

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 05/19/08		Item Number: <u>PH-1</u>	
AGENDA ITEM: PUBLIC HEARING 1) Adoption of a Resolution Establishing and Amending Various Fees and Charges for Services Provided by the City and Rescinding Prior Fee Resolution Nos. 2007-R024, 2007-R037, 2007-R065 and 2007-R073 and; 2) Rescinding Portions of Resolution Nos. 96-R008, 2000-R074, and 2003-R020.			
Contact Person/Dept.: Nick Kimball, Finance Admin & Budget		Phone Number: 310.253.6013	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☒		Action Item: ☐ Attachments: ☒	
Public Notification: Master Notification List (5/14/08); Publication of Notice in the Culver City News on 5/08/08; Notice placed on public counters in City Hall on 05/02/08.			
Department Approval: Jeff Muir (05/13/08)		City Attorney Approval: Carol Schwab (by H. Baker) (05/13/08)	
Fiscal Analysis Review: Jeff Muir (05/13/08)		City Manager Approval: Jerry B. Fulwood (05/14/08)	
<u>RECOMMENDATION:</u> Staff recommends the City Council adopt a resolution establishing and amending various fees and charges for services provided by the City and rescinding the prior fee resolutions. <u>PROCEDURE:</u> 1. Mayor seeks motion to receive and file the affidavits of publication and posting of notices, and correspondence received in response to the public hearing notices; 2. Mayor calls for a staff report (if desired) and/or the City Council poses questions to staff as desired; 3. Mayor seeks a motion to open the public hearing; 4. Mayor seeks a motion to close the public hearing after all audience testimony has been presented; and 5. City Council discusses the item and arrives at its decision.			

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BACKGROUND:

On June 26, 2006, the City Council adopted a resolution compiling all the City's fees and charges, which were previously contained in many resolutions that were adopted at various times, into one document. In the 2006-07 Adopted Budget, the City Council approved funds to hire a consultant to conduct a comprehensive study of the City's fees and charges. In September 2006, the City Council awarded a contract to Public Resource Management Group (PRM) to conduct this study.

The purpose of the study was to calculate the full cost of providing each fee activity, including direct costs and indirect costs. Direct costs are primarily staff's salary and benefit costs for the average time spent working on each fee activity. Indirect costs consist of department overhead, which includes utility costs, administrative support, management oversight, and support to other departments/divisions, and city-wide overhead from the City's Cost Allocation Plan, which includes support from other City departments such as Payroll, IT, and Personnel. This full cost, or actual cost, as calculated by PRM is the maximum that the City can legally charge for each fee related activity. PRM's study is included as Attachment 2.

The actual cost of providing each service, as calculated by PRM, was then compared to the City's current fee for that service. PRM also provided a comparison of current and recommended cost recovery rates for a number of California cities for which PRM had conducted this same study. Based on this information, City staff reviewed each fee and made recommendations to increase/decrease a number of fees, which was adopted by City Council on May 7, 2007, by Resolution 2007-R024.

DISCUSSION:

Pursuant to User Fees and Charges and Development Impact Fees section of City Council Policy 5002 (Financial Policies) included as Attachment 3:

1. All non-enterprise user fees and charges will be examined or adjusted annually to determine the direct and indirect cost of service recovery rate. Where direct services to users can be measured, the City shall consider use of appropriate fees, charges or assessments rather than general tax funds.
2. User fees and charges for specialized services shall be established at a level related to the cost of providing such service except where the City Council has determined there is a public benefit to subsidize the service with tax based revenue. The acceptable recovery rate and any associated

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changes to user fees and charges will be approved by the City Council following public review.

Additionally, as a matter of good financial management, comprehensive fee studies should be conducted every five years or so. The study conducted by PRM in 2007 was the first such study conducted by the City in more than 15 years. Consequently, the fee adjustments adopted by City Council were significant in some cases, but serve as a strong base line going forward. In order to avoid large fee increases whenever a fee study is conducted, and in accordance with City Council Policy 5002, adjustments should be made annually to account for cost increases.

As previously mentioned, calculation of fees is primarily driven by staff time (i.e. multiply the average amount of staff time it takes to complete each fee activity by the effected staff's fully burdened hourly salary & benefits rate). Based on the current MOU agreements in effect, the average increase in employee salary and benefits in 2008-09 is 4%; therefore, a 4% increase is being recommended for a majority of fees.

The Finance Department completed an initial review of the fees and made recommendations for fee increases based on the 4% average increase in staff costs (some fees may be slightly more or slightly less than 4% due to rounding). Staff from Building & Safety; Public Works/Engineering; Fire; Planning; Police; and Parks, Recreation, and Community Services (PRCS) then reviewed the recommendations and made any necessary adjustments to reflect a change in operations or other mitigating factors. Attachment 1 shows each fee, the current fee amount, the recommended amount, the percent change, and a brief comment.

With the exception of Planning, Building & Safety, and Public Works fees set forth in Exhibits D and H-1, respectively, all fees in the proposed resolution will become effective on Monday, June 30, 2008. The fees in Exhibits D and H-1 are subject to provisions of California Government Code Section 66017, which regulate development processing fees and shall become effective on Monday, July 21, 2008; sixty days from the date of Council action this evening.

Fee Comparisons with other Cities

Comparing fees to other jurisdictions is a natural question, but unfortunately may not provide an "apples to apples" comparison. California law establishes that local agency fees must be established at an amount that cannot exceed the actual costs to provide the service. Culver City cannot set its fees to be the average of other cities, or use any methodology taking into account other cities' fees. Culver City can only charge a fee which, at maximum, is no greater than our costs. During PRM's report to City Council in May 2007, they explained the inherent difficulty of providing a meaningful fee comparison with other cities using the absolute dollar cost of the fee due to the

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number of variables in policies and procedures from city to city. A few examples of variables include: a) differences in staff costs (i.e. the salary and benefit structure in City A may be different than City B); b) different processes (i.e. permit approval in City A may require review by a City Commission while approval in City B can be approved by staff administratively); c) City A has recently completed a fee study and knows the full cost of providing their service while City B has not done a fee study and doesn't have a clear idea of the cost to provide services; d) a policy decision in City A to keep fees low (and potentially provide the difference between the fee and actual costs as a subsidy from the General Fund) versus a policy decision in City B to keep fees close to or at actual costs (thereby minimizing the subsidy required from the General Fund); among others.

According to PRM, the only way to approach some sort of meaningful comparison is to compare cost recovery levels for each group of fees against cost recovery levels in other cities who have had a fee study completed recently. Pages 137 and 138 of Attachment 2 shows a comparison prepared by PRM as part of their fee study that compares cost recovery levels in Culver City to those in other cities that PRM conducted a similar study. This was prepared in an attempt to hold some of the variables constant, such as differences in payroll, differences in process, and different fees, to focus primarily on the policy decision of cost recovery level. As the comparison shows, Culver City was on the lower end of cost recovery. With the adoption of the fee increases last fiscal year, Culver City was brought more into line with the comparison cities as it relates to cost recovery.

FISCAL ANALYSIS:

Fees collected by the various departments are placed into the General Fund and are used to fund general City services such as public safety, public works projects and maintenance, parks maintenance, and recreation programs, among others.

Fiscal Year	General Fund Receipts*
2006-07 (actual)	\$7,682,000
2007-08 (estimated)	8,366,000
2008-09 (proposed)	8,534,000
2009-10 (proposed)	8,649,000

* Includes receipts for "Licenses and Permits" and "Charges for Services;" excludes "Billings to RDA."

The fee resolution is reviewed by City Council annually as part of the budget process. Staff assumed a 4% increase in fees when projecting the 2008-09 and 2009-10 revenues for the proposed budget. If significant changes are made to the

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recommended fee increases, budget projections may need to be reviewed and adjusted.

ATTACHMENTS:

1. Proposed Resolution 2008-R__ with Exhibits (fee schedule)
2. 2007 Fee Study Conducted by Public Resource Management
3. City Council Policy 5002: Comprehensive Financial Policies

MOTIONS:

That the City Council:

Adopt the resolution establishing and amending various fees and charges for services provided by the City and rescinding prior fee Resolution Nos. 2007-R024, 2007-R037, 2007-R065 and 2007-R073 and rescinding portions of Resolution Nos. 96-R008, 2000-R074, and 2003-R020.