


# Fee Study Update

## Finance Committee Meeting

March 10, 2022

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## Types of Fees and Fines

<p><b>Cost Recovery-Based User Fees</b> Fees limited to recovering the cost of providing the service</p>	<ul style="list-style-type: none"> <li>• Example: Building Permits</li> </ul>
<p><b>Market Rate User Fees</b> The city can charge whatever price the market will pay (must be competitive)</p>	<ul style="list-style-type: none"> <li>• Example: Facility Rentals</li> </ul>
<p><b>Fees Set by Law</b> Some fees are set by Federal or State law</p>	<ul style="list-style-type: none"> <li>• Example: Passport Service</li> </ul>
<p><b>Taxes under Propositions 218 and 26</b> Certain fees constitute taxes and may not be increased without a vote of the people</p>	<ul style="list-style-type: none"> <li>• Example: Business Licenses</li> </ul>
<p><b>Fines</b> Fines are not subject to cost recovery rules and may be set by the Council</p>	<ul style="list-style-type: none"> <li>• Example: Library Fines</li> </ul>

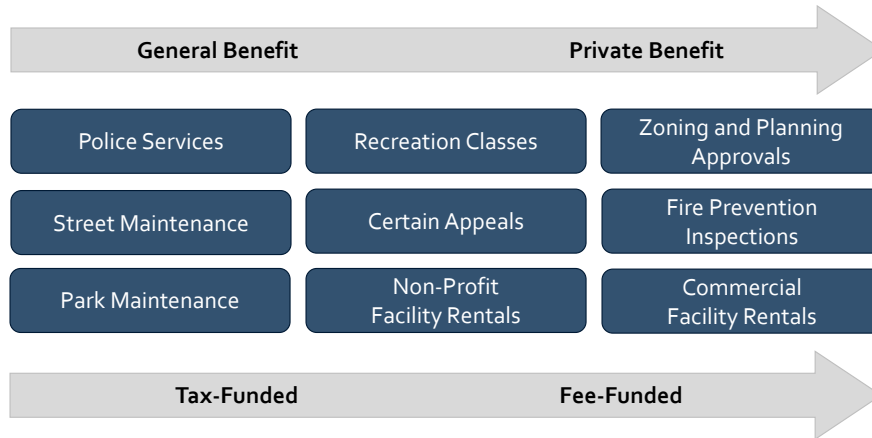
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## Degree of General vs. Private Benefit



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## Authority for Cost-Recovery Based User Fees

### Fiscal Sustainability Plan

Establish appropriate cost-recovery targets and adjust fee structure to ensure that the fees continue to meet cost recovery targets.

### City Council Policy F-4 – Revenue Measures

The City will establish appropriate cost-recovery targets for its fee structure and will annually adjust its fee structure to ensure that the fees continue to meet cost recovery targets.

**Newport Beach Municipal Code Section 3.36.030 mandates 100% cost recovery (except for subsidized services identified in the municipal code)**

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## Cost Recovery-Based User Fees

- Fees cannot exceed the cost of providing the service
- Considerations:
  - Degree of private benefit
  - Appropriate cost recovery level
  - Market competitiveness
  - Size of increase that would result from full cost recovery
- Calculation of the maximum fee is a math exercise
- Type of fee varies based on fit (flat, tiered based on effort, or deposit-based)
- Degree of cost recovery is a policy decision

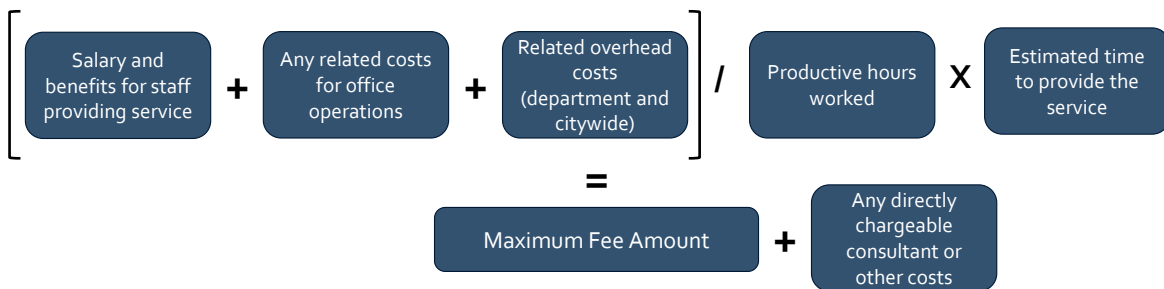
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## Cost of Service Analysis

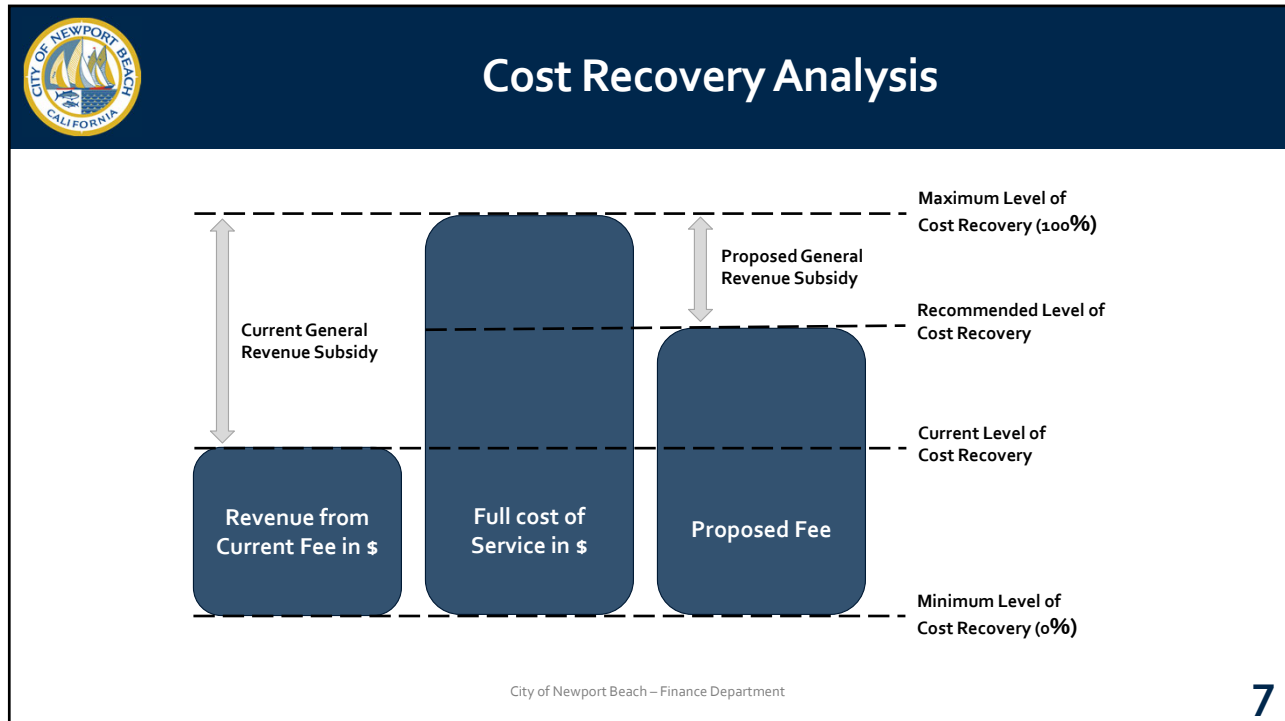


Example:	Personnel budget	\$ 200,000	Hourly rate	\$ 130
	Operating costs	50,000	Hours required	<u>x 4</u>
	Overhead	<u>75,000</u>	Maximum fee amount	\$ 520
	Division total costs	\$ 325,000	Consultant costs	<u>\$ 500</u>
	Productive hours	<u>/ 2,500</u>	Total cost to customer	\$ 1,020
	Hourly rate	\$ 130		

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**Recreation and Senior Services**

<p><b>Fees Last Updated:</b> 2016</p> <p><b>Sample Services:</b> Recreation classes, swim lessons, sport classes, after school programs for preschool and youths, senior services, special event permits</p> <p><b>New Fees:</b> None</p> <p><b>Net Revenue Impact:</b> \$81,536</p>	<p><b>Fee Changes:</b></p> <ul style="list-style-type: none"> <li>Increased cost recovery for five programs within the range specified in the NBMC , resulting in various fee increases: <ul style="list-style-type: none"> <li>Youth Camps – from 32% to 35%</li> <li>Youth After School Programs – from 25% to 27%</li> <li>Preschool Camps &amp; Programs – from 26% to 28%</li> <li>Aquatics Programs –from 20% to 23%</li> <li>Oasis Fitness Memberships – from 53% to 58%</li> </ul> </li> <li>Adult Sports – fees have been administratively reorganized to: <ul style="list-style-type: none"> <li>simplify the presentation</li> <li>correctly capture all fees related to current operations</li> <li>ensure each fee listed correlates to the same programmatic area as where the revenue is recorded</li> </ul> </li> <li>Natural Resources – seven fees eliminated relating to beach clean-up and ISOpod special events that are no longer provided</li> <li>Appeal for Special Event Permits – Modify NBMC Section 3.36.030 to add 0% cost recovery for successful applicants and update the existing 50-95% cost recovery to be for only unsuccessful applicants</li> </ul>
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# Library Services

**Fees Last Updated:**  
2016

**Sample Services:**  
Materials use, inter library loans, setup and cleaning fees for meeting room rentals, passport processing and photos

**Net Revenue Impact:**  
\$14,220

**Fee Changes:**

- Library Cancellation Charge – Reduced from \$66 to \$56
- Fees have been administratively reorganized and/or updated to align the Schedule of Rents, Fines, & Fees with departmental operations and authorized changes by the Library Board of Trustees:
  - Materials Use – Best Sellers - Delete
  - Tech Toys – New fine to correspond to new collection (GoPro camera, synthesizer, audio interface, etc.)
- Passport Photo – Increased fee from \$10 to \$15 and updated cost recovery in NBMC Section 3.36.030 to \$15

**New Fees:**

- Per Page Copies from Central Printers – aligning cost recovery in NBMC Section 3.36.030 with Per Page Copies from Self-Service Copiers
  - Black and White \$0.15
  - Color \$0.45
- Test Proctoring \$24 – includes application processing and occasional monitoring at a central workspace

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# Fire Prevention

**Fees Last Updated:**  
2020

**Sample Services:**  
Inspections, plan reviews, operational permits

**New Fees:**  
• None

**Net Revenue Impact:**  
\$84,356

**Fee Changes:**

- Increased cost recovery in NBMC Section 3.36.030 to 100% for all Fire Prevention services resulting in various +/- fee changes based on survey of comparable OC fire agencies that yielded:
  - Nearly all agencies are fully recovering the cost of these services and/or
  - The City's fees at a 100% cost recovery level are competitive with the other agencies
- Fee methodology updated for certain State-mandated inspections to reflect time of Fire Life Safety Specialists in lieu of Fire Captains or Firefighter Paramedics:
  - Care Facility 7-99 Clients – Reduce fee by \$225 to \$226
  - Care Facility >99 Clients – Reduce fee by \$141 to \$442
  - Commercial Day Care Facility (Tutor Time) – Increase fee by \$5 to \$260
  - Hotel/Motel 50-299 Rooms – Increase fee by \$5 to \$260
- Fee methodology updated for Operational Permits to use approximately 1/3 of the hourly rate of the full Engine Company
  - Level 1 – New or Renewal – Increase fee by \$51 to \$236
  - Level 2 – New or Renewal – Increase fee by \$100 to \$445

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## Other Updates for All Departments

- Notary Services – Increase by \$5 to \$15 to correspond to the increase authorized by Government Code Section 8211
- 3 New Fees based on actual cost and will utilize the full hourly and burdened rate of personnel / City and departmental overhead rates:
  - User Services not otherwise identified
  - Appeals not otherwise specified:
    - Applicant Unsuccessful – 50% Cost Recovery
    - Applicant Successful – 0% Cost Recovery
- Modify NBMC to authorize the City Manager or Finance Director to waive user fees up to \$5,000 per occurrence, which is to be used in limited circumstances

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## Other Updates for Non-Studied Departments

- **Harbor** – MAP Renewal for Service Providers \$84 - New fee to differentiate between the 2 business types (Service Providers and Charters, Boat Rentals, & Human-Powered Rentals) due to the differences processing times
- **CDD** – Two new fees are being studied relating to the first and subsequent requests for building permit extensions beyond the initial 3-year time limit
- **PW** – RGP Dredging Permit:
  - No changes proposed due to limited data as a result of the impact invasive algae had on dredging activity
  - Staff recommends deferring any changes until Public Works fees are studied in FY2023-24

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## Fiscal Impact of Fee Updates

Department	FY 2020-21 Proposed Net Revenue Impact
Fire Prevention	\$84,356
Library	\$14,220
RSS	\$81,536
Other Non-Studied Depts.	\$510
<b>Total</b>	<b>\$180,622</b>

- Proposed fee updates will result in approximately \$180,622 of additional revenue next fiscal year
- This projection does not account for the impact of any fees where volume statistics are unavailable

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## Fiscal Impact of Fee Subsidizes

Department	Proposed Annual Subsidy
Fire Prevention <sup>1</sup>	\$0
Library <sup>2</sup>	\$99,388
RSS <sup>3</sup>	\$7,127,417
Other Non-Studied Depts.	\$494,240
<b>Total</b>	<b>\$8,549,259</b>

<sup>1</sup>Excludes the \$4,491 subsidy in Attachment A which is due to the City's practice to round down and not a specific policy decision to recover less than 100% of the cost of services.

<sup>2</sup>Excludes the \$24,337 for Passport Service since the fee is set by statute and not due to a specific policy decision to recover less than 100% of the cost.

<sup>3</sup>Excludes approximately \$900,000 in subsidies for rentals of facilities and fields that are not cost of service fees.

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## Future Fee Schedule Format Changes

- Staff believes that the format of the fee schedule can be simplified
  - Research format of other agencies
  - Focus revisions on providing simple, effective communication designed for end users of the City's services
- Staff will also evaluate the format of the executive summaries provided to the Finance Committee
  - An RFP for a new user fee consultant will be advertised in Spring 2022
  - Staff will review the most effective presentation delivery methods for fee study update results (including content and formatting) with the selected consultant

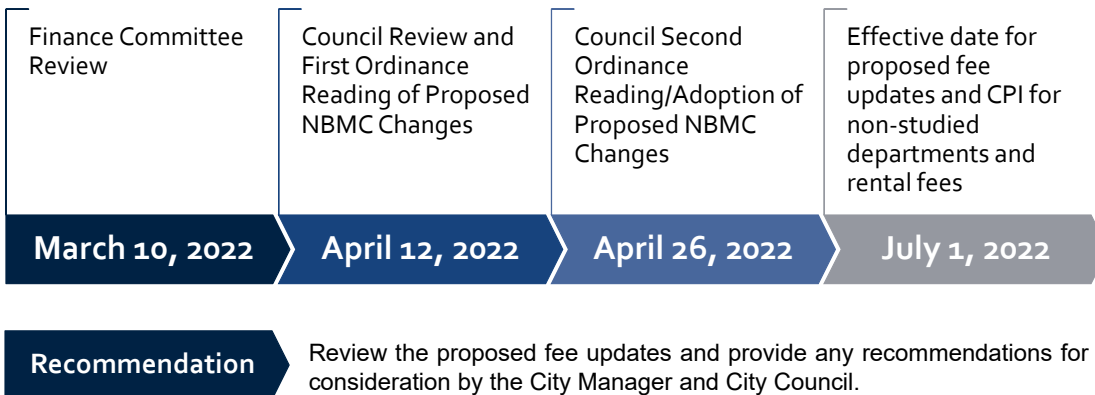
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## Timeline and Recommendation



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# Questions?

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