

**City Hall
Community Board Room
2729 Prospect Park Drive, Rancho Cordova**

Tuesday, May 25, 2010

5:30 p.m. - Special Meeting



WORK SESSION (AMENDED AGENDA)

1. Discussion of User Fee Right Sizing.
2. Discussion of City Council Parks Tour and Selection of New Date.

PUBLIC COMMENT

At a special meeting, citizens wishing to address the Council for any matter on the agenda may do so at the time the matter is discussed. Note, under the provisions of the California Government Code, the City Council is prohibited from discussing or taking action on any unagendized item.

ADJOURNMENT

CERTIFICATION OF AGENDA POSTING

City Clerk's Certificate of Posting of Agenda

I, Mindy Cuppy, City Clerk for the City of Rancho Cordova, declare that the foregoing agenda for the May 25, 2010 Special Meeting of the Rancho Cordova City Council was posted on May 24, 2010 at the office of the City of Rancho Cordova, 2729 Prospect Park Drive, Rancho Cordova, California, 95670 and was available for public review at that location. The agenda is also available on the city web site at www.cityofranhocordova.org.

Signed this 24th day of May 2010 at Rancho Cordova, California.


Mindy Cuppy, City Clerk

Public documents related to items on the open session portion of this agenda, which are distributed to the City Council less than 72 hours prior to the meeting, shall be available for public inspection at the time the documents are distributed to the Council. Documents are available for inspection at the City Clerk's office located in Rancho Cordova City Hall.

In compliance with the Americans with Disabilities Act, if you need a disability-related modification or accommodation, including auxiliary aids or services, to participate in this meeting, please contact the City Clerk's Office at (916) 851-8720 at least 48 hours prior to the meeting.

MEMORANDUM



DATE: May 25, 2010

TO: Honorable Mayor and Council Members

FROM: Curt Haven, Economic Development Director and Donna Silva, Finance Director

SUBJECT: USER FEE RIGHT SIZING – BUSINESS LICENSES

RECOMMENDATION

Direct staff to return with a resolution on June 7, 2010, setting Business License related fees at full cost recovery levels.

RESULT OF RECOMMENDED ACTION

Effective July 7, 2010 a new fee schedule for Business Licenses will be implemented. This new fee schedule will allow for full cost recovery, contributing \$158,000 towards the \$921,000 of fee increases included in the balanced budget for fiscal year 2010/11 and will provide adequate funding for increased enforcement of the business license requirements.

BACKGROUND

Purpose

Various state laws and city ordinances administered and enforced by city officials regulate the location, construction, improvements in, off-street parking for and other aspects of business-associated enterprises with fixed locations within the City. The purpose of such regulation is to protect members of the public against building, safety and other hazards, adverse environmental impacts, risks to health, nuisances, such as disturbing the peace and quiet of neighborhoods, or occupants of adjacent property, as a result of the generation of dust, noise, traffic, odor, glare, vibration or other disturbances, risk of fire and other dangers, and other threats to the public peace, health, safety and welfare.

The business license is an effective and efficient process for the evaluation, analysis and application of the ordinances and state laws enacted to regulate businesses for the purposes described above. Additionally, the business license is a vital tool to promote Economic Development within the City of Rancho Cordova. It is the first and only interaction a new business may have with the City and should be used to begin building a positive relationship with our businesses.

The information collected as part of the business license supports many economic development efforts by providing information on our local business community. The data gathered on the business license has helped the City secure Local, State and Federal grants. With this information we have also been able to boost the effectiveness of the regional Metro pulse program that is focused on the retention and expansion of our businesses.

The Business License process is important in supporting the Strong Neighborhoods Initiative as it provides an opportunity to make sure there are not incompatible businesses being conducted within a neighborhood. The majority of business license applications reviewed by the City can generally be characterized as home based businesses, Commercial/Industrial Businesses and Residential Rentals. Within the review of Home Based Businesses and Rentals, the City focuses primarily on public safety and nuisance issues, reviewing how the business's typical day-to-day activities will impact local traffic, noise levels and overall levels of activity within the surrounding neighborhood.

Within the review of Commercial and Industrial business licenses, the City focuses on verifying that the proposed use is consistent with adopted zoning and therefore compatible with surrounding uses. This review provides Code Enforcement the opportunity to visit the business and take a general look at the facility for any health and safety issues. Previous visits have identified some very serious safety hazards related to illegal and unpermitted tenant improvements. The site visit provides a great opportunity to educate business owners on information they may need going forward and to continue building a positive relationship with the business.

The current business license fees were adopted from the county upon incorporation with no basis in our cost or service level structure. We now have very good information on what it costs us to provide the level of review required by our ordinance. According to the recent fee study, in order to fully recover the costs associated with the business license the fee would need to be \$99 per year. The chart below illustrates the current versus full cost fee levels for the various business licenses:

Fee Description	Annual Volume	Current Fee	Full Cost Fee	Difference	Additional Annual Revenues
General Business License	2,200	\$45	\$99	\$54	\$118,800
Residential Rental License	700	\$45	\$81	\$36	\$25,200
Special License – new	varies	\$172	\$215	\$43	
Special License – Renewal	150	\$140	\$151	\$111	\$5,550
Employee Permit	145	\$85	\$149	\$64	\$9,280

The fee study indicates that it takes, on average, 45 minutes to process a license application. This includes answering questions, offering guidance on other agencies the individual needs to contact to set up a business, entering the application into the system, processing payment, zoning review, follow up and license issuance. This is an estimate of an average. In some cases it takes less time, in other cases more. In general it takes 30 to 60 minutes to process a general business license application.

Processing time for renewals was analyzed, but not separately stated in the study. While processing a single renewal takes significantly less time than processing a new application, we added the general time that we take to track down returned renewal letters and to attempt to contact business owners with expired licenses. When that time is included in the renewal processing time, it appeared to result in 45 minutes, the same amount of time as it takes to process a new application. For that reason staff does not recommend a reduction in the fee for license renewal.

Applicability

There are 2,900 business establishments in the City of Rancho Cordova, according to a 2008 Economic Profile prepared by the Sacramento Regional Research Institute. In terms of City business licenses, in fiscal year 2008/09, the year of the study, there were a total of 2,397 active general business licenses, 1,292 of which were Residential Rentals. The remaining 1,105 were comprised of approximately commercial and home-based business licenses. Based on this data, there are approximately 1,800 businesses in Rancho Cordova that are likely operating without a license.

Due to limited resources, and a fee that we knew was not based on our costs and was set too low, staff has not expended significant efforts to capture the unlicensed businesses in our community. Since the fee for each license does not recover the cost of processing the license, it was prudent, from a fiscal perspective, to delay enforcement efforts until the fee could be adjusted to reflect our costs and service levels.

When the city adopted the County Business License ordinance, it exempted almost all businesses except home based businesses. The City modified the ordinance to remove these exemptions. As currently written, the city's Municipal Code requires the following businesses to obtain a business license:

- At a fixed location in the city any: manufacturing, fabricating, processing, assembly or repair; wholesaling or storage; lodging; entertainment; service; retailing; educational; hospital or other medical care; or business or professional office enterprise; home occupation; or a facility to which members of the general public are invited; or adult uses as defined and regulated by the zoning code of the city of Rancho Cordova;
- Regardless of whether operated for commercial, nonprofit, charitable or other purposes

- The following businesses either require a special license or need a license even if they do not have a fixed location within the city:
 - Temporary Concessions: any out-of-doors retail sales operation, whether conducted for an hour or less, a day, or longer, established for the purpose of selling flowers, produce, Christmas trees or greens, clothing, paintings or other artistic products, books or other written materials, or other goods from a table, stand, temporary sheltered enclosure, cart, motor vehicle or similar equipment
 - Ambulances
 - Cardrooms
 - Outdoor Festivals
 - Taxicabs
 - Raft Rentals
 - Bingo Games
 - Bingo Parlors
 - Pawnbrokers, Second Hand Dealers and Junk Dealers
 - Junk Tire Storage
 - Massage Technicians & Establishments
 - Plumbing Trade
 - Dancers
 - Poolhalls
 - Movie & Television Production
 - Itinerant Food Vendors
 - Fireworks Stands
 - And others (exhaustive list)

The following activities or enterprises are expressly exempt from the licensing requirement:

- Churches
- Libraries
- Agriculture
- Financial Institutions

If council desires to review the applicability of the business license requirements, staff is happy to return with an in depth analysis of the existing ordinance and frame a discussion on this topic.

Efficiency

In fiscal year 2008/09 we implemented the Business License module of the Hansen system. This moved us from a manual process, managed by a spreadsheet in excel, and renewal letter in Word, to an automated software package, greatly increasing our efficiency.

Staff is currently in the process of implementing an on-line business application process which may increase our efficiencies. This will be studied in the next User Fee Study and if it resulted in increased efficiencies, we would suggest lowering the Business License fee.

Comparison

A review of some of our neighboring cities business license costs has determined that our current fee is on the low end of the spectrum. The increase to \$99 would put the City at the average cost of a business license in the region.

Jurisdiction	General Business License	Timeframe
Rancho Cordova	\$45 New / \$45 Renewal	Annual
West Sacramento*	\$40 New / \$40 Renewal	Annual
Sacramento - City	\$100-\$3,000 Tax	Annual
Folsom	\$60-\$1,000+ Tax	Annual
Citrus Heights	\$75 New / \$50 Renewal	Annual
Elk Grove	\$110 New / \$110 Renewal	Biennial
Rocklin	\$280+ Tax	Annual

*West Sacramento is raising their fee as part of their proposed budget

Summary

Business licenses have a great impact on our City and they give us the ability to protect health and safety, protect the neighborhoods, maintain the zoning codes, and to understand our business community. It is staff's recommendation that business license fees be adjusted to full cost recovery levels with an annual renewal requirement

MEMORANDUM



DATE: May 25, 2010
TO: Honorable Mayor and Council Members
FROM: Donna Silva, Finance Director and Cyrus Abhar, Public Works Director
SUBJECT: USER FEE RIGHT SIZING – BUILDING PERMIT FEES

RECOMMENDATION

Direct staff to return on June 7, 2010 with an updated User Fee Study and a resolution setting Building Permit related fees.

RESULT OF RECOMMENDED ACTION

A new fee schedule for Building Permits will be implemented. The new fee schedule will allow for an increased level of cost recovery, helping to balance the budget for 2010 and provide adequate funding for certain building permits.

BACKGROUND

On May 17, 2010, council approved an ordinance to establish Construction Permit Fees by resolution rather than ordinance. The purpose of the discussion today is to seek council direction on the proposed fee increases to achieve cost recovery or a level of cost recovery that is acceptable to council.

Building Permit Fees

The User Fee Study indicated that we are significantly undercharging for Building Permits. Based on the methodology developed in the User Fee Study and applying the current average fees to the permit volumes projected for Fiscal Year 2010/11, the annual revenue is estimated at approximately \$863,667. The current estimated FY 2010/11 expenses for the Building & Safety Division are \$1,056,800 resulting in a shortfall of \$193,133. In addition, the Cost Allocation Plan (CAP) identified the Divisions allocation of Citywide overhead costs to be \$583,391, increasing the total shortfall for the Division to 776,524 at full cost recovery.

Efforts to achieve cost recovery can be addressed through different measures:

- Further cost reductions (efficiencies)
- Fee increases
- Intended subsidies

Cost Reductions

Prior to the reorganization of the Building & Safety Department to become a Division under the Public Works Department in April 2009, the actual expense budget for the Building & Safety Department in Fiscal Year 08/09 was \$1.5 M. The 09/10 expenditure budget was dramatically reduced and not expected to exceed \$1.0 M. This has been achieved through a combination of factors including elimination of overtime charges, staff reductions, contract renegotiations, and reductions in expenses including furloughs. The proposed expense budget for the Building Division in FY 10/11 remains at \$1.0 M.

Part of the cost reductions were achieved through increased efficiencies. In the Spring of 2009, the City completely discontinued using County Building Inspection services and brought the services in house through a consultant contract. The consultant contract building inspector for nonresidential projects is a highly qualified combination inspector who performs electrical, plumbing, mechanical, and structural inspections. Previously the County had separate inspectors for each discipline which was inefficient and expensive. The billing rate for the contract inspector was also negotiated at a highly competitive rate. The City's nonresidential inspection process is highly efficient with a high customer satisfaction result.

In the processing of production homes, the on staff building inspector who reviews and approves the master plans is the same person who performs the inspections in the field. We require that the engineer and framer be present during the shear inspection on the model home which is labor intensive for the first inspection, but it ensures that the model is completely consistent structurally with the plans. Overall, this increases the efficiency on the inspections for the rest of the production homes based on that model.

Mobile HWY is a technology that was implemented about a year and a half ago to automate the input of inspection results. Using their blackberry phone, the inspectors input inspection results that directly populate into the Hansen permit system. Common results can be batched which is faster than can be done manually on the computer. The Mobile HWY software also provides an easy visual database to monitor status of inspections and inspectors can transfer inspections to each other based on availability and workload.

There may be room for further reductions in expenses, but this will require additional time to strategically evaluate how that can be accomplished without significant reduction in the quality of services provided. There may also be room for reductions in the overall Citywide overhead expenses, but again it may take some time to evaluate how this can be accomplished.

Fee Increases

Summarizing from above, applying the current average fees to the permit volumes projected for FY 10/11, the annual revenue is estimated at approximately \$863,667 which is not sufficient to cover the Division expense and overhead budget as well as the Citywide allocation of overhead costs. Although the methodology used to develop the User Fee Study is sound, staff has recognized that the study needs to be further refined to remove some overhead costs which support general benefit and are appropriate to be excluded from the Division overhead costs associated with user fees. Additionally, there is further refinement needed in the time estimates allocated for each fee type to reflect increased efficiencies and streamlined processes.

We will be seeking direction from Council tonight on the level of fee increases which may be appropriate towards recovering actual costs and which fees and services may continue to be subsidized for the public benefit.

Intended Subsidies

It is common practice for jurisdictions to fund essential life and safety services provided with general tax dollars. Like many other life and safety services, it may be appropriate for Council to consider some level of subsidy in the services provided by the Building & Safety Division. The Division provides essential services that may not be directly recoverable through permits such as providing inspection services to Code Enforcement to evaluate conditions on certain cases like the Value Inn or the Carriage House Apartments with unsafe or uninhabitable conditions. Another typically non cost recoverable expense is attributed to violations where work was done without a permit which can be a time intensive process for staff.

Council may choose to subsidize a portion of the Citywide or departmental overhead or by subsidizing certain permits. For example, to protect the health and safety of the homeowner by ensuring the work being performed in their homes meets the required building code standards, it may be appropriate to subsidize certain residential permits. In addition the council may also wish to consider a level of subsidy for certain residential and nonresidential permits for economic development reasons.



May 25, 2010

The Honorable Ken Cooley, Mayor
The Honorable Robert McGarvey, Vice Mayor
The Honorable Linda Budge, Councilwoman
The Honorable David Sander, Councilman
The Honorable Dan Skoglund, Councilman
City of Rancho Cordova
2729 Prospect Park Drive
Rancho Cordova, CA 95670

RE: **City of Rancho Cordova's May 25th, 2010 Work Session on User Fee Right Sizing**

Mayor, Vice-Mayor and Council Members:

I write today on behalf of the North State Building Industry Association (BIA) regarding your Council Work Session on "User Fee Right Sizing." The comments will be general in nature as there is not a staff report available as of 1:30 pm on the day of the Work Session. Given that the only staff report available is from May 17th, Please accept my prior letter of May 17th as an attachment to this letter.

Given that your deliberations will be used by your staff in the preparation of the city's budget for the next fiscal year, the BIA felt it necessary to offer the following comments:

While the goal of full cost recovery is laudable on its face, there are a number of issues that we believe the Council should consider in giving direction to your staff.

The City uses a contract method of service delivery. That is, the City of Rancho Cordova chooses for-profit companies to deliver services on the City's behalf. Staff interviews and makes recommendations to the City Council on which for-profit companies will be hired. While this has proven beneficial to the City, there are opportunities for conflicts.

- Are any of the employees of the for-profit companies that benefit from a proposed fee increase involved in the formulation of recommendations on the fee level?

- In determining the cost to provide the service, has the City exercised all of its opportunities to reduce costs attributable to the City's for-profit vendors prior to seeking additional fees to pay the City's for-profit vendors?

While we are not alleging any improper activity, we are merely concerned that this activity be done in the most open and transparent possible way.

In addition, what cost control measures and analytical metrics does the City employ to ensure that the costs born by the payer of the user fee are as efficient and effective as possible? In the absence of cost control measures and analytic metrics, how does the City know that it is as efficient with the user fee dollar as possible?

One benefit of a possible General Fund Contribution would be cost containment. That is, if a service was contemplated that included a blend of user fees and General Funds, staff would have a clear goal to achieve cost containment. Given the priority that the staff places on General Fund revenue, staff would be compelled to deliver the service within the fee amount. If the staff was able to achieve the needed cost reduction, the possible General Fund contribution would not be needed.

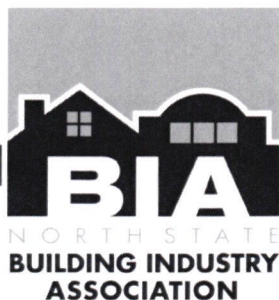
In addition to the above concerns, the BIA also finds it difficult to believe that City staff would partially justify a fee increase with an argument that "we have fewer departments to spread out costs over, so we will have higher fees."

I will be in attendance at your meeting this evening should you have any questions.

Regards,

A handwritten signature in dark ink, appearing to be "D. H. [unclear]".

Senior Vice President
Governmental and Public Affairs



May 17, 2010

The Honorable Ken Cooley, Mayor
The Honorable Robert McGarvey, Vice Mayor
The Honorable Linda Budge, Councilwoman
The Honorable David Sander, Councilman
The Honorable Dan Skoglund, Councilman
City of Rancho Cordova
2729 Prospect Park Drive
Rancho Cordova, CA 95670

RE: **City of Rancho Cordova's May 17th, 2010 Agenda, Item 10.1 (Oppose)**

Mayor, Vice-Mayor and Council Members:

I write today on behalf of the North State Building Industry Association (BIA) in opposition to the proposed fee increases that impact the development community. The staff report indicates that the proposed fee increases are to achieve full cost recovery and avoid a "subsidy" from the general fund of the City of Rancho Cordova. In addition, there is a mention of trimming costs from the peak expenditure fiscal year of 2007/08 by about 12%.

Nowhere in the staff report does it detail what efforts the City has undertaken to reduce costs in activities that are being proposed to be increased. Have any of the contracts for services been renegotiated to reduce costs, shorten time frames or eliminate unneeded activities? As an organization with a government monopoly, should not the first call of duty be on controlling costs? The services being charged for are provided by a for profit company at the direction of the City of Rancho Cordova. Why should increases on other businesses be implemented to pay for the operations of a for profit contractor to the City without justification that every available cost containment and reduction action has been taken?

On March 23rd I attended a presentation by City staff on user fees. The staff report consisted of a single page that did not include any of the documentation used to determine the current costs or the "subsidy." The current discussion is based upon this study, but in researching this issue on the City's web site, no search results turned up any background documentation for the user fee study.

In addition to the above concerns, the BIA also finds it difficult to believe that City staff would partially justify a fee increase with an argument that "we have

fewer departments to spread out costs over, so we will have higher fees." Given the nature of the structure of the City of Rancho Cordova, a comparison to the City of Elk Grove would be warranted. Both Rancho Cordova and Elk Grove are contract cities with very similar services provided by others.

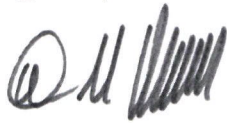
If this fee increase were to be approved, the City of Rancho Cordova would be 29% more expensive and take 37% more time to do the same job.

In order to more fully understand the totality of the proposal, the BIA would request that the City Council continue the discussion on the portion of agenda item 10.1 that impacts the development and building industries. Further we would request that the City Council direct your staff to include the user fees that impact development and building be included in the meeting that the BIA and your staff will be having on impact fees one week from today.

While your staff will indicate that they need to know what fee levels will be in place to develop the City's budget, we believe that our request is modest and provides an opportunity to utilize an already underway process to review these fees.

I will be in attendance at your meeting this evening should you have any questions.

Regards,

A handwritten signature in dark ink, appearing to be "D. H. [unclear]", written in a cursive style.

Senior Vice President
Governmental and Public Affairs