



Council Agenda Report

From: Catherine Piatti, Finance Manager

Subject: Public Hearing and Approval of Consumer Price Index Annual Inflationary Adjustments, the Annual Position-Based Adjustments, and Amendments to the Comprehensive Fee Schedule for Fiscal Year 2023-24

CEQA Determination: The City find that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378

Date: June 20, 2023

Facts

1. The City charges fees for certain services. These services are deemed to be those for which a particular individual or group is the primary beneficiary, as opposed to the public at large. As a result, it is more equitable to charge for these services rather than fund them out of general taxes.
2. The City is not allowed to charge more than the reasonable cost of providing the service or performing the activity. For some (e.g., youth recreation), the City purposefully charges less than the cost of providing the service in an effort to maintain accessibility and affordability.
3. Fees charged by all departments within the City have been assembled into one comprehensive schedule, to facilitate their adoption and use under this public hearing.
4. The City evaluates the fees included in the comprehensive fee schedule and proposes adjustments as needed, in order to reflect any changes in the costs of providing a particular service. Rather than conduct a full cost of services study each year, which is costly and time intensive, the City bases the updates upon changes in the specific factors related to the individual service (e.g., an increase in pass-through charges from a contractor performing plan check services or inspection services for the City), the actual hourly or overtime rate associated with various positions, or the Consumer Price Index (CPI). The Consumer Price Index percentage change for the year ending April 2023 is 4.2% percent.
5. The City's last full cost of services study was completed in 2005; however, the current year's budget includes appropriations towards an update to the fee study report. When this study is performed, a detailed assessment of the current fees and actual costs to provide the various services the City offers will be completed in order to determine the adequacy and efficiency of the services provided and the fees assessed.
6. On June 21, 2022, City Council approved [Resolution 22-091](#), allowing for position-based fees added since the [2005 Cost of Service Study](#) to be updated each year based on the applicable hourly rate or overtime rate of the position(s) involved.
7. In addition to the annual CPI and position-based fee adjustments, there are additional proposed fee amendments within Police, Emergency Services, Community Development Building Division, and the newly developed Utilities Department. These amendments include the addition, restructuring and/or discontinuation of fees, or an increase above CPI.

8. The annual CPI and position-based fee adjustments, as well as additional proposed fee amendments for Police, Emergency Services, Community Development Building Division, and Utilities are provided in Attachment 1, Exhibit A.

Community Outreach

As required by State law, notice of the public hearing for the proposed Fiscal Year 2023-24 Comprehensive Fee Schedule was completed at least 10 days prior to the date of this evening's public hearing and presentation to City Council. Publication is included as Attachment 1, Exhibit B.

Options

1. Take no action;
2. Approve the annual inflationary adjustments, annual position-based adjustments, and amendments to the FY 2023-24 Comprehensive Fee Schedule, thereby authorizing the City to charge those fees for the services it offers;
3. Provide alternative direction to staff.

Analysis and Conclusions

The City aggregates all charges for service into one Comprehensive Fee Schedule (Attachment No. 1, Exhibit A) due to the fact that charges for services may be adopted through ordinance or resolution. Typically, fees are assessed and increased annually by the consumer price index (CPI); however, when costs to provide a service increase beyond CPI, it may be necessary to amend the fees. In the event increases or new fees are proposed the City must hold a noticed public hearing prior to the adoption of increases to existing fees or the adoption of new fees. Otherwise, general tax revenue subsidizes these activities. Additionally, due to changes in department operations or community needs, additional fee categories, restructuring of fees, or discontinuation of fees can be necessary. Outlined below is a summary of the proposed charges for services that are either new or discontinued, increasing by more than CPI, or modifications to enhance clarity and match operational needs. Additionally, due to the recent re-organization of Community Services, Public Works, and the newly created Utilities Department, a reorganization of fees was necessary in order to capture applicable fees within their respective departments.

General Government. Due to the department re-organization within Community Services, Public Works, and the newly created Utilities Department, a reorganization of the fee schedule was needed in order to provide clarity and capture fees within their respective departments. In prior years, there was a section for Administrative Services which included two business license fees and many Utility Billing, Water, and Wastewater fees. With the creation of the Utilities Department, it was prudent to house all fees related to utilities in one section, thus resulting in the remaining fees being added to the General Government section of the fee schedule. The same applied to two fees for Public Works and Community Services in regard to fees for equipment use and the hourly rate associated with Community Services and Public Works maintenance staff. These two fees were previously included in a "catch all" section that combined Community Development, Public Works, and Community Services. These two fees have also been moved to the General Government section of the fee schedule to allow the Community Development Planning Division fees to be strictly that.

Police Department. The Police Department is proposing an increase above what CPI allows for one fee, along with the addition of one new fee, both pertaining to the processing and issuance of Concealed Weapons Permits. Historically, the fee for a Concealed Weapons Permit was set at \$100 per Section 26190 of the Penal Code, which included the provision that this fee could not exceed \$100. In 2019, Assembly

Bill (AB) 1297 removed the prohibition on charging more than \$100 and as such, staff analyzed the staff time involved with processing the application, issuance, and enforcement of the license, and is recommending an increase of \$25 to set the fee at \$125. Additionally, Section 26190 allows jurisdictions to charge a renewal fee, not to exceed \$25, as well as fee for amending an existing permit pursuant to Section 26215 of the Penal Code, not to exceed \$10. Our fee schedule currently includes the renewal fee; however, staff is proposing the addition of the amendment fee in the amount of \$10 to help cover the processing costs associated with amending a license.

Emergency Services. The proposed fee amendments for Emergency Services include an amendment to an existing fee in order to add clarification; the discontinuation of a fee due to compliance with the California Fire Code; and the inclusion of a fee that was previously developed but not officially added to the fee schedule at that time.

The first amendment is associated with aircraft refueling vehicles, in which Fire and Emergency Services staff requires two inspections per year. Historically, the fee listed in the fee schedule was the total annual fee for the two inspections. In order to enhance clarity as to what this fee entails, staff is proposing amending the fee description to reflect the verbiage “per inspection/2 per year” and adjust the fee amount to reflect the per inspection charge rather than the total annual charge. This methodology is consistent with how the fee is actually assessed. Currently, staff is collecting half of the fee with the first inspection, with the second half due upon the second inspection. Overall, the fee is not increasing or decreasing above or below what CPI allows, just simply reflecting the per inspection charge. In order to provide additional context, we applied the same methodology to the prior year’s fee amounts as well. By doing this, the year over year change is more transparent.

Additionally, staff is proposing the discontinuation of the fee associated with the annual permit for mobile food preparation vehicles due to the recent updates to the 2022 California Fire Code. Prior code required Emergency Services to perform inspections of all mobile food preparation vehicles, however with the recent code updates, the health and safety aspect of food preparation vehicles will solely be covered by the County Health Department and the inspections that they provide.

Lastly, staff is proposing formally adding the existing business self-inspection fee to the fee schedule. As I mentioned above, the City attempts to capture all charges for services into one comprehensive document for the ease of citizens and staff alike. The current business self-inspection program was developed in 2016 in an effort to maintain compliance during a time where the call volume was exceeding the capacity of the Emergency Service Department and staff could not perform the regularly scheduled annual site inspections. The self-inspection fee is intended to cover staff time associated with processing the self-inspection form. Besides the initial selection and outreach to a qualifying business, each inspection that is returned is reviewed for safety compliance and manually entered into the records management system, taking about 25-30 minutes of staff time to process. At current staff costs, the existing \$45 fee does not achieve 100% cost recovery, however, keeping this fee on the lower side encourages business owners of low hazard businesses to take advantage of the program. In comparison, a typical low hazard business would pay between \$90 to \$493 for a physical engine company inspection depending on their square footage. No increase is being proposed for the self-inspection fee, simply taking the action to formally include it in the comprehensive fee schedule.

Community Services Library Division. Although no fee increases or adjustments are being proposed within the Library Division, there is one operational change that is being recommended in regard to refunds of fees paid for lost or damaged materials. In the past, patrons who paid the fee for lost or damaged items

could be eligible for a refund of that fee if the item was located or replaced to the library within three months of paying the initial fee. This option is no longer operationally efficient for the Library as materials are currently checked out for periods of twenty-one (21) days and can be automatically renewed five (5) times, as long as no other patron is waiting for the item. Patrons then receive a courtesy overdue notice at 3, 10, and 17 days past due. There are no overdue fines charged to the patron, per [Resolution 19-032](#). At 30 days past the final due date, a patron is then billed the applicable replacement fees. At this point, the item has typically been replaced in response to demand. In some cases, the demand for the item has diminished due to the period of time that has lapsed and the unavailability of the item. In this instance, alternative materials are purchased that are more responsive to patron needs and demand.

Community Development Building Division. The Building Division of the Community Development Department is proposing the addition of one new position-based fee. The proposed fee is for stock plans associated with an accessory dwelling unit. This flat fee will streamline the permitting process for duplicative projects and ensure cost recovery for staffing levels that expedite the permitting and inspection of new housing units. This fee is calculated based off the same philosophy as other fees which includes the necessary staff time for review and inspections.

Utilities. As previously mentioned, due to the recent re-organization and newly created Utilities Department, a re-organization of fees within the fee schedule was needed in order to capture fees within the respective departments to provide additional clarity and context to the fees. The majority of the fees listed within the Utilities section of the fee schedule were previously included in the Administrative Services section and simply being proposed to increase by CPI. In addition to the routine CPI adjustments, staff is proposing an increase to a deposit amount, a decrease to a fee, the discontinuation of a fee and the addition of five new fees. The proposed increase is in regard to the hydrant meter deposit. Historically, this deposit has been set at \$765. This deposit is meant to cover the cost of replacing or repairing a damaged or non-returned hydrant meter rental. Currently, the costs for a standard hydrant meter are between \$1,500-\$2,000. Staff is proposing that the deposit be set at \$1,500 in order to better reflect the actual costs involved with replacing a hydrant meter. This deposit is also included within the film permit section under General Government and is adjusted according to updates made within the Utilities section so that the deposit amount is consistent throughout.

Additionally, staff is also proposing a new fee and a decrease on an existing fee, both related to hydrant meters. Currently there is no fee to cover the actual costs associated with the setting of a hydrant meter, however there is a hydrant meter relocation fee. The process of setting a new hydrant meter typically takes an hour of staff time while the relocation of a hydrant meter only takes about 30 minutes. Staff is proposing the addition of a hydrant meter set fee equal to one hour at the hourly rate listed for Utilities Maintenance staff, \$203, and proposes a decrease to the hydrant meter relocation fee to reflect half of the hydrant meter set fee, \$101, to accurately reflect the time and resources needed to perform this function.

Related to hydrant meters, staff is proposing the discontinuation of the monthly hydrant meter rental fee. This fee is no longer operationally needed as hydrant meters are now assessed a monthly flat fee based on the hydrant meter size. For example, hydrant meters are typically 3" in size. The current flat fee is \$58/month and will incrementally increase each year. By January 2027, the monthly flat fee will be \$250/month. Additionally, the rental fee was to encourage customers to return the hydrant meter when not in use as there are a limited number of hydrant meters available for rent. The City has mechanisms in place where a hydrant meter could be pulled from a location if not being used so the rental fee is not needed to achieve this purpose.

The last proposal within the Utilities Department is in regard to water meter fees. Although previously adopted by [Resolution 3120](#) (1986) and [Resolution 13-076](#) (2013), the fees for the installation of water meters have not been included in the comprehensive fee schedule and they have remained constant since their initial adoption. In addition to simply adding these fees to the fee schedule, in response to the recent Council action regarding the [advanced metering infrastructure project](#) (AMI), it is important that these fees accurately reflect the cost associated with AMI compatible water meters. The proposed increase allows for water meters that are installed in the future to be compatible with the AMI technology. In order to provide clarity and historical fee information in one place, the previous year's meter installation fees have been added to the fee schedule.

Public Works Airport Division. Although initial noticing stated that there would be amendments to the Airport Division fees, these specific amendments are being deferred and will be brought before City Council at a later date. Deferring these fee amendments will allow the Airport Commission to review the proposed amendments and provide valuable input prior to the consideration of the City Council.

Fiscal Impact

The proposed fee increases and amendments will have a direct increase in City revenues; however, the increases and amendments to fees are meant to offset the increasing costs to provide appropriate services. Many of the current fees do not achieve full cost recovery due to a variety of reasons, some of which are affordability and accessibility for citizens.

CEQA

The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.

Recommendation

Approve Resolution 23-XXX, adopting the annual consumer price index inflationary adjustments, the annual position-based adjustments, and amendments to the Comprehensive Fee Schedule for fiscal year 2023-24

Attachments

1. Resolution 23-XXX
 - a. Exhibit A: Proposed annual inflationary adjustments, annual position-based adjustments, and amendments to the FY 2023-24 Comprehensive Fee Schedule
 - b. Exhibit B: Publication Affidavit