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Title: CONSIDER GENERAL FEE STUDY TO PROVIDE A DETAILED ANALYSIS OF THE COSTS THE CITY INCURS FROM PROVIDING SERVICES AND PROVIDE DIRECTION TO STAFF PRIOR TO BRINGING FORWARD AN UPDATED FEE STRUCTURE FOR ADOPTION (CITY COUNCIL)

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Report to Mayor and City Council

Tuesday, May 07, 2019

Discussion

SUBJECT:

CONSIDER GENERAL FEE STUDY TO PROVIDE A DETAILED ANALYSIS OF THE COSTS THE CITY INCURS FROM PROVIDING SERVICES AND PROVIDE DIRECTION TO STAFF PRIOR TO BRINGING FORWARD AN UPDATED FEE STRUCTURE FOR ADOPTION (CITY COUNCIL)

I. SUMMARY

The General Fee Study is detailed analysis dedicated toward seeking alternate, and more equitable, ways to finance City services provided to the community. The study will also provide the City Council and management the complete information upon which to assess fees charged to the public for services provided.

The City charges fees for a myriad of services, from development and building fees to recreation programs to park and facility rentals, among other things. Issues continue to surface related to many of these fees, and the economic consequences of raising or lowering fees without studying the market first.

II. RECOMMENDATION

RECEIVE staff report and provide direction to staff prior to bringing forward a complete

General Fee Study proposal.

III. ALTERNATIVES

1. DO NOT APPROVE moving forward with the General Fee Study.
2. TAKE another action the City Council deems appropriate, consistent with the requirements of the law.

IV. BACKGROUND

The City of Carson charges user fees for a variety of specific services provided on behalf of private citizen or group. The underlying assumption for the user fee is that costs of services benefiting individuals and not the entire community should be borne by the individuals receiving the services, and that the user of the service should pay a fee that bears a relationship to the cost of the service. Therefore, setting user fees is equivalent to establishing prices for services. Unlike private organizations, making a profit in providing services to the public is not a legally allowable objective for local governments. The City may only set fees at a level to recover the full cost of providing the service. However, in certain circumstances it is reasonable for Council to set policies in establishing fees for certain services at a level that does not recover the full costs, resulting in a General Fund subsidy.

The General Fee Study is a key initiative that will help the City in developing a fiscally sustainable course for the long term by taking a comprehensive look at the organization and utilizing a cost allocation plan and master fee study to better recognize the cost of various City services.

The General Fee Study basic principal is the recognition of the full business costs and will explain a rate-setting methodology that will be used to update city fee schedule:

- Defining the business and services provided (What do we do? Why do we charge for it?);
- Estimate the cost of providing the services;
- Forecasting the revenue requirement for each service line;
- Propose new rates that will equitably recover costs and meet the City goals.

The General Fee Study will look at a broad range of services and examine potential pricing models and strategies for different situations and services, such as price reductions for long term contracts (as in, for example, the Community Center), or flexibility in some of the ancillary fees and requirements in a facility, such as an alternative fee for non-catered food in the facility; resident vs. non-resident fees for a variety of services, such as recreation or human service programs; discounts based on age (youth or seniors); or other discounts such as multi-child discounts.

Further, understanding how costs themselves are allocated among staffing and facilities will give the City a better sense of the level of subsidy it provides to certain (and likely, to some degree, all) of the programs and facilities it operates, and can better calibrate pricing in the future to maximize desired outcomes.

V. FISCAL IMPACT

There is no immediate fiscal impact. City Council direction will be used to prepare a complete General Fee Study proposal.

VI. EXHIBITS

None.

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