



## Legislation Details (With Text)

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<b>Title:</b>	Recommendation to receive and file the results of the user fee and cost recovery studies for the Energy Resources and Public Works Departments and associated departmental recommendations. (Citywide)				
<b>Sponsors:</b>	Financial Management				
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<b>Attachments:</b>	1. 020122-R-26sr&att.pdf, 2. 020122-R-26 PowerPoint.pdf				

Date	Ver.	Action By	Action	Result
2/1/2022	1	City Council	approve recommendation	Pass

Recommendation to receive and file the results of the user fee and cost recovery studies for the Energy Resources and Public Works Departments and associated departmental recommendations. (Citywide)

At the direction of the City Council, staff initiated a Citywide Fee Study (Study) in 2019 to conduct a comprehensive cost of service analysis for the City of Long Beach's (City) numerous fees and charges for services across various City departments. Conducting this Study complies with the City's adopted Financial Policy on User Fees and Charges. That policy indicates that "User Fees and Charges will be set at the cost of the service," and "Fees will be set 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 participating in programs where the participating benefits the overall community. 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)."

On August 20, 2019, the City selected the consultant Revenue and Cost Specialist (RCS) to work 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 calculate subvention levels for each service. In addition, the Study for each department reports:

- The current fees compared to a proposed fee based on the actual cost of the services
- Recommendations for potential new or adjusted fees and charges for service
- Recommendations for alternative or adjusted fee structures.

The Study includes providing a cost of service model for each department to update on a move-forward basis to annually assess the cost of service and subvention levels associated with each fee.

The Study is a multi-year effort that started with the Development Services, Health and Human Services, and Parks Recreation and Marine Departments. On April 6, 2021 and May 4, 2021, City staff provided an update on the Study to the City Council for these departments. On May 18, 2021, the recommended fee changes based on each department's study were approved as part of a mid-year adjustment to the Master Fees and Charges Schedule.

Each study in this update recommends fee levels to align with full cost recovery and eliminate subvention for services within the Energy Resources and Public Works Departments. While several areas across the studies identified services where fees and charges must be increased to eliminate subsidies, study recommendations also include decreases in areas where current charges were over-recovering costs. In addition, the studies also include various restructuring of current fees to align the fee structure to services provided by these departments. See Attachments A-1 and A-2 for the cost of services studies for each of these departments.

The Energy Resources and Public Works Departments have reviewed their respective study results. Both departments have developed recommendations on proposed fee changes based on the study's recommendations. In most cases, the departments' fee change proposal matches the recommendations made in the study to align rates to full cost recovery. However, in some cases the department has deviated from the recommendations due to the consideration of factors pandemic-related financial hardships. Additionally, for Public Works, popular services including driveway tip, curb painting on request, preferential parking, and no parking sign fees will continue to be subsidized with a fee increase spread over the next three years to avoid a steep spike in costs, given how important they are to the community. Each department's proposed changes related to the cost of services studies are included in Attachments B-1 and B-2, which also include proposed deletions largely related to recommended changes to the fee structure. After the City Council receives and reviews the study findings and department recommendations, the proposed fee changes will return to the City Council for formal approval as part of the Citywide Master Fees and Charges Schedule staff report currently scheduled for April 2022. The proposed changes for formal approval will reflect, if applicable, department review of the City Council's feedback of study findings and department recommendations.

The study for the Police Department was initially planned for this round, but due to project delays, it will be presented as part of the third round of the Study which also includes: City Manager, Fire, and Health and Human Services (Environmental Health) Departments. Preliminary results from these studies are anticipated, at the earliest, in Summer 2022, with recommendations potentially incorporated as part of the FY 23 proposed budget process. Subsequent departments and services will be selected over time, and studies will be initiated on a rolling basis, where one department will start as soon as another one concludes. All department studies are expected to be completed in calendar year 2022.

This matter was reviewed by Deputy City Attorney Amy R. Webber on January 4, 2022 and by Revenue Management Officer Geraldine Alejo on December 29, 2022.

City Council action is requested on February 1, 2022, to move forward with the proposed changes anticipated to return to the City Council for approval in April 2022.

Each study recommends fee levels to align with full cost recovery where appropriate and eliminate subvention for services within the Energy Resources and Public Works Departments. No changes to the Master Fees and Charges Schedule are proposed at this time. The proposed changes will return to the City Council in April 2022 for formal approval as part of the citywide changes to the Master Fees and Charges Schedule. If approved by the City Council, the resulting fee changes proposed by these departments are projected to result in a total estimated theoretical revenue change of \$334,777. The projected annual revenue change includes new revenues projected from proposed fee increases and new fees, as well as revenue reductions from fee decreases in areas where rates are higher than the cost of service. The following revenue change per fund is based on anticipated usage and will vary depending on market or economic conditions:

<b>Fund Group</b>	<b>Estimated Theoretical Revenue Change</b>
General	\$439,302
Gas	(\$104,525)
<b>TOTAL</b>	<b>\$334,777</b>

This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with the existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

KEVIN RIPER  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA  
CITY MANAGER