



**CITY OF SALINAS
FINANCE COMMITTEE**

DATE: APRIL 5, 2021

DEPARTMENT: FINANCE DEPARTMENT

FROM: MATT N. PRESSEY, CPA, FINANCE DIRECTOR

TITLE: FY 2021-22 CITY-WIDE SCHEDULE OF FEES AND SERVICE CHARGES

RECOMMENDED MOTION:

A motion to recommend the City Council approve the FY 2021-22 City-Wide Schedule of Fees and Service Charges.

DISCUSSION:

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 adoption and will begin Monday, July 1, 2021.

Last year, on April 28, 2020, this item was presented to City Council. At that time, due to the economic impacts from the COVID-19 pandemic and the financial repercussions it placed on residents, City Council elected to delay the effective date from 7/1/20 to 10/1/20. Subsequently, on September 15, 2020, City Council decided against increasing the fees through June 30, 2021. As a result, the current fee schedule rates were implemented on 7/1/19. This year, effective July 1, 2021, staff is recommending using the same increases that would have normally taken effect on 7/1/20.

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 adoption by resolution.

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.

Consumer Price Index

The Consumers Price Index (CPI) - All Urban Consumers for the San Francisco, Oakland, and San Jose areas increased 3.3% in calendar year 2019. The Consumers Price Index (CPI) - All Urban Consumers for the San Francisco, Oakland, and San Jose areas increased 1.7% in calendar year 2020. For the two-year period, the CPI increase totals 5.0%. Staff recommends City fees and service charges be increased 3.3% effective July 1, 2021.

While staff recommends a vast majority of City fees be increased by 3.3%, some exceptions remain. Specifically, 22 fees are mandated by various regulations, cannot increase, and are identified in the “Notes” column of the attachment. Recent fee adjustments adopted by City Council resulted in 5 fees also remaining constant at this time and are identified in the narrative below. Department discretion was considered on a case-by-case basis, resulting in certain fees

deviating from the standard 3.3% CPI increase and are identified in the “Notes” and “Recommended” columns of the attachment. Deviations include increasing at a different rate, holding constant, or decreasing the fee. Lastly, 22 new Public Works fees are being proposed and are identified in the narrative below.

Chamber of Commerce’s Government Relations Committee Meeting

On March 10, 2021, City staff presented the entire City-Wide Fee Schedule to the Chamber of Commerce’s Government Relations Committee. The Government Relations liaison with the Chamber and the Chamber President were very understanding of the need to keep fees current and in step with inflation. One committee member, a local commercial real estate owner and developer, challenged the Chamber to take the lead on identifying the number of development projects that were prohibited on moving forward because of the development impact fees, which is a separate agenda item. Staff mentioned that developers will work with City staff and discuss project feasibility issues. Staff mentioned the City also has an impact fee deferral program policy in place. There were no questions regarding the schedule of fees and charges.

Attachment – FY 21-22 City-Wide Schedule of Fees and Service Charges

Finance & Administration

Recommendation includes a 3.3% CPI increase.

City Council adopted increased parking permit fees as part of a comprehensive Downtown Parking Management Plan in February of 2019. The fee schedule reflects the previously approved increases for 7/1/21.

Cannabis

Recommendation includes a 3.3% CPI increase.

Planning

Recommendation includes a 3.3% CPI increase.

Maintenance

Recommendation includes a 3.3% CPI increase.

Public Works

Recommendation includes a 3.3% CPI increase.

Twenty-two new fees are being proposed and are identified throughout the Public Works section of the attachment. Eight of these new fees charge an amount consistent with similar existing City of Salinas permit fees, thirteen fees recoup only time and materials, at an amount on par with comparable jurisdictions, and the final fee is presented in an effort to curb permit violations. Additionally, nine fees have been removed as they were deemed to be duplications by the department.

Fire

Recommendation includes a 3.3% CPI increase.

Police

Recommendation includes a 3.3% CPI increase.

Animal Shelter

Recommendation includes a 3.3% CPI increase.

Library

Recommendation includes a 3.3% CPI increase.

Recreation

Recommendation includes a 3.3% CPI increase.

Building-Permit Center

Recommendation includes a 3.3% CPI increase. Four fees were adjusted to match AB 2598 recommendations on permit citations. Additionally, four fees have been removed as they were deemed to be duplications by the department.

Code Enforcement

Recommendation includes a 3.3% CPI increase. Four fees were adjusted to match AB 2598 recommendations on permit citations.

Housing

Recommendation includes a 2.1% Engineering News-Record Construction Cost Index increase as stipulated in the Inclusionary Housing Ordinance.

FISCAL AND SUSTAINABILITY IMPACT:

New and increased fees and service charges are an integral part of City Council's budget-balancing solutions, as they recover the cost of the services being provided to those requesting the service. Increased annual revenue associated with the recommended fees and service charge adjustments based on the CPI (3.3%) is estimated at approximately \$100,000. These fee increases are included in FY 2021-22 estimated revenue projections.

ATTACHMENTS:

1. FY 21-22 City-Wide Schedule of Fees and Service Charges
2. Fee Schedule – Finance Committee 4-5-21