



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 3/22/2022

To: Board of Supervisors

Department or Agency Name(s): Permit Sonoma

Staff Name and Phone Number: Regina De La Cruz (707) 565-2296

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Consolidated Fee Hearing - FY 22-23 Fees for Permit Sonoma

Recommended Action:

Permit Sonoma recommends the Board of Supervisors, Sonoma County Water Agency Board of Directors and the Board of Directors of the Sanitation Districts take the following actions:

- A) Board of Supervisors, County of Sonoma
 - 1. Adjust FY 2022-23 ongoing General Fund baseline contribution by \$1 million to mitigate cost recovery cumulative fees and charges increases.
- B) Board of Supervisors, County of Sonoma
 - 1. Adopt ordinance increasing and adjusting fees for development applications, permits, and services provided by Permit Sonoma in order to cover the costs of providing the related services.
- C) Board of Directors, Sonoma County Water Agency
 - 1. Adopt ordinance increasing and adjusting certain fees for sewer permit, plan check, and inspection services for the Sonoma County Water Agency.
- D) Board of Directors, Sonoma Valley County Sanitation District
 - 1. Adopt ordinance increasing and adjusting certain fees for sewer permit, plan check, and inspection services for the Sonoma Valley County Sanitation District.
- E) Board of Directors, Occidental County Sanitation District
 - 1. Adopt ordinance increasing and adjusting certain fees for sewer permit, plan check, and inspection services for the Occidental County Sanitation District.
- F) Board of Directors, Russian River County Sanitation District
 - 1. Adopt ordinance increasing and adjusting certain fees for sewer permit, plan check, and inspection services for the Russian River County Sanitation District.
- G) Board of Directors, South Park County Sanitation District
 - 1. Adopt ordinance increasing and adjusting certain fees for sewer permit, plan check, and inspection services for the South Park County Sanitation District.

Executive Summary:

Permit Sonoma provides land use planning and permitting services - plan check and inspections - for planning, building, engineering, fire prevention, hazardous materials, natural resources and code enforcement for the unincorporated areas of Sonoma County. Permit Sonoma provides these services on behalf of the County of

Sonoma and the Sonoma Valley, Russian River, South Park and Occidental County Sanitation Districts (Districts), as well as the Sonoma County Water Agency (SCWA).

In 2019, to ensure compliance with California law and as part of Budget and Fiscal improvements, County Administrator's Office (CAO) staff has begun best management practice to periodically review fees and charges (F&C) for service cost components and calculation methodology assumptions. As a result, under department head authority, the CAO's Operations and Budget staff engaged [NBS consultants <https://www.nbsgov.com/>](https://www.nbsgov.com/) to conduct a review of three selected departments/programs. Permit Sonoma (PS) was one of the selected departments.

For FY 2021-22 Permit Sonoma is financed 65% by fees and charges (F&Cs), 5% by state and federal grants, 21% other revenues; transfers and reimbursements including code enforcement; and 9% General Fund (GF) support. During FY 2018-19 budget development, GF baseline support was reduced by \$1.8 million or 32% after applying a 3-year average actual GF net cost use. However, the 3-year average approach did not account for the full implementation, in the following year, of deferred revenue accounting practices intended to recognize F&Cs collected only until department services have been rendered. Twice, in the last six years, the Board has approved Permit Sonoma fee increases based on operational cost changes primarily influenced by the Consumer Price Index (CPI): 4% in FY 2016-17 and 3.9% in FY 2019-20. The approved F&C adjustments have been consistently lower than the negotiated labor cost increases during the same six-year period. Staff estimates operating costs have experienced a 9.6% average year over staffing expense increase.

Given the revenue deficit gap when revenue is compared to the most recent operational expenses, coupled with previous GF baseline reduction, staff recommends a \$1 million GF baseline increase while also adjusting Permit Sonoma FY 2022-23 F&Cs with the majority of the fees increasing by 9%. In addition, staff is presenting new fees and proposed adjustments using a redesign F&C structure intended to provide public ease of use. Preliminary the combined revenue projections from new fees and the 9% fee increase is approximately \$705,000

Discussion:

NBS Fee Study Findings - See attachment 16

The results of any fee study typically show that across the hundreds of individual fees analyzed, there will be many fees that are under, over and approximately recover 100% of full cost of providing services. The comprehensive fee analysis performed by NBS re-evaluates the County's basis for calculating F&C to ensure they are adjusted to current legal parameters and industry standards. Without scrutinizing service delivery efficiencies nor validating pre-2019 adjustments associated with extraordinary events such as disasters, NBS review focused on developing a method of calculation resulting in the maximum potential F&C amounts at 100% of estimated cost. Permit Sonoma worked with NBS to analyze and time study all fees. Based on study completed, the department recommends:

Permit Sonoma Recommendation #1: Ensure that FY 2022-23 fees and charges adjustments meet industry standards, uphold the statutory requirements of the State of California, do not exceed 100% cost recovery based on projected 2022-23 cost of delivering services, as well as align and restructure fees in accordance with improvements identified in the study.

Permit Sonoma Recommendation #2: Adjust the department's annual General Fund (GF) contribution and approve recommended F&Cs adjustments. As a result of FY 2018-19 General Fund (GF) contribution reduction of \$1 million, department leadership continues to look at cost efficiencies such as eliminating consultant costs by redirecting work to be completed in house. Based on a cost recovery from F&Cs approach, as provided in the NBS report, the FY 2022-23 GF department support from \$3.6 million to \$4.6 million, allows projected F&C adjustments to be limited to 9% in FY 22/23 and 7% *projected* over the next three fiscal years.

If GF baseline is not adjusted, and proposed fee increases are not approved, the department will develop for the Board's consideration, program cuts to balance the FY 2022-23 recommended budget to be adopted in June.

FY 2022-23 fee schedules look different due to suggested adjustments by the NBS study and align with our current menu of services. Details are broken down in the study by section under new, deleted and realignment within the report. The department deleted various existing fees mainly because of being obsolete or needing modernization. New established fees are using methodology created by NBS consulting framed to increase cost recovery by using a fully burdened rate rather than a specific job class hourly rate. New fees were calculated at the individual fee level time estimates, yielding an average total cost of providing each fee for service activity. New fees will allow for better adherence to current practices and identification of existing services, which no fee is currently charged. Details on fully blended rates in the NBS narrative report can be found on page 9.

Fee structures will be updated per the attached fee schedules and the NBS Study.

Top 10 changes in F&C rates:

- A) New fully loaded blended hourly labor rates for each Section/Division's New Fees is based on the 2019 Fee Study review: Planning \$232; Engineering and Water \$234; Well & Septic \$250; Building \$229; and Fire Prevention & Hazardous Materials \$308.
- B) Several Planning fee categories are currently charged based on a base fee amount plus an additional charge per lot. These fees have been restructured to include one flat fee and the additional charges on a per lot basis have been deleted from the fee schedule.
- C) Grading Plan Check and Inspection fees were restructured to move away from a projects cubic yardage as a basis for determining the fee amount.
- D) Water Service Fees - a new fee structure was created to separate water service review and inspection from sewer service review and inspection.
- E) Well & Septic fees were restructured and re-categorized to delineate between Septic review and Well review services.
- F) Building Valuation table method - There are two common approaches utilized by California local governments to calculate building permit and plan check fees. The method of Building Valuation (BVD) and the method of Cost for Project Type. NBS' professional opinion and experience spans more than 20 years of calculating building fees in California, NBS believes both methods are appropriate for use in

establishing reasonable and defensible plan check and permitting fees. Permit Sonoma recommends continuing with its use of Building Valuation method as the preferred approach.

- G) Electrical, Plumbing, and Mechanical fees were restructured to streamline the approach and make fees consistent for residential and commercial projects. The fees have been structured into three tiers according to trade and occupancy type.
- H) Fire Prevention and Hazardous Materials fee schedule incurred the most significant restructuring, creating four distinct areas:
1. Annual Inspections and Fire Code Operational Permits
 2. HazMat/CUPA Program
 3. Other Services
 4. Development Services
- I) Planning Administrative Fee. The Planning Division is responsible for updating the County's General Plan on a routine basis. This Plan helps to guide the growth of the community in a consistent manner. Government Code 66014 (b) allows local agencies to, "...include the costs reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and determinations." This section of the Government Code supports the inclusion of costs for general plan maintenance and updates in fees for service. NBS Consultants analyzed this fee, and recommended a revised fee structure to ensure that the fee payors pay the reasonable cost for the benefit and service provided. The department currently charges a **15%** Planning Administration Fee on top of building permit fees, the new fee per the NBS fee study and this fee ordinance increases the percentage to **19.5%** to reflect the reasonable cost of the benefit received by and service provided to these fee payors.
- J) Technology Surcharge Fee. Routine investment in the County's land management software and systems are key in promoting efficient development. The department currently has a separate Technology Fund. Staff estimates the average annual funding requirement for technology enhancements is approximately \$309,900 per year. This fee ordinance would approve a surcharge of **1.3%** on top of permit fees. Based on NBS Consultants' fee study, this amount reflects the reasonable cost to the fee payor for the service and benefit provided from technology in permit processing.

Strategic Plan:

N/A

Prior Board Actions:

05/14/19: Ordinance No. 6265 Adjusting and increasing Permit Sonoma fees FY 2019-20

05/14/19: Ordinance No. 6265 Adopting adjustments and increased fees for Permit Sonoma FY 2019-20

05/14/19: Ordinance No. 6266 Sonoma County Water Agency, setting sewer permit, plan check, and inspection fees FY 2019-20

05/14/19: Ordinance No. 6267 Occidental sanitation district, setting sewer permit, plan check, and inspection fees FY 2019-20

05/14/19: Ordinance No. 6268 Russian River sanitation district, setting sewer permit, plan check, and inspection fees FY 2019-20

- 05/14/19: Ordinance No. 6269 Sonoma Valley sanitation district, setting sewer fees permit, plan check, and inspection fees FY 2019-20
- 05/14/19: Ordinance No. 6270 South Park sanitation district, setting sewer fees permit, plan check, and inspection fees FY 2019-20
- 05/14/19: Resolution No. 19-0213 Adopting increased fees for Certified Unified Program Hazardous Materials program FY 2019-20
- 05/14/19: Resolution No. 19-0214 Adopting increased fees for Fire Prevention FY 2019-20

FISCAL SUMMARY

Expenditures	FY 21-22 Adopted	FY22-23 Projected	FY 23-24 Projected
Budgeted Expenses		\$1,705,000	
Additional Appropriation Requested			
Total Expenditures		\$1,705,000	
Funding Sources			
General Fund/WA GF		\$1,000,000	
State/Federal			
Fees/Other		\$705,000	
Use of Fund Balance			
Contingencies			
Total Sources		\$1,705,000	

Narrative Explanation of Fiscal Impacts:

General Fund adjustments and fee increases will be effective FY 2022-23. The baseline net effect of fee changes without projected department workload increases is estimated to be approximately \$705,000. The amount to be included in Permit Sonoma’s projected total revenue as part of FY 2022-23 recommended budget.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)
None			

Narrative Explanation of Staffing Impacts (If Required):

If the departments General Fund is not restored and adjusted and fees are not updated to full cost recovery, the department will have to reduce labor costs and adjust programs and services.

Attachments:

- Attachment 1: Occidental Sewer Area Ordinance
- Attachment 2: Sonoma Valley Sewer Area Ordinance
- Attachment 3: South Park Sewer Area Ordinance

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- Attachment 4: Water Agency Sewer Service Area Ordinance
- Attachment 5: Russian River Sewer Area Ordinance
- Attachment 6: Permit Sonoma Fee Schedule Ordinance
- Attachment 7: Building Fee Schedule
- Attachment 8: Code Enforcement Fee Schedule
- Attachment 9: Fire Prevention and Hazmat Fee Schedule
- Attachment 10: Engineering and Survey Fee Schedule
- Attachment 11: Planning Fee Schedule
- Attachment 12: Permit Sonoma Services Fee Schedule
- Attachment 13: Well - Septic Fee Schedule
- Attachment 14: Permit Sonoma Final Narrative Report
- Attachment 15: Permit Sonoma Recommended Fee Workbook FY 2022-23 Final

Related Items “On File” with the Clerk of the Board:

N/A