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REPORT TO MAYOR AND THE CITY COUNCIL

FROM: Brian G. LeBrun, Deputy City Manager – Finance

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DATE: March 14, 2022

SUBJECT: Elimination of Fund 21 and establishment of new proposed Engineering fee structure within the General Fund

Recommendation
Set the attached proposed Engineering fee structure for public hearing.

Background

The City has for several years carried the Engineering Inspection Fund (Fund 21) as a means to account for Engineering Division inspection time on private development projects in the community. This practice has afforded the Engineering Services Division the ability to off-set staff expenses from the General Fund by budgeting for anticipated inspection revenues through Fund 21. Unfortunately, this practice has become increasingly problematic for a variety of reasons, and City Administration would like to move forward with the elimination of Fund 21 and fold the expenses and revenues currently accounted for in Fund 21 into the General Fund.

Annually, as part of the City budgeting process, Engineering Services staff is expected to estimate the amount of Fund 21 hours that will be generated throughout the entire fiscal year by private development projects. This is extremely challenging even on a single project basis much less over a twelve-month period for a variety of projects—some of which are unknown at budget time. When estimates are off, the Fund runs a deficit resulting in the need for the General Fund to make up the difference outside of the annual budget process which is not ideal.

The Fund 21 process is also somewhat nebulous for the development community as it historically has been based on internally-generated Engineering Services estimates. If these estimates prove to be too low, the City then has to bill Developers for the outstanding balance resulting, many times, in Developer disputes which consume even more administrative staff resources and sour City/private sector relationships.

The Engineering Services fee changes proposed herein would provide greater transparency, reduce the need to bill after the fact, and be compatible with the EnerGov online permitting system anticipated to go live this spring in Community Development. The proposed fee structure incorporates a tiered inspection fee approach that should allow Engineering to mimic the City's building permit fee process where payment is calculated based on a reasonably accepted metric and payment is collected upfront.

The proposed fee structure is as follows:

Excavation and Utility Connection Permits

The applicant will be required to estimate a project's duration and the inspection fee will be automatically generated as follows:
- Tier 1 (project duration of half day or less) – Fee is based on 3 hours of labor and covers 0.5 hour administrative/management, and 2.5 hours inspection = 3 hr * $85/hr = $255. (The current minimum excavation fee is $220 and utility connection permit fee is $160. The vast majority of cases involving a utility connection today trigger the need for both a utility and excavation permit. Under this proposed "Tier" system, these permits would be consolidated into the one single fee noted.) If the project exceeds 5 hours in any given day, it is elevated to tier 2.
- Tier 2 (project duration of more than 5 hours with no overtime) – Fee is based on 8 hours labor (regular time) and covers 1 hour of administrative/management and 7 hours of inspection = 8 hr * $85/hr = $680. If the project exceeds 8 hours (or requires overtime) in a given day, it is elevated to tier 3.
- Tier 3 (minimum of 4 hours overtime) - Work involving overtime or after-hours or off-day work (weekends, holidays, etc.) and is based on minimum 4 hours at overtime rate = 4 hr * $100/hr = $400 plus any amount of overtime worked beyond the 4 hour minimum. In many cases this charge would be in addition to the fees charged in either Tier 1 or Tier 2, but it could also accommodate projects where all the inspection work occurs solely as overtime labor.

Driveway Permit Structure

As part of Engineering's fee structure review, it was determined that the Driveway Permit fee also required changes to better align with actual staff time historically spent on driveway reviews and inspections. The applicant will now be required to select residential or commercial driveway. If it is a commercial driveway the applicant is required to estimate the area of the driveway or street in square feet and the inspection fee is automatically generated as follows:
- Tier 1 - For 1- and 2-unit residences only. Work on private property or simple (no sidewalk/curbing) tie-in to a City street. Fee remains $75.
- Tier 2 - For 1- and 2-unit residences only. Curbing or sidewalk is disturbed in the City right of way (ROW). Fee remains $225.

- Tier 3 - For all paving not associated with a 1- and 2-unit residence (e.g. commercial, 3 or more unit residential) or a future City street. Fee is $75 + $0.03 per square foot of paving on private development including private streets and sidewalks. Overlays are exempt from square foot fee.
- Tier 4 – For paving associated with a future City accepted street. Fee is $75 + $0.20 per square foot of paving within the existing or proposed City ROW and includes sidewalks.

Given the recent establishment of the Fee Committee, Administration will hold off on the typical City-Wide fee change proposals, annually submitted in March/April, until the Committee has sufficient time to meet and discuss their goals, processes and revisions. The proposal for other departments and divisions fee changes will be forthcoming.

Conclusion

The critical aspect of the process is to maintain responsible fees and charges that are adequate to support delivery of city services. Please refer to the attachments for various summary and detail changes to the Fees, Fines, and Penalties schedules. These fee schedules are available on the City website preceding the public hearing and afterwards for general information.