



Staff Report

File #: 24-0368

**REQUEST FOR CITY COUNCIL AND
CORONA UTILITY AUTHORITY ACTION**

DATE: 05/15/2024

TO: Honorable Mayor and City Council Members
Honorable President and Board Members

FROM: Finance Department

SUBJECT:

PUBLIC HEARING FOR CITY COUNCIL CONSIDERATION OF RESOLUTION NO. 2024-012 REVISING THE CITYWIDE MASTER FEE RECOVERY SCHEDULE AND RECOVERY PERCENTAGES, REPEALING RESOLUTION NO. 2023-036, 2022-118, 2022-021, 2021-055, AND 2018-125

EXECUTIVE SUMMARY:

A user fee study is conducted to evaluate the full cost of providing fee-related services and the recovery levels of those fees. The City generally initiates a user fee study every two to three years. An evaluation of the market and non-market-based fees was recently completed. The results of the fee study review are presented for the City Council's consideration in the attached Master Fee Schedule, which contains a list of City user fees by department, with the current and proposed rates. Approval of the Resolution will authorize the proposed revisions of the Citywide Master Fee Recovery Schedule and Recovery Percentages.

RECOMMENDED ACTION:

That the City Council:

- a. Adopt Resolution No. 2024-012 revising the Citywide Master Fee Recovery Schedule and Recovery Percentages, repealing Resolution No. 2023-036, 2022-118, 2022-021, 2021-055, and 2018-125.
- b. Authorize the City Manager or his designee to approve any additional budgetary adjustments for the fee amendments, if needed.

That the Corona Utility Authority review, ratify, and to the extent necessary, direct the City Council to take the above actions.

BACKGROUND & HISTORY:

The purpose of conducting a user fee study is to identify the full cost of providing fee-related services and recommend recovery levels for each fee. The last comprehensive review and update of all City non-market-based (or time-based) user fees were completed in 2022. The City typically conducts these studies every two to three years to reflect the impact of inflation and other cost changes. The primary reasons for fee changes, based on prior fee studies, are: 1) staffing level changes, 2) time allocation updates, 3) current costs to perform the service or program, and 4) percentage of cost recovery.

Calculating the true cost of providing City services is a critical step in the process of establishing user fees and corresponding cost recovery levels. Although it is a principal factor, other factors must also be given consideration. City management must also consider the effects that establishing service fees will have on the individuals purchasing those services and the community. The following legal, economic, and policy issues help illustrate these considerations:

- **State Law:** In California, user fees are limited to the “estimated reasonable cost of providing a service” by Government Code section 660145(a) and other supplementary legislation.
- **Economic Barriers:** It may be desired policy to establish fees at a level that permits lower income groups to use services they might not otherwise be able to afford.
- **Community Benefit:** The Council may wish to subsidize some user fees to reflect policy considerations that supersede cost recovery. Many community services fees have very moderate cost recovery levels. Some programs are provided free of charge or for a minimal fee, regardless of cost. Youth and senior programs tend to have the lowest recovery levels. Miscellaneous classes tend to have a moderate cost recovery level, and adult sports programs typically have a higher cost recovery level.
- **Incentives:** Fees can be set low to encourage participation in a service, such as a youth sports program or issuing a permit for solar panels.

ANALYSIS:

The City contracted with MGT Consulting (MGT) to conduct a comprehensive fee review and update study. MGT became the City’s primary fee consultant due to a Request for Proposal (RFP) process and completed an initial comprehensive user fee study in 2018, followed by an update in 2022. The current fee update began in late September 2023, and since then, MGT has worked with various departments to review and update department activities related to user fees. The goals of the project were as follows:

- Ensure the City accurately accounts for the total costs to provide fee-related services by conducting a citywide cost-based user fee study.
- Analyze areas where the City may adjust fees based on the full cost of services and other

economic or policy implications.

- Identify best practices for establishing user fees and maintenance of fees over time.

The recommended fee schedule is separated into market-based and non-market-based fees. Market-based fees are for services and programs the City provides in its proprietary, as opposed to a regulatory capacity. Market-based fees are not limited to the City's calculated costs and can be based on the market rate for such services or programs. Generally, market-based fees are imposed for services or programs such as using or renting City fields and facilities. For this update, market-based fees were reviewed and adjusted based on the market rate. Non-market-based fees are imposed for the services and programs the City provides in its regulatory capacity, such as building permits and other development-related permits. The full costs of providing services were analyzed in detail for non-market-based fees.

To determine the full costs of a service for non-market-based fees, it is necessary to analyze all the costs, fee-related or not, to fairly distribute costs across all activities provided by City departments. The costs are calculated using the hourly rate of staff providing the service and the time spent providing the service. MGT guided the fee study process and used this calculation methodology to develop the full cost of each user fee. Data was collected using costs from the Fiscal Year (FY) 2024 Adopted Budget, as well as staff time estimates and service volume data. Once the final draft fee result was available, Finance Department staff scheduled an informal meeting with the local development community to discuss updates to the user fee, specifically building-related fees. Forty-four (44) individual invitations (Exhibit 3) were extended to representatives from various developers, utilities, and the Building Industry Association (BIA) to the March 5, 2024, meeting which was held both virtually, for easier accessibility (via Microsoft Teams), as well as in person at City Hall. Four individuals from three separate organizations attended the meeting.

Master Fee Recovery Schedule

The attached Master Fee Recovery Schedule (Exhibit 1) includes the current fees, recommended fees, difference, and percentage of recovery. The Master Fee Recovery Schedule also includes new fees, fee restructuring, and removal/elimination of fees that are recommended by City staff. A brief discussion is provided below by department.

City Clerk

The City Clerk is responsible for the care and custody of all official records of the City and conducts municipal elections. For this fee update, staff recommends removing Fee Reference No. GS-050-Blueprinting Copying Fees. In addition, Fee Reference No. CL-140-Fingerprinting on Request, has been transferred to the Human Resources Department and is no longer listed under City Clerk. The City Clerk has four fees set by the State that cannot be increased, and nine fees are charged as actual costs. All other fees have been adjusted to recommend 100% cost recovery.

Community Services

The Community Services Department includes Parks, Facility Maintenance, Trails, Library Services, Recreation, Community Assistance, and Airport. They provide access to programs for all ages, city transit, and maintain parks, open spaces, and trails. Community Services user fees were not reviewed during the last fee update completed in FY 2022 as they were undergoing the Parks and

Recreation Master Plan study. For this update, the staff recommends removing Fee Reference No. MS-AP-030-Airport Permit for Services, MS-PK-010-Street Tree Permit, MS-PK-050-Tree Exchange, and all aquatic services, as these services are no longer provided to the public.

The consultant reviewed the non-market-based fees, and recommendations were made for fee adjustments. The department reviewed the market-based fees, with recommendations for fee adjustments. With the implementation of the various parks and trails master plans, market-based fees will be adjusted in the future as appropriate.

Finance

The Finance Department is responsible for citywide financial administration and the fees consist of assessment and Mello-Roos bond payoff calculations, annexation into Community Facilities Districts (CFDs), and returned check fees. There are no changes in the fee structure, and all fees have been adjusted to recommend 100% cost recovery.

Fire

Fire Department fees include Fire Prevention inspection services and the EMS Response Subscription program. For this update, staff recommends adding a new fee, FR-440-Business License Fire Inspection Fee. There are no other changes to the fees, and all fees, apart from the EMS response subscription program and the engine company reinspection, have been adjusted to recommend 100% cost recovery.

Human Resources

The Human Resources Department is responsible for processing fingerprinting services. Previously, Fee Reference No. CL-140-Fingerprinting on Request was transferred from the City Clerk, and it is Human Resources' only fee, and it has been adjusted to recommend 100% cost recovery.

Legal and Risk Management

The Legal and Risk Management fees consist primarily of Communication and Small Cell Site license agreement fees. There are no changes in the fee structure and all fees have been adjusted to recommend 100% cost recovery except for one fee, LRM-070-City Attorney Office Review, is charged as actual cost.

Planning and Development

The Building, Development Services, and Planning Divisions fall within the Planning and Development Department, and they are responsible for building construction and modification, property maintenance, land use, and property inspections.

Building Division: The Building Division ensures that all new development and existing structures meet safety standards and are maintained in a safe condition. There are no changes in the fee structure and all fees have been adjusted to recommend 100% cost recovery.

Development Services Division: The Development Services Division was previously overseen by the Public Works Department and then shifted to the Planning and Development Department in FY 2023. For this update, the staff recommends the addition of four new fees: 1. DS-1030-Legal Lot Review, 2. DS-1035-GIS Site Exhibit, 3. DS-1040-Suite Address Issuance and 4. DS-1045- Engineering Minor

Site Plan Review. There are no other significant changes in the fee structure and all fees have been adjusted to recommend 100% cost recovery.

Planning Division: The Planning Division administers and implements City land use and development policies. Staff recommends four new fees for this fee update: 1. PL-BZ-210-Noise Variance Per CMC Section 17.84.040(H), 2. PL-MS-260-Low Barrier Navigation Center, 3. PL-PC-380-Deletion or Reduced Listing of Historic Resources, and 4. PL-PC-390- Major Alterations, Relocation or Demolition of Historic Resources. Staff is also recommending the removal of Fee Reference No. PL-MS-230-Short Term Residential Rental Permit, and Fee Reference No. PL-MS-240-Short Term Residential Rental Permit Renewal. In addition, Fee Reference No. PL-MS-090-Removal of Illegal Sign will be removed from the fee schedule since it is now collected under the Administrative Penalty Schedule, which allows Code Compliance to issue administrative citations. There are no other significant changes in the fee structure and all fees have been adjusted to recommend 100% cost recovery with the exception of two fees that have been historically subsidized per City Council's direction. These two fees are: PL-MS-020-Garage Sale Permits and PL-PC-370-Historic Resource Nomination.

Police

The Police Department fees are comprised of Animal Services, Permits, and Records. Animal Services staff recommend removing the Owner Signoff at Shelter fee and adding Owner Euthanasia Request and Owner Surrender, two new sub-fees under Fee Reference No. PO-027. Police Permits/Records staff are recommending the Concealed Carry Weapons permit fees, PO-050, be removed, as they no longer issue the permit. The department also recommends removing the current false alarm response fees and replacing/adding a new fee structure to separate false alarm response fees for permitted alarms and non-permitted alarms. The fees for non-permitted alarms would include an additional penalty charge depending on how often the response occurs in a year.

Public Works

The Public Works Department is now only responsible for traffic related fees since the reorganization in FY 2023 shifted all engineering services (now called Development Services) under the Planning and Development Department. Fee Reference No. PW-320-Traffic Study Review and Fee Reference No. PW-1015-Traffic Control Plan Review are the only two fees remaining under Public Works and have been adjusted to recommend 100% cost recovery.

Utilities

The Utilities Department provides water and electric utilities to City residents. It is important to note that Utilities' rates are excluded from this study. For this update, staff recommends the removal of Fee Reference No. UD-170-Jumper Fees, where the current fees are based on calculated/actual cost and Fee Reference No. UD-380-Water Theft Fee, as it is considered an administrative penalty and should not be part of the master fee schedule. In addition, staff recommends adding a new fee, UD-175-Reduced Meter Size/Relocate Meter to an Existing Service 1" or smaller and Reduced Meter Size/Relocate Meter to an Existing Service over 1". Lastly, staff recommends the addition of a deposit fee for initial review and a deposit fee for supplemental review in the amount of \$2,000 and \$600, respectively, for Fee Reference No. UD-370-Solar Review Fee. All fees have been adjusted to recommend 100% cost recovery.

FINANCIAL IMPACT:

All fees shall become effective 60 days after the City Council’s approval, or July 15, 2024. Overall, the estimated annual revenue increase for non-market-based fees is approximately \$1,881,835, and this projection is based on FY 2023 transaction volume. Increases or decreases result from new fees, elimination of fees, fee restructures, and changes in staffing levels, time allocation, and recovery percentages. Additionally, the volume of activity included in the analysis is estimated and will fluctuate on a yearly basis. If needed, revenue budget amendments for FY 2025 will be incorporated through the FY 2025 budget adoption process.

Annual Estimated Revenue Increase by Department:

Department	General Fund	Airport Fund	Utilities Fund	Total
City Clerk	2,532	-	-	2,532
Community Services	3,033	71	-	3,104
Finance	8,030	-	-	8,030
Fire	182,135	-	-	182,135
Human Resources	552	-	-	552
Legal & Risk Management	2,960	-	-	2,960
Planning & Development - Building	716,992	-	-	716,992
Planning & Development - Dev Svcs	523,674	-	-	523,674
Planning & Development - Planning	172,563	-	-	172,563
Police / Animal Control	45,864	-	-	45,864
Public Works - Traffic	38,067	-	-	38,067
Utilities	-	-	185,362	185,362
Totals	\$ 1,696,403	\$ 71	\$ 185,362	\$ 1,881,835

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This Resolution updates the fees for services provided by the City, and there is no possibility that these actions will have a significant effect on the environment. Therefore, no environmental analysis is required.

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PREPARED BY: JEE KIM, FINANCIAL ANALYST II

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Master Fee Recovery Schedule - Redline
2. Exhibit 2 - City of Corona User Fee Report, MGT Consulting
3. Exhibit 3 - Development Community Meeting Invitation List
4. Exhibit 4 - Resolution No. 2024-012 with Master Fee Recovery Schedule