



USER FEE UPDATE

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CITY COUNCIL MEETING

April 29, 2021



Meeting Objective

Input and direction from the City Council regarding:

- ▲ Proposed reductions to Cost Recovery Levels for certain user fees presented to the City Council at its meeting on March 2, 2021.



Presentation Agenda

- I. Background on User Fee Update Project
- II. Draft Cost Recovery Policy
- III. Proposed Reductions in Cost Recovery Levels for Certain fees
- IV. Proposed Next Steps



Background on User Fee Project

❖ Fee Setting Practice

- Annual Review during Budget Process
- However, last comprehensive fee update in 2005/2006

❖ Funding for City Services

❖ Never a good time to increase fees, but...

- Not keeping pace with cost increases results in three outcomes...
 1. Increased City subsidy for both public and private benefit services (results in a draw down of reserves or limits funding for other activities)
 2. Reduction of services, personnel or other expenses to account for the revenue shortfall
 3. Future fee increases need to be large to catchup to operating cost and/or fund deferred maintenance

❖ Compliance with State Law

- State Constitution – Cannot charge more than the costs reasonably borne
- Allowed to charge higher than cost, when government is not the sole provider



Background

- ❖ What fees we're talking about
 - ❖ Not enterprise
 - ❖ But...we are discussing
 - ✓ Development Review Fees
 - ✓ Program / Service User Fees
 - ✓ Operational Fees (processing, copying fees)

Comprehensive Fiscal Sustainability Project





Comprehensive Fiscal Sustainability Project

❖ Highlight of Completed Initiatives, *including those triggered by COVID-19*

Revenue Enhancements

- ✓ Voter Approvals
 - Measure G (\$2.5M-\$4M/year)
 - TOT / Hotel Room Tax Increase
 - Marijuana Tax
- ✓ Adoption of Development Impact Fees
- ✓ Walmart.com Sales Tax Participation Agreement
- ✓ Development Related Community Benefit Agreements
 - YouTube – 1400/1450 Bayhill DA Extension, \$4.5M
 - Mills Park DA, \$10M

Expenditure Controls

- ✓ Budgetary and personnel cost containment
- ✓ Renegotiation of CityNet Contracts
- ✓ Budget Reductions for FY19-20 Mid-year Reductions (\$4M+) and FY20-21 Budget Shortfall Actions (\$8.2M)
 - Retirement incentives
 - Freezing of vacant position
 - Defunding of Capital Projects

Cost Shifts / Threats to the GF

- ✓ Conversion of PG&E Community Service Hours to \$3M for Wildfire Mitigation
- ✓ CityNet Programming and Fee Adjustments
- ✓ Transition of Afterschool Programming to the YMCA
- ✓ Spyglass Stormwater Improvement Grant



Comprehensive Fiscal Sustainability Project

❖ Highlight of On-going Initiatives, *including those triggered by COVID-19*

Revenue Enhancements

- Master Fee Review & Cost Allocation Plan
- Sale and Development of the City-owned Crossings Site on Admiral Court
- Development Related Community Benefit Agreements
 - Bayhill Specific Plan
 - Sears Redevelopment
 - Southline / Lane Partners
 - Former Crestmoor HS Site
 - Glenview Terrance

Expenditure Controls

- Continued budgetary and personnel cost containment

Cost Shifts / Threats to the GF

- Storm Drain and Flood Protection Fee
- CityNet Repositioning / Business Plan Implementation



User Fees - Draft Cost Recovery Policy



Draft Cost Recovery Policy

- ▲ Reviewed during March 2, 2021 City Council Meeting
- ▲ Provides a framework for the City Council to communicate to the public why fees have different cost recovery levels
- ▲ Once established, the Policy would be reviewed during future User Fee Updates or when the City Council believes review is necessary
- ▲ Creates flexibility for staff to respond to unusual circumstances or unique opportunities in its pricing of services



Draft Cost Recovery Policy

- ▲ Cost Recovery Categories
- ▲ Sample Fee Types by Category...
 - **Full Cost Recovery or Near Full Cost Recovery (80-100%)**
 - Building Permits
 - **Medium Cost Recovery (40-79%)**
 - Middle School Recreation Programs
 - **Low Cost Recovery (0-39%)**
 - Senior Lunch Program



Proposed Fee Changes from March 2, 2021 Recommendations



March 2, 2021 City Council Feedback

- ▲ Staff heard the City Council's concerns...
 - Review of recreation related fees to the P&R Commission
 - Large increases in the current economic environment
 - How the fees will impact prospective permit applicants
 - For example, concerns over the financial impact on...
 - Health and safety improvements by property owners vs.
 - Additions and remodels by property owners vs.
 - New commercial and residential development projects



Parks & Rec. Commission Feedback

- ▲ Staff presented the Community Services Department fees to the Parks and Recreation Commission at its meeting on March 17, 2021
- ▲ Overall, the Commission was supportive of the proposed changes to the fee schedule
- ▲ The Commission was pleased to see the fee schedule simplified and appreciated the flexibility in the Cost Recovery Model, which will allow staff to develop new programs quickly
- ▲ The Commission expressed concerns about raising fees now, but recognized that the proposed fee schedule provides flexibility in cost recovery, which means that recreation fees may not increase immediately
 - The Director pointed out that staff would evaluate the cost of the service and also ensure increases would not exceed whatever the limit is set in the Draft Cost Recovery Policy



Response to March 2, 2021 Questions

- ▲ Information provided in response to March 2, 2021 City Council questions
 - No. of common permits issued
 - Comparison to cities that have conducted recent user fee studies
 - Discussion of equity / small business impacts
 - Impacts on range of renovation projects
 - Description of fully burdened rate calculation (Attachment 2)



No. of Common Permits Issued

Permit	2020 Permits Issued	2019 Permits Issued
Encroachment permit	350	387
Business License Application (a)	206	173
Use Permit – Single Family Residential	5	7
Sign Permit	13	21
Fire Life Safety Plan Check Review	249	193
Peddlers, Solicitors, Temporary and Mobile Temporary Vendors	13	10
Water Heater	41	51

- ▲ Volume of common permits varies significantly.
- ▲ Proposed fees for two high volume permits impacting small businesses and homeowners have been reduced.



Comparison to Cities that have Conducted Recent User Fee Studies

Permit	San Bruno Proposed 4/29/21	San Bruno Proposed 3/2/21	San Bruno Current	El Cerrito	Union City
Encroachment permit	\$370 + additional plan review if necessary (Full/Near Full)	\$463 + additional plan review if necessary	\$296	\$289 - \$314 + additional charge if necessary	\$64 + \$129 per hour
Business License Application (one-time charge)	\$94 (Medium) (Increase over four years)	\$235 (increase over two years)	\$26 - \$36	\$79	\$29 - \$59
Use Permit – Single Family Residential	\$4,374 (Medium) (increase over four years)	\$6,249 (increase over two years)	\$1,610	\$1,951	\$3,692 - \$5,313
Sign Permit	\$391 (Medium)	\$781 (increase over two years)	\$205	\$582	N/A
Fire Life Safety Plan Check Review	\$255 (Full/Near Full)	\$255	\$185 minimum charge	\$513	\$226
Peddlers, Solicitors, Temporary Vendors	\$232 (Medium)	\$581 (increase over two years)	\$140	\$406	N/A
Water Heater	\$78 (Medium)	\$156 (increase over two years)	\$55	\$194	\$123

- ▲ Difficult to compare fees from one City to another.
- ▲ Modified fee levels are in the same general range as fees in cities that recently implemented user fee studies.



Discussion of Equity/Small Business Impacts

Permit	4/29/21 - Proposed (Cost Recovery Level)	3/2/21 - Proposed (Cost Recovery level)	Current Fee
Business License Application (one-time charge)	\$94 (Medium)	\$235 (Full/Near Full)	\$26 -36
Peddlers, Solicitors, Temporary Vendors	\$232 (Medium)	\$581 (Full/Near Full)	\$140
Sign Permit	\$391 (Medium)	\$781 (Full/Near Full)	\$205

- ▲ Medium Cost Recovery recommended for common fees that impact small businesses.



Impacts on Range of Renovation Projects

Project size	San Bruno Proposed 4/29/21	San Bruno Proposed 3/2/21	San Bruno Current	Percentage increase
\$20,000 - Bathroom remodel	\$815	\$815	\$609	34%
\$60,000 - Kitchen and two bathroom remodel	\$3,850	\$3,850	\$3,306	16%
\$120,000 – 500 s.f. addition with kitchen remodel	\$12,267	\$12,267	\$5,663	116%

▲ Changes vary by size of project. Smaller projects would have lower percentage fee increases.



Proposed Fee Changes

- ▲ Staff is proposing reductions in certain cost recovery levels proposed on March 2, 2021
 - Low cost health and safety improvements
 - Fees with disproportionate impact on small businesses
 - Fees with largest dollar value increases



Low-Cost Health and Safety Improvements

Permit	4/29/21 - Proposed (Cost Recovery Level)	3/2/21 - Proposed (Cost Recovery level)	Current Fee
Water Heater	\$78 (Medium)	\$156 (Full/Near Full)	\$55
Backflow Preventive Devices	\$78 (Medium)	\$156 (Full/Near Full)	\$55
Encroachment Permit	\$350 + additional plan review if necessary (Medium)	\$463 + additional plan review if necessary (Full/Near Full)	\$296

- ▲ Medium Cost Recovery Level responds to City Council input.

Fees with Disproportionate Impact on Small Businesses



Permit	4/29/21 - Proposed (Cost Recovery Level)	3/2/21 - Proposed (Cost Recovery level)	Current Fee
Business License Application (one-time charge)	\$94 (Medium)	\$235 (Full/Near Full)	\$26 -36
Peddlers, Solicitors, Temporary Vendors	\$232 (Medium)	\$581 (Full/Near Full)	\$140
Sign Permit	\$391 (Medium)	\$781 (Full/Near Full)	\$205

- ▲ Medium Cost Recovery Level responds to City Council input.



Fees with Largest Dollar Value Increases

Permit	4/29/21 - Proposed (Cost Recovery Level)	3/2/21 - Proposed (Cost Recovery level)	Current Fee
Variance - Single Family Residential	\$4,375 (Medium)	\$6,249 (Full/Near Full)	\$1,975.00
Use Permit - Single Family Residential	\$4,375 (Medium)	\$6,249 (Full/Near Full)	\$1,610.00
Temporary Use Permit	\$4,632 (Medium)	\$6,617 (Full/Near Full)	\$280.00
ABC Application Review	\$1,889 (Medium)	\$2,699 (Full/Near Full)	\$1,015.00
Filming Permit	\$4,408 (Medium)	\$6,297 (Full/Near Full)	\$200.00
Architectural Review Permit – Single Family Residential	\$3,588 (Medium)	\$5,125 (Full/Near Full)	\$1,600.00
Administrative Review – Buildable Lot Determination	\$2,602 (Medium)	\$3,716 (Full/Near Full)	\$480.00
Administrative Review – Wireless Facility	\$2,877 (Medium Cost Recovery)	\$4,110 (Full/Near Full)	\$1,320.00
Rebuild Letter	\$2,473 (Medium)	\$3,533 (Full/Near Full)	\$105.00
Zoning Conformance Letter	\$2,473 (Medium)	\$3,533 (Full/Near Full)	\$400
Sign Deviation	\$2,402 (Medium)	\$3,432 (Full/Near Full)	\$730
Appeal to Planning Commission	\$1,193 (Low)	\$3,975 (Full/Near Full)	\$510
Appeal to City Council	\$1,405 (Low)	\$4,681 (Full/Near Full)	\$790
Appeals of Director's Decisions	\$963 (Low)	\$3,208 (Full/Near Full)	\$500

- ▲ Largest dollar value increases - Planning Division permits for complex projects.
- ▲ Projects with significant development costs.
- ▲ Proposed fees reduced to Medium Cost Recovery.



Reduced Fee Increase Rate Proposed

- ▲ Staff proposes to reduce annual increase for fees proposed to increase by more than 100% and spread the increase over 4 years
 - Prior Recommendation (3/2/21) was...
 - Increases over 50%, spread over 2 years



Updated Policy and User Fee Study

- ▲ Proposed Cost Recover Policy (*Attachment 1*) has been updated to reflect the more gradual increase to fees increasing by more than 100%
- ▲ Willdan User Fee Study (*Attachment 3*) has been updated to include the proposed reductions in fee levels proposed during the March 2, 2021 City Council meeting



Next Steps



Consistency with Municipal Code

- ▲ Staff has conducted a review of all proposed new fees to ensure compliance with State Law
- ▲ Staff may recommend Municipal Code amendments to ensure consistency as the City proceeds with the comprehensive Municipal Code review



Next Steps

- ▲ Receive City Council input and direction at tonight's meeting
- ▲ June 22, 2021 - City Council Meeting - Consideration/Adoption of User Fees
- ▲ July 1, 2021 - Notice posted - New user fees to take effect on July 1, 2021
- ▲ September 1, 2021 - Revised User Fees take effect

Questions and Input

