



MONROE CITY COUNCIL

Agenda Bill No. 20-022

SUBJECT:	FCS Group Introduction to Planning Fee Cost of Service Study
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DATE:	DEPT:	CONTACT:	PRESENTER:	ITEM:
2/04/2020	Community Development	Ben Swanson	Ben Swanson/ FCS Group	Presentation #1

Discussion: 09/17/19 (FHR Committee), 12/17/19 (FHR Committee), 01/21/2020 (FHR Committee)

Attachments: 1. FCS PowerPoint

REQUESTED ACTION: Provide policy direction to City staff regarding the proposed cost recovery methods associated with the revisions to the City’s development fees. After receiving policy direction from the Council as a whole, staff will return to the Finance and Human Resources Committee for further refinement.

POLICY CONSIDERATIONS

RCW 82.02.020 allows cities to collect fees "...from an applicant for a permit or other governmental approval to cover the cost...of processing applications, inspecting and reviewing plans, or preparing detailed statements..." The policy decision which will eventually come before the Council is at what level the Council wants to recover the costs associated with these services.

DESCRIPTION/ BACKGROUND

The purpose of this meeting is to provide City Council with an understanding of the City’s current cost recovery level as it relates to land use development fees and review alternative cost recovery methods for potential adoption by City Council.

The City of Monroe Community Development and Public Works Departments administer the City’s development regulations for zoning, subdivisions, shoreline management, environmental review, and other land use development related actions. The Departments initiated a cost-of-service study to determine the full cost to provide related planning fee services and potentially adjust the current fees charged for these services to improve the program’s cost recovery.

The goal of the review was to:

- Understand the City’s cost to issue a permit related to land use development;
- Research potential remedies to discourage low quality permit submittals;
- Develop policies that best reflect the City’s cost recovery goals.

Current City fees are established by City Council and adopted by resolution in the City’s “Fees Resolution.” Within the Fees Resolution, the City establishes fees for land use development services. Our current fees recover approximately 18% of planning and 51% of public works permit review costs. Any costs not recovered through fees are paid for from revenue General Fund (e.g., property tax and sales tax).

The City’s Finance and Human Resources Committee reviewed the City’s current fee structure, to include the history leading to the existing fees, statutory guidance on how fees can be set, how those fees relate to neighboring jurisdictions, and various policy options to



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consider for future cost recovery. Based on this discussion the Committee determined the following general principles for future cost recovery:

- Not seeking to recover full cost of service
- Fees should be competitive with neighboring jurisdictions
- Cost recovery targets should be tiered, increasing with private benefit

Using these general principles Committed develop the following draft cost recover policy:

- “The City establishes fees for development services recognizing that a portion of the cost of providing these services benefits the entire community and should be borne by the City’s General Fund. Fees for these services are evaluated based on several factors, including:
 - The cost of issue the permit;
 - The public benefit versus private gains of the permit;
 - Fees for similar services in comparable cities
- Generally, the City seeks to recover more eligible costs on those permits that have an overwhelming private benefit and seeks to recover less than all eligible costs on those permits that have a mix of private and public benefits.
- The City’s land use planning fees are categorized into three cost recovery tiers based on the factors described above.”

Based on these discussions, the committee and staff have narrowed down the potential policy regarding cost recovery to utilize a three tiered system based on whether the development service provided would have a more public versus private benefit.

Using a tiered system, the City’s land use planning fees would be categorized into three cost recovery tiers based on the factors described below:

Tier	Rationale	Example Permits
Tier 1 (lower cost recovery)	The cost of service exceeds the benefit received by the permittee; or where the cost of service is higher than fees in comparable cities for similar services.	Reasonable Use Permits and Pre-Application Meetings
Tier 2	Permits that serve a public good or where the City wants to ensure that the fee does not discourage applicants from the permitting process.	Boundary Line Adjustments
Tier 3 (Higher cost recovery)	Individuals or businesses are the primary financial beneficiaries of the permit.	Subdivisions and Final Plats

Staff would review the City’s fees to determine which tier applies to each fee. The policy, to be adopted by Council, would establish the target recovery amount associated with each tier.



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FISCAL IMPACTS

The salary of City staff who review permit submittals are payed from the general fund; therefore, the fiscal impacts of fee recovery are directly tied to the general fund. Those cost of service not covered by the land use fees are subsidized by the general fund. Conversely, full cost recovery of land use fees may deter developers from building within the City.

TIME CONSTRAINTS

None

ALTERNATIVES

None at this time



City of Monroe City Council



Development Fee Cost of Service Study

February 4th, 2020
Matt Hobson, Project Manager





Agenda

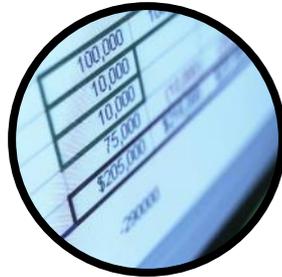
- ◆ **Overview of Study Process**
- ◆ **Summary of Results**
 - Land Use Planning
 - Development Engineering
- ◆ **Summary of Finance Committee Discussion**
- ◆ **Proposed Cost Recovery Policy**
- ◆ **Next Steps**

Key Study Steps



Cost of Service Analysis

What does it cost the City to provide planning fee services?



Cost Recovery Analysis and Policy

How does the cost compare to the current fee and cost recovery policy?



Fee Design

How can the City structure the fees for these services?



Fee Survey

How do current and proposed fees compare to comparable jurisdictions?



What costs can be recovered?

Legal authority for setting fees

- Authorized within RCW 82.02.020
- City can collect fees “from an applicant for a permit or other governmental approval to cover the cost...of processing applications, inspecting and reviewing plans, or preparing detailed statements [related to SEPA reviews]”

Recoverable costs

- Direct cost of permitting services
- Reasonable portion of indirect and overhead costs

Examples of costs that cannot be recovered

- Comprehensive long-range planning
- Code enforcement

Interviews With City Staff

Direct Non-Permitting Activities

Direct Permitting Activities

Indirect Activities

Code Enforcement

Citywide Capital Projects

Long-Range Planning

Land Use Permits

Public Works Permits

Customer Service

General Administration

Land Use Applications (56)

Rights-of-Way (10)

Grading (12)

Design Engineering (9)

Other Fees (15)

Note: building, plumbing, and mechanical permits were not included in this study.



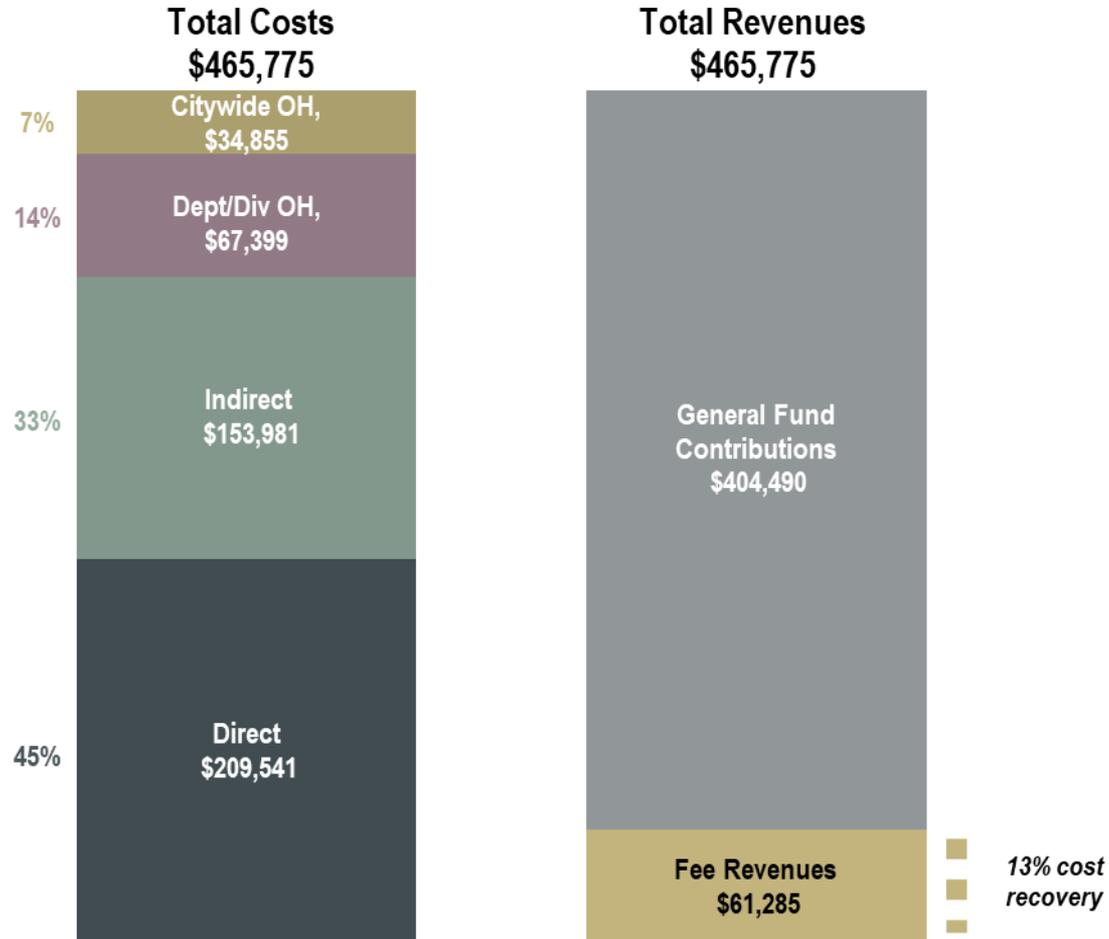
Planning Cost of Service (2018)

- Employee hourly rate includes portion of indirect, non-labor costs

<i>Planning Services</i>		Annual Cost Components		Total Costs	% of Total Costs
		Labor Costs	Non-Labor Costs		
Direct Costs	Total Direct Services	\$ 204,288	\$ 5,253	\$ 209,541	45%
Subtotal Direct Costs		\$ 204,288	\$ 5,253	\$ 209,541	45%
Indirect Costs	Public Info & Cust. Svc.	\$ 86,664	\$ 2,364	\$ 89,027	19%
	Training & Certification	11,209	290	11,499	2%
	General Admin & Mgt	40,333	962	41,295	9%
	Breaks	11,826	334	12,160	3%
Subtotal Indirect Costs		150,032	3,949	\$ 153,981	33%
Overhead Costs	Department Administration OH - Fee Related	\$ 43,083	\$ 24,315	\$ 67,399	14%
	Citywide OH - Fee Related	-	34,855	34,855	7%
Subtotal Overhead Costs		\$ 43,083	\$ 59,170	\$ 102,253	22%
Loaded Hourly Rate		\$ 124.50	\$ 21.42	\$ 145.92	100%
Total Planning Services Costs		\$ 397,403	\$ 68,372	\$ 465,775	100%

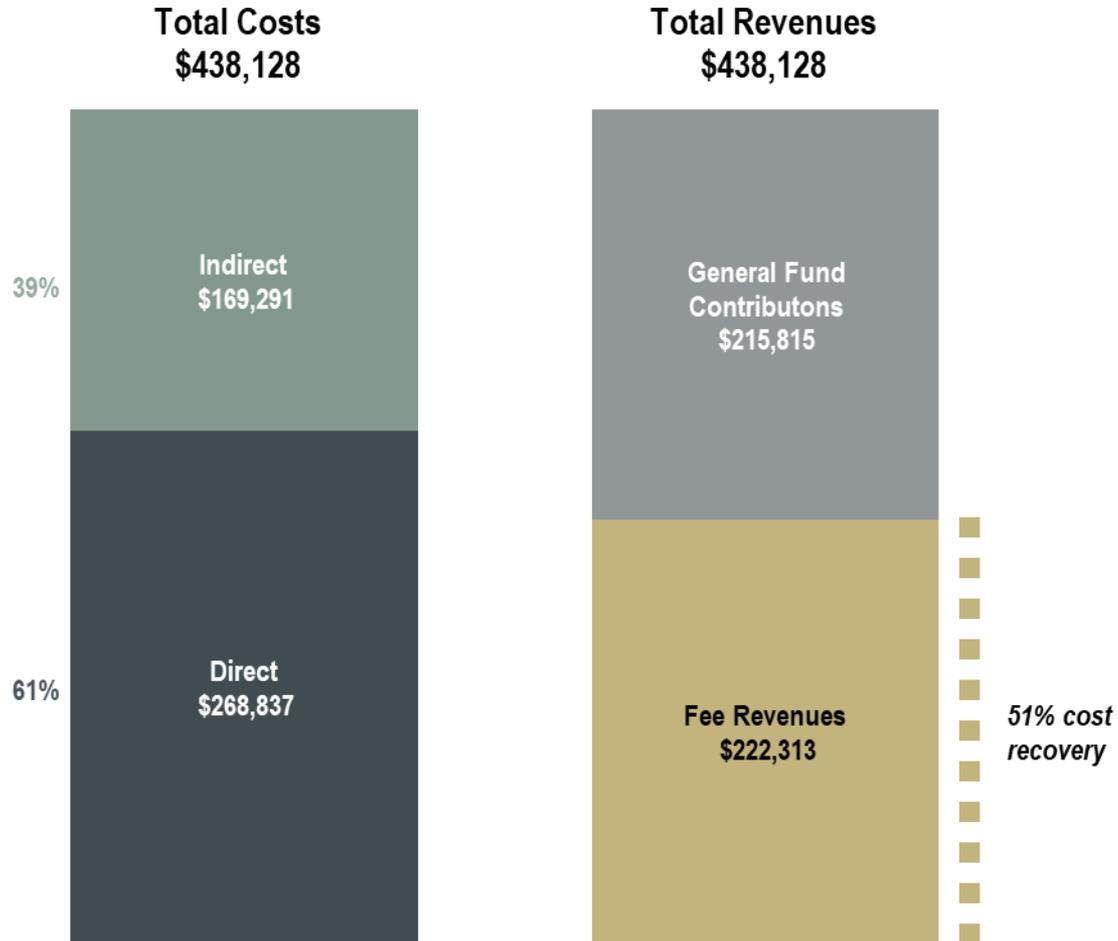


Existing Overall Cost Recovery - Planning





Existing Overall Cost Recovery – Public Works





Summary of Results

- 10 50 fees reviewed
- 10 13% overall cost recovery
- 10 1 fee currently above cost of service

Land Use Planning



- 10 40 fees reviewed
- 10 51% overall cost recovery
- 10 17 fees currently above cost of service

Development Engineering





Finance Committee Discussion (Dec 17)



Not seeking to recover full cost of service



Fees should be competitive with neighboring jurisdictions



Cost recovery targets should be tiered, increasing with private benefit



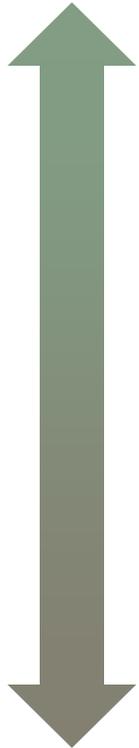
Draft Cost Recovery Policy

- ◆ **“The City establishes fees for development services recognizing that a portion of the cost of providing these services benefits the entire community and should be borne by the City’s General Fund. Fees for these services are evaluated based on several factors, including:**
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- ◆ **Generally, the City seeks to recover more eligible costs on those permits that have an overwhelming private benefit and seeks to recover less than all eligible costs on those permits that have a mix of private and public benefits.**
- ◆ **The City’s land use planning fees are categorized into three cost recovery tiers based on the factors described above.”**



Draft Cost Recovery Policy

Lower Cost
Recovery



Higher Cost
Recovery

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Next Steps

- ◆ **City staff to apply proposed cost recovery framework to development fees**
 - Review preliminary fee schedule with Finance Committee
- ◆ **Presentation to City Council (late February)**
 - Summary of study results and recommendations
 - Presentation of proposed fee schedule for City Council consideration

Matt Hobson
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Public Works Fee Cost of Service (2018)

<i>Public Works Services</i>		Annual Cost Components		Total Costs	% of Total Costs
		Labor Costs	Non-Labor Costs		
Direct Costs	Total Direct Services	\$ 268,837	\$ -	\$ 268,837	61%
Subtotal Direct Costs		\$ 268,837	\$ -	\$ 268,837	61%
Indirect Costs	Public Info & Cust. Svc.	\$ 34,695	\$ -	\$ 34,695	8%
	Training & Certification	27,607	-	27,607	6%
	General Admin & Mgt	80,657	-	80,657	18%
	Breaks	26,333	-	26,333	6%
Subtotal Indirect Costs		169,291	-	\$ 169,291	39%
Overhead Costs	Department Administration OH - Fee Related	\$ -	\$ -	\$ -	-
	Citywide OH - Fee Related	-	-	-	-
Subtotal Overhead Costs		\$ -	\$ -	\$ -	-

Loaded Hourly Rate	\$ 96.02	\$ -	\$ 96.02	100%
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Total Public Works Services Costs	\$ 438,128	\$ -	\$ 438,128	100%
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