



CITY OF POMONA COUNCIL REPORT

July 16, 2018

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Meg McWade, Public Works Director

Subject: **Public Hearing – Consideration of a Resolution Establishing and Adjusting Fees for Services Provided by the Public Works Department and Adjusting the General Sanitation Fee**

OVERVIEW

Recommendations – That the City Council:

1. Conduct a Public Hearing to receive testimony and comments regarding the proposed new fees and adjustments to existing fees for services provided by the Public Works Department;
2. Upon concluding the Public Hearing, adopt the attached Resolution (Attachment 1) establishing the revised fee schedule for services provided by the Public Works Department, as set forth in Exhibit "A" to the Resolution as well as formalize the revision to the collection of the General Sanitation Fee per the FY 2018-19 Adopted Operating Budget.

Fiscal Impact – Adopting the revised fee schedule for the Engineering Division will potentially generate an additional \$638,207 annually, and will result in revenue to pay for services being provided. Attachment 1 (Resolution including Exhibit "A" - the fee schedule) provides the calculation methodology and details for each fee. The fee schedule indicates the development fees which will be effective 60 days from the date of adoption. All other fees will be effective 10 days after execution. The Resolution includes an annual Consumer Price Index escalator for the Public Works Fees to minimize subsidies by the City's General Fund for these services.

As reflected in the Adopted Operating Budget for Fiscal Year 2018-19, the provision of General Sanitation Fee services in the amount of \$1,381,780 (street sweeping, weed abatement, graffiti abatement, landscape median maintenance, and stormwater compliance) will be funded through a variety of funds, including transportation funds (Gas Tax, Measure R, and SB-1), water, sewer, solid waste, and General Fund. The GSF charge was revised July 1, 2018 to reflect this adjustment with this action formalizing the

revision.

Public Noticing Requirements – The City provided notice of the public hearing pursuant to Pomona City Code Section 2-925, and Government Code Sections 6062(a) and 66016. Notice was published on May 25, 2018 and May 30, 2018 in the Inland Valley Daily Bulletin. The public hearing was continued until July 16, 2018, and the notice was republished on July 7, 2018 and July 12, 2018. Parties who have filed a written request for notice on new or increased fees or service charges were notified by mail fourteen days prior to the meeting.

Previous Council Action – On June 20, 1988, City Council approved a resolution to update and appropriate Public Works fees and/or deposits to cover the cost of Municipal Services in connection with plan checking, inspection, permit issuance, the processing of various legal documents, and the resurfacing of utility trenches. On July 31, 1995, City Council approved a resolution to adjust existing fees recommended by an appointed Council Subcommittee. On October 3, 2016, City Council awarded a professional services contract to MGT of America, Inc. to provide an overhead cost allocation study and a comprehensive fee and rate study for the Public Works Department-Engineering Division.

Environmental Impact – The proposed resolution is not subject to environmental review pursuant to Sections 15273, 15060(c)(2) and 15060(c)(3) of the State Guidelines for Implementation of the California Environmental Quality Act (CEQA). Section 15273 pertains to the establishment, modification, structuring, restructuring, or approval of rates and charges by public agencies which the public agency finds are for the purposes of meeting operating expenses. Sections 15060(c)(2) and 15060(c)(3) pertain to activities that will not result in a direct or reasonably foreseeable indirect change to the environment and that are not defined as project under Section 15378. The resolution has no potential for resulting in physical change to environment, directly or indirectly.

EXECUTIVE SUMMARY

This action will provide for a Public Hearing and adoption of a fee schedule that reflects full cost recovery by revising fees for services provided predominantly by Public Works. While most of these fees have not been adjusted since 1995, there are some that date back to 1988 – 30 years ago. The proposed fees, developed through a Cost of Services Study performed by MGT of America, Inc., a professional rate consultant, will be effective 60 days from the date of adoption and will generate approximately \$638,207 in cost recovery to the General Fund on an annual basis. There is a Consumer Price Index annual adjustment included to ensure the fees remain current. Additionally, this action will formalize the revision to the General Sanitation Fee that was included in the Adopted Fiscal Year 2018-19 Operating Budget.

DISCUSSION

The Public Works Department-Engineering Division provides a broad base of services for the community. The Engineering Division provides engineering and contract administration of public improvements; review of design and construction of public/private development; environmental compliance, oversight and plan review; permit issuance for and inspection of

development within the City; and oversight of the City’s Capital Improvement Program. Some of these services are “user fee” based. User fee services are those in which the applicant (resident, business, or organization) receives a benefit that does not accrue to non-applicants.

Pomona City Code, Chapter 2, Division 5, “Fixing of Certain Regulatory Fees and Service Charges,” provides for the establishment and the adjustment of user fees to recover the City’s cost of providing services. The Public Works user fees were last updated in 1988 and 1995. The City hired a consultant, MGT of America, Inc. (MGT) to perform a comprehensive fee study. The underlying purpose of the fee study was to identify the City’s full cost for providing various services and set an appropriate cost recovery level. The proposed fee schedules (Exhibit “A” to the Resolution) and the cost analysis (Attachment 2) have been available for public review at the City Clerk’s Office since early June 2018.

MGT developed the proposed rates after conducting a series of meetings with Staff to identify every employee, by classification, who performs work directly in support of fee-related services. Direct Staff costs are incurred by employees who are “on the front line” and most visible to the customers (e.g. inspectors, plan reviewers, etc.). Once all direct Staff was identified, subject matter experts for each section provided feedback on the types of services provided and estimated how much time employees spent on average performing each particular service. As part of the analysis, the consultant identified the need to separate/re-title services which were originally covered under a larger “permit” or “review” category. The consultant, with input from Staff, also recommended several new fees related to specific plan reviews and technology. The new fees also included those services that are being performed such as sign installation, curb painting, etc. where no such fee previously existed. The new and retitled fees are noted in the Master Fee Schedule included in Attachment 2.

Indirect and overhead costs were also calculated and included in the analysis. The overhead costs included managers, supervisors, and support staff, as well as other operational costs, such as materials and supplies, which could be factored into the analysis. Once all direct and indirect costs were calculated per service, the proposed fees were compared to current fees, with most fees requiring an increase to eliminate the current General Fund subsidy. The table below shows the proposed rates for some of the more frequent services, as well as provides a historical view of those rates:

Fee	1988	1995	Proposed
Processing Easements/Deeds/Legal	\$175	\$350	\$1,138 if City is Grantee; \$1,558 if City is Grantor
Vacation of Public Rights of Way	\$350	No Change	\$960
Plan Check (including Plot Plans, Street Improvement Plans, etc.)	3% of estimated construction cost with \$250 minimum and an additional \$75 per submittal after fourth plan check	No Change	6% of estimated construction cost
Lot Line Adjustment	\$400 for 2-parcel lot line adjustment plus \$75 for each additional	\$735 for 2-parcel lot line adjustment plus \$140 for each	\$1,117 for 2-parcel lot line adjustment plus \$142 for each

	parcel	additional parcel	additional parcel
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The projected cost of providing fee-related services to the public in FY 2017-18 was \$1,258,562. These figures were derived by multiplying individual costs of the service by the annual service volume (Reflective in Column “A” – Exhibit 1). With the current fee schedule, the City generated \$621,760. Based on the City’s actual costs to provide these services of \$1,258,562, the amount charged for these services (\$621,760) reflects a recovery rate of 49% - meaning 51% of the costs for these services (\$638,207) are subsidized by the City’s General Fund. The attached schedule of Engineering Fees proposes 100% cost recovery. The increase in revenues associated with the proposed fees amount to \$638,207 for FY 18/19. This will significantly reduce the amount that is subsidized through the General Fund as shown in the following table.

Costs/Revenues/Subsidies - Current and Proposed Fees*:			
Fiscal Year	Engineering/Consultant/ Overhead Costs	Fee Revenues	City Absorbed Cost (paid with General Fund)
2017/18	\$1,258,562	\$621,760	\$636,802
2018/19	\$1,259,967	\$1,259,967	\$0

*The fees were calculated on a per-unit basis. An annual volume for each service was established for budget forecasting. Because annual volume will vary from one year to the next, figures are estimates. Actual charges and revenue will depend on future demand level and collection rates.

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. Proposition 26 was approved by California voters in November of 2010 and clarified which charges are considered user fees and which are considered taxes. The significance of this distinction is that user fees may be raised by Council action up to the limit of actual cost, whereas taxes may not be increased without a majority vote of the public. None of the fee adjustments recommended by MGT are considered taxes per Proposition 26 guidelines.

Effective Date

Although Pomona City Code Section 2-924(d) provides that proposed fees are effective ten (10) days after the Mayor signs an executive order stipulating that the City has complied with all sections of that division and no written appeal has been filed, certain Public Works Department-Engineering Division fees are effective sixty (60) days after the adoption of the Resolution, pursuant to Government Code Section 66017.

Future Fee Adjustments

Future fee adjustments will be updated per Pomona City Code, Section 2-896, Annual Adjustment by Consumer Price Index.

General Sanitation Fee

In the past, the City has collected a General Sanitation Fee to pay for services including: street sweeping, roadside weed spraying, graffiti abatement, landscape median maintenance, and stormwater compliance. As part of the FY 2018-19 Adopted Operating Budget, the costs for these services will be provided through a variety of funds, including transportation (Gas Tax, Measure R, and SB-1), water, sewer, solid waste, and General Fund. As a result, the charge was revised effective July 1, 2018, with this action formalizing the change. Any future modifications to the fee would be considered through City Council action.

Attachments: 1) Resolution w/Exhibit A
 2) Cost of Services Study Findings – Engineering Fees

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