



Minutes City Council Issue Review Session October 2, 2008

Minutes of the Tempe City Council Issue Review Session held on Thursday, October 2, 2008, 6:00 p.m., in the City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

COUNCIL PRESENT:

Mayor Hugh Hallman
Vice Mayor Shana Ellis
Councilmember P. Ben Arredondo
Councilmember Mark W. Mitchell
Councilmember Joel Navarro
Councilmember Onnie Shekerjian
Councilmember Corey D. Woods

Mayor Hallman called the meeting to order at 6:02 p.m.

Call to the Audience

Trish Hart, Phoenix, speaking on behalf of the Arizona Pawn Association which represents the pawn stores doing business in Tempe. She asked Council for the opportunity to sit down with City staff to discuss their concerns about the proposed transaction recording fees.

Mayor Hallman asked why Tempe, with no fee, should be different from the City of Phoenix with a fee of \$3.

Ms. Hart responded that the City of Phoenix implemented its fee to build an electronic reporting system. She didn't know if the Tempe stores are currently reporting electronically. The \$3 fee means that the customer pays \$3 each time they pawn an item. Of the customers coming into the pawn stores, 85% redeem their items and they get no benefit from their \$3 fee.

Mayor Hallman clarified that the fee provides the opportunity to track and that is the reason there is such a high percentage of owned items.

Ms. Hart agreed that the regulation of the pawn industry has been very helpful. Because of the reporting requirements, there is a very minimal percent of pawned items that are stolen, but for those few stolen items, everyone would be charged a \$3 fee.

Mayor Hallman asked if it is fair that the taxpayers pay the cost of the reporting system for the pawn industry.

Ms. Hart responded that the pawn shops report the information electronically, so it goes into a database.

Mayor Hallman responded that there are police personnel who interact with this process and, as a result, by not having a fee for the last ten years like the City of Phoenix, the entire cost of the system is paid out of the general fund. The benefits to the industry are having a system where the amount of stolen goods in the system has been reduced drastically and the environment for the pawn industry has been improved, but the taxpayers have paid for it. He asked if they have asked Phoenix to repeal their fee.

Ms. Hart responded that they have talked to the City of Phoenix about reducing the fee for the reason that with the new electronic reporting it has become much easier for information to be tracked. They have also talked with Mesa about this issue. Flagstaff recently passed a \$2 fee.

Mayor Hallman added that no legislation will be enacted tonight and there will be time to work with staff to address her concerns.

Bob DeFabrizio, Tempe, Board of Directors of Pawn Association and owner of Arizona Firearms Collectibles, which also handles pawns. He also owns a pawn shop in Mesa and it is one of the largest pawn shops in the state. He has put over a million dollars into the hands of people who need money to survive. He will pay the City of Tempe more than \$80K this year in sales tax. Precise records are kept and that is the reason that only two stolen items were recovered out of thousands of items that have gone through his store in the last ten months. Through his work on the board of directors, he works with Mesa, Chandler, Scottsdale and Tempe. He personally recruits all pawn shops to join. Those that don't join are usually the ones the City will have trouble with. They are under the FDIC with the same rules as banking.

Mayor Hallman clarified that the City's tax rate is 1.8%, so on \$1M of business, that is still a significant amount of money. In exchange for that, he receives police and fire services.

Mr. DeFabrizio stated that the last time he checked, the cost to process a pawn ticket was 37 cents. If the Tempe pawn shops have four stolen items which were picked up within 48 hours, there's not much detective work being done because the pawn shops report correctly.

Mayor Hallman clarified that the reason the rate is that low is because this system is in place. So far, the taxpayers on Tempe have been paying the cost to run it. He further clarified that if Mr. DeFabrizio had thousands of items pawned in Tempe over the last ten years, and the cost of processing that has been 37 cents, it adds up to a huge amount of money the taxpayers have paid to run that system to the benefit of his business.

Mr. DeFabrizio suggested setting the fee at a more reasonable amount. We shouldn't take money out of the hands of people who need it the most.

Mayor Hallman clarified that the sales tax he is paying is not on pawned items but on the items he is selling.

Pawn Transaction Report Fee

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenters: Assistant Police Chief Brenda Buren; Fiscal/Research Administrator Mary Anders

Brenda Buren summarized that this item came up through the Ad Hoc Budget Committee as a potential way to recover some costs. An electronic system is used, but the real cost comes from a community service officer position and this would cover the cost of her salary. There is also the cost of the actual pawn tickets. Even if someone submits them electronically, they are still required to fill out that slip in the event a hard copy is needed. There are also some administrative costs for the shops that don't submit electronically. Staff is anticipating that a \$3 pawn fee would bring in about \$99K and is estimating the direct cost to be \$86K. That does not include hearings that the City Attorney's Office handles, however.

Mayor Hallman clarified that the Police Department has been spending over \$80K every year for a number of years to run the system. That has been paid out of the general fund by the taxpayers.

Ms. Buren added that staff will sit down and provide more information to anyone who would like to speak about the pawn issue.

Mayor Hallman clarified that an extra \$13K has been built in at the recommended rate. He asked why that is recommended rather than a fee of, perhaps, \$2.75.

Ms. Buren responded that it was more to balance the equity with other cities, anticipating that costs will increase rather than trying to do that perfectly each year. They are certainly flexible.

Mayor Hallman asked for consensus to create the appropriate ordinance and agendaizing it on Council's Formal agenda.

There was consensus.

CONSENSUS

Move forward with Option 1.

Follow-up Responsibility: Brenda Buren

Alarm Fee Changes

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenters: Assistant Police Chief Brenda Buren; Fiscal/Research Administrator Mary Anders

Brenda Buren summarized that this item came up through the Ad Hoc Budget Committee as a potential way to recover some costs. Over the years, changes have been made to the alarm ordinance and the current ordinance is probably one of the more stringent ordinances in the Valley which has been a help organizationally. In terms of cost recovery, two things are under consideration: (1) Institute a renewal fee and (2) Increase initial permit fee.

Ms. Buren continued that there is currently a cost of \$10 for anyone obtaining a new alarm permit, and there is no fee for an annual renewal. A renewal is requested so that current contact information is kept on file. There are about 9,000 permits. Phoenix, Scottsdale, Chandler and Mesa all have a fee of either \$10 or \$15.

The second component of the alarm program is to look at the fine structure for businesses. This is cost recovery, but staff has also tried to minimize the number of false alarms because of the large impact on the police force. Although 43% of the alarm use permits are for businesses, they account for over 75% of the false alarms.

Mayor Hallman asked for the total number of false alarms.

Mary Anders responded that there were 7200 during the last fiscal year.

Mayor Hallman clarified that the number has decreased from about 14,000 when the program began, so the number has been cut in half by the incentive for people to recognize that there is a cost associated with it. A huge amount of police resources are being spent answering false alarm calls. The goal is not to raise revenues, but to drive down the number of false alarm calls.

Ms. Anders added that officers spend on an average of 20 minutes per false alarm call.

Mayor Hallman summarized that staff is recommending two options for false alarms. Option A is for all alarm holders and Option B is for businesses. Staff is recommending adding it to the businesses because that is where most of the false alarms occur.

Councilmember Shekerjian clarified that this would change what is being done with businesses, not residential. Those that have alarms on their homes need to register, and there is a \$10 initial fee, and then there is no annual update fee. She asked for clarification that staff recommends only applying it to businesses.

Mayor Hallman further clarified that the memo reads that there would be a renewal fee for all permit holders, including residential.

Ms. Buren responded that the renewal fee would be for all permit holders. The fine is only for businesses.

Mayor Hallman stated that, given that 57% of the permits are for residential, the goal in creating the renewal was to collect accurate information and keep people in the system. He recalled that when this was first

established, there would not be a renewal fee because a fairly easy system for renewal could be created by already having them in the renewal database. The goal is to get people registered so that information can be supplied and stop false alarms. Given the infrequency of false alarm calls at residences, wouldn't it make sense to raise the initial fee to \$15, not having a renewal fee on residences and then impose on those who are causing the greatest expense the cost of that system? Again, the goal is to cause compliance, not raise revenue. The 20 minutes per call on 7600 false alarms calls equals 2400 hours of officer time invested. The cost of just answering false alarms is probably in excess of \$300K.

Ms. Buren agreed that fewer changes are necessary for residential.

Councilmember Shekerjian suggested not doing a renewal fee for residential, but to rather look at businesses. Councilmember Navarro asked whether residents who don't renew within a certain amount of time are charged.

Ms. Anders responded that there is a \$50 fee.

Vice Mayor Ellis asked for clarification on the process when someone is fined. Her concern is moving from two free false alarms to one free false alarm and what the impact might be on the courts.

Ms. Buren responded that it is all in-house within the Police Department. No citation goes through the judicial system. The impact is larger as the number of false alarms increase. For a business to now have one instead of two free calls, the \$50 fine will be implemented on the second false alarm instead of the third. There is no impact elsewhere in the City.

Councilmember Shekerjian asked that when a house is sold, are the new owners notified that they need to update the records?

Ms. Buren responded that there is a lot of information on the website as well as information included in information that goes out to new residents. The alarm companies do this as well.

Councilmember Navarro commended staff for considering residents over 65 years of age.

Mayor Hallman summarized that consensus is to move forward with an initial alarm permit fee for businesses at \$15, and leave the residential alarm users fee at \$10; an annual alarm renewal fee for businesses at \$15, with no renewal fee for residential, and to change the fee structure for businesses to receive only one free and residential alarm users would still receive two free.

CONSENSUS

Move forward as follows:

- Set the initial alarm permit fee for businesses at \$15 (residential alarm users remain at \$10)
- Set annual alarm renewal fee for businesses at \$15 (residential alarm users will not pay a renewal fee)
- Change the fee structure for businesses to receive only one free (residential alarm users would still receive two free)

Follow-up responsibility: Brenda Buren

Formal Council Agenda Items

None.

Future Agenda Items

Councilmember Navarro suggested a discussion regarding starting Council meetings earlier, with perhaps the Formal Council meeting at 6 p.m., and Issue Review Session at 4 p.m., or working around a time that might be acceptable for all councilmembers.

Mayor Hallman asked to have this scheduled on a future Issue Review Session.

Mayor's Announcements/Manager's Announcements

None.

Meeting adjourned at 6:31 p.m.

Jan Hort
City Clerk