

**City of Culver City, California
Agenda Item Report**

Meeting Date: 5/14/2012		Item Number: <u>PH-2</u>	
CITY COUNCIL AGENDA ITEM: PUBLIC HEARING - Adoption of a Resolution 1) Establishing and Amending Various Fees and Charges for Services Provided by the City and 2) Rescinding Prior Fee Resolution No. 2011-R027 and Portions of Resolution Nos. 2000-R074, 2003-R023 and 2009-R052.			
Contact Person/Dept.: Nick Kimball, Finance Department		Phone Number: 310-253-6013	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☒		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification: (Email) Agenda and Meetings – City Council (5/9/12); (Newspaper) Culver City News (4/19/11); (US Mail) Building Industry Association of Southern California, Southern California Edison, The Gas Company (4/3/12); (City Hall) Notice placed on public counters and City's website (beginning 4/13/12).			
Department Approval: Jeff Muir (05/10/12)		City Attorney Approval: Carol Schwab (by H. Baker) (05/10/12)	
Chief Financial Officer Approval: Jeff Muir (05/10/12)		City Manager Approval: John M. Nachbar (05/10/12)	
<u>RECOMMENDATION:</u> Staff recommends the City Council adopt a Resolution 1) establishing and amending various fees and charges for services provided by the City; and 2) rescinding prior fee Resolution No. 2011-R027 and portions of Resolution Nos. 2000-R074; 2003-R023 and 2009-R052. <u>PROCEDURE:</u> 1. Mayor seeks motion from the City Council 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 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 public testimony has been presented; and 5. City Council discusses the item and arrives at its decision.			

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BACKGROUND:

In Fiscal Year 2006/2007 the City hired a consultant to conduct a comprehensive fee study. Based on the information provided by the fee study, staff worked with a City Council subcommittee to develop a cost recovery policy and five-year implementation schedule for each affected division.

On June 23, 2008, the City Council approved a cost recovery policy and implementation schedule for fees and charges, which is provided in the table below for City Council's reference. As illustrated in the table, the current overall cost recovery for each fee area is at the cost recovery goal.

Department/Division	Current Cost Recovery	FY 2012-13 Proposed Cost Recovery	Cost Recovery Goal per Policy
Building & Safety	95%	95%	95%
Engineering: Preferential Parking	32%	32%	32%
Engineering: Other Fees	85%	85%	85%
Planning	85%	85%	85%
PR&CS: Recreation	49%	50%	50%
Fire	75%	75%	75%
Police	90%	90%	90%

DISCUSSION:

Over the last few years, the City has been adjusting fees to meet the overall cost recovery levels adopted by City Council. Due to recently approved Memoranda of Understanding with all bargaining groups, staff costs are estimated to increase by approximately 2% in the next year. Consequently, staff is recommending a 2% increase to a majority of fees for Fiscal Year 2012/2013. In addition to the general 2% increase, staff is recommending a few other changes to the fee schedule to better reflect operational realities. The more significant changes being proposed for Fiscal Year 2012/2013 include:

Finance:

In Fiscal Year 2009/2010, a number of new fees related to Special Events Permits requiring review by the Committee on Permits and Licenses and other expedited permit/certificate processing services were added to the fee schedule. Now that these fees have been in existence for a few years, staff has had the opportunity to

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closely track and review the impact the various fee related activities have had on staff time and overall operations. Consequently, staff is recommending an increase to a number expedited service fees and late permit application filing while holding the line on other fees. Overall, the proposed fees will maintain the Finance Department's cost recovery level.

Fire:

Fire Inspection Fees for Commercial Businesses are charged based on the size (measured by square feet) of the business being inspected. Currently, businesses are lumped into four broad size ranges. Since these types of fees are based on averages, smaller businesses tend to pay a little higher fee per square foot for the inspection while larger businesses tend to pay a little less per square foot for the service. Staff is proposing to rework the Commercial Business Inspection fees by adding additional size ranges to slightly reduce the fee per square foot for smaller businesses and slightly increase the fees per square foot for larger businesses. This change increases the equity of the fee structure as inspections for larger commercial businesses are more of a burden on City staff time and tend to be more complex than inspections for smaller commercial businesses. In effect, the proposed fee structure will slightly reduce the extent to which smaller businesses subsidize the inspections of larger businesses. Overall, this should not have a negative impact on Commercial Business inspection revenues. In fact, it may slightly increase revenue by increasing cost recovery from larger commercial facilities.

Parks, Recreation, and Community Services:

Park Permit Fees:

Due to the large capacity and demand for use of Veteran's Memorial Park, staff is recommending an increase to the Park Permit fee for use of Vet's Park. The increased fee revenue is needed to offset the wear and tear caused by the increased use of Vet's Park by large parties.

Facility Rental Fees:

Staff is recommending simplification of the rental fee categories to more easily classify renters into the appropriate rental category. Additionally, Facility rental fees have not been increased in more than five years while custodial costs have increased by 20% over that same time period. Consequently, staff is recommending increased rates for Categories A – E to better reflect the market rate for rental of comparable spaces. Staff has also reviewed Miscellaneous Rental Fees and has proposed changes to reflect current operations.

Police:

Staff is proposing a number of new fees for production/re-production of various reports and investigative materials that are often requested by third parties. These are relatively standard fees charged by many surrounding jurisdictions to recover the cost of generating these reports and investigative materials for various parties.

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Additionally, staff is recommending adding fees to recover costs for DUI collision response, hit and run accident investigations, and police pursuits. Cost recovery for these types of police activities are authorized by Government Code Section 53150 and are charged to the perpetrator, not the victim.

There are no significant changes being recommended in the other departments not specifically discussed above. All fees in the proposed resolution will become effective on Monday, July 16, 2012.

Other Post Employment Benefits (OPEB)

On June 22, 2009, City Council amended Council Policy 5002 – Financial Policies (Attachment 2) – to add the following language:

“...A percentage of certain fee revenues, as determined by City Council Resolution, shall be earmarked and set aside in an irrevocable trust for post employment benefits. After the fiscal year has ended, the earmark percentage will be applied to the actual fee revenues received during the respective fiscal year...”

Staff calculated the percentage increase necessary to fully fund OPEB costs for current General Fund employees as 4.5%. To maintain consistency with implementing increases over time to ease the financial burden, City Council approved phasing in the full cost over a three year period with full implementation in Fiscal Year 2011/2012. Consequently, 4.5% of certain fee revenues (see below) will be earmarked in Fiscal Year 2012/2013 to pre-fund the OPEB obligation.

City Council also approved applying the OPEB earmark to the fee receipts in the following General Fund divisions/departments only: Building Safety, Engineering (excluding Preferential Parking), Fire, Planning, and Police. The OPEB earmark is not applied to PRCS facility rental charges or Recreation program fees because facility rental fees are driven more by market rental rates than staff costs, and City Council has made a policy decision to substantially subsidize recreation programs.

FISCAL ANALYSIS:

User Fees & Charges

Based on current economic forecasts, Departments expect to experience some growth in fee based activity next fiscal year, following a significant decrease in fee activity in prior fiscal years. Most of the City's major fee revenues are derived from construction and development related activities, which have been among the industries hardest hit over the last few years. Therefore, fee revenues are expected to continue to grow slowly as the economy begins to recover.

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OPEB

As previously mentioned in this and other reports to City Council, the City was required to report the OPEB liability on the audited financial statements as of 6/30/09. There is currently no funding requirement; however, as a best financial management practice, the City has begun identifying sources of funding to start setting aside funds wherever possible. The tables below shows the estimated amount that may be earmarked in Fiscal Year 2012/2013 based on the proposed budget. Although this is a small amount in relation to the size of the City's OPEB liability, as the economy begins to recover, this amount should grow. Please note that the below amounts are only estimates based on the proposed budget, the actual earmark will be determined at year-end based on actual revenues.

Proposed Fiscal Year 2012/2013 Fee Receipts:

Building Safety:	\$1,740,000
Engineering:	514,000
Fire:	748,310
Planning:	640,000
Police:	348,500
<u>TOTAL:</u>	<u>\$3,990,810</u>

4.5% OPEB Earmark = \$179,586

In January 2011, City Council approved entering into an agreement with PFM Asset Management, LLC to establish an OPEB Trust. Staff is currently working with PFM to establish the Trust. An initial deposit, including the amount earmarked from prior year fee receipts, will be made once the Trust is established.

ATTACHMENTS:

1. Proposed Resolution

MOTIONS:

That the City Council:

Adopt a Resolution 1) establishing and amending various fees and charges for services provided by the City; and 2) rescinding prior fee Resolution No. 2011-R027 and portions of Resolution Nos. 2000-R074, 2003-R023 and 2009-R052.