



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office		(2) MEETING DATE 11/5/2019		(3) CONTACT/PHONE Lisa Howe / 805-781-5011	
(4) SUBJECT Introduction of an ordinance implementing the County Fee Schedule "A" for Calendar Year 2020 and Fee Schedule "B" for Fiscal Year 2020-21. Hearing date set for November 19, 2019. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Introduce the attached ordinance amending the County Fee Schedule; 2. Set November 19, 2019 as the date to hold a Public Hearing to consider the attached ordinance; and 3. Direct the Clerk of the Board to publish notice of hearing in a newspaper of general circulation printed and published in the County of San Luis Obispo pursuant to Government Code Sections 66016, 66018 and 6062a. 					
(6) FUNDING SOURCE(S) N/A		(7) CURRENT YEAR FINANCIAL IMPACT \$0.00		(8) ANNUAL FINANCIAL IMPACT \$0.00	
(9) BUDGETED? N/A					
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. __) <input type="checkbox"/> Board Business (Time Est.__)					
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A					
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A				(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A		(15) BUSINESS IMPACT STATEMENT? No		(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____	
(17) ADMINISTRATIVE OFFICE REVIEW This item was prepared by the Administrative Office.					
(18) SUPERVISOR DISTRICT(S) All Districts					



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Administrative Office / Lisa Howe / 805-781-5011

DATE: 11/5/2019

SUBJECT: Introduction of an ordinance implementing the County Fee Schedule "A" for Calendar Year 2020 and Fee Schedule "B" for Fiscal Year 2020-21. Hearing date set for November 19, 2019. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Introduce the attached ordinance amending the County Fee Schedule;
2. Set November 19, 2019 as the date to hold a Public Hearing to consider the attached ordinance; and
3. Direct the Clerk of the Board to publish notice of hearing in a newspaper of general circulation printed and published in the County of San Luis Obispo pursuant to Government Code Sections 66016, 66018 and 6062a.

DISCUSSION

This item introduces the ordinance amendment necessary to approve changes to County fees. Fees help offset the cost of services which are beyond the basic tax-supported services provided by many County departments. Examples of these services include animal adoption and registration, building permits, rental of County facilities, and passes to recreational areas such as campgrounds and golf courses.

Budget Policy 21: Cost Recovery Through Fees

"Utilize fees to recover costs where reasonable and after all cost saving options have been explored. Exceptions will be reviewed on a case-by-case basis. County departments will review fees annually to ensure that they meet statutory requirements, fall within the range of fees being charged by comparator counties and achieve cost recovery."

Fee Review Policy

The Board of Supervisors' Budget Policy 21, Cost Recovery Through Fees, directs departments to recover costs through fees where reasonable and after all cost-saving options have been explored. Each year, the Board reviews its budget goals and policies in advance of the budget preparation process, which begins in December. The policies were reviewed on November 6, 2018 in advance of the FY 2019-20 Recommended Budget; the next review is scheduled for November 5, 2019. As noted later in this staff report, not all fees are set at a level to allow for full recovery of costs (i.e. other funding sources, including the General Fund, offset some portion of these costs). It is

important to note, that while the Board's policy is to the recover costs of providing services; this only applies to services which carry a specific benefit to an individual or entity and does not pertain to basic tax-supported services which benefit the broader community (e.g. law enforcement, fire protection, health services, general government administration, etc.).

Fee Review Process

Every year, County departments are asked to conduct a thorough analysis and justification for the fees they charge and to update their fee schedules. This involves reviewing any changes to the cost of providing a service and then working with the Auditor-Controller Treasurer-Tax Collector Public Administrator's Office (ACTTCPA) and the Administrative Office to determine that all laws, policies, and cFost assumptions are correctly applied.

In 1999, the Board of Supervisors decided to review only proposed changes to the fee schedule each year and once every five years review all fees. The last five-year review of fees occurred on November 25, 2014 for the Fiscal Year (FY) 2015-16 fee cycle; therefore, all fees, not just those fees proposed to change, are considered for the hearing on November 17, 2019.

The Fee Schedule contains both discretionary fee amounts and statutory fee amounts. Where there is discretion in setting the fee amount, the Board must approve that amount, while fees set by statute (some filing fees, recording fees, license fees, etc.) do not require Board approval. As in past years, however, departments include statutory fees on their schedules. This allows all fees to be included on the master fee document, which is made available to the public. New to the FY 2020-21 Fee Process, departments were asked to categorize the fee into three types based on the level of discretion the Board has over the fees. The *Board Discretion Type* column on the attached fee schedules categorize each fee into one of the following types:

1. Full - Full Discretion (fees not set by statute)
2. Partial - Partial Discretion (fees set by statute, but the Board has partial discretion over the amount)
3. None - No Discretion (exact fee amount set by statute)

As stated above, those fees in which the exact fee amount is set by statute, categorized by Board discretion type, 'None', do not require Board approval and will be effective regardless of Board action. There are two schedules used: Schedule "A," which goes into effect at the start of the calendar year, and Schedule "B," which goes into effect at the start of the fiscal year. Most fee changes will go into effect on July 1, 2020 as part of Schedule "B". In December 1999, the Board approved exceptions to this effective date for Parks, Golf, and Airport parking fees. These fees were moved to Schedule "A" and become effective at the start of each calendar year to better serve customers and effectively manage the finances of these services. Probation fees were moved to Schedule "A" in 2011. In 2013, Clerk-Recorder fees for birth and death records as well as copies of records to government agencies were moved to Schedule "A" to bring them into better alignment with the State statutory fee schedule. During the FY 2015-16 cycle, Airport parking fees were moved back to Schedule "B" to avoid conflicts with holiday travelers unaware that parking fee increases could go into effect on January 1. During the FY 2018-19 cycle, three Library fees were added to Schedule A (while all other Library fees remained on Schedule B). As part of the FY 2019-20 fee cycle, the Auditor-Controller-Treasurer-Tax Collector-Public Administrator (ACTTCPA) added a fee to recoup the cost of joining the California Cannabis Authority. The ACTTCPA is proposing to transfer this fee to the department's Schedule B fee workbook for FY 2020-21.

After the hearing on November 19, 2019, a master fee schedule containing the fees charged to the public for services established by the Board of Supervisors will be produced and posted on the County's web site for the public.

Summary of Fee Changes

Attachment 1 provides a more in depth summary of changes to current fees by department. A current total of 1,971 fees were reviewed by County departments. Of the current total, 1,448 (73%) are recommended to remain unchanged, 389 to increase (20%), 82 (4%) to decrease, and 52 (3%) to be deleted. Fifty-Nine (3%) are recommended to be added, which, in conjunction with the deleted fees, would result in a total of 1,978 fees for FY 2020-21. Of the total 582 fees either increasing, decreasing, added, or deleted, the Board has full discretion over 380 or 65%, partial discretion over 179 (31%) and no discretion over 23 or 4%.

Most fees (75%) are at full cost recovery. "Full cost recovery" means that the fee amount captures 100%, or nearly 100%, of the cost of the service, in accordance with Budget Policy 21. Other fees may recover a large portion of costs, but perhaps not all costs. In some cases, those that are not capturing all costs are either kept below full recovery due to specific Board policy or direction, or because they are limited by statute. Additionally, some fees, such as for Library services, are set lower than cost to encourage the return of Library materials, or Health Agency fees, which are oftentimes set lower in the interest of public health and safety. In setting fee amounts, departments try to strike a balance between recovering costs per Board policy and yet not making fees cost prohibitive for customers who might be disproportionately impacted. Part of the Budget Policy 21 quoted above mentions that fees should "recover costs where reasonable," and this type of balance attempts to fulfill that requirement.

Over half (60%) of the proposed fee increases are for Public Health services many of which are typically reimbursed through Medi-Cal or private insurance carriers. It is important to note that any recommended changes are based on trends over time and not from year-to-year fluctuations in costs. Departments are encouraged to employ a long-term view in adjusting fee amounts. For example, if costs have fluctuated up and down the past few years then adjusting the fee amount may not be necessary.

The use of the Consumer Price Index-All Urban Consumers (CPI-U) was also an option for departments for not-staff related cost components, and the February 2019 Los Angeles-Anaheim Consumer Price Index for all Urban Consumers was calculated at 2.5%.

Procedures Used to Determine Fee Amounts

Departments had the option not to make any changes to their current fee schedules if:

1. The current fee was already at full cost recovery;
2. A time study or review of actual costs based on historical information did not indicate a fee change was warranted; or,
3. There had been no change to statutory fees.

Costs and fee amounts are determined by one of four methods:

1. Calculation of Actual Cost Based on Historical Information. This is the preferred method for determining the cost of providing a service. This information is derived from the County's cost accounting system. Most departments use this information to determine recommended fee amounts.
2. Time-and-Motion Studies. Where a large volume of services is provided and it is impractical to determine the actual cost for each service, a time-and-motion study based on an average hourly rate is used. The departments employing this method include but are not limited to the Health Agency, the Clerk-Recorder, County Fire, Agriculture, and Planning and Building. For each service, the amount of time it takes to perform

all related tasks is multiplied by the average hourly rate.

3. Comparable Fee Survey. When cost accounting and time-and-motion studies are impractical, rates charged by comparable agencies for a similar service can be used as cost indicators. The departments using this method include but are not limited to Central Services, Parks and Recreation (including Golf), Library, and the Clerk-Recorder. This method is especially relevant for services which operate in an industry with private or other competing entities, such as golf courses, campgrounds, or airports.
4. Statutory Fees. Departments using fees based on statute may request changes to their fees that are within the allowable range as defined by statute. Several departments also have fees which are set at a specific amount by statute, or that are determined by the judicial system.

Information on recommended fee changes for FY 2020-21 is reported in the departmental/fund center summaries in this staff report, below. Each fund center summary contains a table detailing the number of fees changing, including those that are increasing, decreasing, being deleted, or that are new or unchanged, also how many fees are at full cost recovery.

Fee Change Highlights

As stated above, Attachment 1 provides a summary of changes to current fees by department. Briefly, some of the more significant changes proposed by departments include the following:

Behavioral Health – Mental Health and Drug and Alcohol Services

Behavioral Health provides services and programs countywide for individuals experiencing symptoms related to disabling mental illnesses and substance abuse disorders. Behavioral Health- Mental Health and Drug and Alcohol Services has a current total of 16 fees, with all 16 fees recommended to increase. All four Specialty Mental Health Services fees are recommended to increase by less than 5%. It is important to note that almost all clients receiving specialty mental health services are covered by Medi-Cal and do not pay the published fees out of pocket. All 12 Drug and Alcohol Services fee are recommended to increase, with three recommended to increase by more than 10%. Those three fees are for residential care and the increases establish an upper limit for reimbursement to ensure that all contractual costs will be covered. It is important to note that most Drug and Alcohol Services are reimbursed by the State. For services not covered by Drug Medi-Cal reimbursement, a sliding fee scale is used based a client's ability to pay.

County Fire

County Fire provides fire protection services and emergency medical response to the unincorporated areas of the county. Services are provided under a contract with the State of California through CAL FIRE. County Fire is proposing to increase all 17 fees to set fees at full cost recovery. All 17 fees are proposed to increase to reflect salary and benefit expenses for the State employees that provide the services delivered under the fees. The increases are primarily due to increases to CAL FIRE's benefit rates and to salaries resulting from collective bargaining agreements at the State level. The Board has full discretion over all 17 fees.

Planning and Building

Planning and Building provides land use planning, development and permit review, and resource management and monitoring for the unincorporated areas of the county. Planning and Building currently has 932 fees with 49 recommended to increase, 5 recommended to decrease, 3 new fees (one of which is the technical addition of an existing fee), 8 fees recommended to be deleted, and 870 recommended to be unchanged resulting in a new total of

927 fees, 919 of which are set at full cost recovery. The Board has full discretion over all the fees recommended to increase.

A total of 49 fees are recommended to increase. There are 32 fees that are recommended to increase by \$500 or more or by 10% or more compared to FY 2019-20. Salary increases as well as updated time and motion studies are the primary drivers for the fee increases. Of the 32 fees recommended to increase by \$500 or more or by 10% or more compared to FY 2019-20, 8 are cannabis fees. Time and motion studies reflect significantly more time required to complete certain cannabis project activities compared to non-cannabis projects because cannabis projects are typically much more complex. Of the 8 cannabis fees increasing, 4 are deposit-based. The department currently charges deposit-based fees on a "real-time billing" basis, which means that applicants are charged according to the amount of time it takes to process their applications; if the time required is less than anticipated, the applicant receives a refund, and if the time required is more than anticipated, the applicant is charged an amount in excess of the deposit. This means that these deposit-based fees will not result in an increased cost to applicants compared to what is currently charged but rather constitute an increased up-front charge which is intended to better represent the cost of processing these applications and reduce the need for future billings.

Public Health

Public Health provides a broad range of services and programs to residents countywide related to community and environmental health, medical services, and public health. Overall, Public Health has a current total of 316 fees in all of its divisions. Of those 316 fees, 234 are recommended to increase, 34 to decrease, 30 to remain unchanged, 10 new fees to be added, and 18 fees deleted for a new total of 308 fees. A total of 258 fees are set at full cost recovery. Of the 234 recommended to increase, 45 (19%) are recommended to increase by 10% or more. Of those 45 fees, 27 are for Public Health Laboratory services and 10 are for Public Health Nursing services. It is important to note that third party insurance carriers (e.g. Medi-Cal) reimburse the County for a majority of Public Health Laboratory and Nursing services provided. If those fees do not keep pace with increases in the cost of providing services, third party payer reimbursements will also not keep pace with the increasing cost of services. Additionally, fees may be waived or reduced for individuals unable to pay to prevent the spread of communicable diseases. A sliding scale may also be used based on household income.

Public Works – Roads

Roads provides for the maintenance and construction of roadways and bridges within the county. Roads is a Special Revenue Fund outside the County General Fund and is funded primarily by State and Federal funds, contributions from the County General Fund, and tax revenue. Public Works Roads Division is proposing increases to 9 fees, a decrease to one fee, and one fee is recommended to be deleted. Six fees with full Board discretion are recommended for minor increases (less than 10%) due to increases in salaries and organizational changes within the department. Two fees with full Board discretion (*Curb and Gutter Waivers* and *Utility Encroachment*) are recommended to have more significant increases (15%), also primarily due to increases in salary costs. The Road Impact Fee Appeal is recommended to decrease by 8% due to a change in the staff costs associated with the process. The *Curb, Water and Sidewalk Design* Fee is recommended to be deleted, as it has not been used in several years, due to unavailability of staff to perform that service.

OTHER AGENCY INVOLVEMENT

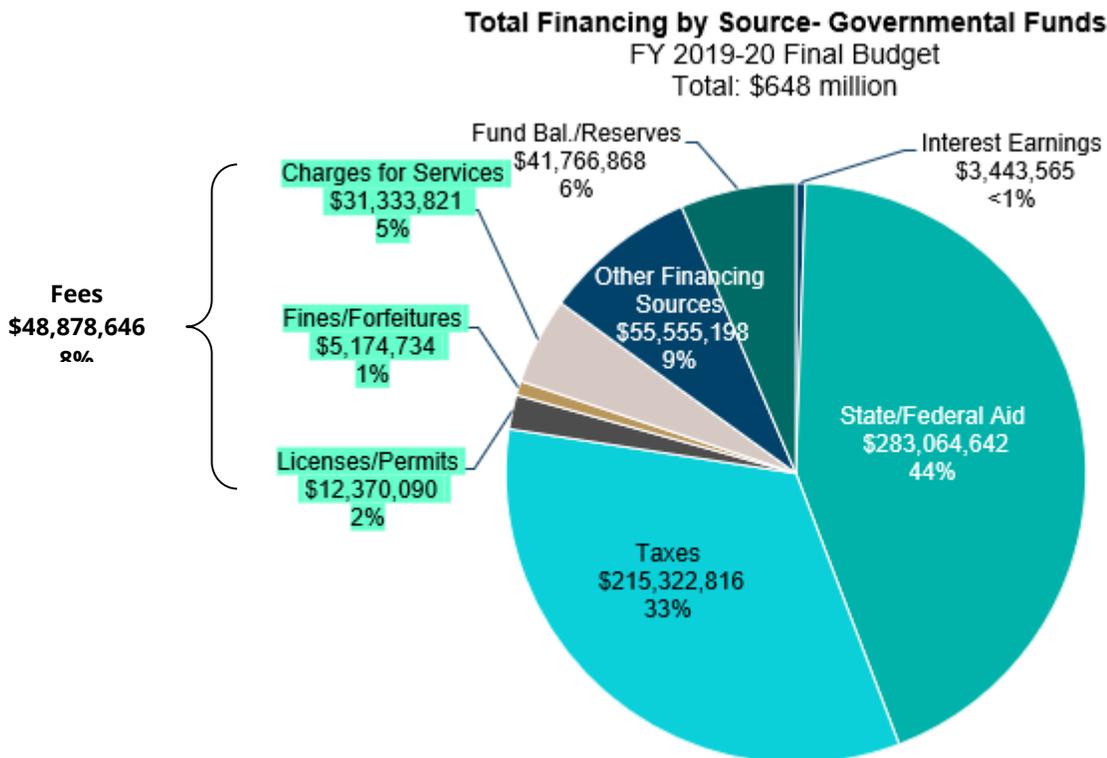
All County departments that charge fees are responsible for updating their fee schedules, supported by actual cost calculations or other methods, as mentioned above. The proposed fees have been reviewed and approved by the applicable commissions and advisory bodies. All calculations are reviewed by the ACTTCPA for compliance with

accepted methodology as allowed per the State Government Code. The fees are then submitted to the Administrative Office, where they are reviewed for County policy consistency and to ensure fee revenue does not exceed the costs of providing services. County Counsel has reviewed the fee authority and fee ordinance for form and legal effect. The Clerk of the Board has reviewed the public notice of the hearing.

FINANCIAL CONSIDERATIONS

Fees help offset the cost of providing non-tax supported County services to those who benefit from them. As shown in the pie chart below, fee revenue, including charges for services, fines/forfeitures, and licenses/permits, represents approximately \$48.9 million or 8% of the County's sources of financing for FY 2019-20 (as estimated for the Final Governmental Funds Budget). This is considerably less than to other major revenue sources of \$283 million of State/Federal Aid (44% of total revenues) and \$316 million in taxes, interest, and other financing sources, as well as use of fund balance and reserves (49% of total revenues).

As stated above, fees for services represent approximately 8% of total revenues budgeted in FY 2019-20. This is comparable to fee-related revenue in FY 2017-18 and in FY 2018-19, which was 8% for both fiscal years. The total amount of budgeted revenue from departments that is anticipated to be generated from fees in FY 2020-21 constitutes an increase of \$526,669 or 1.43% over FY 2019-20. It is not expected that this increase will change the percentage of overall budget that is financed by fee revenue given the expected growth in the overall budget. In addition to changes in the volume of business, two other primary factors for this increase are negotiated wage increases, which went into effect in FY 2018-19, and a CPI increase of 2.5%.



Note: Fees as a percentage of funding in FY 2020-21 are not yet known since the budget for FY 2020-21 has not yet been created. However, as stated above, it is not expected that this increase will change the percentage of overall budget that is financed by fee revenue given the expected growth in the overall budget.

If fee increases are not approved, it is anticipated that the amount of General Fund support required to fund existing departmental operations would increase as a result of fee revenue not keeping up with the actual cost to provide the services and thus not fully recovering the cost of providing the service. As stated above, the total amount of budgeted revenue from departments that is anticipated to be generated from the proposed fees in FY 2020-21 constitutes an increase of \$526,669 or 1.43% over FY 2019-20 levels.

RESULTS

This Board agenda item will serve as notice of the County's intention to change selected service fees. The subsequent public hearing, on November 19, 2019, will provide an opportunity for the public and the Board of Supervisors to discuss fee amount changes, cost-recovery through fees, how fees are calculated, and the difference between tax-supported services and fee-supported services. Implementation of the fee schedule will continue the Board of Supervisors' past practice of recovering costs from those who benefit from certain services the County provides beyond the basic tax-supported services.

ATTACHMENTS

- Attachment 1 Summary of Fee Changes
- Attachment 2 Fee Schedule "A" Changes
- Attachment 3 Fee Schedule "B" Changes
- Attachment 4 FY 2020-21 Fee Ordinance
- Attachment 5 Notice of Public Hearing