



Citywide User Fee and Cost Recovery Studies

Status Update

Budget Oversight Committee- August 19, 2020

Discussion Topics

- User Fees and Charges Overview
- Citywide User Fee and Cost Recovery Studies Status and Methodology
- Summary of Preliminary Results for the Health and Human Services Department



Overview and Methodology

Fees & Charges Overview

- Bi-annual citywide fee adjustments are the process by which changes to fees are presented to the City Council and the public for consideration.
- The next citywide fee adjustment will be part of the FY 21 Budget Adoption process and will focus on key adjustments included in the City Manager proposed budget or required for budget balancing strategies.
- At any time throughout the year, departments may also recommend their own changes as a stand-alone items for City Council consideration.

Fees & Charges Overview

- The City's adopted Financial Policy states that User Fees and Charges will be set at the cost of the service, except where there is a greater public benefit through the use of a lower fee.
- To capture annual cost increases the City also implements a City Cost Index (CCI) adjustment across all eligible fees.
- FY 19, at City Council's direction, staff initiated an updated citywide fee study to conduct a comprehensive cost of service analysis.
- All fees will be considered for evaluation, but there may be exceptions such as separate rate studies currently in completed or in-progress.

Project Overview

- Revenue & Cost Specialists have been selected to conduct the cost of service studies.
- This will be a multi-year project that will determine the full business cost of providing each service and the cost recovery rates for services:
 - *Identify and review the services offered by each department*
 - *Calculate the full service cost, with indirect and direct costs*
 - *Determine the subsidy levels by comparing the fee revenue currently generated from services to the full cost of service*
- A cost of service model will be available to each department to allow for routine updates and assessments based on any changes to services, costs, or revenue.

Methodology

- Identify each department's service centers and the cost components for each service center including:
 - **Direct Cost** – *Salaries & Wages, Employee benefits, and Maintenance and Operation Costs*
 - **Indirect Costs** – *General and Departmental Overhead Costs, including Departmental Administration*
- Determine positions and staff time spent supporting each service.
- Calculate the fully burdened hourly rates per position using the total direct and indirect cost. Allocate the fully burdened rate to the time detail per service to determine the full costs of each service.
- Identify subsidy levels by comparing the fully allocated service costs to current revenues received for each service.

Status & Next Steps

- The project schedule experienced significant delays due to the pandemic. The project is moving forward on a “rolling-basis” where one department concludes, another will start. The project is anticipated to conclude in FY 2022.
- The Health and Human Services Department is finalizing recommendations for City Council consideration as part of the next Citywide fee adjustment process. Preliminary results will be presented as part of this presentation.
- Reports for Parks, Recreation, and Marine & Development Services are under review, with preliminary results available at a future Budget Oversight Committee meeting.
- The 2nd Round is tentatively scheduled to begin their studies on September 2020. This includes Energy Resources, Public Works, and the Police Department.

A wide-angle photograph of a beach and ocean, tinted in shades of blue. The ocean is on the left, with gentle waves washing onto the sandy beach on the right. In the distance, a city skyline is visible across the water, including several tall buildings and a prominent tower. The sky is filled with soft, white clouds.

Preliminary Results for Health & Human Services

Health & Human Services Project Overview

- Health & Human Services Department was part of the first round of the cost of service studies.
- RCS reviewed a total of 77 fees within the following services:
 - Vital Records Services
 - Travel Immunization Services
 - Laboratory Services
- The remaining services provided by the Health and Human Services Department will be evaluated later in the project schedule, tentatively anticipated for March 2021 .

Health & Human Services Study Considerations

- Direct and Indirect costs are based on FY20 budget information.
- Current fee revenue information is based on FY20 budget estimates.
- The analysis does not include any adjustments due to the pandemic. The financial impact of COVID-19 service adjustments is still being determined.
- Recommendations for the fee structure includes eliminating fees for services no longer provided and new fees to better align with service provision.
- New revenue will fluctuate based on use and may be less than cost for service due to regulatory requirements, payer fee schedules, and/or public benefits.

Summary of Preliminary Results

Service	Current Fee Revenue	Total Calculated Service Cost	Total Profit/ (Subsidy)	Average % Fee Increase
Vital Records Services	\$7,452	\$14,748	(\$7,296)	69%
Travel Immunization Services	\$136,023	\$223,004	(\$86,981)	95%
Laboratory Services	\$365,128	\$865,717	(\$500,589)	538%
TOTAL	\$508,603	\$1,103,469	(\$594,866)	

- The average fee increase assumes all recommendations are accepted and the City will charge for these services at 100 percent full cost recovery.
- The average fee increase will not result in the same level of increased revenue. Actual revenue will be based on various elements including usage, regulatory requirements, payer fee schedules, and/or public benefits.