



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1222

Meeting Date: 6/6/2023

TITLE:

CONSOLIDATED MASTER FEE SCHEDULE

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: CAROL MOLINA, FINANCE DIRECTOR

CONTACT INFORMATION: CAROL MOLINA, FINANCE DIRECTOR, (714) 754-5036

RECOMMENDATION:

Staff recommends the City Council

1. Open a Public Hearing and take testimony, if any.
2. Adopt a Resolution of the City Council of the City of Costa Mesa, California, Adopting a Consolidated Schedule of User and Regulatory Fees for Various City Services.

BACKGROUND:

Fee-related services typically benefit a particular individual, business, or group. Since these services typically provide a specific benefit, communities often seek to recover all, or a portion of, the costs of providing fee-related services from those benefitting from the service provided. This allows unobligated revenues to be more purposefully directed to funding services provided to the community as a whole (e.g., public safety services).

User and regulatory fees are established by the City Council.

Staff desires to implement a practice of annual review and adjustment of fees. Implementing this practice will provide multiple benefits, including:

- Increasing the availability of General Fund revenues to be used for services and activities available to all Costa Mesa residents and businesses, such as public safety services.
- Keeping pace with general cost inflation.
- Avoiding fee spikes that are more likely to occur when municipalities leave fees unchanged for a multi-year period.
- Providing fee payers, City staff, and City policymakers with a pattern of consistency that provides information for forecasting and decision-making purposes.
- Encouraging generational equity among fee payers by avoiding long-term stagnation of fees followed by significant fee increases.

ANALYSIS:

The main purpose of this action is to consolidate the City's multiple existing user and regulatory fees into one schedule. Consolidating the City's current fees into a one master fee and charges schedule enhances transparency and ease of use for the public when trying to ascertain the cost of City services as opposed to the current practice of searching through various disparate fee schedules. It will also allow for a more effective annual review and periodic update of fees. Accordingly, staff recommends the City Council adopt a consolidated schedule of fees and direct staff to implement an annual review of fees as part of the City's normal course of business operations. Typically, a cost-of-service study is anticipated to be completed every three to five years, with incremental updates occurring in the years in between any comprehensive studies, if the Council so chooses.

Additionally, the City Council may authorize an annual inflationary adjustment to certain fees. However, staff is recommending not to make any changes for CPI increases at this time while the data conversion and testing processes for the City's new comprehensive Land Management System is underway.

Authorized annual adjustments to building fees have been in place since 2018. If the City Council authorizes CPI adjustments, it will allow for an automatic adjustment to various fees based on the Consumer Price Index - All-Urban Consumers for the Los Angeles-Long Beach-Anaheim, CA region (CPI-U). The inflationary adjustment will be effective July 1 of each year, to align with the City's fiscal year, and will be based on the annual CPI-U change of the immediately preceding year, not to exceed an increase of five percent (5%) per year.

If the CPI remains stagnant or experiences a decline, no change shall be made to the fee schedule for that year unless an adjustment is made to targeted cost recovery levels or fee study findings indicate that an adjustment is appropriate.

- Fees that can be adjusted annually are identified in the Schedule of User Fees with a "Y" in the column labeled "Allowable."
- Staff reviewed the fees with FiPAC. Fees not recommended by FiPAC for annual adjustment, or due to State limitations, are marked with an "N" in the column labeled "Option 2". These are primarily Recreation and Facility Rental Fees.

While the proposed action provides for an annual review and update of fees, during the course of the year the City Council may elect to adopt new fees, modify existing fees, or repeal existing fees. As these changes are made, the consolidated fee schedule will be updated to reflect the changes.

The most recent annual change in regional CPI was 7.45%. Consequently, if the City Council approves the annual inflationary adjustment to fees, the adjustment for Fiscal Year 2023/24 will be 5% (based on annual inflation, not to exceed 5%).

Staff intends to conduct periodic studies that will identify the City's full cost of providing fee-related services based on current labor rates and service delivery methods. These studies will provide an opportunity to recalibrate fees based on cost-of-service findings and adjustments to targeted cost recovery levels. The results will be brought to City Council at a future date.

ALTERNATIVES:

The City Council may choose to increase the CPI, or any fees that are eligible, or adopt Option 2 which includes the recommended fees that are not to be increased by the CPI as per FiPAC by resolution and provide direction to staff.

FISCAL REVIEW:

There is no fiscal impact associated with the Consolidated Fee Schedule. However, if the City Council chose to increase eligible fees by the value of the COI, the anticipated revenue is \$200,000. It is important to note that while adjusting fees and billing rates will provide a fiscal impact in the form of additional revenue; the revenue is not intended to be used to fund new services, rather the revenue is intended to offset the costs of providing existing services that are recoverable from fees. Authorizing an annual inflationary adjustment to fees simply allows the City to better recoup its costs.

LEGAL REVIEW:

The City Attorney's Office has reviewed this agenda report and approves as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Achieve Long-Term Fiscal Sustainability

CONCLUSION:

It is recommended that the City Council approve the attached resolution consolidating the City's fees and charges into one master fee schedule for the City of Costa Mesa.