



City Council Report

Date: October 6, 2014
To: City Council
Through: Karolyn Kent, Deputy City Manager
From: Dan Cleavenger, Water Resources Department Director
Christine Zielonka, Development & Sustainability Department Director
Richard Kochanski, Fire Marshall, Fire and Medical Department
Subject: Changes to “The Terms and Conditions for the Sale of Utilities”
Citywide

Strategic Initiatives



Purpose and Recommendation

This Council Report is presented to identify proposed changes to “The Terms and Conditions for the Sale of Utilities”. The proposed revisions address the requirements for individual single lot properties outside Mesa City Limits, being developed as one single family residential home, to receive utility service from Mesa.

It is recommended that the changes be approved to allow the utility service connection with identified City improvements to be met in the future, should the property owners request annexation.

The proposed changes were presented to the Sustainability and Transportation Committee on September 25, 2014 and were unanimously approved for full Council consideration.

Background

Mesa acquired several small existing water companies in the 1980s and has therefore provided water service to many customers outside Mesa’s City limits within Maricopa County. New customers were allowed to connect to Mesa lines as follows:

- Prior to 1996 Minimal conditions, payment of applicable fees.
- 1996 – 1998 Development Agreement, develop to Mesa standards, payment of applicable fees.

- 1998 – 2001 Development Agreement, develop to Mesa standards, payment of applicable fees and water and/or wastewater impact fees.
- 2001 – Present Utility Service Agreement; develop to Mesa standards, payment of water and/or waster impact fees and Utility Service Agreement Fee.

These requirements for connection have been discussed several times over the past seven years by the Council and Council Committees (Transportation and Infrastructure (TIC) prior to the Sustainability and Transportation Committee (SAT). There have also been several appeals to the TIC, and subsequently to the SAT, Committees questioning the economic feasibility of completing off-site improvement for single residence lots.

Development to City Standards includes the following:

- Dedication of Right-of-Way or Public Utility and Facility Easement (PUFE) for appropriate street grid
- Construction of adjacent street improvements
- Meet Fire Code Requirements
- Construct all water lines necessary for water quality, pressure and flow needs

Discussion

The Terms and Conditions for Sale of Utilities establish all of the requirements for receiving City water and wastewater service both inside and outside of the City limits and are established by the Council. Once agreement has been reached with a potential property owner, a Utility Service Agreement is signed by both the City and the property owner and recorded against the property. The Utility Service Agreement includes all of the costs and fees that must be paid prior to receiving City utility service.

Over the years there have been extensive discussions with Councilmembers, staff and residents of the County who simply desire water service or wastewater service but who do not want to annex into the City. The cost of providing the off-site improvements, particularly street improvements, is often perceived as being excessive for a single residence lot. Generally, the City has required an in-lieu payment for the street improvements calculated based on the cost at the time of the utility connection. Constructing just one small section of a street is not considered to be advisable from a maintenance perspective. If it takes many years to have enough contiguous lots to justify a street construction project, the in-lieu payments do not cover the cost of those improvements at the time they are actually constructed.

Therefore, staff has been working with the City Manager's Office to identify solutions which would require revisions to the Terms and Conditions for single residence lots only. The following changes are being proposed and have been endorsed by the SAT Committee:

- Defer standard street improvements and fire hydrant requirements until the owner requests annexation.
- The property owner will have the alternative to comply with all fire requirements or install sprinklers in all building locations with no omissions.
- These exclusions are for single residence lots *only*. Deferral of off-site improvements is not being recommended for more than one residential lot or for non-residential uses.

Additional modifications that are being proposed include:

- Deletion of Sections 3M and 3N which require mandatory annexation as this is no longer Council direction.
- Add a new section 23. A. to allow the City Manager or their designee to modify improvement requirements except extensions of water lines adjacent to the parcel (this is consistent with the appeals process for properties inside the City limits).
- Provides for appeal of the City Manager's decision to the Council Committee and then to the full Council if modifications to standards are approved by the Committee.

Alternatives

1. Adopt the provisions as recommended. This will streamline the process of providing utilities to detached single residence properties located in the County and should avoid protracted negotiations on off-site improvement requirements. This will also make the appeals process consistent with the applicable process for properties inside the City. Deletion of the annexation requirement will align with current City Council policies on annexations.
2. Denial or modification of the recommendations could be provided by Council. A revised resolution and ordinance will then be prepared for Council consideration at a later date.

Fiscal Impact

Adopting the proposed revisions regarding deferral of off-site improvements until annexation will result in the actual costs of the improvements being more aligned with the actual cost at the time of construction. This will also eliminate the construction cost deficit currently being experienced when the construction project is delayed several years beyond the in-lieu payment. There is no other significant fiscal impact associated with the proposed modifications.

Coordinated With

The proposed modifications have been coordinated by the Development and Sustainability with the Fire and Medical Department, Water Resources Department, Engineering and Transportation along with the City Manager's Office and the City Attorney's Office.