



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: SEPTEMBER 8, 2015**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: PROPOSED 2015 USER FEES AND CHARGES ADJUSTMENTS

ISSUE

The issue for City Council consideration is to approve changes to the City's user fees and charges as recommended by the recently completed 2015/16 Fees and Charges Study.

RECOMMENDATIONS

That the City Council:

1. Introduce and adopt an ordinance to revise Section 3.30.030 of the Riverside Municipal Code to provide for adjustments to the City's fees and charges as indicated in Attachments 3 and 4;
2. Adopt a resolution authorizing and establishing a schedule of fees and charges for various City services reflecting the revisions as indicated in Attachments 3 and 4, which will amend the former comprehensive Fees and Charges Resolution No. 21960 resulting in development-based fees to be effective 60 days from approval and all other fees to be effective October 1, 2015; and
3. Direct staff to return in one year with an update to include evaluation of cost recovery levels for all development-review fees.

COMMITTEE RECOMMENDATION

On August 27, 2015 the Finance Committee (Special Meeting) with Chair Soubirous, Vice Chair Burnard and Member Perry present, voted unanimously to move the item forward to the full City Council for consideration of the above recommendations.

BACKGROUND

Periodically, the Finance Department undertakes an update of the City's User Fees & Charges Study (Fee Study). The last update to the City's user fees and charges was approved by the City Council in June 2011, including implementation of an increasing recovery percentage plan for many of the City's services. At that time, staff recommended that the cost recovery percentage for development-related planning services be increased to 80% the following year and to 90% the year after. Development-related services in other departments were primarily set at a 100% cost recovery level. The Finance Committee and City Council approved the increase to 80%, and

directed staff to return in two years with an update and recommendations to increase the cost recovery level to 90%.

In May 2013 the Finance Department issued a Request for Proposals (RFP) to solicit qualified firms to prepare the City's fee study and Cost Allocation Plan. On August 13, 2013 the City Council approved a contract with NBS Government Finance Group (NBS). The Cost Allocation Plan was prepared and implemented with the Fiscal Year 2014/15 budget cycle however the Fee Study was delayed for a number of reasons, including staff turnover in key positions related to the Fee Study in the Building & Safety Division and Public Works Department, as well as in the City Manager's Office.

The State Constitution provides the authority for cities to impose user fees and regulatory fees for services and activities, however the fees may not exceed the estimated reasonable cost of providing the service or performing the activity. The Fee Study was conducted to ensure that existing fees were calibrated to the costs of service and to provide an opportunity for the City Council to optimize its revenue sources, provided that any increased cost recovery from user fees and regulatory fees does not conflict with broader City goals and values. To the extent that fees are not at 100% cost recovery, other City funding sources are subsidizing the provision of the services. In some cases – such as for Library and Parks, Recreation and Community Services Departments – services provide broad public benefits and improve the quality of life and thus are set at far below full cost recovery. Other services – particularly development review fees – provide primary benefit to those seeking the services and are thus recommended at close to full cost recovery.

As noted above, in 2011 the Finance Committee and City Council approved the increase to 80% for many development review fees, but directed staff to return in two years with an update and recommendations relative to increasing the cost recovery level (for the subject planning fees) to 90%. Since 2011 increasing costs have eroded the recovery percentage such that the City is now recovering approximately 70% for Planning fees. Additionally, for Building & Safety fees, which were previously set at a 100% cost recovery, the City is now recovering approximately 85%. Attachment 3, which details new fees and fees that are changing materially, includes the following increases in the recovery percentage for development review fees:

Department/Division	Current Recovery Percentage (Actual)	Recommended Recovery Percentage
CED/Planning	70%	90%
CED/Code Enforcement	70%	100%
CED/Building & Safety	85%	70-100%
Public Works/Engineering	80%	95%
Fire/Inspection	40%	50%
Fire/Permitting	45%	70-100%

In addition to considering cost recovery for development review fees, staff has also surveyed similar fees in comparable jurisdictions to ensure that Riverside's fees are in line with other jurisdictions. Increasing the cost recovery percentage for development review fees will enable the Community and Economic Development and Public Works Departments to increase staffing in the development processing divisions, thus providing a higher level of service and decreasing the amount of time it takes to process development applications.

For all other fees, staff has updated fee amounts to be consistent with the cost recovery direction

of the Riverside Municipal Code, with minor exceptions where that fee was determined to be too material a change to adopt in full at this time. Changes in fees are generally the result of changes to staff compensation and inflation factors. While most fees are recommended to increase, as would be expected with rising costs, there are also instances where they are going down because the effort required to perform that service is less than it was before. The recovery percentages for the other fees are detailed in Attachments 3 and 4. Other material changes in fees as outlined in Attachment 3 include:

Public Works – Public Parking Fees	99-100% cost recovery
Police – Various Fees	100% cost recovery
Museum – Film Permits	98-99% cost recovery
Museum – Special Event Permits	5-6% cost recovery
Museum – Horse Carriage Permits	15% cost recovery
Museum – Horizontal Banner Permits	19% cost recovery

Attachment 4 is a master list of all fees included in the Fee Study.

Implementing Business Ready Riverside (BRR)

On January 8, 2013 the City Council approved in concept a five component strategy to implement more effective and efficient service delivery. On December 2, 2014 the City Council reaffirmed its commitment to BRR, through status reports and its Riverside 2.0 Strategic Plan. Termed BRR, the City Council has guided several accomplishments thus far: establishment of E-Plan review, adoption of a new sign code, initiation of the Northside Specific Plan, and updates to the Downtown/Marketplace/University Avenue Specific Plans. A remaining critical path elements of BRR is implementing a web-based permitting system through a technology cost-recovery method.

An extensive procurement process resulted in a recommended web-based solution for replacing the City's antiquated Permit Plus permitting system. This recommendation will be coming to the City Council this fall. The cost-recovery method for this essential customer service and transparency technology was incorporated into the Fee Study. Originally estimated at an additional 6% cost component to the development review fees, the final result is a 4% cost component to be integrated within development review fees. Through feedback from the business community, including the Greater Riverside Chambers of Commerce – Economic Development Council, it was desired to have this cost recovery integrated within development review fees.

Even though this item was included in the Fees Study, seeking authorization for this technology cost recovery was not explicitly included in the presentation to the Finance Committee on August 27, 2015. In the interest of transparency and full disclosure, staff is bringing this component of BRR to the City Council's attention together with the Finance Committee's recommendations; this item will be detailed in the presentation for the City Council meeting of September 8, 2015.

Questions/Responses from the August 27, 2015 Finance Committee

At the Finance Committee meeting, Committee Members raised the following questions and received the noted answers from staff. They are provided here for the benefit of the full City Council.

Councilman Burnard:

1. Question: Why do citizens have to pay fees for these services? How do we justify that taxes don't cover the cost?

Taxes are intended to support services of a general benefit, such as police and fire protection. On the other hand, fees are appropriate when a specific government service or activity provides specific benefit to a person or entity. Article XIIC of the California Constitution, Section 1(e)(2) defines these fees as follows: "A charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product."

The proposed fees recognize that some permits are primarily pulled by citizens for small projects, such as a water heater permit, and full cost recovery is not proposed for these types of permits in order to encourage compliance with permitting requirements and in recognition of the general taxes paid by residents. However, the individual resident pulling the permit receives a greater benefit than the public at large, thus it is appropriate that a fee be charged.

2. Question: Why would we not charge 100% for developers?

We set the current recovery percentage at 90% for certain fees (Planning) to avoid too great a shock to the market from the proposed increase, as the City has fallen to a 70% cost recovery level for these fees since the last study approved an 80% recovery percentage. The overall recovery percentage of all recommended development review fees is approximately 85%.

3. Question: Is faster processing time anticipated because we are increasing staffing or because we are shifting CEQA (California Environmental Quality Act) initial study preparation to consultants?

Both are true. The overall package of changes is designed to streamline and improve the process. Within 6 to 12 months, staff intends to meet established development review times.

4. Question: Why is the market basket we've chosen appropriate?

The market basket includes surrounding cities as well as cities with urban development projects of the types Riverside is attracting.

Councilman Perry:

1. Question: Did the budget, as adopted, highlight that the current cost recovery levels were putting a strain on the General Fund?

Yes, the budget assumed enhanced revenues to improve staffing and reduce the General Fund subsidy of fee-supported activities. The General Fund is intended to fund services and activities of general benefit and to the extent that fees for specific services recover less than the actual cost of that service, the General Fund subsidizes those services.

2. Question: Does the City have quality candidates in the pipeline for the new positions if the

study is approved.

Yes.

3. Question: Are the fees currently paid at the time of application or at certificate of occupancy?

Mostly, at the time of application. To the extent that fees for services are not paid up-front, the City incurs costs that may not be reimbursed should the applicant not complete the permitting process. Staff will be bringing this topic back to the City Council for further discussion, along with other incentives for consideration.

4. Question: What can be done to avoid applicants going through a process only to find that it is not feasible?

Staff is working on implementing project pre-meetings with all technical experts present to try to minimize these situations.

Councilman Soubirous

1. Question: Can fees be lowered or waived for projects of community interest?

Currently, there are fee reductions or waivers for certain project types (e.g. historic preservation, senior housing, infill single-family homes, etc.). Under the proposed fee structure this is not the case but staff will bring this issue back to the City Council for future discussion.

Master Fee Schedule Revision

An additional item for discussion is a revision to three fees presented to the Finance Committee on August 27, 2015. Staff continued to review and consider the impact of the fees being proposed; given this continued review, the Fire Department is recommending the following fee adjustments be considered by the City Council.

Description	Proposed Fee	Proposed Recovery %	Revised Fee	Revised Recovery %
Fireworks Display				
Small	\$845	100%	\$591	70%
Large	\$1,520	100%	\$1,064	70%
Extra Large	\$2,703	100%	\$1,892	70%
California Fire Code Inspections without Inspection	\$169	100%	\$84	50%
California Fire Code Inspections/Permit				
Issuance of permit with field inspection - small	\$676	100%	\$338	50%
Issuance of permit with field inspection - large	\$1,182	100%	\$591	50%

FISCAL IMPACT

The fiscal impact will vary depending on service activity levels. Based on existing activity levels, staff estimates that the proposed fees and charges adjustments will generate approximately \$2.8 million of additional General Fund revenue on an annualized basis. Non-General Fund fee increases will generate additional revenues to support cost recovery in those funds. Given that the increases are occurring part way into the new fiscal year, an amount less than that will be realized this fiscal year. The adopted Fiscal Year 2015/16 General Fund budget included \$2.3 million of new fee revenue based on the results of the new fees and charges study. If also approved, the revenues generated from the technology cost recovery fee component will be adequate to fund the new electronic permitting system.

Submitted by: Brent A. Mason, Finance Director/Treasurer

Certified as to

availability of funds: Brent A. Mason, Finance Director/Treasurer

Approved by: Deanna Lorson, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Concurs with:



Mike Soubirous, Chair
Finance Committee

Attachments:

1. Ordinance
2. Resolution
3. Schedule of New and Materially Changing Fees
4. Master Fee Schedule

Previous City Council Actions:

January 8, 2013 – [Item #14: Business Ready Riverside Strategy](#)

August 13, 2013 – [Item #27: Agreement with NBS Government Finance Group](#)

December 2, 2014 – [Item #15: Business Ready Riverside Progress Report](#)