



# CITY OF CARMEL-BY-THE-SEA

## AGENDA BILL

AB 1095  
February 29, 2016  
Public Hearing

**TO:** Honorable Mayor and Members of the City Council  
Mike Calhoun, Interim City Administrator

**FROM:** Sharon Friedrichsen, Director of Budget and Contracts

**SUBJECT:** Workshop: Cost of Services Study

<b>AMOUNT OF EXPENDITURE</b>	\$ N/A
<b>AMOUNT BUDGETED</b>	\$ N/A
<b>APPROPRIATION REQUIRED</b>	\$ N/A

### RECOMMENDATION

Receive a presentation by Eric Johnson of Revenue and Cost Specialists, LLC on the draft cost of services study and provide direction.

### SUMMARY

The City currently charges fees for a variety of services performed by departments, such as business registration, tree removal permits, the replacement of library cards, design review, and parking permits. These fees are charged to the specific user(s) of the service to recapture, or offset, the cost of providing the service. In order to determine the current costs of providing services and consider recommendations regarding subsidies, a comprehensive cost study was drafted by Revenue and Cost Specialists, LLC ("RCS"). RCS is an independent consultant firm with expertise in assisting governments with fee studies and financial planning efforts.

The purpose of the workshop is for Eric Johnson of RCS to present the purpose of the study; detail the methodology utilized; review service revenue recommendations and provide policy options to Council. In addition, Mr. Johnson will present some examples of services that include a comparison of the fee schedule for several other Monterey Peninsula cities. Council will have the opportunity to ask questions and provide direction regarding policy options and the implementation process. However, there will be no action taken regarding the current or proposed fees. Any proposed change in fees would occur at a later time as part of a regularly scheduled Council meeting and require adoption of a fee resolution.

The study is intended to provide a systemic and documented approach to understanding the cost of services and to consider options regarding recapturing costs; thus, making it a useful financial planning and budgeting tool. A significant amount of time was spent by departmental staff and the consultant in identifying services and calculating the cost of the service, which is continued within the study's cost detail worksheets and shows the activity, the amount of staff time allocated to the activity and the

associated cost. The cost of service for five service groups (Community Building and Planning, Public Works, Public Safety, Community Activity and Library Services and Administrative Services) was then matched with the current amount of revenue to determine whether a tax subsidy existed. Based upon this analysis, Council may consider policy options pertaining to each service center such as: (1) reducing costs of service and any tax subsidy by reducing the level of service or restructuring the way the service is delivered; (2) adjusting or instituting a fee or charge to recover all of the "reasonably borne cost"; or (3) eliminating the tax subsidy to another "less deserving" service to utilize the taxes to provide a service.

In addition to identifying the cost of services and any tax subsidy that may exist, the draft study also provides service revenue recommendations. If the recommendations are fully implemented, then additional revenues will be available to the City. These potential revenues would be in the form of a fee increase and would replace any tax monies currently making up the difference between fees collected and the cost of services. As a result, there would be greater taxpayer equity and opportunities to redirect tax monies to services that can only be funded from taxes.

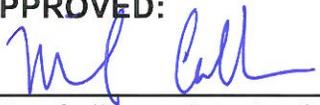
After Council approved the agreement with RCS, departmental staff and the consultant worked in earnest to identify services and their associated costs and develop the draft report. The presentation of the draft report allows Council the opportunity to entertain another workshop if needed and also consider a master fee schedule and resolution as part of a regular Council meeting before the adoption of the Fiscal Year 2016-17 budget in June 2016.

#### PRIOR CITY COUNCIL ACTION

As part of the adoption of the fiscal year 2015-16 budget, Council provided direction regarding undertaking a comprehensive review of citywide fees. Council approved the agreement with RCS for the fee study for a not to exceed cost of \$24,750 on August 4, 2015 via Resolution 2015-057.

#### ATTACHMENTS

1. DRAFT Cost of Services Study for the City of Carmel-by-the-Sea dated January 2016

<b>APPROVED:</b> 	<b>Date:</b> <u>02/25/2016</u>
Mike Calhoun, Interim City Administrator	