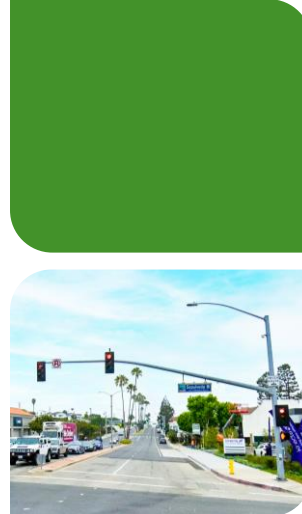


City of Manhattan Beach

Results of the Cost Allocation Plan & User Fee Study



April 15, 2025 – City Council Meeting



Overview

1. What is a Cost Allocation Plan
2. What are User Fees
3. Objectives and Scope of the Study
4. Fee Changes by Department
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What is a Cost Allocation Plan

The purpose of a Cost Allocation Plan (CAP) is to:

1. Ensure the City is maximizing the recovery of indirect costs from operating departments, as well as enterprise and other chargeable funds and capital projects
2. Set a solid foundation for the User Fee Study as the CAP captures the full cost of services (including internal overhead) which gets factored into the user fees
3. Achieve the maximum cost recovery by identifying and distributing administrative costs in a fair, comprehensive, well documented, and fully defensible method

What are User Fees

- Provide private benefit with limited or no community benefit
- State law requires that:
 - 1) Individual use of the service must be voluntary, and
 - 2) Fees must reasonably relate to the services provided
- Fee levels & cost recovery determined through City Council fee adoption
- Does not include development impact fees, utility rates, taxes, etc.

Why Update User Fees

- Subsidies in services impact the General Fund
 - Private & specific benefit services are subsidized by unobligated funding sources
 - Reduces ability to fund general & community benefits
- Decreased department funding typically results in understaffing and reduces service quality
- Cost recovery knowledge and planning
 - Provides clarity pressures on City resources
 - Enables City to strategize and set fees to benefit of the City and community
 - State requirements for reasonable cost-based fees

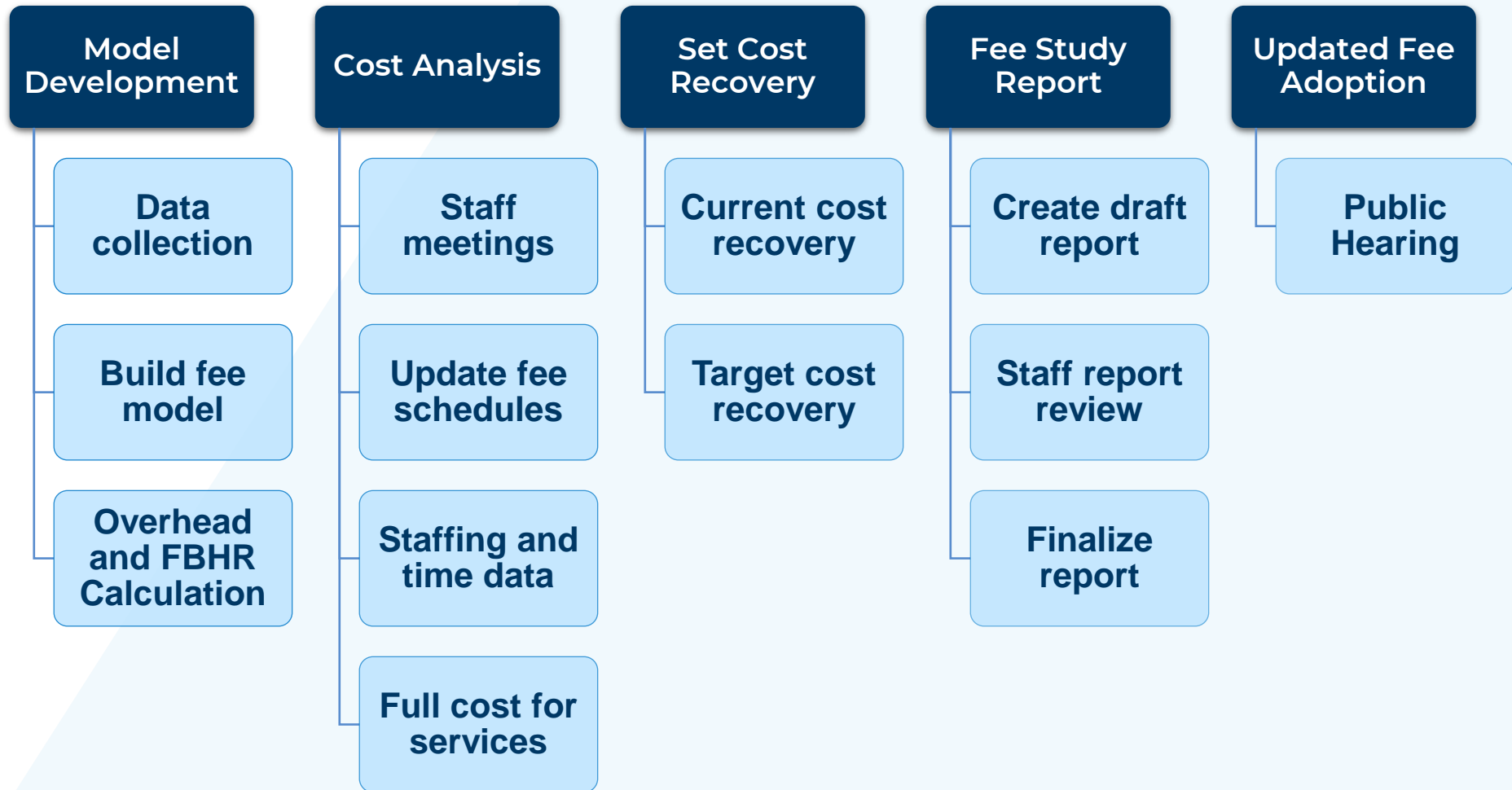
User Fee Objectives & Steps

- Determine full cost of providing services or programs
 - Review fee schedules based on service delivery
 - Identify potential new fees (not currently collected)
 - Reduce or remove fees
 - Using fully-burdened rates, calculate full cost recovery
- Update fees for services based on cost analysis
 - Incorporate or establish cost recovery goals
 - ✓ Subsidies allow access to services and facilitate compliance
 - Identify appropriate fee levels that:
 - ✓ Enhance reasonability and applicability
 - ✓ Maintain consistency with local policies and objectives
 - ✓ Maintain legal compliance with state law

Data & City Staff Participation

- Primary types of data used:
 - Expenditure data
 - Staffing structures
 - Central service/Indirect overhead
 - Productive/billable hours
 - Time estimates to complete tasks
 - City/Department input, feedback and policies
- Staff support throughout process is essential to ensure analysis fidelity

Summary Steps of the Study



Scope of the Study

- Review and calculate cost of providing services and related fees charged by the following:

1. Finance Department
2. Parks and Recreation Fees (Non-program / Activity Related)
3. Management Services - City Clerk
4. Citywide Fees
5. Police Department
7. Public Works Department
8. Community Development Department - Traffic Engineering
9. Community Development Department - Planning
10. Community Development Department - Building

Factors that Affect Fees

Various factors affected the City's fees as follows:

- **Increased fees** - Caused by results of the comprehensive review of all personnel and external costs involved in providing a service. Staff identified missing costs that were not captured in last Study.
- **Decreased fees** - Caused by efficiencies identified (services require less time to complete) and by changes in personnel providing the services.
- **New fees** - Identified as services that had no previous cost recovery mechanism and were otherwise fully subsidized by the City.
- **Eliminated fees** - Identified by evaluating fees that are no longer applicable or otherwise obsolete.
- **Fees with no change** - Resulted from no change in methodology or are fees set by state statute/law, are market driven, are deposit based, or previously set to recover “actual costs” in which the method remains the same.

Fee Changes by Department

Department / Fee Group	Number of Fees					TOTAL (excluding Eliminated)
	Increasing	Decreasing	New	Not Changing	Eliminating	
Finance	5	1	0	11	0	17
Parks and Recreation	6	0	0	5	1	11
MS - City Clerk	0	0	0	8	0	8
Citywide Fees	1	0	1	1	0	3
Police	18	1	0	5	2	24
Fire	5	29	14	7	0	55
Public Works	13	4	2	6	8	25
CD - Traffic Engineering	4	2	1	2	0	9
CD - Planning	63	23	33	9	3	128
CD - Building*	90	27	28	10	8	155
Total	205	87	79	64	22	435

*Combination Fee table would be set at full cost recovery

Review Comprehensive Fee Schedule

Will review Comprehensive Fee Schedule one Department at a time, along with Schedule of New Fees and Eliminated Fees

Comparative Analysis of other Cities

Will review Survey of other City Fees at this time

Policy Considerations

- General standard: individuals or groups who receive private benefit from service should pay 100% of cost
- In certain situations, subsidization is an effective public policy tool:
 - Encourage participation
 - Ensure compliance when cost is prohibitive to residents
 - Promote access to services
- Recommend that City utilize compensation factor or CPI to annually adjust fees
- Comprehensive analysis every 5 years

Policy Considerations

Fees Set by previous Council Policy

Category	Description	Current	Full Cost	Annual QTY
POLICE				
Block Party Permit	Review an application for a block party.	\$50.00	\$209.00	24
COMMUNITY DEVELOPMENT - TRAFFIC ENGINEERING				
Parking Request	Administrative Review of a parking-related issue, such as a request for a red zone or disabled parking space.	\$100.00	\$674.00	235
Traffic Request	Administrative Review of a limited scale traffic-related issue, such as a request for installation of a crosswalk or traffic calming measure.	\$100.00	\$701.00	0
Stop Sign Request (2nd Request)	Processing a request to install a stop sign following initial denial / approval.	\$500.00	\$2,783.00	0
COMMUNITY DEVELOPMENT - PLANNING				
Appeal to CC - Administrative Decision	Appeal of an administrative decision to the City Council	\$500.00	\$3,983.00	0
Appeal to CC - PC Decision	Appeal of a Planning Commission decision to the City Council	\$500.00	\$2,925.00	1
Appeal to CC - PPIC Decision	Appeal of a traffic-related or encroachment-related decision of the Parking and Public Improvement Commission to the City Council	\$500.00	\$1,772.00	0
Appeal to PC - Administrative Decision	Appeal of an administrative decision to the Planning Commission	\$500.00	\$4,055.00	0

Policy Considerations

Fees Set by previous Council Policy

Category	Description	Current	Full Cost	Annual QTY
COMMUNITY DEVELOPMENT - PLANNING				
Conservation District Designation	Application to create a conservation district	\$1,000.00	\$8,935.00	0
Economic Hardship Exception	Planning Commission review of a request for an Economic Hardship Exception	\$0.00	\$3,737.00	0
Historic Landmark Designation	Application for historic landmark designation	\$1,000.00	\$6,567.00	0
Historic District Designation	Application to create a historic district	\$1,000.00	\$8,935.00	0
COMMUNITY DEVELOPMENT – BUILDING				
Solar Permit Plan Check and Inspection	Residential (State Max is \$450 - Government Code 66015 - Maximum)	\$100.00	\$450 plus \$15 per kWth over 10kWth	117
	Commercial up to 50 kw (State Max is \$1,000 - Government Code 66015 - Maximum)	\$100.00	\$1,000.00	28
	Commercial 51-250 kw (State Max is \$1,000 - Government Code 66015 - Maximum)	\$100.00	\$1,000 plus \$7 per kW 51-250kw	

Cost Recovery Realized

- Past and projected fee activity and revenues were used to estimate revenue impacts of the fee changes

Department/Division	FY 24/25 Budgeted Cost	Indirect Overhead	Total Cost	FY 24/25 Budgeted Revenue	Current Cost Recovery	Projected Revenue Change	Updated Cost Recovery
MS - City Clerk	999,445	-	999,445	5,000	1%	-	1%
Citywide Fees	NA	NA	768,339	459,551	60%	308,788	100%
CD - Building	3,647,153	1,250,941	4,898,094	4,622,868	94%	275,226	100%
CD - Planning	1,844,250	632,561	2,476,811	593,805	24%	517,636	45%
CD - Traffic Engineering	490,570	168,261	658,831	70,000	11%	188,626	39%
Fire	700,894	404,195	1,105,089	403,386	37%	(125,484)	25%
Parks & Recreation	7,275,018	3,853,601	11,128,619	4,718,407	42%	6,397	42%
Police	26,953,913	16,040,664	42,994,577	2,827,250	7%	35,636	7%
Public Works	8,782,509	2,245,118	11,027,627	975,700	9%	295,459	12%
TOTAL	50,693,752	24,595,341	76,057,432	14,675,967	19%	1,502,284	21%

*The above table does not include revenue effects of new fees as participation is unknown

Based on results from the User Fee Study, adjusting citywide user fees would allow the City to realize an estimated \$1,502,284 in additional user fee revenue recovered annually that would have otherwise been subsidized by the City

Next Steps

- If adopted, the new Citywide and building related fees will go into effect July 1, 2025
- Pursuant to Resolution No. 25-0020, the user fees will set to adjust on July 1st in the years going forward based on any salary increase/decrease per the future Memoranda of Understanding with City Employee bargaining groups

Questions



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