



Legislation Text

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Recommendation to receive the 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 2023 (FY 23), 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 6, 2022. 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 23 Mid-Year Fee Adjustments, which immediately take effect upon adoption. The next citywide fee adjustment process will occur during the FY 24 Budget Adoption process and will take effect on October 1, 2023.

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 (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 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 and department fee recommendations to the City Council. On May 10, 2022, the recommended fee changes based on each department's study were approved as part of a FY 22 mid-year adjustment to the Master Fees and Charges Schedule. The third round of the study included Police, Fire, and Health (Environmental Health Bureau), Departments. On April 18, 2023, City staff presented the results of the cost of service studies and department recommendations 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, A2, and A3). There have been no revisions to the department recommendations following the department presentation to the City Council on April 18, 2023 and are based on a review of recommendations from the completed fee studies (Attachments B1, B2, and B3). 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 May 3, 2023 and by Revenue Management Officer Geraldine Alejo on May 5, 2023.

City Council action is requested on May 23, 2023, 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 23. 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 23 mid-year fee adjustments are estimated to result in a net theoretical revenue increase of \$4,235,072 in all funds, of which \$2,173,072 is from proposed fee changes related to the cost of service studies. Of the total net theoretical revenue impact, \$1,371,382 is estimated for the General Fund Group. In other fund groups, the estimated annual revenue increase resulting from the proposed fee changes is \$2,863,690. This net revenue increase in other fund groups is comprised of the following: \$1,983,000 in the Airport Fund, \$116,568 in the CUPA Fund, \$79,000 in the Development Services Fund, \$675,682 in the Health Fund and \$9,440 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 continues with the Police, Fire, and Health Departments. Across the 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 April 18, 2023 (Attachment A). Police and Fire Departments services related to special events and filming were reviewed as part of each department's cost of service study. There are no proposed rate changes to special events and filming at this time. Study findings and department recommendations for special events and filming will be presented to the City Council following completion of the City Manager Department's cost of service study. 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 Surplus/ (Subvention)	Cost Recovery %	Subvention %
Police	\$15,591,063	\$815,946	(\$14,775,117)	5%	95%
Fire	\$96,883,298	\$19,339,449	(\$77,543,849)	20%	80%
Health & Human Services	\$6,080,855	\$4,046,511	(\$2,034,344)	67%	33%
Total	\$118,555,216	\$24,201,906	(\$94,353,310)	20%	80%

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 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. Each department includes proposals to maintain certain rates below cost recovery, with the Fire and Health and Human Services Departments proposing to phase-in rate increases over a three-to-four-year period to avoid a significant fee increase to customers and businesses. Annual rate increases associated with the phase-in approach will return to the City Council for consideration and approval to amend the Master Fees and Charges Schedule prior to implementation.

If the proposed fee changes are approved, the theoretical revenue impact from the proposed changes is estimated at \$2,173,072, comprised of increases in each of the following fund groups: \$1,371,382 in the General Fund, \$9,440 in the Tidelands Operating Fund, \$116,568 in the CUPA Fund and \$675,982 in the Health Fund. Due to the large number of proposed fee changes based on the studies, the following discussion will highlight and summarize key adjustments with estimated total revenue impacts from the proposed changes. Individual proposed fee changes for each department are detailed in Attachment A.

Police

The Police Department cost of service study evaluated fees across various services: records, jail and background investigation services. Overall, the study found that the department is currently recovering five 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. Fee decreases to align with the cost of service are proposed for cannabis background investigation and Live Scan Services, as well as taxi driver, taxi owner and tow truck driver biennial permits. Fee increases are also proposed to fully recoup costs for certain permits including pedicab driver/operator and other taxi owner permit fees. In addition to rate increases and decreases to align with the calculated service cost, the department is proposing new fees for inmate detention and meals. These new fees will be charged to other jurisdictions housing inmates at the City's jail. New fees are also proposed to establish rates per record request (arrest, crime, and traffic) previously charged under one general fee. This change will clarify the fee schedule and there are no rate changes associated with these new fees and are proposed to remain under cost recovery at \$25.10 per request (or 14 percent of cost recovery) to avoid a steep rate increase to requestors. If approved, the department recommendations are generally below or within the range of other comparable jurisdictions and is anticipated to result in a net theoretical revenue decrease of \$18,478 in the General Fund Group. The

estimated revenue decrease is due to fees previously set higher than the calculated cost and are now proposed for reduction.

Fire

Based on the Fire Department's cost of service study recommendations, the department is proposing various changes across its services: Certified Unified Protection Agency (CUPA) for hazardous materials, general fire prevention, emergency medical, marine safety, and fire administrative and facilities. At current rates and revenue levels, the department is recovering approximately 20 percent of its emergency and non-emergency fire services cost. Proposed fee changes include rate increases and decreases to meet the cost of service, as well as proposed changes to the fee schedule to restructure fees to meet operational needs. Rate decreases to align with the cost of service include annual permits for cannabis testing facilities, application processing fee, and annual permits for hotel and motels. The department proposes rate increases to full cost recovery across multiple service areas including fire plan check and inspection fees. Ambulance Transportation Fees for Advanced Life Support (ALS) and Basic Life Support (BLS) transports are also proposed to increase by 2.1 percent from \$2,550 and \$1,702, \$2,603 and \$1,738, respectively. Other changes include restructuring rates from a flat fee per service unit to assessing the actual full cost of service for towing and impound events/incidents, as well as accelerated plan review and off-hour inspections for CUPA-related services. The Fire Department proposes no changes to certain CUPA fees previously adjusted as part of the FY 23 budget based on preliminary cost of service study recommendations. Due to the large rate increases needed to meet full cost recovery, the department recommends to maintain CUPA fees below cost recovery and phase-in fee increases over a three-year period. If the proposed adjustments are approved, the anticipated theoretical revenue in the following fund groups is estimated at \$1,389,860 in the General Fund, \$116,568 in the CUPA Fund, and \$9,440 in the Tidelands Operating Fund.

Health & Human Services (Environmental Health Bureau)

The cost of service study evaluated fees and charges within the Health and Human Services Department's Environmental Health Bureau covering its permit and inspection programs including water, food, CUPA, vector control, noise control, commercial cannabis, and tobacco retail enforcement. Of the services studied, the department is currently recovering 67 percent of its costs. Department recommendations include a variety of changes including rate increases, rate decreases, and restructuring of fees to meet cost recovery and better align with service operations. In accordance with cost of service study recommendations, the department is proposing to establish a new Technology Surcharge fee of 2.3 percent which will be applied to permit and plan check fees to support the maintenance and improvements to the Environmental Health database system necessary for staff to access environmental health data and administer program operations such as managing mandated inspections of food facilities, and providing inspection reports and activity logs. In addition to the proposed surcharge fee, the department is also restructuring its permit and plan check fees to establish risk categories across various areas including food facility, restaurants and bar/taverns. By

establishing risk categories, this will then align the rate charged to businesses in accordance with the increased costs associated with higher levels of inspection performed by City staff. For example, the lowest risk category for a mobile food facility would be applied to vendors of packaged, non-perishable foods whereas the highest risk category determined for businesses selling unpackaged, perishable foods. New and increased fees to align with full cost recovery also include establishing late penalties and rates for on-field licensing services, as well as increases to annual permits for shared-use facilities, tobacco retail, and temporary body art. The department's proposal for new and increased fees employ a phase-in approach where fees will remain below cost recovery levels and will be increased over a three-to-four-year period to avoid a significant rate increase to operators. A phase-in approach is proposed across various areas including food stand fees charged to non-profits, public school kitchen permit fees, and health permit and plan check fees for high risk restaurants and bars/taverns. Finally, decreases to align to cost recovery levels are also proposed for certain annual permits such as shared-use cannabis manufacturing facilities. The net annual revenue change to the Health Fund Group resulting from the department's proposed changes is estimated at \$675,682.

Other Proposed Fee Changes

Long Beach Airport

Airline Fees

The Long Beach Airport (Airport) has experienced a cost increase for its terminal operations and maintenance due to the opening of new Airport facilities in addition to a general increase of related goods and services. To support these costs, the Airport currently charges fees to airlines including aircraft landing, gate use, use of common areas, and apron parking. The department is proposing a five percent increase to these fees. The proposed increase to fees is anticipated to result in an annual revenue change of \$818,000, which will be used to support the higher cost of operating the Airport's terminal area.

Vehicle Parking Fee

The Long Beach Airport charges vehicle parking fees to customers and tenants. The proposed rate increases will cover the cost of parking operations, including management services and maintenance. The proposed fee change will increase the hourly parking rate from \$2 to \$3 at both Lot A and Lot B. The daily rate for Lot A will increase from \$21 to \$25, and the daily rate for Lot B will increase from \$19 to \$20. The monthly tenant parking fee will increase from \$40 to \$50 per space. The proposed changes are estimated to generate an annual revenue increase of \$1,165,000. With these proposed increases to the daily and monthly parking rates, the Airport's vehicle parking fees will continue to be competitive with parking rates of other airports in the region.

Development Services

Housing Project Title Report Fee

The City Council adopted updated inclusionary housing, enhanced density bonus, and Mello Act in lieu policies. To ensure that each applicant for inclusionary housing projects does not avoid policy requirements related to elements such as density bonuses and development concessions and incentives, the Development Service Department must review title reports for properties contiguous to the proposed project. To offset the department's cost to obtain and review the report(s), the department is proposing a new Housing Project Title Report fee of \$200 per application plus fees charged to provide the title report(s) to City staff. The anticipated annual revenue change is estimated at \$10,500 and will vary annually based on the number of proposed inclusionary housing projects and contiguous lots.

Housing Project Covenant Recordation Fee

The City Council adopted updated zoning policies to encourage the development and preservation of affordable housing, specifically related to inclusionary housing, enhanced density bonus program and Mello Act in lieu housing. To ensure that affordable housing units continue to meet income-based affordability requirements for the time frame mandated by zoning codes, the Development Services Department will prepare a covenant with the developer which is then recorded with Los Angeles County. The department proposes to establish a new Housing Project Covenant Recordation fee to offset the department's cost for staff to prepare each covenant and the cost to record the covenant. The fee is proposed at \$500 per application plus recording fees. The anticipated annual revenue change is estimated at \$8,500, and will be based on the number of housing projects requiring covenants.

Garage Resale Inspection Expedite Fee

The Development Services Department's Code Enforcement Bureau conducts garage resale inspections. Per Long Beach Municipal Code Chapter 18.62, prior to the close of escrow, a property owner must obtain a report from the City describing the legally required off-street parking and a statement of parking availability or lack of availability, or an exemption certificate. To prepare the required report and certificate, a Code Enforcement inspector must examine the property. The department frequently receives and accommodates urgent requests for inspections, reports, and certification services. To offset the department's administrative and inspection cost associated with these rush requests, the department is proposing a new fee specific for expedited requests at twice the amount of the applicable standard garage inspection fees. The fees for expedited requests will be \$40 for an exemption certificate, \$310 for inspection of a one-to-two-unit property, and \$232 plus \$22 per unit for properties with three or more units. The annual revenue change from the proposed fee is estimated at \$60,000, and will vary based on the volume of urgent requests for services and the number of units inspected.

Financial Management

State-Mandated ADA Fee

The Financial Management Department collects a state-mandated Americans with Disabilities Act (ADA) fee imposed per business license and permit account, including renewals. Per SB 1186 for License Fee and Use for Construction-Related Accessibility, the purpose of this state-mandated fee is to increase disability access and compliance with construction related accessibility requirements and develop educational resources for businesses to facilitate compliance with federal and state disability laws. Ten percent of revenue is remitted to the state, with the remaining amount deposited to the Development Services Fund Group and used for these specific purposes including certified access specialist (CAsp) services to ensure compliance with construction-related accessibility requirements. The assessed rate is set by the state, and the proposed adjustment from \$1 to \$4 is a technical correction to align the current rate reported on the Master Fees and Charges Schedule to that set by the state. As this is a technical correction, there is no change to the effective rate assessed to business license and permit accounts or a related revenue impact associated with this proposed item.

Public Works

City Facility Key Deposit

The City currently makes various facilities available for community use, and a key is provided to individuals or organizations for access. The Public Works Department is proposing a new key deposit that will be refunded to the renter if the key is returned. The deposit is proposed at \$75 per key and will partially recover the cost of staff and materials to replace locks and keys in the event that keys are not returned to the managing City department. The estimated annual revenue change is unknown at this time. However, the deposit is anticipated to incentivize renters to properly maintain and return all keys, reducing the need for replacement.

Approve recommendation.

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KEVIN RIPER
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APPROVED:

THOMAS B. MODICA
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