City of Culver City, California

City Council Agenda Item Report

Meeting Date: 05/11/09	Item Number: PH-1
AGENDA ITEM: PUBLIC HEARING - Adoption of a Resolution Establishing and Amending Various Fees and Charges for Services Provided by the City and Rescinding Prior Fee Resolution Nos. 2008-R048, 2008-R074, and 2008-R078 and; 2) Rescinding Portions of Resolution Nos., 2000-R074, and 2003-R020.	
Contact Person/Dept.: Nick Kimball, Finance Department	Phone Number: 310-253-6013
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [X] Action Item: []	Attachments: [X]
Public Notification: Master E-Mail Notification List (05/06/09); Publication of Legal Notice in the Culver City News on 4/23/09 and 4/30/09; Newspaper Advertisement in Culver City News and Culver City Observer on 4/30/09 and 5/7/09; Notice placed on public counters in City Hall and the City Council Chambers on 4/28/09; Notice sent via USPS to The Gas Company on 4/28/09 per request; Notice on City's website homepage beginning 4/28/09.	
Department Approval: Jeff Muir (05/01/09)	City Attorney Approval: Carol Schwab (by H. Baker) (05/06/09)
Chief Financial Officer Approval: Jeff Muir (05/05/09)	City Manager Approval: Jerry B. Fulwood (05/06/09)

RECOMMENDATION:

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, as appropriate.

PROCEDURE:

1. Mayor seeks motion from 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 poses questions to staff as desired;
3. Mayor opens the public hearing;
4. Mayor seeks 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.

BACKGROUND:

During the Fiscal Year 2008-09 Budget process, staff met with the Budget & Finance Subcommittee (Vice Mayor Armenta and Council Member Malsin) on a number of occasions to discuss proposed fee increases and an equitable cost recover policy. As a result of those meetings and internal discussions with operating departments, staff developed a cost recovery policy and four-year implementation schedule for each affected division. At the end of the four year implementation schedule (FY 2012-13), per the City's financial policy, a new fee study should be conducted.

On June 23, 2008, the City Council approved the cost recovery policy and implementation schedule, which is provided in the table below for City Council's reference. For additional background, a copy of last year's staff report is also included as Attachment 1:

Department/Division	Current Cost Recovery	FY 2009-10 Proposed Cost Recovery	FY 2012-13 Recommended Cost Recovery Goal
Building & Safety	92%	95%	95%
Engineering: Preferential Parking	32%	32%	32%
Engineering: Other Fees	80%	85%	85%
Planning	64%	75%	85%
PR&CS: Recreation	48%	49%	50%
Fire	57%	65%	72%
Police	87%	90%	90%

DISCUSSION:

Pursuant to City Council direction, staff has adjusted fees to meet the overall division cost recovery level identified in the table above. In addition, a few new fees have been proposed for 2009-10. The new fees include:

- *Items for consideration by the Committee on Permits and Licensing*
  - Business Permit Application Fee: $25
  - Transfer of Business Permit: $15
  - Event Permit Fee

        - Applicant located in Culver City: $30 for first day, $15 per day thereafter
        - Applicant located outside of Culver City: $40 for first day, $20 per day thereafter
    - If an Event Application is filed less than the required 3 weeks prior to the event, an *Expedited Event Permit Processing fee* of $75 will be assessed to cover the additional processing costs required for short turn-around
    - Additional Administrative Review and Processing fee required for Massage Facilities ($200 for up to 10 employed Technicians and $350 for more than 10 employed Technicians) to recover the additional cost of processing their Business Tax Certificate renewal
- *Expedited Business Tax Certificate Processing Fee* is an optional fee service being offered. An applicant typically receives their Business Tax Certificate approximately 6 weeks after their application is filed. In some instances, applicants may request to receive their Business Tax Certificate in a much shorter time frame. Staff is proposing to offering that service for an additional fee to cover the additional cost to process their application in a much shorter period.
    - Receive Certificate within 10 business days of filing application: $35
    - Receive Certificate within 2 business days of filing application: $50
- *Local Tax Appeal Fee*: The Culver City Municipal Code sets up procedures for requesting a refund of various local taxes (local taxes include Utility Tax, Transient Occupancy Tax, Real Property Transfer Tax, and Business Tax). If those refunds are denied, there is a process for the applicant to appeal that denial upon payment of an appeal fee established by Resolution. These types of appeals are extremely rare; however, an appeal fee should be established. The appeal fee is established to recover some of the cost of the administrative hearing procedure without making the fee so cumbersome it deters appeals. This fee has been established similar to appeal fees in the Building Safety Division, which has similar administrative processes established to hear appeals.
- *Public Notification Fee* for Planning applications to cover the cost of public notification and mailings required by the City's Zoning Code:
    - Legal notices published in the newspaper: Actual Cost
    - Postcards/other mailings: $25 per 50 mailings
    - A similar *Public Notification Fee* has also been added to the Finance Department's fee schedule for any required notification related to the Committee on Permits and Licenses.
- M*iscellaneous Recreation Program Fee* has been proposed as a "catch all" should any new program needs arise during the fiscal year. This fee is

proposed as actual staff costs (i.e. salary + benefits) plus any applicable facility use fees.

- *Transportation Permit – Issuance Fee* ($48) to cover the City's administrative and processing costs for the transportation permit for oversized vehicles using City streets. The fees for a one-way and two-way transportation permits are regulated by the State of California; however, the State allows local jurisdictions to charge an issuance fee to cover administrative costs.
- *Miscellaneous Fees, Exhibit J,* staff is recommending to expand cost recovery for services provided by staff beyond telecommunication or cable television franchise applications, renewals or extensions so the fees may be applied to special situations as they arise.

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 29, 2009. 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 13, 2009; sixty days from the date of Council action this evening.

Other Post Employment Benefits (OPEB) – In addition to the new fees identified above, a suggestion was made to include the cost to pre-fund retiree medical insurance benefits for active employees in the fees and charges. Beginning with FY 2008-09 audited financial statements, the City will be required to report Other Post Employment Benefits (OPEB) as a liability. Although there is no legal requirement at this time to fund the reported OPEB liability, as a best management practice, the City should begin identifying funding sources and setting aside funds to offset this liability.

With that in mind, staff identified a number of methods to include OPEB costs in the full cost for each fee activity with the idea that revenues generated from that incremental increase in the fee would then be used to begin to pre-fund the OPEB obligation. After considering various options and the operational logistics of implementing those options, staff recommends increasing the full cost of each fee by a certain percentage to account for OPEB costs. At the end of the fiscal year, that percentage will be earmarked for OPEB costs and transferred to an irrevocable trust once the City has established one.

Staff has calculated the percentage increase necessary to fully fund OPEB costs for current General Fund employees as 4.6% (see table below). That is, if the City were to include the amount necessary to pre-fund OPEB obligation for each active employee; the total personnel cost for each active employee would increase by approximately 4.6%, on average.

FY 2008-09	
Total Adopted General Fund Personnel Cost	$ 66,425,000
Total Additional Prefunding Cost – Current Employees (per actuarial valuation)	$ 3,062,150
% Prefunding Cost of Adopted Personnel Cost	**4.6%**

To maintain consistency with implementing increases over time to ease the financial burden, staff would like to phase in the full cost over a three year period. Therefore, staff proposes that 1.5% of actual fee revenues in 2009-10, 3.0% in 2010-11, and 4.6% in 2011-12 be earmarked to pre-fund the OPEB obligation.

On April 20, 2009, staff met with the Budget & Finance Subcommittee to discuss the updated 2009-10 fees and charges schedule as well as the proposed OPEB cost recovery strategy. Both the updated fee schedule and proposed OPEB cost recovery strategy were well received by the Subcommittee Members.

If City Council directs staff to earmark a portion of the actual fee receipts to pre-fund the City's OPEB obligation, each department would fall short of cost recovery goals by approximately 1%; any shortfall will be made up in future year fee updates. However, due to the overall increase in cost recovery levels for each division, earmarking a portion of these revenues would have a very minimal impact on the projected 2009-10 deficit. Additionally, since the OPEB earmark will be based on actual fee revenue received at year end (and therefore actual fee activity processed by staff), any potential surplus or deficit in fee revenues will have a corresponding increase/decrease in OPEB earmark.

Staff also recommends that the OPEB earmark be applied to the fee receipts for the following General Fund divisions/departments: Building Safety, Engineering (excluding Preferential Parking), Fire, Planning, and Police. At this time, staff does not recommend that the OPEB earmark be applied to PRCS facility rental charges or Recreation program fees. Facility rental charges should be excluded because those fees are driven more by market rental rates than staff costs. With regard to Recreation program fees, City Council has already increased many of those fees (e.g. aquatics fees) and has made a policy decision to subsidize recreation programs. Therefore, applying the OPEB earmark to Recreation fees does not have a corresponding increase in cost recovery level, which would result in a net decrease in General Fund levels.

If City Council directs staff to move forward with earmarking a percentage of certain fee revenues for OPEB costs, staff will amend the User Fees and Charges section of City Council Policy No. 5002 – Financial Policies – to include a statement that a percentage of certain fee revenues, as determined annually by resolution of the City Council, will be earmarked and set aside in an irrevocable trust for post employment benefits. The amended policy will be presented to City Council as part of the 2009-10 Budget.

PRCS Facility Rental Fees
In the fee resolution being discussed tonight, no changes are proposed to any of the PRCS facility rental fees. PRCS staff will be returning in June to discuss updating the facility rental fee schedule and simplifying the current category definitions.

FISCAL ANALYSIS:

User Fees & Charges
Unfortunately, due to current economic conditions, Departments expect to experience a decrease in fee based activity over the next year and most major economic indicators suggest that the economy has yet to hit bottom and is still contracting. Since most of the City's major fee revenues are derived from construction and development related activities, which have been among the industries hardest hit by the current recession, an overall decline in fee revenues is expected despite increasing cost recovery levels.

Although demand for fee based services is expected to decrease, the cost to provide those services, when utilized, is not expected to decrease. Therefore, staff recommends that the City Council continue with the phased implementation plan and ultimate cost recovery goals that were approved last year.

OPEB
As previously mentioned in this and other reports to City Council, the City will be required to report the OPEB liability on the audited financial statements as of 6/30/09. There is currently no funding requirement at this time; however, as a best financial management practice, the City should begin to identify sources of funding and start to set aside funds wherever possible. The table below shows the amount that may be earmarked in 2009-10 based on estimated receipts. Although this is a relatively small amount, as the full OPEB earmark is implemented over the next three years and the economy begins to recover, this amount should grow. Please note that the below number is only an estimate, the actual earmark will be adjusted at year-end based on actual revenues.

Estimated 2009-10 Fee Receipts:

Building Safety:	$1,867,000
Engineering:	203,900
Fire:	190,685
Planning:	315,000
Police:	252,700
TOTAL:	*$2,829,285*
1.5% OPEB Earmark =	**$42,440**

Setting aside this funding will have a very minimal impact on the projected 2009-10 deficit as the earmark will be absorbed by proposed increased cost recovery amounts. If the City Council decides to include the OPEB earmark, then each department would fall short of cost recovery goals by approximately 1%. The cost recovery shortfall will be made up in future year fee updates and the recommended cost recovery goal will still be met by FY 2012-13 as directed by City Council.

Department/Division	FY 2009-10 Proposed Cost Recovery	FY 2009-10 Cost Recovery w/ OPEB	FY 2012-13 Recommended Cost Recovery Goal
Building & Safety	95%	94%	95%
Engineering: Preferential Parking	32%	Excluded	32%
Engineering: Other Fees	85%	84%	85%
Planning	75%	74%	85%
PR&CS: Recreation	49%	Excluded	50%
Fire	65%	64%	72%
Police	90%	89%	90%

For reasons already identified, staff recommends excluding Recreation program revenues from the OPEB earmark. Staff also recommends excluding Preferential Parking revenues from the OPEB earmark due to City Council's stated desire to subsidize that program for residents. Preferential Parking revenues amount to a few thousand dollars per year from parking permits and new parking district application fees.

ATTACHMENTS:

1. Staff Report from 6/23/2008;
2. Proposed Resolution 2009-R__ with Exhibits A – J (fee schedule)

MOTIONS:

That the City Council:

1A. Adopt a resolution establishing and amending various fees and charges for services provided by the City, INCLUDING Section 12 which directs the Finance Department to earmark 1.5% of actual user fee receipts for certain departments/divisions toward Other Post Employment Benefits, and rescinding prior fee Resolution Nos. 2008-R074 and 2008-R078 and rescinding portions of Resolution Nos. 2000-R074, and 2003-R020;

OR

1B. Adopt a resolution establishing and amending various fees and charges for services provided by the City, EXCLUDING Section 12 which directs the Finance Department to earmark 1.5% of actual user fee receipts for certain departments/divisions toward Other Post Employment Benefits, and rescinding prior fee Resolution Nos. 2008-R074 and 2008-R078 and rescinding portions of Resolution Nos. 2000-R074, and 2003-R020.