

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 05/07/07		Item Number: <u>PH-1</u>	
AGENDA ITEM: 1) Adoption of a Resolution Establishing and Amending Various Fees and Charges for Services Provided by the City and Rescinding Prior Fee Resolution Nos. 2006-R053 and 2006-R059 and; 2) Introduction of an Ordinance Amending Various Sections of the Culver City Municipal Code Pertaining to Fees and Charges.			
Contact Person/Dept.: Nick Kimball, Budget & Finance		Phone Number: 310.253.6013	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☒		Action Item: ☐ Attachments: ☒	
Public Notification: Master Notification List 5/03/07; Publication of Notice in the Culver City News on 4/19/07 and 4/26/07; Notice placed on public counters in City Hall on 04/30/07.			
Department Approval: Marlee Chang (05/02/07)		City Attorney Approval: Carol Schwab (by H. Iker) (05/01/07)	
City Controller Approval: Marlee Chang (05/02/07)		City Manager Approval: Jerry B. Fulwood (05/02/07)	
<u>RECOMMENDATION:</u> Staff recommends the City Council: 1. Adopt the resolution establishing and amending various fees and charges for service provided by the City and rescinding the prior fee resolutions; and 2. Introduce, for first reading, an ordinance amending various sections of the Culver City Municipal Code pertaining to fees and charges. <u>PROCEDURE:</u> 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 audience testimony has been presented; and 5. City Council discusses the item and arrives at its decision.			

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BACKGROUND:

During the 2006-07 budget process, the City Council adopted a resolution which compiled all the City's fees and charges into one document, Resolution No. 2006-053. In the 2006-07 Adopted Budget, the City Council approved funds to hire a consultant to conduct a comprehensive study of the City's current fees and charges. In September 2006, the City Council awarded a contract to Public Resource Management Group (PRM) to conduct this study.

Over the past several months, PRM has met with City staff to calculate the actual cost of providing each fee related activity. To accomplish this, PRM met with City staff in each department to determine the direct cost of providing each fee related service. Department representatives were given a spreadsheet containing fees charged by their respective department/division and a listing of all positions in the department. The department representative was responsible for estimating the time spent by each position, on average, to complete each fee activity. Using the time estimates and salary and benefit costs for each position, PRM was able to calculate the direct cost of providing each service. This information was reviewed with City staff on a number of occasions to ensure that the time estimates for each activity were accurate.

After calculating the direct costs, PRM calculated a factor for department overhead, which includes costs related to operations (utility costs, administrative support, contract oversight, etc.), department management, and support to other departments/divisions.

Lastly, PRM calculated a factor for city-wide overhead to capture costs related to the overall administration of the City (e.g. Payroll, IT support, Personnel support, etc.) using the City's Cost Allocation Plan. These three components are added together to calculate the fully burdened cost of providing each fee related activity. This fully burdened cost, or actual cost, is the maximum that the City can legally charge for each fee related activity.

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 has conducted this same study. Based on this information, City staff reviewed each fee and has made recommendations to increase/decrease a number of fees, which are included in PRM's Report (Attachment 1).

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DISCUSSION:

As noted above, PRM calculated the full cost of providing fee based services. By comparing the full cost of service to revenues generated by those services, PRM also calculated a cost recovery rate for each fee activity. Based on this calculation, staff has developed recommendations to increase a number of fees.

Staff from Building & Safety; Engineering; Fire; Planning; Police; and Parks, Recreation, and Community Services (PRCS) worked with PRM and Budget & Finance staff to review the current fees and develop recommendations to increase or amend a number of fees based on cost recovery rates compared to other cities for which PRM has conducted a fee study. The recommended increases are as follows:

Department/Division	Current Cost Recovery	Recommended Cost Recovery	PRM Report*	Proposed City Fee Reso*	Approx Ongoing Annual Revenue
Building & Safety	58%	74%	18-21	71-76	\$300,000
City Treasurer's Office	N/A	N/A	N/A	69-70	0
Engineering: Fees	29%	36%	23-27	102-119	30,500
Engineering: hrly rate	57%	72%	23	See Above	See above
Fire	60%	62%	41-48	82-85	115,000
PRCS: Recreation	40%	48%	29-31	86-92	40,000
Planning	15%	42%	11-17	77-81	200,000
Police	57%	68%	37-39	99-101	30,000
Senior Center	6%	6%	32-33	N/A	0
Vet's Complex	54%	54%	34-35	93-98	0
PROJECTED TOTAL ANNUAL REVENUE					\$715,500

*Represents the related page number in the attachments

Building & Safety: In most cities, Building & Safety typically has one of the highest cost recovery rates compared to other fee related services in the City. This is also the case in Culver City where the Division is recovering approximately 58% of costs related to fee based services. Although this is a higher cost recovery rate than other divisions, it is a relatively low cost recovery rate compared to other cities studies by PRM and staff is recommending a 74% recovery rate.

Engineering: According to PRM's calculations, the Engineering Division is currently recovering approximately 29% of costs related to fee based services and only 57% for the "actual cost" of the service for hourly charges to an applicant (e.g. Street Lane Closure Traffic Review Plan). Staff recommends a 36% recovery rate for fee based

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services and a recovery rate of 72% of the fully burdened hourly rate for the four affected staff positions which provide the service.

Fire: After reviewing the current cost recovery rates for each Fire fee, staff recommends increasing fees in three areas: 1) Annual Fire Inspections – 1 to 1,999 sq. ft., 2) Annual Fire Inspections – 2,000 to 4,999 sq. ft., and 3) Annual Fire Inspections – 5,000 to 9,999 sq. ft.

The recommended fee increases bring the Fire Department's cost recovery rate from 60% to 62%, which will keep them within an average cost recovery rate as compared to other cities PRM has conducted this study for.

Parks, Recreation and Community Services:

Recreation: Recreation is a service area in which cities typically provide a higher level of subsidy. According to PRM's calculations, the Recreation Division is currently recovering approximately 40% of costs, which is a relatively average recovery rate compared to other cities for which PRM has done a fee study (see page 59 of Attachments). After reviewing the current cost recovery rates for each program area, staff recommends slightly increasing a number of fees (see above table).

The recommended fee increases will generate approximately \$40,000 in ongoing annual revenue and bring the Recreation Division's cost recovery rate to 48%.

Additionally, staff indicated the possibility of stepping up Recreation program fees over the next three to five years using a number of alternative fee structures. Parks and Recreation staff will continue to investigate and develop alternative fee structures for future consideration.

Veteran's Memorial Complex: Veteran's Memorial Complex manages the facility and room rentals for the Veteran's Memorial Building and Auditorium, Senior Center, and Teen Center. Currently, the Veteran's Memorial Complex is recovering approximately 54% of its costs. The current pricing structure allows for subsidizing facility use at different levels, based on the classification of the person/organization using the facility. Rental fees at the Veteran's Memorial Complex were increased by 10% in last year's fee resolution. Taking into consideration last year's increase, the facility rental market, and the condition of the facilities being rented, no fee increases are recommended at this time.

Senior Center: Currently, the Senior Center does not charge fees for service. The Culver City Senior Citizens' Association (CCSCA) collects the annual membership fee in lieu of charging user fees. The CCSCA then donates a portion of the collected membership fees to the City. PRM's analysis identifies the full cost of providing senior

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services and may be used in the future if the City decides to negotiate a change in the current method of cost recovery. No fee recommendations have been included as part of this study.

Planning: The Planning Division's current recovery rate of approximately 15% of costs for fee activities is relatively low. If all recommended fees are adopted, the cost recovery rate will increase to 42%, which will generate ongoing annual revenue of approximately \$200,000¹.

Police: After reviewing the current cost recovery rates for each Police Department fee, staff recommends increasing four fees: 1) False Alarm, 2) Film Permit Application, 3) Vehicle Release, and 4) Vehicle Impound Storage (see above table). Additionally, the staff recommends increasing the Film Permit Application fee by \$30 per year over the next three years (for a total fee of \$180) and the Vehicle Impound Storage fee by \$25 per year over the next three years (for a total fee of \$150).

The recommended fee increases will bring the Police Department's cost recovery rate to 68% from 57%, which will keep them within an average cost recovery rate as compared to other cities that PRM has conducted this study for.

The proposed resolution and exhibit (Attachment 2) with the detailed proposed fee increases or amendments in underline (for additions or changes) or strike through (for deletion) is included for review.

Municipal Code:

As part of Phase II of the fees and charges project, staff identified a number of fees that are included in the Municipal Code rather than in the comprehensive fee resolution. Staff contacted the appropriate department/division to review these fees to determine 1) Are the fees still relevant, or are they outdated? and 2) Should the fees be removed from the Municipal Code and included in the fee proposed resolution instead?

Subsequent to this analysis, it was determined that a number of fees may be removed from the Municipal Code and included in the proposed fee resolution or removed completely as they are either irrelevant or have already been replaced by a fee in the current fee resolution. A number of these fees have been increased to account for inflation since their original adoption in the Municipal Code, some fees going back

¹ Since many of the recommended fee increases are for services that are not processed on a regular basis (e.g. Zoning Code Amendment), the potential increase in revenue calculated by PRM (\$360,000) is much higher than the actual ongoing annual revenue estimated by Budget staff (\$200,000). This is also the case for a number of fees in other divisions.

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more than forty (40) years. Fees that have been removed from the Municipal Code are underlined in the proposed fee resolution with the current fee struck-through and the proposed fee typed to the left (Attachment 2). The proposed Ordinance is included as Attachment 3.

With the exception of Planning, Building Safety and Public Works fees and charges set forth in Exhibits D and H-1, respectively, all fees in the proposed resolution will become effective on Monday, June 11, 2007. 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 9, 2007; sixty days from the date of Council action this evening.

FISCAL ANALYSIS:

As previously outlined in the table above, the total estimated additional revenue (on an annual basis) from the proposed fee increases/changes is \$715,000. This amount will be decreased if Council decides not to adopt all of the proposed fee increases.

ATTACHMENTS:

1. Public Resource Management Group's Fees & Charges Report
2. Proposed Resolution 2007-R__ with Exhibits
3. Proposed Ordinance which will remove fees from the Municipal Code and incorporate them into the proposed fee resolution

MOTIONS:

That the City Council:

1. Adopt resolution 2007-R__ , establishing and amending various fees and charges for services provided by the City and rescinding prior fee resolution Nos. 2006-R053 and 2006-R059; and
2. Introduce, for first reading, an Ordinance amending various sections of the Culver City Municipal Code pertaining to fees and charges and waive further reading.