

# City of National City

## User Fee Study

**Item 9.1**



# What are User Fees

- Fund services with private benefit and limited or no community benefit
- State law requires that 1) individual use of the service must be voluntary, and 2) fees must reasonably relate to the services provided
- Fee levels are determined through City Council fee adoption
- Does not include development impact fees, utility rates, taxes, etc.

# Why Update User Fees

- Subsidies for individual services impact the General Fund
  - Private benefit-related services are subsidized by the General Fund
  - Reduces City's ability to fund general services and community benefits
- Decreased municipal funding can result in understaffing and reduced service quality
- Cost recovery awareness and planning
  - Provides clarity on City resources
  - Enables City to strategize and set fees to benefit the City and community

# User Fee Objectives

- Determine full cost to provide services and programs
  - Identify potential new fees
  - Reduce or remove unused fees
  - Calculate full cost recovery using fully-burdened hourly rates
- Update fees for services based on cost analysis
  - Establish cost recovery goals
    - ✓ Subsidies can increase access to services and facilitate compliance
  - Identify appropriate fee levels
    - ✓ Enhance reasonability and applicability
    - ✓ Maintain consistency with local policies and objectives
    - ✓ Maintain legal compliance with state law

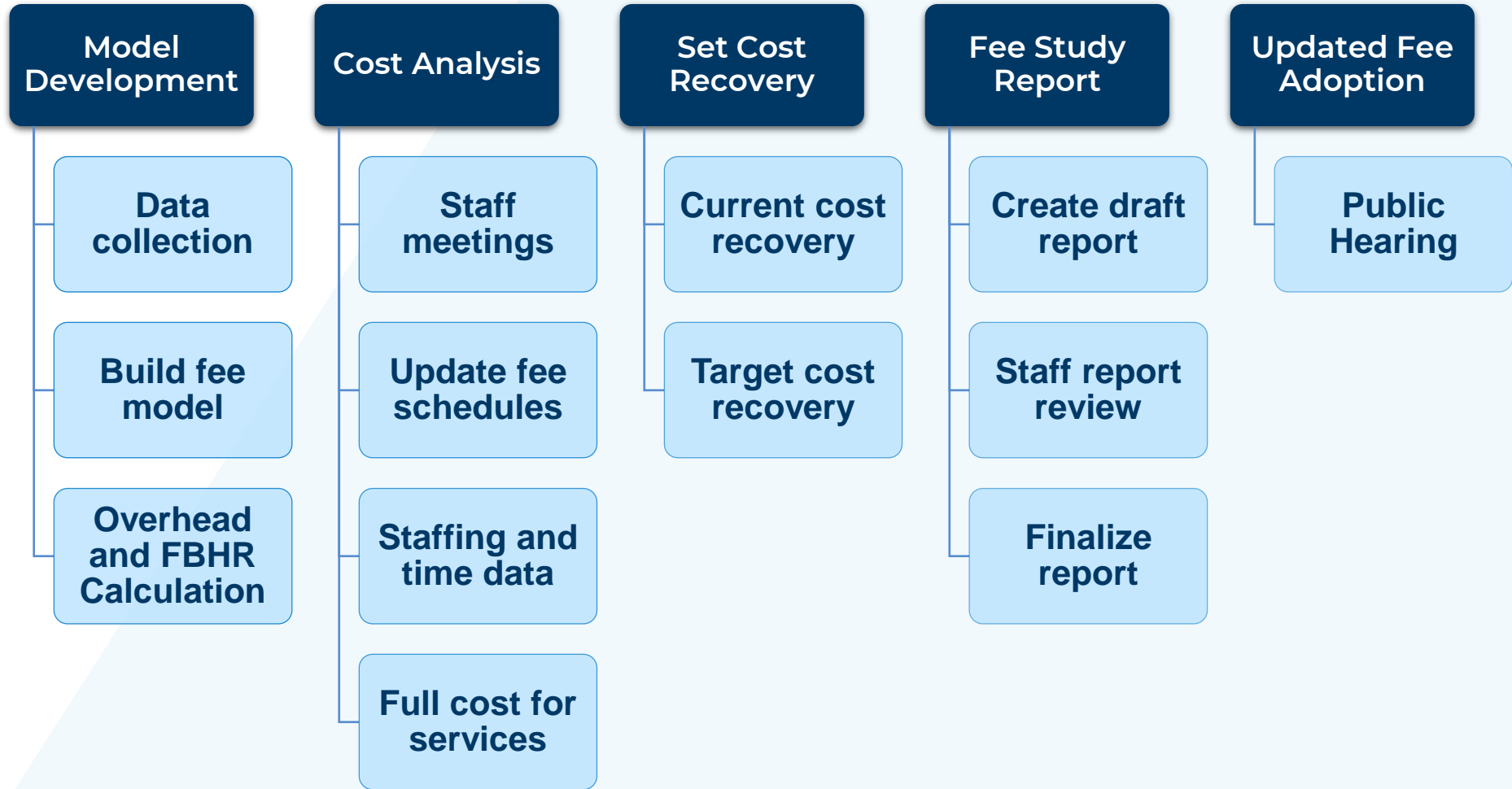
# Scope of the Study

- Review and calculate cost of providing services and related fees charged by the following departments and divisions:
  - Building
  - City Clerk
  - Community Services
  - Engineering/ Public Works
  - Fire
  - Finance
  - Neighborhood Services
  - Planning
  - Police
  - Housing & Economic Development

# Data & City Staff Participation

- Primary types of data used:
  - Expenditure data
  - Staffing structures
  - Central service/Indirect overhead (from Cost Allocation Plan)
  - Productive/billable hours
  - Time estimates to complete tasks
  - Department input, feedback and policies
- Staff support throughout process essential to ensure analysis fidelity

# Summary Steps of the Study



# Cost of Service Calculation

- Primary types of data used:
  - Salary & Benefits
  - Services and supply costs
  - Indirect support costs
  - Maintenance costs
- Hourly rates structured to account for direct work hours



# Fee Cost Composition

- Fully Burdened Hourly Rates predominately used to calculate full cost for fees
- Important to keep in mind all processes, personnel and indirect support involved to calculate full cost for services



# Building

- Time-based cost analysis
- Suggested fee notes:
  - An increase to 162 fees
  - 7 fees would decrease
  - 4 would remain as currently set
  - Average change would be an increase of 27% for existing fees

# City Clerk

- Time based cost analysis
- Analysis found current fees are currently below the full cost of providing services
- Suggested fee notes:
  - An increase to 2 fees
  - 5 new fee would be added
  - 1 would remain as currently set
  - Average change would be an increase of 104% to existing fees

# Community Services

- Most fees involve use of government property and should be set based on policy, usage and market factors
- It is generally accepted that Community Service programs provide a measure of public benefit to residents and the City as a whole. Cities also strive to keep programs affordable for the community and competitive with surrounding jurisdictions. While some increased fees for services are proposed, most are recommended to remain unchanged.
- Suggested fee notes:
  - An increase to 2 fees
  - 66 fees would remain as currently set
  - 1 new fee will be added
  - Average change would be an increase of 1% for existing fees

# Engineering & Public Works

- The Engineering and Public Works Department is proposing an all-new fee structure based on personnel cost to better reflect the wide variety of services provided. Fees are tailored to account for the specific staff time required for each unique service request.
- Suggested fee notes:
  - 20 new fee will be added
  - 16 fees would remain as currently set

# Fire

- Time based cost analysis
- Analysis found that current fees are below the full cost of providing services
- Suggested fee notes:
  - An increase to 46 fees
  - 23 fees would decrease
  - 13 fees would remain as currently set
  - 25 new fees will be added
  - Average change would be an increase of 14% for existing fees

# Finance

- Time-based cost analysis
- Analysis found that current fees are below the full cost of providing services
- Suggested fee notes:
  - An increase to 13 fees
  - 19 fees would remain as currently set
  - Average change would be an increase of 2% for existing fees

# Neighborhood Services

- Time-based cost analysis
- Analysis found current fees are underfunding the cost of most of the services
- Suggested fee notes:
  - An increase to 41 fees
  - 14 fees would remain as currently set
  - 8 new fees will be added
  - Average change would be an increase of 50% for existing fees

# Planning

- Time-based cost analysis
- Analysis found that most current fees are below the full cost of providing services
- Suggested fee notes:
  - An increase to 33 fees
  - 1 fee will decrease
  - 5 fees would remain as currently set
  - 1 new fee will be added
  - Average change would be an increase of 42% for existing fees

# Police

- Time-based cost analysis
- Analysis found that most of the current fees are underfunding the cost of services
- Suggested fee notes:
  - An increase to 16 fees
  - 7 fees would remain as currently set
  - Average change would be an increase of 118% for existing fees

# Policy Considerations

- General standard: individuals or groups who receive private benefit from service should pay 100% of cost
- In certain situations, subsidization is an effective public policy tool:
  - Encourage participation, and provide access to services
  - Promote compliance when cost is prohibitive to residents
- Recommend that City utilize inflation factor to annually adjust fees based on CPI, CCI or other factors
- Comprehensive analysis every 5 years

# Questions



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