



Legislation Text

File #: 22-0507, **Version:** 1

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

City Council approval is requested for the list of proposed Mid-Year Fee Adjustments for Fiscal Year 2022 (FY 22), which describes the proposed changes to the City of Long Beach's (City) Master Fee and Charges Schedule. As part of the annual Budget Adoption process, the City Council last reviewed and amended the Master Fee and Charges Schedule for specified City services on September 7, 2021. 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 22 Mid-Year Fee Adjustments, which immediately take effect upon adoption. The next citywide fee adjustment process will occur during the FY 23 Budget Adoption process and will take effect on October 1, 2022.

In FY 19, City 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 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 FY 21 mid-year adjustment to the Master Fees and Charges Schedule. The second round of the study included the Energy

Resources and Public Works Departments. On February 1, 2022, City staff presented the results of the cost of service studies to the City Council. Each department's proposed new, adjusted, and deleted fees related to the cost of services studies are listed in the List of Department Recommendations (Attachments A1 and A2). The proposed changes are based on the recommendations from the completed fee studies (Attachments B1 and B2). In addition to changes related to the cost of services studies, proposed fee changes also include other fee recommendations from departments necessary for administrative and operational purposes (Attachment C).

This matter was reviewed by Deputy City Attorney Anita Lakhani on April 25, 2022 and by Revenue Management Officer Geraldine Alejo on April 22, 2022.

City Council action is requested on May 10, 2022, 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 from the proposed fee changes described in Attachments A and C are theoretical estimates based on anticipated service usage in FY 22. 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 22 mid-year fee adjustments are estimated to result in a net theoretical revenue increase of \$383,679 in all funds, with an increase of \$442,242 in the General Fund Group. In other fund groups, the estimated annual revenue change resulting from the proposed fee changes is an overall reduction of \$58,563. This net revenue decrease in other funds is comprised of revenue reductions in the amount of \$104,525 in the Gas Fund Group and \$14,968 in the Civic Center Fund Group, as well as estimated revenue increases of \$60,000 in the Development Services Fund Group, \$900 in the Health Fund Group, and \$30 in the Tidelands Operating Fund Group.

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 continues with the Energy Resources and Public Works Departments. Across both 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. Each study's findings and associated department recommendations were presented to the City Council on February 1, 2022. 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 %
Energy Resource	\$9,824,891	\$8,320,666	(\$1,504,225)	85%	15%
Public Works	\$4,220,930	\$3,300,455	(\$920,475)	78%	22%

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. 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 \$334,777, comprised of a \$439,302 increase in the General Fund Group and a \$104,525 decrease in the Gas Fund

Group. 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.

Long Beach Energy Resources

Based on the Energy Resources Department's study recommendations, the department is proposing various changes across its various services primarily related to development and construction. This includes new fee structures to align with service provision, as well as both fee increases and decreases. Overall, the department is recovering 85 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 must be decreased. For example, the department is proposing fee reductions for feed analysis, project administration, and processing engineering agreements with outside agencies which will address the over-recovery of costs in its construction & pipelines service area. The department is also recommending no changes to other customer and utility services fees. This includes fees where the study agreed with the current rates such as those for service establishment, meter installation, and meter repair. Additionally, recommendations for no changes also extend to the various customer and utility services fees that will continue below full cost recovery such as missed appointments, re-connections for residential and non-residential units, and duplicate bills. The department will continue to subsidize these services as increases may result in financial hardship to customers during this rebound period from the pandemic. If the department recommendations are approved, a net theoretical revenue decrease of \$104,525 is anticipated in the Gas Fund Group and includes revenue reductions from fee decreases in areas where rates are currently set higher than the cost of service.

Public Works

The Public Works Department cost of services study evaluated fees and charges across various service categories: engineering, traffic engineering, field operations, and stormwater. Overall, the study found that that the department is currently recovering 78 percent of its cost of service. Department recommendations include various rate increases and rate decreases to meet cost recovery and operational needs, as well as changes to fee structures to better streamline processes. If approved, the department recommendations are anticipated to result in a net theoretical revenue increase of \$439,302 in the General Fund Group. New structures are proposed to align with service provision for various services including permit inspections and temporary street occupancy. Rate decreases are recommended for areas where the department is currently charging higher than the calculated cost of service and includes public art permits, traffic control plan review, tract map review, and street & alley vacations. Finally, department recommendations also propose to phase-in cost increase for popular services including driveway tip and curb painting on request, preferential parking, and no parking sign fees. While the study is recommending substantial fee increases to align with the cost of service, the department will continue subsidize these services with fee increases spread over the next three years to avoid a steep spike in costs to the community.

Other Proposed Fee Changes

City Manager

Cannabis Social Equity Program Fee

Per LBMC Chapter 5.92, as part of the social equity program, adult-use cannabis businesses must meet certain equity requirements, including hiring individuals who qualify for the equity program and ensuring that they perform at least 40 percent of the business' work hours. Since 2008, the City has charged a \$2,500 fee to offset the cost to manage the social equity program including public outreach, eligibility verification, and program compliance. The social equity fee was charged only to cannabis businesses that do not qualify for the cannabis social equity program and was established at the onset of the program. The fee has since been reviewed as part of the City Manager's Cost of Services Study, which has not yet been presented to the City Council, and preliminary study findings recommend a fee decrease to align with actual service cost. The department proposes to expedite this fee change in advance of the City Council presentation of final study findings and reduce the fee from \$2,500 to \$1,545. The proposed change is anticipated to result in a reduction of approximately \$115,000 in revenue annually.

Development Services

Additional Electrical Plan Check for Title 24 Energy

Title 24 of the California Building Code promotes energy efficiency in new construction and any new installations or retrofits in existing buildings. The Development Services Department previously charged a Title 24 electrical plan check fee to offset cost related to the increased review associated with Title 24 standards. In FY 17, the fee was inadvertently removed from the Master Fees and Charges Schedule. The department is currently assessing this fee to customers at a rate of \$11.20 per 1,000 square feet but not less than \$96.90. To align the Master Fees and Charges Schedule to department operations, the department is requesting to reinstate the fee at a revised rate of \$0.0224 per square foot, but not less than \$100 (or \$22.40 per 1,000 square feet). The proposed rate will align with existing fees for similar work and is calculated based on the same methodology applied as part of the Development Services Cost of Services Study. The proposed fee is anticipated to generate \$60,000 in annual revenue.

Termination of Notice of Lien

To encourage property owners to comply with notices to remedy deficiencies on their properties, the Code Enforcement Bureau of the Development Services Department will issue administrative citations. In some instances, property owners refuse to pay these citations. To ensure that these citations are eventually paid, City staff works with the City Treasurer's Office and the County of Los Angeles to impose liens on the properties. Staff determined that the work to remove the liens is equivalent to the work required to prepare the liens. The Development Services Department is requesting that the fee to terminate notice of a lien in the substandard, weed abatement, abandoned vehicles, and vacant buildings programs be increased from \$60 to \$165, which is the same as the fee to prepare a lien. Staff terminates notice of a lien approximately 1,200 times per year. The proposed changes were reconsidered after the Development Services Department Cost of Services Study recommendations were approved by the City Council on May 18, 2021, due to the recalculated amount of time it takes to terminate the notice of the lien. The proposed fee increase is anticipated to increase annual revenues by approximately \$120,000.

Inclusionary Housing In-Lieu Fees

On February 2, 2021, the City Council established inclusionary housing in-lieu fees for residential ownership and rental development projects. Developers may pay these fees in-lieu of constructing the required inclusionary units. In-lieu fee revenue will be deposited into a Housing Trust Fund and used specifically to support the inclusionary housing program. Estimated annual revenues are currently unknown, and the rates will vary based on residential development type (i.e., rental or ownership). Further, the rate will depend on the year the application is first presented for approval. In accordance with City Council direction on November 9, 2021 to apply an annual adjustment, the department proposes the following rate structure which begins with applications submitted during calendar year 2021 and applies annual rate adjustments based on the change in new home values for Los Angeles County, as published by the Real Estate Research Council:

Inclusionary Housing In-Lieu Fee	Fee
Rental Residential Development	
Rental Residential Developments- Year 1 (01/01/2021-12/31/2021)	\$20.80 multiplied by the entire leasable area of the residential development OR for a fractional inclusionary unit shall be the product of such fraction multiplied by \$375,400.
Rental Residential Developments- Each Subsequent Year (Annually from 01/01/2022)	If submitted during calendar year 2022 or any subsequent year, the prior year fee shall be adjusted by the annual percentage change in new home values for Los Angeles County as published by the Real Estate Research Council.
Ownership Residential Development	
Ownership Residential Developments-Year 1 (01/01/2021-12/31/2021)	\$14.00 multiplied by the saleable area of the residential development OR the for a fractional inclusionary unit shall be the product of such fraction multiplied by \$413,300.

Ownership Residential Developments-Each Subsequent Year (Annually from 01/01/2022)	If submitted during calendar year 2022 or any subsequent year, the prior year fee shall be adjusted by the annual percentage change in new home values for Los Angeles County as published by the Real Estate Research Council.
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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 serve ice cream, 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 fee 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, 2022, the State increased the annual permit fees to \$342. As a result, the department is requesting to increase its fees from \$333 to \$342 to align its fees to those set by the State. Anticipated annual net revenue change to the City is estimated at \$900.

Annual Health Permit and Plan Check Fees for Shared-Use Cannabis Manufacturing

On July 13, 2021, the City Council adopted a new ordinance to allow shared-use cannabis manufacturing. The Long Beach Municipal Code (LBMC) currently allows for the licensing and regulation of cannabis manufacturing facilities. However, each licensed location is limited to one operator conducting manufacturing activities at the licensed premises. The shared-use manufacturing license will allow for multiple cannabis manufacturers to operate out of a single space, similar to a shared-commercial kitchen, whereby multiple businesses can rent a single facility, at separate times, to prepare their products for consumers.

The Health and Human Services Department is proposing to establish a fee structure specific to shared-use cannabis manufacturing that will include the annual health permit and plan check fees necessary to inspect and regulate these facilities in accordance with California Health and Safety Code and LBMC regulations. The recommended fee structure is set at cost recovery and based on existing fees for adult use cannabis manufacturer, shared food facility tenant, and food processor plan check fees which are similar in scope and City staff time. Furthermore, the propose annual permit fees for shared-use cannabis manufacturing facility include additional costs to reflect the increased City staff time required for these types of inspections including maintenance of common-use areas, sanitization between tenants, review of tenant use schedules, and security protocols for tenant access.

The department is currently engaged in a cost of services study for its Environmental Health fees, including shared-use cannabis manufacturing. Establishing a fee structure, based on preliminary study findings, is needed to support the work specific to this new program in advance of a completed cost of services study. Upon completion of the cost of services study, if needed, the Health and Human Services Department will return to the City Council with study findings and proposed adjustments to these fees. At that time, additional analysis may also be available comparing the City’s rate structure to other environmental health agencies with similar and comparable programs. As this is a new program, the estimated revenue impact from the following proposed fee structure are currently unknown and will be based on the number of shared-use facilities in the City:

Fee Title	Fee	Unit of Service
Annual Permits		
Shared Use Cannabis Manufacturing Facility: 1-1,999 sq. ft manufacturing	\$1,755.00	Annual Permit
Shared Use Cannabis Manufacturing Facility: 2,000-5,999 sq. ft manufacturing	\$2,140.00	
Shared Use Cannabis Manufacturing Facility: 6,000+ sq. ft manufacturing	\$2,525.00	
Shared Use Cannabis Manufacturing Tenant	\$159.00	

Plan Check Fees		
Fee Title	Fee	Unit of Service
PC: New Shared Use Cannabis Manufacturing Facility, 1-1,999 sq. ft	\$1,075.00	Each Plan
PC: New Shared Use Cannabis Manufacturing Facility, 2,000-5,999 sq. ft	\$1,670.00	
PC: New Shared Use Cannabis Manufacturing Facility, 6,000+ sq. ft	\$1,970.00	
Minor Remodel - Plan Review	1/2 of Appropriate Plan Check Fee	
PC: Shared Use Cannabis Manufacturing Facility - Tenant, 1-1,999 sq. ft	\$537.50	Each Plan
PC: Shared Use Cannabis Manufacturing Facility - Tenant, 2,000-5,999 sq. ft	\$835.00	
PC: Shared Use Cannabis Manufacturing Facility - Tenant, 6,000+ sq. ft	\$985.00	
Consultation	\$139.00	Each Plan 1.5 hours, then \$76/hr. thereafter
Cannabis - Reinspection Fee	\$240.00	Each reinspection

Parks, Recreation and Marine

Visiting Vessel FOB Key Charge

The Parks, Recreation and Marine Department charges a fee to visiting customers that stay at Shoreline Marina. The FOB key is manually programed in the Marina office to provide access to enter and exit the dock, then is disabled following a guest's departure. The department proposes to increase the FOB key charge from the \$5 to \$10 per key to cover staff and materials. Further, the increase is anticipated to incentivize guests to properly maintain and return the FOB key, reducing the need to replace lost FOB keys. The fee increase is estimated to generate \$250 in annual revenue.

Live Aboard Key Deposit

The Parks, Recreation and Marine Department issues a hard key to live-aboard boat owners at Shoreline Marina for access to the dock gates in case the electronic FOB system malfunctions. The current deposit is \$105 per key, which will be refunded if the key is returned. To align the live aboard key deposit rate to deposit rates charged for restroom and mail box keys at Shoreline Marina, the department proposes to decrease the key deposit charge to \$100. The proposed changes are anticipated to result in an annual revenue decrease of \$250.

Dry Boat Storage Wait-List Fee

The Parks, Recreation, and Marine Department currently offers dry boat storage at Marine Stadium and maintains a wait-list for potential renters. Currently, the department charges a \$32 one-time fee to customers requesting to place themselves on the wait-list. The fee is used to cover administrative costs associated with managing the wait-list and deter individuals who have not yet purchased a boat from placing themselves on the wait-list for storage space. The department proposes to increase the wait-list fee to \$33, which will then align with the department's other one-time, wait-list fee for shore mooring for small vessels at the Peninsula and Bayshore storage racks. The estimated annual revenue change for the proposed fee increase is \$30.

Microchip

The Parks, Recreation and Marine Department charges a microchip fee for microchipping pets which are redeemed or

adopted from Long Beach Animal Care Services. The current fee is \$25 per microchip and was included and confirmed at full cost recovery as part of the Parks, Recreation, and Marine Department's Cost of Services study. The department has since reviewed the fee in accordance with the study's methodology, including City staff costs associated with providing the service. Based on review, the department proposes to reduce the fee from \$25 to \$15 per microchip. The proposed change will align with cost recovery, and promote affordable, fair and equitable access to department services. The proposed fee change is estimated to reduce annual revenues by \$2,060.

Public Works

Parking Management, Civic Center Structure - Transient Parking and Library Validation

The Public Works Department proposes to restructure its transient parking and library validation rates at the Civic Center parking structure. The proposed changes will improve the customer experience and address parking equipment limitations by eliminating change requirements, simplifying the rate structures, and increasing the time increment before the maximum rate is charged to patrons. The current transient parking rate at Civic Center parking structure is free for the first 30 minutes, and then \$1.75 for every 20 minutes beyond the initial 30 minutes, with a \$12 daily maximum rate. The department proposes to increase the transient parking rate by \$0.25 to a revised rate of \$2, but extend the time increment and charge patrons for every 30 minutes beyond the initial 30 minutes, with the maximum daily rate remaining at \$12. Under the proposed structure, the amount of time covered by the maximum rate of \$12 will increase from around 2 hours and 40 minutes to 3 hours. Furthermore, to align its library validation rates to these revised transient parking rates, the department also proposes to restructure the library validation rates from the current \$1.75 for the first 2 hours to \$2 for the first 3 hours. While the validation rate charged to the patron is increasing by \$0.25, the validation period will be extended by one hour. The following proposed changes to the current transient parking and library validation rates are anticipated to result in an estimated annual revenue decrease of \$14,968:

Current Rates		Proposed Rates	
Time	Charge	Time	Charge
Transient Parking		Transient Parking	
First 30 minutes	Free	First 30 minutes	Free
Every 20 minutes, following first 30 minutes	\$1.75	Every 30 minutes, following first 30 minutes	\$2.00
Maximum Charge (Reached at 2 hours and 40 minutes)	\$12.00	Maximum Charge (Reached at 3 hours)	\$12.00
Library Validation		Library Validation	
First 2 Hours	\$1.75	First 3 Hours	\$2.00

Approve recommendation.

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KEVIN RIPER
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA
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