



Legislation Text

File #: 23-0381, **Version:** 1

Recommendation to receive and file the results of the user fee and cost recovery studies for the Police, Fire and Health and Human Services Departments, and associated departmental recommendations. (Citywide)

At the direction of the City Council, City of Long Beach (City) staff initiated a Citywide Fee Study (Study) in 2019 to conduct a comprehensive cost of service analysis for the City's 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 participation 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 subsidies (may not be at full cost)."

On August 20, 2019, the City selected the consultant Revenue and Cost Specialists (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 subsidy 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; and
- Recommendations for alternative or adjusted fee structures.

Following the completion of each study, a cost of service model will be available for each department to update on a move-forward basis to annually assess the cost of service and subsidy levels associated with each fee.

The Study is a multi-year effort that started with the Development Services, Health and Human Services (Physician Services Bureau), 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 Fiscal Year (FY) 2021 mid-year adjustment to the Master Fees and Charges Schedule. On February 1, 2022, City staff presented study findings and department recommendations for the Energy Resources and Public Works Departments. On May 10, 2022, the recommended fee changes were approved

based on these studies for the Energy Resources and Public Works Departments. This most current update includes the Police, Fire, and Health and Human Services (Environmental Health Bureau) Departments. The schedule for the next (and final) round of the citywide cost of service study effort is under review and is anticipated to include the Financial Management and Airport Departments, along with the City Manager Department which was initially planned for this round.

Each study in this update for the Police, Fire, and Health and Human Services (Environmental Health Bureau) Departments recommends fee levels to align with full cost recovery and eliminate subsidies for services within the 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, A-2 and A-3 for the cost of services studies for each of these departments. Findings and department recommendations for Fire Department's Special Events and Filming fees are excluded at this time and will be presented to the City Council following completion of the City Manager Department's cost of service study which includes special events and filming services.

The Police, Fire, and Health and Human Services Departments reviewed their respective study results. The departments developed recommendations on proposed fee changes based on the study's recommendations. In most cases, the departments' proposed fee adjustments match the recommendations made in the study to align rates to full cost recovery. However, in some cases the department has deviated from the study recommendations due to the consideration of factors including impact to customers and financial hardships. This includes maintaining certain fees below cost recovery such as the Police Department's fees for traffic, crime, and police reports, as well as the Fire Department's business license inspection fee. Department recommendations also include phasing-in rate increases over three to four years to avoid steep hikes to businesses and operators. For example, phase-in rate increases are recommended for Certified Unified Program Agency (CUPA) fees in the Health and Human Services and Fire Departments, and various permits and plan check fees under the Health and Human Services Department's Food Program which includes annual permits for restaurants and other food facilities.

Each department's recommended fee changes related to the cost of services studies are included in Attachments B-1, B-2 and B-3 which also include proposed deletions largely related to recommended changes to the fee structure and services no longer provided by the departments. No changes to the Master Fees and Charges Schedule are proposed at this time. After the City Council receives and reviews the study findings and department recommendations, staff will return to the City Council for formal approval of the proposed fee changes as part of the FY 23 Mid-Year Citywide Master Fees and Charges Schedule currently scheduled for May 23, 2023. At that time, the proposed fee changes presented to the City Council for formal approval to amend the Master Fees and Charges Schedule will

reflect department review of the City Council's feedback of study findings and department recommendations.

This matter was reviewed by Deputy City Attorney Anita Lakhani on March 29, 2023 and by Revenue Management Officer Geraldine Alejo on March 24, 2023.

City Council action is requested on April 18, 2023, to move forward with the proposed changes anticipated to return to the City Council for formal approval to amend the Citywide Master Fees and Charges Schedule on May 23, 2023.

If the department recommendations are eventually 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 \$2,173,072. 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 theoretical revenue change per fund is based on anticipated usage and will vary annually depending on market or economic conditions:

Fund Group	Estimated Annual Theoretical Revenue Change
General	\$1,371,382
Tidelands Operating	\$9,440
CUPA	\$116,568
Health	\$675,682
TOTAL	\$2,173,072

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