



AGENCY: City Council
MEETING DATE: May 13, 2019
DEPARTMENT: City Manager/Finance
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AGENDA ITEM SUMMARY

TITLE:

Receive Report, Conduct Continued 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

ISSUE:

The City of Fort Bragg charges fees to offset the cost of providing certain services. In order to recoup the reasonable cost of providing services, the City must review fees and decide to increase, reduce or keep the fee the same. Additionally, certain fees become obsolete and others become necessary over time. The attached Resolutions contain only proposed fee increases, decreases and new proposed fees.

ANALYSIS:

During this year's review of the 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. 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 City Manager's 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 #6). 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 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 are a hybrid of the two approaches. Since the full analysis had been completed, if an updated fee was significantly lower than the prior year (in favor of the customer or service user), that calculation was used. Where appropriate or if the cost of providing the service was significantly higher than the prior year, a 3.9% inflation factor was applied. For water, sewer and drainage capacity fees an increase of 3.29% was used, tied to Construction Cost Index. If adopted, the new fees will be effective August 1, 2019.

Actual costs can vary significantly from year to year based on staffing or cost of supplies. Staffing costs can vary with turnover. Newer employees typically start at lower pay ranges and with a much lower pension benefit cost (due to CalPERS pension reform of 2014). By transitioning to a cost of living index most years, significant ups and downs in fees can be avoided. One area where fees are proposed to be reduced considerably is Business License Fees. Staffing changes in the Finance Department resulted in a lower cost to provide this service.

Additionally, the method used to calculate water and sewer connection fees was revised. Previously, fees were calculated assuming a 50-foot service line with an additional charge for every additional foot. The proposed fees use a 30-foot service line, which is more typical of services within the City of Fort Bragg. Services requiring additional line are charged on an additional per foot basis. This resulted in an overall reduction for water and sewer service connection fees.

Consistent with Proposition 26, only fees that are changing 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 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 developer/project owner.

The method used to calculate 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.

Another change to Planning and Development fees is how the City's Building Permit fee is charged. Previously, a one-percent surcharge was calculated based on the permit's estimated valuation. Under the new methodology, a set fee is charged for most permits that reflects the cost of processing the permit based on a scaled range of permit valuation. This avoids larger more expensive project subsidizing the cost of building permit review and processing for lower valued projects.

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. 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.

RECOMMENDED ACTION:

Following the public hearing, take the following actions:

1. Adopt City Council resolution adopting adjusted fees for various Planning and Development services; and
2. Adopt City Council/Improvement District resolution adopting a fee schedule for miscellaneous City/District service.

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 changes proposed in the attached resolutions account for approximately 2% of the City's total revenue or \$166,000 for fiscal year 2018-19. The proposed changes while not impacting every fee and charge, are expected to have a small overall decrease in the total revenue from fees assuming service usage similar to fiscal year 2018-19.

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 cannot become effective until at least 60 days after adoption of the Resolutions pursuant to California Government Code Section 66017(a). For consistency, the fee changes will become effective August 1, 2019. The full Consolidated Fee Schedule will be updated and distributed to City Staff and will be posted on the City's website.

ATTACHMENTS:

1. 2017-2018-2020 Fee Change Comparison Schedule
2. Resolution for Planning and Development Fees
3. Planning Fees Resolution Exhibit A
4. Resolution for Misc. and Utility Fees
5. Misc. and Utility Fees Resolution Exhibit A
6. Survey of California Fee Approach

NOTIFICATION:

N/A