



Agenda Date: 5/2/2006
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Set Time: 11:00 AM PUBLIC HEARING
Estimated Report Time: 30 Minutes

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Patrick Lynch for Hillary Gitelman - Director
Conservation, Development & Planning
REPORT BY: Hillary Gitelman, Director, 253-4805
SUBJECT: Public Hearing - Fee increase

RECOMMENDATION

Director of Conservation, Development and Planning, Director of Public Works, and Acting Director of Environmental Management request adoption of a resolution decreasing certain fees, and establishing and increasing development-related fees utilizing a phased approach spanning the next three fiscal years.

EXECUTIVE SUMMARY

The present Planning, Environmental Management, and Public Works user fees, related to development applications, were established in November 2003 based upon a cost of services analysis prepared by Maximus, Inc. At that time the Board of Supervisors provided direction to recover 100% of the costs associated with services in the Public Works and Environmental Management departments, and based upon specific types of activities outlined by the Planning Department, approximately 80% of its costs.

Board direction in November 2003 was to update the fees on an annual basis based upon changes to County costs with the first annual change anticipated for June 2006. Based upon guidance received from the Board on April 19, 2005, staff has worked with representatives of the user groups to develop a phased approach, rather than recouping these costs at one time as originally anticipated in November 2003.

The proposed program of phased fee increases would gradually increase the hourly billing rates in Planning, Environmental Management, and Public Works and the flat fees for these departments based on those billing rates to reflect increased costs since November 2003. If adopted, the resolution would increase fees by 5 to 8% each year for three years, and commit the County to a comprehensive reassessment of the cost of services and reconsideration of the Board's cost recovery goals in 2008.

Building permit fees are based on a valuation methodology and would not change as a result of the proposed resolution.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	The proposed resolution would increase County revenues to better reflect the cost of doing business.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	If the proposed resolution is not adopted, the General Fund will continue to subsidize services provided to applicants at a higher level than that being proposed by this phased-in approach.
Is the general fund affected?	Yes
Future fiscal impact:	If adopted, the proposed resolution would result in additional revenues to the County in Fiscal Year (FY) 2006-2007 and beyond. The resolution would also commit the County to reassess its fee structure and cost recovery goals in 2008.
Consequences if not approved:	If the proposed resolution is not approved, no additional revenues would be received.
Additional Information:	None

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is exempt from CEQA per State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges) because the proposed fee increases would recover the operating costs associated with providing services to permit applicants.

BACKGROUND AND DISCUSSION**DEVELOPMENT SERVICE FEES BACKGROUND INFORMATION**

In February 2003, the County retained the services of Maximus, Inc. to perform a comprehensive cost of service study of user fees for the County's development services departments (Planning, Public Works, Environmental Management, and the Fire Marshall) and the Agriculture Commissioner/Sealer of Weights and Measures department. The purpose of the study was to identify the actual costs (direct and indirect) of the services offered by these departments for which user fees were charged or could be charged. In October 2003, Maximus presented a written report of its findings to the County. The Maximus report included a discussion of the policy issues related to establishing full cost recovery fees for individuals receiving a direct benefit from the services versus fees for services that provide a general benefit to certain user groups or the public at large. The report also included a recommendation for increasing fees based on the principle of recovering 100% of costs for those services benefiting individuals. The Maximus report, a copy of which is on file with the Clerk of the Board, was shared with interested members of the public on October 13, 2003.

Based upon the findings and recommendations the Maximus report, the County Executive Officer recommended on October 28, 2003 that the Board of Supervisors adopt a resolution increasing user fees for the Fire Marshall and the Planning, Public Works, Environmental Management, and Agricultural Commissioner/Sealer of Weights and

Measures departments. At that time, the Board decided to create an ad hoc committee to review the Maximus findings with staff and to provide policy direction to staff concerning fee increases.

On November 18, 2003, the County Executive Officer returned to the Board with a fee recommendation that was based on direction provided to staff by the Board's ad hoc fee committee. At that time the board adopted a resolution amending fees and providing policy direction as outlined below:

1. With the exception of Planning and Building Inspection fees, approval of fee proposals for Agriculture Commissioner, Animal Shelter, Environmental Management, Fire Marshall and Public Works remained as originally submitted in October 2003.
2. Engage representatives of the local building industry and other stakeholders in Building Inspection fee discussions and return to the Board with Building Inspection fee changes in June 2004.
3. Reduce the recommended billable hourly rate for the Planning Department from \$166/hour to \$116/hour by removing costs where there may be an element of a general public benefit nexus from the billable hourly rate calculation.
4. Phase in flat fees for Planning by limiting the fee increase to the higher of twice the present fee, or 50% of the ultimate fee, with anticipated final implementation in June 2005.
5. Fees to be reviewed on an annual basis to ensure accuracy as to the time to process fee activities; and
6. Rates for all department fee schedules to be updated on an annual basis based upon changes to County costs with the first annual fee change anticipated for June 2006.

It should be noted that the fee increases recommended and approved on November 18, 2003 did not result in full, across the board recovery of costs associated with development service activities. For example, Planning's billable hour rate was reduced from the initial recommendation of \$166 per hour to \$116 per hour as noted in number 3 above. Staff calculated at the time that even with the increased fees as approved by the Board, approximately 26% (or \$2.3 million) of annual costs for delivery of development services would not be recovered through development service fees and would therefore be subsidized by the General Fund.

In 2004, discussions concerning Building Inspection fees were held with building industry stakeholders. At that time, building industry members indicated that they wanted the building fees to continue to be based upon the construction cost valuation methodology (instead of the nexus methodology as suggested by the Maximus study), with fee increases being made to the current fee schedule based upon cost of living increases. Staff then developed an analysis that considered previous cost of living, retirement and workers compensation contribution increases since the fee schedule was updated in 1995. It was determined that these cost increases equaled a 38.7 percent increase. Building industry representatives requested that this fee increase be implemented over a multi-year time period. Building industry representatives also indicated that they would support additional increases to the construction valuation schedule based upon actual percentage changes to the salary and benefit costs of the Building division.

On July 13, 2004, the Director of Conservation, Development and Planning returned to the Board with a multi-year plan to adjust Building Inspection fees that included a recommendation for an initial fee adjustment of 12.9% to take place in FY 2004-2005. This recommendation was supported by the building industry stakeholder group. Other actions were also taken to adjust fees as required by implementation of the National Pollutant Discharge Elimination System (NPDES), and reduction of other fees based upon process improvements and better information on processing fee activities. The Board approved the recommended action and adopted a resolution implementing the fee changes on July 13, 2004.

On June 7, 2005, the Director of Conservation, Development and Planning returned to the Board with a recommendation for the second adjustment (Phase II) to Building Inspection fees with a recommendation for an increase in Building Inspection fees of 12.9%. According to staff analysis, this fee increase was expected to provide sufficient revenue to substantially support the Building division's activities through FY2005-2006,

including cost of living increases, retirement benefits, and salary adjustments not originally anticipated in June of 2004. The recommendation for Phase II Building Inspection fee increases had qualified support from the building industry stakeholder group. The Board adopted a resolution implementing the recommended Building Inspection fee increases at the June 7, 2005 meeting.

Since November 18, 2003, the Director of Environmental Management has returned to the Board on two occasions (August 10, 2004 and June 21, 2005) with recommendations for fee modifications for the Animal Shelter program. On those dates, the Board approved the recommended Animal Shelter program fee modifications, which did not include development service fees for Environmental Management. However, on March 1, 2005, the Board did approve the Director of Environmental Management's recommendation to increase Food Facility Plan Review fees.

Except for the Building Inspection fees and the Food Facility Plan Review fees mentioned above, there have been no other development service fee increases since November 18, 2003.

CURRENT DEVELOPMENT SERVICE FEE PROPOSAL

Consistent with the Board's direction in November 2003, costs of providing development services for the Planning, Public Works, and Environmental Management departments have been reviewed and found to have increased as discussed below. Therefore, staff is recommending a plan to recover some of the increased development service delivery costs over three years based on the percentage increase in delivery costs for each of the subject departments.

From the time period of November 2003 through June 2006, the cost of services have increased from 15.2% to 37.4% (depending upon the department) due to:

1. Increased salaries and benefits related to cost of living increases, equity adjustments to maintain County's parity with other comparable jurisdictions, regular salary step increases, and increased contributions for the previous super-funded retirement system;
2. Information technology cost increases; and
3. Liability costs previously not accounted for within departmental budgets.

It is anticipated that these costs will increase next fiscal year based upon a cost of living increase, and higher costs associated for maintaining and improving information technology services (where previous Fund Balances were used instead of fully offsetting these costs).

Table 1. Increased Costs Since the Fees were Instituted

Public Works (17500)

	FY 03-04 Budgeted	FY 05-06 Budgeted	
Salary and Benefits	\$4,134,877	\$4,636,709	
Technology	\$218,744	\$,198,759	
Insurance: Liability	\$0	\$180,117	
Total	\$4,353,621	\$5,015,585	Increase: 15.2%

Conservation Development & Planning (29000)

	FY 03-04 Budgeted	FY 05-06 Budgeted	
Salary and Benefits	\$2,053,914	\$2,769,515	
Technology	\$157,918	\$160,793	
Insurance: Liability	\$0	\$110,871	
Total	\$2,211,832	\$3,041,179	Increase: 37.4%

Environmental Management & Animal Shelter (45000 & 27600)

	FY 03-04 Budgeted	FY 05-06 Budgeted	
Salary and Benefits	\$2,214,910	\$2,621,041	
Technology	\$140,576	\$140,878	
Insurance: Liability	\$0	\$7,048	
Total	\$2,354,486	\$2,768,967	Increase: 17.6%

Raising fees as originally directed by the Board in November 2003 might be difficult for some applicants because of the magnitude of some of the cost increases. However, leaving the fees as they are would also be unwise from the applicants' perspective, since eventually future fee increases would be enormous if no incremental adjustments are made over time. In addition, it is problematic for the General Fund (i.e. the taxpayers) to be substantially underwriting the cost of services provided to permit applicants and other users of specific County services.

The recommended action before the Board today would implement a phased program of incremental increases on a regular schedule, with the expectation that these increases can be factored in to the cost of doing business more easily than large one-time increases or ad hoc changes. However, it should be noted that approval of the recommended fee increases will not result in 100% recovery of development service delivery costs - in part because the increases are spread over three years and because expected salary and benefits, insurance, and information technology service costs for FY 2006-2007 and beyond have not been factored into the proposed fees. Additionally, pursuant to previous Board direction, the recommended fee increases for Planning have been structured so as to recover approximately 80% of service delivery costs. A summary table of recommended fee increases is provided below.

Table 2. Proposed Fee Increases (Phasing Program)

Department	Current Hourly Rate	Proposed June 2006	Proposed June 2007	Proposed June 2008	Proposed June 2009
Public Works	\$135	\$142 (5%)	\$149 (5%)	\$156 (5%)	TBD*

CDPD	\$116	\$125 (8%)	\$135 (8%)	\$146 (8%)	TBD*
Env. Mgt.	\$93	\$100 (8%)	\$105 (5%)	\$109 (5%)	TBD*
Fire	\$151	\$151 (0%)	TBD**	TBD**	TBD*

TBD = to be determined.

* based on comprehensive reassessment of fees conducted in 2008 using 2 years of timekeeping data.

** based on cost of living adjustments, not to exceed 5% per year.

The proposal would adjust the hourly billing rate for each of the departments three times over three years, and would adjust the flat fees that are based on these rates by the same amounts. In addition, the Departments are recommending a number of unrelated adjustments to the fee schedule to better reflect the cost of providing services as identified below.

Planning:

1. The fee for residential CLNs (nonconforming status determinations) would be adjusted down from \$2,024 to \$1,253.
2. Flat fees for agricultural contracts would become time-and-materials fees and a new fee would be added for cancellation and replacement of agricultural contracts. (Presently the department has one fee for cancellation and one for replacement). Use of time-and-materials fees are advisable when the amount of time to process the application type varies greatly based on individual circumstances.
3. The fee for a land use consistency determination in the Airport Specific Plan area would be reduced from \$1,821 to \$1,250.
4. The flat fee for erosion control plan modifications would become a time-and-materials fee. Use of time-and-materials fees are advisable when the amount of time to process the application type varies greatly based on individual circumstances.
5. A new fee of \$0.25 per page would be added for color copies.
6. The per page cost to certify copies would be reduced from \$14.00 to \$2.00.
7. A new multiple-property factor of \$63.00 per address would be established for assigning/changing the address of multiple properties (instead of charging the full fee for each new address).

Public Works:

1. The flat fee for Certificates of Compliance becomes a time-and-materials fee. Use of time-and-materials fees are advisable when the amount of time to process the application type varies greatly based on individual circumstances.

The proposed resolution would also express the County's commitment to undertake a thorough reassessment of the County's development fees (i.e. the cost for services and cost-recovery goals) in 2008, when the Planning Department is expected to have two years of good timekeeping data based on an interface being developed between the County's permit tracking system and the timekeeping/payroll system. The County will keep stakeholders informed and invite their participation in the 2008 analysis.

SUPPORTING DOCUMENTS

- A . Resolution
- B . Exhibit A-1: Part 80, CDPD (Tracked)
- C . Exhibit A-2: Part 110, Env Mgt (Tracked)

- D . Exhibit A-3: Part 140, Public Works (Tracked)
- E . Exhibit B-1: Part 80, CDPD (Clean)
- F . Exhibit B-2: Part 110, Env Mgt (Clean)
- G . Exhibit B-3: Part 140, Public Works (Clean)

CEO Recommendation: Approve

Reviewed By: Andrew Carey