

**FINAL REPORT – CASE NO. 01-07A FOLLOW UP REPORT
CITY OF STOCKTON COMMUNITY DEVELOPMENT
BUILDING PERMIT FEES**

REASON FOR INVESTIGATION:

This report is a follow-up to the investigation conducted and the recommendations made by the 2006-2007 Grand Jury (Case #02-06). The case originated from a citizen complaint received by the Grand Jury alleging that an adjustment of the fees in 2001 was done because of a mistaken conclusion that the plan check fees had not been included in the calculation. In addition, the department did not conduct an analysis of cost versus revenue to justify the fees as required by the law. The complainant further alleged that the excessive fees were claimed to have been collected to repay ten (10) years of deficit operation by the Community Development Department, during which time budget funding came from the city's General Fund.

The 2007-2008 Grand Jury conducted a follow-up investigation to determine the amount of progress made in addressing the prior year's recommendations.

BACKGROUND:

The Community Development Department calculates fees to be charged for building permits and plan check fees in the City of Stockton. This combination fee is designed to cover the costs of the department in inspecting each component of a structure's plan and construction. The 2004-2005 Civil Grand Jury looked at the action taken in 2001 and formulated a number of findings suggesting that the City of Stockton had charged excessive fees to builders since 2001, generating more than \$40,000,000 in revenue. This revenue was transferred into the City's General Fund. The 2006-2007 Civil Grand Jury decided to continue to investigate this matter, finding along with the 2004-2005 Jury that in fact the City of Stockton had been overcharging for building permit fees. The 2006-2007 Grand Jury also found that by law, this department could not charge more for their fees than they expensed to operate the department. The Grand Jury was informed that an outside consulting firm had been hired to estimate the cost of operating the department and set the fees based on those costs. Several recommendations were made by this Grand Jury and this report addresses those recommendations.

METHOD OF FOLLOW-UP INVESTIGATION:

Interviewed City of Stockton Finance Director

Reviewed the following documents:

- All financial documents provided by the City of Stockton
- Assessment materials for increase or decrease of building permit fees from fiscal year 2000-2001
- Building division budget from year 2000 to present

RECOMMENDATIONS FROM THE 2006-2007 GRAND JURY:

The 2006-2007 Grand Jury made the following recommendations:

1. The City of Stockton needs to fully establish, document, and disclose the cost of operating this department so that any adjustment in permit fees are reasonable and in compliance with the law.

2007-2008 Grand Jury Finding: Though the costs are reported in the annual budget for the City of Stockton, it is extremely difficult to determine whether in fact those numbers are reasonable. The study by Muni Financial has not been completed and therefore there is no viable document for understanding both costs and fees.

2. The City of Stockton, at the time of a resolution changing permit fees, must inform the public ahead of time and conduct a public meeting which meets the test of full disclosure. A full and complete cost analysis must be presented and discussed with the public being given the opportunity to provide comment on the proposed change.

2007-2008 Grand Jury Finding: The City of Stockton does notice public meetings, but until the study regarding costs versus fees is in place, the public is not getting all the required information.

3. The Community Development Department should be audited on a mandatory basis every two (2) years. Based on the findings of the audit, the department should adjust fees according to law.

2007-2008 Grand Jury Finding: The City of Stockton states in its response that they will be reviewing the fee schedule every year and that they will use the template developed by Muni Financial to determine the cost of providing services. Problems arose with Muni Financial and their ability to satisfy the criteria needed to complete the study. Since the City of Stockton had not set a definite completion date, the date promised for delivery of this template was not met. It was further determined by the City of Stockton that Muni Financial was not capable of completing the building cost portion of the study. The City has hired Revenue Cost specialists to fulfill the building cost portion, but no definitive due date has as yet been established. As long as this study is not complete, the public cannot be assured of the true cost of providing services.

4. Based on the outcome of the cost study by Muni Financial, due on July 1, 2007, the Community Development Department should carefully review fee levels to ensure that revenue matches cost and take steps to adjust, if necessary.

2007-2008 Grand Jury Finding: Though the City of Stockton indicated this recommendation would be implemented, the cost study is not complete. The Grand Jury has received a “draft” copy of the Muni Financial study, but the Revenue Cost Specialists study has not been completed. This jury is concerned that without this study, the fees being charged may not be in compliance with law.

5. The City of Stockton should provide a copy of the Muni Financial study to the 2007-2008 Civil Grand Jury as soon as it is available.

2007-2008 Grand Jury Finding: The 2007-2008 Grand Jury awaits the independent cost analysis study for review.

RECOMMENDATIONS:

The 2007-2008 Civil Grand Jury makes the following recommendation:

1. Since the City of Stockton cannot depend on Muni Financial, it is incumbent on the city to provide an independent cost analysis study by July 1, 2008.
2. The City of Stockton give definitive completion dates when awarding contracts for cost studies.

RESPONSE REQUIRED:

Pursuant to Section 933.05 of the Penal Code:

The Stockton City Council shall report to the Presiding Judge of the San Joaquin County Superior Court, in writing and within 60 days of publication of this report, with a response as follows:

As to each finding in the report a response indicating one of the following:

- a. The respondent agrees with the finding.
- b. The respondent disagrees with the finding, with an explanation of the reasons therefore.

As to each recommendation, a response indicating one of the following:

- a. The recommendation has been implemented, with a summary of the action taken.
- b. The recommendation has not yet been implemented, but will be with a time frame for implementation.
- c. The recommendation requires further analysis, with an explanation of the scope of analysis and a time frame not to exceed six (6) months.
- d. The recommendation will not be implemented, with an explanation therefore.