



Staff Report

File #: 22-0221

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

DATE: 03/16/2022

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. 2022-021 revising the Citywide Master Fee Recovery Schedule and Recovery Percentages (excluding Community Services' fees), repealing Resolution No. 2019-079, and amending Resolution No. 2018-125.

EXECUTIVE SUMMARY:

A user fee study is conducted to evaluate the full cost of providing fee related services and recovery levels of those fees. The City generally initiates a user fee study every two to three years. An evaluation of the non-market based fees (excluding Community Services Department) 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 (excluding Community Services' fees).

RECOMMENDED ACTION:

That the:

- a. City Council adopt Resolution No. 2022-021 revising the Citywide Master Fee Recover Schedule and Recovery Percentages (excluding Community Services' fees), repealing Resolution Nos. 2019-079, and amending Resolution No. 2018-125.
- b. City Council authorize one (1) Part-Time Fire Inspector I position as a result of the unfunded mandate imposed by Assembly Bill 38 - Defensible Space Inspection; appropriate \$9,637 to the Fire Department operating budget and increase estimated revenue by the same amount for the remainder of Fiscal Year 2022. Costs will be offset by revenue generated from the newly created Property Sales Inspection Fee.
- c. City Council authorize the Finance Director to approve any additional budgetary adjustments for the fee amendments, if needed.
- d. Corona Utility Authority (CUA) 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 recommending recovery levels for each fee. The last comprehensive review and update of all City non-market based (or time-based) user fees, excluding Utilities Department (formerly known as the Department of Water and Power), was completed in 2018. Typically, these studies are completed every 2 to 3 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. Due to the ongoing COVID-19 Pandemic that began in 2020, the City elected to postpone the full fee update by one year.

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 fees for services will have on the individuals purchasing those services, as well as 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 66014(a) and other supplementary legislation.
- **Economic Barriers:** It may be a desired policy to establish fees at a level that permits lower income groups to use services that they might not otherwise be able to afford.
- **Community Benefit:** The Council may wish to subsidize some user fees in order to reflect policy considerations which 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 the issuance of a permit for solar panels.

ANALYSIS:

In the Spring of 2021, the City contracted with MGT Consulting Group (MGT) to perform a comprehensive fee review and update study. MGT became the City's primary fee consultant as a result of a Request for Proposals process conducted by the Purchasing Division in 2018. Project kickoff meetings took place in May 2021 and immediately after, MGT and Finance Department staff began working closely with departments to review and update department activities related to user fees. The goals of the project were as follows:

- Ensure the City is accurately accounting 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; and
- Review data from comparable agencies providing similar fee services.

To determine the full costs of a service, it is necessary to analyze all the costs, whether 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 to provide the service. MGT provided guidance on 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 2022 Adopted Budget, as well as staff time estimates and service volume data.

Once the fees were calculated, reviewed, and analyzed, Finance Department staff scheduled an informal meeting with the local development community to discuss building-related fees. Forty-eight individual invitations (Exhibit 3) were extended to representatives from various developers, utilities, and the Building Industry Association (BIA) to the November 17, 2021 meeting which was held virtually for easier accessibility via Microsoft Teams. Unfortunately, zero invitees attended the meeting and after a 15-minute waiting period, staff unanimously decided to end the call.

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 restructures, and eliminated fees that are recommended by City staff. A brief discussion of the fee sections analysis is provided below.

Fire Department

Fire Department fees consist of Fire Prevention inspections services and the EMS Response Subscription program.

New Fees

FR-154-Emergency System Repair Inspection

- This inspection occurs infrequently and allows the Fire Department a mechanism to recover fees for service.

FR-156-Property Sales Inspection

- New mandated inspection by Assembly Bill 38 requires certain real estate disclosures for homes located in a very high fire hazard severity zone. This mandate requires Fire Department personnel to inspect such property and prepare documentation evidencing compliance with the state defensible space requirements or the requirements of the City's weed abatement ordinance. Ordinance No. 3340 is adding Section 15.16.070 (second reading on March 16, 2022 agenda), creating a process for requesting an inspection, while FR-155 allows the Fire Department a mechanism to recover fees for service.
- Due to the unfunded mandate imposed by AB 38, staff recommends adding one (1) PT Fire Inspector I position. Costs will be offset by the revenue resulting in the new Property Sales Inspection fee.

New Discounted Fees

FR-070-Fire Prevention Inspection

- A process change occurred in the first quarter of 2020 where the Fire Department no longer contracts out its hazardous materials inspections. This change allows the life safety inspection and hazardous materials inspections to be conducted simultaneously by the same Inspector. This discounted fee serves two purposes; one to distinguish between the life safety inspection fee and the hazardous material fee for audit purposes, and two, eliminate any duplication with travel, inspection, documentation, and staff processing time.

Remove and Replace Fees

FR-090-Hazardous Materials Disclosure CERS Review/Admin/Program Oversight/Audit and HazMat Disclosure Inspection

- Previous fee studies identified three categories of 1-6 chemicals, 7-12 chemicals, and 13 plus chemicals. The 13 plus category is too broad; therefore, the three categories have been divided into six categories as follows; 1-6 chemicals, 7-12 chemicals, 13-20 chemicals, 21-50 chemicals, 51-200 chemicals, and 201 or more chemicals. The review/admin/program oversight/audit fee and the inspection fee have been separated for County audit purposes.

Police and Animal Control

Police and Animal Control recommend eliminating some obsolete fees that are no longer being utilized. The fees to be eliminated are Dog Show Permit, Annual Pet Shop Inspection, Non-Exotic Animal Display, and Kennel License. Additionally, the department seeks to continue to provide a reduction in the animal adoption processing fee for animals that remain in the shelter over 30 days to encourage adoption of those animals, and to provide service dog licensing at no cost. Finally, the department recommends continuance of Special Event permit applications at no charge for Non-Profit Organizations.

Building Division

Building permit and plan check fees benefit individuals and the development community and are therefore eligible for cost recovery. The City's policy is to generally set fees to recover 100% of all costs associated with providing fee-for-service activities.

The fee changes are as follows:

New Fees:

- Requests for Duplication of Plans: The city is required by State law prior to releasing copies of building plans to obtain authorization from the property owner and the professional who designed the plans, and this fee pays for that service. This process was previously handled by the City Clerk's office and a fee was not charged for cost recovery.
- Additional Plan Checks: A flat fee per hour for additional plan checks that go beyond the initial three reviews included in the plan review fee. Staff previously charged per hour based on the position or consultant that performed the review, but the new fee is an average rate regardless of the position or consultant, intended to simplify the process, increase efficiency, and eliminate clerical errors.

Revised Fees:

- Temporary Certificate of Occupancy: Restructured deposit amounts from one flat fee to a tiered system proportionate to project size and type.
- Solar Photovoltaic: Restructured fee tiers to be consistent with state fee cap tiers for increased fee transparency and for uniformity with surrounding cities.

Eliminated Fees:

- Repetitive Plan Checks: Due to increased efficiency and process improvements, repetitive plan checks are no longer done and therefore the fee is not needed. Repetitive permits are reviewed by a senior level permit technician and a processing fee is charged to recover costs in lieu of the previous repetitive plan check process.
- Commercial Patio Covers: The City's fee schedule has two types of fees for commercial patio covers - city standard and special design. The patio cover standard applies to single family homes only. Commercial properties require a more broad and indefinite level of oversight and therefore detailed engineered plans are required.

Planning Division

The Planning division administers and implements City land use and development policies. The division processes numerous land use applications requiring city approval before the land can be developed or action taken. These services benefit the development community and are therefore eligible for cost recovery. The City's policy is to generally, but with some exceptions, set fees to recover 100% of all costs associated with providing fee-for-service activities. Historically, the following fees have been subsidized:

- *Garage Sale Permits* - The fee will remain at \$10 (18% cost recovery). This is meant to encourage users to continue to use the service.
- *Historic Resource Nomination* - This fee will remain at the current \$300 (10% cost recovery).

New Fees

One (1) new fee was added to the fee schedule:

- Minor Modifications to Telecommunications Facilities: The fee is set to recover at 100% of full cost or \$678.

Utilities Department (formerly known as Department of Water and Power)

The Utilities Department provides water and electric utilities to City residents. MGT analyzed the cost of fees for service such as meter installation, new account set up and disconnections, and the pretreatment program. Utility rates are not fees for service and were excluded from this study.

Disconnection Fees

- Water Turn On / Turn Off: Previously called the "Turn-Off" fee (CMC 13.14.100 (C)), this fee has been renamed as "Disconnection Fee - Water Turn On / Turn Off" for clarity. This fee is charged for disconnection and reconnection of water service for non-payment of bill. The fee has increased from \$40 to \$43 based on staff and outside contractor costs at 100% recovery.
- Electric Turn On / Turn Off: This is a new fee for disconnection and reconnection of electric

service for non-payment of bill. Disconnection of electric utilities is rare and costly. This fee of \$154 will cover staff costs at 100% recovery.

New Account Set Up Fees

- New Account Set Up Fee (CMC 13.14.080 (E)): This fee is charged for setup of a new water and/or sewer account. Fee has been reduced from \$40 to \$21 due to cost savings from use of an outside contractor. When an additional reclaimed, electric or trash account is added, an additional fee will be charged.
- New Account Set Up Fee - Reclaimed Water Turn On: This new fee is charged in conjunction with the New Account Set up Fee for the setup of a reclaimed water account in addition to a new water/sewer account. This fee is only charged when both a water and a reclaimed water account are set up. The \$11 fee is based on contractor turn on / meter reading costs.
- New Account Set Up Fee - Electric Turn On: This fee is now charged in conjunction with the New Account Set Up Fee for the setup of an electric account. The \$11 fee is based on contractor meter reading costs.

Final Notice Fee

- This fee is a penalty charged for the processing of a final notice fee prior to disconnection of services. The fee amount will remain the same at \$25.

Construction Meter Installation and Removal Fees

- This group of fees (CMC 13.14.140 (D) and 13.14.080 (M)) are charged for the installation and removal of a "construction" or temporary meters (also referred to as hydrant meters). Previously the fees increased on a sliding scale based on the size of the meter. Processes have since been reviewed and costs have been re-evaluated. It was determined that labor associated with this process is the same regardless of meter size, though additional staff time is required for reclaimed meters in comparison to potable meters. Fees have been updated to reflect the same cost regardless of meter size, which causes an increase for the smaller meter sizes and a decrease for larger meter sizes. Related deposits have been updated to "actual cost" rather than a flat deposit amount to account for fluctuations in material costs.

New Water Set Up Fees

- These fees (CMC 13.14.050 (A) and (B)) were charged for any initial water service or change of service requiring the setting of a new meter or change in meter size. Meter fees will always be charged when new water set ups are required. For simplicity, the two fees will now be combined, and the New Water Set Up Fees will be removed.

Jumper Service Fees

- This group of fees (CMC 13.14.150) covers the cost of temporary water service for construction projects. Each jumper fee charged will cover up to 4 months of service. If service exceeds 4 months, the fee will be charged again. The updated formula to calculate the fee will be: (4 x Ready to Serve Charge) + (4 x average usage by meter x current tier 1 domestic residential usage rate) + Staff Costs (\$55).
- Jumper Service for 1/2" meters will be removed from the schedule now that the department does not offer 1/2" meters.
- Jumper Service for 3" and larger meters has been added to the schedule.
- Jumper Services Deposit has been added to cover the cost of a lost or damaged jumper.

Meter Fees (Water and Reclaimed Water)

- This group of fees (CMC 13.14.050 (C)) covers the cost and installation of a new meter and the related account set up (previously New Water Set Up Fee referenced above). These fees

have been restructured to charge a flat fee for the installation and account set up (New Water Meter Set Up and Installation Fee) plus the actual cost of the meter (Meter Fees). Charging actual cost for the meters will allow for fluctuations in material costs. Meter Fee for the ½” meters has been removed from the schedule now that the department does not offer ½” meters.

Pretreatment Fees

- This group of fees (CMC 13.08.390) covers costs associated with the Wastewater Pretreatment Program which monitors industrial discharge levels for certain business types. Customers are assigned to a class depending on the type/level of discharge for their business type. Each class has a different level of requirements associated with it.
- The program has changed since the last fee study was done, and much of the work associated with the program is handled by a consultant. Consultant costs are lower than the cost of using internal staff, which caused fees for certain classes to drop. Other fees increased due to process changes.

Water Theft Fees

- Water Theft Fees are illegal connection penalties charged for the theft of water. These fees have been restructured based on a survey of other local agencies:
 - First Offense \$2,500 plus estimated usage at Tier 5 rates
 - Second Offense \$10,000 plus estimated usage at Tier 5 rates
 - Third Offense \$15,000 plus estimated usage at Tier 5 rates

New Fees

- Fire Set Up Fee
 - This fee covers costs associated with the set-up of fire service backflow preventors. Recommended fee is \$60 based on staff costs.
- Water Meter Upgrades / Downgrades
 - This group of fees has been added to cover costs associated with the upgrade or downgrade of a meter. Depending on the work required, the fee may include the Water Meter Upgrade/Downgrade fee plus the Meter Installation, Meter Box Installation, or both. If a service line is required to be installed for a meter upgrade, it will be charged at actual cost.
- Electrical Building Plan Reviews
 - This fee is for a non-public electrical building plan review. A flat fee of \$221 will be charged for staff time, plus a deposit for the actual cost of engineering design performed by an outside consultant.
- Public Electrical Plan Processing
 - This fee is for a public electrical plan review. A flat fee of \$1,806 will be charged for staff time, plus a deposit for the actual cost of engineering design performed by an outside consultant.
- Solar Review Fee
 - This fee is for review and evaluation of solar plans. This flat fee of \$912 will include both internal staff costs and outside consultant costs.
- GIS Utility Update
 - This fee covers costs to update the GIS database with new utility lines for new development. A flat fee of \$429 will be charged per plan sheet and per utility.
- Collection Fee

- This fee covers the cost to send a customer to collections. This \$30 flat fee will be added to the customer's balance if the account is sent to collections.
- Miscellaneous Services Deposit
 - This deposit will cover actual costs for any services provided by the utility that are not already included on the fee schedule.

Finance

The Finance department's fees consist of assessment and Mello-Roos bond payoff calculations, annexation into CFDs, escrow account monitoring, and returned check fees.

New Fee:

One (1) new fee was added to the fee schedule:

- Check Reissuance for Corporations: The fee is set to recover at 100% of full cost or \$60.

COMMITTEE ACTION:

The proposed fee updates were discussed at the January 26, 2022 Study Session. At the end of the meeting, Council members requested additional information on a select group of fees and recommended a second Study Session, which was held on February 23, 2022. Council members discussed the follow-up items and agreed with presenting the fee updates for the City Council's consideration on March 16, 2022.

FINANCIAL IMPACT:

All fees, except the Utilities Department's fees, shall become effective 60 days after the City Council's approval, or May 16, 2022. The Utilities Department (UD) is tentatively scheduled to introduce Ordinances to amend the Corona Municipal Code, as a result of these fee updates, for the Council's approval on April 6, 2022. A second reading is scheduled for April 20, 2022. Upon approval of the second reading, UD fees will become effective 30 days after on May 23, 2022. Dates are subject to change depending on the first and second readings of those respective Ordinances.

Overall, the fee changes are estimated to decrease by \$81,879 for a given year and by \$10,235 for the remainder of Fiscal Year 2022, as indicated in the table below. Increases or decreases are a result of new fees, elimination of fees, fee restructures, and changes in staffing levels, time allocation, and recovery percentages. Additionally, volume of activity included in the analysis are estimates, which can fluctuate on a yearly basis. Revenue budget amendments have been incorporated during the budget process and will be included in the Proposed Fiscal Year 2023 Budget.

Fee Charges for Remainder of Fiscal Year 2022

Department	General Fund	Airport Fund	Utilities Funds	Total
Building	(7,353)	-	-	(7,353)
Planning	9,197	-	-	9,197
City Clerk	413	-	-	413
Utilities Department	-	-	(11,394)	(11,394)
Legal & Risk Management	(140)	-	-	(140)
Maintenance Services	-	317	-	317
Fire	5,990	-	-	5,990
Finance	(1,556)	-	-	(1,556)
Public Works	(6,856)	-	-	(6,856)
Police & Animal Control	1,146	-	-	1,146
Totals	842	317	(11,394)	(10,235)

Additionally, approval of the recommended actions will result in an appropriation and estimated revenue increase of \$9,637 in the Fire Department operating budget for the remainder of Fiscal Year 2022 due to the addition of a Part-Time Fire Inspector I position resulting from the unfunded mandate imposed by Assembly Bill 38-Defensible Space Inspection. Recurring costs in FY 2023 and beyond will be offset by revenue generated from the newly created Property Sales Inspection Fee.

GENERAL FUND	
Adopted Budget - FY 2022 Estimated Revenue Over Expenditures	\$ 14,593,660
Less Measure X Reserves	(13,144,418)
Previously Approved/Revised Budget Adjustments (Net)*	(40,723,585)
Current Estimated Revenue Over Expenditures	(39,274,343)
Fire Inspector I Appropriation	(9,637)
Property Sales Inspection Fee Revenue	9,637
Revised Estimated Revenue Over Expenditures	\$ (39,274,343)
Budget Balancing Measures Reserve - Actual 06/30/2021	43,614,486
Estimated FY 2022 Change in Budget Balancing Measures Reserve	(39,274,343)
Estimated Budget Balancing Measures Reserve - 06/30/22	\$ 4,340,143

* Approved through Council Action or other operational process.

ENVIRONMENTAL ANALYSIS:

These actions are 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 general rule that CEQA applies only to projects that have the potential for causing a

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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. The 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.

PREPARED BY: LUIS NAVARRO, FINANCIAL ANALYST II

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Resolution No. 2022-121 with Fee Recovery Schedule
2. Exhibit 2 - City of Corona User Fee Report, MGT Consulting
3. Exhibit 3 - Development Community Meeting Invitation List