

- City Council
- Redevelopment Successor Agency
- Community Services District
- Fire District
- Library Board
- Financing Authority
- Housing Authority



## City Council Meeting Agenda Report

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Subject: Public Hearing for Fiscal Year 2023/24 Citywide User Fee Update  
Date: March 21, 2023  
Prepared by: Ashley Lopez, Accounting Supervisor  
Reviewed by: Jennifer Terry, Finance Manager  
Approved by: Javier Carcamo, Finance Director  
Kim Summers, City Manager

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### **RECOMMENDATION**

- 1) Conduct a Public Hearing Related to Updating the City's User Fees; and
- 2) Adopt Resolution 23-4653 entitled: *A Resolution of the City Council of the City of Murrieta, California, Adopting the Fiscal Year 2023/24 User Fee Schedule.*

### **PRIOR ACTION/VOTE**

On May 3, 2016, the City Council adopted Resolution No. 16-3552, adopting the Fiscal Year 2016/17 Fee Schedule (Vote: 4-0-1)<sup>1</sup>.

On January 16, 2018, the City Council adopted Resolution No. 18-3844, adopting the Fiscal Year 2018/19 Fee Schedule (Vote: 5-0)<sup>2</sup>.

On February 7, 2023, a workshop was held to present the Proposed Citywide User Fee Update. City Council direction was provided to staff regarding the updated Citywide fee structure to be incorporated for adoption at a future City Council meeting.

### **CITY COUNCIL GOAL**

Maintain a high-performing organization that values fiscal sustainability, transparency, accountability, and organizational efficiency.

### **BACKGROUND**

In October 2021, the City of Murrieta (City) contracted with Willdan Financial Services (Willdan) to conduct a Comprehensive User Fee Study (User Fee Study) and to prepare a full Cost Allocation Plan to assist the City in determining appropriate fee levels for the various services provided by the City. It is considered a financial best management practice for local governments to periodically review and update their User Fee Schedules. On February 7, 2023, the City Council received a report and presentation on the User Fee Study. The report and presentation focused on the purpose of the study, process, methodology, policy considerations, and recommended User Fee adjustments. Based on feedback from

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<sup>1</sup> Ayes: Gibbs, Ingram, Ramos, Lane; Absent: Long

<sup>2</sup> Ayes: Gibbs, Lane, Seyarto, Long, Ingram



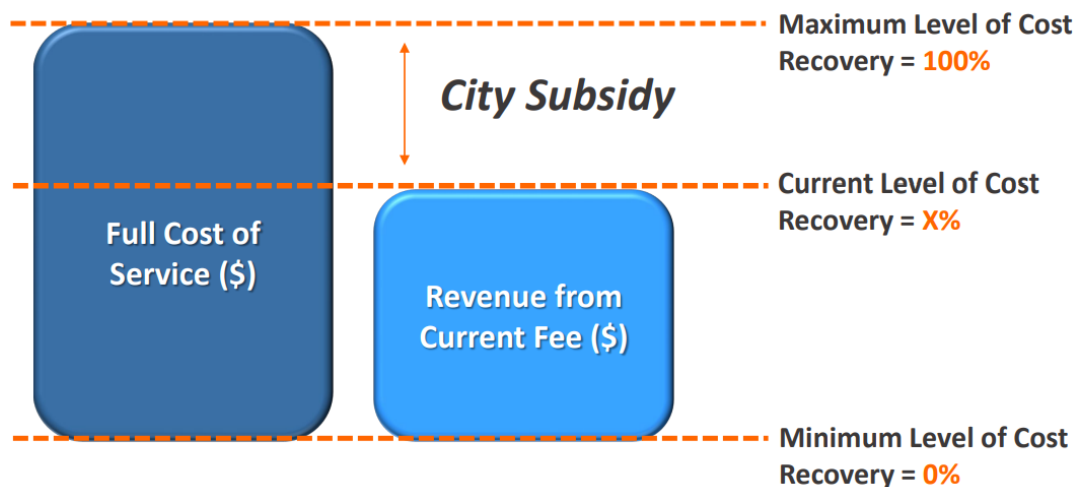
the City Council and the public, City staff updated the fee recommendations, and the FY 2023/24 User Fee Schedule is now being presented for City Council approval. Upon City Council approval, the User Fee Schedule will go into effect on July 1, 2023.

Historically, the City of Murrieta updates and adopts its User Fee Schedule for City services every year; however, due to staffing constraints, the last User Fee Schedule was updated and adopted on January 16, 2018. Local governments adopt user fees to offset the cost of providing a service or program to individuals or companies. The principal purpose of a user fee is so that the cost of providing a service that benefits individuals or companies should be borne by those receiving the service rather than the entire community. Therefore, the primary objective of a user fee is to recover a portion, or up to (but no more than) 100% of the cost to provide the service, from the individuals or companies that benefit from the services being provided.

### Cost Recovery

While the update of the User Fee Schedule will provide a fiscal impact in the form of additional revenue, it is pertinent to note that the revenue is not intended to fund new services; rather, the revenue is intended to offset the costs of providing existing services that are recoverable from fees.

Recovering the costs of providing fee-related services directly influences the City's fiscal health and increases the City's ability to meet the service level expectations. When a fee targets "100% or full cost recovery," the individual bears the entire cost. When a fee targets less than full cost recovery, another City revenue source – in most cases, the General Fund – subsidizes the individualized service activity.



### User Fee Study Summary

#### Study Objective

Given the limitations on raising revenue in local government, a User Fee Study is a cost-effective way to understand the total cost of providing services and identify potential fee deficiencies. The cost analysis of providing a service is required whenever a fee update is contemplated. The total cost of each service included in this analysis is based on recovering the full cost of providing City services, including direct



salaries and benefits of City staff, direct departmental costs associated with providing a specific fee-based service, and indirect costs for central service support. In addition, Willdan established a series of additional objectives, including:

- Developing a rational basis for setting fees;
- Identifying the proposed subsidy amount, if applicable, for each fee in the model;
- Ensuring compliance with State law;
- Developing an updatable and comprehensive list of fees; and
- Maintaining consistency with City policies and goals.

### Scope of the Study

Completion of a User Fee Study requires extensive interdepartmental collaboration and staff input from all departments. The study process provided each department with the opportunity to propose additions and deletions to their existing fee schedules, as well as the opportunity to rename, reorganize, and clarify fees currently being charged. Many such revisions were performed to better conform fees to current procedures and practices. These changes provide greater clarity and transparency. The Scope of the study encompasses a review and calculation of all user fees charged by the following Murrieta departments and fee groups:

- Miscellaneous City-Wide Fees;
- Business Licenses;
- Community Services District;
- Library;
- Parks & Recreation;
- Code Enforcement;
- Building & Safety;
- Planning;
- Public Works/Engineering
- Fire
- Police; and
- Geographic Information Systems (GIS)

### Highlights of the Fee Update

The current User Fee Study shows changes to most of the City's User Fees. If the Proposed User Fee Schedule is adopted, new fees will be added; most fees will increase, some will decrease, and others will remain unchanged. The proposed fee changes for each department or division are highlighted below.

**Business License** - Every person or entity planning to engage in business within City limits, regardless of whether the business is subject to taxation or not, must apply for a license, pay applicable fees, and obtain the appropriate approvals to procure a license, conduct business, and comply with the business license ordinance. The most significant change is the business license application fee increasing by \$25 to \$100 per application. The average estimated fee increase is approximately 8%. The business license fee analysis details can be found in the User Fee Study report starting on page 31.

**Community Services District** – The Community Services District provides safe, clean, beautiful, and accessible facilities, parks, and open spaces and offers diverse leisure activities for all people in the areas of recreation, education, and culture. The most significant fee change is the photography permit and recreation staff hourly rates. The Community Services District fees analysis details can be found in the User Fee Study report starting on page 32.



**Parks & Recreation** - The Murrieta Community Services Department provides safe, clean, beautiful, and accessible facilities, parks, and open spaces, as well as offers diverse leisure activities for all people in the areas of recreation, education, and culture. There are 53 parks in Murrieta and over 20 miles of hiking and running trails. Additionally, recreational programming and outstanding facilities are central to Murrieta's identity. Every year, the Department holds numerous special events such as the Birthday Bash, Veterans Day Parade, Holiday Magic, and other signature events. The most significant change was the park & facility security deposit to \$1,500, depending on the size of the event and the facilities required. Overall, 52 fees increased, three decreased, 78 new fees were added, and 33 fees remained unchanged. The estimated fee increase would be around 27%. The Park & Recreation fees analysis details can be found in the User Fee Study report starting on page 33.

**Library** - The Murrieta Public Library is dedicated to providing a vibrant environment with open access to exceptional services, collections, and programs while continuing to promote the joy of reading for an empowered and thriving community. The Library provides informational, recreational, and educational resources and programs for all ages in the community. The most significant fee increase was the hourly rental rate of the community room and garden by \$10. Overall, the Library has 18 new fees, 17 fees increasing, and 8 fees will remain unchanged. The average estimated fee increase would be around 12%. The detail of the Library fees analysis can be found in the User Fee Study report starting on page 64.

**Miscellaneous Citywide** - Miscellaneous Citywide fees include Electric Charging fees, Documents/Services, Geographic Information Services, and Photocopies. Overall, 11 fees increased, two fees decreased, and 23 fees remained unchanged. The average estimated fee increase would be around 1%. The Miscellaneous Citywide fees analysis details can be found in the User Fee Study report starting on page 41.

**Code Enforcement** - Code Enforcement ensures residents and businesses comply with the City's various land use codes and nuisance regulations. The Code Enforcement Division added four new fees associated with short-term vacation rental violations and a temporary sign permit. The average estimated fee increase would be around 17%. The Code Enforcement fees analysis details can be found in the User Fee Study report starting on page 43.

**Building & Safety** - Building and Safety Division ensures new development meets state and local building standards through plan check and building inspections. A total of 558 fees increased, seven fees decreased, ten fees changed to a "per square foot" basis from actual cost, seven new fees were added, and 31 remained unchanged. The average estimated fee increase would be around 14%. The Building & Safety Division fees analysis details can be found in the User Fee Study report starting on page 44.

**Planning** – The Planning Division implements and updates the City's land development regulations through plan review and long-range planning functions. The overall fee update for Planning Division includes 41 fees increasing, three fees decreasing, two new fees would be added, nine fees would change to Consultant Actual Cost or Deposit based on a flat fee, and 21 fees would remain as currently set. The average estimated fee increase would be around 16%. The Planning Division fees analysis details can be found in the User Fee Study report starting on page 67.



**Public Works/Engineering** - The Public Works/Engineering Department is responsible for designing, constructing, and maintaining public infrastructure while providing the services necessary to enhance the city's safety and quality of life through the management, maintenance, and enhancement of city resources. The overall fee update for Public Works/Engineering includes 56 fees increasing, 12 fees would decrease, 22 new fees would be added, and 103 fees would remain as currently set. The average estimated increase for current fees would be around 6% for flat fee services. The Public Works/Engineering Department fees analysis details can be found in the User Fee Study report starting on page 70.

**Fire** - Murrieta Fire & Rescue (MFR) is a dedicated team committed to serving the community by providing all risk emergency and non-emergency services. The overall fee update for MFR includes 226 fee increases, three fee decreases, 44 new fees, and three fees that would remain as currently set. The average estimated fee increase would be around 24%. Details of the MFR fees analysis can be found in the User Fee Study report starting on page 81.

**Police** - The Murrieta Police Department serves as the primary law enforcement agency for the City of Murrieta and consists of three primary operating divisions (i.e., Administration, Operations, and Support). The overall fee update for the Police Department consists of an increase of 13 fees, one fee would be added, one fee would decrease, and 15 fees would remain unchanged. The average estimated fee increase would be around 22%. Details of the Murrieta Police Department fees analysis can be found in the User Fee Study report starting on page 89.

**Geographic Information Services** - Information Technology Services provides support to City departments by deploying and managing innovative technology solutions; supports public access to City services and records through the development and maintenance of outward-facing technology. Create and maintain Geographic Information System (GIS) mapping tools for staff and the public. The overall fee update for the GIS includes an increase to the GIS General & Professional Services fee, and the GIS Processing fee would remain as currently set. The average estimated fee increase would be around 10%. Details of the GIS fee analysis can be found in the User Fee Study report starting on page 91.

The table below summarizes the results of the analysis by department/fee category.

### Cost Recovery Analysis by Department/Fee Category

Department/Fee Category	No. of Fee Added	No. of Fee increased	No. of Fee Decreased	No. of fee with no changes	Avg. Estimated Fee Increase
Miscellaneous City-Wide Fees	1	11	2	23	1%
Business License	0	7	3	2	8%
Community Services District	11	8	0	0	122%
Library	18	17	0	8	12%
Parks & Recreation	78	52	3	33	27%
Code Enforcement	4	6	0	3	17%
Building & Safety	6	558	7	31	14%
Planning	2	41	3	21	16%



Public Works	22	56	12	103	6%
Fire	44	226	3	3	24%
Police	1	13	1	15	22%
Geographic Information Systems	0	1	0	1	10%

Reasons for Cost Increases/Decreases Compared to Current Fees

Within the fee tables in Appendix C, the differences are identified between the full costs calculated through the Study and the fee levels currently in effect. The reasons for differences between the two can arise from several possible factors, including:

- Previous fee levels may have been intentionally set at levels less than full cost based on City Council policy decisions at that time;
- Staffing levels and the positions that complete the service activities for which the fee is charged may vary from when the previous costs were calculated;
- Personnel and operating costs have increased since the last study;
- Costs that this Study identified as part of the full cost of services may not have been accounted for in a previous study, such as
  - Departmental overhead and administration costs;
  - Vehicle and Facility Maintenance support costs;
  - Indirect overhead from the Cost Allocation Plan; and
- Changes in processes and procedures within a department or the City.

City Council Direction

During the City Council workshop on February 7, 2023, City Council directed staff to adjust certain fees as part of a Council policy to enhance community safety. City Council asked City staff to identify fees for services where there is a safety concern when non-compliant. City Council would like to encourage compliance by subsidizing those fees. As part of this direction, staff identified the services below, along with the fee calculation and the suggested subsidized fee.

Fee	Current Fee/Charge	Full Cost	Subsidy %	Suggested Fee
Inspection - BLDG				
Water heater replacement, footing only, stub outs, earthquake valves	\$74.00	\$154.97	45%	\$85.00
Plan Check - BLDG				
Air Conditioner and/or furnace replacement	\$15.00	\$63.26	46%	\$34.00
Inspection - BLDG				
Air Conditioner and/or furnace replacement	\$93.00	\$174.16	27%	\$127.00
Re-roof Inspection - BLDG				
Residential	\$231.00	\$248.24	34%	\$165.00



### Proposed Changes Since the Workshop

City staff incorporated additional changes to the User Fee Study and Proposed User Fee Schedule. Staff is including seven positions that were included in the 2018-2019 User Fee Schedule for Public Works/Engineering but should have been shown in the initial 2023-2024 User Fee Study Report. Two additional positions were added to the 2023-2024 User Fee Study Report and the 2023-2024 Proposed User Fee Schedule under Public Works/Engineering.

Staff recommends removing several fees included in the previous version of the User Fee Study Report and Proposed User Fee schedule. Two hourly staff rates under Public Works/Engineering were removed due to the positions no longer existing. Two additional fees under Public Works/Engineering were duplicates of two fees already listed. Fees under Parks & Recreation for the Town Square Amphitheater were removed and will be brought back to Council for discussion and consideration as part of the operating policy at a later date. Staff also suggests removing the free two-hour electric vehicle charging fee from the Miscellaneous Section of the User Fee Schedule. The removed fees are detailed below.

### Annual Updates

Conducting a User Fee Study for fee-related services and costs annually would be staff-time intensive and costly. The best practice for User Fee analyses is to undertake such a Study every three to five years. This allows jurisdictions to ensure they account for organizational changes, such as staffing levels, cost of doing business, process efficiencies, code or rule changes, and technology improvements. As a result, developing an annual update mechanism allows jurisdictions to maintain current levels of cost recovery while accounting for increases in staffing or expenditures related to services. Therefore, it is recommended that the City include an inflationary factor, Consumer Price Index (CPI), in the resolution to increase or decrease the fees annually.

The proposed annual fee adjustments will be handled by staff administratively pursuant to adopted resolution commencing in FY 2024-2025; the Finance Department staff will annually adjust permit fees on July 1 of each year using the CPI for the Riverside-San Bernardino-Ontario area using the annual percentage change from March to March. Staff recommends the annual fee adjustment based on the CPI, or five percent (5%), whichever is lower. The new fees shall be rounded to the nearest one (1.00) dollar.

### Fees Set By Other Agencies

The User Fee Study includes current fees set by the State of California, the County of Riverside, and other external agencies. As mandated, the City collects and remits these fees to the respective agencies.

### Public Notice and Notifications

A public notice was published on February 6, 2023, in the Press Enterprise, Daily Bulletin, and San Bernardino Sun newspaper and was made available for public review on February 2, 2023.

On February 3, 2023, in accordance with the notification requirements contained in California Government Sections 66000-66025, the City of Murrieta provided the Building Industry Association (BIA) of Southern California - Riverside County Chapter and Southern California Gas Company with a draft of



the proposed Fiscal Year 2023-2024 Fee Schedule. A hard copy of the Proposed User Fee Schedule was mailed to the BIA office via United State Postal Service on Monday, February 06, 2023.

On February 27, 2023, the Director of Finance delivered a presentation to the Development Advisory Group (DAG) on the User Fee Study. On February 28, 2023, the DAG members received an email with a link to the designated webpage for the Proposed User Fee Study and other pertinent documents.

A second public notice was published on March 6, and March 13, 2023, in the Press Enterprise, Daily Bulletin, and San Bernardino Sun newspaper and was made available for public review on March 6, 2023.

#### Staff Recommendation

Based on the results of the User Fee Study, certain fees are recommended to be added, removed, increased, or decreased to reflect current program costs, while other fees are advised to remain unchanged due to the City's desire to be more "user friendly" or more comparable to other cities. It is recommended that the current User Fee Schedule be updated based on the results of the User Fee Study.

#### **FISCAL IMPACT**

As currently drafted, the anticipated cumulative revenue impact of the proposed changes is approximately \$1,088,000 per year, depending on the level of service activities. It is important to note that adjusting the User Fee Schedule will provide a fiscal impact in the form of additional revenue. The revenue is not intended to fund new services; rather, the revenue is intended to offset the costs of providing existing services that are recoverable from fees. Consequently, while fees may rise annually, typically, labor and contract services costs (the primary driver of fee-related costs) also rise annually. Recalibrating these fees provides an offset of existing expenditures/needs rather than a source of funding for expanded service levels.

#### **ATTACHMENTS**

- 1) Resolution No. 23-4653
- 2) Comprehensive User Fee Study
- 3) FY 2023/24 Proposed User Fee Schedule (redline version)
- 4) FY 2023/24 Proposed User Fee Schedule (clean version)
- 5) Building Industry Association Letter
- 6) Southern California Gas Company Letter