



mesa az Audit and Finance Committee Report

Date: March 26, 2009
To: Audit and Finance Committee
Through: Kari Kent, Deputy City Manager
From: Christine Zielonka, Development and Sustainability Director
Beth Hughes-Ornelas, Development Planning Coordinator
Subject: Establish a New City Service Application Fee and Utility Service Fee
Citywide

Purpose and Recommendation

The purpose of this report is to recommend to Council the following fees:

1. Establishment of a City Service Application Fee that will cover the estimated cost of processing requests for City utility service (primarily water and wastewater) for County residents who are not requesting annexation.
2. Incorporate the Utility Service Fee (equivalent to development impact fees) in the Building Safety Schedule of Fees and Charges. This fee was previously established in the Terms and Conditions for Sale of Utilities.

Background

The cost of evaluating properties and preparing agreement documents for individuals requesting City Services without annexation are not currently funded by a fee. The activities associated with this work are performed by Development and Sustainability staff in conjunction with other departments including Energy and Water Resources, Transportation, Engineering and Solid Waste. The research involved in processing utility service requests is essentially identical to the process used for evaluating annexation requests. There is an annexation application fee but there is not currently a fee to process utility service requests without annexation.

The Utility Service Fee is equal to the sum of adding all the Mesa Development Impact Fees except Water and Waste Water for properties requesting City utility service instead of annexation. This fee was removed from the Terms and Conditions for the Sale of Utilities as a result of the prior Council policy change which did not allow sale of utilities in the absence of annexation. Staff is recommending the re-establishment of the Utility Service Fee that will be assessed as a condition of receiving City utilities.

Discussion

The proposed City Service Fee is \$1,300.00 per parcel to cover costs associated with staff time (\$90 / hr. for approximately 14 hours of staff time to investigate system requirements, negotiate conditions, prepare and record the Utility Service Agreement).

Under the recently adopted Council policy on annexation, developed properties may request utility service without being required to apply for annexation. Requests for utility service must be evaluated by staff to determine the impact on City services, conformance with standards, determination of reasonable modifications to standards when appropriate to do so and final preparation and recording of a Utility Service Agreement. Based on experience, it has been determined that 14 hours is a reasonable estimate of the amount of staff time required to complete this process.

Re-establishment of the Utility Service Fee will provide equity between properties that are being annexed, and those properties that are just requesting City services without annexation. Including this fee in the Building Safety Schedule of Fees and Charges, as opposed to the Terms and Conditions for Sale of Utilities, will provide a clear understanding of all applicable fees and charges associated with utility service requests outside the City of Mesa.

Alternatives – City Service Application Fee

Establish a lower fee

Council could elect to approve a fee less than the proposed \$1,300.00. This would not fully fund staff time associated with this function.

Establish a greater fee

Council could elect to approve a fee greater than the proposed \$1,300.00. This would result in an increased percentage of cost recovery for additional tasks involved with new requests for City Services but may be an over estimation of the actual time required to process and finalize requests for service.

Take no action

Council could elect to not establish a fee to cover the costs to process utility service requests. This would continue the inequality between processing annexation requests, and utility service requests and would not provide adequate funding for the staff time involved in processing these requests.

Alternatives – Utility Service Fee

Eliminate the Utility Service Fee

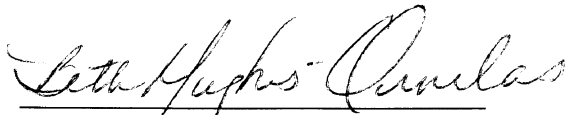
This would provide an undesirable fiscal incentive for County residents to receive City utility services. County residents would not be required to pay similar fees to residents who develop their property in the City of Mesa.

Fiscal Impact

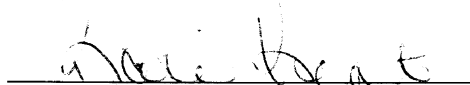
Implementing the City Service Application Fee will mean that the City is recovering a higher percentage of the costs of services being performed. Re-establishing the Utility Service Fee will result in the equivalent of Development Impact Fees being paid by County residents requesting City utility services but who do not annex into Mesa.

Coordinated With

Engineering, Transportation and Water Resources Departments concur with this recommendation.


Beth Hughes Ornelas, Development
Planning Coordinator


Christine Zielonka, Development and
Sustainability Director


Kari Kent, Deputy City Manager

DEVELOPMENT AND SUSTAINABILITY (DEVELOPMENT SERVICES)

Proposed Changes to Fees and Charges

Document of Change: Resolution (BSD Fees) and Ordinance (Solid Waste Residential Dev Tax)

Description of Services:	Current Fee/Charge	Proposed Fee/Charge	Unit	Date Last Revised	09/10 Fiscal Impact	10/11 Fiscal Impact	Comments
Outside City Utility Service Requests Utility Verification Letters	\$100.00		letter	03/03/08			Eliminate fee
CITY SERVICE APPLICATION FEE	\$0.00	\$1,300.00	parcel	New	\$ 32,500	\$ 32,500	\$1300 x 25 requests per year
UTILITY SERVICE FEE*		Shall equal the sum of adding all the Mesa Development Impact Fees (Parks, Library, Fire, Public Safety, General Government, Storm Water, Cultural Facilities, Residential Development Tax), except Water and Waste Water, that would be imposed if the existing development on the property were presently occurring within the City. This sum shall be based on the fees in effect as of the date the service connection is requested.			*	*	Collected currently.
Total					\$ 32,500	\$ 32,500	

*Fee being moved from the Utility Rate Book Terms and Conditions to the Schedule of Fees and Charges.

Plus Transaction Privilege (Sales) Tax, where applicable