



Legislation Details (With Text)

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Report to Mayor and City Council

Tuesday, January 04, 2022

Discussion

SUBJECT:

CITY COUNCIL WORKSHOP INTRODUCTION: CITYWIDE COMPREHENSIVE USER FEE STUDY - METHODOLOGY, PURPOSE OF THE STUDY AND REVIEW OF FEE RECOMMENDATIONS.

I. SUMMARY

The City of Carson charges user fees for a variety of specific services provided on behalf of private citizens or groups. 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. At the direction of the City Council, staff-initiated a Fee Study to conduct a comprehensive cost of service analysis for the City's numerous fees and charges for services across various departments.

On February 4, 2020, the City Council approved a professional services agreement with

Revenue and Cost Specialist, LLC, an independent financial consulting firm that specializes in government cost allocation, cost recovery, user fee study and overhead analysis. In addition, to work with City staff to identify services offered by each department, calculate the full cost of service including labor, benefits, materials, supplies and overhead expenditures and calculate 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 service; and,

This comprehensive fee study was undertaken with the objective of allowing the City to continue its operations at the level of service the community has come to expect and to determine the cost of said services. The focus of this study is to determine the amount of revenue necessary to fully fund the costs of providing services. The calculation of the full costs of service can then be used as a guideline for the City Council to determine the appropriate level of cost recovery. The last professional comprehensive fee study conducted by the City of Carson was approximately 30-year ago and it is the City's goal to have a well-documented and defensible analysis that will identify labor, material and overhead rates to be used in the calculation of fees to be charged for a variety of user fees, including plan checking, permits and City facility usage.

II. RECOMMENDATION

PROVIDE direction to staff on any department fee analysis line item that will be used to build the proposed Comprehensive User Fee Study.

III. ALTERNATIVES

TAKE another action that the City Council deems appropriate.

IV. BACKGROUND

Staff released a request for proposals (**RFP 19-016**) on September 12, 2019 and received six proposals from firms specializing in local government financial analysis. A selection committee comprised by staff from Public Works, Community Services, Community Development and Finance department reviewed the proposals and rated each firm based on a number of criteria: demonstrated knowledge and capabilities, experience, proposed approach, project rates and fees. Of the six firms, four met the selection committee's minimum criteria and were invited to participate in an interview. The interviews were carried out on December 4, the evaluation committee ranked Revenue Cost Specialists (RCS) as the top ranked firm and negotiations and development of the service agreement ensued.

On February 20, 2020, and based on ratings and cost, staff recommended approval of the agreement with Revenue Cost Specialists for an amount not to exceed \$67,940 for development of Comprehensive User Fee Study. The City Council approved the professional services agreement with Revenue and Cost Specialist, LLC, and directed staff to conduct a citywide comprehensive cost of service analysis for the City's numerous fees and charges for services across various departments.

Over the last 18 months, staff has been working with RCS to conduct interviews and study sessions with departments to help create a cost-of-service model for each department to update on a move-forward basis and to allow departments to better assess the cost of service and subvention levels associated with each fee.

This analysis is designed to provide the City with a systematic and documented approach to understand, control and capture the costs which are incurred by normal service demands, growth, and general economic inflation. This study recognizes any costs that are capped by the State but remaining suggested fees are identified and calculated, including labor and overhead costs. This attached report (Exhibit 1) is brought before the City Council for consideration and adoption.

RCS met with individual departments to identify services, labor costs with processing/approving permits, the costs of providing community classes, overhead costs and a variety of miscellaneous services. The report also identifies the beneficiaries of those services and if the person or entity receiving that service, the report identifies if the service is paid at the full cost or a subsidized by the general fund.

Each department met with RCS and meticulously reviewed established fees and those departments are highlighted below along with a brief synopsis and suggested revenue increase.

COMMUNITY DEVELOPMENT SERVICES

Basic City development services are supported by general taxes; however, personal choice services that mainly benefit a developer are paid by fees to the City. Conversely, if no development took place, most of the costs/fees could be eliminated or at least significantly reduced. Through the analysis of the cost study, if the suggested fee decreases and increased are approved, approximately \$116,900 in new revenue could be realized annually. It should be noted that many Planning fees will be moved to a flat fee rather than remaining 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, abatements, sign removal, and parking enforcement) and with respect to adopting the suggested fees it would result in \$68,400 in new revenue annually.

RECREATION SERVICES (LEISURE & CULTURAL)

These services are provided to the community through the Community Services Department. RCS's report recommends that recreation cost recovery be set as a percentage of those program costs. This practice is common in local government operations to ensure that the cost recovery goals are relevant, market competitive, and easily reproducible. Recreation services are highly market driven and subject to a variety of external factors including consumer demand, location, facility amenities, demographics, and competing service providers. Any fee adjustments can have a significant impact on consumer demand and fee levels are best set based on a flexible and market-based pricing model. The report does not recommend a fixed increase in fees but rather to determine

fees based on the methodology detailed above.

TRANSPORTATION SERVICES

These transit services provide transportation services to the community. The services range from group excursion trips, recreation summer day camp trips, fixed route transit services, and Dial-a-Ride services. The proposed increase of revenue, \$17,000 annually, is a result of increased fees for group excursion and summer day camp trips. There is no recommendation to increase fees for the fixed transit/Dial-a-Ride services.

ADMINISTRATIVE SERVICES

All miscellaneous administrative services are captured in this section. Processing of permit and Business License applications, inspection fees, City Treasurer fees that include non-sufficient check processing, and City Clerk's Office fees, such as notary and candidate filing fees. If the fee suggestions are implemented, the annual increase in revenue would be \$713,600. It should be noted that any increase in a Business License registration fee is separate from the business tax.

SUMMARY OF COSTS

This comprehensive study identifies related fees and proposed increases. As the reports shows, proposed revenue though based on suggested fees, nets approximately \$900,000 annually. Below is a snapshot of each department and possible additional revenue.

Summary

| 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) | |
| 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 |
| LEISURE & CULTURAL | \$3,331,360 | \$21,612,457 | (\$18,281,097) | 15.4% | VAR. | \$0 |
| TRANSIT | \$2,722,710 | \$3,539,566 | (\$816,856) | 76.9% | VAR. | \$17,000 |
| ADMINISTRATIVE | \$953,386 | \$1,707,944 | (\$754,558) | 55.8% | VAR. | \$713,600 |
| | <u>\$13,923,238</u> | <u>\$33,239,987</u> | <u>(\$19,316,749)</u> | <u>41.9%</u> | | <u>\$903,900</u> |

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

If the City Council approves and adopts of the fee study report, on December 21, 2021, staff will bring back to the City Council meeting and have a public hearing but also to present a fee resolution and modified ordinances for Council's consideration.

V. FISCAL IMPACT

The cost of RCS's services has been budgeted through the Finance Department's budget for fiscal year 2021-2022. The possible revenue is dependent on the City Council's

direction.

VI. EXHIBITS

1. City of Carson User Fee Study Presentation
2. City of Carson User Fee Study Report

1.

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