

July 15, 2005

Honorable Mayor and Members of
the Hermosa Beach City Council

City Council Meeting of
August 9, 2005

**PUBLIC HEARING, CONSIDERATION OF NEW AND UPDATED CITY USER FEES,
ADOPTION OF SCHEDULE FOR SEWER CONNECTION FEE, NEW ADMINISTRATIVE
FEE FOR FAILURE TO DISPLAY PLACARD**

RECOMMENDATION:

It is recommended that the City Council:

1. Hear public testimony regarding new and updated City user fees to recover costs of providing service;
2. Adopt the fees contained in the User Fee Study compiled by Maximus;
3. Adopt miscellaneous fees as updated by City staff (not included in the User Fee Study);
4. Add the existing Sewer Connection Fee to the master fee resolution and adopt the Los Angeles County Sanitation District schedule as the basis for the City's fee;
5. Adopt Resolution 05- , amending the master fee resolution to include fees updated by the user fees study, updated miscellaneous user fees and adopting the Los Angeles County Sanitation District schedule for sewer connection fees;
6. Adopt Resolution 05- , approving a new administrative fee pursuant to Vehicle Code 40226 for failure to display a placard and adding same to the Bail Schedule for Parking Violations.

BACKGROUND:

The firm of Maximus (previously David M. Griffiths & Associates, who was acquired by Maximus) was retained to update the user fee study. The study was on hold for a prolonged period due to personnel changes, both at the City and with Maximus. Department directors and their staff spent a lot of time providing time allocations and checking them to ensure they represent the work related to each user fee. By using Maximus' services to prepare the report, all direct and indirect costs of the service, including labor, overhead and materials are included in the study.

The ambulance transport fee, which is included in the study, was already approved by the City Council on June 14, 2005.

ANALYSIS:

(The User Fee Study is a separate document behind the staff report. It is separately numbered. The other attached documents begin on page 4 behind the User Fee Study.)

User Fee Study. (see the separate attached report from Maximus) The User Fee Study included four departments: Community Development, Public Works, Fire and Police. Community Resources fees are market driven for the most part and are reviewed by the Parks and Recreation Commission, therefore they are not included in the study. Miscellaneous fees, which were not included in the study, were updated by City staff and are addressed in a separate section below.

The purpose of the user fee study is to calculate the amount that should be charged in order to recover the costs associated with each service. Knowing these costs is important for several reasons:

- Determining the cost of services ensures that fees recover only costs reasonably borne, as mandated by our Municipal Code 2.64.010, which states, “Pursuant to Article XIII B of the California Constitution, it is the intent of the City Council to require the ascertainment, and recovery of costs reasonably borne from fees and charges levied therefore in providing the regulations, products or services.”
- The study provides information to the City Council about which services are being subsidized and to what degree. **It is important that fees be set to recover 100% of the cost for providing a service when an individual is the one who benefits from the service as opposed to benefiting the entire community.**
- Periodic updates to fees ensure that the cost calculations take into consideration any changes in the way services are offered.

Per the existing Master Fee Resolution, fees are adjusted annually by the lower of 1) the percentage increase in the City’s General Fund operating appropriations over the prior fiscal year or 2) the percentage change in the Consumer Price Index for All Urban Consumers.

Annual adjustments are a good way of keeping fees in line with costs between studies. Maximus recommends and staff concurs, that a better method of annual adjustment would be the percentage change in labor costs since those costs represent roughly 69% of the General Fund budget. The attached amendment to the master fee resolution (page 7) reflects that change.

The User Fee Study identifies net potential revenue growth of \$533,000 as shown on page 14 of the Maximus report. (ten of the fees actually decrease) \$300,000 was conservatively budgeted for 2005-06. All fees except development fees (Community Development and sewer permits in Public Works) will be effective September 1, 2005. Development-related fees will be effective in 60 days or on November 1 as required by the Government Code 66017(a). Based on new fees adopted, revenue estimates will be revised at Midyear Budget Review to reflect anticipated additional revenue, if necessary.

Detailed department models, which document the study calculations, are available in a 2” binder in the Finance Department.

Manfred Endres and Nicole Kissam from Maximus will be available at the City Council meeting.

Note: Select employee billing rates are included on the cost results worksheets in the study for use in special event billings. Those rates are the fully burdened rate, which includes direct and indirect overhead costs. These are not the rates paid to the employees.

Miscellaneous Fees. City Staff updated the 18 fees shown on pages 4-5 since they were not included in the User Fee Study. We would recommend including them in future updates. Staff went through a more simplified process to determine and calculate time involved in providing the services. As shown on the worksheets, updating the fees will generate an estimated additional \$11,000.

Sewer Connection Fee Schedule. Community Development currently uses the attached sewer connection fees (page 6) as set by the Los Angeles County Sanitation District. Staff recommends formalizing this practice by referencing it in the Master Fee Resolution.

New Administrative Fee for Failure to Display Disabled Placard. The California Vehicle Code now allows agencies to charge an administrative fee of \$15 in lieu of collecting a fine for a citation for failure to display the disabled placard. Currently, the Administrative Review Investigator (ARI) dismisses citations if the individual does have a placard but failed to display it. The Police Department supports a charge of \$15, which is less than the maximum allowed, as a deterrent to individuals who repeatedly do not place the placards in their vehicle. The attached resolution adopts the fee and adds it to the existing Parking Violation Bail Schedule for use by the courts.

Respectfully submitted,

Concur:

Viki Copeland
Finance Director

Stephen R. Burrell
City Manager