

# City of Huntington Beach

## Citywide User Fee and Rate Study

Presentation to City Council  
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*Presented by:*

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# Presentation Goals

- Present key issues framing the user fee study
- Discuss fee study principles and best practices
- Present basic costing methodology and approach
- Discuss a summary of findings
- Discuss department recommendations
- Q & A

# User Fee Best Practices

- ⦿ Governments conduct user fee studies to help recoup the cost of providing services
- ⦿ Huntington Beach completed its last fee study in 2009
- ⦿ The industry best practice for review of fees for service:
  - Comprehensive study every 3 to 5 years
  - Annual increase mechanism such as CPI or labor costs
- ⦿ In FY 2014/15, the City began the process of reviewing and updating the City's costs and fee data

# Scope of Services: User and Regulatory Fee Study

- Study the full cost of providing services for:
  - ✓ Community Development (Planning, Building and Code Enforcement)
  - ✓ Public Works / Engineering
  - ✓ Fire
  - ✓ Police
  - ✓ Community Services
  - ✓ Business Development
  - ✓ Library
  - ✓ Finance, City Clerk and other administrative functions
- Use the resulting information to update the City's Fee Schedules
- Not included in the study: Taxes, Fines, Development Impact Fees, Utility Rates, Parking, etc.

# Key Components of a Fee Study

- ⦿ Compliance with various State statutes and laws governing user fees
- ⦿ Defensible methodology for calculating fees for service
- ⦿ Analysis of current service and staffing levels
- ⦿ Identification of the cost of resources available to meet workload demands
- ⦿ Data available to validate a reasonable cost of providing services
- ⦿ Recommendations to Mayor and City Council regarding cost recovery policies, fee schedule updates, and implementation

# Citywide Cost Allocation Plan

- Cost Allocation Plans are required in order to obtain reimbursement for the City's costs of administering Federal and State grants
- The Citywide Cost Allocation Plan was completed in September 2015
- The Plan identifies the costs of administering and operating administrative functions in a governmental entity receiving grants
- Rules for Cost Allocation Plans are contained in the Federal Office of Management and Budget's A-87 Cost Allocation Plan guidelines
- A Cost Allocation Plan is designed to allocate costs fairly and equitably to service providing departments
- Used as a basis to recover costs through charges to:
  - Enterprise Funds (Water, Sewer, Refuse, and Hazmat Funds)
  - Citywide User Fees

# User Fee Study Guidance

- Proposition 218 Section 6.2(b)2
  - ✓ “Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed”
  - ✓ Must Pair Revenues to Costs – *What are the Costs?*
- CA Government Code §66014(a)
  - ✓ “Those fees may not exceed the estimated reasonable cost of providing the service for which the fee is charged”
  - ✓ Focus on “Estimated Reasonable”
- Proposition 26
  - ✓ Article XIIC§1(e)(3) – Inspections and Regulatory Permits are exempt ...however are still limited to the local government’s reasonable costs
  - ✓ Article XIIC§ 1(e)(2), and 1(e)(4) – Parks and Recreation fees are either limited to reasonable costs, or exempt when for use of government property

# General User Fee Study Approach

- Establish fee list: current fees, additions, deletions, etc.
- Gather input from staff at many levels in the organization regarding financial, service level and workload information
- Analyze the total costs and revenues associated with services
- Conduct research on comparable cities and their rates
- Check results and validate data
- Review and revise results at the Department and City Management levels
- Present results to City Council for discussion and potential action

# COST OF SERVICE ANALYSIS

## Full Cost of Service Recoverable in Fees

Fully-Burdened  
Hourly Rates for  
Department /  
Division providing  
services

x

Estimated/  
Known Time to  
Provide Individual  
Service

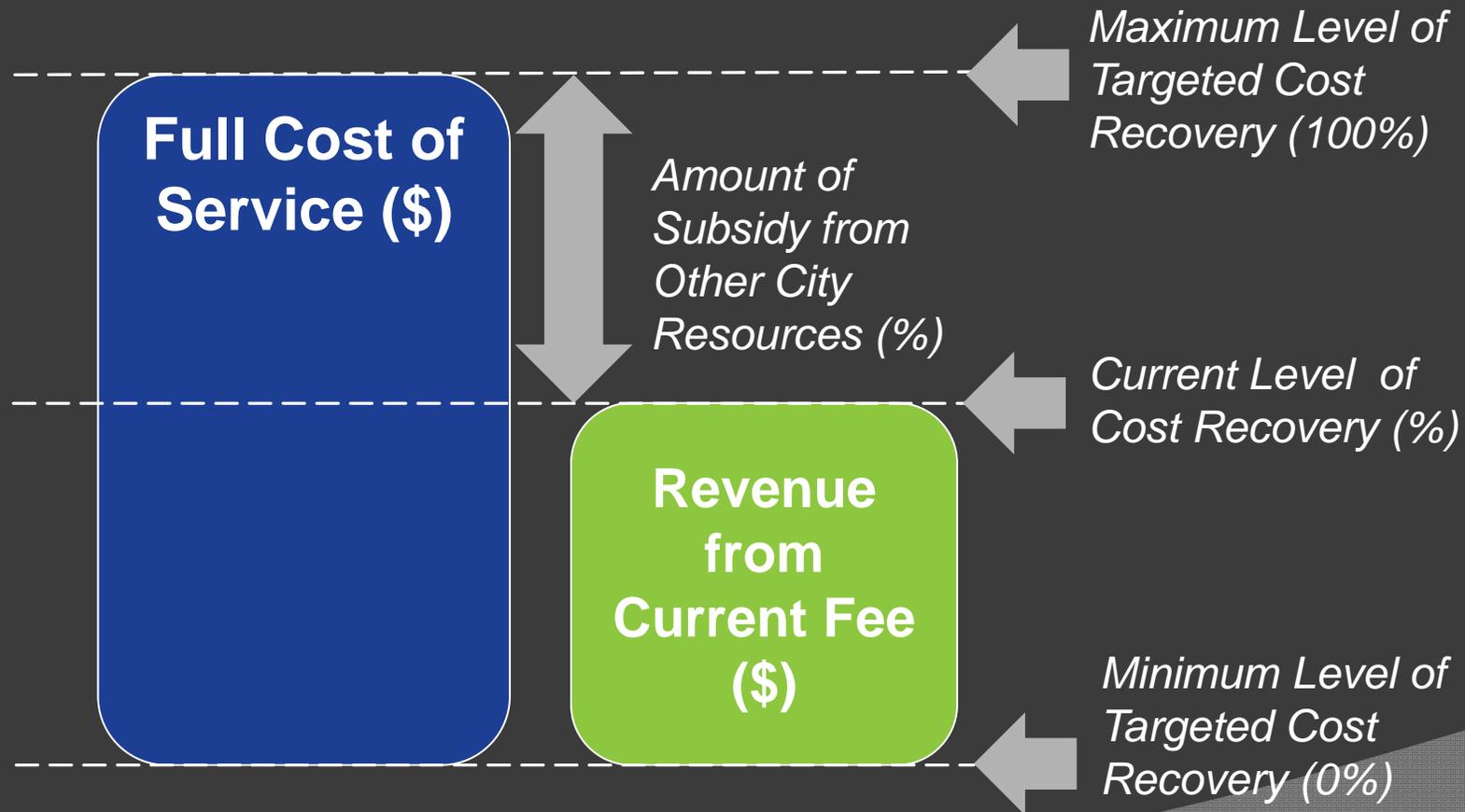
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Substantive /  
Discrete Costs of  
Materials or  
Services Incurred

Outcome

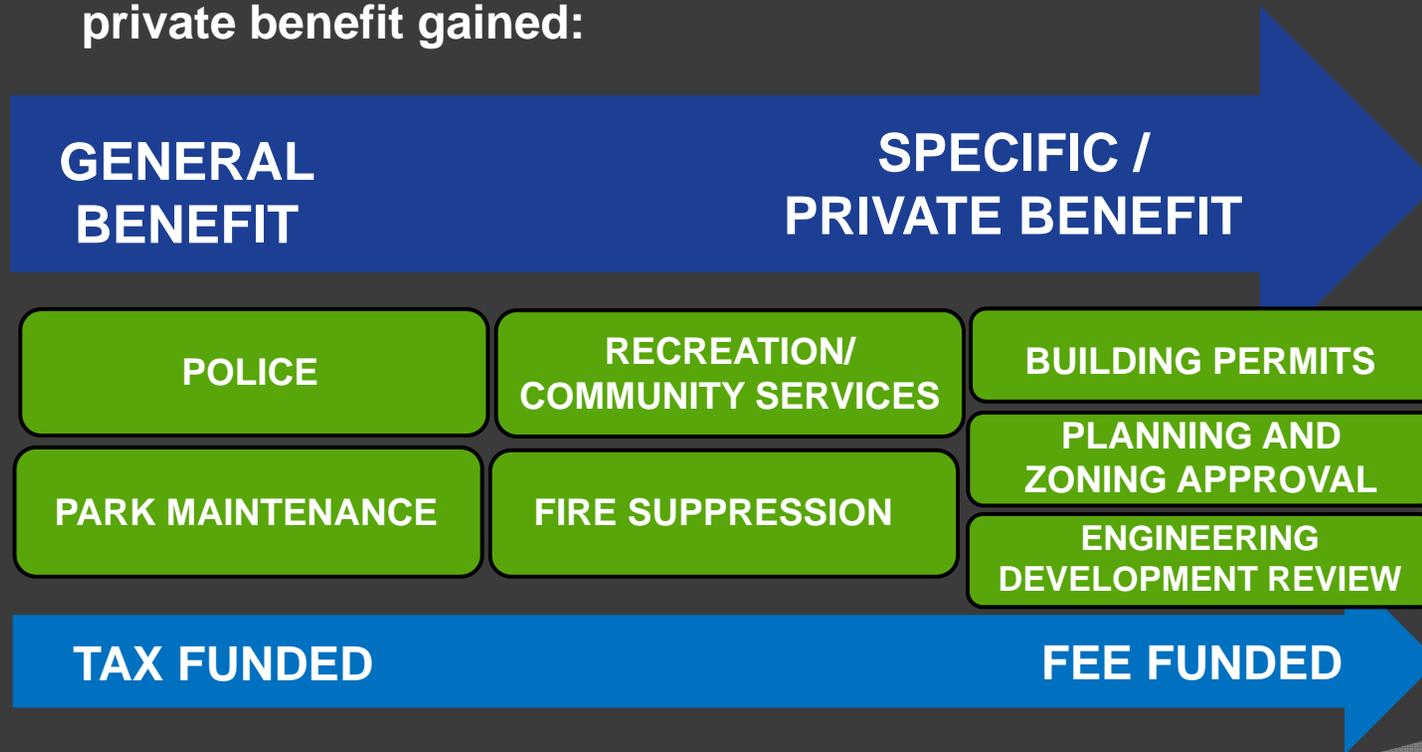
Maximum Fee Amount

# COST VS. PRICE: Illustration of Cost Recovery in Fee-Setting



# COST RECOVERY POLICY DECISION MATRIX

- Fees should be assessed according to the individual or private benefit gained:



# Fee Study Recommendations and Highlights

# Summary Results for Fee Related Services – All Funds

Department / Division	Estimated Annual Current Fee Revenue	Eligible Cost Recovery from User / Regulatory Fee Revenue	Current Cost Recovery Percentage	Recommended Fee Revenue	Recommended Cost Recovery Percentage
City Clerk	\$ 171,815	\$ 199,845	86%	\$ 171,815	86%
Finance	\$ 1,546,431	\$ 4,250,447	36%	\$ 1,948,785	46%
Community Development	\$ 8,009,386	\$ 8,198,133	98%	\$ 7,693,614	94%
Office of Business Development	\$ 52,775	\$ 101,542	52%	\$ 96,655	95%
Public Works	\$ 1,777,735	\$ 2,284,435	78%	\$ 1,960,818	86%
Police	\$ 798,393	\$ 1,486,197	54%	\$ 931,998	63%
Fire	\$ 1,591,640	\$ 1,955,378	81%	\$ 1,714,119	88%
Library	\$ 181,863	\$ 216,074	84%	\$ 209,812	97%
Community Services	\$ 4,330,681	\$ 7,293,593	59%	\$ 4,396,829	60%
Automation Fee	\$ 343,713	\$ 572,856	60%	\$ 429,642	75%
<b>Total</b>	<b>\$ 18,804,432</b>	<b>\$ 26,558,500</b>	<b>71%</b>	<b>\$ 19,554,087</b>	<b>74%</b>

# Summary Results of Recommendations

<b>Fees &amp; Charges</b>	<b>Number of Fees &amp; Charges</b>	<b>As a Percentage of Total Fees &amp; Charges</b>
No Change	350	40%
New	34	4%
Deleted	6	1%
Increasing	336	38%
Decreasing	86	10%
Structure Change	62	7%
Total	874	100%

# Summary Results for Fee Related Services

- Establishing user fees at full cost recovery amount, the City would reduce the annual subsidy of these services by \$7.8 million
- At the recommended fee levels and with a phased-in approach, the City could generate the following additional General Fund Revenues:
  - \$109,000 in 2016
  - \$320,000 in 2017
  - \$533,000 in 2018
- The Fee Study analysis provides the information needed to re-align fees based on the most recent information regarding City costs
- The Fee Study also includes an analysis of the City's Technology Automation Fee which supports the maintenance of the enterprise land management system

# Summary of General Fund Fees

Department / Division	Estimated Annual Current Fee Revenue	Eligible Cost Recovery from User / Regulatory Fee Revenue	Current Cost Recovery Percentage	Recommended Fee Revenue	Recommended Cost Recovery Percentage
City Clerk	\$ 171,815	\$ 199,845	86%	\$ 171,815	86%
Finance	\$ 1,546,431	\$ 4,250,447	36%	\$ 1,948,785	46%
Community Development	\$ 8,009,386	\$ 8,198,133	98%	\$ 7,693,614	94%
Public Works	\$ 1,421,640	\$ 1,789,714	79%	\$ 1,557,375	87%
Police	\$ 798,393	\$ 1,486,197	54%	\$ 931,998	63%
Fire	\$ 1,405,760	\$ 1,643,709	86%	\$ 1,402,450	85%
Library	\$ 181,863	\$ 216,074	84%	\$ 209,812	97%
Community Services	\$ 4,330,681	\$ 7,293,593	59%	\$ 4,396,829	60%
Automation Fee	\$ 343,713	\$ 572,856	60%	\$ 429,642	75%
<b>Total</b>	<b>\$ 18,209,682</b>	<b>\$ 25,650,568</b>	<b>71%</b>	<b>\$ 18,742,320</b>	<b>73%</b>

## General Fund

- Full Cost Recovery – reduce subsidy by \$7.4 Million
- Recommended Fees – reduce subsidy and increase revenue by \$533,000 by 2018

# Community Development Fee Highlights

- Planning Fees to phase-in over 3 year period
  - Phase 1 in 2016 - 78% cost recovery
  - Phase 2 in 2017 - 88% cost recovery
  - Phase 3 in 2018 - 97% cost recovery
- Building Fees - 100% cost recovery in Year 1
- Code Enforcement - 100% cost recovery in Year 1
- General Plan Maintenance Surcharge - 40% cost recovery in Year 1
- Decreasing Fees - Planning/Building Plan Review and Building Inspection
- Increasing Fees – Landscape Plan Check, Zoning Permits, Electrical/Mechanical/Plumbing Permits

# Finance Fee Highlights

- ⦿ Increasing Fees - Business License, Utility Billing Setup/Late, Collections Processing, Business Permits (Entertainment Permit, Massage Certificate, etc.)
- ⦿ No Change - Credit Card Processing, Parking Citation Processing
- ⦿ Full Cost Recovery – reduce subsidy by \$2.7 million
- ⦿ Recommended Fees – reduce subsidy and increase revenue \$402,000

# Public Works Fee Highlights

- Increasing Fees - Water Bill Tag, Development Related Deposits and Fees (parcel map check, final tract map, grading plan check and inspection)
- No Change - Wide/Overweight/Loading permit fees are set by the State
- Decreasing Fees – National Pollutant Discharge Elimination System (NPDES) program fees
- Full Cost Recovery – reduce subsidy by \$507,000
- Recommended Fees – reduce subsidy and increase revenue \$183,000

# Police Fee Highlights

- Increasing Fees – Alarm Permit, Vehicle Release, Records Check
- No Change – Jail Processing/Booking, Jail Fee (Pay to Stay)
- Full Cost Recovery – reduce subsidy by \$688,000
- Recommended Fees – reduce subsidy and increase revenue \$134,000

# Fire Fee Highlights

- Majority of Fees are related to development and inspection services – overall flat (plan review, fire prevention and oil well inspection, fire company business inspections)
- Increasing Fees – Hazardous Materials Review and Inspection
- No Change – Junior Lifeguard Program, Central Net Training Center Joint Power Authority, Emergency Medical Services (EMS)
- EMS fees were excluded from the study and are primarily based on County's established fees
- Full Cost Recovery – reduce subsidy by \$364,000
- Recommended Fees – reduce subsidy and increase revenue \$122,000

# Community Services Fee Highlights

- Increasing Fees & Charges – Facility Rentals, Youth Sports & Swim Lessons, Specific Events, Various Recreational Program Registrations
- No Change – Adult Sports Programs, Tennis
- Program Charges are market sensitive; public has other choices to obtain similar services
- Full Cost Recovery – reduce subsidy by \$3 million
- Recommended Fees – reduce subsidy and increase revenue \$66,000

# Other Fee Highlights

City Clerk – No change in subsidy and revenue

## Office of Business Development

- Affordable Housing Inspection (decreasing), Affordable Housing Review (new), Rehab Loan (no change), Film Permits (increasing)
- Full Cost Recovery – reduce subsidy by \$49,000
- Recommended Fees – reduce subsidy and increase revenue \$44,000

## Library

- Increasing Fees - Theater/Room Rentals, Technician Fee for Theater, Replacement Library Card
- Full Cost Recovery – reduce subsidy by \$34,000
- Recommended Fees – reduce subsidy and increase revenue \$28,000

# Technology Automation Fee

Cost Category	Total Annualized Cost	100% Recovery	Recommended 75% Recovery	Currently @ 60% Recovery
Software Maintenance (annual cost)	\$ 195,837	\$ 195,837	\$ 146,877	\$ 117,502
Staff Resources (annual cost)	\$ 162,018	\$ 162,018	\$ 121,514	\$ 97,211
ELM Software and Implementation	\$ 215,001	\$ 215,001	\$ 161,251	\$ 129,001
<b>Total</b>	<b>\$ 572,856</b>	<b>\$ 572,856</b>	<b>\$ 429,642</b>	<b>\$ 343,713</b>
Projected Revenue FY16/17		\$ 8,641,621	\$ 8,641,621	\$ 8,641,621
<b>Technology Fee</b>		<b>6.6%</b>	<b>5.0%</b>	<b>4.0%</b>

- ELM Software and Implementation cost of \$3.2 Million – Amortized over 15 years at \$215,000 a year
- Full Cost Recovery – reduce subsidy by \$229,000
- Recommended Fee – reduce subsidy and increase revenue \$86,000

# Summary of Non General Fund Fees

Department / Division	Estimated Annual Current Fee Revenue	Eligible Cost Recovery from User / Regulatory Fee Revenue	Current Cost Recovery Percentage	Recommended Fee Revenue	Recommended Cost Recovery Percentage
Office of Business Development	\$ 52,775	\$ 101,542	52%	\$ 96,655	95%
Public Works	\$ 356,095	\$ 494,721	72%	\$ 403,443	82%
Fire	\$ 185,880	\$ 311,669	60%	\$ 311,669	100%
<b>Total</b>	<b>\$ 594,750</b>	<b>\$ 907,932</b>	<b>66%</b>	<b>\$ 811,767</b>	<b>89%</b>

## Non General Fund

- Full Cost Recovery – reduce subsidy by \$313,000
- Recommended Fee – reduce subsidy and increase revenue \$217,000

# Summary of General Fund Charges

Department / Division	Estimated Annual Current Charges Revenue	Recommended Charges Revenue	Increase	Percentage Increase
Library Services	\$ 198,138	\$ 227,859	\$ 29,721	15%
Community Services	\$ 251,400	\$ 390,200	\$ 138,800	55%
<b>Total</b>	<b>\$ 449,538</b>	<b>\$ 618,059</b>	<b>\$ 168,521</b>	<b>37%</b>

- Library and Community Services Charges not required to be included in the fee study calculation – exempt by Proposition 26
- Recommended changes to charges are market driven

# Master Fee and Charges Summary

Department / Division	Estimated Annual Current Fee / Charges Revenue	Recommended Fee / Charges Revenue	Recommended Increase	Recommended Percentage Increase
<b>General Fund Fees &amp; Charges</b>				
Phase 1 - Dec 2016	18,659,220	18,936,371	277,151	1%
Phase 2 - Oct 2017	18,659,220	19,147,971	488,751	3%
Phase 3 - Oct 2018	18,659,220	19,360,379	701,159	4%
<b>Non General Fund</b>	594,750	811,767	217,017	36%
<b>All Funds - Oct 2018</b>	19,253,970	20,172,146	918,176	5%

Based on CPI: \$100 Fee in 2009 = \$112 Fee Today

Average Annual CPI Increase since 2009 is 1.6%

# User Fee Study Recap

- Financial Best Practices recommend review of Citywide user fees every 3 – 5 years
- An extensive and comprehensive review has been conducted of Citywide user fees
- The recommended fee changes will better align the City's fees with current costs based on FY 2014/15 data
- The recommended fee changes will also help to reduce the existing \$7.8 million subsidy
- The Finance Department is working on a consolidated “Master Fee and Charges Schedule” to improve transparency and tracking of Citywide fees
- The new “Master Fee and Charges Schedule” will be proposed to the City Council in September 2016

# Next Steps

Date	Item
August 15, 2016	Citywide User Fee Study - Study Session
August 25, 2016	Public Hearing Notice #1
September 1, 2016	Notice of Public Hearing to Interested Parties
September 8, 2016	Public Hearing Notice #2
September 9, 2016	Citywide User Fee Study Available to Public
September 19, 2016	City Council Public Hearing for Adoption of Master Fee & Charges Schedule
December 1, 2016	Effective Date of Master Fee & Charges Schedule

# QUESTIONS?