



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 25, 2012 REPORT NO: 12-071

ATTENTION: City Council
Agenda of June 11, 2012

SUBJECT: Fiscal Year 2013 Comprehensive User Fee Analysis

REFERENCE: None

REQUESTED ACTION:

Approve proposed user fees for Fiscal Year 2013.

STAFF RECOMMENDATION:

Approve proposed user fees for Fiscal Year 2013.

BACKGROUND:

The City's User Fee Policy 100-05, which was adopted by the City Council on March 10, 2009, provides guidelines for establishing a comprehensive user fee schedule and requires that the full cost of services be identified and all fees be categorized according to the level of cost recovery. The Policy requires all existing fee levels be in line with service costs to ensure that all reasonable costs incurred in the provision of services are being recovered. Per the User Fee Policy, a comprehensive user fee study is conducted every three years.

The User Fee Policy stipulates three categories of cost recovery: user fees with 100% cost recovery (Category I), user fees with less than 100% cost recovery (Category II), and penalties and fines (Category III). This report groups the recommended user fee adjustments into these three categories.

Since the Fiscal Year 2009 comprehensive user fee study was completed, voters approved Proposition 26, the Supermajority Vote to Pass New Taxes and Fees Act, as part of the November 2, 2010 ballot. Proposition 26 amends articles XIII A and XIII C of the California Constitution to provide that a levy, charge, or exaction of any kind imposed, increased, or extended by a local government is a tax unless an exception applies. Exceptions to Proposition 26 include user fees; government service or product fees; regulatory fees; government property entrance fees; fines and penalties imposed by a court or local government; property development impact fees; and assessments and property-related fees governed by Proposition 218. The City Attorney's Office has reviewed all proposed Fiscal Year 2013 user fee adjustments for compliance with Proposition 26.

FISCAL YEAR 2013 COMPREHENSIVE USER FEE ANALYSIS:

In accordance with the User Fee Policy, Financial Management has coordinated a comprehensive analysis of General Fund departments' user fees during Fiscal Year 2012. While 585 General Fund user fees were reviewed as part of this comprehensive analysis, only user fees proposed for adjustment are being presented for City Council approval. Adjustments to General Fund departments' user fees that are approved by City Council will be implemented July 1, 2012 with commencement of Fiscal Year 2013. This comprehensive user fee study does not include enterprise fund departments as those user fees are brought forward for approval separately.

The following General Fund departments are proposing user fee adjustments for the Fiscal Year 2013:

- City Clerk's Office
- Development Services Department – City Planning and Community Investment Division
- Development Services Department – Neighborhood Code Compliance Division
- Financial Management Department – Citywide User Fees
- Fire-Rescue Department
- Library Department
- Police Department
- Public Utilities Department – Lakes Management Division
- Real Estate Assets Department
- Transportation and Storm Water Department
- City Treasurer

It was originally anticipated that the Park and Recreation Department would participate in the Fiscal Year 2013 comprehensive user fee analysis. However, due to the quantity and complexity of the department's fee structure, as well as the importance of developing accurate cost calculations as it relates to Proposition 26, the Park and Recreation Department will be contracting with a consultant to complete a user fee study. The department has approximately 350 individual user fees. Recommended user fee adjustments for Park and Recreation will be brought forward once the consultant study has been completed.

As a result of the comprehensive analysis of General Fund user fees, there are a total of 168 user fees being presented for adjustment. Of the user fees proposed for adjustment, 44 are proposed to decrease, 100 are proposed to increase and 24 are proposed to be eliminated. This summary of user fees proposed for elimination is five greater than previously presented to the Budget and Finance Committee to properly account for all fees proposed for elimination by the Police Department. The estimated increase in General Fund user fee revenues from the proposed adjustments included in the Fiscal Year 2013 Proposed Budget was \$1.1 million. All of the participating General Fund departments' proposed user fee adjustments are detailed in Attachment I.

The departments proposing user fee adjustments for Fiscal Year 2013 conducted public outreach to communicate the proposed adjustments to the impacted stakeholders, as necessary. Each department with proposed user fee adjustments prepared a report and presentation for the Budget and Finance Committee meeting held on April 25, 2012 which included the proposed fee adjustments as well as the efforts made to communicate the proposed user fee adjustments to impacted stakeholders. These individual department reports and Proposition 26 compliance memos are provided for reference as Attachment II. The Real Estate Assets Department (READ) has revised the report submitted to the Budget and Finance Committee to clarify the method used in arriving at the proposed user fees and removed reference to the consumer price index. The user fee amounts READ presented to the Committee are unchanged.

COST RECOVERY CALCULATION METHODOLOGY:

The method used in calculating the amount of a user fee begins by determining the cost of providing the service for which the fee is being charged. The cost recovery calculations are based on direct and indirect costs for all fees in order to accurately calculate the cost of providing services. Direct costs are those that can be fully attributed to providing a specific service. An example of a direct cost is the staff time spent performing tasks related to a specific service and includes employee salary and benefits. Indirect costs include allocated central support service costs (IT, risk management, fleet assignment and usage fees, etc.), departmental support costs, and the full cost associated with staff providing the service.

FISCAL CONSIDERATIONS:

The Fiscal Year 2013 Proposed Budget included an increase in General Fund revenues of \$1.1 million. Attachment I: Proposed FY 2013 User Fee Adjustments Summary provides an overview of the General Fund departments' proposed user fee adjustments.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On April 25, 2012, the Budget and Finance Committee moved to forward the proposed user fee adjustments to the City Council with the Police Department, Fire/Rescue Department, Development Services Department and Financial Management Department to provide additional information on various fees.

Police Department

Budget and Finance Committee members requested additional information from the Police Department on the Pawnshop and Secondhand Dealer permit fees. Currently, the annual permit fee for a Pawnshop is \$249 while the annual permit fee for a Secondhand Dealer is \$123. For Fiscal Year 2013, the proposed Pawnshop annual permit fee is \$851 and the proposed Secondhand Dealer annual permit fee is \$153. These proposed annual permit fees are based on the Department's cost of permitting and regulating each of these businesses types.

While the Police Department staff supports the proposed fee adjustments as presented to the Budget and Finance Committee, the Department determined that some Secondhand Dealers are

more closely aligned with Pawnshops because they deal with tangible property. An alternative was developed for adjusting the Secondhand Dealer classifications for grouping the various businesses. Based on the existing business classifications there are approximately 61 permitted Pawnshops and 387 permitted Secondhand Dealers. As an alternative, the business-types were reclassified as Pawnshop/Secondhand Tangible and Secondhand Non-Tangible. This change in classification would result in approximately 270 permitted Pawnshop/Secondhand Tangible businesses and approximately 160 permitted Secondhand Non-Tangible businesses. The fee for Pawnshop/Secondhand Tangible businesses would become \$315 while the fee for Secondhand Non-Tangible businesses would become \$162. The below table provides a summary of the options available for permitting Pawnshops and Secondhand Dealers.

Proposed on April 25, 2012

	Est. No. of Permits	FY 2012 Current Fee	FY 2013 Proposed Fee
Pawnshop	61	\$249	\$851
Secondhand Dealer	387	\$123	\$153

Alternative

	Est. No. of Permits	FY 2012 Current Fee	FY 2013 Proposed Fee
Pawnshop/Secondhand Tangible	270	\$249 / \$123	\$315
Secondhand Non-Tangible	160	\$123	\$162

Fire/Rescue Department

The Fire Prevention Bureau facilitated extensive stakeholder outreach efforts on April 19, 2012 to address proposed user fee changes to the Fire Company Inspection Program (FCIP), Combustible, Explosive and Dangerous Material (CEDMAT), and Technical Services. Representatives from the following organizations attended:

- Food and Beverage Association
- Sanford-Burnham
- Hines Property Management
- SD County Apartment Association
- Building Owners and Managers Association (BOMA)
- National Association of Industrial and Office Parks (NAIOP)
- Industrial Environmental Association (IEA)
- BIOCOM

Subsequent to the Budget and Finance Committee meeting on April 25, 2012, no further inquiries or requests for information have been received by the Department. Additionally, during the outreach sessions, the Fire Marshall addressed questions and extended an invitation to those in attendance to meet with the Fire Marshall and Assistant Fire Marshall to discuss specific concerns. Although no specific requests were presented from stakeholders at the Budget and Finance Committee meeting, the Fire Marshall is committed to establishing a productive

relationship with the various industry representatives to acknowledge and address relevant issues affecting services and user fees. The Fire/Rescue Department continues to support the user fee recommendations presented to the Budget and Finance Committee.

Development Services Department

Following the Budget and Finance Committee meeting on April 25, 2012, the Development Services Department conducted additional public outreach to inform impacted stakeholders of the proposed increase in General Plan Maintenance Fee. A presentation detailing the proposed increase was provided to the NAIOP Legislative Affairs Committee on May 3, 2012 and to the BOMA Government Affairs Committee on May 21, 2012.

Financial Management – Revenue Impact

At the request of the Budget and Finance Committee members, Attachment I: Proposed FY 2013 User Fee Adjustments Summary provides an overview of the user fees proposed for adjustment and details the estimated impact on revenues.

Financial Management – Citywide User Fees

In an effort to improve cost recovery and standardize the amount charged for common services, Financial Management is requesting the addition of three citywide fees all related to public requests for information: a computer services fee, a paper copy fee and a portable document format (PDF) copy fee. Each proposed fee is briefly discussed below.

As stated in San Diego Administrative Regulation (AR) 95.20, section 3.3, it is the policy of the City to recover the cost of producing records to the extent allowed by law in response to civil subpoenas and Public Records Act requests. Furthermore, AR 95.20, section 4.4, discusses the process by which the City shall provide records in electronic format when requested and recover the cost of producing a copy of the electronic records, including the cost to construct the record, and the cost of programming and computer services necessary to produce a copy of the records.

Citywide Computer Services Fee. As explained in the report to the Budget and Finance Committee, the proposed Citywide computer services fee would establish a consistent charge associated with compiling, extracting, and programming data in response to a request for a public record as allowed under the California Public Records Act, and is authorized by California Government Code section 6253.9. The new Citywide computer services fee is proposed at \$0.70 per minute.

Citywide Paper Copy Fee. The proposed Citywide paper copy fee would create a standard fee across all departments for the direct cost of duplicating a document. Financial Management performed a study to determine the amount that each department should charge to make a copy. The proposed \$0.25 per page fee is based on copier costs as described in the contract between the City and Sharp Business Systems; the 20 seconds it would take for a Deputy City Clerk and

Administrative Aide II to make a copy based on their average hourly rates; and the \$0.01 cost for a sheet of paper.

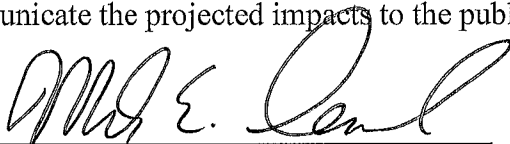
Citywide PDF Copy Fee. The City often provides a PDF copy by electronic mail (e-mail) to those who request public records. This requires a City employee to scan the requested record using the copy machine; to send the PDF to his or her e-mail account; and to then electronically mail the PDF to the requestor. As is the case with the proposed copy fee, the City may recover direct costs associated with duplication. The creation of a PDF involves the same resources as the creation of a copy and, therefore, a \$0.25 per page fee was proposed at the meeting on April 25, 2012.

At the request of the Budget and Finance Committee on April 25, 2012, the Financial Management Department, the City Clerk, and the City Attorney's Office met to discuss the possibility of establishing a partial fee waiver. Based on that meeting, the original Fiscal Year 2013 fee proposal pertaining to PDF copies only is amended. Staff recommends a minimum threshold of \$5.00 be applied to requests for PDF copies. Thus, for requests for 20 or fewer copies provided by PDF in response to a Public Records Act request would be provided to the requestor at no charge. A request for more than 20 PDF copies would be provided at a cost of \$0.25 per page. The waiver is justified by the City's effort to encourage the City's customers to utilize paperless options, which supports the environment and the delivery of more efficient services. The minimum threshold was developed based on the estimated amount of staff time required to prepare and process an invoice for a records request. Most record requests are for a nominal number of pages and the cost of the staff time required to invoice for those copies would be greater than the cost of the copies. It should be noted that no fees will be charged for the inspection of a City record.

Finally, the estimated revenue generation from the proposed Citywide computer services fee, paper copy fee and PDF copy fee is unknown. Currently, revenues received from copy fees are not consistently tracked across departments and therefore an estimate of projected revenues for Fiscal Year 2013 is not available. Although not currently available, revenues from this source will be tracked going forward.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The departments proposing user fee adjustments for Fiscal Year 2013 have conducted public outreach where necessary to communicate the proposed adjustments to impacted stakeholders. Each department's report, which is attached for reference, outlines the specific measures taken to communicate the projected impacts to the public.



Mark Leonard
Department Director

Attachment: Proposed FY 2013 User Fee Adjustments Summary
Department User Fee Reports and Proposition 26 Compliance Memos