

TO: City Council

FROM: James L. App, City Manager &
Mike Compton, Director of Administrative Services

SUBJECT: **Cost of Services Study**

DATE: June 21, 2005

Need: For the City Council to review and consider a cost of services evaluation and related impacts.

Facts:

1. The City continues to expand operating financial data available to Council Members for reference when considering policy and budget options.
2. In late 2003, the City Council authorized the preparation of a cost accounting study to document the full cost of fee-for-service City activities. Generally, the services included are those available, but not mandatory, to the public and those for which a fee is charged.
3. Study contents have been prepared by City staff, with assistance from Maximus Consulting Services, and reviewed by the Council's ad hoc committee (Council Members Heggarty & Strong).
4. The Council ad hoc committee's review focused upon the integrity and completeness of the cost accounting, the implications of documented service costs as against City Council adopted policies and budget priorities, and developing recommendations to modify service pricing to adjust for inconsistencies.

Analysis & Conclusion:

The objective of the cost of services study (Study) was to identify the full cost of user fee activities/services offered by the City, and to provide said data to the City Council for reference in considering policy and budget options.

"Full cost" includes direct, indirect, and related support costs - the data provides a detailed summary of costs versus direct (fee-for-service) income. This data is helpful in considering options for the future allocation of general tax resources to various City services and Council priorities. Additionally, it provided the Council's ad hoc committee the opportunity to assess current tax allocation and pricing (fee-for-service) determinations, and make recommendations for modifications where they deemed appropriate.

City fee-for-service activities have been divided into three broad categories:

- **Development services where full cost recovery is in place.**

These services include development related (planning, engineering, & public works) review and inspection. Typically, the cost to provide these professional services is calculated on a per hour basis – see Exhibit “G”.

- **Building (construction related) services where full cost recovery is in place.**

Building permit fees are currently assessed and collected based upon the Uniform Building Code, e.g., valuation based. It is recommended that fees be based upon the “standard” time incurred to complete plan check and inspection of buildings for each occupancy type. Once determined, the costs are calculated per square foot of improved building space – see Exhibit “A”.

- **Non-emergency service offered to members of the general public.**

- City utilities – service is provided on a full cost recovery basis. Some modification is suggested to address collection problems – see Exhibit “B” .
- Police services – public service other than emergency (protection of life and property) response - see Exhibit “C”.
- Emergency services – initiation of new inspection services to aid businesses in protecting their establishments from fires and other hazards - see Exhibit “D”.
- Library services – certain ancillary (other than book lending) service offered for a small charge – see Exhibit “E”.
- Recreation services – sport, class, trip, and special event activities offered to the public at various fees – see Exhibit “F”.

NOTE: As the Council’s ad hoc committee conducted their review of Recreation services, they developed a general policy framework as an aid to their evaluation. Generally, services and facilities are offered with:

- *Low cost recovery for youth & senior programs/uses;*
- *Moderate cost recovery for adult programs/uses;*
- *High cost recovery for programs/uses similar to those provided in the private sector.*

AND,

- *No to low cost recovery for City-sponsored community events;*
- *Low cost recovery for programs/uses that provide basic life safety skills;*
- *Moderate cost recovery for program/uses by/for out-of-county users.*

Fiscal
Impact:

The full cost of user-fee services included in this study is estimated at \$4,400,000. Currently, \$1,743,000 is collected (in direct fee income) to partially offset this cost; the balance of \$2,657,000 is paid from general tax resources.

The adopted FY 2006-2009 budget & financial plan includes an increase of direct fee General Fund income of approximately \$205,000 (increasing current collection from \$1,743,000 to \$1,948,000). This direct fee income frees general tax resources for other priorities (as included in the FY 06-09 budget/financial plan).

Based upon the cost recovery levels recommended by the Council's ad hoc committee, it is estimated that the following incremental revenues would be generated:

Building Division Exhibits "A-1 & A-2"	\$(192,000)
Administrative Services Exhibit "B" (non-GF)	\$ 235,200
Police Services Exhibit "C"	\$ 48,600
Emergency Services Exhibit "D"	\$ 68,600
Library Services Exhibit "E"	\$ 1,400
Recreation Services Exhibit "F-1 toF- 4"	\$ 300,200
Total All Sources - Net	<u>\$462,000</u>
General Fund Portion - Net	<u>\$226,800</u>

Note #1: It is expected, if the Council adopts the revised "blended" hourly rates for Public Works, Planning and Engineering, they will likely offset the loss of revenues resulting from the change in building fee calculation methodology. If that proves out, then estimated total revenues would approach \$654,000 with the General Fund revenue portion possibly exceeding \$300,000.

Note #2: Potential revenue projections assume service levels and participant quantities remain the same as when the Study was undertaken. In the case of Administrative Services, it is expected that the quantities will decline if the recommended fees are adopted. Thus, the amount of projected revenues may not materialize. This is not necessarily bad, as reduction in the quantities, in this case, will likely reduce expenses.

Options:

- a. Adopt Resolution No. 05-xx approving a schedule of fees and dissolve ad hoc committee ; or
- b. Amend, modify, or reject the above option.

Attachments: As Noted Above

CITY OF PASO ROBLES

COST OF SERVICES STUDY

Copies of the Study as prepared by Maximus, Inc. is available for public inspection and review at the City Library, City Clerk's Office and the Administrative Services Office during regular work hours. All three offices are located at 1000 Spring Street.

RESOLUTION NO. 05-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
ESTABLISHING AND ADOPTING A SCHEDULE OF FEES FOR CITY SERVICES

WHEREAS, the City of Paso Robles has prepared a Cost of Services Study with the guidance and assistance of Maximus, Inc; and

WHEREAS, the Cost of Services Study was prepared in accordance with Title 14, Division 1, Chapter 3, Article 8 of the Administrative Code of the State of California; and

WHEREAS, the proposed cost recovery fees meets the requirements that the fees be reasonable and equitable and that they do not exceed the cost of providing the services; and

WHEREAS, State law governing municipal planning and finance in California recognizes the validity of, and authorizes, the imposition by cities of fees for services.

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of Paso Robles that:

1. The fees established identified in the attached Exhibits "A through G" are hereby approved and shall become effective July 1, 2005 though actual implementation may be delayed until such time as collection systems and methods are adequately modified to accurately collect and record said fees.
2. The fees established in Exhibits "A through G" shall be adjusted annually, each July 1, by the percentage change in the Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area for Urban Wage Earners and Clerical Workers for the prior twelve month period ending April 30. Should this index no longer be published, a similar index may be substituted.

ADOPTED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 21st day of June 2005 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

City of Paso Robles
COST OF SERVICES STUDY

ACTUAL COST RESULTS

PUBLIC WORKS & COMMUNITY DEVELOPMENT RATES

Fee #	Fee Service Name / Description	Current Fee	Full Cost Recovery	Recommended Fee
1	Public Works - Blended MW Hourly Rate	\$ 40	\$ 121	\$ 121
2	Community Development - Engineering Blended Hourly	\$59 to 25	\$ 132	\$ 132
3	Community Development - Planning Blended Hourly Rate	\$100 to 15	\$ 123	\$ 123

Note: CD rates were last updated in 1996.