



# CULVER CITY

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*Final Report for:*

**Citywide User Fee Study**

**November 5, 2024**

Prepared by:



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# 1. EXECUTIVE SUMMARY

NBS performed a Citywide User Fee Study (Study) for the City of Culver City. The purpose of this report is to present the findings and recommendations of the various fee analyses performed as part of the Study and provide the City with the information needed to update and establish fees for services. The Study’s process ensures that not only are the fees and charges reasonable and equitable, but that they also meet industry standards and uphold the statutory requirements of the State of California.

California cities, counties, and special districts may impose user and regulatory fees for services they provide through provisions set forth in the State Constitution, Article XIII C § 1. Under this legal framework, a fee may not exceed the reasonable cost of providing the service or performing the activity. For a fee to qualify as such, it must relate to a service or activity performed at the request of an individual or entity upon which the fee is imposed, or their actions specifically cause the local government agency to perform additional activities. In this instance, the service or underlying action causing the local agency to perform the service is either discretionary and/or is subject to regulation. As a discretionary service or regulatory activity, the user fees and regulatory fees considered in this Study fall outside of the definition and statutory requirement to impose general taxes, special taxes, and fees as a result of property ownership.

The City’s main reason for conducting this Study was twofold: (1) first, to ensure that existing fees do not exceed the costs of service, and (2) second, to provide an opportunity for the City Council to re-align fee amounts with localized cost recovery policies.

## 1.1 Findings

The Study identified an estimated \$24.6 million in eligible costs for recovery from fees for service compared to approximately \$13.4 million the City is currently collecting each year from fees. The following table provides a summary of the Study’s results:

**Table 1. Report Summary**

Fee Category	Annual Estimated Revenues at Current Fee	Annual Estimated Revenues at Full Cost Recovery Fee	Annual Cost Recovery Surplus/Deficit	Estimated Cost Recovery at Current Rates	Annual Estimated Revenues at Recommended Cost Recovery Fee	Recommended Cost Recovery Percentage
Finance Department - Treasury Division	\$ 757,186	\$ 849,146	\$ (91,960)	89%	\$ 835,075	98%
Cannabis Business Permit	158,874	47,632	111,242	334%	47,632	100%
Current Planning Division	722,756	2,088,880	(1,366,124)	35%	1,410,999	68%
Building Safety Division	6,097,537	5,583,399	514,138	109%	5,576,989	99.89%
Enforcement Services Division	1,310	5,514	(4,204)	24%	1,310	24%
PW - Engineering Division	508,832	1,232,259	(723,428)	41%	1,232,259	100%
PW - Mobility & Traffic Engineering Division	142,801	397,932	(255,132)	36%	336,565	85%
PW - Environmental Programs & Operations Division	6,214	212,958	(206,744)	3%	212,958	100%
Transportation Department	630	35,222	(34,592)	2%	35,222	100%
Fire Department - Community Risk Reduction Division	1,223,260	1,979,008	(755,748)	62%	1,979,008	100%
Police Department	372,851	798,531	(425,680)	47%	579,690	73%
Police Department - Animal Services	41,126	5,647	35,479	728%	5,647	100%
Parks, Recreation and Community Services Department	3,115,664	10,507,890	(7,392,226)	30%	3,115,664	30%
General Plan Maintenance Fee	-	271,214	(271,214)	0%	203,411	75%
Technology Fee	208,013	561,751	(353,738)	37%	561,751	100%
<b>Total</b>	<b>\$ 13,357,053</b>	<b>\$ 24,576,984</b>	<b>\$ (11,219,931)</b>	<b>54%</b>	<b>\$ 16,134,179</b>	<b>66%</b>

As shown in Table 1, the City is recovering approximately 54% of the costs associated with providing user and regulatory fee-related services. Should the City Council adopt fees at 100% of the full cost recovery amounts determined by this Study, an additional \$11.2 million in costs could be recovered.

However, Section 2.1.3 later explains, there may be other local policy considerations that support adopting fees at less than the calculated full cost recovery amount. Since this element of the Study is subjective, NBS provided the maximum potential of fee amounts at 100% full cost recovery for the City to consider. As such, City Staff provided initial recommended fee amounts for Council's consideration. If Council elects to adopt fee levels at staff's recommendations, an additional \$2.8 million in costs could be recovered, for a 66% cost recovery outcome for services provided. Once City Council has reviewed and evaluated the results of the Study, the City can set fees at appropriate cost recovery levels according to local policy goals and considerations.

## 1.2 Report Format

This report documents the analytical methods and data sources used in the Study, presents findings regarding current levels of cost recovery achieved from user and regulatory fees, discusses City staff's initially recommended fee amounts for City Council's consideration, and provides a comparative survey of fees to neighboring agencies for similar services.

The report is organized into the following sections:

- Section 2 – General approach and methodology to the Fee Study.
- Sections 3 through 16 – Results of the analysis performed for each department and/or fee program.
- Section 17 – Grand scope conclusion of the analysis provided in the preceding sections.
- Appendices – Additional details of the analysis performed and comparison of fees imposed by selected agencies for similar services.

The City's Staff Report will include a Master Fee Schedule document which incorporates recommendations contained within this report for review and adoption by City Council.

## 2. INTRODUCTION AND FUNDAMENTALS

This Study evaluated user and regulatory fees managed by the following City departments and divisions:

City Department/Division	Fee Program Description
Finance Department	<ul style="list-style-type: none"> <li>• Treasury Division fees for Returned Checks, Business Tax Applications, Miscellaneous Business Permits</li> <li>• Cannabis Business Permit Program</li> </ul>
Planning and Development Department	<ul style="list-style-type: none"> <li>• Current Planning applications for land use approvals and permits</li> <li>• Building and Safety construction plan review, permits, and inspection approvals</li> </ul>
Housing and Human Services - Enforcement Services Division	<ul style="list-style-type: none"> <li>• Penalty Repayment Agreements, Appeals, Inspections for Non-Compliance</li> </ul>
Public Works Department	<ul style="list-style-type: none"> <li>• Engineering fees for street use permits, encroachment permits, parcel and subdivision map review, site development permits, storm water regulation, tree removal, etc.</li> <li>• Mobility &amp; Traffic Engineering Division fees for traffic control plans, transportation permits, traffic impact analysis, parking and valet permits, etc.</li> <li>• Environmental Programs and Operations Division permits for special events, construction and demolition permits, and miscellaneous refuse service request fees for container cleaning, pick up, exchange, etc.</li> </ul>
Transportation Department	<ul style="list-style-type: none"> <li>• Filming Permits, Trip Reduction Plan, Special Event Review and Support, review of planning and building permits, and Bus Stop Closures</li> </ul>

City Department/Division	Fee Program Description
Fire Department – Community Risk Reduction Division	<ul style="list-style-type: none"> <li>Permits for sprinkler, alarm and suppression systems. Review of planning and building permits. California Fire Code single and annual permits, State Mandated and non-mandated annual fire inspection fees for commercial businesses, apartment complexes, etc.</li> </ul>
Police Department	<ul style="list-style-type: none"> <li>Operations Bureau permits for alarm systems, false alarm response, filming, support to special events, copies of police reports, impounded vehicles, etc.</li> <li>Animal Control Services permits for pet licenses, impounds, etc.</li> </ul>
Parks, Recreation and Community Services Department	<ul style="list-style-type: none"> <li>Recreation programs and classes and miscellaneous processing fees.</li> </ul>
General Plan Maintenance Fee	<ul style="list-style-type: none"> <li>Recovery of costs associated with the update, maintenance, and implementation of the General Plan document, policies, and procedures</li> </ul>
Technology Fee	<ul style="list-style-type: none"> <li>Recovery of costs associated with technology systems required to issue permits, archive documents, etc.</li> </ul>

The scope of review specifically excluded development impact fees, utility rates, and any special tax assessments which fall under a different set of statutory and procedural requirements from the body of user and regulatory fees analyzed in this Study. Other types of fees excluded include those for facility and equipment rental, and most fines and penalties imposed by the City for violations of its requirements or codes.<sup>1</sup>

<sup>1</sup> According to the California Constitution Article XIII C § 1 (e) (4) and (5), the City is not limited to the costs of service when charging for entrance to or use of government property, or when imposing fines and penalties.

## 2.1 Methods of Analysis

Three phases of analysis were completed for each City fee program studied:



### 2.1.1 COST OF SERVICE ANALYSIS

The Cost of Service Analysis is a quantitative effort that compiles the full cost of providing governmental services and activities. There are two primary types of costs considered: direct and indirect costs. Direct costs are those that specifically relate to an activity or service, including the real-time provision of the service. Indirect costs are those that support the provision of services in general but cannot be directly or easily assigned to a singular activity or service.

Direct Costs:

- **Direct personnel costs** – Salary, wages and benefits expenses for personnel specifically involved in the provision of services and activities to the public.
- **Direct non-personnel costs** – Discrete expenses attributable to a specific service or activity performed, such as contractor costs, third-party charges, and materials used in the service or activity.

Indirect Costs:

- **Indirect personnel costs** – Personnel expenses supporting the provision of services and activities. This can include line supervision and departmental management, administrative support within a department, and staff involved in technical support activities related to the direct services provided to the public.
- **Indirect non-personnel costs** – Expenses other than labor involved in the provision of services. In most cases, these costs are allocated across all services provided by a department, rather than directly assigned to individual fee/rate categories.
- **Overhead costs** – These are expenses, both labor and non-labor, related to agency-wide support services. Support services include general administrative services such as City Manager, Finance, Human Resources, etc. The amount of costs attributable to the departments or divisions included in this Study were sourced from the City's Cost Allocation Plan performed by NBS.

All cost components in this Study use annual (or annualized) figures, representing a twelve-month cycle of expenses incurred by each Department or Division in the provision of all services and activities City-wide.

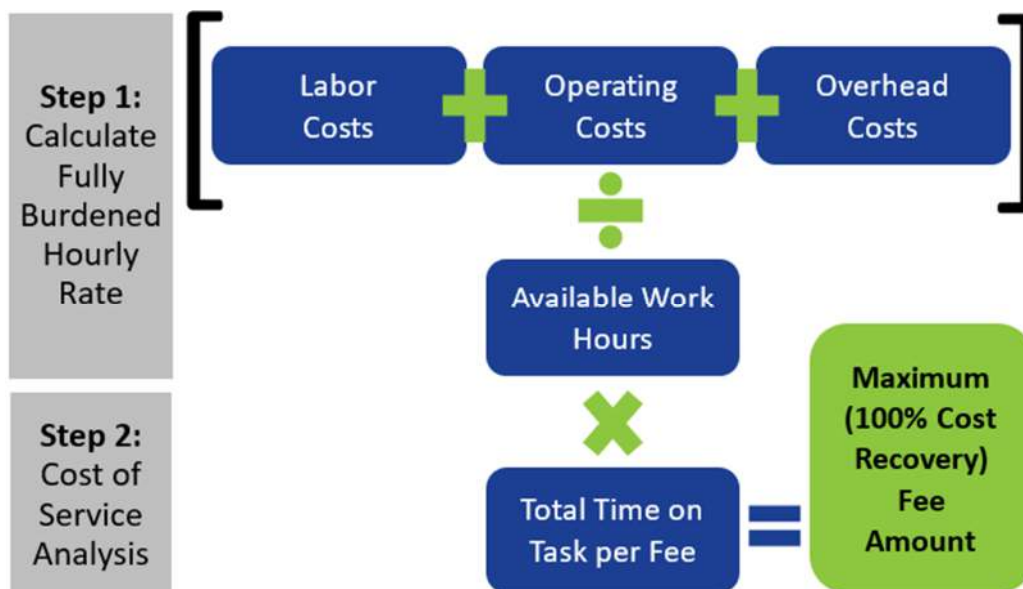
Nearly all the fees reviewed in this Study require specific actions on the part of City staff to provide the service or conduct the activity. Since labor is the primary underlying factor in these activities, the Study expresses the full cost of service as a fully burdened cost per labor hour. NBS calculated a composite, fully burdened, hourly rate for each department, division, program, or activity applicable to the specific organization and needs of each area studied. This rate serves as the basis for further quantifying the average full cost of providing individual services and activities. Determining the fully burdened labor rate for each

department, and the various functional divisions within a department, requires two data sets: (1) the full costs of service, and (2) the number of staff hours available to perform those services. NBS derived the hours available based on the complete list of all City employees and/or available service hours of its contracted professionals (where applicable).

The City supplied NBS with the total number of paid labor hours for each employee involved in the delivery of services included in this Study. These available hours represent the amount of productive time available to provide both fee-recoverable and non-fee recoverable services and activities. Available labor hours divided into the annual full costs of service equal the composite, fully burdened, labor rate. Some agencies may also use the resulting rates for purposes other than setting fees, such as calculating the full cost of general services or structuring a cost recovery agreement with another agency or third party.

NBS also assisted the City in estimating the staff time for the services and activities listed in the City’s fee schedule. Time tracking records for the fee programs studied as part of this analysis, when available, proved useful in identifying time spent providing general categories of service (e.g., division administration, plan review, inspection, public information assistance, etc.). However, the City does not systematically track the service time of activities for all departments or all individual fee-level services provided. Therefore, NBS also relied on interviews and questionnaires to develop the necessary data sets of estimated labor time. In many cases, the City provided estimates of the average amount of time (in minutes and hours) it took to complete a typical service or activity considered on a per-occurrence basis.

Development of time estimates to inform various fee calculations was not a one-step process but required careful review by both NBS and department or division managers to assess the reasonableness of such estimates. Based on the results of this review, the City reconsidered its time estimates until all parties were comfortable that the fee models reasonably reflected the average service level provided by the City. Finally, the fully burdened labor rate(s) calculated in earlier steps were applied at the individual fee level time estimates, yielding an average total cost of providing each fee for service or activity. The following provides a visual representation of the steps discussed in this section.



## 2.1.2 FEE ESTABLISHMENT

The fee establishment process includes a range of considerations, including the following:

- **Addition to and deletion of fees** – The Study provided each department with the opportunity to propose additions and deletions to their current fee schedules, as well as re-name, re-organize, and clarify which fees were to be imposed. Many of these fee revisions allowed for better adherence to current practices, as well as the improvement in the calculation, application, and collection of the fees owed by an individual. Some additions to the fee schedule were simply the identification of existing services or activities performed by City staff for which no fee is currently charged.
- **Revision to the structure of fees** – In most cases, the focus was to re-align the fee amount to match the costs of service and leave the current structure of fees unchanged. However, in several cases, fee categories and fee names had to be simplified or re-structured to increase the likelihood of full cost recovery or to enhance the fairness of how the fee is applied to the various types of fee payers.
- **Documentation of the tools used to calculate special cost recovery** – The City’s fee schedule should include the list of fully burdened rates developed by the Study. Documenting these rates in the fee schedule provides an opportunity for the City Council to approve rates for cost recovery under a “time and materials” approach. It also provides clear publication of those rates so that all fee payers can readily reference the basis of any fee amounts. The fee schedule should provide language that supports special forms of cost recovery for activities and services not included in the adopted master fee schedule. In these rare instances, published rates are used to estimate a flat fee or bill on an hourly basis, which is at the department director’s discretion.

## 2.1.3 COST RECOVERY EVALUATION

The NBS fee model compares the existing fee for each service or activity to the average total cost of service quantified through this analysis. Here are the possible outcomes of the fee analysis:

- Cost recovery rate of 0% - This signifies that there is currently no current recovery of costs from fee revenues (or insufficient information available for evaluation).
- Cost recovery rate of 100% - This means that the fee currently recovers the full cost of service.
- Cost recovery rate between 0% and 100% - This indicates partial recovery of the full cost of service through fees.
- Cost recovery rate greater than 100% - This means that the fee exceeds the full cost of service. User fees and regulatory fees should not exceed the full cost of service.

In all cases, the cost recovery rate achieved by a fee should not be greater than 100%. In most cases, imposing a fee above this threshold could change the definition of the charge from a cost of service based fee to a tax which has other procedural requirements, such as ballot protest or voter approval.

NBS assisted with modeling the “recommended” or “target” level of cost recovery for each fee, established at either 100% or any amount less than the calculated full cost of service. Targets and recommendations reflect discretion on the part of the agency based on a variety of factors, such as existing City policies and



agency-wide or departmental revenue objectives, economic goals, community values, market conditions, level of demand, and others.

A general method of selecting an appropriate cost recovery target is to consider the public and private benefits of the service or activity in question, such as:

- To what degree does the public at large benefit from the service?
- To what degree does the individual or entity requesting, requiring, or causing the service benefit?

When a service or activity benefits the public at large, there is generally little to no recommended fee amount (i.e., 0% cost recovery), reinforcing the fact that a service which truly benefits the public is best funded by general resources of the City, such as revenues from the General Fund (e.g., taxes). Conversely, when a service or activity wholly benefits an individual or entity, the cost recovery is generally closer to or equal to 100% of cost recovery from fees collected from the individual or entity.

In some cases, a strict public-versus-private benefit judgment may not be sufficient to finalize a cost recovery target. Any of the following factors and considerations may influence or supplement the public-versus-private benefit perception of a service or activity:

- If optimizing revenue potential is an overriding goal, is it feasible to recover the full cost of service?
- Will increasing fees result in non-compliance or public safety problems?
- Are there desired behaviors or modifications to behaviors of the service population helped or hindered through the degree of pricing for the activities?
- Does current demand for services support a fee increase without adverse impact to the community served or current revenue levels? In other words, would fee increases have the unintended consequence of driving away the population served?
- Is there a good policy basis for differentiating between the type of user (e.g., residents vs. non-residents, residential vs. commercial, non-profit entities, and business entities)?
- Are there broader City objectives that merit a less than full cost recovery target from fees, such as economic development goals and local social values?

NBS provided the cost of service calculation based on 100% full cost recovery and the framework for the City's use to adjust the amount of cost recovery in accordance with its broader goals as they pertain to code compliance, cost recovery, economic development, and social values.

#### **2.1.4 COMPARATIVE FEE SURVEY**

Appendix B presents the results of the Comparative Fee Survey for the City. Policy makers often request a comparison of their jurisdictional fees to those of surrounding or similar communities. The purpose of a comparison is to provide a sense of the local market pricing for services, and to use that information to gauge the impact of recommendations for fee adjustments.

In this effort, NBS worked with the City to choose five comparative agencies – Beverly Hills, Santa Monica, West Hollywood, Burbank and City of Los Angeles. It is important to keep the following in mind when interpreting the general approach to, and use of, comparative survey data:

- Comparative surveys do not provide information about cost recovery policies or procedures inherent in each comparison agency.
- A “market-based” decision to price services below the full cost of service calculation is the same as deciding to subsidize that service.
- Comparative agencies may or may not base their fee amounts on the estimated and reasonable cost of providing services. NBS did not perform the same level of analysis of the comparative agencies’ fees.
- The results of comparative fee surveys are often non-conclusive for many fee categories. Comparison agencies typically use varied terminology for the provision of similar services.

NBS made every reasonable attempt to source each comparison agency’s fee schedule from their respective websites and compile a comparison of fee categories and amounts for the most readily comparable fee items that match the City’s existing fee structure.

### **2.1.5 DATA SOURCES**

The following data sources were used to support this Study:

- The City’s Adopted Budget for Fiscal Year 2022-23
- A complete list of all City personnel, salary/wage rates, regular hours, paid benefits, and paid leave amounts provided by the Finance Department. Contracted positions and associated costs were also incorporated where applicable.
- Prevailing fee schedules
- Annual workload data provided by each department and/or fee program evaluated in the Study

The City’s adopted budget serves as an important source of information that affects the cost of service results. NBS did not audit or validate the City’s financial documents and budget practices, nor was the cost information adjusted to reflect different levels of service or any specific, targeted performance benchmarks. This Study accepts the City’s budget as a legislatively adopted directive describing the most appropriate and reasonable level of City spending. NBS consultants accept the City Council’s deliberative process and the City’s budget plan and further assert that through this legislative process, the City has yielded a reasonable and valid expenditure plan to use in setting cost-based fees.

## 14. PARKS, RECREATION & COMMUNITY SERVICES

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Recreation fee services included in this Study are provided by personnel in the Parks, Recreation & Community Services (PRCS) Department. The Department offers a wide variety of recreation services and programs serving Culver City's youth, seniors and adults. Specific current program and class offerings can be found in the City's seasonal activities guide. Unlike other areas of the Study, this Department's results reflect a program level analysis (as opposed to the individual fee level) including a general cost recovery evaluation of the following programs:

- **Indoor Facility Rentals – Vets Memorial Complex:** The public may rent indoor park buildings or various spaces at the Vets Memorial Complex for parties, community events, private classes or parties and family events.
- **Outdoor Rentals – Field, Park Space, and Picnic Shelter Rental:** The public may rent City park spaces and picnic areas for private events/parties, filming, and photography, as well as rent fields for sports league games or tournaments.
- **Permit Approvals (Film, Special Events, Etc):** City staff time spent on facilitation and permitting of the use of City property for filming and special events purposes.
- **Contract Classes:** The City offers classes which are facilitated by contract service providers, such as: YSE Afterschool, Preschool, AquaFit, and various youth, adult, and intergenerational recreation and sports classes. The City provides reservation, scheduling, advertising, and administrative services to these programs, and retains 30% of each fee collected. Adult sports programs are conducted by individuals and/or organizations separate from the City. City staff provides general support to adult sports program offerings through liaising with these organizations, scheduling use of facilities, and incorporation of programs into the City's quarterly activity guide. For these services, the City receives approximately 30% of the registration revenue collected by the individual / organization running the sports program.
- **Rec Swim / Lap Swim / Pool Rentals:** General admission to and use of City pools during times designated for recreational swim and lap swimming. Also includes exclusive or partially exclusive rental of the City's aquatics facilities.
- **Swim Lessons:** Swim instruction classes provided by Culver City staff.
- **Culver City Afterschool Recreation Program (CCARP):** City staff operates an afterschool program at four locations, offering supervised recreational activities such as assistance with homework, arts, crafts and games.
- **Seasonal Camps:** City staff run several day camps for Culver City youth during spring and summer school breaks, including Just 4 Kids Summer Camp, Teen Camp and other seasonal camps.
- **Fiesta La Ballona Event:** Fiesta weekend is a special annual community event that offers carnival rides and games, live performances, a beer and wine garden, food trucks, food court and various booths spotlighting artisan wares and local organizations.
- **City Sponsored Community Events/Private Special Events:** The City facilitates several special events and special excursions for the community, such as the MLK Junior Celebration, Breakfast with Santa and senior day-trip events.

- **Parks & Playgrounds:** The City conducts a routine park monitoring program and general services at its parks and playgrounds that are not captured in outdoor rentals or programs that are covered in other categories listed.
- **Teen Center Year Round:** The City operates a Teen Center facility for local youth. A nominal membership fee is charged to participants who utilize the center.
- **Senior and Social Services:** The Culver City Senior Center offers several program classes such as fitness, art, music and language classes, provides support and interest groups, and special events catered towards the senior community.

The expenses of administering, operating, and maintaining the City’s parks and recreation programs and facilities are primarily funded by resources from the General Fund. However, fees collected from various Recreation programs, including classes, contracts, and specific uses of public spaces can represent a significant source of funding to help cover costs and sustain – if not improve – the level of service provided by the City.

### 14.1 Unique Parameters for Recreation Program Fees and Facility Rental Fees

Article XIII C of the California Constitution provides the definition of what types of governmental charges constitute a “tax”, and under section 1(e), a “tax” means any levy, charge, or exaction of any kind imposed by local government”, except for seven stated exceptions to this definition.

Recreation programs, camps and classes fees generally fall under the first three exceptions listed, which are fees and charges for benefits conferred and privileges granted, services and products provided, or regulatory services. Charges qualifying under these exceptions may not “exceed the reasonable costs to the local government of providing the service or product”.

Facility rentals, such as rental of a community centers, general pool admission or pool rentals, and field usage, fall under exception number 4, “a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property.” Charges qualifying under this exception do not include the “reasonable cost limitation” found in the first three exceptions.

Recreation programs, camps and classes fees are within NBS’ scope of review in order to ensure fees do not exceed the costs of providing services. As described below, analysis of these types of fees was completed on an annual basis for each Recreation program, and at the individual fee level for a handful of individual administrative type fees. Facility rental and use fees, while not in the scope of review for this study, were generally evaluated on an annual basis and surveyed to help inform decision making for the Department regarding any recommended fee adjustments.

### 14.2 Cost of Service Analysis

NBS calculated the PRCS Department’s total annual costs for recreation programs and facility uses. The table on the following page summarizes results of that analysis:

**Table 24. Total Annual Program Costs**

Program	Salary And Benefits Expenditures	Recurring Non-Labor Expenditures	Citywide Overhead	PRCS Department Admin	Total Program Costs
Indoor Facility Rentals - Vets Memorial Complex	\$ 271,072	\$ 348,414	\$ 157,522	\$ 79,097	\$ 856,106
Outdoor Rentals - Field, Park Space, and Picnic Shelter R	351,065	4,137	83,092	44,617	482,911
Permit Approval (Film, Special Events, Etc.)	232,254	2,461	49,436	28,926	313,076
Contract Classes	290,260	1,186,299	292,237	180,058	1,948,853
Rec Swim / Lap Swim / Pool Rentals	279,155	21,420	251,598	56,210	608,383
Swim Lessons	471,543	37,883	444,969	97,154	1,051,549
CCARP	278,834	27,813	172,165	48,742	527,553
Seasonal Camps	405,079	95,236	187,603	70,028	757,946
Fiesta La Ballona Event	372,776	106,158	103,630	59,303	641,867
City Sponsored Community Events / Private Special Event	264,452	41,544	63,003	37,563	406,561
Parks & Playgrounds - Other	130,593	21,670	132,252	28,963	313,477
Teen Center Year Round	170,813	21,440	71,253	26,824	290,330
Senior and Social Services	620,372	427,950	1,047,598	213,358	2,309,278
<b>Total</b>	<b>\$ 4,138,267</b>	<b>\$ 2,342,424</b>	<b>\$ 3,056,357</b>	<b>\$ 970,842</b>	<b>\$ 10,507,890</b>

The total estimated cost of all PRCS Department programs is approximately \$10.5 million per year. Section 2.1, *Methods of Analysis*, provides further definition and discussion of the elements of the total program cost calculation.

As discussed in further detail in Section 14.4, *Fee Establishment*, some individual fees charged by the Department were calculated using the following fully burdened labor rates derived for full-time versus part-time classifications for personnel. This was performed uniquely for this Department, to conform to the way it provides various services and activities. Table 25 provides a summary of the cost of service outcomes:

**Table 25. Annual and Hourly Cost of Service Calculation**

Cost Category	Full-Time	Part-Time	TOTAL
Salary Expenditures	\$ 1,159,321	\$ 1,971,583	\$ 3,130,904
Benefits Expenditures	373,009	634,353	1,007,362
Recurring Non-Labor Expenditures	142,663	242,617	385,279
Citywide Overhead	1,131,718	1,924,639	3,056,357
PRCS Department Admin	359,486	611,355	970,842
<b>Department Total</b>	<b>\$ 3,166,198</b>	<b>\$ 5,384,547</b>	<b>\$ 8,550,745</b>
<b>Fully Burdened Hourly Rate</b>	<b>\$ 152</b>	<b>\$ 74</b>	<b>\$ 92</b>
<b>Overtime Rate</b>	<b>\$ 180</b>	<b>\$ 88</b>	<b>\$ 109</b>
<i>Reference: Direct Hours</i>	20,820	72,377	93,197

All subsequent cost of service calculations at the individual fee level assumes a fully burdened hourly rate of **\$152** for full-time employees and **\$74** for part-time employees, or a blended rate of **\$92** on average during normal business hours. After normal business hours, an hourly rate of **\$180** for full-time employees, **\$88** for part-time employees, or a blended rate of **\$109** can be used.

### 14.3 Cost Recovery Evaluation

NBS evaluated each program’s estimated annual cost recovery level by matching the most recent fiscal year of revenues collected, to the total program costs established through this Study. Overall, Recreation

programs recover approximately 30% of the citywide costs of providing services. The table on the following page summarizes results of that analysis:

**Table 26. Program Cost Recovery Evaluation**

Program	Total Program Costs	Annual Estimated Revenues at Current Fee	Annual Surplus / Deficit	Estimated Cost Recovery at Current Rates
Indoor Facility Rentals - Vets Memorial Complex	\$ 856,106	\$ 304,110	\$ (551,996)	36%
Outdoor Rentals - Field, Park Space, and Picnic Shelter Rentals	482,911	328,607	(154,304)	68%
Permit Approval (Film, Special Events, Etc.)	313,076	47,675	(265,401)	15%
Contract Classes	1,948,853	1,175,614	(773,239)	60%
Rec Swim / Lap Swim / Pool Rentals	608,383	328,958	(279,425)	54%
Swim Lessons	1,051,549	71,357	(980,192)	7%
CCARP	527,553	355,065	(172,488)	67%
Seasonal Camps	757,946	304,700	(453,246)	40%
Fiesta La Ballona Event	641,867	159,599	(482,268)	25%
City Sponsored Community Events / Private Special Events	406,561	-	(406,561)	0%
Parks & Playgrounds - Other	313,477		(313,477)	0%
Teen Center Year Round	290,330	39,979	(250,351)	14%
Senior and Social Services	2,309,278	-	(2,309,278)	0%
<b>Total</b>	<b>\$ 10,507,890</b>	<b>\$ 3,115,664</b>	<b>\$ (7,392,226)</b>	<b>30%</b>

In the table above, existing revenue for each program is shown next to the “Annual Estimated Revenues at Current Fee”. The results of this analysis show that current revenue amounts for all recreation programs and facility uses recover less than the “Total Program Costs” of each program calculated by NBS.

#### 14.4 Fee Establishment

The Study performed by NBS primarily provides an annual cost and revenue analysis at the program level. This provides City staff and City Council with current cost recovery data and allows the City to establish, if desired, a cost recovery policy applicable to each program or grouping of programs. In considering cost recovery targets and recommended fees, the Department may consider the current cost recovery evaluation outcomes established by this Study and recommend revised fees and/or program level cost recovery targets for the Council’s review. The City Council may wish to use general fund revenue to subsidize recreational programs as a matter of policy and to ensure access to these programs for a larger portion of the community.

##### Fees for Individual Recreational Programs and Classes

For existing and ongoing fees charged for recreational programs and class offerings, the City may wish to use the results of this analysis and general cost recovery policy direction to apply an across the board increase to incrementally improve program cost recovery. This approach is commonly used where the policy directive is to continue to subsidize recreation programs to optimize community access to their benefits, while still seeking to improve funding for these essential programs.

Because of the seasonal and changing nature of recreational services and classes offered by the Department, NBS recommends any new class fees, program fees, and special event fees to be calculated by the Department Director using the analytical methods described below:

$$\text{Program Cost of Service} = [ (A \times B) + C + D + E + F ]$$

- A = Estimated time for City staff to implement and operate the individual program.
- B = Applicable hourly rates for the staff functions involved in the implementation of the individual program.
- C = Actual cost incurred by the City for any outside service provider involved in the individual program.
- D = Actual cost incurred by the City for any specific materials acquired for use during the individual program.
- E = Prevailing facility rental and/or field use fees imposed by the City and reflected in its master fee schedule.
- F = Actual costs incurred by the City to rent and/or use facilities/fields from other entities.

Using the formula provided above, the calculated cost of service represents the maximum fee that could be imposed by the City for an individual recreation program or service. The City may recover between 0% and 100% of the cost of service. Cost recovery targets may vary by individual program, as pertains to the City Council's adopted cost recovery policy for each program. The City may also set a differential fee for resident and non-resident participants, as long as the fee amount in any case does not exceed 100% of the cost of service.

It should be noted that more than any other fee program studied in this report, the "market price" of both other public and private options for program options will drive what the City can ultimately charge for services. Appendices B.13-A and B.13-B include a high-level comparison for facility rentals and recreation programs completed for this Study, and it is recommended that City staff continue to survey market rates for their services on a periodic basis.

#### **Fees for Administrative Tasks or Service Requests**

For fees associated with the individual administrative tasks or service requests, an evaluation of the cost of service for individual fees was performed. The Department charges only a few miscellaneous administrative fees, discussed as follows:

- **Non-Resident Fee for Recreation Program Participation**, \$11 per participant. This fee is established by City policy and was not evaluated by NBS. In NBS's opinion, the approach to non-resident fees for services should be formulated as a discount for residents that is subsidized by the general fund, rather than an additional charge added to the non-resident fee amount. There is typically no difference in the cost required to serve residents and/or non-residents; therefore, a more acceptable approach would be a policy whereby non-residents pay full cost recovery (or closer to) for services, and residents receive a discount as compared to non-residents.



- **Refund Processing Fee**, 15% of payment amount. According to the Department, this service requires, on average, approximately 15 minutes of a part-time staff member’s effort. At the fully burdened rate for a part-time staff member of the Department of \$74 (established in the Cost of Service Analysis section, above), the maximum fee amount for this service is approximately \$18.50. The City can elect to update this fee to 15% of the payment amount or \$18.50, whichever is less. The refund processing fee cannot exceed the cost of providing the service.
- **Film Permit Processing Fee**, \$104 per filming event approval request. According to the Department, this service requires, on average, approximately 1 hour of a full-time staff member’s effort. At the fully burdened rate for a full-time staff member of the Department of \$152 (established in the Cost of Service Analysis section, above), the maximum fee amount for this service is approximately \$152. The City can increase this processing fee to an amount that does not exceed the cost of providing the service.
- **Staffing, per hour**. There are a number of instances where City staff charge hourly for support to facility uses, events, etc. In these cases, the fully burdened rate table established through this study may be used to update rates accordingly.

### **Fees for Facility Use or Rental**

Fees imposed for the use (entrance or rental) of parks and recreation facilities ensure that some revenues are made available to offset the operation, maintenance, and restoration costs of those facilities, so they may continue to be open to all. However, as noted in the discussion of Unique Parameters, above, these fee amounts are not strictly limited to the costs of providing service, and generally seek to conform to the “market” price for similarly sized facilities available in the community and/or similar comparative public agencies. The documentation presented herein provides a high-level annual cost recovery analysis, and the appendix to this report provides a survey of other agencies for the City’s consideration in setting fees going forward. In general, NBS recommends that a survey be conducted by City staff every three to five years to demonstrate consideration of comparable public and private facility rental options.

## **14.5 Comparative Fee Survey**

Appendix B.13-A presents the results of the Comparative Fee Survey for the PRCS Department. This comparison was unique to this Department in order to compare facility rentals, such as the City’s pool, indoor park buildings, outdoor fields, park picnic shelters and community center with surrounding communities. Appendix B.13-B presents the results of the Comparative Fee Survey of the recreation program, in order to compare programs such as swim classes and day camps with surrounding areas. Section 2.1.4, *Comparative Fee Survey*, provides further definition and discussion of the elements of the comparative survey.