



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: May 2, 2017
DEPARTMENT: FINANCE
FROM: Matt N. Pressey, CPA, Finance Director
TITLE: FY 2017-18 CITY-WIDE SCHEDULE OF FEES AND SERVICE CHARGES

RECOMMENDED MOTION:

A motion to approve a Resolution to make adjustments and additions to the City-Wide Schedule of Fees and Service Charges.

RECOMMENDATION:

It is recommended that the City Council approve a Resolution to approve adjustments and additions to the City-Wide Schedule of Fees and Service Charges effective Monday, July 3, 2017.

EXECUTIVE SUMMARY:

Each year, the fee schedule is reviewed and updated by each department. As a best practice in the municipal industry, cost recovery fees and charges are annually adjusted to keep up with inflation. The updated Schedule of Fees and Charges will be effective 60 days after City Council approval and will begin Monday, July 3, 2017.

BACKGROUND:

Pursuant to Article XIII B of the California Constitution and Chapter 11B of the Salinas City Municipal Code, fees for governmental services may be charged to recover all of the costs reasonably borne in providing all regulation, products, or services. Cost reasonably borne are defined in City Code Section 11B-3 as a) all applicable direct costs; b) all applicable indirect costs; c) fixed assets recovery expenses (depreciation); d) general overhead; e) departmental overhead; f) debt service costs; and g) costs for necessary public services.

City Code Section 11B - Fee and Service Charge Revenue

Chapter 11B of the Salinas City Code calls for adjustments to existing City fee/service charge revenue based on increases provided by the Consumers Price Index (CPI) - All Urban Consumers for the San Francisco, Oakland, and San Jose areas. Such adjustments are presented to City Council for approval by resolution.

Recent Study by Willdan Financial Services

In October 2015, City Council adopted an updated Fee Schedule based on a Comprehensive Fee Study prepared by Willdan Financial Services. Willdan analyzed a variety of factors, ultimately quantifying the full cost incurred by the City in providing the respective services. The recommended fee amount was then established based on achieving as close to full cost recovery as possible. A number of factors prevented full cost recovery from being attained for certain fees, including mandated fee amounts, industry averages, and full cost recovery amounts that were either exceedingly high and/or varied greatly from the prior established fee.

At that time, the following cost recovery percentages were realized, on average:

- Finance & Administration – 98%
- Planning – 67%
- Maintenance – 100%
- Engineering – 100%
- Fire – 99%
- Police – 100%
- Animal Shelter – 74%
- Library – 87%
- Recreation – 83%
- Permit Center – 89%

The resulting adopted fee schedule, effective January 1, 2016, is the basis for which the current CPI increase was calculated. It is assumed that the cost incurred by the City for providing each service increases by the same CPI percentage.

Consumer Price Index

The Consumers Price Index (CPI) - All Urban Consumers for the San Francisco, Oakland, and San Jose areas increased 3.0% in calendar year 2016. Staff recommends City fees and service charges be increased 3.0% effective Monday, July 3, 2017.

While staff recommends a vast majority of City fees be increased by 3.0%, some exceptions remain. Specifically, 18 fees are mandated by various regulations, cannot increase, and are identified in the “Notes” column of the attachment. Increases to fees within the last nine months due to recent Council resolution resulted in three fees remaining constant at this time and are identified in the narrative below. Upcoming fee adjustment proposals to be presented to Council resulted in 11 fees also remaining constant at this time and are identified in the narrative below. Department discretion was considered on a limited case-by-case basis, resulting in five fees varying from the standard 3.0% CPI increase and are identified in the narrative below. Lastly, four new fees are being proposed and are identified in the narrative below.

Chamber of Commerce's Government Relations Committee and the Business Development Committee

City staff discussed the 3% CPI adjustment factor at the Chamber of Commerce Business Development Committee on March 2, 2017. On April 19, 2017, City staff presented the entire fee schedule at the Chamber of Commerce's Government Relations Committee and the Business Development Committee (combined meeting). At both meetings, concern was expressed about increasing development related fees. While this inflationary increase was relatively small, the cumulative growth in fees can add up and potentially impede new development.

Staff, however, still strongly recommend all of the fees be increased, including the development related fees. The Permitting fees were not changed as a result of the Wildan study. Permitting fees have not been adjusted since April 2013 for the 13-14 fiscal year. Prior to those adjustments, they were increased by 0.7%, 1.4%, 2.6%, and 2.7% for FY 2010-11, 2011-12, 2012-13, respectively. The planning fees were updated as part of the Wildan study. A comprehensive review of the planning service cost and process was performed and the major stakeholders reviewed the details of the new cost methodology and participated in the cost recovery policy percentage that the City Council ultimately recommended. Currently, the cost recovery % policy approved was an average of 67%, which was up from 20% prior to the study. The permitting and planning (development related) fees should be adjusted by the 3% CPI index factor.

Attachment – FY 17-18 City-Wide Schedule of Fees and Service Charges

Finance & Administration (Attachment 1)

Recommendation includes a 3.0% CPI increase.

Public Works staff, in collaboration with Kimley Horn consulting services, is currently working on a comprehensive Downtown Parking Management Plan, which will include proposed changes to parking permit fees. Therefore, staff is not recommending an increase in any parking permit fees (11) at this time.

In August of 2016, Council adopted a Rotunda (Council Chamber) use policy, establishing a new fee schedule. Therefore, staff is not recommending an increase to this fee at this time.

Planning (Attachment 2)

Recommendation includes a 3.0% CPI increase.

A new fee, "Mills Act Contract Application Fee," is being proposed. In June 2016, City Council adopted the Mills Act Historic Property Tax Saving Program. The Mills Act is a state law allowing cities to enter into contracts with the owner of designated historic properties who agree to preserve, maintain, and improve their property, in exchange for property tax savings. It is necessary to establish a fee for the applications, which will be reviewed by staff and considered at public hearings. A survey of nearby cities and counties indicate application fees ranging from \$1,340.00 to \$1,950.00 and a cost analysis for the City indicates a full cost recovery of \$2,112.54. Since the

initial program will last for only five years, a \$500.00 fee amount is recommended by the department to encourage participation.

Public Works (Attachment 3)

Recommendation includes a 3.0% CPI increase.

A new fee, “Special GIS Request, Research, Analytics, and Mapping,” is being proposed, recouping only time and materials.

Police (Attachment 4)

Recommendation includes a 3.0% CPI increase.

Animal Shelter (Attachment 4a)

Recommendation includes a 3.0% CPI increase.

Fire (Attachment 5)

Recommendation includes a 3.0% CPI increase.

In September of 2016, Council adopted a Fire False Alarm Ordinance, establishing a new fee schedule. Therefore, staff is not recommending an increase to this fee at this time.

Recreation (Attachment 6)

Recommendation includes a 3.0% CPI increase.

In an effort to recover the full costs of high intensity light bulb replacement, it is recommended that the “Lighting System; symphony lights” fee be increased from \$100.00 to \$105.00 (3.0% CPI equals \$103.00, a \$2.00 difference).

In an effort to recover the full costs of battery replacement, it is recommended that the “Clear Com’s” fee be increased from \$5.00 to \$7.00. (3.0% CPI equals \$5.15, a \$1.85 difference).

A new piece of sound equipment was recently purchased, therefore a new fee is being proposed for its use. Please see “Sound System 32 Channel Mixer” fee on the attachment for more details.

A new piece of sound equipment was recently purchased, therefore a new fee is being proposed for its use. Please see “Microphones wireless or headset” fee on the attachment for more details.

Library (Attachment 7)

Recommendation includes a 3.0% CPI increase.

In an effort to recover the full costs of paper, toner, and printer usage, it is recommended that the “Public Printing Fee” be increased from \$0.05 per page to \$0.10 per page for black/white and to \$0.25 per page for color.

It is not necessary to increase the “Deposit for rental clean-up” as this is a deposit to be refunded.

Permit Center (Attachment 8)

Recommendation includes a 3.0% CPI increase.

In an effort to recover the full costs of inspection services, it is recommended that several fees be increased to cover the basic costs for the required 2 minimum inspection and or cost for service. Electrical Service permits will increase from \$70 to \$186. Demolition permits will increase from \$62 to \$157. Building Investigation Fees will increase from \$300 to \$500.

Maintenance (Attachment 9)

Recommendation includes a 3.0% CPI increase.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project.

STRATEGIC PLAN INITIATIVE:

The staff recommendation supports the Council Goal of Effective, Sustainable Government.

FISCAL AND SUSTAINABILITY IMPACT:

New and increased fees and service charges are an integral part of City Council’s budget-balancing solutions. Increased annual revenue associated with the recommended fees and service charge adjustments based on the CPI (3.0%) is estimated at approximately \$100,000. These fee increases are included in FY 2017-18 estimated revenue projections.

ATTACHMENTS:

Resolution
FY 17-18 City-Wide Schedule of Fees and Service Charges