



# City Council Report

**Date:** August 27, 2018  
**To:** City Council  
**Through:** Mike Kennington, Chief Financial Officer  
**From:** Ed Quedens, Business Services Department Director  
Tim Meyer, Business Licensing and Revenue Collections Administrator  
**Subject:** Business Services Fees and Charges  
(Citywide)

## Purpose and Recommendation

The purpose of this report is to recommend changes to the Business Services Department's fees and charges schedule to reflect adopted City Code for Auctioneers, Pawnbrokers, Scrap Metal Dealers, and Secondhand Dealers and Automated Kiosks. The Business Services Department requests Council approval to modify and implement fees related to these businesses.

## Background and Discussion

During the past couple years, the company ECOATM has been working with various cities within the Phoenix Metro area and the League of Arizona Cities and Towns (League) to develop a model that would allow them to operate with less regulation and fees. The primary item ECOATM accepts at their kiosks are cell phones. Many are not functional or are outdated. Other items are iPads, tablets, laptops and smart watches. Due to the low monetary value of many of the items they accept through their kiosks for resale or to recycle, the current city codes make it difficult to remain compliant and profitable. To get a consistent code throughout all valley cities, the League offered to work with ECOATM and city representatives to negotiate a model code that the cities would support. The proposed resolutions implement the fees based on the changes to the city code. The fees applies to all automated, second-hand kiosk operators who wish to accept second-hand merchandise via a kiosk, not just ECOATM. There are currently no existing second-hand merchandise kiosks in Mesa city limits.

The proposal includes a one-time master application fee of \$500, a \$500 license fee per kiosk, and a yearly renewal fee of \$500 per kiosk for each kiosk placed into operation within the City. In return, automated, second-hand kiosk operators would not have to pay for transaction reporting forms on a per form basis. Kiosk operators

will still report all transactions to the Police Department.

Currently, all second-hand dealers pay for transaction reporting forms at a cost of \$3 per form via the Pawn Transaction Fee on the Police Department's fee schedule. The proposal eliminates this fee for automated, second-hand kiosk operators. The current second-hand license fees are a \$100 application fee, \$100 license fee and a \$100 yearly renewal fee.

### **Alternatives**

Take no action on Fees and Charges or adopt different fees. If the resolution is not adopted and the proposed fees implemented, it is anticipated ECOATM will pursue statewide legislation that may not be favorable to the cities.

### **Fiscal Impact**

Total estimated FY 18/19 fiscal impact is a loss of approximately \$10,800 due to lost revenue from Pawn Transaction Fees, which companies will not pay in lieu of increased the licensure fees. The total new fees to be collected are estimated to be \$4,500, bringing to total FY 18/19 estimate to \$(6,300). Based on City of Tucson data, the loss per kiosk is approximately \$2,700 per year. ECOATM estimates four kiosks in FY 18/19 and more kiosks to be added as demand warrants.

### **Coordinated With**

Business Services worked with Office of Management and Budget and the City Attorney's Office in developing this City Council Report.

**Fee Recommendation Schedule**

**Exhibit A**

**Department: Business Services**

Description of Service:	FY 18/19 Current Fee:	FY 18/19 Proposed Fee: (Effective 9/26/18)	Unit:	Annual Fiscal Impact:	Notes:
<b>Business Services Fee Schedule</b>					
<b><u>KIOSKS-SECOND HAND MERCHANDISE</u></b>					
MASTER APPLICATION FEE		\$500	PER APPLICATION	\$(10,300)	New fee for any parent organization/company with multiple second-hand merchandise kiosks. New, higher fees (up from \$100 for master, license issuance and license renewal fee) is being applied in lieu of these companies paying Pawn Transaction Fee of \$3 per transaction. The loss of Pawn Transaction Fee revenue is shown here to account for total Annual Fiscal Impact.
LICENSE ISSUANCE FEE		\$500	PER KIOSK	\$2,000	One-time fee per kiosk
LICENSE RENEWAL FEE		\$500	PER KIOSK	\$2,000	License renewal fee per year, per kiosk

**Total Annual Fiscal Impact:            \$(6,300)**