



Audit, Finance & Enterprise Committee Report

Date: March 4, 2019
To: Audit, Finance & Enterprise Committee
Through: Karolyn Kent, Assistant City Manager
From: Elizabeth Huning, City Engineer
Michele Davila, Sr. Fiscal Analyst
Subject: Changes to Engineering Department's Schedule of Fees and Charges
Citywide

Purpose and Recommendation

The purpose of this report is to recommend changes to the Engineering Department's Schedule of Fees and Charges. The recommended changes are outlined in this report and are recommended for City Council approval.

Background

The Engineering Department reviews its Schedule of Fees and Charges on an annual basis to determine the relevance and reasonableness of pricing of all fees and charges on the Schedule. Based on this year's annual review, the Engineering Department recommends making several administrative changes to the Engineering and the Development Services' Schedule of Fees and Charges. Specific changes are outlined in the Discussion section below.

Discussion

ENGINEERING DEPARTMENT'S SCHEDULE OF FEES AND CHARGES

Community Facility District Administrative Fee

The Department recommends removing this fee in its entirety. The Engineering Department does not collect this fee. Instead, specific staff members' positions are partially funded by Commercial Facility District (CFD) funds.

Miscellaneous

The Engineering Department would like to separate these two fees instead of having them fall under the same category. These two fees are distinct in nature and are not correlated. Proposed separation:

Special Inspections	\$100.00	Hour (minimum 1 hour)
Fire Hydrant and Flow Testing	\$100.00	Hour (minimum 1 hour)

Construction Water Use Charges

Recommendation is to add the link to the City's utility rate book as follows: Current construction water rate – refer to City's Utility Rate book for water use charges

<https://www.mesaaz.gov/city-hall/office-of-management-budget/utility-rates>

DEVELOPMENT SERVICES' SCHEDULE OF FEES AND CHARGES

Under the Civil Engineering Rate Table, the Engineering Department would like to change the Materials Testing Fee from: \$200.00 per test to \$200.00 per Right-of-Way (ROW) permit to facilitate the fee collection process.

The Materials Testing Fee is a new fee that was added in FY18-19. During FY19, it was determined that collecting the fee on a per test basis was not feasible. As a result, the Engineering Department worked with Development Services and Engineering Inspection staff (responsible for ROW inspection) and determined that collecting this fee as part of the permit process will be feasible and trackable in the accounting system.

Alternatives

The alternative is to leave the Commercial Facility District Fee on the Schedule of Fees and Charges as a fee that is not collected.

The alternative is to leave the Miscellaneous Special Inspections and Fire Hydrant and Flow Testing under the same fee category.

The alternative is to leave the Construction Water Use Charges as is on the Schedule of Fees and Charges without a link to the City's Utility Rate Book.

The alternative to leaving the Materials Testing Fee as is on Development Services' Schedule of Fees and Charges is that the Engineering Department will have to develop a manual process for collecting the testing fees that will involve individual invoices, test reconciliation and significant staff time to ensure successful fee collection.

Fiscal Impact

ENGINEERING DEPARTMENT'S SCHEDULE OF FEES AND CHARGES

There will be no fiscal impact to the Engineering Department/City by removing the Commercial Facility District Fee, separating Special Inspections and Fire Hydrant and Flow Testing Fees, or adding the link to the City's Utility Rate Book under Construction Water Use Charges.

DEVELOPMENT SERVICES' SCHEDULE OF FEES AND CHARGES

With respect to modifying the method of collection of the Materials Testing Fee on Development Services' Schedule of Fees and Charges, the Engineering Department will be able to collect the fee following an established permitting process.

The Engineering Department spends roughly \$196,000 per year on non-CIP Materials Testing contracted expenses and \$100,000 per year on City staff time. By changing the collection method, the City would recuperate approximately \$86,000 per year, which would partially offset annual costs currently being absorbed by the Engineering Department/City.

Coordinated With

The Engineering Department has coordinated with the Office of Management and Budget and Development Services on the recommendation to make changes to the Engineering and Development Services Departments' Schedule of Fees and Charges.

Fees & Charges Schedule - Key

Heading Configuration

<u>Schedule of Fees & Charges</u>
Department
Contact Information
HEADING 1
HEADING 2
<i>Heading 3</i>
Description of Fee
Description of Fee 2

Font Indications

Font	Font Indications
Regular Font	Existing fee or language
Strikethrough	Fee or language will be deleted from the Fee Schedule
BOLD CAPS	Language is being added to Fee Schedule
Bold	New or increased Fee Amount

Fee Recommendation Schedule

Exhibit A

Department: Engineering

Description of Services:	FY 18/19 Current Fee	FY 19/20 Proposed Fee	Unit:	Total Annual Fiscal Impact:	Notes:
Engineering Services					
Commercial Facility District Fee	\$123		Per Hour	\$0	This fee is not being collected. Specific staff salaries are partially funded by CFD funds instead.
Miscellaneous					
Special Inspections Including Fire Hydrant and Flow Testing	\$100.00		Hour (minimum 1 hour)		Separate these two fees on the Schedule
SPECIAL INSPECTIONS		\$100	HOURL (MINIMUM 1 HOUR)	\$0	Fee clarification/separation on the Schedule
FIRE HYDRANT AND FLOW TESTING		\$100	HOURL (MINIMUM 1 HOUR)	\$0	Fee clarification/separation on the Schedule
Construction Water Use Charges	Current construction water rate	Current construction water rate – https://www.mesaaz.gov/city-hall/office-of-management-budget/utility-rates	N/A	\$0	Add link to City Utility Rate Book

Total Annual Fiscal Impact

\$0

Schedule of Recommended Fees
Exhibit B
Department: Development Services

Description of Services:	FY17/18 Current Fee	FY18/19 Proposed Fee	Unit:	Total FY 18/19 Fiscal Impact	Notes:
RESIDENTIAL SECTOR					
MATERIALS TESTING FEE	\$200	\$200	Per Test PER ROW Permit	\$86,000	Changing fee collection method from per test to per ROW permit. 430 ROW permits/year *\$200
Total Annual Fiscal Impact				\$86,000	