



Legislation Text

File #: 22-618, **Version:** 1

Adopt a Resolution to Approve and Authorize the City Manager to Execute a Consulting Services Agreement with NBS Government Finance Group for the Preparation of a Cost Allocation Plan, Comprehensive User Fee Study, and Development Impact Fee Study in an Amount Not-to-Exceed \$149,800

COUNCIL PRIORITY

- Public Safety
- Infrastructure
- Fiscal Sustainability and Transparency
- Community & Business Development

SUMMARY

The City of San Leandro seeks to update its Cost Allocation Plan and to evaluate existing User Fees and Development Impact Fees to ensure sufficient cost recovery levels and require new development to pay for proportional cost of capital improvements needed to serve that development. A Request for Proposals was issued to acquire professional financial services and NBS Government Finance Group, dba NBS (NBS) was selected.

RECOMMENDATIONS

Staff recommends the City Council adopt a resolution that approves the agreement and authorizes the City Manager to execute a Consulting Services Agreement with NBS for a not-to-exceed amount of \$149,800 to prepare a Cost Allocation Plan, Comprehensive User Fee Study, and Development Impact Fee Study.

BACKGROUND

In March 2021, the City formed an Advisory Budget Task Force (Task Force) at City Council's request to develop an understanding of the City's financial outlook and make recommendations to help achieve a long-term, sustainable budget by enhancing revenues in addition to controlling expenditures, among other requests. The Task Force met 13 times, including a four-hour town hall with members of the public. The Task Force developed the following recommendations pertaining to fees:

- Study the potential for increased revenue through various strategies including more effective collection of existing City fees in an equitable manner;
- Increase the amount and coverage of developer in lieu fees;
- Increase existing fees (dog license, construction permits, etc.).

The City issued a Request for Proposals (RFP) on September 9, 2022, for the preparation of a Cost

Allocation Plan (CAP), Comprehensive User Fee Study (User Fee Study), and Development Impact Fee Study (Impact Fee Study). The proposal period closed on September 30, 2022 and the City received proposals from two consultant firms. After reviewing the responses, NBS was determined to be most advantageous to the City based on evaluation criteria, including:

- Experience and team organization
- Project understanding
- Product delivery approach and ability to work with City staff
- Capability to meet schedule and stay within budget

Analysis

As detailed in the Scope of Work included as Attachment B, NBS will prepare a CAP that allocates costs across the organization and includes direct departmental staff costs and internal service costs. The User Fee Study will evaluate the cost of providing direct services by considering staff costs for providing services. Additionally, it will include recommendations for fee additions, modifications, or elimination. The Impact Fee Study will include an evaluation of the City's existing impact fees and identify opportunities for new impact fees that the City may wish to consider. Impact fees offset the proportional costs of serving new development.

The User Fee Study and Impact Fee Study will provide City staff and the City Council with information to consider updates to the Master Fee Schedule with the goal of enhancing fiscal sustainability. The City strives to balance maximizing cost recovery with reasonable fees that encourage equity, growth, and stability in the local residential and commercial economy. The City accomplishes these goals by setting fees at reasonable and appropriate levels. A market feasibility analysis will be performed under separate contract to inform final recommendations on fee rates.

It is anticipated that the CAP and User Fee Study will be completed no later than the spring of 2023 for adoption of updated fees effective July 1, 2023. The Impact Fee Study and recommendations are anticipated for completion by fall 2023.

Current Agency Policies

- Place San Leandro on a firm foundation for long-term fiscal sustainability
- Maintain and enhance San Leandro's infrastructure

Applicable General Plan Policies

- Action OSC-1.2.C: User Fee Updates Periodically update the fees charged for facility rentals, recreation programs, and other activities to ensure that they are appropriate and equitable.
- Action OSC-2.3.A: Update of In-lieu fee Update the park in-lieu fee ordinance to better reflect current costs and needs, and to address park needs generated by infill development as well as new subdivisions. Any future nexus study conducted to justify a revised park impact fee should also consider the feasibility of expanding it to apply to commercial and industrial

development. Adoption of a nonresidential fee should be contingent upon a market study indicating the amount of the fee that would be feasible without affecting the City's economic development goals.

- Policy LU-4.2 Fair Share Contributions - Require new residential development to pay its fair share of the cost of capital improvements needed to serve that development.
- Policy T-1.3 Mitigation of Development Impacts - Require developers to address the impacts that their projects will have on the City's transportation system. A variety of mitigation measures, including impact fees, street improvements, traffic signal and Intelligent Transportation Systems (ITS) improvements, transportation demand management (TDM) measures, and improvement of non-automobile transportation modes, should be considered
- Policy CSF-6.1 Development Impacts - Permit new development only when infrastructure and utilities can be provided to that development without diminishing the quality of service provided to the rest of the City
- Policy CSF-6.2 Fair Share Costs. Require future development to pay its fair share of the cost of improving the water, sewer, storm drainage, and other infrastructure systems needed to serve that development. Development impact fees, development agreements, and other appropriate forms of mitigation should be used to cover the costs of upgrading or expanding public infrastructure.
 - Action CSF-6.2.A: Infrastructure Impact Fee and Rate Updates Regularly update fees and rates for sewer, solid waste, and other public services to ensure that revenues are sufficient to cover operating and maintenance costs.

Environmental Review

This activity is not a project under CEQA as defined in CEQA Guidelines, Section 15378, because it has no potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment.

Legal Analysis

The consultant has reviewed and agreed to the terms of the contract and will sign the agreement upon Council approval. The City Attorney will also review as to form.

Financial Impacts

The City Council appropriated funds for a comprehensive, City-wide fee study. Sufficient funds are included in the Fiscal Year 2022-2023 General Fund budget for preparing a CAP, User Fee Study and Impact Fee study:

- | | |
|--|-----------------|
| • General Fund-Finance, Account 010-12-050-5120: | \$79,160 |
| • <u>General Fund-Comm. Dev., Account 010-41-003-5120:</u> | <u>\$70,640</u> |
| • Total | \$149,800 |

This Council action will not impact fund balance because there are funds available in the FY2022-2023 adopted budget. It is expected that as a result of the studies, the City will increase City revenues including the General Fund and project specific funds.

ATTACHMENTS

- **Attachment A:** Resolution for a NBS CSA Not-to-Exceed \$149,800
- **Attachment B:** NBS Scope of Work and Compensation Schedule

PREPARED BY:

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