



Legislation Details (With Text)

**File #:** 2023-0283    **Version:** 1    **Name:**

**Type:** Discussion    **Status:** Agenda Ready

**File created:** 4/4/2023    **In control:** City Council

**On agenda:** 4/20/2023    **Final action:**

**Title:** COMMUNITY SERVICES USER FEE STUDY UPDATE - FEE RECOMMENDATIONS

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
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**Report to Mayor and City Council**

Thursday, April 20, 2023

Discussion

**SUBJECT:**

**COMMUNITY SERVICES USER FEE STUDY UPDATE - FEE RECOMMENDATIONS**

**I. SUMMARY**

This is the second user fee study workshop presented to the City Council; however, this workshop solely focuses on Community Services (Leisure & Cultural Services) and Transportation. Since the City charges fees for services, it's recommended that the City Council reviews and analyzes the consultant's proposal for fees on City wide programs. The City has a long history of charging fees for various City services and routinely those fees are paid by the person or group that directly benefits from the service. Local government is legally allowed to charge a fee for a service; however, the charge may only recover the full cost of providing that service. In certain circumstances the City Council can set a policy where adopted fees for certain services are at a level that are not recovered by the paid fee, thus resulting in a General Fund subsidy.

The City's contracted consulting firm, Revenue & Cost Specialists, LLC, ("RCS"), is an independent financial consulting firm that specializes in government cost allocation, cost recovery, user fee study and overhead cost analysis. RCS worked with City staff in identifying Community Services and Transportation services offered to the community and RCS calculated the full cost of each service including labor, benefits, materials, supplies, overhead expenditures, and calculating subvention levels for each service.

The focus of the fee study is to determine the amount of revenue required to fully fund the costs of providing the identified services at the level the community has come to expect and enjoy. The calculation of the full cost of service is a measure for the City Council to use when analyzing and determining the appropriate level of cost recovery.

## **II. RECOMMENDATION**

1. PROVIDE direction to staff on any fee analysis line item.
2. APPROVE the fee study and direct staff to establish a public hearing and adoption of documented fees at a future City Council meeting.

## **III. ALTERNATIVES**

TAKE another action that the City Council deems appropriate.

## **IV. BACKGROUND**

In late 2019, staff published a Request for Proposal (“RFP”) soliciting consulting firms to perform a comprehensive user fee and cost analysis. The selection committee reviewed all proposals, interviewed and rated four businesses. The committee selected RCS as their top selection. In 2020, RCS began meeting with the departments and identifying specific services, personnel involved including labor costs, and the time allocated for the service. Though COVID-19 required a temporary suspension of those meetings, RCS and staff are before the City Council today with user fee workshop #2 presenting Community Services (Leisure & Cultural) and Transportation fees for the City Council’s consideration.

### **LEISURE & CULTURAL SERVICES**

Leisure & Cultural services are highly market driven and subject to a variety of external factors including value to the City’s character, consumer demand, location, facility amenities, demographics, and competing service providers. Adjustments in fees can have a significant impact on consumer demand but fee levels are best set at the delivery point based on a flexible and market-based pricing model. Additionally, staff recommends that the City Council develop a policy as to what programs should be subsidized with tax monies in promoting social benefit. If subsidizing programs is the wish of the City Council, subsidy levels can be set as part of a budgetary or programmatic policy statement.

This report recommends that Recreation cost recovery goals be set as a percentage of direct Recreation program costs. This practice is quite common in local government operations, not because indirect costs do not exist and are not important but rather to ensure that the cost recovery goals remain relevant, market competitive, and are easily reproducible. The breakout of direct and indirect costs and cost recovery percentages can be reviewed in more detail in Appendix C of the Cost of Services Study Report.

### **TRANSPORTATION SERVICES**

Transportation services is the second area of fees that are market driven and subject to a variety external factors, as noted in Leisure & Cultural services. Market driven and consumer demand can play a major role in group excursion trips and summer day camp trips.

**SUMMARY OF COSTS**

The below chart illustrates the current fees being charged, the total cost to provide the service and the fee amount that needs to be subsidized, in order to not increase the cost to the consumer.

REF # (1)	SERVICE (2)	TOTAL FEE REVENUE (3)	TOTAL SERVICE COST (4)	TOTAL PROFIT/ (SUBSIDY) (5)	PCT. RECOVERY FROM FEES		POSSIBLE NEW REVENUE (8)
					ACTUAL (6)	SUGGEST (7)	
<b>LEISURE &amp; CULTURAL SERVICES</b>							
S-085	ADULT SPORTS	\$88,536	\$422,452	(\$333,916)	21.0%	100%	\$0
S-086	YOUTH SPORTS	\$133,813	\$1,757,428	(\$1,623,615)	7.6%	100%	\$0
S-087	SPECIAL INTEREST/ENRICHMENT CLASSES	\$170,968	\$613,473	(\$442,505)	27.9%	100%	\$0
S-088	AQUATICS	\$225,000	\$1,580,161	(\$1,355,161)	14.2%	100%	\$0
S-089	PRESCHOOL PROGRAM	\$600,000	\$1,652,291	(\$1,052,291)	36.3%	100%	\$0
S-090	KIDS CLUB/SUMMER DAY CAMP	\$731,187	\$2,270,126	(\$1,538,939)	32.2%	100%	\$0
S-091	YOUTH SERVICES	\$0	\$30,910	(\$30,910)	0.0%	100%	\$0
S-092	SENIOR SERVICES	\$20,800	\$1,826,615	(\$1,805,815)	1.1%	100%	\$0
S-093	VETERANS SERVICES	\$0	\$10,600	(\$10,600)	0.0%	100%	\$0
S-094	STROKE CENTER	\$6,500	\$244,378	(\$237,878)	2.7%	100%	\$0
S-095	DISABLED SERVICES	\$14,300	\$117,534	(\$103,234)	12.2%	100%	\$0
S-096	SPECIAL EVENTS	\$0	\$512,922	(\$512,922)	0.0%	100%	\$0
S-097	VETERANS SPORTS COMPLEX	\$210,256	\$863,638	(\$653,382)	24.3%	100%	\$0
S-098	PARKS ACTIVITIES	\$0	\$2,886,363	(\$2,886,363)	0.0%	100%	\$0
S-099	MINI PARKS	\$0	\$33,718	(\$33,718)	0.0%	100%	\$0
S-100	COMMUNITY CENTER	\$830,000	\$5,912,490	(\$5,082,490)	14.0%	100%	\$0
S-101	FACILITY/EQUIP RENTALS	\$300,000	\$876,729	(\$576,729)	34.2%	100%	\$0
S-102	SPECIAL EVENT PERMIT	\$0	\$629	(\$629)	0.0%	40%	\$0
<b>SUBTOTAL - LEISURE &amp; CULTURAL</b>		<b>\$3,331,360</b>	<b>\$21,612,457</b>	<b>(\$18,281,097)</b>	<b>15.4%</b>		<b>\$0</b>
<b>TRANSPORTATION SERVICES</b>							
S-103	GROUP EXCURSION TRIPS	\$48,710	\$193,015	(\$144,305)	25.2%	100%	\$12,000
S-104	RECREATION SUMMER DAY CAMP TRIPS	\$0	\$109,930	(\$109,930)	0.0%	100%	\$5,000
S-105	FIXED ROUTE TRANSIT SERVICES	\$2,600,000	\$2,621,626	(\$21,626)	99.2%	100%	\$0
S-106	DIAL-A-RIDE TRANSIT SERVICES	\$74,000	\$614,995	(\$540,995)	12.0%	100%	\$0
<b>SUBTOTAL - TRANSPORTATION</b>		<b>\$2,722,710</b>	<b>\$3,539,566</b>	<b>(\$816,856)</b>	<b>76.9%</b>		<b>\$17,000</b>

Staff is requesting the City Council's consideration and approval of the Comprehensive Fee Study and Cost Allocation report. If the City Council wishes to modify or reassess any fee, staff will work with RCS to develop an updated report.

If the City Council approves the fee study analysis and finding on April 20, 2023, staff will present an updated fee resolution and conduct a public hearing for fee adoption at a future Council meeting.

**V. FISCAL IMPACT**

The cost of RCS's services is budgeted through the Finance Department's budget for fiscal year 2023/24.

## VI. EXHIBITS

None.

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