

STAFF REPORT

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: GAYLA R. CHAPMAN, ADMINISTRATIVE SERVICES DIRECTOR
SUBJECT: MASTER FEE SCHEDULE AMENDMENT



BACKGROUND

A major master fee update has not been completed since 2004. City staff has been working on an update to the Master Fee Schedule with the help of Willdan Financial Services. This major review has taken over two years to complete due to the complexity of some of the fees and the amount of staff coordination it has taken to complete the study. Given the financial constraints the City is facing, it is critical the City recaptures the full cost of services where possible.

With the update to the Master Fee Schedule, a complete reorganization of the Master Fee Schedule document was needed. The new schedule is now organized in a more user-friendly manner by department and then in alphabetical order.

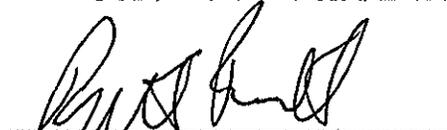
DISCUSSION

To begin the study, staff provided Willdan Financial Services (Willdan) with a copy of the current Master Fee Schedule, the City Budget, and salary schedule for each employee. Willdan then interviewed staff regarding the fees and the length of time it takes to complete those tasks associated with each fee.

Using this information Willdan developed a workbook in Excel that developed a fully burdened rate of pay for each employee (i.e., at full cost recovery for municipal services provided). This workbook will in the future be utilized by staff in updating the City's Cost Allocation and City fees. Each fee in the City's Master Fee Schedule was given its own page in the workbook. The individual page for each fee contains the data information to calculate the new fee.

To calculate each fee, the amount of time allocated to each activity by position is entered into the spreadsheet. This occurs for each staff member who spends time related to the activity associated with a fee. The fully burdened cost of each position is utilized to determine the cost per position. All indirect costs, such as advertising of public notices, are also populated into the workbook. These direct and indirect costs are utilized to build what the dollar amount should be for each fee. Each individual fee page also shows the current fee charged, the amount that has been subsidized if the rate is recommended to be changed, the target recovery rate, and the recommended fee.

APPROVED FOR FORWARDING


ROBERT PERRAULT
CITY MANAGER

Please Review for the Possibility of a Potential Conflict of Interest:

- | | |
|--|-----------------------------------|
| <input checked="" type="checkbox"/> None Identified by Staff | <input type="checkbox"/> Lee |
| <input type="checkbox"/> Peterson | <input type="checkbox"/> Marshall |
| <input type="checkbox"/> Bright | <input type="checkbox"/> Nicolls |

Meeting Date: May 6, 2013

Agenda Item No. 5

Attachment 2 is the recommended new Master Fee Schedule. There are recommendations to both increase and decrease fees based on the amount of staff time associated with the fees. One item not individually listed is the current cost recovery rate for staff time. Staff is recommending that the fully burdened salary and benefit rate, used in the calculation of the Master Fees, be used for each position in the City. Also, that as staff or benefit costs change, staff would be authorized to administratively update the fully burdened salary and benefit rate.

Non-Departmental

Non-Departmental fees (Page 1 through 3 of the Master Fee Schedule) are those associated with inspections performed by the Five Cities Fire Authority. The fees were updated with the help of the Five Cities Fire Authority staff in determining the amount of time spent on each fee and utilizing the Cost Recovery Fees charged by the Authority. The fully burdened rates were developed by the Five Cities Fire Authority and were taken from their fee schedule.

In this section the Code Enforcement Fees were removed from the schedule, as the Five Cities Fire Authority time is not utilized for Code Enforcement.

City Management

Fees in the City Management Department (Page 4 of the Master Fee Schedule) include election-related fees and those associated with the City Clerk per the Municipal Code. Many of the fees are set by state statute or code. Several fees are projected to slightly decrease, including Fireworks Stand Permits and Solicitation Permits. A few fees would increase, including Special Event/Outdoor Assembly and Annual Agenda Subscriptions.

Administrative Services Department

Fees associated with the Administrative Services Department (Pages 5 and 6 of the Master Fee Schedule) include fees associated with billing of the City's utility accounts. There are new fees being requested. These new fees were developed by input from staff based on requests from the public to which there were no fees listed in the current fee schedule.

Below are some of the new fees staff believes needs to be highlighted:

The Door Notice Fee for routine shut-offs would be for the 48-hour door notices which must be posted prior to disconnection of a utility account. Customers have become accustomed to receiving the late notice with the current \$19 fee. Since we now send out door notices, the number of customers waiting for the door notice to pay water/sewer utility bills has been increasing. This is causing an increase in the number of door notices being delivered. It takes a great deal of Public Works staff time to deliver these notices. Time which staff believes could be better utilized elsewhere. It is staff's opinion that by adding a fee for door notice deliveries, more customers will pay prior to the door notice delivery date to avoid incurring the associated fee assessed. Other cities charge a fee for the delivery of door notices. Locally they include:

| | |
|------------------------------------|------|
| Oceano Community Services District | \$25 |
| Morro Bay | \$53 |
| Paso Robles | |
| Routine | \$31 |
| Non Routine | \$41 |

Staff is recommending a fee of \$20 be established, which is the cost processing and delivering the door notice.

Staff is also proposing a change in the way late fees are assessed, due to the new door fee proposed above. Staff is recommending this change be set at 10% of the amount that is past due. The current fee of \$19 ends up disproportionate for residential account holders. A residential account owing \$100 pays the same \$19.00 late fee that is assessed to a multi-family residential unit that may owe \$1,000. Staff is of the opinion that a fee on a percent basis would be equitable for all customers. Residential customers would therefore not be disproportionately paying for the cost of processing the accounts which require a late notice.

A new Emergency Utility Service Turn-on Fee is also being requested. Many times staff receives a request for service after the Public Works duty person has left for the day. In the event someone wants service connected, a call-out of two hours of overtime (three hours of straight time) would be paid to the person called out to reconnect the service. The other rate payers should not be subsidizing this activity. Therefore, the Emergency Utility Service Turn-on Fee is requested to be established for any after-hours call out for service.

The Master Fee Schedule update does not affect the utility service rates. These rates are only adjusted following a Proposition 218 hearing.

Community Development

Planning – The majority of fees for processing development permit applications (e.g. Use Permits, Parcel Maps, etc.) are billed based on actual staff time and material spent on the project (reference the Master Fee Schedule, Pages 7 and 8). These fees are processed by the applicant filing a deposit with the department prior to work beginning. All costs associated with processing the permit are billed against the deposit on file. Therefore, development permits are charged at full cost recovery. Based on the increased hourly billing rate as a result of updating the direct and indirect staff costs, many costs associated with each application type are increasing. In addition, there are a few planning fees which are fixed fees. These fees are based on the average time it takes to process planning permits. There were increased fees to issue Sign Permits and Temporary Use Permits and decreases to Home Occupation Permits and Temporary Sign Permits.

Building – The majority of the building permit fees are based on a fixed-fee or the building valuation based on square footage. Most of the fixed fee permits, including mechanical, electric and plumbing, would remain the same or have minor increases as a result of increased costs (reference the Master Fee Schedule, Pages 9-11). Staff is recommending that the building valuation per square foot used to calculate the cost of building permits be revised to use the current International Code Council (ICC) building valuation data. The City has not updated the building valuation amounts since at least 1997. For example, the City is currently using a building valuation for a single family home of \$92 per square foot compared with the current ICC valuation of \$107.08 per square foot (reference the Master Fee Schedule, Exhibit A, line 23, Fire Rating Type VB). The increased building valuation would result in an increase to all building permit fees calculated on a square footage valuation.

Staff is also proposing new fees for building permits that would save energy. These permits include roof mounted photovoltaic systems, electric car charging stations, graywater systems and other improvements that would save energy. In order to encourage these energy saving upgrades, staff is recommending that these fees be subsidized by 30%. There are also two new fees for building permits in order to provide more cost recovery. A Building Technology Fee of 2.5% would be charged to maintain and update the building permit software. The City is currently using antiquated software that is approximately 20 years old and may be difficult to service if the software developed problems. The other fee is a 2.5% Records Retention Fee that would cover the costs of scanning permits and building plans to retain an electronic (or digital) file of planning and building documents. The City currently keeps hard copies of all permits issued since 1959 and has no additional storage capacity. In addition, the State requires that the City retain all commercial building plans in perpetuity. The fee would allow all new permits issued to be stored electronically.

Staff is also proposing that the building plan check performed by Planning and Public Works staff become a deposit account as currently used by the City Engineer. Staff is of the opinion that it is more accurate to charge based on time and materials for each individual project, as the time spent reviewing projects can vary significantly based on the project's size and complexity. In addition, several other permits that have plan check times that vary significantly are recommended to become deposit accounts, such as grading permits, commercial photovoltaic systems, and free-standing signs.

There are two approaches commonly used by jurisdictions to calculate Building Fees: The building valuation approach as historically used in Grover Beach and several other cities within the County or a total cost recovery approach used by the City of Arroyo Grande. Should the Council wish to pursue the full cost recovery model an additional study for just Building and Safety fees would be required. In Attachment #3 is a table that compares the City's existing and proposed building fees with other jurisdictions within the County. The comparison is based on the permits needed to construct a new single family residence consisting of 2,000 square feet with a 500 square foot garage.

It should be noted that Development Impact fees though listed in the schedule are outside of the scope of this review and consequently are not recommended for adjustment at this time.

Development Impact Fees were previously listed among several different departments. These fees have been combined into a single section to be more user-friendly and are now listed in a separate section as part of the Community Development Department fees. The Development Impact Fees are not being adjusted with this fee update. A comprehensive Development Impact Fee study would be needed to update those fees.

Public Works and Utilities

The Public Works and Utilities section of the Master Fee Schedule (pages 16 and 17) includes updates as well as a few new fees. In the past cost recovery rates for vehicles, equipment materials and labor has not been included in the schedule. Staff is requesting for vehicle, equipment and materials that the current Caltrans Equipment Rates be used with a 30% overhead rate. As noted previously in this report, staff is requesting that City labor rates be the current fully burdened salary and benefit rate at the time work is completed by the City.

There are a few new fees being requested. Among these are the Newsrack Permits. This fee is requested so that staff can review the placement and location of newsrack's in the city per the Municipal Code.

There are also new deposits for items related to development applications. The deposit amounts are based on the estimated time to review the requested work and project complexity, which may be increased or decreased at the discretion of the Public Works Director.

Parks and Recreation Department

The Parks and Recreation Department's fees can be found on pages 18 to 22 of the Master Fee Schedule. Some of the fees are increasing, while others are decreasing. Due to the reduction in staff, it is recommended that the Parks and Recreation fees include the cost of processing classes, parks and facilities applications on-line. This is currently the structure in the Cities of Morro Bay, Atascadero and San Luis Obispo, and appears to be an industry trend. This should increase the use of on-line registrations and reservations. It is estimated that this may save some staff-time; however, currently the staff savings time is unknown as payments from the City's online registration vendor, ActiveNet, must be reconciled prior to input into the financial system. Reconciliation time may therefore increase, while direct contact for on-line processing may decrease.

Staff is also recommending a new Registration Fee. This fee will not be charged for individuals who are continually enrolled in a class such as someone who attends the Tiny Tots pre-school program on a monthly basis. If, however, there is a lapse in attendance, this Registration Fee would be charged. The fee is requested to cover the costs associated with setting up an account in the ActiveNet system. Locally the City of Arroyo Grande charges this fee for classes.

The format of building and park rental fees has been restructured in the Master Fee Schedule. Also the Parks barbecue (BBQ) areas are now listed separately and rental fees for each are listed separately. Additionally, the Cancellation Fee for facilities has been updated, as well as the Amenities Fees.

Police Department

The Police Department fees are listed on page 23 and 24 of the Master Fee Schedule. Many of the department fees are set by state statute or the Penal Code. Some fees have increased, while others have decreased.

One new fee requested by the department is the Secondhand Dealer License and Renewal fee. This fee is requested due to the number of secondhand establishments opened in the city that have needed review by the department in the last several years. As with the other fees, the City is allowed per statute to charge a fee to an applicant for actual costs incurred to process the application and to collect and transmit the fees charged by the Department of Justice. This fee was established based on the amount of time it takes to process the license and renewal.

Other Fees

Any fee which is collected by the City and is a passed through to another agency are listed in a separate "pass thru" section of the Master Fee Schedule and begins on page 25. These fees are not set by the City, but must be collected, or are charges by others, such as taxicab rates, which are approved by the City. Also fees associated with Waste Connection Services are listed separately beginning on page 27.

Legislative History

The legislative history since the inception of the Master Fee Schedule effective May 19, 2003 is listed in the back of the document. This history gives the dates updates have been made to the document and what was updated, and when the rates were effective.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Adopt the Resolution amending the Master Fee Schedule; or
2. Do not amend the Master Fee Schedule and give staff direction; or
3. Provide staff with direction and continue item to a date certain.

RECOMMENDED ACTION

It is recommended that the Council adopted the Resolution amending the Master Fee Schedule.

FISCAL IMPACT

The fiscal impact will vary based on the amount of revenues collected. Due to some revenues increasing and others decreasing, it is difficult to determine revenue changes. However, overall revenues for the City should increase.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.
A legal notice was published in The Tribune on April 25, 2013 and May 2, 2013.
A copy of the notice was also mailed to Southern California Gas, the Home Builders Association, SLO Green Build, and the Sierra Club.

Attachments

1. Resolution amending the Master Fee Schedule.
2. Master Fee Schedule.
3. Table comparing proposed and existing Building Permit Fees.

RESOLUTION NO. 13-

**A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF GROVER BEACH AMENDING THE MASTER FEE SCHEDULE**

WHEREAS, the City Council of the City of Grover Beach has created a Master Fee Schedule by adopting Resolution No. 03-61; and

WHEREAS, on May 6, 2013 the City Council conducted a Public Hearing, considered testimony, and approved recommendations regarding adjustments to current fees and recommended new fees.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GROVER BEACH:

THAT the Master Fee Schedule be amended as set forth in Exhibit "A" attached to this Resolution;

THAT the fees listed in Exhibit "A" of this Resolution shall become effective May 7, 2013 with the exception of development related fees which will become effective in 60 days on July 6, 2013 and with the exception of fireworks stand permit fees which will become effective on July 5, 2013; and

THAT items listed in the Master Fee Schedule which indicate that the City Council gives approval to staff to administratively change fees as noted in the Master Fee Schedule.

On motion by Council Member, seconded by Council Member, and on the following roll-call vote, to wit:

AYES: Council Members -
NOES: Council Members -
ABSENT: Council Members -
ABSTAIN: Council Members -

the following Resolution was **PASSED, APPROVED, and ADOPTED** at the Regular Meeting of the City Council of the City of Grover Beach, California, this 6th day of May, 2013.

ATTEST:

DEBBIE PETERSON, MAYOR
DRAFT

DONNA L. McMAHON, CITY CLERK

FEE COMPARISON 2,000 SF RESIDENCE 500 SF GARAGE

Attachment 3

| | Grover Beach (existing) | Grover Beach (proposed) | Pismo Beach | Arroyo Grande | Morro Bay | Paso Robles | Atascadero | San Luis Obispo |
|--|----------------------------|----------------------------|------------------|----------------|------------------|----------------|------------------|------------------|
| Building Valuation | \$196,950 | \$234,470 | \$329,140 | NA | \$211,230 | NA | \$196,950 | \$262,780 |
| Plan Check Review Fees: | | | | | | | | |
| Building | \$1,123 | \$1,279 | \$3,655 | \$1,639 | \$2,640 | \$5,954 | \$1,522 | \$4,036 |
| Fire | \$144 | \$160 | | | \$697 | | \$60 | \$868 |
| Fire Protection Engineer | \$250 | \$250 | | | | | | |
| Engineering (Deposit Account) | \$500 | \$500 | | | | \$441 | | \$1,327 |
| Planning (Change to Deposit Account) | \$112 | \$112 | | | | \$137 | \$315 | \$3,894 |
| Public Works (Change to Deposit Account) | \$105 | \$105 | | | \$182 | | \$415 | |
| Subtotal Plan Check Fees | \$2,235 | \$2,406 | \$3,655 | \$1,639 | \$3,519 | \$6,532 | \$2,312 | \$10,125 |
| Permit Inspection Fees: | | | | | | | | |
| Building | \$1,728 | \$1,968 | \$3,610 | \$2,532 | \$2,640 | | \$1,537 | \$4,813 |
| Plumbing | \$236 | \$236 | \$481 | | | | \$154 | |
| Misc. Plumbing | | | \$900 | | | | | |
| Mechanical | \$191 | \$191 | \$481 | | | | \$154 | |
| Electrical | \$254 | \$254 | \$481 | | | | \$154 | |
| Fire Sprinkler | \$255 | \$255 | | \$1,869 | | | | \$550 |
| Fire Safety Surcharge | | | | | | | | \$1,035 |
| Fire Inspection Fee | | | | | \$75 | | | |
| Public Works Inspection | | | | | | | \$225 | |
| Subtotal Permit Inspection Fees | \$2,665 | \$2,905 | \$5,954 | \$4,401 | \$2,715 | \$0 | \$2,223 | \$6,398 |
| Miscellaneous Fees: | | | | | | | | |
| Water Meter Installation | \$427 | \$427 | \$465 | \$295 | | \$219 | | \$196 |
| Storm Water Fee | | | \$317 | | | | | |
| Storm Inspection building plans | | | | | \$97 | | | |
| SMIP | \$20 | \$23 | \$33 | | \$21 | \$27 | \$20 | \$26 |
| Green Building Fee | \$8 | \$10 | \$14 | | \$9 | \$10 | \$8 | \$11 |
| Energy Fee | | | \$253 | | | | | |
| General Plan Maintenance Fee | \$86 | \$98 | \$253 | | \$317 | | \$77 | |
| Building Technology Fee (New Fee) | | \$60 | | | | | | |
| Records Retention Fee (New Fee) | | \$60 | \$122 | | | | \$150 | |
| Zoning Clearance (Fee to be eliminated) | \$115 | \$0 | | | | | | |
| Admin Pass Thru | \$13 | \$13 | | | | | | |
| Building Admin. Fee of 25% | \$1,332 | \$1,332 | | | | | | |
| Construction Unit Tax | | | | | | | | \$150 |
| Subtotal Miscellaneous Fees | \$2,001 | \$2,024 | \$1,457 | \$295 | \$444 | \$256 | \$255 | \$383 |
| TOTAL: | \$6,901 | \$7,335 | \$11,066 | \$6,335 | \$6,678 | \$6,788 | \$4,790 | \$16,906 |