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**Attachments:** 1. Carson Summary 030923, 2. Carson Cost of Services Study report

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**Report to Mayor and City Council**

Thursday, March 09, 2023

Discussion

**SUBJECT:**

**CITYWIDE USER FEE STUDY UPDATE - FEE RECOMMENDATIONS**

**I. SUMMARY**

The City of Carson charges user fees for a variety of services provided to citizens and groups. The principle behind charging a fee is the service benefits the individual rather than the entire community; therefore, the fee should be shouldered by the individual receiving the service. Private organizations that charge a fee for services and they generate a profit, this is an acceptable practice. However, local government may only set a fee for a service to recover the full cost of providing that service. In certain circumstances the City Council can set a policy whereas established fees for certain services are at a level that are not recovered by the fee, resulting in a General Fund subsidy.

On February 4, 2020, the City Council approved a professional services contract with Revenue & Cost Specialists, LLC, (“RCS”) 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 services offered by each department and calculating the full cost of each service including labor, benefits, materials, supplies, overhead expenditures, and calculating subvention levels for each service. The comprehensive fee study for each department reports:

- The current fees compared to a proposed fee based on the actual cost of

service; and,

- Recommendations for potential new or adjusted fees and charges for services

The focus of the fee study is to determine the amount of revenue necessary to fully fund the costs of providing services at the level the community has come to expect and enjoy. The calculation of the full cost of service can then be used as a guideline for the City Council to determine the appropriate level of cost recovery. Though the last professional, comprehensive fee study was completed over 30 years ago, it is the City's goal to have a well-documented, defensible report that identifies labor, material, and overhead costs in calculating fees for all City related costs.

## **II. RECOMMENDATION**

1. PROVIDE direction to staff on any department 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 the fall of 2019, staff published a Request for Proposal ("RFP") soliciting consultants to perform a comprehensive user fee and cost analysis. The selection committee, made up of City staff, interviewed and rated four businesses and the committee rated RCS as the favored entity. In early 2020, RCS began meeting with each department and identified specific services, the personnel involved (labor costs), and the time allocated for the service. Though the COVID-19 pandemic paused the staff meetings, RCS and staff have resumed discussions and staff is presenting today's fees for the City Council's consideration. Due to the nature of the Community Services/Recreation (Leisure & Cultural) programs and the complexity of cost recovery for those programs, the Community Services/Recreation and Transportation fees will be discussed independently at a subsequent City Council meeting.

### **COMMUNITY DEVELOPMENT SERVICES**

The basic Community Development services are supported by general taxes. However, personal choice services, such as building permits and Planning applications, are those that benefit a developer, and those fees are paid to the City. On the other hand, if no development occurred, most of the costs/fees could be eliminated or significantly reduced. Through cost study analysis, if the suggested fee decreases and increases are approved, approximately \$116,900 in new revenue could be reached annually. It should be noted that many Planning fees will be moved to a flat fee rather than deposit based; however, more

complex application/permits will remain as deposits.

**PUBLIC SAFETY SERVICES**

These services are those provided by the City Public Safety/Code Enforcement Division. The study identified eight services (e.g., reinspection, abatement, sign removal, and parking enforcement) and adopting the suggested fees would result in \$56,400 in new revenue annually.

**ADMINISTRATIVE SERVICES**

All miscellaneous administrative services are identified in this section. For example; processing Business License applications, Fireworks permit fees, City Treasurer fees that include nonsufficient check processing fees, and the City Clerk’s Office fees such as candidate filing fees. If the suggested fees are adopted, the annual increase in revenue would be \$713,600. It should be noted that any increase in Business License fees is separate from the established Business License tax.

**SUMMARY OF COSTS**

The comprehensive report shows proposed revenue for Community Development, Public Safety, and Administrative Services, which is based on suggested fees and nets \$886,900 annually.

SERVICE (2)	TOTAL FEE REVENUE (3)	TOTAL SERVICE COST (4)	TOTAL PROFIT/(SUBSIDY) (5)	PERCENT RECOVERY FROM FEES		POSSIBLE NEW REVENUE (8)
				ACTUAL (6)	SUGGEST (7)	
COMMUNITY DEVELOPMENT	\$5,858,782	\$5,566,800	\$291,982	105.2%	VAR	\$116,900
PUBLIC SAFETY	\$1,057,000	\$813,220	\$243,780	130.0%	VAR	\$56,400
ADMINISTRATIVE	\$953,386	\$1,707,944	(\$754,558)	55.8%	VAR	\$713,600
	\$7,869,168	\$8,087,964	(\$218,796)			\$886,900

Staff is requesting 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 findings on March 9, 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. The possible revenue derived from this study is dependent on the City

Council's direction.

## **VI. EXHIBITS**

1. Carson Summary (pgs. 5-10)
2. Cost of Services Study - RCS report (pgs. 11-370)

1.

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