USER FEE STUDY PRESENTATION

CITY COUNCIL MEETING

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January 28, 2020

Objective

- **Provide the City Council with:**
  - Overview of the User Fee Study and its methodology
  - Highlight of Policy Issues for the City Council in setting fees
  - High-level fee benchmarking with other agencies
  - Timeline and next steps

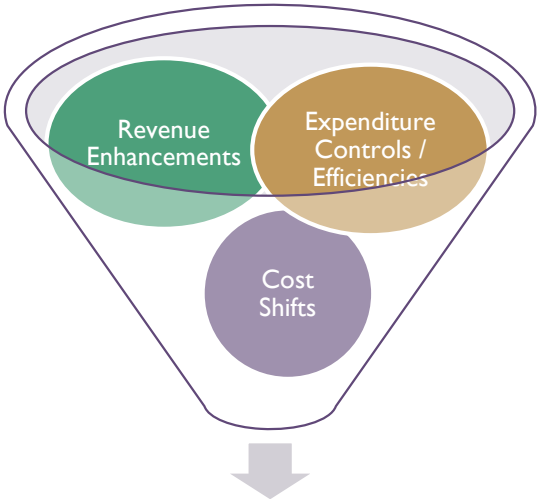
Agenda

1. User Fee Study Overview
   - Objective
   - Scope
   - Constitutional Restrictions
   - Methodology
   - Fee Composition
2. User Fee Change Considerations
   - Policy considerations
   - Benchmark comparisons
3. Timeline to Implementation
4. Questions

Comprehensive Fiscal Sustainability Project

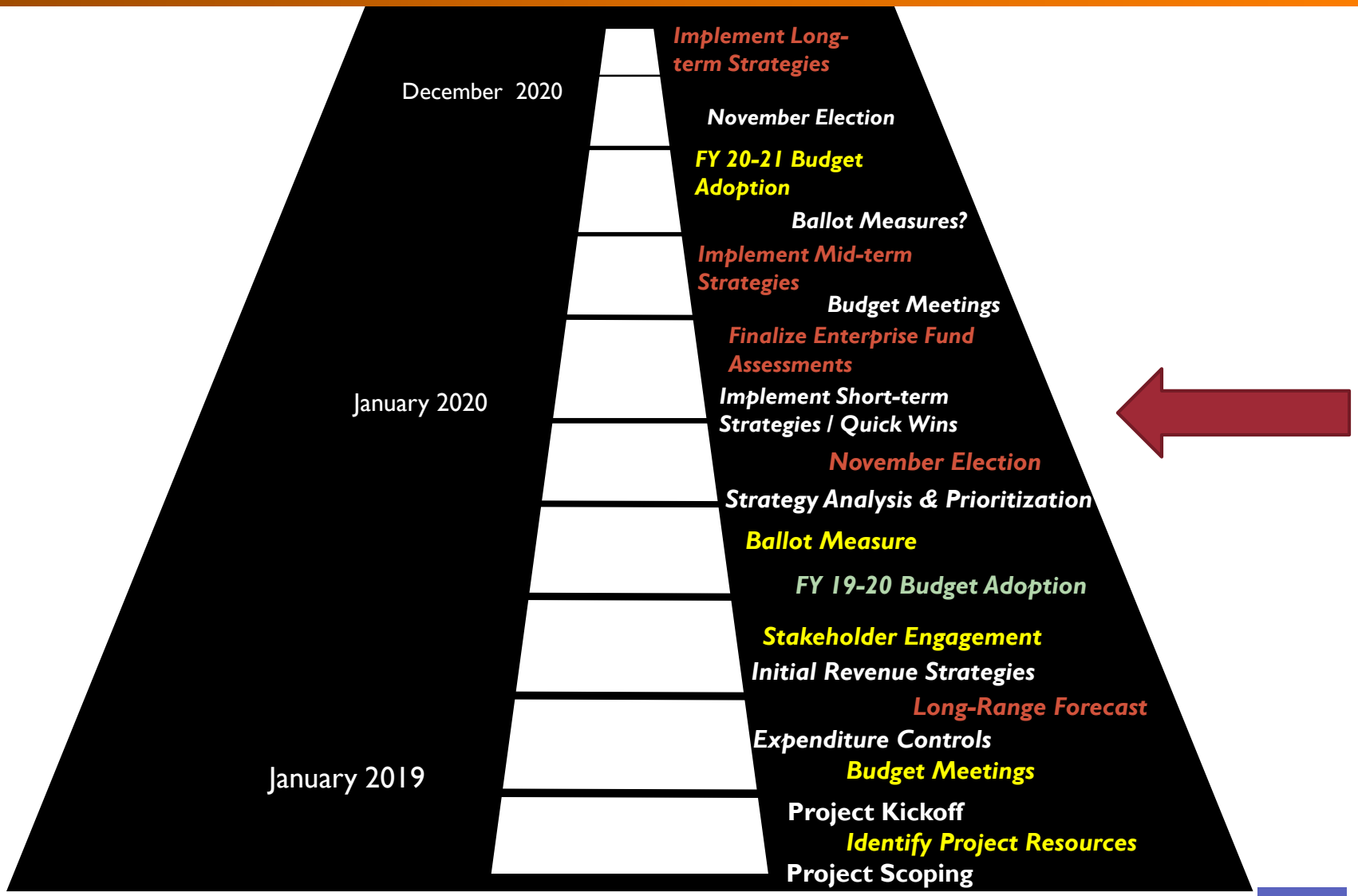
- Develop a comprehensive understanding of the financial pressures and constraints on the City's General Fund, today and into the foreseeable future.

- 3 goals
  - Understand Our Fiscal Challenge
  - Articulate Our Fiscal Challenge
  - Develop & Implement Strategies



Prioritized Strategies

Comprehensive Fiscal Sustainability Project



Funding for City Services

- Services that provide a benefit to the City as a whole
  - General Fund tax and other revenues, such as property, sales, transient occupancy and business license taxes
  - Grants and other special revenues
- Services that provide a direct benefit to a specific group or individual
  - User Fees

Constitutional Restrictions

- **Propositions 218 and 26**
  - Limits City's fees to reasonable cost of providing the service or benefit
  - Simple majority vote of City Council to change fees
  - Any fee exceeding cost of service becomes a tax and requires approval of electorate
  - Cities commission studies to assess cost of proving services

What are User Fees?

- User fees fund programs and services that provide private benefit to individuals requesting them, with limited or no benefit to the community as a whole
- State Law requires the following:
  - Individual use of the service must be voluntary, and
  - Fees must reasonably relate to the services provided

User Fee Examples

User Fees

- Electrical Permit
- Plumbing Permit
- Mechanical Permit
- Picnic Table Rental
- Recreation Class
- Encroachment Permit
- Variance

Not a User Fee

- Development Impact Fee
- In-Lieu Fee
- Water Charge
- Garbage Charge
- Property Tax
- Business License Tax

What is a User Fee Study?

- Primary goal of a User Fee Study is to determine the "reasonable" full cost of providing services
- Each fee or service's cost is calculated individually
- Develop fully burdened hourly rates for personnel
  - Salary & Benefit cost divided by billable hours
  - Layer on direct and indirect overhead as applicable to the position's department and services provided
- Up to 100% of the full cost may be recovered
- The City may decide to set fees lower than full cost

Objectives of User Fee Study

- Develop a rational basis for setting fees
- Understand total costs of providing services
- Identify subsidy amounts, if applicable
- Identify appropriate fee adjustments that enhance fairness and equity
- Maintain consistency with local policy and objectives, and compliance with state law
- Develop updatable, comprehensive list of fees

Scope of the Study

- Review and calculate cost of providing services and related fees charged by the following departments and divisions:
  - Cable/City Net Services
  - City Clerk
  - Community & Economic Development
    - Planning
    - Building
  - Finance
  - Fire
  - Community Services
    - Library
    - Parks & Recreation
  - Police
  - Public Works

Data & City Staff Participation

Willdan used the following to determine full cost of providing each service:

- Department budgets, salary & benefit information, other cost data
- Staffing structures
- Central service/Indirect Cost Allocation Plan
- Productive/billable hours
- Direct & Indirect work hours
- Time estimates to complete tasks
- City/Department input, feedback and policies

Summary Steps of the Study

1. Data Analysis

- Department Interviews
- Time Estimates
- Labor Costs
- Cost Allocation Plan

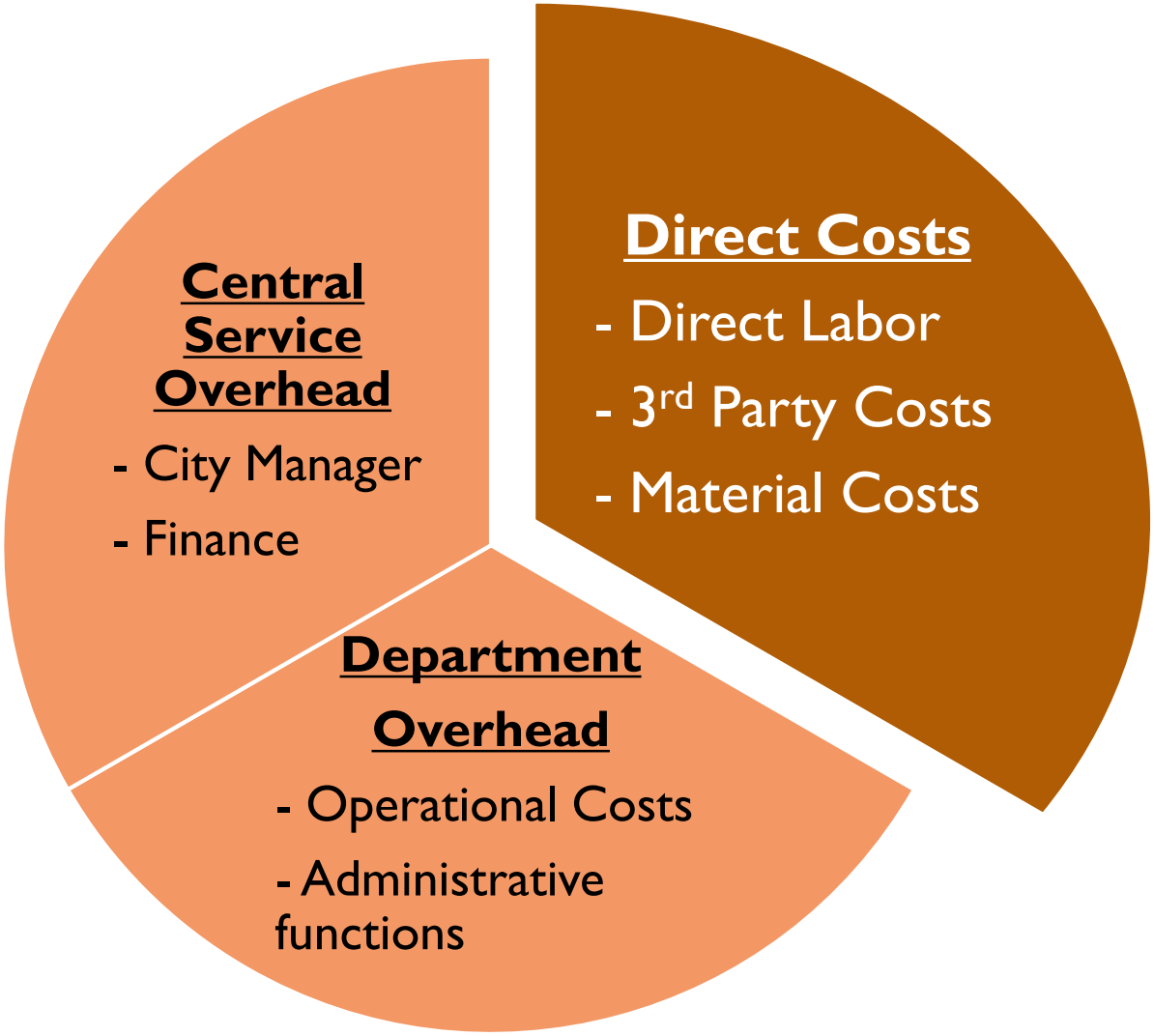
2. Building Cost Layers

- Direct Services
- Indirect Services
- Department Overhead
- City-Wide Overhead

3. Set Fees

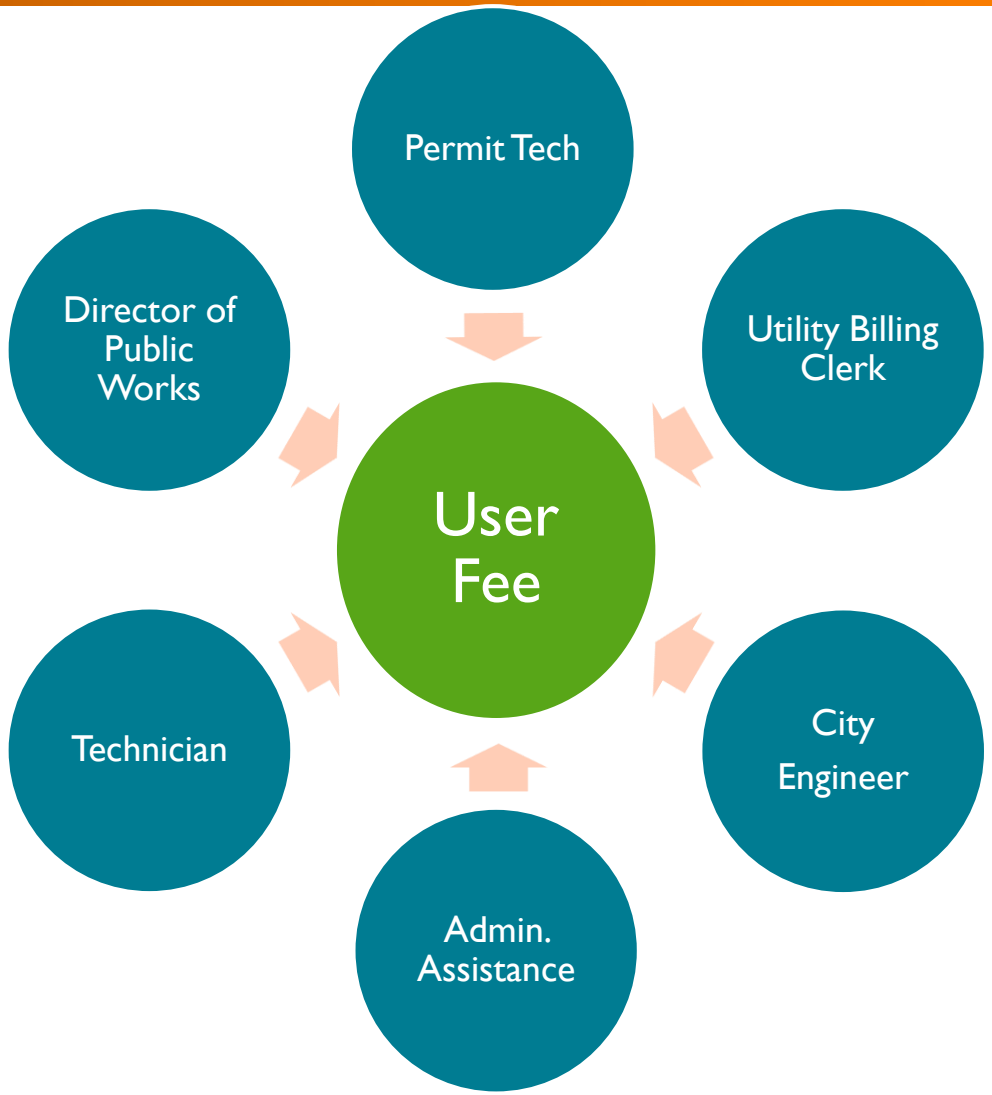
- Define the Full Cost of Services
- Set Cost Recovery Policy
- Publicize, Launch, Educate & Implement New Fees

Typical Fee Composition



Fee Cost Composition Example

- Fully Burdened Hourly rates predominately used to calculate full cost for fees
- Important to keep in mind all processes, personnel, and indirect support involved to calculate full cost for services



Policy Considerations

- General standard: individuals or groups who receive private benefit from service should pay 100% of cost
- In certain situations, subsidization is an effective public policy tool:
  - Encourage participation
  - Ensure compliance when cost is prohibitive to residents
  - Allow access to services

Fees & Cost Recovery by Department

Department	Number of Fees	Current Cost Recovery Percent of Program Costs	Average City Cost Recovery – Post User Fee Study
Building	106	28%	90-100%
City Clerk	5	100%	100%
City Net Services/Cable	7	100%	100%
Finance	13	26%	70-90%
Fire	94	65%	60-90%
Library	26	77%	30-50%
Parks & Recreation	309	66%	40-60%
Planning	60	18%	80-90%
Police	43	52%	70-90%
Public Works	47	74%	70-90%
Total	**710**		

Considerations to Set User Fees

- Set fees at optimal cost recovery
- Set new fees where appropriate
- Discontinue outdated fees
- Implement an inflationary adjustment annually to keep pace with standard cost increases
- Establish a fully-loaded, department hourly rate

Planning Benchmark Comparison

Fee	San Bruno (Current)	Millbrae	South San Francisco	Burlingame	Redwood City	San Mateo
Use Permit – Single Family	$1,610	$1,267	$4,347 Deposit	Conditional Use Permit $1,883	$2,989	$4,000 Deposit
Temporary Use Permit	$280		$1,647		$1,317	$4,000 Deposit
Variance – Single Family	$1,975	$1,267	$4,312	$4,307	$2,989	$4,000 Deposit
Architectural Review – Single Family	$1,600	Not in fee schedule	Not in fee schedule	Design Review Deposit $1,360	$1,318	Deposit $4,000

Planning Benchmark Comparison

Fee	San Bruno (Current)	Millbrae	South San Francisco	Burlingame	Redwood City	San Mateo
Sign Permit	$205	$242	Range of $173-$1,725	Based on sq ft $250-$410	$160	$5/sq ft; Min $43.28; Max $471.84
Appeal to Planning Commission	$510	$262	Applicant, City Resident, Homeowners Association, All Others $1,725, Adjacent Property Owner $862	$910	Permit fee/deposit less than $400: $667; Permit fee/deposit $4,500 or more: $2,781	$500
Appeal to City Council	$790	Not in fee schedule	Applicant, City Resident, Homeowners Association, All Others $1,725, Adjacent Property Owner $862	$910	Permit fee/deposit less than $400: $667; Permit fee/deposit $4,500 or more: $2,781	$500

Fire Benchmark Comparison

Fee	San Bruno (Current)	Millbrae	South San Francisco	Burlingame	Redwood City	San Mateo
Fire Life Safety Plan Check	$185 per hour	12% of Building Permit for Commercial and Multi-family Residential	Valuation based $88-$63,705	12% of Building Permit for Commercial and Multi-family Residential	$225 per hour	Based on sq ft scale $533-$1,335
Business Inspection	$185 per hour	$108	$351	$108		$200
Annual Fire Inspection – Multiple Dwelling	Lesser of $24/unit or $240/ building	$727	$264 per unit	$727	$169	3-10 units: $208/Annual
Re-Inspection	Initial fee plus 25%	$114	$264	$114	$138 per hour	$267 per hour
Fire Alarm/ Protection System	$160	$176	Valuation based $176-$15,927	$176		Automatic $801 (up to 10 devices)

Fire Benchmark Comparison

Fee	San Bruno (Current)	Millbrae	South San Francisco	Burlingame	Redwood City	San Mateo
Response to False Alarm – Single Engine	$210	Engine Company - $315/hr (min of 3 hrs)	$567	Engine Company - $315/hr (min of 3 hrs)	Not in fee schedule	Engine $133/hr, Penalty False Alarm $510/ occurrence
Response to False Alarm – Full First Alarm	$660	$441	Within 12 months of 1st alarm $211	$441	False Alarm $167 (after first three warnings)	Penalty False Alarm $510/ occurrence
Fire Alarm/ Protection System	$160	$176	Valuation based $176-$15,927	$176		Automatic $801 (up to 10 devices)
Fire Sprinkler System	$427	$452	Not in fee schedule	$452	Plan Check $452, Permit/ Inspection $225	Based on sq ft scale $401-$801

Timeline to Implementation

	Date	Item
1	January 28, 2020	City Council User Fee Study - Presentation
2	March 10, 2020	City Council User Fee Study – Study Session
3	March 18, 2020	Park & Recreation User Fee Informational Only Study Session with Parks and Recreation Commission
4	Late March / Early April	City Council User Fee Study – Study Session (optional)
5	April 14, 2020	City Council User Fee Resolution Adoption
6	June 1, 2020	Revised Master Fee Schedule posted, and all non-development-related fees take effect
7	July 1, 2020	Development-related fees take effect at the beginning of FY2020-21

Questions