



# CITY OF ANGLETON USER FEE STUDY

October 2024

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DRAFT FOR DISCUSSION

## Introduction

A “user fee” is a charge for service provided by a governmental agency. Cities provide many types of general services to their communities. Generally, all services provided by cities have global benefits and are beneficial to the residents. Police or park maintenance are considered as global benefits. However, there may be some services that provide direct benefits to a specific group or individuals such as building permit and facility rentals.

Cities fund their operations through many revenue sources such as taxes, fines, grants, special charges, user fees, etc. Services that provide global benefits are funded primarily through voter approved tax revenues. Services that provide direct benefit to citizens are typically funded by user fee revenue.

When confronted by fast growth and high processing loads, the need for evaluating the current fee structure is critical to ensure adequate cost recovery. Generally, the purpose of analyzing fees is to evaluate the proportion of the cost of service provided by the city that is compensated by the recipient of the service. The end goal is to minimize the cost incurred by the citizens and use of other revenue sources to offset the cost of service. A well-designed fees structure will not only reduce the need for additional revenue sources, but also promote service efficiency.

The cost for delivering services generally fall under the following categories - administration and management; materials and supplies; direct and indirect labor.

The fee structure needs to be reviewed and adjusted periodically to reflect inflation, revenue fluctuations, changes in city policies, technology improvements, enhanced customer service, legislative changes, and other circumstances. A fee study is typically performed by municipalities every 3-5 years to evaluate user fees in the context of changing costs and circumstances. Some cities adjust the application fees based on the average consumer price index (CPI) change every year. The CPI is defined by the Bureau of Labor Statistics as ...” a measure of the average change over time in the prices paid by consumers for a representative basket of consumer goods and services. The CPI measures inflation as experienced by consumers in their day-to-day living expenses.” As per the CPI Inflation Calculator of US Bureau of Labor Statistics, on an average, the price of an item that was worth \$100.00 in 2014 has increased to \$130.68 in 2024. The table below shows the change in CPI for Houston-The Woodlands-Sugar Land for the period 2014-2023.

| CPI for 2014 - 2024 |            |
|---------------------|------------|
| Year                | Annual CPI |
| 2014                | 213.365    |
| 2015                | 213.039    |
| 2016                | 216.414    |
| 2017                | 220.657    |
| 2018                | 225.927    |
| 2019                | 228.799    |
| 2020                | 229.161    |
| 2021                | 238.975    |
| 2022                | 258.660    |
| 2023                | 267.607    |

Other items to consider when developing charges and fees are:

- Applicable laws and statutes regarding charges and fees
- Formal policies for articulating pricing factors or rationale for any subsidies
- Full cost of providing the service
- Frequency of fee schedule review and update
- Long-term forecasts and plans that impact the decision-making in the rate setting process
- Stakeholder involvement

## Purpose

The City of Angleton's current fee structure has never been evaluated and updated in a comprehensive manner since the adoption. Since the initial adoption, there has been several changes that impacted the cost of providing services. Some of them are the increase in cost of living and associated change in the staff salaries; addition of new application types; need for consultant expertise due to lack of inhouse resources; need for additional resources due to the increasing number of applications etc.

The purpose of this User Fee Study was to determine the reasonable fees for services provided by the City as listed in the current fee schedule.

The major objectives of this User Fee Study were as follows:

- Develop a rationale for setting fees - It is necessary to have a rationale for setting fee for a particular application. The City may have to subsidize residential permit and platting fees for primary homeowners. The City can not afford to offset the cost for a major commercial construction permit due to the amount of simultaneous and frequent reviews and inspections by redirecting the revenue that could have used for a sidewalk project.
- Develop updated and comprehensive list of fees - The City has to add or remove certain types of fees due to change in circumstances. Solar system installation requires permits, and the current fee schedule does not address this. Dance halls require permit and there may not be a dance hall within the city limits.
- Maintain conformance with state law, City policies, and community goals - Some of the applications that were required to be updated are listed below:
  - Right-of-way construction permit - City can not charge a fee if there is a franchise agreement with the utility provider
  - Electrical, Mechanical, or Plumbing Contractors are exempt from the fee (not from the registration requirement).

## Preliminary Analysis of the Current Fee Structure

Based on the preliminary review of the current fee schedule and initial discussions with staff, the following issues were identified:

- Some of the fees are being charged by the City but are missing in the fee ordinance. Example - plats.
- Some fee types are missing. Examples are Tree Plan, Development Agreement, etc.

- Fees are not organized in a user-friendly manner as the fees are listed based on the section of the code.
- Some fees (plats) are being charged as a deposit. This requires additional follow up from the staff to return unused fee or obtain additional fee from the applicant if additional review is required.

## Methodology

Ardurra commenced the Comprehensive User Fee Study for the City of Angleton in April 2023. The study included:

- **Data Collection:**

Identification of the cost incurred by the City to process permits and licenses listed in the City's current fee schedule. Data was collected by:

- Reviewing current fee schedule (obtained from the City's website).
  - Reviewing applications posted on the City's website.
  - Gathering information from City staff. A worksheet listing the current fees were distributed to all departments to gather missing information and to identify the time spent by staff on each application with their hourly rates.
- **Analysis of Findings**
    - **Cost recovery analysis:** Based on the data received from the staff, cost recovery analysis of each fee type was performed.
    - **Comparative Fee Analysis:** Fee ordinances of the benchmark cities were researched to compare Angleton's fees with that of the benchmark cities to ensure that the current fees were adequate and were in par with other cities.
  - **Formulation of Recommendations**

Preliminary recommendations were made based on the comparative fee analysis and conformance with state statutes.
  - **Review with City staff**

Proposed fees were reviewed with departments to obtain their input and were updated as directed. Project progress was reported to staff contact over biweekly meetings. Working drafts were also shared with staff contact periodically.

## Detailed Project Approach

The following steps were followed for the tasks identified in the scope:

- **Current Fee Structure & Categories**

- Identification and categorization of all fees: In an excel sheet, the fee types from the current fee schedule and City Code of Ordinances were identified and

categorized based on the type of the application and activity being undertaken. The current fee ordinance categorizes the fees based on the section of the code and that makes it difficult to use.

- **Cost Recovery Analysis**

- Approval processes: After staff interviews and analysis, the approval processes for each type of permit, and key staff and agencies involved were identified.
- Staff and effort: Based on the approval process detailed in the City Code of Ordinances, key staff involved in the processing, review and approval of each application type were identified to calculate the total cost incurred to the City and processing time required for each application. In July 2023, the excel worksheet was distributed to all City departments to add the hourly rate of each staff and time spent on each application. The time estimated did not appear to be a true reflection of the efforts undertaken. The observations were discussed with City staff and City staff updated their estimates to incorporate the missing staff hours and capture time spent on all related tasks (city secretary, legal, agenda preparation, staff report and presentations, engineering review time for development plat etc.).
- Cost recovery analysis: Based on the updated excel worksheet received from the staff in October 2023, the total cost incurred by the City to process each application was calculated by Ardurra (Appendix 2).

- **Comparative Fee Analysis**

- Comparison with benchmark cities: Angleton's current fees were compared with existing fees in similar surrounding cities that were identified as benchmark cities, with staff's assistance. These cities were selected based on their proximity to Angleton, and similarity in terms governance, demographic makeup, population, area, and growth patterns. A draft of initial fee comparison was shared with the City staff in April 2023. Examples of fee ordinances and reports from other cities were also shared with the City staff in October 2023 (Appendix 3).

The benchmark cities were

- Pearland
- Manvel
- Rosenberg
- Richmond
- Alvin
- Katy
- Fulshear
- Brookshire
- Pattison

- Omitted fees: A comprehensive list of fees charged by other cities was prepared. The City staff was requested to identify any missing fees or fees that were not being charged.

- Additional fees: The fee analysis included missing fee types not included in the current fee schedule but supported by the approved ordinances and charged by surrounding cities were identified, as potential sources of additional revenue.

- **Recommendations**

- Since the cost breakdown analysis did not provide a realistic picture of the total cost incurred on the processing of several applications, the new fee structure was proposed based on the comparative fee analysis. The proposed fees were discussed with City staff (development services, parks, and utilities) at several meetings and updated as directed. The updated fee study draft was shared with the City staff in May, July, and August 2024.

## Stakeholder Input

The City staff discussed the proposed fee schedule with various stakeholders including the developer community and Planning and Zoning Commission (P & Z).

- Staff Workshop - Staff held a Comprehensive Fee Schedule workshop on July 25, 2024 to discuss the proposed fee schedule.
- Developer/Public Workshop - The City staff organized a workshop with the developer community and public on August 6, 2024 and discussed the proposed fee schedule to obtain their input.
- P & Z update - The staff presented the proposed fee schedule to the P & Z on September 5, 2024 to obtain their input.
- City Council Work Session - Scheduled for October 22, 2024.

## Revenue Projection Analysis

To be added

## Conclusions

- Cost recovery analysis: It was concluded that the processing time estimated by staff was not a true reflection of the actual time incurred, due to the multiple functions undertaken by each staff simultaneously. Additionally, the estimated time did not take into consideration the time spent on research, coordination, site visits, meetings, follow-up, and others. Based on the analysis of the updated excel worksheet received in January 2024, majority of the fees excluding platting and zoning still did not provide a true reflection of the total effort spent on the application processing.
- Comparative fee analysis: Based on the comparative fee analysis it was observed that there was an opportunity to increase some of the fees by:
  - Increasing some of the existing fees to be comparable with benchmark cities.
  - Adding fees for applications and permit reviews that some of the benchmark cities were charging for.
  - Adding fees that were approved by ordinance but not being charged currently.

- Adopt an annual fee update / increase mechanism

## Recommendations

General Considerations Regarding User Fee Determination: The primary goal of these recommendations was to provide a fair and equitable basis for determining the reasonable fees. The following factors were discussed with staff while proposing the new fees:

- Minimize spending other revenue sources to compensate for subsidizing the application and permit fee
- Benefit to the community due to proposed development or service
- State law compliance
- Promote safe and healthy practices by appropriate fees. For example, if the cost of a permit for changing a water heater in residential home is higher than the cost of the water heater itself, many citizens tend to avoid applying for a permit.
- Fees in benchmark cities

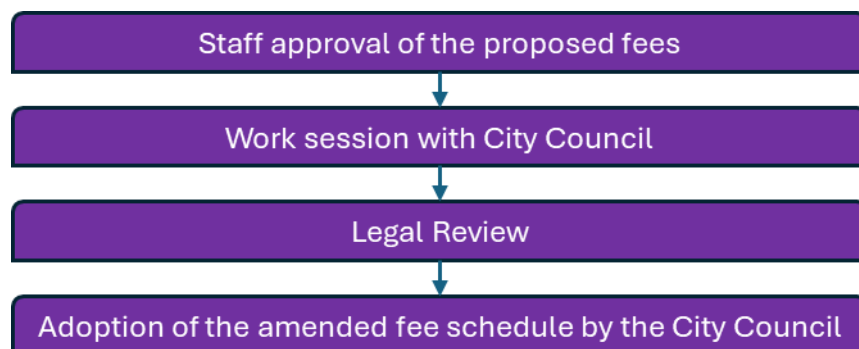
Recommendations:

The recommendations included:

- Reorganization of the fee structure based on the type of the application and activity being undertaken.
- Addition of processing fee for some applications such as building permit to ensure that the minimum cost incurred by the City is being captured.  
Proposed fee structure = Application/Processing Fee + Review fees (if any)
- Additions and modifications of certain fees based on state law requirements. (E.g., platting, swimming pool, contractor registration, exemptions)
- Incorporation of facility rental fees provided by Parks Department. A comparison with benchmark cities for comparable fees was performed.
- Modification of utility fees based on the recommendations of the study undertaken by the Utility Department. (Appendix 4).

## Future Steps

The steps are listed below.





## Appendix

1. Proposed Fees
2. Comparative Fee Analysis
3. Cost Recovery Analysis
4. Existing Utility Fees and Results of Utility Department's Study

## References

1. [CPI Inflation Calculator \(bls.gov\)](#)
2. [Bureau of Labor Statistics Data \(bls.gov\)](#)
3. [Texas Local Government Code](#)
4. [City of Angleton Code of Ordinances](#)
5. Fee schedules of the cities of Pearland, Alvin, Manvel, Richmond, Rosenberg, Brookshire, Pattison, Fulshear, and Katy