



AGENDA ITEM
CITY COUNCIL MEETING DATE – JUNE 20, 2017
BUSINESS ITEMS

DATE : June 13, 2017

TO : City Council

FROM : City Manager

SUBJECT : ADOPT A NEW MASTER FEE SCHEDULE, INCORPORATING UPDATES FROM THE CITYWIDE USER FEE STUDY

EXECUTIVE SUMMARY:

City staff and NBS Consulting have been analyzing citywide user fees. The City Council received presentations on April 25, 2017, May 23, 2017, and June 6, 2017. These presentations focused on the fee study process, methodology, an overview of action to be taken, and recommended fees. Based on feedback from the City Council and public, departments updated fee recommendations for City Council approval. Based on State Law, the development fees cannot go into effect until 60 days after adoption of the Resolution. All other fees can go into effect 30 days after adoption of the Resolution. Upon City Council approval, the Master Fee Schedule will go into effect October 1, 2017.

RECOMMENDATION:

Adopt a Resolution establishing a new Master Fee Schedule, incorporating updates from the Citywide User Fee Study, effective October 1, 2017.

BUDGET INFORMATION:

There will be impacts to the City's General Fund revenue when fee adjustments are effective. The General Fund would continue to subsidize the remaining cost of providing services.

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

- o Strategy #4: Manage City finances prudently

CEQA:

Adoption of the Master Fee Schedule does not constitute a project as defined by the California Environmental Quality Act (CEQA) Guidelines Section 15378 (b) (4) which excludes government fiscal activities which do not involve commitment to a specific project which may have a direct or indirect effect on the physical environment. Therefore, the Master Fee Schedule is not subject to environmental review pursuant to CEQA Guidelines Section 15060 (c) (3).

BACKGROUND:

City staff and NBS analyzed user fees for Building, Engineering, Finance, Fire, Library, Planning and Police. Parks & Community Services sets their fees based on industry standards, rather than cost recovery, and therefore, their fees were excluded from this Fee Study. A separate study is being conducted to analyze cemetery fees.

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 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.

The City Council received presentations on the Citywide User Fee Study on April 25, 2017, May 23, 2017, and June 6, 2017. At the June 6, 2017 City Council meeting, City staff presented fee recommendations and received direction and feedback from the City Council. Per Council's direction and feedback, the following changes to recommended fees were made:

Building

Fee #4.1 Cellular Antenna Attached – Recommended Fee of \$1,196
Fee #4.2 Cellular Antenna Detached – Recommended Fee of \$1,368
Fee #4.3 Equipment Shelter – Recommended Fee of \$171
Fee #56 Graywater Simple Residential – Wording Change Only
Fee #57 Graywater Complex Residential – Wording Change Only
Fee #58 Graywater Complex Commercial – Wording Change Only

For Fees #56-58, cost recovery is less than 50%. Staff believes this is an appropriate fee and in keeping with surrounding jurisdictions.

Planning

Fee #1 General Plan Amendment – Recommended Fee of \$16,007
Fee #4 Condo Conversion – Recommended Fee to \$8,623
Fee #20 Accessory Dwelling Unit (Ministerial) – Recommended Fee of \$175
Fee #21 Appeal – Recommended Fee of \$500

Fees #1 and #4 were increased to reflect full cost recovery. Fee #20 was reduced to address affordable housing concerns raised. Fee #21 was increased to deter frivolous appeals.

Engineering

Fee #11 News Rack Permit (per 2-year agreement) – Recommended Fee of \$250
Fee #12 News Rack Permit (per permit) – Recommended Fee of \$200
Fee #13 Outdoor Dining Permit (one-time) – Recommended Fee of \$110
Fee #16.1 Plan Check Fee (Up to \$50,000 estimated cost, with up to 2 plan checks) – Recommended Fee of \$749
Fee #60 Sewer Turn-Off Service Fee – Remove Fee

Police

Fee #11 ABC Letter – Recommended Fee of \$475 (\$5 for non-profit groups)
Fee #16.4 VIN Verification – Recommended Fee of \$79. Benicia residents receive one free VIN verification per year.
Fee #17.6 False Alarm Fee (Response to non-registered alarm) – Recommended Fee of \$100.

Finance

Fee #1.1 City Processing Business License Administrative Fee – Recommended Fee of \$0

Fee #2 New Business License Inspections – Recommended Fee of \$0

Fee #3 Business License Processing – Recommended Fee of \$0

Highlights of Recommended Fees

The proposed fees, recommended by City staff, are presented by department/division. The Proposed Master Fee Schedule (attached) 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 processed by HDL. 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. 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 disadvantaged to obtain public records.

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. 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.

If adopted as presented, the table below outlines the cost recovery based on current fees and proposed fees:

Department/Division	Current Cost Recovery %	Proposed Cost Recovery %	%Change
Engineering	34%	98%	+64%
Finance *Fee 1.1 is for Third Party Processing and is a pass-through to HDL	73%	61%	-12%

Department/Division	Current Cost Recovery %	Proposed Cost Recovery %	%Change
Fire	69%	99%	+30%
Library	12%	14%	+2%
Police	87%	117%	+30%
Planning	14%	33%	+19%
Building	Complete Volume Data Unavailable		

Based on the above, the City can expect to move from an overall cost recovery percentage of 30% to approximately 60%.

Next Steps

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. 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. Further, the Master Fee Schedule will be updated by the Finance Director annually on July 1, with fees based on the annual San Francisco Bay Area Consumer Price Index (CPI) for the previous year. The new fees shall be rounded to the nearest \$1, as appropriate, and the updated Master Fee Schedule will be subject to approval by the City Council each year prior to implementation.

Attachments:

1. Resolution Adopting Master Fee Schedule
2. Proposed Master Fee Schedule