



STAFF REPORT – CITY COUNCIL MEETING

April 17, 2024

TO: Honorable Mayor and City Council Members

FROM: Tabatha Miller, Finance Director

PREPARER: Tabatha Miller, Finance Director

DATE: April 05, 2024

TITLE: **Public Hearing on Proposed Master Fee Schedule for Fiscal Year (FY) 2024-25.**

RECOMMENDATION:

It is recommended that the Council:

1. Open the public hearing to receive public comment regarding the proposed changes to the Master Fee Schedule for FY 2024-25; and
2. Adopt Resolution No. 234-42, A Resolution of the City Council of the City of Arcata Updating the Master Fee Schedule for Various Fees and Service Charges for FY 2024-25.

INTRODUCTION:

The City reviews and updates the City's fees, consistent with the goal of ensuring, with only a few exceptions, that fees for City services are sufficient to recover the cost of providing those services. The attached proposed fees have been prepared to meet this strategic objective.

The California Government Code requires that changes to the City's fees be presented to the City Council at a public hearing in accordance with Section 66016 and 6062a.

BACKGROUND:

Typically, as part of the budget preparation process, staff review current fees to determine whether such fees and charges are sufficient to recoup costs associated with providing services to the public. Attachment B (Exhibit A to the Resolution) sets forth the proposed changes to the existing Master Fee Schedule, which was adopted on April 19, 2023, and became effective July 1, 2023.

The Master Fee Schedule (Schedule) consolidates all City fees and charges into one schedule. Therefore, the Schedule includes already adopted rates for certain fees, including the City's Water and Wastewater Utilities and Business License Tax Fees. When fees and charges are newly implemented or increased, a public hearing is required by CA Government Code Section 66018. The public hearing notice was published on April 3 and April 10 in the Mad River Union and posted at City Hall in accordance with CA Government Code Sections 66016 and 6062a.

DISCUSSION:

Staff time and other costs incurred in conducting City business (such as processing of development and other applications, inspections, providing classes, renting facilities, and most other services) are generally measurable and are provided for the benefit of individuals as opposed to the benefit of the community as a whole. Hence, fees for these activities are not taxes, but rather, they are fees for services. Cities have the general authority to impose fees (as charges and rates) under the cities' police powers granted by the state Constitution (Article XI, Sections 7 and 9).

Miscellaneous fees and charges are limited to the amount necessary to cover the cost of providing the service. If fees in excess of cost are collected, they must be used to reduce the service charge cost. Excess fees cannot become a source of revenue for the General Fund. To avoid annual ups and downs in fees and to ensure that the City, the City applies a cost-of-living index most years and only calculates the estimated actual costs periodically.

The proposed fee schedule has incorporated the annual change in CPI-U West to adjust most fees and charges for City Services, excluding utilities, transportation charges and other fees tied to taxes, or county, state or federal standards. The annual change in CPI-U for All West Urban Consumers from calendar year 2022 to 2023 is a 4.3% increase.

The City Council adopted Water and Wastewater Rates for FY 2020-2025 in July 2020, based on the Bartle Wells Associates Rate Study. Implementation of those rates was adjusted during the Pandemic to delay increases. The changes set forth in the attached Schedule reflect the rates already adopted by City Council – water rates were increased 1.5% and wastewater rates by 8.0%, effective July 1, 2024. This is the last rate increase addressed by the Bartle Wells Associates Rate Study and adopted by the Council.

Fees and charges for a “development project,” as defined by CA Government Code Section 66000, may take effect no less than 60 days after approval. A “development project” is any project undertaken for the purpose of development and includes the issuance of a permit for construction, or reconstruction. For consistency in implementing the fee changes and to ensure that the City complies with all waiting periods, staff recommends all the proposed fee changes become effective on July 1, 2024, which coincides with the start of the new 2024-25 fiscal year (FY).

Staff also recommends a reduction in the Mobile Home Park Rent Stabilization Administration Fee from \$10/per space per month to \$5 per space per month. Because the current fee was established by Ordinance No. 1487 (11-1-2017), incorporating future changes into the annual Master Fee Schedule adoption requires action by Ordinance. This change along with other language clean-up will be presented to the Council at a future meeting.

ENVIRONMENTAL REVIEW (CEQA):

The adoption of this Resolution is exempt from the California Environmental Quality Act (“CEQA,” Public Resources Code Sections 21000 et seq.), because it approves and sets forth a procedure for determining fees for the purpose of meeting the operating expenses of City departments, as set forth in Public Resources Code Section 21080(b)(8)(A) and Section 15273 of the California Environmental Quality Act Guidelines.

BUDGET/FISCAL IMPACT:

Enterprise Funds

Including the enterprise funds, user fees and charges account for \$16.6 million of the City's total budgeted annual revenue of \$72.5 million in FY 2023-24. Water and Wastewater charges account for \$14.3 million or 86% of that total. Water rates were increased just 1.5%, so we anticipate a small increase to Water Fund service charges in the new fiscal year, keeping in mind the state of the drought or lack of drought will likely have a greater impact on use and demand for water this next fiscal year. Wastewater Service charges will increase 8%, as part of the plan to accumulate funds to pay for Wastewater Treatment Plant upgrades and other capital improvements that cannot be funded through state and federal grants. Last year, the Stormwater User Fees and Charges were adjusted by the CPI-U U.S. City Average from the prior calendar year. However, those increases were only through FY 2023-24, so increases in Stormwater rates will likely be considered as a separate ballot process in the Spring/Summer of 2025 based on the current Stormwater Rate Study. No increase in Transit ridership charges is included in the proposed Schedule.

General Fund

If you exclude the enterprise funds, \$1.6 million or 10% of the user fees and charges revenue is expected to be generated in the General Fund in FY 2023-24. Approximately \$951k (59%) from development permits and fees, \$65k from Police Department charges, \$422k from recreation classes and programs and \$157k from rental of city facilities. This is just 7.3% of the FY 2023-24 General Fund Budgeted Revenues. The estimated increase in user fees and charges for the General Fund in FY 2024-25, assuming FY 2023-24 revenue levels, is approximately \$68,000.

ATTACHMENTS:

- A. Resolution No. 234-42 (DOCX)
- B. Exhibit A 2025 Master Fee Schedule (PDF)