



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of June 28, 2022

TO: Members of the City Council

SUBMITTED BY: Dante Hall, City Manager
Edwin Gato, Director of Finance

SUBJECT: Public Hearing on Approving Additions, Deletions and Adjustments to the Master Fee Schedule with said Additions, Deletions and Adjustments become effective July 1, 2022

RECOMMENDED ACTION:

Open the Public Hearing, Receive a Staff Report, Take Public Testimony, Close the Public Hearing, and Adopt the following resolution (Attachment 1):

1. A Resolution of the City Council of the City of Hercules Approving Additions, Deletions, and Adjustments to the Master Fee Schedule with said Additions, Deletions, and Adjustments to Become Effective July 1, 2022.

FISCAL IMPACT OF RECOMMENDATION:

The eligible fees in the Master Fee Schedule will be increased by 3%. The projected increase in revenues from the new fees outlined in the Master Fee Schedule is included in the Proposed FY 2022-23 Budget. The estimated increase in revenue depends upon the level of activity during the fiscal year.

DISCUSSION:

The public hearing was noticed in the local newspaper on June 11, 2022. The purpose of the public hearing is to provide a formal opportunity for community input. The proposed FY 2022-23 Master Fee Schedule is available on-line on the City's website (www.ci.hercules.ca.us) and through the following link: <https://www.ci.hercules.ca.us/home/showpublisheddocument/14593>

By way of background, a municipality is authorized to establish reasonable fees for services rendered. The City has established fees by the Municipal Code's authority, City Ordinances, City Resolutions, City development/funding agreements, and State and Federal statutes. Those fees do not exceed the estimated reasonable cost of providing the service for which the fees are charged. In government, the difference between a fee and a tax is that an individual pays a fee for a specific good or service rendered by the government that benefits only that individual. In contrast, a tax has only a general connection to the benefits received by an individual.

To make it easier for citizens, staff, and interested parties to understand the City's various fees and provide a comprehensive list of the City's fees, a Master Fee Schedule lists the fees in place as of July 1, 2022, covering FY 2022-23. Certain fees are automatically increased each year based on either the change in the consumer price index (CPI) or the difference in the engineering news record construction cost index (ENR). This increase has traditionally been 3% each year.

Recent City expenditures indicate a significant cost increase for future goods and services will likely exceed a 3% increase due to the impacts of COVID-19 and other inflationary factors. Therefore, conducting a comprehensive user fee study is needed to evaluate the appropriate level of fees and rates necessary to recover the actual costs incurred for fee-related services. Staff will return to City Council at Midyear in FY 22-23 to update certain fees in the master fee schedule based on the result of the user fee study. In the interim, staff recommends updating the fee on July 1, 2022, by automatically increasing certain user fees utilizing the established inflationary adjustment.

The FY 2022-23 Master Fee Schedule reflects a 3% inflationary adjustment applicable to identified programs, with exceptions as follows:

- If the fee's legal basis provides limitations, such as fees established by the Government Code, State, County, District, Voters, and certain fees established by Hercules Municipal Code (HMC).
- In Community Development, the districts established changes to the Fire Facilities and the West County Sub-Regional Transportation Mitigation fees. The district uses the change in the ENR and pending district's board approval.
- All fees in the Building Inspection Program remain unchanged. The fees are established by the County and/or State.
- No changes made if the fees are calculated based on the percentage of costs or fees.
- No changes made to the Parks & Recreation fees.

ATTACHMENTS:

1. Resolution
2. FY 2022-23 Proposed Master Fee Schedule