



CITY OF NEWPORT BEACH FINANCE COMMITTEE STAFF REPORT

Agenda Item No. 5C
February 13, 2020

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Steve Montano, Deputy Finance Director
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SUBJECT: FEE STUDY UPDATE

SUMMARY:

Fees are regularly studied and updated in order to ensure the proper recovery for cost of services, in accordance with the cost recovery rates, as established by City Council. Staff recommends fee updates for the following departments/operations:

- Community Development Department
 - Building
 - Planning
- Fire Department
 - Emergency Medical Services
 - Fire Prevention (formerly known as Life Safety Services)
 - Junior Lifeguards
 - Lifeguard Operations (formerly known as Marine Operations)
- Police Department

The results of the fee study updates are as follows:

Department	Fees Increasing	Fees Decreasing	No Change	New Fees	Deleted	Totals
CDD	112	11	7	2	0	132
Fire	59	44	13	0	0	116
Police	19	15	18	0	6	58
TOTAL	190	70	38	2	6	306
PCT of TOTAL	62%	23%	12%	1%	2%	100%

There are certain other department mid-study updates for review, including:

- Finance (Revenue)
 - Parking Citation Violation Penalty Schedule
- Public Works

- Washington Street Trash Bins
- Recreation and Senior Services
 - Day Camp Fee
 - Marina Park Boating Program

RECOMMENDED ACTION:

Receive and file.

DISCUSSION:

Background

Newport Beach Municipal Code (NBMC) Section 3.36, Council Policy F-4 (Revenue Measures) and Item 12 of the Fiscal Sustainability Plan (FSP) provide staff and the City Council with policy guidance related to setting cost recovery targets and updating user fees. User fees, or cost-of-service fees, are charged to a private citizen or group for services performed or provided by a government agency on their behalf. If the service benefits primarily an individual or group of people, then the burden of that cost should be borne by the person receiving the benefit.

NBMC Section 3.36.030 sets the cost recovery for user fees at one hundred percent (100%) with the exception of the subsidized fees listed in Exhibit "A" of that same section, as well as those limited by California or Federal statutes. A recommendation for less than a hundred percent (100%) cost recovery rate occurs, for example, when a service is beneficial to the community at large along with specific individuals or groups, and/or when there is an economic incentive, or disincentive, to do so. In these cases the General Fund is essentially subsidizing the service. Any newly proposed fee or fee increase that is not approved will be absorbed through General Fund subsidy.

The Schedule of Rents, Fines, and Fees (SRFF) is a customer service document maintained by the Finance Department Revenue Division which contains fees and charges such as, but not limited to, cost-of-services fees, fines and penalties, rents, and other charges imposed by the City or mandated by the State of California. SRFF is available online under the Revenue webpage for public viewing.

This latest fee study was conducted by the City's consultant, MGT of America (MGT). In order to establish fees on the basis of full cost recovery, it is necessary to determine the cost of services. MGT conducts a comprehensive review and update of the City-wide cost allocation plan and direct user fee calculations for each department on a rotating basis every three to five years. MGT uses well-established cost accounting methodologies to calculate our municipal fees on a full cost recovery basis and contracts with significant number of municipalities in California.

This year, MGT studied the following departments:

- Community Development Department (CDD)
 - Building
 - Planning
- Fire Department

- Emergency Medical Services (EMS)
- Fire Prevention
- Junior Lifeguards
- Lifeguard Operations
- Police Department

The complete list of studied fees can be found in Attachment A.

MGT meets with each of the studied departments and discusses the services provided, the annual volume for those services, and the staff and time estimates for working on said services. MGT calculates the department staff's fully burdened hourly rate, which includes both internal administrative as well as citywide overhead costs. The fully burdened hourly rates are applied to the time estimates provided by staff and the fee is calculated. MGT reviews and cross checks the results to ensure the data is valid and asks each department to review the calculations for accuracy and reasonableness. Once the calculations are confirmed, department staff then recommends that the fee should either be fully recovered or subsidized. An example of this process is provided in Attachment B. All NBMC 3.36.030 Exhibit "A" subsidy changes can be found in Attachment C.

Below is a summary of how studied department fees are changing:

Department	Fees Increasing	Fees Decreasing	No Change	New Fees	Deleted	Totals
CDD	112	11	7	2	0	132
Fire	59	44	13	0	0	116
Police	19	15	18	0	6	58
TOTAL	190	70	38	2	6	306
PCT of TOTAL	62%	23%	12%	1%	2%	100%

CDD

The Community Development Department administers the City's General Plan, as well as the City's zoning, building, subdivision, fire prevention, and environmental regulations, to ensure orderly physical growth of the community. Program activities include advance and current Planning, Building and Fire Safety plan check, permit issuance, and inspection; among other things not related to cost of service fees. The last comprehensive study of CDD fees was in 2015; however, in the fall of 2016, CDD converted valuation-based residential construction permits and selected deposit-based planning permits to flat fees. In 2017, as a post-Local Coastal Program (LCP) certification requirement, Planning added the Coastal Development Permit fee to the SRFF as a deposit account; in 2018, the fee was updated to a flat fee.

Building

The Building Division provides building permit, plan checking, and inspection services for new construction, additions, and remodels. Their core function is to ensure that

plans and construction activity adhere to code requirements to promote the quality of life and safety of those who live, work, and visit the City of Newport Beach. Building related fees reflect the cost of services to provide plan reviews; building, electrical, mechanical, plumbing, and grading permits and inspections; harbor construction plan reviews; and fees for various other development related services.

Although 71 Building fees are increasing, 62 of those fees, or 87%, are only increasing between 1%-5%. Over half of the nine fees that are decreasing are being reduced from 28% to 61%.

Building fee highlights:

1. Convert the Miscellaneous Fences/Retaining Walls plan review fee as well as the Miscellaneous Fences/Retaining Walls permit and inspection fee from a flat fee structure to match the fees found within the Building Permit (Non-Residential and Residential Alterations) Fee Table within the SRFF. This will ensure that smaller projects will not be overcharged and larger projects will be charged appropriately.
2. Appeals Board Hearing – Applicant Unsuccessful fee - change recovery from a percentage to a flat fee of \$1,715. The recommendation for charging \$1,715 is to ensure the fee charged for both Building Appeals and Planning Appeals will be the same amount even though they are calculated separately using different staff. The recovery percentage remains the same, 50%.
3. Permit Issuance fees - used to be separated by the type of permit: electrical, mechanical, and plumbing. Because the work performed is the same, one fee has been created to replace the three. The Permit Issuance fee, studied separately, is \$37.
4. Building Fees on SRFF with a Full Cost less than \$5 will be rounded down to the nearest quarter rather than the nearest dollar. CPI increases for lower dollar fees have minimal impact on the fee and often result in no change. For more accurate cost recovery, staff recommends rounding down to the nearest quarter.
5. Life Safety Services – will be renamed “Fire Prevention” and relocated under the Fire Department.

Planning

The Planning Division is charged with preparing, maintaining, and implementing a General Plan, which provides overall policy guidance for the future of the City, as well as Zoning Code, Local Coastal Program, and other related policy documents. Planning ensures that uses of properties are appropriate and that site plan configurations are consistent with the size, scale, and character standards that define the communities within Newport Beach.

Planning is introducing two new fees through this study:

1. Public Noticing fee - to use when a project requires staff to publish one or more public notices in the Daily Pilot. It includes the cost of staff time processing the public notice, postage, supplies, and publishing costs from the Daily Pilot. The

recommended fee is \$497.

2. Preliminary Application for Residential Development fee - on October 10, 2019, Governor Gavin Newsom signed Senate Bill 330 into law – also known as the Housing Crisis Act of 2019 – aimed to stimulate homebuilding amid the housing shortage in California. The law imposes several new regulations on local agencies, including a requirement to create a preliminary application process for housing development projects (Government Code Section 65941.1). The intent is to make the development review process faster and provide certainty to an applicant by locking in the development requirements, standards, and fees at the time a complete application is submitted. By doing so, the City is prohibited from applying new ordinances, policies, standards, and fee increases to a development with a complete preliminary application. The application fee is needed to recover costs associated with the review and processing of the preliminary applications. The recommended fee is \$760.

Staff recommends phasing in any Planning fees that are increasing 10% or more over the next two years. The following table below demonstrates how the phase 1 increases will be calculated on a few different fees: Calculate the variance (D) between the current fee (A) and the full cost (B), divide the variance in half (E), and add that amount to the current fee (F). Column L in Attachment A details the recommended Planning fees.

	A	B	C	D	E	F
Service Name	Current Fee	Full Cost	% Change	Variance (A-B)	Variance Divided by 2 (D/2)	Current Fee + Variance Divided by 2 (A+E)
Amendments - General Plan	\$219	\$260.34	19%	\$41	\$20.50	\$239
Approval in Concept	\$782	\$896.83	15%	\$114	\$57.00	\$839
Banner Permit	\$45	\$56.80	24%	\$11	\$5.50	\$50

The following NBMC 3.36.030 Exhibit “A” changes are recommended related to Planning fees:

1. Appeals to City Council and Appeals to Planning Commission - change recovery from 50% to a flat fee of \$1,715. The recommendation for charging \$1,715 is to ensure the fee charged for both Building Appeals and Planning Appeals will be the same amount. This will allow for fee consistency even though they are calculated separately.
2. Coastal Development Permit Application Appeals from Zoning Administrator to Planning Commission – staff recommends adding a recovery percentage of 0%, which would have the effect of requiring prospective appellants to first file an appeal to the Planning Commission before filing an appeal directly with the Coastal Commission. The change is considered beneficial in that it would allow the Planning Commission the ability to potentially resolve the appeal locally without Coastal Commission involvement. Ultimately, the appeal process could end with Coastal

Commission determination as prescribed by the Coastal Act.

Fire

The Fire Department provides 24-hour protection and response to the City's residents and visitors. Guided by its standard operating principles "Safety, Service, Professionalism", the department is engaged in the community, recognized for its exemplary services, and always available to help. The Fire Department is comprised of the following divisions; Emergency Medical Services, Fire Operations, Junior Lifeguards, Fire Prevention, and Lifeguard Operations, some of which are partially funded by cost-of-service fees. The majority of the department's cost-of-service fees were last studied in 2018. However, pursuant to the new agreement with MGT, entered into May 2019, departments that provide crossover support to each other were scheduled to be studied simultaneously. CDD was due for a full study and since CDD and Fire continue to work closely together on the Fire Prevention fees, the Fire Department was studied as well.

Emergency Medical Services (EMS)

The EMS division delivers high-quality emergency medical care to the community. First responders provide timely response, evaluation, treatment, and transportation to a local hospital when necessary.

Primary fees within EMS are the fees charged for the Fire Engine and Paramedic Unit responding to 911 calls and evaluating and treating a patient. The fees primarily fall into two categories: Advanced Life Support (ALS) or Basic Life Support (BLS). Overall, the ALS with Transport is increasing by \$215 and BLS by \$238. The increased cost is due to higher staff cost, vehicle and equipment cost, and adding in the cost of the ambulance billing service and disposable medical supplies.

Service Name	Current Fee	Proposed Fee	Net Change from Current Fee
ALS with Transport	\$1,585	\$1,800	\$215
BLS with Transport	\$1,556	\$1,794	\$238

In 2015, Council approved the addition of ALS and BLS Non-transport fees. Even patients not transported to a local hospital still received care from Fire Department personnel and should be assessed a fee for these services. These fees are heavily subsidized. In 2018, the BLS Non-transport fee was increased to match the ALS Non-transport fee of \$400; and a First Responder Fee of \$400 was introduced. This adjustment allowed for proper billing of medical services provided by the Paramedic Assessment Units (PAU's) when a Paramedic Unit is not present. Staff recommends no changes to these Non-transport fees.

Newport Beach residents and businesses have the option to participate in the Paramedic Subscription Program, known as Fire Medics, to protect themselves and their family, or employees and patrons against potential costs related to an unexpected medical emergency. There are no recommended changes to the Paramedic Subscription Program at this time.

Fire Prevention

Toward the end of FY 2015-16, Fire Prevention transitioned from being solely within the Fire Department to being managed by CDD and working in conjunction with Fire. CDD restructured and Council adopted updated Fire Prevention fees in September 2018 under this new organizational structure. The Fire Marshal position was approved within the FY 2018-19 budget to serve as the Division Chief of Fire Prevention within the Fire Department, reporting directly to the Fire Chief and receiving technical direction from the Community Development Director while working closely with the Chief Building Official.

Since the fees were so recently restructured/studied the only update to the fees was to use the most current (FY 2019-20) budget and reflect the Fire Marshall's time instead of the Deputy CDD Director. This resulted in the majority of the fees going down due to cost savings between the two positions. The fees that did go up were due to increases in the fully loaded hourly rate of the Engine Company (combination of Captain, Engineer, and Firefighter) or CDD permit tech.

Junior Lifeguards

The Newport Beach Junior Lifeguard Program was established in 1984 and has grown rapidly throughout the years. It is a very popular program with residents and non-residents alike focused on educating children about ocean safety. The fee is currently subsidized in order to minimize cost increases and to encourage participation in the program, the full cost of the program is \$856; however, the fee is set at \$727. Staff recommends no changes to the Junior Lifeguard Participation Fee. The Cancellation Fee is going down from \$112 to \$109.

Lifeguard Operations

Lifeguard Operations role is to protect the many beach visitors that enjoy our 6.2 miles of ocean and 2.5 miles of bay beaches. Staff ensures safety and provides customer service. In most cases, the City does not charge the public for these services. The study updates lifeguard staff hourly rates as well as the two-person rescue boat. These fees are only charged when lifeguards are requested to provide safety or service for activities that do not qualify for the special event hourly rates, for instance when lifeguard personnel are needed at film permit filming on the beach.

The following NBMC 3.36.030 Exhibit “A” change is recommended related to Fire fees:

1. Life Safety Services – will be renamed “Fire Prevention” and relocated from CDD to Fire.
2. Marine – actually refers to the Junior Lifeguard Participation Fee both the header and the fee will be updated to reflect Junior Lifeguards.

Police

The Police Department provides high quality police services to our Community to maintain the quality of life valued by those who live, work, and recreate in Newport Beach. Patrol/Traffic Division is the front line defense against criminal activity and quality of life concerns, including parking enforcement, animal control, and detention services. Detective Division investigates thousands of reports taken by the Police Department each year. Support Services Division offers administrative, technical, and fleet support to the Department. Police fees were last adopted September 2015.

Over half of the remaining Police Department fees as studied are decreasing slightly. These decreases are largely due to services taking less time to perform, the hourly rates of the staff that perform the service, and new technology. In late 2015, the City began providing animal shelter services previously contracted with the Orange County Humane Society. The original fees were contractually set and when the City took over staff continued charging the same rates as before. During this fee study, MGT calculated the cost of City staff providing animal shelter services.

The following NBMC 3.36.030 Exhibit “A” changes are recommended related to Police fees:

1. Impound Fee – because there is no longer a contract, staff recommends replacing “maximum permitted by contract” with the proposed subsidized fee.
2. Animal Shelter – staff recommends adding the following subsidies related to adoption, boarding, and owner turn-in fees. Some fees are recommended to be subsidized to encourage adoptions and strays to be reclaimed by their owners. The recommended fees are in line with our surrounding shelters such as Irvine, San Clemente and Mission Viejo.

Service Name	Full Cost	Proposed Fee
Adoption Fee - Dogs	\$259	\$150
Adoption Fee - Puppies	\$269	\$225
Adoption Fee - Cats	\$197	\$90
Adoption Fee - Kittens	\$228	\$110
Adoption Fee - Small Animal	\$78	\$45
Boarding Fee (per day) - Animal	\$43	\$25
Boarding Fee (per day) - Small Animals	\$26	\$10
Owner Turn-In Fee	\$241	\$100
Impound Fee - Dog, Cats, Small Animals	\$135	\$55

Other Departments

Even when a department is not scheduled for a comprehensive fee study, occasionally, operations will change enough that the non-studied department will request one or two fee study changes for adoption. The following mid-study adjustments will be brought before Council with the latest fee study:

1. Finance (Revenue) – last studied in 2016

Parking Citation Violation Penalty Schedule (Attachment D) – although not a fee, because some of the violations within the schedule had been changed or deleted from the Code altogether, staff is recommending an update to the Parking Citation Violation Penalty Schedule.

2. Public Works – last studied in 2015

Washington Street Bins – the solid waste service fee established for the use of the Washington Street Waste Bin dates back to August 1997 (Resolution 97-70). While the fee was originally intended to reimburse the City for the cost of operating the bin, the resolution was written with a fee cap and a listing of business by name. The language of the resolution currently limits the ability to update fees to reflect increasing service costs or to charge a new business when it comes into an existing building. In late 2019, the City rebid and entered into a new contract for these services. Staff will use the same methodology as the last fee adoption to propose a revised resolution to reflect the current service costs and to change the business listing to addresses in lieu of business name.

3. Recreation and Senior Services (RSS) – last studied in 2016

Day Camp Fee – The cost for outings during the summer day camp weekly programs continue to increase. The outings are different each week, some of which include Disneyland, Knott's Berry Farm, Long Beach Aquarium, and attending an Angels game. Recreation fees are often subsidized due to the community benefits the programs provide. The \$15 proposed increase for the Day Camp Fee, from \$145 to \$160, is within the cost recovery limits for Camps under NBMC 3.36.030 Exhibit "A" (Attachment C).

Marina Park Boating Program - The cooperative agreement with University of California, Irvine (UCI) is being dissolved and as a result, City staff will oversee the day-to-day management of the sailing center and will work with contract instructors to deliver boating classes. Programs other than classes will be managed by the city and include sailing pass membership and testing, rentals of boats, stand up paddle boards and kayaks. Staff recommends charging the same fees until the next time RSS is studied.

Description	Charge
Sail Pass Test	\$65
Sailing Pass Annual Membership - Adult	\$600
Sailing Pass Annual Membership - Student	\$300

Sailing Pass Quarterly Membership - Student	\$100
Boat Rental - J/22	\$20/hr
Boat Rental - RS Quest, Lido & Sabot	\$15/hr
SUP/Kayak Rentals	\$20/hr
SUP/Kayak - 5 Punch Pass	\$75
SUP/Kayak - 10 Punch Pass	\$100

CONCLUSION:

Staff estimates that these fees, if approved by Council as recommended, will amount to approximately \$580,000 in additional revenues, adjusted for the phased Planning fees (without the phase-in, the additional revenues would be approximately \$630,000). However, this projection does not account for any fees where volume statistics are unavailable.

Finance staff anticipate bringing the proposed recommendations to the City Council for formal action next month. Any newly proposed fee or fee increase that is not approved will be absorbed through General Fund subsidy.

Prepared and Submitted by:

/s/ Theresa Schweitzer

Theresa Schweitzer
Senior Accountant

Attachments:

- A. FY20 Studied Department Changes
- B. Application of Indirect Costs to the Calculation of Fees for Services
- C. Municipal Code 3.36.030 Exhibit A Changes
- D. Parking Citation Violation Penalty Schedule Changes