

## STAFF REPORT

**DATE:** May 20, 2008  
**TO:** City Council  
**FROM:** Gail Buller, Financial Services Manager  
**SUBJECT:** FY2008/09 Proposed Changes to Fees and Charges

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### **Recommendation**

Hold Public Hearing, and adopt the attached resolutions approving the changes to selected City fees and charges. Two resolutions are included based on the effective dates of the selected fees.

### **Introduction**

A major element of the City Manager's FY2008/09 Proposed Budget is the review and update of fees. While the revenues anticipated by proposed increases to various fees have been reflected in the FY2008/09 Proposed Budget, a separate action by the City Council is required to implement any new fee or changes to existing fees. A Public Hearing is scheduled for the meeting of May 20<sup>th</sup> to review specific fee proposals and consider public input prior to adoption by the City Council.

### **Fiscal Impact**

The fee recommendations contained in this report for FY2008/09 are expected to generate a total of \$ 6,123,803 in departmental fee revenues that are included in the revenue estimates used to develop the FY2008/09 Proposed Budget. This level of departmental fee revenue nonetheless represents a decrease of 10.1% below the fee revenues included in the FY2007/08 budget.

General Fund fee revenues for FY2008/09 are expected to be \$4,336,102, representing 70.8% of citywide fee revenues. It should be noted that these fee revenues reflect not only the proposed fee increases, but also changes in underlying level of program activity, and establishment of new fees.

The following table summarizes the changes in departmental fee revenues included in the FY2008/09 budget over all funds:

<b>Departmental Fee Revenues-All Funds</b>				
	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	
<b>Department</b>	<b>Actual</b>	<b>Adjusted Budget</b>	<b>Preliminary Budget</b>	<b>% Change</b>
Community Development	\$ 2,069,768	\$ 2,805,635	\$ 2,099,464	-25.2%
Community Services	1,883,945	2,157,888	2,148,823	-0.4%
General Government	17,120	13,494	16,690	23.7%
Public Works	299,171	370,038	442,360	19.5%
Fire	803,415	762,680	763,480	0.1%
Parks & General Service	141,214	136,800	140,002	2.3%
Police	453,002	562,690	512,984	-8.8%
<b>Total</b>	<b>\$ 5,667,635</b>	<b>\$ 6,809,225</b>	<b>\$ 6,123,803</b>	<b>-10.1%</b>

## **Discussion**

Departmental fees are reviewed each year in conjunction with development of the annual budget. The goal of this review is ensuring that fees are adjusted regularly, as appropriate, in relation to program costs and consistent with Council goals related to cost recovery.

The following recaps efforts undertaken to date related to fee proposals included in the FY2008/09 Proposed Budget:

- The Finance Department established baseline revenue projections for FY2008/09, to include a 4% to 5% across-the-board increase in service fees charged by departments, based on estimates of increases in fee-funded program expenditures.
- The budget instructions provided to departments to guide development of the FY2008/09 Proposed Budget included a requirement that all departments review fees, consider specific increases required in support of the target 4% to 5% increase in fee revenues, and provided a process/framework for justification of possible fee increases.
- Consequently, individual departments in conjunction with their internal FY2008/09 budget submittals submitted proposed fee increases. Most fee proposed fee increases were supported by a fee analysis worksheet which summarized program costs, extent of current fee-based cost recovery, and –where available – comparisons of like fees with other jurisdictions.
- Among the fees being proposed by the Community Development Department is a new fee related to the Core Area Specific Plan Amendment. This new fee being proposed is consistent with prior City Council action directing staff to establish a fee to recover City costs from property owners benefiting from the Plan Amendment.
- The Community Services Department has adjusted Facility and Equipment Rental fees upward and downward to improve cost recovery, particularly for weekend facility rentals. They have also added new fees to capture costs for Vehicle Access Permits, Special Events, and Portable PA services.

- The Community Development Department is increasing their Late Payment Penalty from 1% to 10% to offset extra effort and costs associated with collection activities on past-due accounts.

Each year, departments contribute greatly to the process, demonstrate commitment to cost recovery, and make the resulting Citywide Master Schedule of Fees and Charges a more comprehensive and useful document.

We plan to continue this trend of improvement in the coming year by implementing the newly completed Cost Allocation Plan, which, among other things, will assist departments in determining reasonable and consistent levels of overhead to apply to fees for service, furthering the goal of cost recovery by allowing the recapture of administrative costs where appropriate.

While providing this information to the City Council in a comprehensive, citywide format in conjunction with the FY2008/09 budget represents ongoing process improvements, additional work will be needed in the upcoming year to achieve greater consistency in the establishment of fees across city departments, including:

- Continued review of internal accounting issues required for consistent presentation of program costs, indirect costs, departmental and citywide overhead burdens, etc.
- Consideration of a Citywide Policy on fee and cost-recovery.

Staff is working to build upon the work conducted by Community Services Department with the goal of expanding their departmental fee policy into a citywide policy that includes indirect cost recovery.

### **Attachments**

- Attachment A: Proposed Changes to Fees and Charges
- Attachment B: Proposed Changes to Fees and Charges/Public Works & Community Development
- Attachment C: Proposed Changes to Fees and Charges/B & 3<sup>rd</sup> Vision Project
- Resolutions