



Council Communication File Number: Res 2023-061

Agenda Date: 5/15/2023

Version: 1

Status: Agenda Ready

In Control: City Council

File Type: Resolution

A RESOLUTION UPDATING CERTAIN USER AND IMPACT FEES BASED OFF RECENT STUDIES OF THE SAME

Summary & Background

Because the high level of growth occurring in the City (3.3% percent growth rate year-over-year) has created an immediate and future impact on community facilities and public projects, the City posted a Request for Proposals for a User Fee and Impact Fee Study to conduct a user and impact fee review and provide recommendations on new user and impacts for the City. After a competitive bidding and interview process, the City entered into an Agreement for Professional Services with Willdan Financial Services in December of 2021. The purpose of this resolution is to update the City's user and impact fees based off the User Fees and Impact Fees Studies conducted by Willdan Financial.

At a high level, a user fee is a type of fee or charge that is levied on users of a particular service, facility, or product. User fees are typically designed to cover the costs of providing the service, facility, or product to those who use it. The rationale behind user fees is that those who use a particular service or facility should bear the costs of that service or facility, rather than the costs being spread across the broader population through general taxes.

The study results helped the City better understand its true costs of providing services and has served as a basis for making informed policy recommendations regarding the most appropriate fees to collect from individuals and organizations that require individualized services from the City. The recommended fees identified in the final report by Willdan Financial are either at or less than full cost recovery. Some fees analyzed were not recommended for change, others decreased, while several were recommended for increase. Staff recommends implemented the fees as Willdan suggests. As illustrated in the "User Fee Changes" attachment, most of the fee increases will remain heavily subsidized.

Looking at impact fees, the purpose of an impact fee is to mitigate the impact of new development on the surrounding community by ensuring that the cost of necessary infrastructure improvements are paid for by the developers or builders rather than by taxpayers. Impact fees are a common tool used by local governments to manage growth and development in their communities and is intended to ensure that new development pays its fair share of the costs. Impact fee revenue must be spent on new facilities or

expansion of current facilities to serve new development.

The study results helped the City calculate and present fees that will enable the City to expand its inventory of public facilities, as new development creates increases in service demands. The recommended fees identified in the final report by Willdan Financial are either at or less than full cost recovery. As identified in the “Impact Fee Staff Recommendations” attachment, staff recommends implementing the maximum justifiable fees calculated by Willdan, except in commercially zoned districts. For commercial uses, staff recommends following the same structure that was implemented for the road and drainage impact fees passed in March of 2023, by reducing the maximum fee by 50%, and further adjusting the fees to \$0 for preferred economic development uses. This specific ordinance addresses the “general government” portion of the Impact Fee Study. General government facilities serve both residents, visitors, and businesses. Therefore, demand for services and associated facilities are based on the City’s service population including residents, visitors, and workers. The City plans to use general government facilities fee revenue to construct improvements and acquire capital facilities and equipment to add capacity to the City’s general government facilities to serve new development.

The principal goal of both studies was to help the City ensure that new development pays the capital costs associated with growth. In addition, Willdan established a series of additional objectives including:

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

Staff Responsible (Department Head): Jim Tolbert; Assistant City Manager

Staff Presenting: Jenna Hahn; Executive Management Analyst

Financial Impact: Varies; positive

Funding Source: N/A

Staff Recommendation: Approve Resolution implementing the new impact and user fees

Suggested Motion: Motion to approve Resolution 2023-061 updating certain user and impact fees based off recent studies of the same