



AGENDA ITEM
CITY COUNCIL MEETING DATE – JUNE 6, 2017
BUSINESS ITEMS

DATE : May 31, 2017
TO : City Council
FROM : City Manager
SUBJECT : CITYWIDE USER FEE STUDY - REVIEW OF FEE RECOMMENDATIONS

EXECUTIVE SUMMARY:

City staff and NBS Consulting have been analyzing citywide user fees. The City Council received presentations on April 25, 2017 and May 23, 2017. These presentations focused on the fee study process, methodology, and an overview of action to be taken. Based on feedback from the City Council and public, departments are presenting their recommended fees to City Council for review and discussion.

RECOMMENDATION:

City Council review departments' fee recommendations in preparation for adoption of fees at the June 20, 2017 City Council meeting and provide feedback on recommended fees.

BUDGET INFORMATION:

There are no current budget impacts based on this presentation. There will be impacts to the City's General Fund revenue when fee adjustments are approved. However, the proposed General Fund budget for 2017-19 assumes \$1.5 million annually in new revenue from fee modifications.

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:

The City Council received presentations on the Citywide User Fee Study on April 25, 2017 and May 23, 2017. A public meeting was held on May 15, 2017, and presentations were given to the Finance Committee and Historic Preservation Review Commission. The Planning Commission and Economic Development Board will receive updates at their June meetings.

City staff and NBS analyzed user fees for 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

The City can legally set fees at a level to recover the full cost of providing these services. 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. In some instances, it is reasonable to establish fees that do not recover the full cost, which results in a General Fund subsidy. The City benefits by realigning its user fees by:

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

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. Based on the consultant's analysis, departments have made recommendations on proposed fees. Certain fees have been recommended to increase or decrease to reflect current program costs while other fees will remain unchanged.

Highlights of Recommended Fees

The proposed fees, recommended by City staff, are presented by department/division. The Draft Master Fee Schedule included as Attachment 1 contains a description of the fee, current fee amount, full cost of service, and recommended fee.

City staff considered the following criteria in making fee recommendations:

- Type of permit and service provided
- Current fees
- Sensitivity to public/customers
- Reasonableness of fees/increases
- Comparisons to neighboring jurisdictions, though fees charged by other cities are not necessarily based on the same methodology or cost recovery principles
- City's desire to better balance subsidizing the cost of services

New or significantly revised adjustments are summarized by department/division below. All fees are to take effect on October 1, 2017.

Finance Department

In 2016, the City Council was presented with a proposal to include as part of the Business License an Administrative Fee. Section 5.04.210 of the City Municipal Code provides for a Cost Recovery Fee in addition to the Tax. When it was considered by the City Council in 2016, Staff recommended deferring action on this to incorporate it as part of the Master Fee Study. This is a new fee that will add \$14 to each new Business License and Renewal. This is the direct cost incurred by the City for third party processing and audit services as referred to in the Municipal Code. The other change recommended is to reduce the Returned Check charge to conform with provisions of the California Civil Code, \$25 on the first occurrence and \$35 on any additional.

Fire Department

The department is currently under-recovering in some areas and over recovering in others. The main area of over recovery is related to "additional" fire code permits. The current structure is to charge full price for the first permit and half price for each additional permit at the same occupancy. The fee study determined that since the inspector is already at the facility performing the inspection, the workload for each additional permit was generally less than half the workload of the initial. Therefore, Fire is recommending lowering the additional permit fees to \$33.00. Some fees are recommended to remain at current levels versus increasing to full cost recovery. These include Business License Fire Clearance Inspections, Day Care Permit, Parade Floats, Tents, and Open Burn / Vendor Booth permits. Often these permits are associated with events which benefit the community or are fees associated with initial inspections to increase the public's safety. It is important to note that there are

numerous existing fees that continue into the new recommended fee structure that the department does not regularly utilize. For example, there is an engine response fee that is only implemented under specific instances such as gross negligence or criminal acts.

Library

The Library is proposing a new fee for Interlibrary Loan (ILL) requests, of \$5. While other libraries in Solano County do not charge for this service, it is a commonly-charged fee in public libraries, and \$5 per request will assist in recouping some of costs, while also acting as a “think-twice” element for patrons. It’s expected that these ILL requests (which is used to obtain difficult-to-find materials from libraries around the United States) will decrease as the Library moves to implement a new materials-sharing system, Link+, along with other SPLASH partner libraries. Link+ connects public and academic libraries who agree to freely exchange materials through the State of California. There will be no charge for Link+ requests. Print and copier fees are proposed to align with City-wide charges for these services. Fees recommended at significantly less than full cost are those typically subsidized at a higher level as a service to the community.

Police Department

The department is recommending 100% cost recovery in all areas except the following:

Collision, Crime and Stolen Vehicle Reports

This is recommended to remain at the current flat fee of \$15 (and start charging \$15 for stolen vehicle report), then \$1 per page. While often these reports are a great service to insurance companies and help facilitate settling civil matters, the current fee allows those who may be financially disadvantage to obtain public records. Some cost for non-crime victims also help prevent abuse of the public records system.

Fingerprinting/Livescan

The recommendation is 100% recovery for this service, however, the department will continue charging the current \$25 fee for non-profit employees, school employees, all volunteers, foster/adoptive parent applicants, POST Napa Police Academy students.

False Alarms

The False Alarm fees are out of date, and very much below the industry standard. Perhaps due to this, our false alarm rate is approximately 98%. Most agencies have realized that responding to false alarms degrades the safety of the community. The department will ensure all alarm systems in the City are properly registered every year (with up-to-date contact information on each alarm system for more effective and efficient response) at a flat annual fee of

\$25. This will also help ensure that those wanting to have alarm systems have a vested interest in keeping the systems fully operational. The subsequent fees are over the 100% recovery rate to ensure that alarms are properly maintained and do not put the rest of the community at risk. This issue will need to return to City Council in the form of a new and updated alarm ordinance modeled on best practices.

Dog Licenses

Recommending a high Dog License -Unaltered fee encourages the spaying and neutering of pets, and its inherent obvious benefits to the community. A low Dog License – Altered fee is recommended for the same reason. These fees have been slightly adjusted to make them more standardized. Multi-year renewals remain a significant cost savings to dog owners (for spayed/neutered pets). Multi-year renewals show as over 100% because the actual cost of issuing the permit is the same for one, two and three years, however the fees must be somewhat close to the same per year as these fees help subsidize the City of Benicia's Animal Care and Control program year-to-year, including the approximately \$35,000 paid to the county for access to the animal shelter. Additionally, non-senior licensing fees help subsidize the discounts for senior licensing fees.

The Police Department has also added 2 new fees:

Vehicle Identification Number (VIN) Verification

The Police Department provides this service for free, and has seen an increase in the number of outside residents coming for the service. The department will continue to provide the service for free for Benicia residents, but charge \$79 (100% recovery) for others.

Mini Pig Permit

An ordinance was recently passed by City Council to allow Mini Pigs be kept as pets within the city. A permit fee was set during the approval of the resolution.

Engineering Division

Public Works is proposing a fee schedule to recover the partial or full cost of reviewing, issuing and inspecting private projects or utility services. The fee model for cost recovery is primarily achieved through an initial permit fee plus hourly rate for any additional plan check and inspection services for encroachment, grading or private developments permits. There are new fees established such as outdoor dining permit and long term encroachment agreement to meet the community's request for these types of services. New utility fees were also established such as same-day water reconnection service fee to enhance services to utility customers as well as new fees resulting from new regulatory compliance requirements."

Planning Division

Based on the fee study analysis, current Planning fees are significantly under-recovering. This level of cost recovery is not sustainable for the division or the City. Staff is recommending increases far less than 100% on many fees, such as home occupation permits, zoning compliance letters, Mills Act contracts, appeals, sign permits and sign programs. Staff's recommendations reflect an average of 57% cost recovery. Some of the recommended fees are still below a 20% cost recovery. Many of the development fees are necessary for the City to adequately budget for required mandates such as updates to the General Plan, which has not been done since 1999, and updates to the Housing Element. Additionally, the recommended increases are in-line with neighboring jurisdictions.

Building Division

Based on the fee study analysis, current Building fees are significantly under-recovering. While there is the desire to move away from valuation-based permits, additional time and software improvements are required to fully implement time-based recovery fees. Staff is proposing altering the fee schedule to increase the number of flat fees to cover 85% of building permits issued. Recommended fees for many residential and commercial day to day permits are low to encourage compliance, while ensuring that the division can function sustainably.

For the remaining 15% of building permits issued, the recommendation is to continue with the fee schedule in BMC 15.26 with a 35% increase. This action puts the division in the mid-range of permit fees in surrounding jurisdictions, and still well below full cost recovery. It also addresses concerns raised by City Council and community members. Staff will continue to look at the fees and return to Council to address the valuation issue more completely.

Next Steps

City Council will receive the final Citywide User Fee Study and will be asked to take action on the recommended fees at the June 20, 2017 City Council meeting. 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 October 1, 2017, which allows the City additional time for community outreach, code updates, and other administrative tasks to implement the new fees.

Attachment:

1. Draft Master Fee Schedule