

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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August 2, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive supporting documentation into the record, conclude the public hearing and adopt the attached six Resolutions to increase fees for Planning, Health, Fire, Police and Community Development to improve recovery of the City's costs to provide these services; and, declare the Ordinance increasing the General Plan Surcharge read the first time, and laid over to the next regular meeting of the City Council for final reading. (Citywide)

DISCUSSION

On June 1, 2004, City Council approved an agreement with Public Resource Management (PRM) to undertake a Citywide Fee Study. This effort was in response to a recommendation of the Budget Oversight Committee to more fully investigate fees to determine if the City was fully recovering the cost of services through fees and charges, and how our fees compared to other jurisdictions. The Fee Study is being conducted to document the City's costs to provide fee-related services. While the Fee Study progresses, staff felt it was important to bring initial recommendations to the City Council as quickly as possible to address the structural deficit. Additional fee changes will be presented as part of the Fiscal Year 2006 proposed budget and in the fall as the study is completed. Seven departments were selected to participate in the Fee Study including: the departments of Planning and Building, Health and Human Services, Fire, Parks, Recreation and Marine, Public Works, Police, and Community Development. These areas were specifically chosen because PRM and City staff believed the services provided by these departments might be the most heavily subsidized.

A major goal of the Fee Study was to establish one methodology for the City to use in computing the cost to provide a service. Using this methodology, the City can be assured that its fees fairly assess the cost of providing services and that the fee setting process is consistent. The recommended methodology, which has been broadly accepted in the public sector, includes the following components:

1. **Direct Cost** - This includes the cost for staff time, direct supervision, equipment, supplies, vehicles, computers, and departmental overhead associated with the service provided.

2. Facility Costs - The facility operating and maintenance costs, where appropriate.
3. Indirect Cost - Each department's share of indirect cost is calculated annually through the City Indirect Cost Allocation Plan. Examples of indirect costs include the Mayor and City Council, City Attorney, City Auditor, Financial Management and City Manager.

Once the methodology was established, each department applied the methodology in conducting their detailed analyses of the amount of time and resources involved in providing fee-related services.

The following discussion categorizes and explains, by department, the fee adjustments proposed and which are listed in **Attachment A**.

Planning and Building Department

The Planning and Building Department is recommending changes to two fees for an improved recapture of costs for General Fund activities of \$290,000. The fees include:

- General Plan Surcharge – Costs incurred to maintain the City's General Plan are partially funded through a 1.5 percent surcharge on all building permits. Most cities that assess a surcharge also fund the cost of the General Plan update as well. The General Plan is continually being updated, since it is needed to provide comprehensive guidance for the City's continuing development. The City's annual cost to update the General Plan is estimated to be \$125,000 to \$200,000 depending upon the element being updated. To fully pay for the continuous updating of the General Plan, an additional annual assessment of \$150,000 is needed; therefore, the surcharge is proposed to be increased to 3.1 percent. By comparison, the City of Riverside charges a 10 percent surcharge against all development revenue to fund its General Plan maintenance and updates, while Morgan Hill charges 5 percent against all development revenue.
- Technology Surcharge - The Planning and Building Department currently has a 5 percent technology surcharge, which was adopted to fund a new permit tracking system. The surcharge was slated to sunset in December 2004, but was extended for an additional three years to cover new software and hardware acquisition and installation costs. A new system has been identified, and the contract will be submitted to City Council for approval in the near future. The estimated cost of the system has increased due an expansion of the system capabilities. Therefore, it is proposed that the current 5 percent surcharge be increased to 6.2 percent between the present and January 2008 to cover the increased costs. After the system is installed, the actual cost to maintain the system will be determined. At that time, it is the intent to have the surcharge reflect the then annual maintenance cost.

Health and Human Services Department

The Health and Human Services Department is recommending changes to two groups of fees encompassing approximately 31 separate fees for an improved recapture of cost of approximately \$88,000 for the Health and Certified Unified Program Agency (CUPA) funds. The fees include:

- Hazardous Waste Generator Permit Fees (17 separate fees) – Hazardous waste generators are inspected annually by the Health and Human Services Department. The Fee Study determined that the full cost of the service was not being charged resulting in a CUPA Fund subsidy of \$59,000. The City of Los Angeles inspects less frequently but charges a higher fee.
- Housing Inspection Fees (14 separate fees) – A two percent increase in these fees will eliminate a Health Fund subsidy in the amount of \$29,000 to provide these services.

Each proposed fee increase is detailed in **Attachment A**, page 1.

Community Development Department

Community Development's Code Enforcement Division is recommending changes to two fees to improve cost recovery of approximately \$24,000. The fees include:

- Weed Abatement Administrative Fees – When a property is in violation of the weed ordinance, the City contracts with a private landscape contractor to remedy the violation. The City pays the contractor and collects the amount from the property owner. In 1984, the City Council approved two fees, which total \$120 combined, to cover the costs of engaging a contractor, administering the abatement contract and inspecting the property for compliance. It is recommended that these fees be increased to \$240, to better recover costs. The number of weed abatement cases handled by staff is expected to be reduced significantly because of the new Administrative Citation Ordinance. It is expected, however, that up to 100 weed abatement cases would be administered by staff, generating additional cost recovery of \$12,000.
- Vehicle Abatement Fees – Similar to Weed Abatement, the City also established processing fees for vehicle abatement. In 1989, the City Council approved two fees, which total \$120 combined, for each vehicle that is removed to cover the costs of performance inspection and preparation of contract or interdepartmental service request. It is recommend that the processing fees be increased to \$240, based on the staff time necessary to process inspection warrants and notices, and arrange for towing. It is estimated that staff will tow 100 vehicles annually, generating additional cost recovery of \$12,000.

Fire Department

The Fire Department is recommending changes to 134 fees for an improved recapture of costs of approximately \$745,000. The fees are listed in **Attachment A**, pages 1-10, and are grouped into general categories that include annual fire permits, plan checks, inspections, and special activities and events.

The following chart lists some of the more common fees and comparisons to similar fees in the surrounding area.

Service	Long Beach - Current	Long Beach - Proposed	Huntington Beach	Newport Beach	Orange County Fire Authority	Costa Mesa
PC-05, Fire Alarm Systems - 5 detectors	\$135 (\$110 + \$5/unit)	\$185 (\$110 + \$15/unit)	\$118 (\$88 + \$6/unit)	\$114 per hour	\$585	\$115
PC-07, UST - Install or Removal - 1 tank	\$220	\$480	\$499	100% of bldg permit	\$645	\$115
PC-07, AST - Install or Removal - 1 tank	\$275 + \$165.00 additional	\$360 + \$200 additional	\$300	100% of bldg permit	\$740	\$115
PC-09, Fire Sprinklers, 50 heads	\$220 + \$4/head	\$300 + \$4/head	\$319	\$114 per hour	\$965	\$115
FP-01, General use Permits	\$190	\$250	\$250	N/A	N/A	N/A
FP-21F, POA- A-3, 50-299 occupants	\$250	\$190	\$250	N/A	N/A	N/A

Police Department

During the Fiscal Year 2005 budget deliberations, the Budget Oversight Committee (BOC) recommended increasing the Police False Alarm fee by \$10. Staff analyzed the feasibility of increasing the Police False Alarm fee as recommended by the BOC, based on the last three years of false alarm activity. The following chart summarizes current fees, the BOC's recommendations and staff's recommended fees based upon cost recovery needs:

False Alarms	Current Fees	BOC Recommendations	Proposed Fees
3	\$ 50	\$ 60	\$ 50
4	\$100	\$110	\$150
5	\$150	\$160	\$250
6 or more	\$300	\$310	\$350

Staff's proposed fees would increase revenue by approximately \$92,000 per year, thus recovering more of the costs incurred in responding to false alarms.

A survey indicated the average fee per false alarm to be \$70 and the maximum to be \$160. Based on the results of the survey, staff proposes that the City's minimum third false alarm fee remain \$50 and for each false alarm thereafter increase incrementally by

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\$100 to a maximum of \$350. The maximum fee of \$350 represents the sixth and subsequent false alarm fee in a 12-month period. Staff proposes to increase the false alarm fees in this manner so that the citizens/businesses are not discouraged from having and maintaining reliable alarm systems.

This letter was reviewed by Assistant City Attorney Michael Mais on July 27, 2005 and Budget Management Officer David Wodynski on July 8, 2005.

TIMING CONSIDERATIONS

The following requests for adjustments to existing fees are intended to improve the cost recovery for General Fund activities in Fiscal Year 2005. City Council action is requested on August 2, 2005, in order to allow the new fees to be implemented, as described in **Attachment A**.

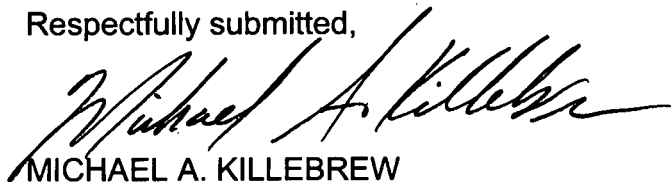
FISCAL IMPACT

The total, estimated, annualized revenue from the fees listed in this action is \$1,239,000, which will directly reduce the structural deficit by that amount. The individual fees are listed in **Attachment A**.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

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ATTACHMENTS

APPROVED:



GERALD R. MILLER
CITY MANAGER