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Title: CITY COUNCIL WORKSHOP NO. 2; CITYWIDE COMPREHENSIVE USER FEE STUDY -
METHODOLOGY, PURPOSE OF THE STUDY AND REVIEW OF FEE RECOMMENDATIONS
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Report to Mayor and City Council

Tuesday, March 15, 2022

Discussion

SUBJECT:

**CITY COUNCIL WORKSHOP NO. 2; 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 to citizens or groups. The purpose for a user fee is the cost of a service benefiting an individual, rather than the entire community, should be borne by the individual receiving the service. Therefore, the receiver of the service should pay a fee that bears a relationship to the cost of the service. 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 City Council to set policies in establishing fees for specific 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 proposal to have a consultant perform a fee study and conduct a comprehensive cost 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 & Cost Specialists, LLC

("RCS") an independent financial consulting firm that specializes in government cost allocation, cost recovery, user fee study and overhead cost analysis. In addition, RCS worked with City staff to identify services offered by each department, calculating the full cost of 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 service

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 those 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 cost 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 was approximately 30-years ago and it is the City's goal to have a well-documented and defensible analysis that will identify labor, material, and overhead costs to be used in the calculation of 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

On September 12, 2019, staff released a Request for Proposals (RFP 19-016) and received six proposals from firms specializing in local government financial analysis. A selection committee comprised of staff from Public Works, Community Services, Community Development, and the Finance Department reviewed the proposals and rated each firm based on the below 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 those four were invited to participate in an interview. The interviews were conducted on December 4, 2019, and the evaluation committee ranked Revenue & Cost Specialists, LLC ("RCS") as the top ranked firm, negotiations and development of the service agreement ensued.

On February 20, 2020, staff recommended approval of the agreement with RCS for an amount not to exceed \$67,940 for the development of a Comprehensive User Fee Study. The City Council approved the professional services agreement and the Council directed staff to conduct a citywide comprehensive cost analysis for the City's numerous fees and charges for services across various departments. Over the last 19 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 on a move-forward basis, which will allow departments to better assess the cost of service and subvention levels associated with each fee. In RCS's meetings with departments, areas of discussion were identified such as services and costs, labor costs with processing/approving applications and permits, costs of providing community classes, as well as a variety of miscellaneous services. The report also identifies the beneficiaries of these services and if the service is paid at the full cost or subsidized by the general fund.

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. The final analysis/report is attached (Exhibit 1) and is brought before the City Council for discussion and consideration.

The comprehensive study identifies related fees and proposed increases. As the report 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 | 106.2% | 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 | \$3,539,588 | (\$816,858) | 76.9% | VAR. | \$17,000 |
| ADMINISTRATIVE | \$853,386 | \$1,707,944 | (\$754,558) | 55.8% | VAR. | \$713,600 |
| | <u>\$13,823,238</u> | <u>\$33,239,987</u> | <u>(\$19,316,749)</u> | <u>41.9%</u> | | <u>\$903,900</u> |

On January 4, 2022, at a regular City Council meeting, RCS completed their first fee study workshop. The consultants provided an overview of their findings but also, described in detail their methodology and calculations. The presentation was well received, and

Councilmembers requested a second workshop to further understand the fee adjustments.

Staff is requesting City Council's consideration to move forward with the Comprehensive Fee Study and Cost Allocation report; however, if the City Council wishes to modify or reassess any fees, staff will work with RCS to develop an updated report.

If City Council is satisfied with the fee study analysis and report, at an April City Council meeting, staff will present an updated fee resolution and conduct a public hearing for fee adoption.

V. FISCAL IMPACT

The cost of RCS's services has been budgeted through the Finance Department budget for fiscal year 2021/22. The possible revenue is dependent on the City Council's direction.

VI. EXHIBITS

1. RCS PowerPoint (pgs. 5-26)

1.

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