Study Session 2/26 City Council Meeting

- Staff Presentation
- City Council Discussion
- Public Comments
- Staff Recommendations
Budget Process

- Part of biennial budget process
- 274 User Fees, over 700 sub-component fee items
- Development Related User Fees
  - Comprehensive Cost study performed periodically (FY 12-13)
- Non-Development Related User Fees
  - Fees reviewed based on legislative requirements and/or time & material studies
- Finance/Audit Committee 2/20/19
Tax vs Fee

- Prop. 26
- A local tax is any levy, charge, or exaction of any kind imposed by a local government, that doesn’t meet 7 exceptions set forth in Prop. 26.
- A fee or rate charged to an individual or group that receives a **private benefit** from services provided by the City
7 Exceptions

1. Specific Benefit or Privilege
2. Specific Government Service or Product
3. Regulatory Charges
4. User Charges
5. Fines and Penalties
6. Developer Charges
7. Benefit Assessments and Property-Related Charges (Prop. 218)
Common Fee Concepts

• Meets one of the Seven Exceptions
• Be based on the cost of service
• Specifically benefit those who pay the charge
• Not unintentionally subsidized
• Must be reasonable
• Not arbitrary
Source of Service Funding

- **100% Private Benefit (1)**
  - USER FEES

- **Private & Public Benefit (2)**
  - USER FEES
  - TAXES

- **100% Public Benefit (3)**
  - TAXES

Examples:
- 1) Rental of Facility; Building Permit
- 2) Advance Planning
- 3) Police Patrol
User Fee Manual

• User Fees (Development/Non-Development)
  • Building Permits
  • Rental of Facilities
• Developer Charges
  • Impact Fees
• Fines & Penalties
  • Parking & Late Fees
• Rates/Charges
  • Water & Wastewater
• Assessments
  • Lighting & Landscaping
Draft User Fee Manual

• “Draft A” User Fee Manual Sections:
  • First Section
    • Fee detail sheets for each user fee
  • Second Section (on Yellow paper)
    • Comparison of the 2017 Adopted User Fees (listed as Current Fees) to the 2019 Draft User Fees (listed as Draft A)
  • No New User Fees Proposed
Development Related Full-Cost Study

- Staff reviewed & updated Development Related Cost of Service Study Model in 2013

- Prior Cost of Service Studies
  - 2010 CDD-Building & Safety Fees
  - 2007 Planning, Code Compliance, & Engineering Fees
  - 1999 Citywide Study
Citywide Development Related Results Summary

• A majority of development related fees are currently below Full-Cost Recovery
• Current strategy –
  • Increase selected development related fees by CPI (3.2%)
  • Conduct a Full-Cost study in FY 2019-20
• Intentional Subsidy
  • City Council Exceptions – 16 Fees
Full-Cost Recovery Policy Exception

City Council Policy

• Community-wide vs. special service nature of the program or activity

• The use of general purpose revenue is appropriate for community-wide services, while user fees at full-cost are appropriate for services, which are of special benefit to an easily identified individual or group

• Fees & charges, in the absence of a specific public policy exception, should be implemented to achieve full-cost recovery
## City Council Exceptions to Full-Cost Recovery

<table>
<thead>
<tr>
<th>Fee #</th>
<th>Fee Name / Page</th>
<th>2017 Current Exception</th>
<th>2019 Proposed Exception</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>B-03B Disabled Access Board Appeal (pg. 25)</td>
<td>$815</td>
<td>$840</td>
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<tr>
<td>2.</td>
<td>P-04 Block Party (pg. 53)</td>
<td>$40</td>
<td>$40</td>
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<tr>
<td></td>
<td>Special Event (1 Day or more)</td>
<td>$136</td>
<td>$140</td>
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<tr>
<td>3.</td>
<td>P-08 Farm Animal Permit (pg. 58)</td>
<td>$52</td>
<td>$53</td>
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<tr>
<td>4.</td>
<td>P-11A Oak/Landmark Tree (pg. 61)</td>
<td>$100</td>
<td>$100</td>
</tr>
<tr>
<td>5.</td>
<td>P-11B Oak/Landmark Tree/Planning Comm. Process (pg. 62)</td>
<td>No Fee</td>
<td>No Fee</td>
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<tr>
<td>6.</td>
<td>P-11C Oak/Landmark Tree / Minor Mod (pg. 63)</td>
<td>$225</td>
<td>$225</td>
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</table>
# City Council Exceptions to Full-Cost Recovery

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<thead>
<tr>
<th>Fee #</th>
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<th>2019 Proposed Exception</th>
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<tbody>
<tr>
<td>7.</td>
<td>P-11D Oak/Landmark Tree / Major Mod (pg. 64)</td>
<td>$262</td>
<td>$262</td>
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<tr>
<td>8.</td>
<td>P-23C SUP Type C Ham Radio Tower (pg. 79)</td>
<td>$1,093</td>
<td>$1,127</td>
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<td>9.</td>
<td>P-27B PPD – Existing Home (pg. 84)</td>
<td>$566</td>
<td>$584</td>
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<td>10.</td>
<td>P-32A Minor Mod – Outdoor Dining (pg. 91)</td>
<td>$918</td>
<td>$947</td>
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<td>11.</td>
<td>P-32B Minor Mod – Ham Radio (pg. 92)</td>
<td>$1,039</td>
<td>$1,072</td>
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<td>12.</td>
<td>P-53 Appeal of Admin Decision (pg. 117)</td>
<td>$1,400</td>
<td>$1,444</td>
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<th>2019 Proposed Exception</th>
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<tbody>
<tr>
<td>13. P-54</td>
<td>Appeal of Planning Comm. Decision (pg. 118)</td>
<td>$1,508</td>
<td>$1,555</td>
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<td>14. P-66</td>
<td>Zoning Clearance (pg. 130)</td>
<td>$73</td>
<td>$75</td>
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<td>15. PW-25</td>
<td>Appeal of Admin Decision (pg. 252)</td>
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<td>Appeal of Planning Comm. Decision</td>
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<td>$1,555</td>
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<tr>
<td>16. PW-46</td>
<td>Parking Permit (pg. 270)</td>
<td>$8</td>
<td>$8.25</td>
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FY 2019 User Fees Manual

Review of User Fees by Department/Section
## Revisions in User Fees

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th># OF FEES</th>
<th>NO CHANGE IN FEE</th>
<th>CHANGE IN FEE</th>
<th>CHANGE</th>
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<tbody>
<tr>
<td>CITY CLERK</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>N/A</td>
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<tr>
<td>CITYWIDE</td>
<td>12</td>
<td>7</td>
<td>5</td>
<td>MINOR REVISIONS TO RENTAL FEES AND ADDITION OF A CHAIR SET-UP FEE</td>
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<tr>
<td>CDD – BUILDING</td>
<td>27</td>
<td>19</td>
<td>8</td>
<td>FEES ADJUSTED BY CPI</td>
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<td>CDD – PLANNING</td>
<td>86</td>
<td>23</td>
<td>63</td>
<td>FEES ADJUSTED BY CPI</td>
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<td>CULTURAL AFFAIRS</td>
<td>48</td>
<td>42</td>
<td>6</td>
<td>MINOR REVISIONS TO SIX FEES</td>
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<tr>
<td>FINANCE</td>
<td>14</td>
<td>12</td>
<td>2</td>
<td>MINOR INCREASE TO TWO FEES</td>
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<tr>
<td>LIBRARY</td>
<td>9</td>
<td>7</td>
<td>2</td>
<td>DECREASE TO DAMAGED MATERIALS FEE AND ELIMINATION OF SCANNING FEE</td>
</tr>
<tr>
<td>POLICE</td>
<td>7</td>
<td>4</td>
<td>3</td>
<td>MINOR INCREASE/DECREASE TO THREE FEES</td>
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<tr>
<td>PUBLIC WORKS</td>
<td>67</td>
<td>31</td>
<td>36</td>
<td>33 FEES INCREASED BY CPI, THREE FEES RESTRUCTURED</td>
</tr>
<tr>
<td>TOTAL</td>
<td>274</td>
<td>149</td>
<td>125</td>
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</tbody>
</table>
Development Impact Fees

• Fees charged to new development for public capital improvements and subject to the Mitigation Fee Act
  • Road & Traffic Fees
  • Water & Wastewater Plant Improvement & Connection Fees
  • Facility Fee
Police Facilities Fee

• Fee reimburses the City for advancing funds for the construction of the East Valley Law Enforcement Facility

• Proposed adjustment of 1.12% based on the City’s five-year investment returns from FY 2014 to FY 2018 per agreement
Water & Wastewater Rates

- Review of Financial Plans in process
- Staff will return to City Council at a later date
Recommendations

1. Receive information on User Fees and Police Facilities Fee as presented at Public Meeting/Study Session and provide direction to staff.

2. Schedule a Public Hearing for April 23, 2019, with final decisions on User Fee adjustments to be made that evening.
Questions?