



Fees and Charges Report

Date: June 1, 2026

To: City Council

Through: Michael Kennington, Deputy City Manager/Chief Financial Officer

From: Ed Quedens, Business Services Director
LeeAnne Cardenas, Assistant Business Services Department Director

Subject: Business Services Update to Schedule of Fees and Charges, Citywide

Purpose and Recommendation

The Business Services Department is proposing modification to the Business License Application Fee/License Fee, introduction of a new Business License Late Fee and a new Paper Bill Utility Mailing Fee for customer utility bills.

Background

On November 1, 2021, Council approved establishing a Business License, and the proposed application/license fee was approved on November 15, 2021, and became effective January 1, 2022. The application/license fee was set at ten dollars (\$10) for the first year to encourage the business community to obtain the license and the annual renewal fee was set at twenty-five dollars (\$25).

A Business License Late Fee was not proposed at the time City Council approved the adoption of the Business License Application Fee/License Fee and Renewal Fee on November 15th, 2021.

The Business Services Department is responsible for printing and mailing approximately 95,000 utility bills each month, representing 48% of our total utility customers. The other 52% are currently enrolled in electronic billing (e-bill). The City spends over \$1 million annually on postage for our utility customers, including other correspondence (ex. bad debt letters, and disconnect letters, for which there is an established fee of \$3.00) in addition to the monthly utility bills. Over the past 5 years, the increase of postage rates, as set by the U.S. Postal Service, have risen by 49%. These postage increases are not regularly scheduled and can occur multiple times within a year. The costs to print and mail paper bills to the 48% of our utility customers are currently borne by all utility customers.

Discussion

MODIFICATION OF BUSINESS LICENSE APPLICATION FEE/LICENSE FEE (Exhibit A)

The past 3 years has allowed Mesa businesses time to obtain a business license. Raising the rate from \$10 to \$25 for the application/license fee to match the annual renewal fee of \$25 will encourage timely renewal for licensed Mesa businesses. If the fee is not increased, businesses may let their license lapse and request a new license at the lower \$10 rate. Business License Renewals are more efficient to process when compared to the time and steps involved in the lapse of a current business license plus the processing of a new license application.

If the proposed changes are approved by City Council, the fees and charges will become effective July 1, 2026.

ADDITION OF BUSINESS LICENSE LATE FEE (Exhibit A)

City code 5-5-5 (B) states: Any person required to be licensed under this Chapter who fails to obtain or maintain a license in compliance with this Chapter will be subject to the license fee and late fee prescribed in the schedule of fees and charges. The fees imposed by this Chapter will be deemed a debt owed to the City and the City may take permissible legal action to collect the debt. A license will not be issued until all fees prescribed in the schedule of fees and charges are paid in full. This fee was never established as per the code. Establishing a Business License Late Fee of ten dollars (\$10) will align with City Code 5-5-5 (B) and encourage timely application and renewals for Mesa businesses. At the time of this report, 330 Business Licenses showed a history of expiration of license at time of renewal followed by the submission of new license application. If a Business License Late Fee was already in place, \$3,300 in fees could have been collected at time of processing the new license applications.

If the proposed additions are approved by City Council, the fees and charges will become effective July 1, 2026.

ADDITION OF PAPER UTILITY BILL MAILING FEE (Exhibit B)

A new Paper Utility Bill Mailing Fee for utility bills of one dollar and fifty cents (\$1.50) is being recommended. Establishing a Paper Utility Bill Mailing Fee will apply these costs to customers who choose paper bills and the fee will encourage customers to convert to e-bill. The cost of paper, envelopes, printing and mailing a standard bill is \$0.94 per month, or \$2.00 for the 237 accounts mailed outside of the US. In addition to lowering annual mailing costs, by encouraging customers to switch from paper bills to e-bill, the City reduces paper consumption, lowers greenhouse emissions from mail delivery, and minimizes waste.

If the proposed additions are approved by City Council, the fees and charges will become effective October 1, 2026.

Summary

Increasing the Business License Application Fee/License Fee to equal the Business License Renewal Fee will encourage Mesa businesses to remain actively licensed and reduce internal processing efforts.

Introduction of a Business License Late Fee will align with City Code and encourage Mesa Businesses to remain timely with their renewal deadline.

Introduction of a Paper Utility Bill Mailing Fee will encourage customers to migrate to e-bill, thus lowering spending on print and mail costs. If the customer remains on paper bill the proposed \$1.50 fee would be to cover the current \$0.94 printing and mailing cost plus personnel time.

Alternatives

Business License – Revenue Collection Operations:

- The alternative is to keep the Business License Application Fee/License Fee the same, and not equal to, the Business License Renewal Fee. This may result in Mesa Businesses circumventing the renewal process, allowing their license to expire, and submitting a new license application which extends the processing time when compared to processing a renewal.
- An alternative is to not establish a late fee for Business Licenses

Paper Utility Bill – Billing and Account Maintenance

- The alternative is to not establish a fee and the City would continue to incur these costs and staff would continue to encourage utility customers to migrate to e-bill overtime.

Fiscal Impact

Increase of Business License Application Fee/License Fee:

\$36,900 additional annual revenue.

Business License Late Fee:

\$2,880 annual revenue.

Paper Utility Bill Mailing Fee:

\$1,710,000 annually.

This will either be identified as cost savings for customers that convert from paper bills to e-bill or as incoming revenue to cover the paper bill printing and mailing fees.

Total Fiscal Impact: \$1,749,780

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

Schedule of Fees & Charges

Exhibit A – Revenue Collection Operations

Department: Business Services

Description of Service	Current Fee Range	Proposed Fee Range	Unit	Total Fiscal Impact	Notes
<u>BUSINESS LICENSE</u> Application Fee/License Fee	\$10.00	\$25.00		36,900.00	Increase Application Fee/License Fee to match Annual Renewal Fee
BUSINESS LICENSE LATE FEE		\$10.00		\$2,880.00	Establish Business License Late Fee

Estimated Total Annual Fiscal Impact: \$39,780.00

Schedule of Fees & Charges

Exhibit B – Billing and Account Maintenance

Department: Business Services

Description of Service	Current Fee Range	Proposed Fee Range	Unit	Total Fiscal Impact	Notes
PAPER UTILITY BILL MAILING FEE		\$1.50	EACH	\$1,710,000.00	Establish Paper Utility Bill Mailing Fee (fee per customer bill per month)

Estimated Total Annual Fiscal Impact: \$1,710,000.00