



Legislation Details (With Text)

File #: ID 20-00364 **Version:** 1 **Name:**

Type: Discussion Item **Status:** Agenda Ready

File created: 3/6/2020 **In control:** City Council

On agenda: 3/19/2020 **Final action:** 3/19/2020

Title: Action pertaining to the 555th Amendment to the Master Fee Schedule:
1. Adopt a finding of statutory exemption pursuant to CEQA Guidelines Section 15273(a) for amendments to the Fire Department's fees for Fire Inspection and Prevention and related services.
2. ***RESOLUTION - 555th Amendment to the Master Fee Schedule No. 80-420, to add, adjust, revise, or delete various Fire Department fees (subject to Mayor's veto).

Sponsors: Fire Department

Indexes:

Code sections:

Attachments: 1. 555th_Reso-Fire, 2. Exhibit A Redline - 555th Amend.pdf, 3. NBS-2011 Fire Department User and Regulatory Fee Analysis Final Report.pdf, 4. Fresno_Fire Prevention_NBSMemo_1.24.20_LG.pdf, 5. Fresno Fire Fee Model - Fee Schedule Increases.pdf, 6. Yearly Fireworks Program Timeline 2020.pdf

Date	Ver.	Action By	Action	Result
3/19/2020	1	City Council	adopted as amended	Pass

REPORT TO THE CITY COUNCIL

March 19, 2020

FROM: KERRI L DONIS, Fire Chief
Fire Department

SUBJECT

Action pertaining to the 555th Amendment to the Master Fee Schedule:

1. Adopt a finding of statutory exemption pursuant to CEQA Guidelines Section 15273(a) for amendments to the Fire Department's fees for Fire Inspection and Prevention and related services.
2. ***RESOLUTION - 555th Amendment to the Master Fee Schedule No. 80-420, to add, adjust, revise, or delete various Fire Department fees (subject to Mayor's veto).

RECOMMENDATION

Staff recommends Council:

1. Adopt the CEQA exemptions; and
2. Approve the 555th Amendment to the Master Fee Schedule (MFS) Resolution No. 80-420 to add, adjust, revise, or delete various fire department fees (subject to Mayor's veto).

EXECUTIVE SUMMARY

In 2011, the Fresno Fire Department contracted with NBS Government Finance Group (NBS) to prepare an independent User and Regulatory Fee Analysis for the Fire Prevention and Investigation Division (the 2011 Fire Fee Analysis). NBS performed a comprehensive analysis, including a detailed time-on-task study as well as salary rate analysis to estimate the costs to provide the services that generated the fees. The 2011 Fire Fee Analysis, dated September 16, 2011, concluded that overall fee levels were insufficient to recover the costs to provide services. The Fire Department Prevention and Investigation Division related services Master Fee Schedule fees have not been updated to implement the recommendations set forth in the 2011 Fire Fee Analysis.

Recently, the City reviewed NBS's methodology and determined that cost recovery figures have changed based on the methodologies used by NBS in 2011. In January 2020, the Fresno Fire Department engaged NBS again to review the City's analysis and suggested changes to the 2011 proposed fees. Though a comprehensive study was not performed, NBS concurred with City staff regarding the 2011 Fire Fee Analysis methodology and increases in Fire Department services costs since FY 2012. In a letter dated January 24, 2020 (the 2020 Fire Fee Letter), NBS agreed that the costs identified in the 2011 Fire Fee Analysis should be increased by 17.25 percent to account for department wide salary increases and other inflationary factors. This factor is also materially consistent with the Consumer Price Index (CPI) increase from August 2012 to August 2019 of 17.65 percent. Applying a 17.25 percent increase to the cost levels cited in the 2011 Fire Fee Analysis would achieve 100 percent cost recovery for current cost levels.

Following several meetings with the Building Industry Association and the administration, the Fire Department recommends a less extreme cost transition. Staff recommends an update to the Master Fee Schedule so the City can obtain 96.32 percent cost recovery for Inspections and Prevention Division services. As such, staff has requested that Council approve the attached Master Fee Schedule Resolution and the fee changes set forth in Exhibit A thereto.

BACKGROUND

Per California State Constitution Article XI, Section 7, cities may establish regulatory fees for services, provided, such fees do not exceed the estimated reasonable cost of providing those services. Accordingly, the City established various fees related to the Fire Department Inspections and Prevention related services.

Fire Department Inspections and Prevention related services Master Fee Schedule fees have not been updated, modified, or changed since 2010. The recommendations set forth in the 2011 Fire Fee Analysis were never formally proposed. However, costs to provide such services addressed in the 2011 Fire Fee Analysis have increased significantly. Because fees have not been updated since 2010, the gap between fees collected and actual City costs for providing services has been absorbed by the General Fund.

Industry standards dictate a complete, comprehensive study to be conducted by the City every five to

seven years and periodic adjustments be instituted on a bi-annual basis to adjust fees using the Consumer Price Index (CPI).

The Fee Study and Derived Estimates

In 2011, at the City's direction, NBS Government Finance Group conducted 2011 Fire Fee Analysis of the Fire Department Inspections and Prevention related fees. Working with Fire Department staff, NBS analyzed fees and provided recommendations including changes to the fee structure that would benefit both the Fire Department and the public. For example, NBS recommended changing how the City charges for sprinkler inspections by basing fees on square footage of the facility rather than by individual sprinkler. This fee structure change would allow the business owners to estimate sprinkler inspection fees during the planning and design phase rather than after construction. In most cases, however, the fee structure change recommendations were suggested to better define the fees with the actual inspections and prevention related objectives.

The 2011 Fire Fee Analysis also included a time-on-task study. Broadly defined, NBS took all department related expenses that directly and indirectly impacted the Prevention Division services and used the total as the expense base, which was then divided by Prevention Division payroll costs that were further factored as productive (productive being directly working with fee related services). From that a per-hourly rate for productive hour was derived. Time studies were performed for two categories: (1) labor hours for processing and plan checking, and (2) labor hours for field duties such as inspections. The hour equivalents were multiplied by the productive hour rate and a cost to perform the service was established.

NBS also provided a comparative survey of municipalities that are similar-sized and/or in close proximity to Fresno, however those agencies may have changed their fees or practices since the 2011 Fire Fee Analysis. The Deputy Chief over Prevention reviewed the recommended fee changes against what other agencies were charging and noted, that if increased based on NBS's suggested increases, Fresno's fees would be similar to those assessed by other agencies, after considering local specific factors, such as travel distance.

The 2011 Fire Fee Analysis made recommendations for increasing fees to allow for 100 percent cost recovery. The recommendations set forth in the 2011 Fire Fee Analysis were never formally proposed and the current Fire Department's Master Fee Schedule fees were last updated in 2010.

In 2019, the Fire Department initiated a proposal to update the Fire Department's Master Fee Schedule fees and review the 2011 Fire Fee Analysis time studies, using NBS' methodology as a basis for their analysis. Staff concluded that NBS's analysis remains applicable to today's practices and procedures. To establish the cost of performing the same services today, the Department looked at council approved MOU salary increases from what they were in the year of the 2011 Fire Fee Analysis (FY 2012) and this year. Staff requested that NBS conduct a professional review of the City's recent analysis and changes since the 2011 Fire Fee Analysis.

In its 2020 Fee Analysis Letter, dated January 24, 2020, NBS indicated its agreement with the approach of considering salary cost increases as one reasonable and industry standard approach to updating the fee amounts between years of comprehensive analysis. NBS found that labor cost increases since the 2011 Fire Fee Analysis, support a 17.25 percent increase of the fees proposed in the 2011 Fire Fee Analysis. This factor was not applied to hydrant inspections, which are billed internally.

Proposed Changes

Utilizing the approaches and recommendations of the NBS Fee Analysis (including both the 2011 and 2020 documents), it is recommended that (1) the FY 2020 fully burdened cost recovery estimates be utilized for establishing current fees assessments and (2) NBS' suggested fee restructuring be implemented.

Following several meetings with the Building Industry Association and the administration, the Fire Department recommends a less extreme cost transition. The proposed increases will ensure that fees generate revenues sufficient to ensure 96.32 percent recovery of City costs to deliver these necessary Fire Department services. The recommended fees are a 12.94 percent increase over the fees recommended in the 2011 Fire Fee Analysis. Certain structural changes will better connect the actual fees imposed with the direct services being performed. All proposed changes are provided in Exhibit A to the Proposed Master Fee Schedule attached hereto.

ENVIRONMENTAL FINDINGS

The proposed amendments to the MFS, as noted above and on the schedules attached hereto, are determined to be statutorily exempt pursuant to CEQA Guidelines Section 15273(a) because they pertain to meeting operating expenses, including employee wage rates and materials.

LOCAL PREFERENCE

Local preference was not considered because this Resolution does not involve a bid or award of a construction or service contract.

FISCAL IMPACT

If approved, the amended fees will go into effect on May 1, 2020, and will improve accurate cost recovery for Fire Inspection and Prevention and related services. The estimated annual revenue increase resulting from the 96.32 percent cost recovery reflected in the attached Master Fee Schedule Resolution is \$2,174,600. If implemented, the proposed fee updates will generate an estimated \$334,554 during the remainder of FY 2020.

Attachments:

- 555th MFS Amendment Resolution
- Exhibit A Redline
- NBS 2011 Fire Fee Analysis
- NBS 2020 Fire Fee Letter