

FEE RECOVERY PROPOSAL

March 2023

OVERVIEW

1. Project background and description

The city general fund is primarily supported by taxes, intergovernmental revenues, and from functions that are intended to recover all or a significant portion of their costs through user fees and charges. City departments annually assess the fees they charge for services during the budget process. There may be some fees that are not fully covering their costs, it is unknown if they cover a “significant” portion. During the 2023 budget process it was mentioned that some costs are not fully covered; specifically rent stabilization, abatement fees, and attorney fees for development projects related to grants (HOME CDBG Grants or tax increment finance). The Department of Safety and Inspections just increased most fees by 8%, during the adoption process the council wanted to learn more about the fee assessment process. They also identified the fee for vacant building registration is the same regardless of value, size, or property type (residential vs commercial). The City Council suggested the Audit Committee investigate these matters. This document is an estimate on the work involved and staff time commitment to undertake the process.

2. Project scope -

The department is now working on changing the fee model and evaluating different options to recover more costs, estimated change to occur next budget cycle. DSI annually reviews fees each year (looking at avg time for services multiplied by the staff salary/fringe completing the work), any changes are brought up during the budget process for approval. In cases where the fee is low, they will increase them more. There have been policy decisions not to implement fees for different services, ex. Rent stabilization, HART, and Graffiti.

Vacant building fees – (why not different rates for commercial and housing?) Two things to consider, 1) it may not be illegal to charge differently per property type, legal analysis would be required, and, 2) Based on predictions, residential properties may require more staff time to manage than commercial properties.

This proposal will focus on fees we are aware of, a city wide staffing study is not in scope. Specifically, DSI abatement fees, DSI vacant building fees (residential vs commercial) and attorney fees for development projects for HOME, CDBG, Grants or tax increment finance.

The Audit Committee would like to have a better understanding of:

- 1) The city department’s annual fee review process
DSI – annually reviews all fees. They complete a time study
- 2) How fees are determined
- 3) What % of city costs are covered by the fee charged
- 4) What are the barriers to charging the full cost?
- 5) Document risk and who is impacted
- 6) Record any other considerations if the current process and/or the policy was changed.
- 7) Recommendations for next steps and what is the timeline

3. Risk

- The city may not be recovering full costs for services.
- If we are not covering our costs, where is that money coming from.
- The city may be receiving more revenue than their cost.
- An increase in fees may create financial hardship.

4. Deliverables

Phase	What	Estimated Time
Research (Phase 1)	Interview department staff – DSI, OFS, CAO, PED Data Analysis Other municipalities	16 hours 32 hours 8 hours Total 50 hours
Documentation (Phase 2)	Document current process Policy's Revenue and costs currently and historically Variability – do costs and fees vary, why	8 hours 20 hours 20 hours 12 hours Total 60 hours
Recommendation (Phase 3)	Develop Meet with Departments Meet with councilmembers	8 hours 2 hours 2 hours Total 12 hours
Report (Phase 4)	Consolidate background, method, research/data, recommendations	Total 12 hours

5. Affected parties

- *Department of Safety and Inspections*
- *City Attorney's Office*
- *Office of Financial Services*
- *Audit Committee*
- *City Council*

6. Specific exclusions from scope

This is not a city-wide project; this project is only related to the fees mentioned.

7. High-level timeline/schedule:

Estimate 134 hours to complete. I estimate this project taking 3 months, taking in account department head schedules and coordination.

