



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: January 18, 2005

ITEM NUMBER:

**SUBJECT: FISCAL YEAR 2004-2005 USER FEES AND CHARGES**

**DATE: January 4, 2005**

**FROM: FINANCE DEPARTMENT /FINANCIAL PLANNING DIVISION**

**PRESENTATION BY: MARC R. PUCKETT, DIRECTOR OF FINANCE**

**FOR FURTHER INFORMATION CONTACT: AGNES T. WALKER, (714) 754-5241**

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## **RECOMMENDED ACTION**

1. Adopt Resolution approving the Fiscal Year 2004-2005 User Fees and Charges (per Exhibit A).

## **BACKGROUND**

User fees and charges are considered “beneficiary charges” which are defined as payments made by consumers in direct exchange for government services received. User fees and charges are payments for publicly-provided services that benefit individuals and exhibit “public good” characteristics. They include fees such as recreational fees (established by the Parks & Recreation Commission), building permits, and public protection false alarm fees.

User fees and charges represent a significant and growing portion of local government revenue. As competition for tax resource allocation increases and interest in privatization of public services grows, fees and charges will continue to assume a larger role in the diversification of municipal revenue sources.

The California Constitution allows municipalities to recover the “costs reasonably borne” for all services provided to the community. The fee schedule, as recommended, was calculated based on current average labor cost to provide the service, including allowable materials or overhead costs. The proposed fees also consider similar fees charged in the municipal marketplace.

The attached Exhibit “A” for the Fiscal Year 2004-2005 User Fees and Charges include all existing fees and charges. It also includes one new fee: Other Permits assessed by the Finance Department for any other permits that are not specifically listed in the schedule. This change was made to cover permit types that are issued so infrequently so as to make an annual update of the fee impractical.

In the past, the City updated its user fees and charges on an annual basis. The last update was implemented on February 1, 2004.

## **ANALYSIS**

In evaluating and determining the proposed new fees and adjustments to the existing fees, staff considered the following:

- Services and activities appropriate for the user fee structure were identified.
- Cost data were collected using current salary/fringe benefit rates and estimated overhead rates.
- Each department providing that service reviewed how the service is delivered for possible streamlining so that the cost to provide each service could be reduced to the lowest level possible.

The proposed new fees and charges for Fiscal Year 2004-2005 were developed using a revised methodology in calculating the employee's hourly rate. In the past, staff calculated the hourly rate without considering the "unproductive" hours during the year – meaning, the annual salary rate was divided by 2,080 hours (52 weeks times 40 hours per week) as if the employee worked all these hours during the year. These unproductive hours include: vacation, sick leave, holidays, training, and other paid leaves. Staff conducted a statewide survey of other municipalities and also received comments from consultants as to what would be a reasonable method of calculating the productive hourly rate. As a result, staff determined it would be reasonable to use 1,800 hours. The 1,800 "productive hours" standard is based on using the standard work year of 2,080 hours and subtracting those paid leave days employees are given for sick days (12 times 8 = 96 hours), vacation days (12 times 8 = 96 hours) and holidays (11 times 8 = 88) and then using the remaining hours (1,800) to base the user fees on. This methodology provides for the assignment of the benefit costs of leave time to the user fees. In the past, the user fees were understated by the benefit cost for leave time.

In addition to using the productive hourly rate, staff also implemented the new salaries approved by the City Council in November 2004 and the increased contribution for retirement costs. As an example, the retirement contribution rates for non-safety employees rose from 0% to 4.562% during the year.

Using an aggregate of 10% increase and the adopted revenues for Fiscal Year 2004-2005, staff anticipates these fee increases will add approximately \$300,000 to the General Fund revenues. The anticipated increase also depends on the level of participation or usage of the services for which these fees are charged.

## **ALTERNATIVES CONSIDERED**

The City's practice has been to update the user fees and charges on a periodic basis in order to keep pace with the costs of providing services. The City Council could choose not to update the user fees and charges and leave the current rates in place.

**FISCAL REVIEW**

If Council approves the new user fees and charges, additional revenue may be generated for the General Fund. The potential increase cannot be determined at this time depending on the level of participation by the users of those services, and the degree that City facilities are used by fee-supported events. However, given the total adopted Fiscal Year 2004-2005 estimated revenues for user fees and charges, a 10% (aggregate) increase could result in additional revenue of \$300,000.

**LEGAL REVIEW**

The City Attorney has reviewed and approved the resolution as to form.

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AGNES T. WALKER  
Budget & Research Officer

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MARC R. PUCKETT  
Director of Finance

- Attachment(s):
1. [Resolution Fiscal Year 2004-2005 User Fees and Charges](#)
  2. [Exhibit A - Schedule of User Fees and Charges for FY 04-05 \(pages 1-23\)](#)
  3. [Recreation Facility Rent Fees Market Comparison](#)

Distribution: City Manager  
Department Heads