Legislation Text

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TITLE:

PARKS AND RECREATION PROPOSED USER FEE INCREASES

DEPARTMENT: **FINANCE**

PRESENTED BY: **ANNA ACOSTA-REYES, FINANCE MANAGER**

CONTACT INFORMATION: **ANNA ACOSTA-REYES, FINANCE MANAGER, (714) 754-5219**

RECOMMENDATION:

Staff recommends that the Parks and Recreation Commission review and approve proposed user fee increases to become effective for Fiscal Year 2026-2027.

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 benefiting from the service provided. This allows unobligated revenues to be more purposefully directed to funding services provided to the community (e.g., public safety services).

User and regulatory fees are established by the City Council.

On June 6, 2023, the City Council approved the consolidated schedule of user and regulatory fees for various city services. The purpose of this action was to consolidate the City's multiple existing user and regulatory fees into one schedule and implement a practice of annual review and adjustment of fees. Implementing this practice will continue to 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.

The consolidated schedule enhances transparency and ease of use for the public when trying to ascertain the cost of City services. The City Council adopted the consolidated schedule and directed staff to implement an annual review of fees as part of the City's normal course of business operations.

The City entered into an agreement with Clear Source Financial Consulting to conduct a comprehensive User Fee Study to determine the cost of providing these services and ensure that user fees and charges do not exceed the costs of providing these services, Attachment 1.

ANALYSIS:

California cities regularly conduct these studies to justify fee amounts imposed and to optimize the overall portfolio of revenues available to the municipality to fund its services. Industry practice and fiscal conditions in the state have led most cities to link cost recovery for services of individual action, cause, or benefit to that same individual through user fee revenue, relieving the agency's general revenues as much as possible for use toward services of broader community benefit.

User and regulatory fees are intended to cover all, or a portion of, the costs incurred by the City for providing fee-related services and activities that are not otherwise provided to those not paying the fee. California law provides guidance regarding the amounts the City may charge for fee-related services and activities. Specifically, to avoid being considered taxes, the fees charged shall not exceed the estimated reasonable cost of providing the services, activities, or materials for which fees are charged.

The services for which the City imposes a user or regulatory fee typically derive from an individual person or entity's action, request, or behavior. Therefore, except in cases where there is an overwhelming public benefit generated by the City's involvement in the individual action, a fee for service ensures that the individual bears most, if not all, of the cost incurred by the City to provide that service. When a fee targets "100% or full cost recovery," the individual is bearing the entirety of the cost. When a fee targets less than full cost recovery, another City revenue source - in most cases, the General Fund - subsidizes the individualized activity.

Generally, fees for service are targeted to full cost recovery, inclusive of operating, direct, indirect, and capital costs, except in cases where the City Council cites a public interest in lower fees (e.g., parks and recreation fees). The City may also be influenced by market conditions, comparing to municipalities of similar size and service profile.

As part of this comprehensive study, recreation fees such as requests for reserved use of City fields and facilities were included. The following table shows the summary of the proposed changes for Recreation fees.

Table 1 – Summary of Changes to Fee Examined

Description	Count
New Fees	1
Fees Proposed to Increase	5
Fees with Changes that Vary Based on Project Criteria (May Result in Increase or Decrease)	1
Fees Proposed to Remain Unchanged	61
Total Fees Examined	69

The amount of projected revenue increase is estimated at $71,000.

ALTERNATIVES:

1. Continue with current fee levels for Fiscal Year 2026-2027, making no adjustments at this time
2. Implement a consistent, across-the-board fee adjustment for all applicable programs, activities, and facility rentals.

FISCAL REVIEW:

The anticipated revenue is estimated at $71,000. It is important to note 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 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:

- Achieving Long-Term Fiscal Sustainability

CONCLUSION:

Staff recommends that the Parks and Recreation Commission review and approve proposed user fee increases to become effective for Fiscal Year 2026-2027.