



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: July 18, 2023

Subject

Fiscal Year (FY) 2023-24 Fee Schedule Update

Recommended Action

Adopt Resolution No. 23-XXX approving FY 2023-24 Fee Schedules A, D, and E effective July 19, 2023, and Schedules B and C effective September 17, 2023.

Reasons for Recommendation

The City reviews user fees each year in conjunction with budget preparation. City practice ensures that, to the extent possible and approved by City Council, fees cover the cost of providing services. The majority of the fees proposed for adoption are based on the estimated actual cost to perform the service. Some fees, such as those for recreational purposes, are based on market conditions or fees charged by outside service providers and other government agencies. The General Fund subsidizes fees that do not generate sufficient revenue to cover the cost of service.

Background and Recommendation

The City's fees are set through a comprehensive study conducted approximately every seven years. Between study years, most fees are adjusted based on factors such as the Consumer Price Index (CPI), the Bay Area Construction Cost Index (CCI), or budgeted labor costs. The last comprehensive fee study occurred in Fiscal Year (FY) 2016-17, where staff proposed full cost recovery to allowable General and Development fees for Council's consideration. Council decided to approve the proposed full cost recovery rates, with the exception of several fees, which have been adjusted year over year on the original basis. The next study is currently underway, with a scheduled completion in the latter part of FY 2023-24.

Until the current fee study has been completed, staff recommends continuing index-based adjustments. For FY 2023-24, the CPI increase is 5.3% per Bureau of Labor Statistics, the CCI increase is 7.1% per Engineering News Record, and the labor cost increase is 9.0%, as shown in the table below.

	February 2022	February 2023	Index Increase	Percent Increase
Consumer Price Index for All Urban Consumers (CPI-U)	320.20	337.17	16.978	5.3%
Construction Cost Index (CCI)	14,396.70	15,419.90	1,023.2	7.1%
Budgeted Labor Costs	\$ 37,781,396 ¹	\$ 41,187,505 ²	\$3,406,109	9.0%

¹ Base Salary and Benefits (FY 2022-23 Proposed Budget as of 2/28/2022)

² Base Salary and Benefits (FY 2023-24 Adopted Budget)

The 9% increase in Budgeted Labor Costs is primarily comprised of the negotiated Cost of Living Adjustment of 5% for FY 2022-23, which only 1% was included in the previous year's fee adjustment due to ongoing negotiations at the time of proposal, and estimated payroll increases from the CalPERS report and a 1% increase to account for employees progressing to higher salary step and corresponding benefits changes to related to the increases.

The CPI increase is applied to Schedules A and C, the CCI increase to Schedule B, and the estimated labor cost increase to Schedules B, C, and D to produce the staff recommendation, as described in more detail below. No escalator was applied to Schedule E, as Parks and Recreation fees are market-driven to be competitive with entities that offer competing services. Proposed changes and the previous three years' rate increases to schedules A through D are summarized in the table below:

Fiscal Year	Schedule A – General Fees	Schedule B – Engineering Fees	Schedule C – Planning Fees	Schedule D – Building Fees
2023-24 (Proposed)	5.3% CPI	7.1% CCI, 9.0% Estimated Labor Cost increase	5.3% CPI 9.0% Estimated Labor Cost increase	9.0% Estimated Labor Cost increase
2022-23	5.2% CPI	9.8% CCI, 1.0% Estimated Labor Cost increase	5.2% CPI 1.0% Estimated Labor Cost increase	1.0% Estimated Labor Cost increase
2021-22	1.6% CPI	2.5% CCI, 5.7% Estimated Labor Cost increase	1.6% CPI 5.7% Estimated Labor Cost increase	5.7% Estimated Labor Cost increase
2020-21	2.9% CPI	6.3% CCI, 17.3% Estimated Labor Cost increase	17.3% Estimated Labor Cost increase	17.3% Estimated Labor Cost increase

If Council approves to update the Fee Schedules, Schedules A, D, and E will be effective on July 19, 2023. Schedules B and C will be effective 60 days after adoption, on September 17, 2023, consistent with requirements of state law.

New Fees and Substantial Changes

Schedule A – General: This schedule includes fees not specific to a department or division that would require a dedicated schedule, such as code enforcement permits, City Clerk services, database requests, business license applications and related fees, and other fees for service.

A 5.2% CPI increase has been applied to all applicable fees in Schedule A. Increases to these fees are impacted mainly by the cost of materials or external prices that are not under the control of the City. The following addition and adjustments are proposed for Schedule A:

- Commemorative Bench Fee
 - Establishment of donation per the Commemorative Bench Dedication Policy adopted by City Council for individuals to commemorate or recognize a person with the purchase and placement of a bench in a City park as approved by the City. The donation includes the purchase and installation of a bench, an engraved plaque, site preparation, and maintenance by the Public Works Department.
- Photocopies - Fair Political Practices Commission
 - Photocopy rates are being decreased to conform with Government Code §81008

Schedule B – Engineering: Utilized by the Engineering Division within Public Works Department, this schedule covers fees necessary for the division to review plans and applications for private developments (onsite grading and drainage operations), issuance of encroachment permits, inspections of work performed within the Public Right of Way, along other permits and services.

A 7.1% CCI or 9.0% labor cost increase has been applied to fees in Schedule B, except for Transportation Impact Fees and Park Land Dedication In-Lieu Fees.

- *Park Land Dedication In-Lieu Fees and Transportation Impact Fees*
 - Park Land Dedication In-Lieu Fees are calculated per Municipal Code section 13.08. On an annual basis, the Public Works Department updates the fair market value of land within the City based on the appraised values of land sales.
 - The Public Works Department continues to evaluate Parkland Dedication and Transportation Impact fees for FY 2023-24. It is recommended that

increases to Parkland Dedication and Transportation Impact fees be deferred to allow for further review of potential fee increases.

Schedule C – Planning: This schedule is utilized by the Planning Division, which administers all required review and evaluation processes for proposed land use projects and maintains the goals and objectives of the City’s General Plan and Zoning Ordinance.

A 9.0% labor cost increase has been applied to all fees in Schedule C, except the Housing Mitigation In-Lieu fees, which are increased by 5.3% CPI.

Schedule D – Building: Utilized by the Building Division of the Community Development Department, this schedule includes fees for providing the following services: plan review and permit issuance of all proposed construction; code, ordinance, requirements, and regulation explanations; building inspection services; and other building and development-related services.

A 9.0% labor cost increase has been applied to fees in Schedule D and rounded to the nearest whole dollar.

Schedule E– Parks and Recreation: This schedule is utilized by the Recreation Services Department, which organizes, markets, and oversees recreation and leisure services in a variety of programs, including a Sports Center, Senior Programs, Youth and Teen activities and classes, trips, facility rentals, and other recreation activities.

City staff are proposing the following modifications to the schedule:

- *Teen Center*
 - The Teen Center was closed during the COVID pandemic, and due to the demand and cost of running the program, it was not reopened. With the adoption of the FY 2023-24 Budget, which permanently closed the program, City staff recommends removing the Teen Center from the schedule.
- *Security Staff*
 - The City contracts with a third party to provide security services when alcohol is provided at events on City property, with the cost passed through to the event organizer. The contracted security services rate paid by the City is increasing in early FY 2023-24, and the proposed rate increase in this schedule is aligned with that increase.

Sustainability Impact

No sustainability impact.

Fiscal Impact

Due to the proposed fee schedule increases, additional estimated revenues of \$550,690 in the General Fund and \$327 in the Enterprise Funds are estimated in FY 2023-24. Revenues are based on a three-year historical average (FY 2020-21 to FY 2022-23), accounting for the proposed increases. If the increases are not adopted, the General Fund will further subsidize the cost of providing the related services, and the service cost will compete with other general fund dollars used for City services benefitting the general public. Revenues derived from changes to Schedule E mainly increase Enterprise Funds of the City and not the General Fund.

The recommended increase in fees and estimated revenue are summarized as follows:

Fee Schedule	Estimated Additional Revenue	Factor and Basis
Schedule A – General	\$1,190	5.3% CPI
Schedule B – Engineering	\$123,779	7.1% CCI, 9.0% Labor Costs
Schedule C – Planning	\$60,147	5.3% CPI, 9.0% Labor Costs
Schedule D – Building	\$365,504	9.0% Labor Costs
Schedule E – Parks & Recreation	General Fund: \$70, Enterprise Funds: \$327	Primarily market-driven

California Environmental Quality Act

No California Environmental Quality Act impact.

Prepared by: Jonathan Orozco, Finance Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Approved for Submission by: Matt Morley, Assistant City Manager

Attachments:

A – FY 2023-24 Proposed Fee Schedule A – General (Redline)

B – FY 2023-24 Proposed Fee Schedule B – Engineering (Redline)

C – FY 2023-24 Proposed Fee Schedule C – Planning (Redline)

D – FY 2023-24 Proposed Fee Schedule D – Building (Redline)

E – FY 2023-24 Proposed Fee Schedule E – Parks & Recreation (Redline)

F – FY 2023-24 Proposed Fee Schedule A – General (Clean)

G – FY 2023-24 Proposed Fee Schedule B – Engineering (Clean)

H – FY 2023-24 Proposed Fee Schedule C – Planning (Clean)

I – FY 2023-24 Proposed Fee Schedule D – Building (Clean)

J – FY 2023-24 Proposed Fee Schedule E – Parks & Recreation (Clean)

K – User Fee Study 2016

L – Draft Resolution No. 22-XXX approving FY 2023-24 Fee Schedules A, B, C, D, and E