



City of Pinole

User and Regulatory Fee Update

City Council Meeting | June 21, 2022

BACKGROUND

- The City maintains a Master Fee Schedule identifying applicable fees for various City services
- Fees are reviewed and updated periodically
- Cities collect fees and charges for government services performed at the request of, or specifically for, a particular individual, business, or group... as opposed to services performed for the community as a whole

BACKGROUND

- Communities primarily use tax revenues to fund services that provide general (community-wide) benefit.
 - Public works
 - Public safety
 - Park maintenance
- Communities use fees and charges (direct recovery) to fund services that provide direct benefit.
 - Plan Review
 - Permitting
 - Inspection

TYPES OF FEES EXAMINED

- This update DOES NOT examine taxes, assessments, utility rates, etc.

- **Administrative Fees**
- **Building Fees** - construction permit processing, plan check, and inspection
- **Planning Fees** - such as entitlement review and review for compliance with zoning code
- **Engineering Fees** - such as engineering, encroachment, and excavation review and inspection
- **Public Safety Fees** - such as fire prevention and police permit fees
- **Non-Development Related Fees** - such as recreation fees, licensing, and permitting

MUNICIPAL FEES

- Why do Cities Review Fees and Charge Fees for Services?

- Legal requirements
- Encourage direct recovery of costs incurred to serve private interests/benefit or respond to individual actions
- Provide opportunity for relief to General Fund
- Enable continuity of service levels by improving cost recovery levels

FEES ARE APPROVED BY THE CITY COUNCIL

The City Council has authority to Directly Approve User and Regulatory Fees and Increases to Fees

- Fees proposed are not taxes, as defined by Article 13C of the California State Constitution
- Fees are set in accordance with parameters set by Article 13C and by Section 66014 of the California Government Code:
 - Costs allocated to the payer should bear a fair or reasonable relationship to the payer's burdens on or benefits received from the governmental activity
 - Fees should not exceed the reasonable cost of providing the service for which the fee is charged

MUNICIPAL FEES IN CALIFORNIA

- The **California State Constitution**, amended by successive ballot measures, establishes requirements for governmental service fees
- Common practices among California cities provide **widely accepted standards** for meeting Constitutional obligations
- User fees must be linked to and not exceed the **estimated reasonable cost of service**
- The **full cost of service** sets the maximum limit of a cost-based fee
 - Direct program costs for labor, services, and supplies
 - Facilities overhead
 - Departmental administration
 - Citywide administration and central support services
- Generally, fees from users of one program may not be used to pay for costs incurred to serve discounted users or users of a different program

TERMINOLOGY

Terms consistently
used for cost recovery
analysis and fee
setting in California

“Full Cost of Service”

- The estimated total cost of a program, inclusive of direct labor, services, and supplies expenses, and associated overhead expenses

“Cost Recovery”

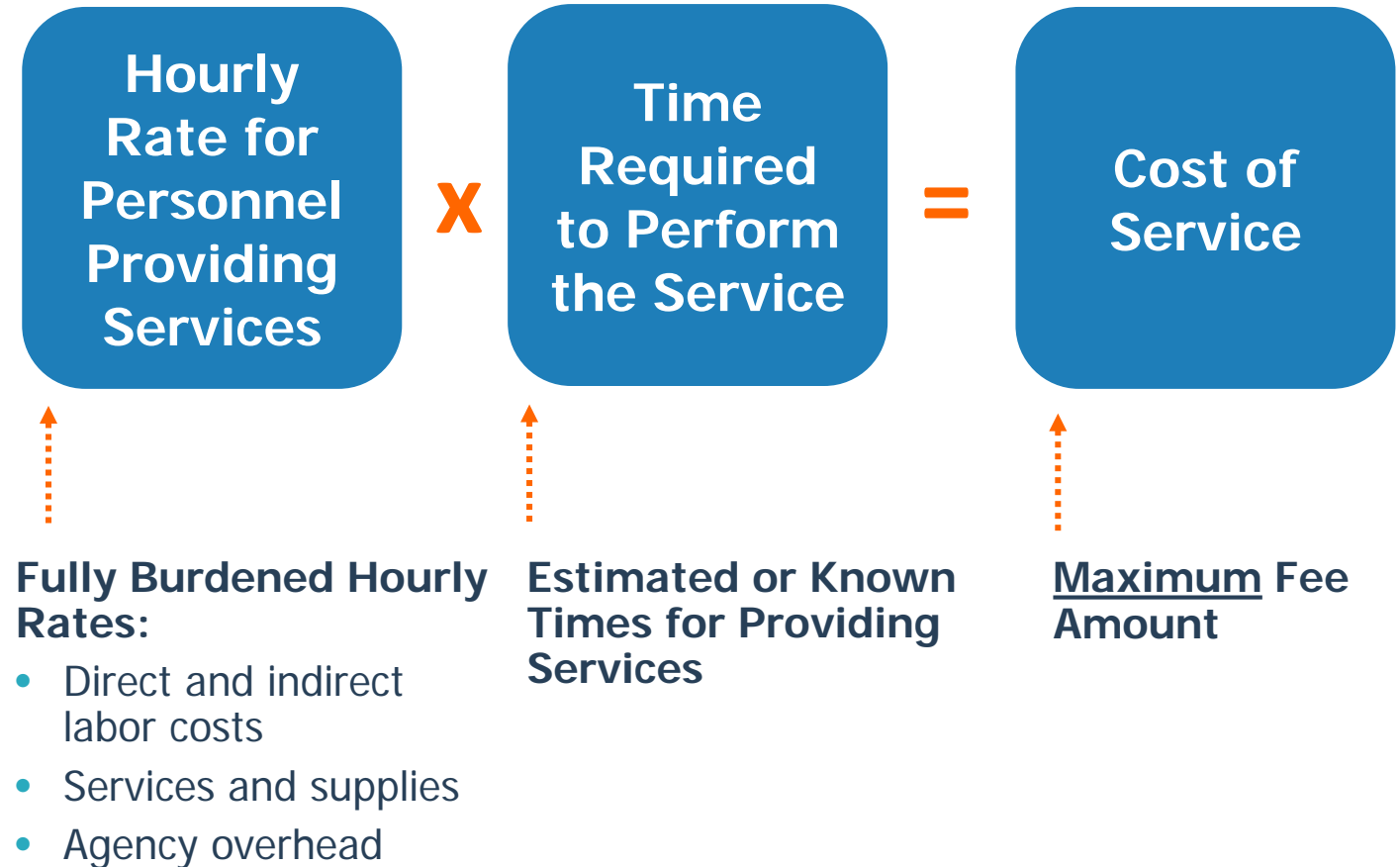
- The amount of a program’s full cost of service that is supported by the program’s own fee revenues

“Subsidy”

- The amount of a program’s full cost of service that is supported by other City revenue sources

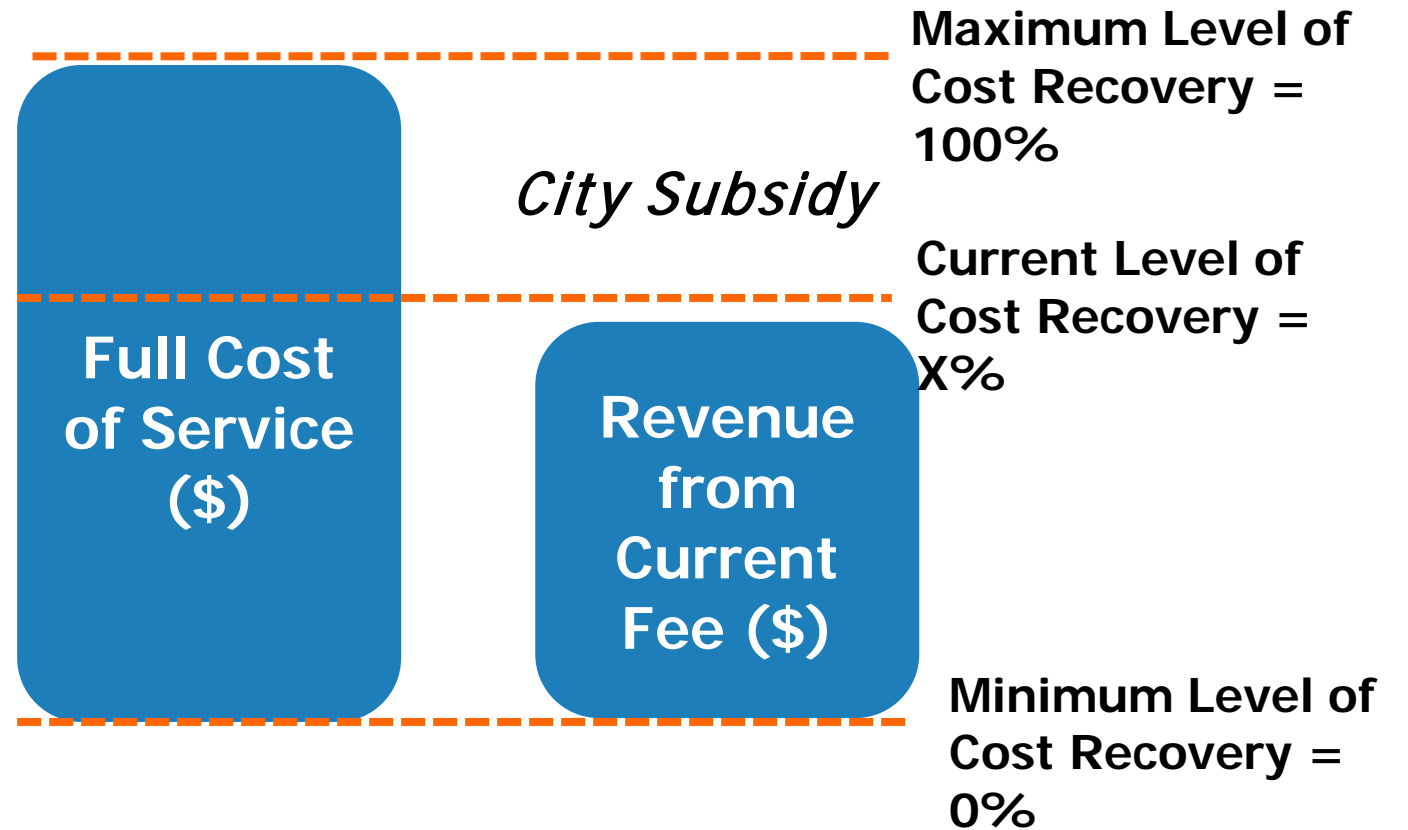
COST OF SERVICE

- The cost of service sets the maximum limit of a cost-based fee. It includes:
 - Direct program costs for labor, services, and supplies
 - Departmental administration
 - Citywide administration and central support services



COST RECOVERY AND SUBSIDY

- Cost Recovery
 - The amount of a program's full cost of service that is supported by the program's own fee revenues
- Subsidy
 - The amount of a program's full cost of service that is supported by other City revenue sources



COST RECOVERY POLICY FRAMEWORK

Cost recovery policy reflects **local values** regarding the presumed beneficiaries for each program area, ranging from **broad community benefit to narrow individual benefit**

Exclusively individual benefit

Considerable individual benefit

Balanced individual and community benefit

Considerable community benefit

Mostly community benefit

Entirely community benefit

100%

Cost Recovery Targeted

0%

ALIGNMENT TO MISSION AND GOALS OF THE CITY

- *“Pinole will be efficient, ethical, and effective in delivering quality services with community involvement and fiscal stewardship”*
- *“Goals*
 - *Safe and Resilient*
 - *Financially Stable*
 - *Vibrant and Beautiful*
 - *High Performance”*

* Source: FY 2021/22 Adopted Budget



Overview of Proposed Updates

PROPOSED FEE CHANGE OVERVIEW FOR FY 22/23

- **Administrative Fees**

- Fees are proposed to remain relatively unchanged
- Many of the City's Fees for Administrative Services are limited by the State of California
- Fee Schedule refined to reflect services currently provided.
- New fee proposed to recover vendor processing costs associated with credit card transactions

PROPOSED FEE CHANGE OVERVIEW FOR FY 22/23

- **Building Fees**

- Restructure fees to enhance correlation between services provided and fees collected
- Existing Fee methodology does not scale well as project size grows
- Proposed methodology scales to allow for lower fees for less complex projects and higher fees for more complex projects
- Established fixed fees for the City's most commonly requested minor permits.
- Fee Schedule will allow applicants to easily estimate permit fees and works well for online permitting scenarios
- Full cost recovery is targeted from fees

PROPOSED FEE CHANGE OVERVIEW FOR FY 22/23

- **Planning Fees**

- Planning is a detailed process - projects may take a significant amount of resources over a multi-month and potentially multi-year timeframe, depending on project complexity and magnitude.
- Current cost recovery varies depending on the fee service examined. Generally, current fees recover approximately 60% of the City's cost of service.
- Fee-related cost of service has been recalibrated to include review support provided by other departments.
- Fees for minor projects continue to target less than full cost recovery.
- Fees for major projects target full cost recovery.

PROPOSED FEE CHANGE OVERVIEW FOR FY 22/23

- **Engineering and Encroachment Permit Fees**
 - The department uses a combination of outside service providers and internal staff to perform certain plan review and inspection activities.
 - The proposed fee structure encourages recovery of City costs in addition to contract service provider costs, while developing fixed fees intended to scale to reflect project complexity.
 - The proposed fees are calculated based on the type of project reviewed and inspected.
 - Full cost recovery is targeted from proposed fees.

PROPOSED FEE CHANGE OVERVIEW FOR FY 22/23

- **Fire Prevention Fees**

- Fire prevention fees are proposed for modification. The adjusted fees will align to fees collected by the Contra Costa County Fire Protection District.

PROPOSED FEE CHANGE OVERVIEW FOR FY 22/23

- **Police Fees**

- Fees are proposed to remain unchanged
- The City's Police Services are funded predominantly through tax revenues

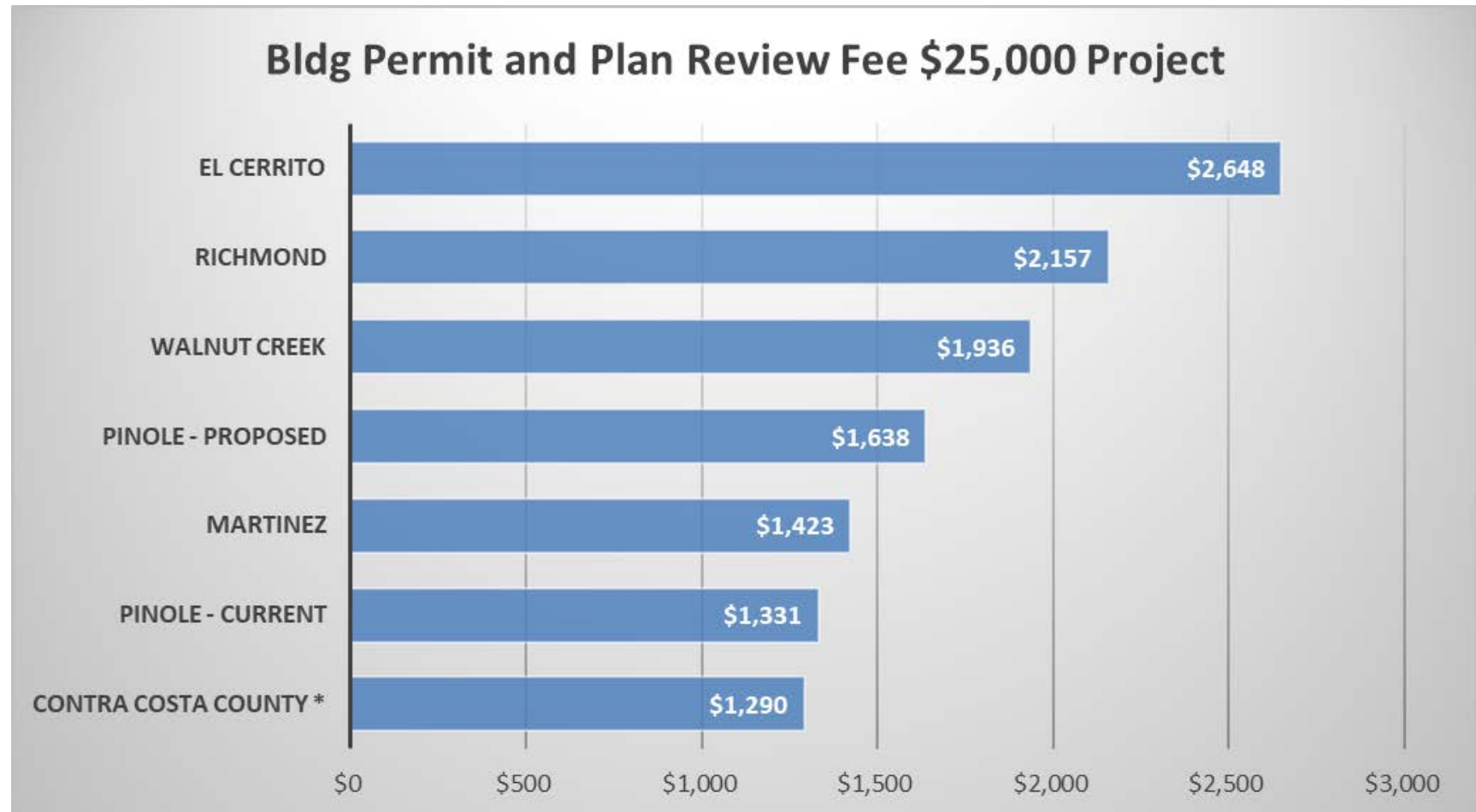
PROPOSED FEE CHANGE OVERVIEW FOR FY 22/23

- **Recreation and Facility Rental Fees**
 - Parks and Recreation Departments throughout the State are facing significant challenges.
 - Multi-year modification of services due to COVID-19
 - Increases in labor, benefit, utility costs, services and supplies, and insurance related costs
 - Providing access to facilities and programs that are safe to use and align to community standards (health and safety).
 - Minimum wage increase since last update (2019) = 25%
 - Regional cost inflation since last update = 10%
 - Fees proposed to be adjusted by change in regional cost inflation since last update. Proposed fee adjustment of 10%

Fee Comparison

Bldg Permit & Plan Review \$25,000

- Current fees are at the lower end of the spectrum for comparison agencies
- Proposed fees are in the mid-range of the spectrum



Fee Comparison

Bldg Permit & Plan Review \$50,000

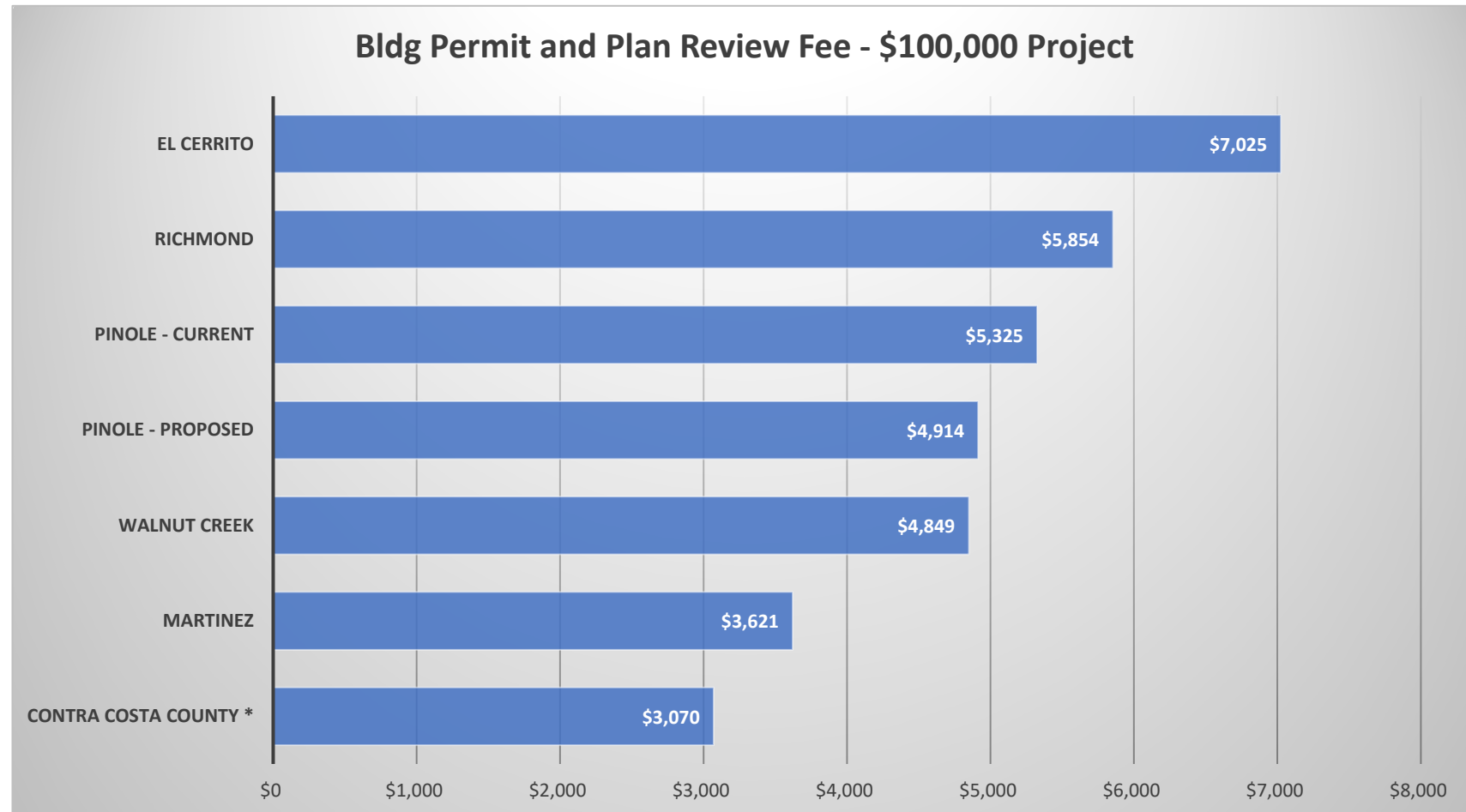
- Current fees are at the mid-range of the spectrum for comparison agencies
- Proposed fees are in the mid-range of the spectrum



Fee Comparison

Bldg Permit & Plan Review \$100,000

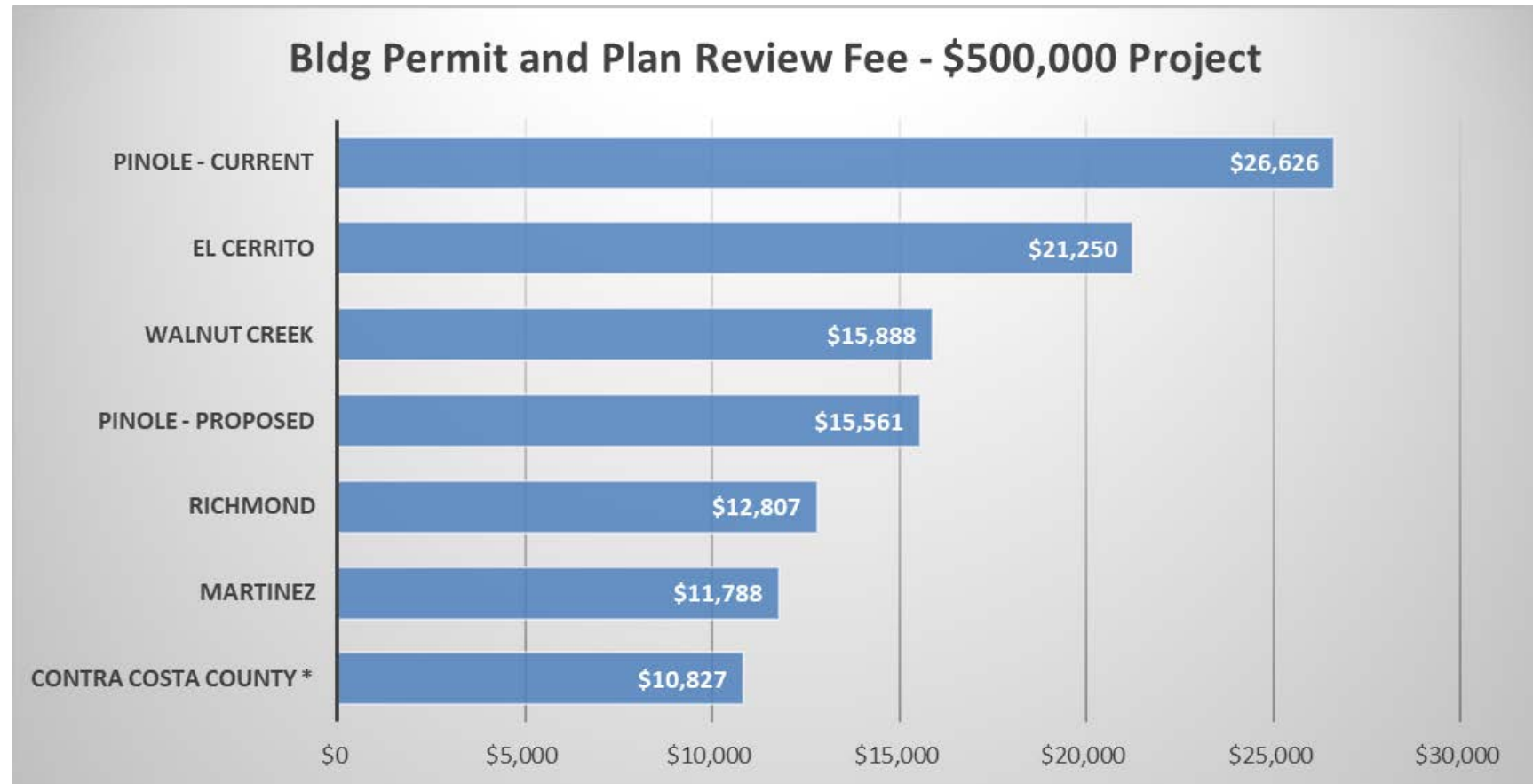
- Current fees are at the mid-range of the spectrum for comparison agencies
- Proposed fees are in the mid-range of the spectrum



Fee Comparison

Bldg Permit & Plan Review \$500,000

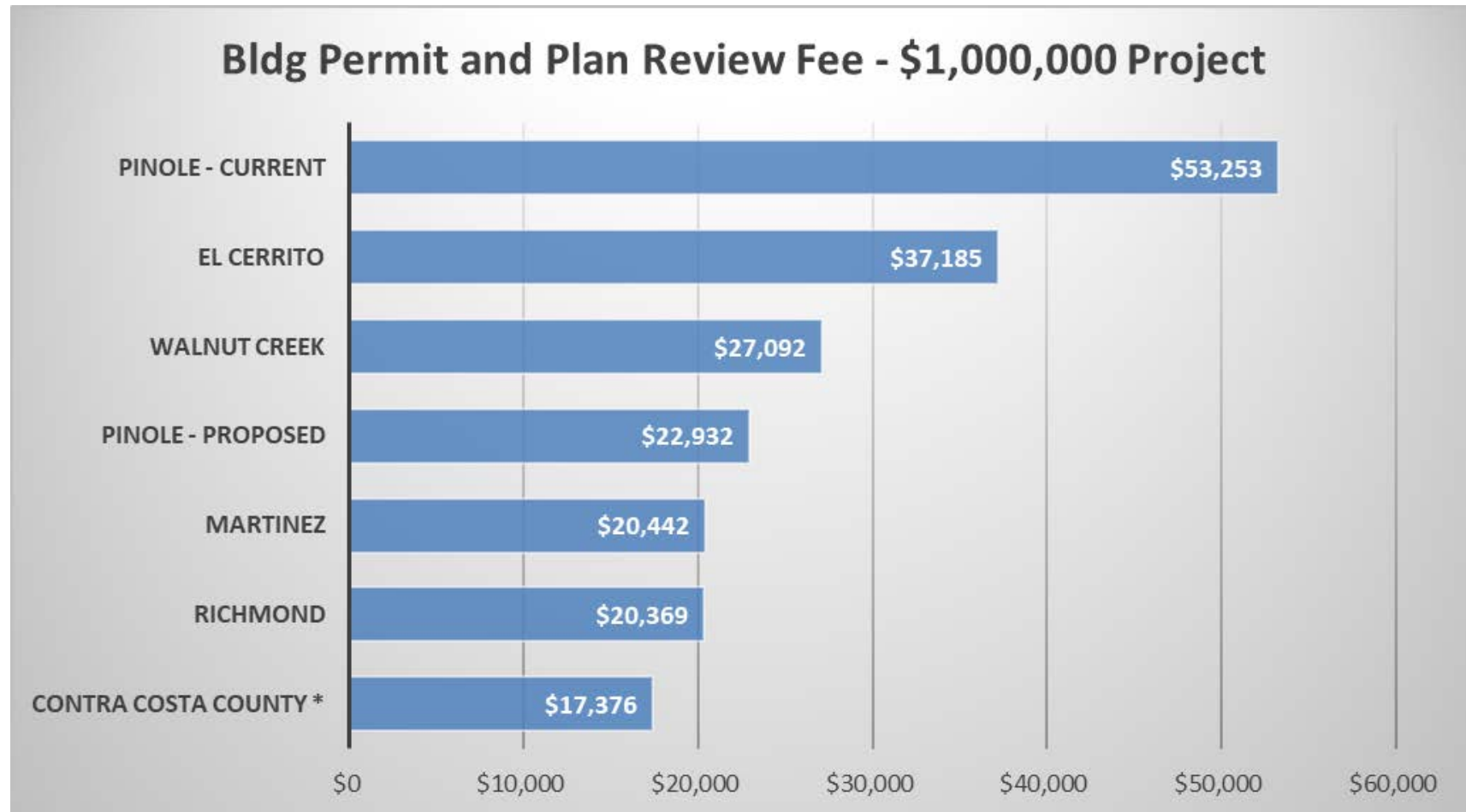
- Current fees are at the upper end of the spectrum for comparison agencies
- Proposed fees are in the mid-range of the spectrum



Fee Comparison

Bldg Permit & Plan Review \$1,000,000

- Current fees are at the upper end of the spectrum for comparison agencies
- Proposed fees are in the mid-range of the spectrum



NEXT STEPS

- Complete Public Hearing and Determine Whether to Adopt Updated Schedule of Fees
- If Adopted, Fee Changes Are Proposed to Be Effective September 1, 2022



Questions or Feedback

