



Legislation Text

File #: 21-0451, Version: 1

Recommendation to receive supporting documentation into the record, conclude the public hearing, and adopt resolution amending the Master Fees and Charges Schedule. (Citywide)

City Council approval is requested for the list of proposed Mid-Year Fee Adjustments for Fiscal Year 2021 (FY 21), which describes the proposed changes to the City's Master Fees and Charges Schedule. As part of the annual Budget Adoption process, the City Council last reviewed and amended the Master Fees and Charges Schedule for specified City services on September 8, 2020. Fees are required to cover the cost of service except where the City Council finds greater public benefit through the use of a lower fee. On September 5, 2017, the City Council adopted an amended Financial Policy on User Fees and Charges, which reads:

User Fees and Charges Will be Set at the Cost of the Service

Background - Fees and associated charges are associated with recovering the cost of providing a service. The City can charge up to the full cost of providing a service.

Policy -

- a. Fees will be set at a level to fully recover costs, except where there is a greater public benefit through use of a lower fee, such as where full recovery may adversely impact overall revenue or may discourage participation in programs where the participation benefits the overall community.
- b. The City Manager will establish a process for in-depth review of all fees over time. The review, while eventually covering all fees, should emphasize those that have or may have significant subvention (may not be at full cost).

City staff may recommend fees that are not set at the full cost of service, or the City Council may choose not to adopt a fee with full cost recovery because it would negatively impact the public good. Specific new fees are being introduced to address the demand and provision for City services. Charging a fee allows residents the benefit of a service that may otherwise not be possible without sufficient revenue to offset the cost of providing the service. Some City services in low demand may not initially be assigned a fee. However, if demand increases, there may be a need to evaluate the service and propose a fee that aligns with the cost of the service being provided. Changes in the regulatory environment may also result in new fees being developed.

Bi-annual fee adjustments, deletions, and additions are the process by which the broad-based changes to fees are presented to the City Council and the public for consideration. The proposed fee changes currently being presented to the City Council represent the FY 21 Mid-Year Fee Adjustments, which immediately take effect upon adoption. The next citywide fee adjustment process will occur during the FY 22 Budget Adoption process and will take effect on October 1, 2021.

In FY 19, staff initiated an updated citywide fee study to conduct a comprehensive cost of service analysis for the City's numerous fees and charges for services across various City departments. The study is a multi-year effort, starting with the Development Services, Health and Human Services, and Parks, Recreation and Marine Departments. Cost of services studies has been completed for each of these departments. On April 6, 2021, the City Council received the results of the studies and departments' recommendations for fee changes. Further, on May 4, 2021, staff presented the results of the studies and related recommendations during a study session to provide City Council with the opportunity to provide feedback before the actual official request for fee changes proposed in this recommendation. Each department's proposed changes related to the cost of services studies are included in the List of Proposed Fee Adjustments (Attachment A). The proposed changes are based on the recommendations from the completed fee studies (Attachment A) and fee recommendations from departments necessary for administrative and operational purposes (Attachment B).

In addition to the list of proposed fee adjustments, other user fees and charges in the Master Fees and Charges Schedule have been adjusted by the City Cost Index (CCI). The CCI calculates the change in the City's costs from FY 20, when the CCI was last applied to fees. The FY 20 CCI, calculated by an independent consultant, is an increase of 2.26 percent. By using the CCI to adjust fees for growth, the City is able to sustain previous levels of cost recovery through the charging of fees. Without this adjustment, the City would need to increase its subsidy for fee-related services, at the expense of other services. For more information on the CCI, see Attachment C.

This matter was reviewed by Deputy City Attorney Amy R. Webber on April 20, 2021 and by Revenue Management Officer Geraldine Alejo on April 21, 2021.

City Council action is requested on May 18, 2021, to increase cost-recovery as soon as possible. The City Council must adopt the attached Resolution for fee adjustments to be implemented.

As part of the adopted budget for a fiscal year, the Master Fees and Charges Schedule is evaluated and adjusted accordingly for the natural growth in the cost of providing services. However, mid-year changes may be required to align fees and charges to changes in costs, services, or operations after budget adoption. The annual revenue changes described in Attachments A and B are theoretical estimates based on anticipated service usage in FY 21. Annual revenue changes are theoretical and may not result in changes to budgeted revenues

by the same amount. Changes to budgeted revenues are evaluated holistically as part of the budget process and will consider various factors, including each department's current revenue commitments to support its operations, stability of a revenue source, and market or economic conditions.

The proposed FY 21 fee adjustments, excluding the CCI changes, are estimated to result in a net theoretical revenue increase of \$2,955,188 in all funds, with \$767,886 in the General Fund Group. In other fund groups, the estimated annual revenue change resulting from the proposed fee changes is \$2,227,302. This revenue increase is comprised of amounts in the following fund groups: \$702,400 in the Airport Fund, \$1,426,800 in the Development Services Fund, \$5,250 in the Health Fund, \$32,100 in the Housing Development Fund, and \$60,752 in the Tidelands Operating Fund.

PROPOSED FEE CHANGES - COST OF SERVICES STUDIES

The City selected an independent consultant to perform a comprehensive and detailed cost of service analysis for each City department. This multi-year effort started with the Development Services, Health and Human Services, and Parks, Recreation and Marine Departments. Across all three departmental studies, the consultant worked closely with City staff to identify services offered by each department, calculate the full cost of service, including labor, benefits, materials, supplies, and overhead/administrative expenditures, and identified subsidies per service. A summary of study findings for cost recovery and subvention rates at the current fee rates and revenue levels is as follows:

Cost Recovery and Subvention Rates Based on Current Fee Levels					
Department	Total Calculated Service Cost	Current Fee Revenue	Total Profit/ (Subvention)	Cost Recovery %	Subvention %
Health	\$1,103,469	\$508,603	(\$594,866)	46%	54%
Development	\$33,250,854	\$29,609,966	(\$3,640,888)	89%	11%
Parks	\$56,233,400	\$7,314,400	(\$48,919,000)	13%	87%

Each study provided recommended fee levels to align with full cost recovery and eliminate subsidies. While most proposed fee changes by the departments align with the study recommendations, department recommendations will differ in certain areas based on various factors, including the COVID-19 pandemic's impact on the community and rate increase impacts to participation. Increasing fees at the rates suggested by the studies to achieve cost recovery is a significant policy decision by the City Council as there are two competing goals - (1) keeping the cost of services and development low to the community; or (2) achieving less subsidy and higher cost recovery through increased financial participation by the direct user. As part of the Proposed FY 22 Budget process, City Council input on these concepts is

welcomed as the project moves forward.

If the proposed fee changes are approved, the theoretical revenue impact from the proposed changes is estimated at \$2,030,978 in the General, Development Services, Housing Development, and Tidelands Operating Fund Groups. Due to the large number of proposed fee changes based on the studies, the following discussion will highlight and summarize key changes, with estimated revenue impacts from the proposed changes. Individual proposed fee changes are detailed in Attachment A.

Development Services

Based on the Development Services Department's study recommendations, the department is proposing various changes for each of its bureaus, including new fee structures to align with service provision and both fee increases and decreases. Overall, the department is recovering 89 percent of its costs across all services reviewed by the study. Further, while the study identified several areas across all bureaus where fees must be increased to align with the full cost of service, it also identified areas where the department had been over-collecting costs and fees, which must be decreased. For example, in the Building and Safety Bureau, the proposed adjustments to align its fees to the full cost of service include several fee decreases and a net revenue reduction of \$78,200 across permit, plan check, and inspection fees. Similarly, for Code Enforcement, the department proposes increasing and decreasing all activities, including garage resale, vacant lot building monitoring, and abandoned vehicle programs. No fee changes are proposed to apartment inspection fees within the Proactive Rental Housing Inspection Program (PRHIP). New fees are also proposed to align with service provision, including a new fee for the Short-Term Rental Opt-Out Program to offset the City's cost to conduct the petition process on behalf of a block group of residential properties wanting to disallow un-hosted short-term rentals. The net revenue anticipated from all changes to Code Enforcement is an estimated revenue reduction of \$31,800. The revenue impact excludes the Short-Term Rental Opt-Out program. As this is a new program, revenue estimates are pending full implementation and will be based on use.

The Planning Bureau was found not to be fully recovering its cost, and full cost recovery would result in individual fees increasing beyond 100 percent. To minimize the initial impact to customers, the department proposes to phase in Planning Bureau fee increases over two to three years, depending on the fee and rate of the increase. The first year of fee changes is estimated to result in \$1,534,000 in new revenues. The remaining costs not fully recovered due to phasing in rate increases are offset with funds available within the Development Services Fund Group. Finally, Housing Services are proposing changes expected to generate new revenues totaling \$32,100. This includes new fees to charge full cost for both new and amended housing loan agreements.

Health and Human Services

The study evaluated fees and charges within the Health and Human Services Department's

Physician Services Bureau, including Vital Records, Travel Immunization, and Laboratory programs. The remaining bureaus within Health and Human Services Department will be included as part of a subsequent round of the citywide study. Of the services studied during the first round, the department is currently recovering 46 percent (54 percent subvention) of its costs. The study indicated a need for multiple fee changes to align revenue with costs. However, due to various outside factors, including maintaining access to public health services, the Health and Human Services Department proposes no changes in FY 21. The department will re-evaluate potential fee changes as part of the FY 22 proposed budget. Currently, the department anticipates no changes in FY 22 as increases to the Physician Services Bureau fees to better align with full cost recovery may hinder access to public health services.

Parks, Recreation and Marine

The Parks, Recreation and Marine Department cost of services study evaluated services provided by the department, including Animal Care Services, Community Recreation Services, and Marine Bureaus. Overall, the department is currently recovering 13 percent of its current cost for these services. Although the study has identified areas where rates may increase to better align with cost recovery, full cost recovery is often not recommended to encourage program participation and promote affordable, fair, and equitable access to department services. Of the 654 individual fees evaluated by the consultant, the department proposes no changes to 340 fees as those rates are either set at full cost recovery or any increases would negatively impact participation in services. The remaining fees are proposed for change based on study findings. They include increases and decreases to align with cost recovery and proposed restructuring to simplify fee administration and establish new fees to align with service demands.

The current cost-recovery level across all Animal Care Services is approximately 15 percent, with various factors limiting the extent to how much these fees can be adjusted to align with full cost recovery. Through the "Compassion Saves" policy, the department proposes to reduce redemption relinquishment and impound fees to encourage owner surrender of unwanted pets. Licensing fees are proposed to increase, along with shelter fees, to cover actual costs of services. Finally, the department is proposing to restructure and consolidate various Animal Care fees to simplify fee administration. With the proposed changes, the anticipated new revenue is estimated at \$132,440.

The Community Recreation Services Bureau currently recovers 21 percent of its calculated service cost spanning across various services, including sports fields, facility rentals, day camps, and exclusive use permits. The proposed changes are estimated to generate annual revenues of \$403,286. The changes are extensive and include increased administration fees to reflect staff costs and demand for City facilities, as well as fee structure changes to field use permits based on user categories to charge different fee levels based on for/non-profit and resident/non-resident status. Department recommendations include no changes to youth sports fees which are set below full cost recovery to maintain access and encourage

participation. Additionally, there are proposed rate reductions to align to cost recovery levels in the Youth Aquatics program. Further, due to the proposed restructuring of fees to better align with service provision, actual fees paid for by certain participants will decrease in-field use permits and game court facilities rentals.

Finally, the study found that the Marine Bureau's fees are currently at 5 percent cost recovery. Proposed changes to Marine Bureau fees include inspections, launch, mooring, and boat storage. Anticipated revenue is estimated at \$39,152. Marina slip fees were not included in the study; however, these are routinely reviewed separately and adjusted to align with the Marina Fund's cost for operations, debt service, and capital needs.

OTHER PROPOSED FEE CHANGES

Financial Management

Financial Services Fees

The Financial Management Department charges Writ, Abstract of Judgement, and Registered Process Server fees to customers using the small claims court process for outstanding payments to the City. The department collects these fees from customers when it collects outstanding amounts owed to the City. The Superior Court of California, County of Los Angeles, increased both the Writ Fee and the Abstract of Judgement Fee from \$25 to \$40. The department's proposed changes will align with those set by the Court. Additionally, the City currently uses an outside vendor for process server services. The vendor has since increased its fees. The department is proposing to increase its Registered Process Server fee from \$35 to \$40 to offset the vendor's cost increase. There will be no change to net revenues to the City. All revenue collected from these fees is fully remitted to the Superior Court of California or the City's process server vendor.

Health and Human Services

Annual Permit for Soft Serve Ice Cream and Frozen Yogurt

The Health and Human Services Department currently charges annual permit fees to dairy soft service ice cream operators, non-dairy soft serve ice cream, and frozen yogurt units. The assessed fee rates are set according to the California Department of Food and Agriculture (CDFA), with 15 percent of each permit remitted to the CDFA. The remainder of the permit fee revenue remains in the Health Fund to cover the program's operating costs, including lab sampling, inspections, and administration of permits. Effective January 1, 2020, the State increased annual permit fees to \$333. As a result, the department is requesting to increase its fees from \$255 to \$333 to align its fees to those set by the State. Anticipated annual net revenue change to the City is estimated at \$5,250.

Library Services

The Library Services Department proposes title changes to existing fees better to describe the services and the application of each fee. The changes include expanding the title for commercial or for-profit use of collection to include all other similar uses not specifically named in the current fee title, specifying fees for scanned photos that apply to personal or nonprofit education uses and adding the availability of both black and white, and color reproduction of photos. There will be no change to the fee amounts. The estimated revenue is unknown at this time and will vary based on demand. The proposed changes are as follows:

Old Fee Title	New Fee Title
Commercial or For-Profit Use of Collection (news broadcast, documentary, newspaper articles)	Commercial or For-Profit Use of Collection (<i>news broadcast, documentary, newspaper articles, or any other similar work for commercial/for-profit use</i>)
Reproduction of Collection Photographs; any size	Reproduction of Collection Photographs; <i>reproduction of any size (including B&W and color)</i>
Scanned Photos (Digital Images)	Scanned Photos (Digital Images) <i>for personal or nonprofit educational use.</i>

Long Beach Airport

Airline Fees

The Long Beach Airport (Airport) manages its financial position by monitoring and forecasting flight and passenger activity. These two activities are the primary factors in setting rates charged to airlines for their use of the Airport. The charges assessed to airlines include aircraft landing and parking, gate use, and common area use. A 10 percent increase is proposed for these fees and is estimated to generate an additional \$700,000 for the Airport and will offset revenue shortfalls and fund operating expenses for FY 21. Shortfalls in revenues are primarily a result of the lower-than-expected passenger activity due to the prolonged impacts of the COVID-19 pandemic on the travel industry. FY 21 annual passenger activity level was projected to recover to 2.4 million, compared to the 1.8 million in annual passenger activity recorded in FY 20. The first quarter of FY 21 has shown a slightly slower recovery than expected, and passenger activity projections trend toward less than 2.4 million for FY 21. The rate increases will help offset the revenue shortfall and help the Airport preserve its financial position while remaining competitive in the region.

Ground Transportation Fees

In 2017, the Airport conducted a study to evaluate its ground transportation program. The study recommended implementing pick-up and drop-off fees for all ground transportation

providers to align with industry best practices. These fees offset the cost of ground transportation staff, infrastructure maintenance, and investment in future transportation and roadway improvements. To support the Airport's goal of becoming a carbon-neutral facility, the Airport offers a fee reduction incentive to courtesy shuttle providers with Clean Air Vehicles in their fleet. The following fees are anticipated to result in a minimal annual revenue reduction of \$2,400:

- Fleet with at least 25 percent Clean Air Vehicles, the trip fee will be reduced by 25 percent to \$1.13 per pick-up/drop-off;
- Fleet with 50 percent Clean Air vehicles, the trip fee will be reduced by 50 percent to \$0.75 per pick-up/drop-off;
- Fleet has at least 5 vehicles and 75 percent are Clean Air Vehicles. The trip fee will be reduced by 75 percent to \$0.38 per pick-up/drop-off.

Parks, Recreation, and Marine

Sunnyside Cemetery Fees

In 2019, management of Sunnyside Cemetery transferred to the City of Long Beach under the Parks, Recreation and Marine Department. The department is proposing various new fees for services, including burial, gravesite selection, and cremation. The proposed fees align with market rates and offset costs of providing these services, including staff and materials. These fees were not included as part of the Parks, Recreation, and Marine's cost of service study as these are relatively new services. Following implementation, the cost of services can be re-assessed using the cost of service model provided through the study. The estimated revenue is unknown at this time and will vary based on demand.

Public Works

NPDES Stormwater and Environmental Compliance Fees

Since FY 17, the Public Works Department charges Stormwater Compliance Inspection Fees to recover the cost of compliance inspections of public, business, and industrial/commercial facilities within the City. Under the State-mandated National Pollutant Discharge Elimination System (NPDES) Permit, the City is required to ensure compliance with the permit and reduce pollutants in the stormwater. Currently, the City uses consultants and City staff to perform these inspections. These fees have not been updated for several years, and increases are requested to align to current staff and consultant costs. The following fee changes are estimated to generate an annual revenue increase of \$45,000:

Inspection Fees	Current	Proposed
Storm Water Compliance Inspection Fee (I/C)	\$160	\$219

Storm Water Compliance Inspection Fee (IGP)- w/ State	\$300	\$343
Storm Water Compliance Follow-up Inspection Fee (I/C)	\$140	\$219
Storm Water Compliance Follow-up Inspection Fee (IGP) w/ State	\$275	\$343

E-Scooter (Micro-Mobility) Program - Violation and Enforcement Penalty Fees

On May 14, 2019, City Council adopted the Shared Micro-Mobility Ordinance, which added annual vendor participation fees and a \$100 impound fee for discarded devices in the public right-of-way. The Public Works Department proposes adding additional \$100 impound fees for specific violations frequently seen throughout the E-Scooter Pilot Program. The proposed fees will improve safety within the public right of way by posing punitive fees to vendors for scooters left outside of designated areas and those that exceed maximum speed limits. The proposed fees will also ensure vendor compliance with micro-mobility standards, permit reporting, data sharing requirements, and recovery costs associated with program enforcement. The estimated annual revenue impact is currently unknown and will be based on the number of violations. The proposed fees align with other cities currently overseeing micro-mobility programs, including Santa Monica, San Francisco, San Diego, and Portland.

Parking Management

City Place (A, B, C Garages) - Transient Parking

The Public Works Department proposes revised transient parking rates at City Place A, B, and C garages. The current transient parking rate at City Place A, B, and C garages are free for the first two hours. The current rates following the first two hours are charged \$0.75 to \$4.00 based on the duration of stay, a maximum daily rate of \$12. The proposed change will eliminate the varying rates and charge \$2 for every 30 minutes after the first two hours. The proposed new fee structure will maintain the free parking for the first 2 hours and the daily maximum rate will remain at \$12. By proposing a simplified fee structure, this will improve fee administration and customer experience. The estimated annual revenue impacts anticipated from the proposed changes are estimated at \$138,760 and will offset garage operations and maintenance costs.

Virginia Village Parking Lot

The Public Works Department proposes new parking fees for the Virginia Village parking lot located at 5301 Long Beach Boulevard. The Virginia Village lot opened in 2020 following reconstruction efforts that included repaving the lot surface, restriping and numbering stalls, installing lighting, and a multi-space pay station. Free parking was provided for the first 90 days of operations, ending November 8, 2020. The proposed changes will add a new parking rate of \$1.00 per hour from 8:00 a.m. to 8:00 p.m., Monday through Sunday. Revenues

generated from the new lot will be used to offset costs to maintain and operate the lot. The estimated revenue impact is currently unknown and will be based on use.

Traffic Operations

The Public Works Department currently posts no parking signs and places traffic delineators for a day or less to temporarily reserve parking spaces for moving trucks. This service is provided at a customer's request. The City is not currently charging for this service and receives an estimated 1,000 requests per year. To recover staff costs associated with this service, the department proposes two new fees, \$91 to temporarily post a "No Parking" sign and \$20 if a posting will need to be rescheduled. The proposed fees align with other jurisdictions providing for similar services. The new fees are estimated to generate \$72,800.

Approve recommendation.

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