



Audit and Finance Committee Report

Date: March 24, 2011
To: Audit and Finance Committee
Through: Jack Friedline, Deputy City Manager
From: Christine Zielonka, Development and Sustainability Director
Subject: Increase to Federal Environmental Compliance Fee
Citywide

Strategic Initiatives



Purpose and Recommendation

The purpose of this report is to seek direction on an increase of the Federal Environmental Compliance Fee (ECF). The current ECF is \$3.00 per utility account per month.

Background

The current \$3.00 ECF generates \$5.8M per year. The fee fully funds Environmental and Sustainability activities including air quality, stormwater quality, hazardous waste management and asbestos management. The fee also fully funds eligible Fleet Services' underground storage tank compliance activities.

Currently, the fee does not fully fund Parks and Commercial Facilities' retention basin maintenance activities. At the current rate, the fee will fund \$3.6M of the \$4.9M needed in FY 11/12 for retention basin maintenance. In FY 11/12 the fee will not fund any of Transportation's storm drain maintenance or street sweeping activities. These activities will be funded with other Transportation Department revenues (Highway User Revenue Fund (HURF) or Streets Sales Tax). It is anticipated that in FY 11/12 the State of Arizona will redirect a portion of these funds to fund the Department of Public Safety. Mesa anticipates a reduction in HURF funding of \$1.1M.

Discussion

The combined projected cost for all of the FY 11/12 environmental compliance activities is approximately \$9.7M. Under the current fee structure the projected revenue for FY 11/12 is approximately \$5.8M. This would pay for approximately 59% of the costs associated with compliance for these programs. To achieve a higher

level of cost recovery for mandated environmental compliance activities staff is seeking direction on the amount of a fee increase. For every \$0.25 the fee is increased, an additional \$481,998 of revenue is generated.

In order to achieve full cost recovery, an increase of \$2.05 for a total of \$5.05 per utility account per month would be necessary. This would result in approximately \$9.7M in revenue or 100% cost recovery of budgeted environmental compliance expenditures for FY 11/12. Attachment 1 provides additional detail on environmental compliance program costs, current funding sources and revenue projections.

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, Fleet Maintenance and Transportation Departments concur with this recommendation