

MEMORANDUM

TO: Adam Ferguson, Deputy Director of PRCS, City of Culver City

FROM: Nicole Kissam, Director, NBS Government Finance Group

DATE: May 20, 2026

SUBJECT: Cost of Service Review and Recommended Fee Schedule

1. Purpose and Background

This memorandum documents the review performed by NBS Government Finance Group (NBS) in support of the City of Culver City Parks, Recreation and Community Services (PRCS) Department fee proposal for Fiscal Year 2025-26. The Department engaged NBS to evaluate its proposed fee schedule for facility rentals, athletic field use, aquatic services, and recreation programs, and to confirm that the cost of service analysis underlying their proposal is methodologically sound, defensible, and consistent with municipal finance best practices applicable in California.

The fee model evaluated was developed by PRCS staff. It covers facility rental fees for the Veterans Memorial Complex (including the Auditorium, Teen Center, and Senior Center), park buildings and picnic shelters, athletic fields, and the Culver City Plunge (aquatic facility), together with program fees for the Culver City After School Recreation Program (CCARP), Camps, Youth Sports, Teen Center, Aquatics, and Recreation and Enrichment programs.

2. Legal Framework Considerations

Fees for service charged by California local agencies are subject to a framework that includes the California Constitution Article XIII C (as amended by Proposition 26), and applicable interpretations.

As a general matter, fees that do not exceed the reasonable cost of providing the service for which the fee is charged, and that are not levied for general revenue purposes, are not considered taxes subject to voter approval. The cost-of-service methodology supporting the Department's proposal is designed to evidence that the proposed fees for recreation programs do not exceed the reasonable cost of providing the related services.

More specifically, Article XIII C section 1, subdivision (e)(4) which governs rental of government property has no stated cost of service limitation, while subsections (e)(1) and (2) do include that limitation. The program fees fall into the second exception category, while fees for rental or use of public facilities fall under the fourth.

This memorandum is not intended to constitute legal advice and does not opine on questions of constitutional or statutory interpretation. The City should rely on the City Attorney for legal conclusions

regarding compliance with Article XIII C, the Government Code, and any other applicable law, including the procedural steps required to adopt the fee schedule.

3. Scope of NBS Review

NBS performed the following work in support of the Department's fee proposal:

1. Reviewed inputs to the PRCS fee model to confirm alignment with the Fiscal Year 2025-26 Adopted Budget, including direct salaries, benefits, operating costs, and citywide and departmental cost allocation plan (CAP) charges.
2. Worked directly with PRCS staff to review the organizational structure, workload assumptions, and cost allocation methods used to calculate the cost of providing each proposed fee for service.
3. Evaluated the reasonableness and defensibility of the methods used to identify and allocate fee-recoverable and exclude any non-fee-recoverable costs.
4. Cross-checked data metrics and cost analysis to ensure that the model is structured to recover up to one hundred percent (100%) of the costs considered, before the application of policy-based cost recovery targets.
5. Reviewed the Department's initial pricing objectives presented at or below the calculated full cost recovery amount.

4. Cost of Service Methodology

The PRCS fee model employs a methodology which aggregates the various direct and indirect costs attributable to various programmatic services. The methodology is consistent with the cost-of-service framework generally accepted for the calculation of fees for service by California local agencies.

4.1 Direct Labor Allocation

Part-time staff costs, which the City's budget structure mostly records within program-level organizational accounting units, are assigned in the model to the program areas in which the work is performed. For example, part-time aquatics staff from the Pool and Aquatics Programs (Org 10130220) are assigned to the Plunge area of the fee model, and part-time staff from the Camp Programs (Org 10130212) are assigned to the Camps area of the fee model. This treatment is methodologically appropriate because it aligns cost with the activity that drives the cost.

4.2 Maintenance and Operating Costs

Also, where directly identifiable, program-level operating costs are assigned directly in the model similarly as described in the Direct Labor Allocation above. Operating and maintenance line items, including janitorial services, security services, and other contracted services, are included where appropriate to the program-level cost center, with some outsourced contracts excluded from program-level fee calculations where the contract itself is funded through a separate cost recovery arrangement.

Certain Parks Division maintenance labor (Irrigation Maintenance, Maintenance Worker I and II, Crew Leader, Park Maintenance Supervisor, Senior Irrigation, and Landscape and Project Manager) provide

support to key PRCS facilities and programs. They are allocated across facility and field cost centers using a distribution method tied to the pro-rata share of the various program-level budgets they support.

4.3 Indirect and Overhead Costs

Indirect costs are incorporated through two mechanisms. First, the citywide Cost Allocation Plan (CAP) charge applicable to each PRCS organizational unit is included to recover an appropriate share of central support services such as Finance, Human Resources, Information Technology, City Attorney support, PRCS Department Admin (Org 10130100), and other general government services.

Second, Recreation Services (Org 10130200) is identified as a centralized support cost center to all PRCS programs. An allocation of Recreation Services costs begins with identification of each Recreation Services staff member's specified support to key program areas. Program level support differs based on their individual areas of assigned responsibility. All Recreation Services costs, including labor and non-labor expenditures, and the corresponding CAP charge, are then distributed across PRCS program areas based on each area's relative share of overall program-level budgets they support.

Together, these allocations capture both citywide indirect costs and departmental administrative overhead, consistent with the requirement that fee calculations reflect all identifiable direct and indirect costs.

4.4 Unit Cost Derivation

Once total annual cost by fee program is established, unit costs are derived using activity-specific drivers. Facility rental fees are calculated on a cost-per-hour and cost-per-square-foot basis using the available rental hours per year (mostly 16 hours per day for 352 days, or 5,632 hours annually) and the square footage of each rentable space. Aquatic fees are derived on per-lane, per-hour, and per-surface-area basis, distinguishing between short-course and long-course configurations. Recreation Program fees such as swimming lessons, camps, and recreation and enrichment, are derived on a cost-per-participant or cost-per-week basis, with room and field utilization charges layered in based on the facility footprint each program occupies.

5. Budget Reconciliation

The fee model inputs reconcile to the Fiscal Year 2025-26 Adopted Budget data, provided by the City's Finance Department, for PRCS in the aggregate. The fee model redistributes these costs to the program areas in which the fee for service activity occurs, which is the methodologically appropriate basis for fee calculation. The aggregate departmental budget is preserved; only the location of cost recognition shifts to match the appropriate cost driver.

Several organizational units, including Community Events & Excursions (Org 10130280), Fiesta La Ballona (Org 10130285), Community Services (Org 1013400), and Volunteering (Org 10130430) are included in the fee model for purposes of reconciliation to the overall annual budget data; however, their costs are specifically excluded from the fee model's calculations. These activities are either funded by non-fee sources because of their community-wide civic-engagement objectives, or their activities are not targeted for cost recovery from the PRCS general user fee structure.

6. Cost Recovery and Pricing Policy

The Department’s proposed fee schedule applies pricing targets for facility rental fees differently than for recreational program fees.

As described above in 2. Legal Framework, fees for rental or use of City facilities such as buildings, park spaces, pools, fields, etc. do not require a cost of service analysis to substantiate the amount of the fee charged. The standard approach used by most municipalities to set facility rental fees is to rely on a market comparison of similar facilities in other governmental agencies, providing that fees are aligned with the market for similar facility uses.

Recreational program fees, however, as a service provided, cannot exceed the cost of providing the service. In many cases, the full cost of service outcome demonstrated by a fee analysis will exceed the pricing threshold for what participants either can, or are willing, to pay for the service. As such, PRCS staff employed tiered cost recovery targets to recommend fees either at, or below, the full cost of service fee calculation. The selected cost recovery targets reflect differentiations in public and private benefit for various fee programs, competitive market conditions, and prior Council policy direction. NBS reviewed the cost recovery posture proposed for each fee category and finds that the tiered structure consistent with common practice among comparable California local agencies.

The following table summarizes representative cost recovery targets reflected in the proposal. The targets are policy positions selected by the Department and represent the share of full calculated cost that the fee is designed to recover; the balance or any fee amount between the targeted recovery amount and the full cost amount is funded through the General Fund as a community subsidy.

Service Category	Cost Recovery Target	Policy Rationale
Facility rentals (private use)	n/a	Predominantly private benefit; market-tested rates
Athletic field use	Variable	Resident, nonprofit, and commercial tiers; benchmarked to Westside Cities
Camp programs (J4K)	70%	Recovery target balanced with youth development objectives and available market options
Adult programs and sports leagues	40–60%	Mixed public/private benefit; market sensitivity considered
Aquatics programs	20%–60%	Mixed public/private benefit; market sensitivity considered
Youth programs and beginner instruction	20–40%	Substantial public benefit; equity and access objectives
Teen Center programs	10%	Predominantly public benefit; youth development priority

The tiered cost recovery target structure recognizes that activities differ meaningfully in the share of benefit accruing to the individual user versus the community as a whole. Where private benefit predominates, recovery targets approach full cost; where public benefit and equity objectives predominate, the Department appropriately accepts a higher community subsidy. The Department’s pricing proposal is further informed by comparable rate analysis performed by Department staff among Westside Cities (Santa Monica, Beverly Hills, West Hollywood, El Segundo), which provides a market context for the recommended schedule.

7. Findings and Concurrence

Based on the review described above, NBS provides the following findings in support of the PRCS fee proposal:

1. The cost inputs to the model align with the Fiscal Year 2025-26 Adopted Budget for the Department, with apparent organizational unit variances explained by the redistribution of cost components to the program areas in which the work is performed.
2. The cost allocation methodology, including the targeted support-based allocation of full-time labor, the assignment of maintenance costs by crew composition, and the layered application of citywide CAP and departmental indirect costs, is methodologically sound and consistent with cost-of-service practice for California local agencies.
3. The model is structured to identify the full cost of providing each fee-related service, supporting up to one hundred percent (100%) cost recovery before the application of policy-based recovery targets.
4. The Department’s tiered cost recovery proposal is consistent with City goals and common practice among comparable jurisdictions.
5. Costs specifically excluded from fee calculations are appropriate on the basis of their community-wide public benefit and non-user-fee-driven structures.

Based on these findings, NBS concurs that the proposed PRCS fee schedule is supported by a methodologically defensible cost of service analysis and is suitable for adoption by the City Council subject to the legal review and approvals customary in connection with the establishment of fees by California local agencies.