



Agenda Item Staff Report

To: Honorable Mayor and Members of City Council
For the Meeting of September 26, 2023

From: Chris Constantin, City Manager

Prepared by: Michael O'Brien, Director of Administrative Services

Subject: Review and Discussion for Approval of Resolution 2023-58 to Revise the City Fee Schedule with an Effective Date of December 4, 2023, and Approve the September 2023 User Fee Study and Cost Allocation Plan to Establish the Cost to Deliver Services as Justification for the Applicable Fee Changes Proposed in the Revised Fee Schedule.

SUMMARY

Request for approval of a revised fee schedule and accompanying User Fee Study and Cost Allocation plan that supports the applicable fee changes in the schedule based on the cost to deliver services.

RECOMMENDATION

City staff recommends that the City Council:

- Take public comment and consider adopting Resolution 2023-58 to amend the City fee schedule.
- Approve the User Fee Study establishing the cost to deliver services as justification for applicable City Fees presented in the attached fee schedule.

FISCAL IMPACT

The collection of fees is based on the needs of individuals or businesses that require the services provided by the City. The User Fee Study determined that all City fees were at or below cost to deliver the service. When the fee assessed does not cover the cost to provide the service, the difference is covered from general taxpayer dollars received by the City.

To be competitive with the comparable Cities and to support development, it is expected that not all costs will be recovered. However, it is in the best interest of the general taxpayer to recoup as much of the cost for services as possible to utilize taxes for capital projects and

services that can be shared by the entire community.

The adjustments to the fee schedule were not included in the adopted 2023-24 budget so the changes would result in additional revenues that were not anticipated. The estimated increase from half a year of increased fees may result in approximately \$315,000 of increased revenue to the General Fund.

BACKGROUND

At the August 22, 2023, study session, Tony Thrasher from Willdan Financial Services, presented to Council and the public, a draft version of the User Fee Study and Cost Allocation Plan which would be the basis for a revised fee schedule. The User Fee Study and Cost Allocation Plan was approved to be implemented and moved forward as a final version to be adopted along with a revised Fee Schedule to be considered for adoption at a public hearing on September 26, 2023.

DISCUSSION/ANALYSIS

The City charges user fees for various services provided by the departments. Most of the fees, both in number and in dollar impact, are in Planning, Building, Code Enforcement, Public Works, Parks and Recreation. The User Fee Study prepared by Willdan Financial Services, analyzed the cost of providing those services. By State law, the City cannot charge more than the costs to provide services. The User Fee Study acts as a legal document to justify the fees charged by the City are within the cost to provide those services.

Certain fees such as rental fees, and business license taxes are not subject to the cost to deliver the service and are noted on the report as N/A.

The report also provides the data necessary to determine how much of general taxpayer dollars are being used to subsidize activities of which the benefits are generally only realized by those receiving the service.

Based on State law the City could charge up to 100% of the costs associated with a given fee. However, staff took into consideration how those costs compared with those of comparable cities to determine a reasonable fee to propose. Staff utilized the fee structures from cities that were included in the compensation study to help determine if the suggested fees were reasonable to ensure that they would be competitive with the other cities fee schedules.

Because many of our fees have remained at the same level for multiple years, in some cases going as far back as the early 1980's, the percentage increases appear large but the actual fee being suggested is still competitive.

The approval of the fee schedule would accomplish the goal of aligning the fee more closely with the actual cost to provide the service and providing much needed resources to address the needs of the larger community including roads, parks, sidewalks and addressing homelessness.

ALTERNATIVES

The City Council could elect not to approve the amended fee schedule and leave the fee schedule as, resulting in the continuance of fees being subsidized using general taxpayer dollars.

ENVIRONMENTAL REVIEW

Pursuant to CEQA guidelines Section 15061 (b)(3), CEQA does not apply to this item because there is no potential for causing a significant effect on the environment. Therefore, no additional environmental review is needed at this time.

Respectfully submitted,

Michael O'Brien
Director of Administrative Services

Attachments:

1. Resolution 2023-58
2. Exhibit 1 Fee Schedule
3. Exhibit 2 User Fee Study
4. User Fee Study Power Point