



City Council Report

Date: April 30, 2009
To: City Council
Through: Kari Kent, Deputy City Manager
From: Christine Zielonka, Development and Sustainability Director
Scott Bouchie, Deputy Development and Sustainability Director
Subject: Increase to Federal Environmental Compliance Fee
Citywide

Purpose and Recommendation

The purpose of this report is to recommend that Council increase the Federal Environmental Compliance Fee (ECF) \$1.00 from \$2.00 to \$3.00 per utility account per month.

Background

In May 2006, City Council directed staff to implement an ECF in the amount of \$1.50 per month per utility account to offset the costs associated with unfunded Federal environmental compliance requirements. The fee was raised to \$2.00/month effective July 1, 2008.

The projected revenue from the ECF is estimated to be \$3,600,000 in FY 08/09. In the FY 08/09 budget, revenues were allocated to partially cover environmental costs associated with Environmental and Sustainability, and Parks Recreation and Commercial Facilities activities. Additionally, Transportation and Fleet Services are responsible for compliance activities that are also mandated by Federal environmental regulations that are not currently covered by the ECF. Transportation activities including street sweeping and storm drain maintenance are currently covered by Highway User Revenue Fund (HURF) funding.

Discussion

The combined projected cost for all of the FY 09/10 environmental compliance activities is approximately \$7.8M. Under the current fee structure the projected revenue for FY 09/10 is approximately \$3.6M resulting in a cost recovery of approximately 47% of the costs associated with compliance for these programs. To achieve a higher level of cost recovery for mandated environmental compliance activities staff is proposing a \$1.00 fee increase for a total of \$3.00 per utility account per month. This would result in approximately \$5.4M in revenue, or 70% cost recovery of budgeted environmental compliance expenditures for FY 09/10.

Alternatives

The alternatives are to increase the fee by a greater amount than \$1.00; increase the fee by a lower amount than the \$1.00; or leave the fee at \$2.00/utility account/month. The effects of these alternatives are listed below. Each \$1.00 of the ECF results in approximately \$1.8M revenue.

Greater incremental increase

Council could elect to increase the fee by a greater amount. This would result in a greater percentage of cost recovery for environmental compliance activities. To achieve full cost recovery, a \$2.29 increase to \$4.29/utility account/month would be necessary.

Lower incremental increase

Council could elect to increase the fee by a lower amount. This would result in an increased percentage of cost recovery, but lesser than the proposed 70%.

Maintain current fee schedule

Council could choose to maintain the current fee of \$2.00. This is not recommended because it would mean that the identified programs would recover a lower percentage of the costs associated with compliance each year.

Fiscal Impact

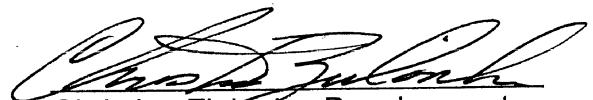
Increasing the fee will mean that the City is recovering a higher percentage of the cost of compliance with environmental regulations.

Coordinated With

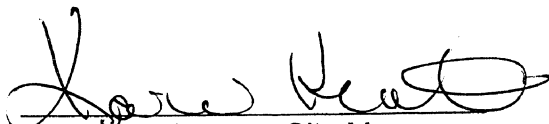
Parks, Recreation, & Commercial Facilities, Budget & Research, and Transportation Departments concur with this recommendation



Scott Bouchie, Deputy Development and Sustainability Director



Christine Zielonka, Development and Sustainability Director



Kari Kent, Deputy City Manager

Federal Environmental Compliance Fee - '09/10
City of Mesa, AZ

Eligible Program Activity	Total Annual Cost	Recovered @ \$2.00 per Mth	'09/10 @ \$3.00 Monthly Recovered	Un-recovered
Transportation (HURF)				
Storm Drain Maintenance	\$1,000,543	\$0	\$950,000	\$50,543
Street Cleaning/Sweeping	\$2,306,084	\$0	\$0	\$2,306,084
Parks, Recreation & Commerical Facilities (General Fund)				
Maintenace of Storm Water Retention Basins	\$2,831,883	\$1,916,123	\$2,831,883	\$0
Environmental Programs (General Fund)				
Storm Water Testing, Air Quality, Asbestos, Hazardous Materials	\$1,588,147	\$1,588,147	\$1,588,147	\$0
Fleet Maintenance (General Fund)				
Fuel Storage Tank Compliance	<u>\$95,730</u>	<u>\$95,730</u>	<u>\$95,730</u>	<u>\$0</u>
Total Annual Costs Incurred	\$7,822,387	\$3,600,000	\$5,465,760	\$2,356,627
Revenue Est. (rounded)	\$7,800,000	\$3,600,000	\$5,400,000	\$2,400,000
Monthly Fee	\$4.29	\$2.00	\$3.00	\$1.29
% of Total Costs Recovered	100%	47%	70%	30%

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF MESA, MARICOPA COUNTY, ARIZONA
MODIFYING FEES AND CHARGES FOR THE
DEVELOPMENT & SUSTAINABILITY
DEPARTMENT.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESA,
COUNTY OF MARICOPA, STATE OF ARIZONA, AS FOLLOWS:

Section 1: That the fees and charges with respect to services provided by
the Development & Sustainability Department, true and correct copies of which
are attached hereto and made a part hereof and incorporated herein by
reference, are approved and hereby adopted to be effective on July 1, 2009.

PASSED AND ADOPTED by the City Council of the City of Mesa,
Maricopa County, Arizona, this _____ day of _____, 2009.

APPROVED:

Mayor

ATTEST:

City Clerk

DEVELOPMENT & SUSTAINABILITY (Environmental & Sustainability)
Proposed Changes to Fees and Charges
Exhibit A

Description	Current	New
Federal Environmental Compliance Fee Per Account	\$2.00	\$3.00