

# Cost Allocation Plan and User Fee Study Results

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**February 18, 2020**



# Study Objectives

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- ◆ Provide a review of current services and costs
  - Analyze current cost recovery levels
  - Highlight subsidies
  - Identify potential revenue sources
- ◆ This Study did not:
  - Study Efficiency
    - \* Service levels were analyzed in the context of fee related services only.
  - Audit Processes
    - \* Current process steps were documented to aid in developing defensible time estimates.



# Cost Allocation Plan Overview

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- ◆ A document designed to identify and allocate indirect costs of central service and other administrative support cost centers to the users of those services in a “fair and equitable” manner.
- ◆ Benefits / Uses:
  - Provides a detailed picture of the total indirect / administrative cost associated with Funds, Departments, Divisions, or programs.
  - Can help justify transfers from Non-General Funds to the General Fund.
  - Can be used to justify indirect grant reimbursement requests.
  - Used to establish the fully burdened rate for providing a service.



# User Fee Study Overview

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- ◆ Documents fee related services and service level assumptions, as well as detailing the full cost associated with each permit or unit.
- ◆ Benefits / Uses:
  - Ensures compliance with State and local laws such as Prop 218 and 26
  - Identifies full cost associated with providing permit related services, and the revenue gaps associated.
  - Streamlines fee schedules to match the fees with the services provided.



# User Fee Study Process – Fee Calculation

**Division:** Planning  
**Category/Fee Title:** Use Permit  
**Range:** Use Permit

Process Step Details:	Department	Division	Position	Time to Complete	FBR (FY19)	Total
Intake / Routing	CDD	Current Planning	Asst / Assoc. Planner	0.25	\$ 135.82	\$ 33.95
Intake / Routing	CDD	Current Planning	Admin Clerk II	0.75	\$ 95.10	\$ 71.33
Review	Fire	Prevention	Fire Marshal	0.50	\$ 279.94	\$ 139.97
Review	PW	Admin	Mgmt Analyst	0.25	\$ 117.80	\$ 29.45
Review	CDD	Plan Check	Plan Check Engineer	0.50	\$ 161.87	\$ 80.93
Review	PW	Civil Engineering	Principal Engineer	1.50	\$ 159.15	\$ 238.72
Review	PW	Civil Engineering	Public Works Inspector	0.25	\$ 109.79	\$ 27.45
Review	CDD	Current Planning	Asst / Assoc. Planner	13.00	\$ 135.82	\$ 1,765.61
Resubmittal	CDD	Current Planning	Asst / Assoc. Planner	8.00	\$ 135.82	\$ 1,086.53
Resubmittal	CDD	Current Planning	Planning Mgr.	3.00	\$ 175.15	\$ 525.45
Planning Commission	CDD	Current Planning	Admin Clerk II	3.00	\$ 95.10	\$ 285.30
Planning Commission	CDD	Current Planning	Asst / Assoc. Planner	12.00	\$ 135.82	\$ 1,629.79
Planning Commission	CDD	Admin	Comm. Dev. Director	2.00	\$ 194.14	\$ 388.28
Planning Commission	CDD	Current Planning	Planning Mgr.	6.00	\$ 175.15	\$ 1,050.90
PC Follow-Up & City Council	CDD	Current Planning	Admin Clerk II	4.50	\$ 95.10	\$ 427.95
PC Follow-Up & City Council	CDD	Current Planning	Asst / Assoc. Planner	2.50	\$ 135.82	\$ 339.54
PC Follow-Up & City Council	CDD	Admin	Comm. Dev. Director	0.50	\$ 194.14	\$ 97.07
PC Follow-Up & City Council	CDD	Current Planning	Planning Mgr.	1.00	\$ 175.15	\$ 175.15

**FEE @ 100% COST RECOVERY \$ 8,393.38**



# User Fee Study Results

Department / Division	Revenue at Current Fee	Potential Revenue	Increase / (Decrease)
Building	\$5,844,963	\$6,184,349	\$339,386
City Clerk	\$709	\$764	\$55
Finance	\$66,645	\$67,269	\$624
Fire	\$300,141	\$381,685	\$81,544
Parks and Recreation	\$30,865	\$35,676	\$4,811
Planning	\$434,889	\$538,507	\$103,618
Police	\$199,874	\$228,629	\$28,755
Public Works	\$21,136	\$34,908	\$13,772
Right-of-Way	\$366,080	\$326,152	(\$39,928)
Traffic Engineering	\$45,266	\$44,579	(\$687)
Utilities	\$166,225	\$194,932	\$28,707
<b>TOTAL</b>	<b>\$7,476,793</b>	<b>\$8,037,450</b>	<b>\$560,657</b>



# Proposed Fee Changes – Overview

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- ◆ **175 fees are proposed to increase due to:**

- Modified Fee Structure – Combining multiple permits into a singular permit creates a perception that there is an increase between the base fee and the proposed fee.
- Process or time estimate changes due to code changes or service level increases

- ◆ **52 fees are proposed to decrease due to:**

- Process efficiencies such as reducing time estimates due to technology or requirement changes
- Position changes such as utilizing lower level staff to perform work in lieu of higher level staff.

- ◆ **55 fees are proposed to remain unchanged due to state or council set policies.**



# Building Fee Schedule Modifications (1)

## ◆ Conversion from Valuation to Square Footage Fees:

- Eliminates issues or subjectivity associated with valuation either calculated by city staff or provided by contractor.
- Relates more defensibly to the number of plan reviews and inspections as required by the California Building Code (CBC).

## ◆ Development of Combination Permits:

- New Construction Permits (Commercial / Residential) proposed fees include building, electrical, mechanical, and plumbing fees.
- Miscellaneous permits for new construction and remodel permits (bathroom and kitchen) also include all trade permits in a singular fee.

## ◆ Creation of 3% Technology Fee Surcharge:

- Used for recovering the costs associated with maintenance, management, and replacement of city's current permitting system.





# Building Fee Schedule Modifications (2)

- ◆ **Modifications made to Building's Fee Schedule make it difficult to accurately compare current fee to proposed fee:**
  - Current fee is typically reflective of a base or singular fee; whereas proposed fees are reflective of the entire process including all trade permits.
    - \* For example, new pool fee of \$259 is reflective of base pool fee and does not include the fees charged associated with plumbing, mechanical, or electrical, which would bring the fee close to \$800; whereas the proposed fee of \$978 is all-inclusive.
  - Current fees can be fixture or count-based; whereas proposed fees are flat for square-footage based.
    - \* For example, currently outlets are charged \$2 for every outlet and a permit issuance fee of \$68; so, 10 outlets would be charged \$88 and any additional items *per item*; whereas the proposed fee would charge a single fee of \$315.



# Fire Fee Schedule Modifications

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- ◆ Revise Fee descriptions and reorganize structure to group certain fire code permits together.
- ◆ Convert singular flat fee for annual fire code permits to a tiered structure based on square footage of the operations, which allows for greater equity among ratepayers.
- ◆ Add a new fee for state mandated inspections for Multi-Family Housing Units to ensure there are appropriate life / safety measures in place.
- ◆ Propose a policy change to start charging for the 1<sup>st</sup> inspection for Annual Business Fire Inspections.
- ◆ Add a Fire RMS technology surcharge fee of 5% for maintenance, management, and acquisition of RMS.



# Council-Based Subsidies

- ◆ Appeals or Council, Planning Commission, and Parking and Public Improvement Commission are set at \$500; average subsidy is \$2,139
- ◆ Block Party is set at \$50; subsidy is \$109.
- ◆ Parking / Traffic / Stop Sign Requests is set at \$500; average subsidy is \$783.
- ◆ Landmark Designation set at \$0 and Certificate of Appropriateness set at \$1,599; average subsidy is \$8,015 and \$5,206 respectively.
- ◆ Solar Permits are set at \$100 (\$50 plan check and \$50 inspection); average subsidy is \$603 for residential and \$1,606 for commercial.
  - Note: State sets fees for solar permits at a maximum of \$500 for residential, and base fee of \$500 for commercial.



# Comparative Market Survey

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- ◆ The Fee Study Report provides a detailed comparison of current fees charged by the City to other local jurisdictions (Beverly Hills, Culver City, El Segundo, Hermosa Beach, Laguna Beach, Redondo Beach, Santa Monica, and Torrance).
- ◆ Comparative surveys do not provide adequate or objective information regarding the relationship of a jurisdiction's cost to its fees.
  - Each jurisdiction and its fees are different and many are not based on actual cost of providing services.
  - The same "fee" with the same name may have different processes, or include different service levels.
- ◆ Overall, the City is on par with neighboring and similar jurisdictions.



# Q&A

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