



Agenda Report

Fullerton City Council

MEETING DATE: MAY 18, 2021

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: STEVE DANLEY, ACTING CITY MANAGER

PREPARED BY: MATT FOULKES, DIRECTOR OF COMMUNITY AND ECONOMIC DEVELOPMENT

SUBJECT: DEVELOPMENT FEE COST RECOVERY STUDY FINDINGS

SUMMARY

This item requests City Council direction regarding the level of cost recovery the City should receive for development related services. Staff will incorporate this direction into a proposed new development fee schedule for City Council consideration and approval at a future public hearing.

RECOMMENDATION

Provide direction regarding the desired level of cost recovery for the City to provide individual development related services.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement:

- Fiscal and Organizational Stability.

FISCAL IMPACT

The "Charges for Services" revenue category (which includes development fees) in the City budget comprises 10% of the City's General Fund revenues. City can reallocate General Fund revenues to other mission-critical programs and services to the extent that fees for development related services can recover a larger portion of the cost of providing these services

DISCUSSION

Background

Government Code Section 66014 allows the City to recover the full cost of providing development related services. The city established the current planning and building fees in 2001 on a less than full cost recovery basis, with only limited fee increases over the last 20 years. In late 2018, City Council directed staff to conduct a study of development related fees to determine the current full cost to provide these services to the public.

Cities adopt development user fees to recover the cost for services that provide a specific benefit to the person or entity receiving the service. Examples of development user fees include land use entitlements such as site plan review, conditional use permits or variances and building and construction permits. The Government Code allows cities to set and control the amount of user fees charged to recover the cost of providing the service to the extent that the fees do not exceed the reasonable cost for the City to provide the service. To the extent that cities do not require users to pay the full cost of the service they receive, the user receives a subsidy from the City's General Fund.

The City's costs to provide services include the direct salary and benefits costs associated with providing the development services (personnel costs) as well as other operational labor and materials costs associated with provision of the service (direct overhead). Cities may also recover indirect support costs relating to a local government's central service departments allocable to the city's operating departments (e.g., human resources, finance, purchasing and liability insurance).

Consultant Selection and Development Fee Study Methodology

The City issued a request for proposals (RFP) for the Development Fee Study in October 2018. The City received and evaluated four proposals, selecting to engage Willdan Financial Services. The Fee Study included the following tasks:

1. Review the City's existing development fees and fee structure.
2. Review City's direct and indirect cost of providing fee development services.
3. Review the development fee schedule of other comparable cities.
4. Identification of potential increases to development fees taking into consideration full cost recovery, the fees charged by comparable cities and best practices.
5. Ensure that the calculation of the total cost of providing each service at the appropriate activity level and in a manner is consistent with all applicable laws, statutes, rules and regulations governing the collection of fees by public entities, including, but not limited to Proposition 218 and Proposition 26.

Attachment 2 of this report provides a summary of those development with a significant discrepancy between the City's full cost to provide the service versus the current fee charged by the City. In addition, Attachment 3 provides a comparison of fee amounts charged by nearby and similarly sized cities for comparable services. It is important to note that another City's fee for service may not reflect the full cost of that service and may also not include the same level of review as proposed in Fullerton.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – Fee Analysis
- Attachment 3 – Fee Comparison Survey