



AGENCY: City Council  
MEETING DATE: January 28, 2019  
DEPARTMENT: City Manager/Finance  
PRESENTED BY: Miller/Damiani  
EMAIL ADDRESS: [TMiller@fortbragg.com](mailto:TMiller@fortbragg.com)

## AGENDA ITEM SUMMARY

### **TITLE:**

**Receive Report, Conduct Public Hearing and Consider Adoption of the Following:**

- 1. City Council Resolution Adopting Updated Fees for Various Planning and Development Services**
- 2. City Council and Improvement District Resolution Adopting Updated Fees for Miscellaneous City/District Services**
- 3. City Council Resolution Extending the Waiver of the Parking-In-Lieu Fees for Changes in Use in the Downtown Business District**

### **ISSUE:**

The City of Fort Bragg charges fees to offset the cost of providing certain services. Traditionally, the City has performed an annual analysis of most of its fees, including updated calculations on the cost allocated for staff time. During the early review of the City's fee schedule, the question was raised as to how often other California Cities do an expansive review and analysis of their fee structure as opposed to simply updating fees based on an inflationary index.

An informal survey of other cities, showed that Fort Bragg was the exception, in that it analyzed and recalculated all of its fees and charges on an annual basis. Most cities perform the full labor intensive work only every 5-7 years and most annual updates are based on a Consumer Price Index (CPI) or other inflationary adjustment.

### **ANALYSIS:**

During this year's review of fee schedule, staff researched and discussed the historical context of changing fees on an annual basis based on the time each activity described in the fee schedule took to complete. The conversation evolved to asking the question why the City does a full analysis of fees charged every year and whether this best served the public. For every year past, each department has reviewed the fees imposed by that department for services provided. Staff time for each task and the cost of any outside supplies or services are factored into the estimated average cost of performing the service.

The City's fees generate a relatively small portion of the overall forecasted revenue; less than 2% or \$166,000. The amount of staff time required for a full annual analysis on the other hand is fairly significant, including time spent by staff throughout the organization. The time expenditure is concentrated in the Finance and Administrative Services departments but also includes time spent by each of the City's department heads as well as input from staff at all levels.

To help gain a better understanding of how other municipalities handle their annual fee schedules, Staff did an informal survey of other Cities throughout California (Attachment #5). Fourteen responses were received and a majority of those only perform a full analysis and

review of their fee schedule every 3-7 years. Increases, in the years no analysis was performed were based on a regional CPI (Consumer Price Index) or other index relevant to that specific city.

The Finance and Administration Committee has reviewed the proposed change to updating fees and recommends that a full analysis only be conducted every 3 years and that in every other year, fees and charges (excluding water, sewer and drainage capacity fees) are increased by the San Francisco-Oakland-Hayward CPI-U index. Water, sewer and drainage capacity fees, will continue to apply the Engineering News Record-20 City Construction Cost Index (consistent with Resolution 2412-2000) to adjust those fees. The fee resolutions attached to this report for 2019 include an increase of 3.9%, except for water, sewer and drainage capacity fees which applied an increase of 3.29%, effective 60 days from the date of this public hearing. Consistent with Proposition 26, only fees that are increasing are included in the schedules attached to the resolutions. Small fees would be rounded to the nearest whole dollar or cent to make them easier to collect.

Although similar, the process set forth for establishing and increasing planning and development fees differ, so they have been separated into two resolutions for adoption.

#### Planning and Development Services Fees and Charges

The requirements to increase planning and development fees are set forth in Government Code Section 66014. Those fees may not exceed the estimated reasonable cost of providing the service, unless approved by a popular vote of two-thirds in that election. Reasonable cost of the providing the service may be based on an estimate such as a budget or other calculation. A City must be able to set forth a reasonable method for determining whether a fee exceeds the estimated reasonable costs of providing the service.

One change this year, is expanding the use of Developer Deposit Accounts (DDA) for more of the fees associated with planning and development. DDAs charge actual staff time and costs against a deposit paid to the City at the start of a project. Over time, the DDA may need to be replenished or may be refunded to the develop/project owner.

The method used to estimate the reasonable cost of providing services, not utilizing DDAs, is an estimate by each department staff person of the average amount of time spent on a particular task. The fully loaded hourly rate of the employee is applied and the estimated average cost of any outside services or supplies is also included. As discussed already, this full analysis was completed in late 2017.

Government Code Section 66016 sets forth the requirements for public notice and public hearing prior to adoption of the new or increased fees. Notice was provided in accordance with these requirements (Attachment 5). Challenges to planning and development fees must comply with Government Code Section 66022.

#### Miscellaneous City Services Fees and Charges

Increases to fees and charges for miscellaneous City services are governed by Government Code Section 66018. Similar to planning and development fees, miscellaneous fees and charges are limited to the amount necessary to cover the cost to provide the service. If fees in excess of the cost are collected they must be used to reduce the cost of the service charge. Excess fees cannot become a source of revenue for the General Fund.

Section 66018 requires a public hearing to be noticed and held prior to adoption of the fee increases.

### Parking In-Lieu Fees

Based on direction from the Finance and Administration Committee no fee is included in the Fee Schedule Update and the assumption is that the temporary moratorium will continue through the 2019 calendar year. A resolution to extend the waiver of the parking in-lieu fees for changes in use in the Downtown Business District, is included for Council action in this agenda item.

### **RECOMMENDED ACTION:**

Following the public hearing, take the following actions:

1. Motion to adopt City Council resolution adopting adjusted fees for various Planning and Development services;
2. Motion to adopt City Council/Improvement District resolution adopting a fee schedule for miscellaneous City/District services; and
3. Motion to adopt City Council resolution extending the wavier of the parking in-lieu fees for changes in use in the Downtown Business District until December 31, 2019.

### **ALTERNATIVE ACTION(S):**

1. Conduct the public hearing and make minor modifications to one or more of the resolutions prior to adoption.
2. Conduct the public hearing and direct staff to provide additional analysis or changes to the proposed resolutions for action at a future meeting.

### **FISCAL IMPACT:**

The fees impacted by the rate increases proposed in the attached resolutions account for approximately 2% of the City's total revenue or \$166,000. The proposed increases, while not impacting every fee and charge, and assuming service usage similar fiscal year 2018-19, should equate to approximately 3.9% or \$6,475 per year.

### **CONSISTENCY:**

The use of an inflationary index to increase fees with a full analysis every three years, is a more efficient method and is consistent with the City Council financial policy of requiring full cost-recovery for services provided.

### **IMPLEMENTATION/TIMEFRAMES:**

The new fees will become effective 60 days after adoption of the Resolutions pursuant to California Government Code Section 66017(a). The Consolidated Fee Schedule will be updated and distributed to City Staff and will be posted on the City's website.

### **ATTACHMENTS:**

1. 2017-2018-2019 Fee Increase Comparison Schedule

2. City Council Resolution Adopting Updated Fees for Various Planning and Development Services
3. Joint City Council/Municipal Improvement District Resolution Adopting Fee Schedule for Miscellaneous City Services
4. City Council Resolution Extending the Waiver of the Parking In-Lieu Fee until December 31, 2019
5. Survey of California Cities Fees
6. Public Hearing Notice
7. Public Comment

**NOTIFICATION:**

None.