue for all recommendations is an increase of \$234,006. (See Page 2 of Attachment 2)

Ms. Griffin reported there are six departments recommending modifications to their fee schedules including Falcon Field, Mesa Fire and Medical, Municipal Court, Arts & Culture, Business Services, and Development Services. (See Page 3 of Attachment 2)

Ms. Griffin commented that the Arts & Culture Department, in partnership with the i.d.e.a. Museum Foundation, is recommending transferring the financial management of i.d.e.a. Museum memberships to the Arts & Culture funds. She stated there is no fiscal impact and even though the Arts & Culture fund will experience an increase in revenue of \$160,000, it has also matched those revenues with expenditures to provide those programs. (See Page 4 of Attachment 2)

In response to a question posed by Chairperson Duff, Ms. Griffin replied that based on the transactional nature of membership fees as opposed to donations, the OMB Department with the Foundation determined that it would be more appropriate to collect them in the Arts & Culture fund. She mentioned the Foundation has greater control over the funding to provide the programs directly linked to these membership fees.

Ms. Griffin highlighted two recommendations for the Business Services Department. She stated the first recommendation relates to renaming a fee in order to align with the State Statute

language and will not have a fiscal impact. She shared that the second recommendation is to update the short-term rental license fee from one year per property to one year per short term rental to align with the City Code as defined. She noted there will not be a fiscal impact. (See Page 5 of Attachment 2)

In response to a question from Chairperson Duff, Ms. Griffin explained that the license fee is based on the property address, and after consulting with the legal department the recommendation was to align with the definition in the City Code.

Business Services Director Ed Quedens clarified that each property address is required to have a separate license.

Ms. Griffin discussed the recommendations for Development Services. She noted that the Development Services Department is also recommending removing a number of fees for documents that are now freely accessible electronically. She indicated the total estimated fiscal impact for the department is \$4,020. (See Page 6 of Attachment 2)

Ms. Griffin summarized the recommendations for Falcon Field's increases to several of their fees and charges due to cost increases. She mentioned the total estimated fiscal impact is \$192,076 and will be effective on August 1, 2024. (See Page 7 of Attachment 2)

Ms. Griffin reviewed the fee recommendations for the Fire and Medical Department for a 5% increase for commercial building fire inspection fees as cost recovery to offset personnel expenditures. She explained that the Fire Prevention Unit's goal is to cover all personnel costs and the fire inspector's time should be covered by the inspection fees. She reported that since 2017, the fees for low, medium, and high-risk occupancy levels have remained the same and the proposal is to increase them all by 5% in an attempt to close the gap on the cost recovery for the fire inspector's time. She noted the estimated fiscal impact is \$38,710. (See Page 8 of Attachment 2)

In response to a question posed by Committeemember Freeman, Mr. Schultz elaborated that currently the gap for cost recovery of fire inspection fees includes the amount of billable hours and is anywhere from \$200,000 to \$300,000. He indicated the 5% increase allows the City to close the gap more quickly. He emphasized the City will continue to conduct a review and work to further bridge the gap by making changes in the following fiscal year's rates.

In response to a question from Committeemember Freeman, Fire Battalion Chief Shawn Alexander stated that the inspection program is well received by the business community. He shared that the Fire Department provides a higher level of personal interaction and education to the business community to ensure compliance with fire code violations; and based on the design model, the City is achieving a great return on investment. He reported there is a lot more voluntary compliance with fire code violations than enforcement action. He mentioned the Fire and Medical Department is working on increasing its revenue to more closely match costs and has developed a positive relationship between the City's inspectors and the business community.

In response to a question posed by Committeemember Heredia, Battalion Chief Alexander replied that more time is required for higher risk buildings to address those fire protection systems that are installed. He noted that the low-risk occupancies are inspected every three years, the medium risk occupancies are only inspected every other year, and higher risk

occupancies are inspected annually. He indicated that there will be a minimal impact fee for the low and medium risk.

Ms. Griffin explained that the Municipal Court's recommendation is to decrease the preparation of transcription service fees from paper to PDF documents, which is more cost effective and an easier process. She elaborated on the process and stated that the total estimated fiscal impact is a decrease of \$800 but can vary depending on the number of appeals. (See Page 9 of Attachment 2)

Ms. Griffin announced the next steps for the proposed fees, which would become effective July 1, 2024, with the exception of Falcon Field's adjustments which would not take effect until August 1, 2024. (See Page 10 of Attachment 2)

Chairperson Duff thanked staff for the presentation.

It was moved by Committeemember Freeman, seconded by Committeemember Heredia, that staff's recommendations regarding the proposed fees and charges for the Arts and Culture, Business Services, Development Services, Falcon Field, Mesa Fire and Medical, and Municipal Court departments be forwarded on to the full Council for further discussion and consideration.

Upon tabulation of votes, it showed:

AYES – Duff–Freeman–Heredia

NAYS – None

Carried unanimously.

### 3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 11:19 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 4<sup>th</sup> day of April 2024. I further certify that the meeting was duly called and held and that a quorum was present.

  
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HOLLY MOSELEY, CITY CLERK

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(Attachments – 2)



# City Auditor

Presentation to the Audit, Finance and Enterprise Committee

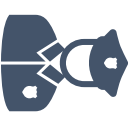
April 4, 2024

Joseph Lisitano, City Auditor

# Reports Issued Dec 2023 – Mar 2024



PRCF – Mesa Tennis and Pickleball Center Revenues Follow-up Review



Police – Property and Evidence Follow-up Review



Citywide – Annual Credit Card Security Review

# CF – Mesa Tennis and Pickleball Center Revenues Follow-up Review

Report Date: 12/5/2023

**A follow-up review to ensure action plans were successfully implemented.**

## CF – Mesa Tennis and Pickleball Center Revenues Follow-up Review

### What did we find?

Status of recommendation from September 2022 report:

- ✓ Develop and implement the following policies and procedures:
  - Require a supervisory review of all activity codes created.
  - Provide guidance on the proper tax rates to apply to services provided.
  - Review tax withholding amounts for reasonableness and ensure rates were properly applied.

✓ Implemented



# Police – Property and Evidence Follow-up Review

Report Date: 3/5/2024

A follow-up review to ensure action plans were successfully implemented.

# Police – Property and Evidence Follow-up Review

Status of recommendation from March 2023 report:

## What did we find?

- ◆ **Revise existing policies and procedures to address the timely disposal of property and evidence, such as:**
  - Defining specific time periods and/or quantity thresholds to initiate the disposal process, including items authorized but not yet removed and those that have been removed but not yet verified.
  - Establish a transport/drug burn schedule that is conducive to the number of items authorized for destruction.

◆ Partially Implemented

# Citywide – Annual Credit Card Security Review

Report Date: 1/17/2024

A citywide review of operational compliance with Payment Card Industry Data Security Standards (PCI DSS).

# tywide – Annual Credit Card Security Review

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## What is PCI DSS?

- Payment Card Industry Data Security Standard: A comprehensive system of operational and technological controls designed to protect cardholder data.
- Applies to any organization that accepts, transmits, or stores any cardholder data.
- Annual assessments are required.
- Compliance is a constant challenge due to staff turnover and evolving requirements.

Why do we  
review this  
every year?

# Companywide – Annual Credit Card Security Review

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## What did we review?

### Compliance with operational requirements:

- Screening and training all employees and volunteers who handle cardholder data.
- Maintaining and enforcing PCI DSS compliant policies and procedures at all acceptance sites.
- Mitigating risks related to contracted third-party payment processing service providers.
- Remediating non-compliance when found.

## Companywide – Annual Credit Card Security Review

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Follow-up:  
What did  
we find?

Last year's recommendation was successfully  
implemented:

- ✓ Complete credit card handling training within  
required timeframes. (PRCF)

✓ Implemented

# Yearwide – Annual Credit Card Security Review

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This year:  
What did  
we find and  
recommend?

This year's review found:

- Minimal issues related to credit card training.
- Overall, effective processes in place to comply with PCI DSS requirements.

# Questions?



# Fees and Charges Recommendations

Audit, Finance, and Enterprise Committee

Presenters: Kristi Griffin – Operations Budget Coordinator

Samuel Schultz – Office of Management and Budget Deputy Director

April 4, 2024



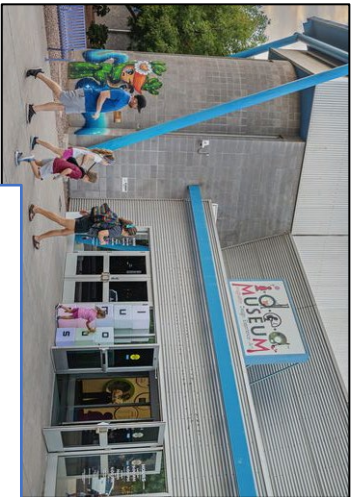
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## Fees and Charges Process and Recommendation

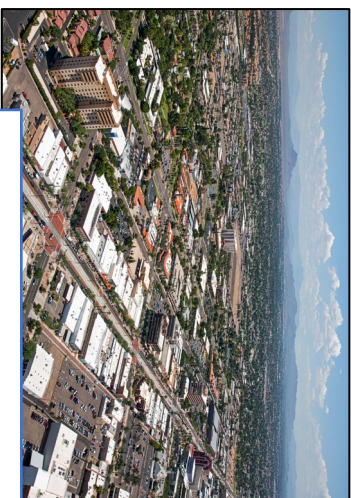
- Market comparisons conducted
- Cost of providing service and applicability of fee evaluated
- Full listing of recommended adjustments, additions, and deletions are included in the report
- Proposed effective date: July 1, 2024
- Estimated impact on revenue of all recommendations is an increase of \$234,006



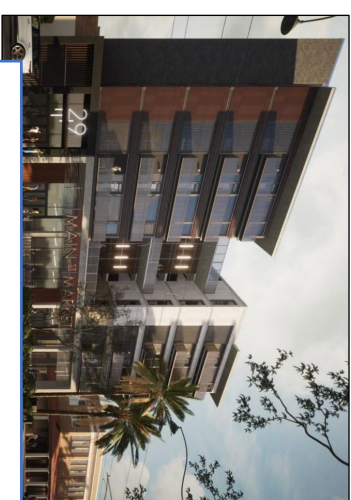
# Departments Recommending Modifications



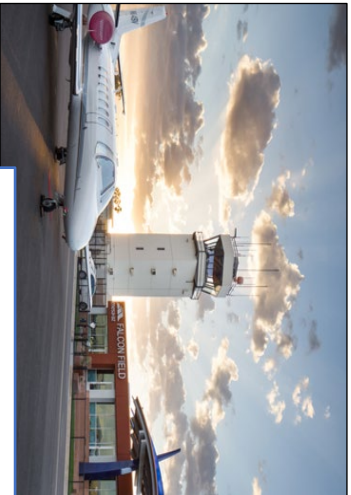
Arts & Culture



Business Services



Development Services



Falcon Field



Fire and Medical



Municipal Court

# Arts & Culture

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## Recommendation

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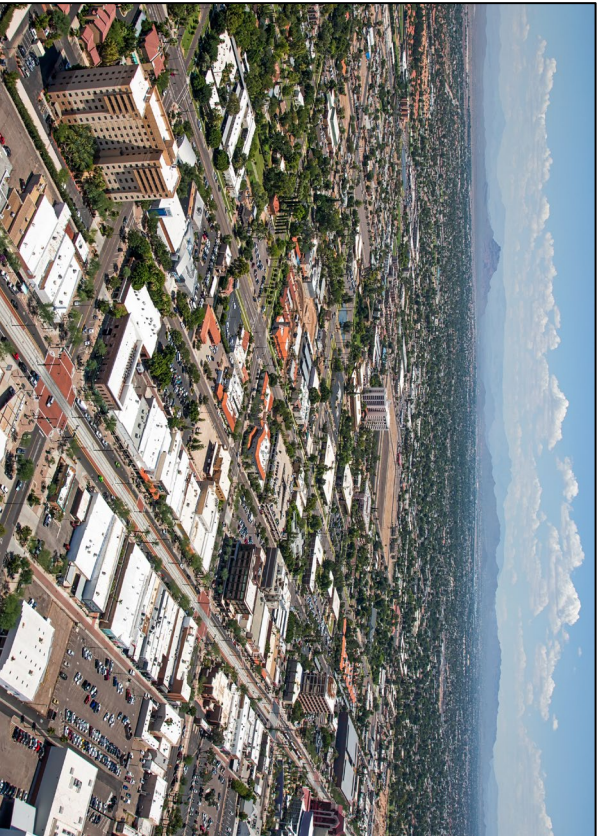
- *New* i.d.e.a. Museum membership fees
- Transferred financial management of the i.d.e.a. Museum memberships, including revenue and programmatic expenses, previously managed by the i.d.e.a. Museum Foundation
- Memberships ranging from \$70 to \$250
- No Fiscal Impact

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Total Estimated Fiscal Impact: \$0

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# Business Services



## Recommendation

- Move Cable T.V. Franchise Fees
  - *Remove* from Business Services Schedule
  - *Add* to Engineering Schedule
    - *Update* name to Video Service to reflect statute
  - No Fiscal Impact
- *Update* Short-Term Rental License Fee
  - Clarify unit language from *one year per property* to *One year per Short Term Rental* to align with City Code
  - Add \$250 Annual Renewal Fee to Schedule for consistency with similar fees
  - No Fiscal Impact

Total Estimated Fiscal Impact: \$0



# Development Services

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## Recommendation

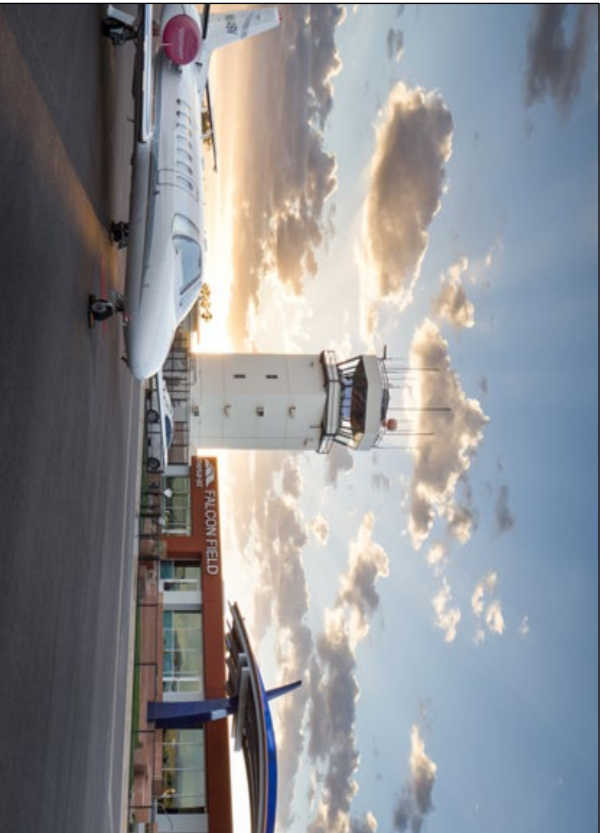
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- **Increase** Expired Applications/Permits Fees from \$110 to \$120
  - To align with similar fees
  - Fiscal Impact: \$4,020
- **Remove** Certification fees from Subdivision Development Review Fees
  - Certification set documents are now electronically available through Maricopa County
  - No fiscal impact
- **Remove** fees for Preliminary Information Conference and Preliminary Plan Review Team (PPRT) Technical Review
  - This is now combined with the pre-plot review process
  - No fiscal impact
- **Remove** Miscellaneous fees section
  - Residential Guideline, Land Use Guidelines (Falcon Field), Tape Duplication, and Subdivision Regulation
  - Guidelines are now freely available online
  - No fiscal impact

**Total Estimated Fiscal Impact: \$4,020**

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# Falcon Field



## Recommendation

- ***Increase*** several fees and charges due to cost increases in materials and utilities, inflation, comparable market, and FAA requirements for grant funding:
  - Tie downs & Hangars
  - Waiting List/Security Deposit
  - Fuel Flowage Fee & Access Control Card
  - Special Events Parking from \$150 to \$250 per event
  - Fiscal Impact: \$191,689
- **New** Small Storage Room Cleaning Deposit
  - Fiscal Impact: \$387
- Effective August 1, 2024

**Total Estimated Fiscal Impact: \$192,076**

# Fire and Medical



## Recommendation

- **Increase** commercial building Fire Inspection fees by 5% as cost recovery to offset personnel expenditures.

| Risk Occupancy Level                      | Number of Annual Inspections | New Fee    | Additional Annual Revenue |
|---|------------------------------|------------|---------------------------|
| Low (triennial)                           | 1,145                        | \$161.00   | \$8,760                   |
| Medium (biennial)                         | 423                          | \$161.00   | \$3,240                   |
| High < 12,000 sq. ft. (annual)            | 1,042                        | \$268.00   | \$13,290                  |
| High 12,000 <100,000 sq. ft. (annual)     | 510                          | \$482.00   | \$11,700                  |
| High 100,000 < 300,000 sq. ft. (annual)   | 47                           | \$589.00   | \$1,320                   |
| High 300,000 < 500,000 sq. ft. (annual)   | 7                            | \$696.00   | \$230                     |
| High 500,000 < 1,000,000 sq. ft. (annual) | 1                            | \$910.00   | \$40                      |
| High ≥ 1,000,000 sq. ft. (annual)         | 3                            | \$1,339.00 | \$130                     |
| <b>Total</b>                              | <b>3,178</b>                 |            | <b>\$38,710</b>           |

**Total Estimated Fiscal Impact: \$38,710**



# Municipal Court

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## Recommendation

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- *Decrease* the Preparation of Transcription fee from \$5.00 Per Page for paper copies to \$4.10 Per Minute for PDF Documents
- Trials exceeding 90 minutes must be transcribed and submitted to the Superior Court when an appeal is filed
- Transcriptions service provided by third party vendor; costs passed through to appellant
- Superior Court now accepts electronic submissions of transcripts, which is more efficient and cost effective

**Total Estimated Fiscal Impact: -\$800**

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# Next Steps

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City Council to consider proposed fees and charges amendments  
on **June 3, 2024**.

If approved by City Council, fee & charges adjustments are  
effective **July 1, 2024**.