



## SUMMARY REPORT

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**Agenda Date:** 3/21/2023

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**To:** Board of Supervisors

**Department or Agency Name(s):** County Administrator's Office

**Staff Name and Phone Number:** Natalie Brunamonte, 707-565-8565

**Vote Requirement:** Majority

**Supervisory District(s):** Countywide

**Title:**

Fiscal Year 2023-24 Consolidated Fee Hearing Summary

**Recommended Action:**

Receive the adjustments to department and agency user fees and charges included in this agenda, reflecting new or updated user fee and charge schedules to be effective on July 1, 2023 unless otherwise noted.

**Executive Summary:**

The Constitution and laws of the State of California allows for the collection of certain fees and charges for cost recovery of government activities that provide a specific benefit or service or are in place for regulatory purposes such as issuing licenses or performing inspections. Each year the County departments and agencies adjust and/or add service delivery user fees, rates, and charges based on actual costs incurred to provide service and projected costs estimates for the coming fiscal year. This year seven departments are submitting adjustments to fees as part of this package.

A summary of changes to fees is attached to this item.

**Discussion:**

On June 18, 2021 the Board ratified the Budget and Financial Revenue Management Policy, which states "Programs financed by charges for services, fees, grants, and special revenue fund sources shall pay their full and fair share of all direct and indirect costs to the extent feasible and legally permitted, including cost recovery towards future assets and/or system replacement."

Annually, staff presents for the Board's consideration ordinances and resolutions adjusting and adding user fees, rates, and charges based on operating cost estimates for the coming fiscal year. In accordance with Government Code 6062(a) public notice was given through publication of notice of the fee hearing on two successive weeks with at least five days between publications.

This year, a total of seven departments are submitting fees or rates as a part of this Consolidated Fee Hearing. Most departments submitting fees either submit only a portion of fees for adjustment in a given year, or submit adjustments related to the cost of doing business. Details for these departments is provided below. A total of 895 fees are being adjusted in this packet, with 563 (63%) of them in Permit Sonoma and the remaining six other departments. The adjustments include 14 new fees, 14 fees that are being eliminated, 864 fees that are increasing, and 3 fees that are decreasing.

A description of these adjustments is found in Attachment A and a summary of these adjustments is found in Attachment B.

### **NEW/DELETED FEES**

The packet includes 14 new fees that are recommended to be put in place by departments, and 14 fees that are recommended for deletion.

- Four of the new fees are in Health Services and are associated with COVID testing. Previously, fees for these tests were not needed as costs had been covered by federal funding. With the end of the emergency declaration, federal funding will no longer be available, so fees for COVID-related testing need to be established.
- Eight are in the Airport and are for digital advertising in the terminal. □
- Regional Parks is introducing two new fee categories for discount rates on volume purchases of Parks passes, as by employers who provide to their employees.
- Public Infrastructure Airport division is deleting a landing fee for a weight category that is no longer used. □
- Health Services is eliminating fee types that are no longer used due to a change in the software used in the lab.

### **CURRENT FEES BEING ADJUSTED**

There are 867 fees recommended for adjustments. Of these the majority, 563, are in Permit Sonoma. No other department is adjusting more than 100 fees, with the next largest share being in the Airport Division of Sonoma County Public Infrastructure which is adjusting 97 fees. A brief description of some of the more notable changes appears below, and more details appear in individual items by the departments.

### **PERMIT SONOMA**

The largest share of increases are in Permit Sonoma with 563 fees being updated; these fees are typically increasing by 10%. Permit Sonoma Fees were evaluated as part of the FY19-20 NBS fee study. This study revealed that fees would need to be increased by approximately 35% to arrive at full cost recovery. In order to moderate the impacts to Permit Sonoma's clients, the Board of Supervisors approved a phased approach for fee increases and added an additional \$1 million of General Fund to Permit Sonoma's baseline to help subsidize the funding gap between achieving full cost recovery and the adopted fee. For FY 22-23, fees were increased by 9%, with a plan to increase fees by a projected amount of 7% for each of the next three years to improve cost recovery. This plan did not adequately account for cost escalations during the implementation timeline, including an estimated increase in Salary and Benefits of nearly 6% for Permit Sonoma in FY 23-24. As a result, staff has proposed an increase of 10% in order to keep pace with cost increases and stay on track with cost recovery goals that were articulated in the FY 22-23 Fee Hearing. This will allow the department to be at 78% cost recovery on average, while maintaining General Fund subsidies at their current level. With the increased fee revenue, and General Fund subsidy provided in FY 22-23, Permit Sonoma anticipates having enough revenue to support baseline operational costs in FY 2023-24. In the event a lesser fee increase is adopted, Permit Sonoma would have to balance reduced revenues with cost reductions that may impact services. Estimated cost increases do not include any potential additional costs related to implementation of the recently completed management study. New positions related to the study will be considered by the Board at Budget Hearings in June, and any additions will need to be supported by new discretionary sources.

### **SONOMA COUNTY PUBLIC INFRASTRUCTURE -AIRPORT DIVISION**

About 2/3 of the fees in the Airport are increasing by over 10%. This is due to the fact that these fees have not been increased since FY18-19. Fee increases were proposed in FY19-20, but then withdrawn due to the beginning of the pandemic in an attempt to provide tenant assistance. To offset the reduction in airport revenues as a result of impacts from the pandemic, the Airport received Federal Aviation Administration (FAA) relief funding including the Coronavirus Aid, Relief and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA), to facilitate maintenance of operations for four years. These funds are expected to be fully utilized by the close of the current fiscal year (FY 22-23). As a result, increases to existing fees appear higher (up to 25%), but are a reflection of cost escalations over the past four years, as well as findings from a rates study and an evaluation of current market prices for comparable airports.

### **AGRICULTURE/WEIGHTS & MEASURES**

Increases of up to 25% in VESCO fees in Ag Weights & Measures are also being proposed. These fees were also a part of the FY19-20 NBS fee study, which found them to be at only approximately 50% cost recovery. In order to moderate the impacts to clients, the Board of Supervisors approved a phased approach for fee increases and added an additional \$145,000 of General Fund to Ag/Weights & Measures baseline to help subsidize the funding gap between achieving full cost recovery and the adopted fee. In FY 22-23, VESCO fees were increased between 20-29% and, as part of the adopted item, the Department proposed a goal of 66% cost recovery in FY 23-24 and 73% in FY 24-25. Due to cost escalations needed in the cost recovery baseline for FY 20-21, FY 21-22 and FY 22-23, VESCO fees will be at approximately 57% cost recovery in FY 23-24 even with the 25% increase applied. The remaining costs will continue to be supplemented with General Fund that would otherwise be available to state-mandated Agriculture programs and thus count toward the state's Maintenance of Effort (MOE) which has a direct correlation to the amount of state revenue the department receives. This diversion of funding to VESCO and away from Agricultural programs puts the County's compliance with the MOE in danger, and translates to a decrease in state revenues, which is why it is important in the long-run to ensure that VESCO meets cost recovery targets. In the event a lesser fee increase is adopted, Agricultural, Weights & Measures would have to balance reduced revenues with expenditure reductions that could impact services. □

### **EXPECTED REVENUES**

Total revenue increases of \$3.27 million are anticipated as a result of these adjustments. The largest share is in Permit Sonoma, which expects to see an increase of revenues of \$1.66 million. The largest share of this increase is related to building permits at approximately \$781,000. Most of the remainder is associated with the Airport division of Sonoma County Public Infrastructure. The Airport anticipates an additional \$1.19 million, of which \$720,000 is tied to advertising revenue anticipated from new digital advertising options in the Airport.

A breakdown of expected revenue by department is found in Attachment B and details are available in individual departmental packets. □

### **Strategic Plan:**

N/A

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**Agenda Date:** 3/21/2023

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**Prior Board Actions:**

6/14/22: FY 22-23 Budget Hearings

3/22/21: FY 22-23 Fee Hearings

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 22-23 Adopted</b>	<b>FY 23-24 Projected</b>	<b>FY 24-25 Projected</b>
Budgeted Expenses		\$3,265,181	\$3,265,181
Additional Appropriation Requested			
<b>Total Expenditures</b>		<b>\$3,265,181</b>	<b>\$3,265,181</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other		\$3,265,181	\$3,265,181
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>		<b>\$3,265,181</b>	<b>\$3,265,181</b>

**Narrative Explanation of Fiscal Impacts:**

Fees approved in this consolidated item are anticipated to generate \$3,265,181 in FY 2023-24. All increased revenue will go to support costs of providing services associated with the fees as allowed by state law.

**STAFFING IMPACTS:**

<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

N/A

**Attachments:**

Attachment A: Summary of fee changes

Attachment B: Numerical Overview of Adjustments

**Related Items "On File" with the Clerk of the Board:**

N/A