



AGENDA REPORT

Finance Department

DATE:	May 28, 2024
TO:	Mayor Martinez and Members of the City Council
FROM:	Andrea Miller, Director of Finance Mubeen Qader, Deputy Director of Finance Antonio Banuelos, Accounting Manager
Subject:	Master Fee Schedule Update
FINANCIAL IMPACT:	<p>This update of the Master Fee Schedule adjusts fees to cover the cost of services provided by various City departments as well as the Developer Impact Fees based on an analysis of the fees needed to support future development in the City of Richmond through 2040. This update does not include the Traffic Impact Fees which will be updated later this year.</p> <p>Based on the level of activity in FY2023-24, the proposed fee adjustments would generate additional annual revenue totaling \$632,000 to cover service costs and \$436,000 in Developer Impact Fee Funds in year one of the phase in approach proposal.</p>
PREVIOUS COUNCIL ACTION:	May 23, 2023, June 6, 2023, June 27, 2023, and September 26, 2023, March 5, 2024
STATEMENT OF THE ISSUE:	Sections 2.34.040 (Schedule of fees and service charges) and 13.45.020 (Approval of adjustments by City Council) of the Richmond Municipal Code authorize periodic adjustments to all City levied fees and charges, subject to approval by the City Council. City staff is requesting adoption of a resolution adjusting the dollar amount for current Developer Impact Fees as outlined in the proposed Master Fee Schedule.

RECOMMENDED ACTION:	HOLD a public hearing; and INTRODUCE an Ordinance (first reading) adjusting the dollar amount for proposed Developer Impact Fees using the two- and four-year phase in approach and other new user fees for services – Finance Department (Andrea Miller/Mubeen Qader/Antonio Banuelos 510-620-6741). This item was continued from the May 21, 2024, meeting.
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PREVIOUS COUNCIL MEETINGS:

On May 23, 2023: City Council approved first reading of Ordinance establishing Commercial Cannabis Regulatory Fees.

On June 6, 2023: City Council approved second reading of Ordinance establishing Commercial Cannabis Regulatory Fees.

On June 27, 2023: City Council approved a Resolution adjusting the dollar amount for current fees except for Recreation fees, which remained as-is.

On September 26, 2023: City Council provided direction to make certain adjustments to the study and to further reach out to stakeholders.

On March 5, 2024: City Council received a presentation from the Finance Department and Willdan Financial Services on the proposed updates to the Developer Impact Fees in the Master Fee Schedule.

DISCUSSION:

Section 2.34.040 of the Richmond Municipal Code (RMC) (Schedule of fees and service charges) provides that “The City Manager shall review the fees and charges based upon the review schedule set forth (herein) and shall set and adjust the fees or charges so as to recover up to the ... costs reasonably necessary to provide the listed regulations, products or services.”

Additionally, Sections 13.45.010 and 13.45.020 of the RMC, as recently amended by the Richmond City Council at its May 2, 2023, meeting, further provides that

The Director of Finance of the City shall adjust all city-levied taxes, fees and charges provided for in the Richmond Municipal Code on a yearly basis, or as needed, in accordance with any increase or decrease in the Bureau of Labor Statistics Employment Cost Index (ECI), State and Local Government Workers component, during the preceding fiscal year. Additionally, a comprehensive fee study should be conducted at least every five years.

And

Each year, the Director of Finance shall submit to the City Council a report listing all proposed adjustments for approval. No proposed adjustment

shall take effect until it is approved by the City Council. The Council may reject, but may not modify, any one or more of the proposed adjustments in any report before approving the adjustments.

IMPACT FEES

The Finance Department worked with Willdan Financial Services to develop the proposed Developer Impact Fees. The scope of services provided under this program was designed to produce reports used in updating the Master Fee Schedule to help better offset the impacts of new developments. The traffic impact fee section is still pending, and Finance staff will return later this year with those proposed changes.

Willdan's Development Impact Fee Nexus Study Update (Attachment 3) summarizes an analysis of development impact fees needed to support future development in the City of Richmond through 2040. It is the City's intent that the costs representing future development's share of public facilities and capital improvements be imposed on that development in the form of a development impact fee, also known as a public facilities fee. The public facilities and improvements included in this analysis are divided into the fee categories listed below:

- Sewer Facilities
- Parks
- Community Center and Aquatic Facilities
- Police Facilities
- Fire Protection Facilities
- Library Facilities
- Storm Drains

On December 13, 2023, City staff and consultants from Willdan Financial Services held a virtual meeting with interested parties to review the impact fees and answer questions. The study and fees have been updated based on input received in the meeting and input previously provided by the City Council.

Major changes included:

1. Updated library chapter to incorporate \$29 million cost of planned facilities. This version now uses a system standard to calculate higher fees than the previous report.
2. Community/aquatic centers fee updated to use the existing facility standard (and results in a higher fee). The City will have to identify approximately \$19 million in additional projects to maintain the existing level of service through the planning horizon.
3. Incorporated current fee fund balances where appropriate.
4. Costs of projects were updated to match latest CIP where appropriate (MLK Community center is now shown as \$14 million, new fire facilities, etc.)

The updated report that incorporated these changes was presented to the City Council at its March 5, 2024, City Council meeting.

AB 602 Requirements

On January 1, 2022, new requirements went into effect for California jurisdictions implementing impact fees. Among other changes, AB 602 added Section 66016.5 to the Government Code, which set guidelines for impact fee nexus studies. Four key requirements from that section which concern the nexus study are reproduced here:

- 66016.5. (a) (2) When applicable, the nexus study shall identify the existing level of service for each public facility, identify the proposed new level of service, and include an explanation of why the new level of service is appropriate.
- 66016.5. (a) (4) If a nexus study supports the increase of an existing fee, the local agency shall review the assumptions of the nexus study supporting the original fee and evaluate the amount of fees collected under the original fee.
- 66016.5. (a) (5) A nexus study adopted after July 1, 2022, shall calculate a fee imposed on a housing development project proportionately to the square footage of proposed units of the development. A local agency that imposes a fee proportionately to the square footage of the proposed units of the development shall be deemed to have used a valid method to establish a reasonable relationship between the fee charged and the burden posed by the development.
- 66016.5. (a) (6) Large jurisdictions shall adopt a capital improvement plan as a part of the nexus study.

One key change listed above is the fee calculation methodology for residential properties. Previously, the City of Richmond, like many other cities, calculated the fee based on the number of dwelling units. Going forward, the fee will be on a square footage basis. The goal here is to be more equitable in that smaller dwellings are charged a lower fee than larger dwellings.

Phase In Approach

Because the proposed increases to the developer impact fees are significant, staff members are proposing a phase-in approach over several years. For non-residential properties, the developer impact fees would be updated over two years. Yearly increases after that would be based on changes to the Employment Cost Index; that is until the next study is done in four to five years. For residential properties, the phase in would be over four years with the next overall fee study to be completed around year five.

USER FEES

In addition to the Impact Fees, staff members are proposing changes to the user fees charged by various City departments for services provided.

This update of the Master Fee Schedule adjusts user fees by the Bureau of Labor Statistics Employment Cost Index (ECI). The ECI adjusts for wage rate inflation in local governments. In this update, City staff is proposing to update fees by 5.0 percent for those fees subject to the yearly ECI update. The 5.0 percent corresponds to the change of the ECI from the previous fee adoption date.

The Master Fee Schedule proposed for adoption by the City Council includes the following changes and/or adjustments:

- The fee schedule is adjusted to reflect the change in the ECI, as provided in Section 13.45.010 of the RMC. The effective date for fees adjusted by the ECI is 30 days after City Council’s final approval of the ordinance amendment and adoption of the resolution.
- The Subregional Transportation Mitigation Program (STMP) fees included in the Impact fees section are set by West Contra Costa Transportation Advisory Committee (“WCCTAC”). The updated rates are effective July 1, 2024. (Attachment 4 – STMP Memo).
- There are no proposed changes to the Recreation fees – they will stay as is. Staff will return later in May with a proposed contract to conduct a Recreation Fee study.

NEXT STEPS:

Due to recent legislation, further technical work is required to justify traffic impact fees by developing a long-term plan that demonstrates how the City will expand its transportation resources in order to mitigate the impacts of new development. Public Works staff members are updating a list of traffic projects with one of the City’s on-call consultants. This list of projects may include projects which facilitate movement of traffic, mitigate safety impacts, and/or address the growing requirements for all travel modes consistent with SB 743 (e.g., complete streets, bicycle projects, pedestrian improvements, transit improvements, etc.). Staff will return with proposed updates to the Developer Impact Fees focused on the Traffic Impact Fees.

Additionally, City staff will return to the City Council with a proposed contract to conduct a study focused on Recreation Department fees, which will include a comparison with nearby jurisdictions.

DOCUMENTS ATTACHED:

- Attachment 1 – Master Fee Schedule including Proposed Impact Fees
- Attachment 2 – Ordinance
- Attachment 3 – Development Impact Fee Nexus Study Update
- Attachment 4 – STMP Memo
- Attachment 5 – Presentation