



City Council/Successor Agency Meeting

AGENDA ITEM NO. L. 2.

DATE: 12/05/2023

TO: Honorable Mayor and City Council Members

SUBJECT: Resolution No. 8522 - Fee and Service Charge Revenue/Cost Comparison System
(Mayor to declare meeting open as a public hearing)

- a. Public hearing to consider Resolution No. 8522 approving a Fee and Service Charge Revenue/Cost Comparison System; Establishing the Amounts of Fees and Charges Levied In Connection with the City's Provision of Services and determination that this resolution is exempt from environmental review pursuant to Section 15273 of the state's Guidelines implementing the California Environmental Quality Act.
(Management Services/Finance Director Garcia)

PROCEDURE FOR PUBLIC HEARING:

1. Mayor declares the meeting open as a public hearing.
2. Mayor calls upon Department Director for report.
3. Mayor calls for questions/comments from members of the City Council.
4. Mayor calls for comments/questions/testimony from members of the public (3 minutes per speaker).
5. Mayor calls upon City Clerk to note any written comments received.
6. Mayor closes the public hearing.
7. City Council considers the motion and votes.

MOTION(S):

I move to determine that the adoption of Resolution No. 8522 is exempt from environmental review pursuant to Section 15273 of the State's Guidelines implementing the California Environmental Quality Act and to adopt Resolution No. 8522.

RECOMMENDATION:

Staff recommends the City Council determine that the adoption of Resolution No. 8522 is exempt from environmental review pursuant to Section 15273 of the state's Guidelines implementing the California Environmental Quality Act; and approve Resolution No. 8522.

DISCUSSION:

As staffing levels stabilized over the last 18 months, the Management Services Department was able to undertake a new cost of service study and overhead cost allocation plan that was previously budgeted for in fiscal year 2022. In Spring 2022, staff released a Request for Proposals (RFP) for these services. Specifically, the scope of work included:

- An Overhead Cost Allocation Study to help the City appropriately allocate general and administrative costs in the budget, and properly identify overhead rates for federal and state grants, user fees, and reimbursements from other governmental agencies; and
- A Comprehensive User Fee and Rate Study to establish a fee and rate structure that meets the needs of the City and those it serves

A total of four (4) proposals were received. Staff reviewed the proposals and selected Martix Consulting Group as the most highly qualified firm to provide these services.

The purpose of the Cost Allocation Plan is to clearly outline the support provided to general fund and non-general fund operations from central service departments (i.e., payroll, human resources, building maintenance). During the initial stages of the project, the consultant worked with Finance staff to compile budgetary data needed to properly allocate overhead costs across the City in accordance with Generally Accepted Accounting Principles. The results of the Cost Allocation Plan are incorporated into the citywide fee study.

After the Cost Allocation Plan was completed and finalized, the Matrix team met with department staff citywide to understand the fee structure, discuss ideas and improvements, as well as collect data on each permit and service type – including time estimates. This culminated in an analysis that provides information on the full cost of providing each service included in the City's schedule of fees. This iterative process also includes adding and removing fees as the need arises. The results are reviewed by City staff within each corresponding department for accuracy and reasonableness. The results are also reviewed to understand the impact of the updated information.

This work was substantially completed during the summer of 2023, before the

City's negotiations with its nine (9) bargaining units were finalized. Therefore, the full costs established in the Fee Study are to be used as a base amount that is increased with periodic across-the-board increases that are agreed to between the City and its labor partners. As such, in June and July 2023, the City Council approved a 7% across-the-board increase for its employees. The full costs of the fees outlined in the Fee Study have been updated and a reconciliation of the same is included with this report.

At this time, staff is recommending Council approval of Resolution No. 8522 which rescinds Resolution No. 8045. The Fee Study Report is attached for review, as well as the reconciliation of cost increases associated with the increase in personnel costs as of June and July 2023. The resolution reflects the costs associated with the services being provided, the percentage of costs being recovered, as well as the recommended recovery levels.

Department heads and staff reviewed the draft fee summaries, along with Finance staff, and are recommending recovery of “costs reasonably borne” at the following percentages, unless restricted by state statute or local ordinance:

Fees by Department	Recovery Percentage
Development Services -	
Planning	100%
Building & Safety	100%
Municipal Utilities & Engineering	100%
Fire Department	100%
Facilities & Community Services -	
Trees & Administration	23-100%
Code Enforcement	100%
Animal Services	6-82%
Parks & Recreation	0-100%*
Police Department	100%
Management Services/Revenue	38-100%
Library	0-25%

*Fees charged for Parks & Recreation can be market-rate based, meaning that they are permitted by law to over-recover the cost of providing services related to rentals, reservations, and programs. The City often does so as to manage demand and expand other service offerings, as well as to offset under-recovering in other areas.

The following fees are not recommended for adjustment, because they are restricted by either state statute or local ordinance:

**Facilities & Community Services –
Animal Services**

Shelter apprehension, unaltered-1st	\$	35
Shelter apprehension, unaltered-2nd	\$	50
Shelter apprehension, unaltered-3rd	\$	100

Code Enforcement

Rental Dwelling Permit < 1 acre	\$	80
Rental Dwelling Permit 1-3 acres	\$	94
Rental Dwelling Permit 3.01-5 acres	\$	106
Rental Dwelling Permit > 5.01 acres	\$	116
Rental Dwelling Permit Reinspection	\$	40

**Development Services –
Building & Safety - Miscellaneous Permit Fees**

Solar Energy Systems		
Residential 0-15 kW	\$	450
Residential each kW>15kW	\$	15 /kW
Non-Residential 0-50 kW	\$	1,000
Non-Residential ea. add'l kW 51-250 kW	\$	7 /kW
Non-Residential ea. add'l kW >250kW	\$	5 /kW

Municipal Utilities and Engineering

Wide Load – Single Trip	\$	16
Wide Load – Annual	\$	90

Police Department

Concealed Carry Weapon (CCW) Permit	\$	100
CCW Permit renewal	\$	25
CCW Permit Modification	\$	10

Resolution No. 8522 incorporates the past practice of using a phased-in approach for certain fee increases in Revenue, Parks & Recreation, Development Services (flat fees only, not those set by square footage), Fire, and Municipal Utilities & Engineering:

1. If the department's recommended recovery percentage increases by more than 70%, the fees are implemented over three years;
2. If between 30% and 70%, the fees are implemented over 2 years;
3. And if less than 30%, the recommended fees are implemented in the first

year.

Additionally, the resolution and the fees established by it shall become effective immediately upon Council approval except for new or modified fees which apply to the “filing, accepting, reviewing, approving, or issuance of an application, permit or entitlement to use” for a development project, as defined in Government Code section 66000. Those fees become effective sixty (60) days after the Council approves the resolution.

Generally speaking, Library fees are being reduced considerably in order to reduce barriers to library access and attract more patrons. Certain permit fees in the Revenue Division are increasing while other fees, like those for returned checks, are decreasing. Police Department fees are decreasing, reflecting streamlined processes. Fees for Animal Services are increasing modestly and new services are being added. Growing evidence supports lower adoption fees promote increased save rates at shelters and, for that reason, these services are subsidized more than others. Fees in FCS - Administration, Code Enforcement and Trees are remaining relatively stable with the exception of some higher fee increases related to abandoned property inspections and annual license fees for City facilities. Parks & Recreation fees are remaining relatively flat, with some increased fees for room reservations, reflecting the different sized rooms that are available. Generally, fees for Engineering are decreasing for encroachment permits and increasing in other areas related to plan check.

For Development Services - Planning fees, there are a number of fees whose recovery rate is increasing by more than 30%. These changes can be attributed to the length of time since the fees were last reviewed (2016). Since then, there have been changes in internal processes as well as staffing levels. Flat fees for Development Services - Building & Safety remain relatively stable, with moderate increases in some areas. For Building & Safety fees that are charged according to square footage of a project, these fees are shifting to recognize that smaller sized projects have been over-recovering and subsidizing the larger projects. By reevaluating the time estimates for each project size category, fees more appropriately reflect their fair share of plan check and inspection costs.

The adoption of this resolution is exempt from review under the California Environmental Quality Act (CEQA) pursuant to state CEQA guidelines section 15273, which states that CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, and other charges by public agencies.

ALTERNATIVES:

Council may deny the motion and provide alternative direction to staff.

STRATEGIC PLAN:

Not Applicable

SUBMITTED BY:

Danielle Garcia, Management Services/Finance Director

RECOMMENDED BY:

Charles M. Duggan, Jr., City Manager

REVIEWED BY:

Yvette M. Abich Garcia, City Attorney
Christopher Boatman, Assistant City Manager
Tabitha Crocker, Facilities and Community Services Director
Brian Desatnik, Development Services Director
Don McCue, Library Director
Rachel Tolber, Chief of Police
Rich Sessler, Fire Chief

Fiscal Impact

Fiscal Year: multiple

Revenue Generating: Yes

Discussion:

Recommended fees are reflected in Exhibit “A” of Resolution No. 8522. At the estimated service levels, the fees included in Resolution No. 8522 are anticipated to generate approximately \$780,000 in additional revenue per fiscal year. The increase in revenues will be accounted for in the upcoming FY 2025 & 2026 Biennial Budget being developed in the spring of 2024.

Attachments

Reso. No. 8522 Fee Resolution December 2023
Fee Schedule - Exhibit A of Resolution No. 8522
Report on Cost of Services (User Fee) Study
Reconciliation of User Fee Study Full Costs and Employee MOU Increases
Reso. No. 8045 and Fee Schedule
