



AGENDA ITEM
CITY COUNCIL MEETING DATE – MAY 23, 2017
BUSINESS ITEMS

DATE : May 16, 2017
TO : City Council
FROM : City Manager
SUBJECT : UPDATE ON CITYWIDE USER FEE STUDY

EXECUTIVE SUMMARY:

On April 25, 2017, the City Council received a presentation on the Citywide User Fee Study. Since that time, City staff and the consulting team from NBS have been working to finalize the fee models. The purpose of this update is to provide City Council with the current fees and the actual cost (100% cost recovery) of providing the individual services. These are not the proposed fees, but rather a demonstration of the full cost of providing the services. In June, staff will present the final fee models and will provide recommendations on reasonable fees.

RECOMMENDATION:

Receive an update on the Citywide User Fee Study.

BUDGET INFORMATION:

There are no current budget impacts based on this presentation.

GENERAL PLAN:

The overarching goal of the General Plan is Sustainability.

STRATEGIC PLAN:

Relevant Strategic Plan Issues and Strategies:

- Strategic Issue 3: Strengthening Economic and Fiscal Conditions
 - Strategy #4: Manage City finances prudently

CEQA:

As this is a presentation and no action is taking place, this item is not a project subject to the California Environmental Quality Act (CEQA) under Guidelines Section 15378 and 15060 (c).

BACKGROUND:

City staff and NBS analyzed user fees for the following departments/divisions: Building, Engineering, Finance, Fire, Library, Planning and Police. Analysis included evaluation of staff involved, time estimates, development of fully burdened hourly rates, citywide overhead, and the calculation of a full cost recovery fee. This level of detail provides the basis for the following:

1. Defensible methodology
2. Compliant fees-for-service
3. Reasonable cost of providing services
4. Cost recovery

User fees are charges imposed for a service provided or required due to the request or action of an individual/entity. The City of Benicia charges user fees for a variety of specific services provided on behalf of a private citizen or group. The underlying assumption for the user fee is that costs of services benefiting individuals and not the entire community should be borne by the individuals receiving the service. Therefore, setting user fees is equivalent to establishing prices for services. Unlike private organizations, making a profit in providing services to the public is not a legally allowable objective for local governments. The City may only set fees at a level to recover the full cost of providing the service. However, in certain circumstances it is reasonable to set policies in establishing fees for certain services at a level that does not recover the full cost, resulting in General Fund subsidy. In looking to realign its user fees, the City benefits by:

1. Reducing General Fund subsidy
2. Better supporting the departments' funding
3. Setting realistic expectations for cost recovery

This fee study is the foundation for improved cost recovery for grants and other reimbursements, and it also supports a full review and update of the City's general fee structure. The results and recommendations in the final fee models will likely lead to a robust public policy and financial discussion, illuminating an existing large general fund subsidy overall.

To get a true picture of the actual cost of providing services, analysis has been conducted to the individual fee level. With this comprehensive information, the City Council can look at recommended fees in relation to full (100%) cost recovery. In some instances, it may be more appropriate to establish fees due to our desire to keep the City's fees "user friendly" and comparable to those of other cities.

The study process provided each department the opportunity to propose additions and deletions to their fee schedules, as well as rename, reorganize, and clarify fees imposed. Many such revisions were performed to better conform fees to current practices. These changes provide greater clarity and transparency. The structure of the existing cost recovery fees being charged by the City was fully examined. The consultants compared these fees with the actual costs of providing the services.

Based on the consultant's analysis, certain fees will be recommended to increase or decrease to reflect current program costs while other fees will remain unchanged due to the City's desire to be more "user friendly" or more comparable to other cities. As part of the study, a City-wide overhead rate was calculated and will be included in the final fee models presented for adoption. Overhead costs include costs of all the central administrative operations of the City such as legal, city manager, human resources, finance, and information technology. This provides an accurate view of the cost of direct services to the public, and is also required as part of grant reimbursements.

A community meeting was held on May 15, 2017 to provide background information and answer questions. A sample of possible fee adjustments (attached) was reviewed to give the public an idea of what the fee recommendations will look like. The final piece that staff will undertake is making recommendations on fee adjustments. These recommendations will be based on the type of permit/service provided, desire to encourage permits to be pulled for required work, the City's need to better balance subsidizing the cost of services, and sensitivity to significant changes.

Highlights of Current Draft and Potential Changes

A draft of the Master Fee Schedule, showing the current fee and full cost of service, is presented for City Council review. This is not a list of recommended fees, but rather used to show the gap between what is being charged and what it truly costs to provide the services. The intent of providing this is to give City Council the information needed when recommended fees are provided with the final fee models.

When the final fee models are completed, several departments will have significant changes proposed. The Building Division is proposing a change in fee

structure, moving from valuation to flat fees. The Planning Division's cost for services reveals a significant gap in what is being charged in relation to the cost for providing services. With an update to current processing times and an updated fully burdened hourly rate, this may result in significant proposed increases in many areas. The most significant changes will be to building permit and development fees, which are currently under recovering.

Next Steps

City departments are finalizing their recommendations on fee adjustments. Final fee recommendations will be presented to the City Council in June 2017. Once City Council approves fee adjustments, an updated Master Fee Schedule will be presented to the City Council for adoption. City staff will continue its public outreach campaign to inform the community of the fee adjustments, and to provide information on the justification for these changes. In addition, staff will prepare updates to the Benicia Municipal Code (B.M.C.) for any fees specifically referenced in the B.M.C. Once adopted, fees will not be effective until Fall 2017, which allows the City additional time for outreach to the community, code updates, and administrative tasks to implement the new fees.

Attachment(s):

1. Master Fee Schedule comparing current fee to full cost of service
2. City Council Staff Report (with attachments) – April 25, 2017
3. Example of Possible Fees