



# CITY COUNCIL AGENDA REPORT

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MEETING DATE: April 14, 2009

ITEM NUMBER:

**SUBJECT:** PROPOSED FIRE PREVENTION FEES

**DATE:** APRIL 7, 2009

**FROM:** FIRE / FIRE PREVENTION

**PRESENTATION BY:** MIKE MORGAN, FIRE CHIEF AND SUSAN GUZZETTA, ANALYST

**FOR FURTHER INFORMATION CONTACT:** GREGG STEWARD, DEPUTY CHIEF / FIRE MARSHAL  
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## **RECOMMENDATION:**

1. Staff recommends that City Council approve adoption of the following annual Fire Prevention fees:

- 1) Re-inspection fee
- 2) Late filing of Hazardous Material Disclosure fee
- 3) Failure to Cancel Scheduled Inspection fee
- 4) Apartment Inspection fee
- 5) Fire and Life Safety – fire company business inspection fee

2. Staff also recommends that City Council approve an increase of the existing Sprinkler inspection fee. The actual new/increased fee structure will be determined through City Council direction regarding fee calculation. Staff therefore requests the City Council to determine if new and increased fees should be based upon:

- 1) Average of cities in Orange County, or
- 2) 100% cost recovery, or
- 3) Other specified percentage of cost recovery

**NOTE:** For the sake of providing an example of potential revenue from proposed fees the “average” fees of cities in Orange County are being utilized in this report. To achieve or approach 100% cost recovery, higher fees will need to be implemented.

## **BACKGROUND:**

From our research it appears Costa Mesa currently has the fewest number of fire prevention fees in Orange County and collectively the fees charged in Costa Mesa are the lowest in Orange County. Two neighboring fire prevention bureaus (Huntington Beach, and Orange County Fire Authority) strive to cover all fire prevention costs through fees (100% cost recovery), while Newport Beach strives for 100% cost recovery for their Hazardous Materials Specialist and Plan Checker. Other cities in the County have an assortment of fees well beyond those suggested in this document, and the fee structures vary between agencies. The examples being provided in this report represent “average” fees in all cases.

NOTE: 100% cost recovery can include all salaries and benefits for all personnel time needed to complete a task. For example: For a “plan check” a pre-established cost for the time and benefits of any employee having responsibilities to complete the plan check (analyst, secretary, fire marshal) could be included in cost recovery.

### **ANALYSIS:**

The analysis provided was compiled by comparing CMFD fees with other Orange County agencies, utilizing our 2008 schedule. It must be noted that the proposed fees noted as potential revenue (utilizing “average” fees as an example) show what revenues could have been in 2008 and in no way provide guaranteed revenue in future years. Future revenue would be contingent upon what the actual fees are at that time and would also depend on new development or re-development in any given year. The following are examples of the proposed fees utilizing our 2008 schedule:

#### **Re-inspection fee:**

The “average” Re-inspection fee charged by seven other local agencies is \$133.50. A re-inspection fee is defined as any inspection for a single permit in excess of the initial two inspections. Other departments in the county provide up to two inspections with a permit however, each additional inspection incurs a fee. The Costa Mesa Building Department currently charges for additional inspections but the Fire Prevention Bureau is not authorized to charge a re-inspection fee. It is not uncommon for builders to schedule more than two additional inspections with Fire Prevention, without being charged a fee. Fire Prevention currently has no incentive to track the number of re-inspections and therefore an exact number of 2008 occurrences cannot be provided however, Fire Prevention is confident that multiple re-inspections occurred (specifically with two very large 2008 projects) at least 180 times.  $180 \times \$133.50$  (county average) = an increase of \$24,030.

#### **Late filing of a Hazardous Material Disclosure fee:**

Currently Costa Mesa does not charge a late fee for the filing of hazardous material disclosure. Many businesses tend to be late with disclosure and fee submittal because no nuisance fee for late disclosure/submittal exists. Orange City, Fullerton, Garden Grove, Fountain Valley, Santa Ana, and Anaheim fire departments charge either: a) 20% fee after 30 days which increases every 30 days, or b) \$100 fee after 30 days, and then another \$100-\$200 late fee at 60 days late. Costa Mesa currently has 270 businesses that require annual Hazardous Material Disclosure forms. About 15%, or 40 of those businesses are late to file hazardous materials disclosure. Using the example of all late fees being paid no later than 30 days, a conservative estimate of \$4,000 may be anticipated.

#### **Failure to Cancel Scheduled Inspection fee:**

Failure of a requesting party to cancel a scheduled inspection or to not be prepared for an inspection detracts from other potential inspections, causes lost time for personnel, and creates the need for yet another inspection to be scheduled on another day. There is currently no nuisance fee for creating this scenario. While there again is no “hard data” on the number of times this occurred in 2008, Fire Prevention estimates that there were at least 100 occurrences. If the average fee charged by neighboring agencies was utilized (\$133.50) the City would have recovered approximately \$13,350.

#### **Apartment Inspection fee:**

State law allows for apartment inspection fees for apartment complexes with 4 or more units. Of the eight agencies surveyed five have fees for the inspection of apartments (Anaheim, Huntington Beach, Orange city, OCFA, and Santa Ana). The average charge of these inspections is \$296.20 for apartments with 20 units or greater. Fountain Valley, Garden Grove, Costa Mesa and Newport Beach currently do not charge a fee. Costa Mesa has approximately 200 apartment complexes with four or more units. A tiered fee, based upon number of units could be established, or a flat fee could be collected. A flat fee of \$135 for apartment inspections would result in \$27,000 of additional revenue.

**Increasing existing fee for Sprinkler System Inspections:**

Increase our current Sprinkler System inspection fees to the average of what other agencies are charging. The fees vary according to the number of sprinkler heads needing inspection. For an inspection involving 113 heads the “average” fee charged by other agencies is \$515.12. Costa Mesa’s fee for this inspection is currently \$160.46, or \$355.66 less for that one inspection. Fire Prevention conducted 138 sprinkler inspections in 2008 and if the average fee were to be increased by only \$150.00 (estimate based upon varying number of sprinkler heads per occupancy) the City would realize an increase in revenue of \$20,700.

**Fire and Life Safety – fire company business inspection fee:**

The Costa Mesa Fire Department provides fire company business inspections for 6,000 business occupancies per year. These inspections ensure fire and life safety for employees and patrons. The inspections range from simple small business occupancies to complex occupancies and everything in between. Although most cities in the region charge from \$40.00 for a simple small business inspection up to \$1,600.00 for a complex occupancy, the City of Costa Mesa does not charge for these inspections. Due to similarities in numbers of business occupancies and demographics with our neighbor city, Huntington Beach, it is possible to estimate potential revenue that would be created if Cost Mesa initiated billing for these inspections. Huntington Beach generates \$382,867.00 per year based upon 6,630 fire company business inspections. There are 6,000 business inspections conducted by Costa Mesa fire companies each year or 91% of those conducted in Huntington Beach. Therefore, if Costa Mesa were to charge in a similar manner as Huntington Beach the City would see a positive change in revenue of \$348,409.00 per year.

**ALTERNATIVES CONSIDERED:**

Complete a thorough study of regional fire prevention/ fire company inspection fees and amend Costa Mesa fees to align with County averages. Consider amending fee structure to achieve 100% cost recovery or another designated percentage to balance the cost of delivery for Fire Prevention services.

**FISCAL REVIEW:**

Implementation of the proposed Fire prevention fees would generate approximately \$350,000 per year in new revenue. Resources generated through implementation of this fee would be deposited into the City’s General Fund and be available for appropriation for funding of the Fiscal Year 2009-2010 Operating and Capital Improvement Budget.

**LEGAL REVIEW:**

No legal review is required at this time. Should City Council approve the implementation of the proposed Fire prevention fees, a fee resolution will be submitted as an agenda item at a future City Council meeting to establish the new fee.

**CONCLUSION:**

According to the 2008 Kosmont Companies survey of most expensive Orange County businesses, Costa Mesa's cost ranking is at the bottom of the list. Costa Mesa currently has the lowest fees and it appears the lowest cost recovery in Orange County. Utilizing the information provided, it is recommended that the City Council approve adoption of the proposed fees and specify the method of fee calculation.

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Fire Chief

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MARC R. PUCKETT

Director of Finance

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Assistant City Manager  
City Clerk  
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Staff