



Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee

FROM: Bruce Moe, Finance Director
Henry Mitzner, Controller
Steve S. Charelian, Revenue Services Manager

DATE: June 16, 2016

SUBJECT: Proposed FY 2016-17 to FY 2018-19 Cost Recovery Fee Update

RECOMMENDATION:

Staff recommends that the Finance Subcommittee discuss and provide direction on the proposed FY 2016-17 to FY 2018-19 Cost Recovery fee update. Ultimately, any proposed fees will be presented to the City Council for adoption as a public hearing at the June 21, 2016 City Council Meeting.

FISCAL IMPLICATION:

Under current City policies, staff estimates the new rates will result in approximately \$60,000 to \$550,000 additional revenue based on the estimated volumes by user fee. It is important to note, that these fees represent cost recovery on behalf of the general taxpayer, for services that are discretionary on the part of the user. **Should the City not recover 100 percent of its costs for these services, the general taxpayer will subsidize the activity.**

BACKGROUND:

In July 2014, the City contracted with Matrix Consulting Group to update the Cost Allocation Plan (CAP), and conduct a Citywide User Fee Study. These studies were completed and presented to the Finance Subcommittee in March 2015. In April 2015, during the City Council meeting that resulted in the adoption of the CAP and User Fee studies, it was suggested that once completed and adopted, the City's new three year Memorandum of Understanding (MOU) would likely increase employee fully burdened rates. The adjustments therefore should be incorporated annually, as approved increases occur in order to recover the cost.

Staff was asked to bring back updated cost recovery fee tables which include the MOU-updates to the fully burdened hourly rates. In January 2016, the MOU negotiations were completed and approved and the first of three increases, relating to personnel salaries for all bargaining units was initiated. The adjustment to the fully burdened rate for all bargaining units, cover Fiscal Year 2016-17 through 2018-19 from 2.0% to 3.75% respectively.

DISCUSSION:

In March 2016, staff contracted with Matrix Consulting Group to update the citywide user fees and incorporate updated personnel cost reflect the full cost of providing services for the recently updated MOU's from City bargaining units. Additionally, during this update staff reviewed the new planning and building valuation (including inspection) tables which were implemented on July 1, 2015. This update did not include any changes to the cost allocation plan adopted in April 2015. It is considered best practice to complete a full cost allocation plan every four years.

During the 2015 study, our consultants identified that the Building Division was using a sliding scale established in the Uniform Administrative Code by the international Conference of Building Officials in 1997, to set Building and Plan Check fees. That valuation-based slide fee table structure was under-recovering in almost all of the valuation categories. At that time, the City revised its fee structure for those items to a sliding scale based on actual costs and time associated with City processes. In order for valuation-based fees to comply with Prop 218, they need to be based upon actual costs and time associated with the City's processes.

In addition to the MOU updates, the City identified that plan checks and building valuations (including inspections) greater than \$300,000 were not fully recovering costs. Staff provided Matrix with updated time estimates and revised the fee schedule to better reflect the services being provided by the City. The updated fee schedule represents full cost recovery for Plan Check and Building permits (including inspections) for all categories. This update also includes two additional valuation points to better recover actual cost for projects valued between \$3.5 and \$7.5 million, as well as projects valued at greater than 7.5 million.

On June 6, 2016, staff notified the Building Industry Association of Southern Californian (BIA), The Gas Company (So Cal Gas), and Southern California Edison (SCE) of the proposed fee updates to comply with California Government Code Section 66016. Staff also notified other stakeholders in the Downtown Business Improvement District (BID), North Manhattan Beach BID and the Chamber of Commerce. In addition, electronic notifications were sent to over 250 Community Development industry contacts which include: contractors, owner-builders, sub-contractors, architects etc. The public hearing was properly noticed in the June 9, 2016 edition of The Beach Reporter.

If the Finance Subcommittee concurs with the staff recommendation, the updated Cost Recovery fees from FY 2016-17 to FY 2018-19, will be presented as a public hearing at the June 21, 2016 City Council meeting.

- Attachments: A. Citywide Cost Recovery Fee Update Memorandum (Matrix Consulting)
B. FY 2016-17 to 2018-19 Cost Recovery Fee Schedule