



City of Arts & Innovation

Financial Performance and Budget Committee

**TO: FINANCIAL PERFORMANCE AND
BUDGET COMMITTEE MEMBERS**

DATE: MAY 10, 2023

FROM: FINANCE DEPARTMENT

WARDS: ALL

**SUBJECT: PROPOSED USER FEES AND CHARGES ADJUSTMENTS FOR FISCAL YEAR
2023/24 – SET PUBLIC HEARING**

ISSUE:

Receive and provide input on proposed adjustments to the City's user fees and charges and set a public hearing for the adoption of the proposed user fees and charges and resolutions amending the City Fees and Charges Schedule for Fiscal Year 2023/24.

RECOMMENDATIONS:

That the Financial Performance and Budget Committee:

1. Receive and provide input on proposed adjustments to the City's user fees and charges; and
2. Recommend that City Council set a public hearing for the adoption of the proposed user fees and charges and resolutions amending the City Fees and Charges Schedule for Fiscal Year 2023/24 on June 27, 2023.

LEGISLATIVE HISTORY:

Riverside Municipal Code Chapter 3.30.040 establishes the requirements for the annual Schedule of Fees and Charges:

"The City Council shall, at least annually in conjunction with the City annual budget process, receive at a regularly scheduled meeting oral and written presentations concerning fees and charges proposed to be decreased, increased or deleted. At least ten days prior to such public meeting, the City Manager shall make available to the public appropriate data indicating the cost, or estimated cost, required to support the fees and charge for which changes are proposed to be made or fees or charges imposed. The City Manager also shall provide a summary of the present fee and charge schedules and those proposed at such annual public meeting."

BACKGROUND:

On an annual basis and in conjunction with the annual budget process, the Budget Office compiles all active and previously approved fees and charges into a single publication titled “Schedule of Fees and Charges”. If new fees or revisions to existing fees are requested by City departments during this same timeframe, those requests are presented at a public hearing conducted by the City Council; if approved by the City Council, the fees are added to the Schedule of Fees and Charges.

The following summarizes the changes to fees and charges approved by City Council action since the last compilation of the Schedule of Fees and Charges. For ease of review, the Library update is highlighted in the attached Fiscal Year (FY) 2022/23 Schedule of Fees and Charges (Attachment 1).

SUMMARY OF CHANGES TO THE MASTER FEES AND CHARGES SCHEDULE			
Council Approval Date	Department: Summary Description	Action Summary	Schedule Page #
04/18/23	Public Works: Public Parking	Update public parking fee schedule	76
01/17/23	Library: Overdue fines	Removal of library fines for overdue materials for adult and juvenile library card holders	33

The annual Schedule of Fees and Charges publications are available to the public at the Finance Department website (<https://riversideca.gov/finance/fees.asp>). Changes approved by the City Council during the fiscal year are listed on the website and incorporated into the next annual publication.

DISCUSSION:

User Fees & Charges Study

A user fee study is typically performed by local governments every 3-5 years to adjust for changing costs and circumstances. Fee studies help manage the City’s growth-related fiscal challenges by aligning supply and demand, reducing subsidization, setting realistic expectations for cost recovery, properly funding needed programs, and creating greater transparency within the community for citywide services.

The last comprehensive update to the City’s user fees and charges was approved by the City Council in September 2015. In March 2021, the City engaged MGT Consulting Group to conduct a comprehensive user fees and charges study (excluding Development Impact Fees). The principal goal of the study is to help the City determine the full cost of the services that the City provides. In concert with that goal, MGT established a series of additional objectives including:

- Developing a rational basis for setting fees;
- Identifying subsidy amount, if applicable, of each fee in the model;
- Ensuring compliance with State law;
- Developing an updatable and comprehensive list of fees; and
- Maintaining accordance with City policies and goals

The study results will help the City better understand its true costs of providing services and will serve as a basis for making informed policy decisions regarding the most appropriate fees, if any, to collect from individuals and organizations that require individualized services from the City.

The fee study also includes a survey that compares similar fees charged by other local government agencies around Southern California. The purpose of the comparative study is to help identify cost similarities and differences between agencies. This information provides additional data to help make informed decisions about proposed fee adjustments, cost allocation, and the resulting effect on City revenue.

MGT Consulting Group collaborated with City staff to gather data based on the FY 2020/21 budget and FY 2019/2020 (pre-pandemic) volume data for analysis in preparation for public outreach. In March 2022, the study was placed on hold due to the impending departure of the City Manager. A new City Manager was selected and began employment with the City in January 2023. In the interim, the cost of providing services has increased, most particularly with City Council approval of salary and benefit adjustments with the City's various labor unions. Additionally, the City has largely recovered from the effects of the pandemic, with fee-related activities returning to normal. As such, the data used for the current fees and charges study must be refreshed to ensure an accurate accounting of the cost of service. The fee study will resume following the adoption of the amended FY 2023/24 Budget which incorporates the fiscal impact of labor negotiations and other cost adjustments.

The Proposed FY 2023/24 Master Fees and Charges Schedule includes all fees and charges previously approved by Council action or proposed for approval through March 31, 2023, and excludes fees no longer being charged.

FY 2023/24 Master Fees and Charges Schedule

With the delay of the fee study and the last study completed nearly ten years ago, the City continues to undercharge for services provided, subsidizing the cost of service with general government revenues. Staff desires to stem the loss of revenue and service subsidy with the adoption of a 7.5% CPI increase for current fees. The proposed FY 2023/24 Master Fees and Charges Schedule (Attachment 1) includes a 7.5% CPI increase to account for current inflation that is in line with the Consumer Price Index (CPI) of Riverside-San Bernardino-Ontario region in November 2022 (12 month). Implementing a CPI component now helps mitigate potentially significant increases to fees and charges when the formal study is completed later this year.

The State Constitution provides the authority for cities to impose user fees and regulatory fees for services and activities; however, the fees may not exceed the estimated reasonable cost of providing the service or performing the activity. Any fees set higher than the estimated total cost of providing the related services would be subject to a popular vote of two-thirds of voters under California Constitution, Proposition 218 because the charge would then be considered a tax and not a fee. Therefore, out of an abundance of caution, staff is proposing fee adjustments to the lesser of 7.5% or the preliminary results of the suspended fees and charges study. Some fees remain unadjusted or are increased by a lesser percentage based on the preliminary fees and charges study, or because the amount is determined by other governmental agencies (e.g., Riverside Transit Authority, County of Riverside, and/or State of California).

Fees for the Museum are excluded due to the closure for renovation; a new Museum fee schedule will be proposed prior to the reopening.

Fees charged by the Electric and Water Departments of Riverside Public Utilities have not traditionally been included in the Master Fees and Charges Schedule; those have been added to the publication to provide a more comprehensive document of citywide fees and charges. These fees are also included in the citywide fees and charges study.

Fees Recommended for Removal

Collections Payment Plan (Finance): The City’s miscellaneous accounts receivable are due and payable in a single lump-sum payment. When a customer requests a payment plan, the City incurs additional costs related to the processing of multiple payments, as opposed to processing a single payment. Individuals may request payment plans due to financial hardship; this payment processing fee may cause a disproportional impact to low-income customers and is therefore recommended to be discontinued.

Library Card Replacement Fee: The Riverside Public Library will be moving from issuing physical library cards to digital cards. Additionally, the cost to replace a lost library card may cause a potential disproportional impact to low-income library users, so the Library Department recommends eliminating this fee.

New Fees and Increases at Fairmount Golf Course

In 2014, the Parks, Recreation and Community Services Department (PRCSD) assumed responsibility for the management and operations at Fairmount Golf Course. The Fairmount Golf course is open seven days a week from 7:00 a.m. – 6:00 p.m.

The Fairmount Golf Course is supported through a combination of fees and General Fund support. The Parks, Recreation and Community Services Department (PRCSD) re-evaluated its golf course fees to generate additional revenue to minimize General Fund support and address operational and maintenance needs at the golf course. The proposed fees for Fairmount Golf Course are based on a market study (Attachment 2) conducted by Staff. Annual rate increases are proposed to meet the market average.

The following golf courses with similar rate categories and affordability compared to other courses in the Inland Empire were selected for the market study:

- Van Buren Golf Course
- General Old Golf Course
- El Prado Golf Course
- Whispering Lakes Golf Course
- Cottonwood Golf Course
- Anaheim Hills Golf Course
- Dad Miller Golf Course

The following City-owned golf courses were included in the market study:

- Whispering Lakes Golf Course which serves residents of Ontario and Upland
- Cottonwood Golf Course serving residents in Moreno Valley
- Anaheim Hills Golf Course and Dad Miller Golf Course serving residents in Anaheim

The goal of the Department is to offer competitive pricing to customers, but still be within the market average. Staff proposes incremental rate increases over the course of three years as follows:

Rentals & Extras Year 1 : July 1, 2023 One-Time Fee Increase		
	Current Fee	Proposed Fee
9-Hole Tournaments w/ Cart	\$ 19	\$ 30
Clubs	\$ 5	\$ 10
Golf Cart	\$ 7	\$ 10
Push Cart	\$ 4	\$ 5
Small Bucket	\$ 5	keep as is
Large Bucket	\$ 8	keep as is
Range Cards 10 Buckets	\$ 65	keep as is
Range Cards 20 Buckets	\$ 105	\$ 120

Current Fees Since November 19, 2019	Year 1 : July 1, 2023 \$2 Playing Cost Increase		Year 2 : July 1, 2024 \$1 Playing Cost Increase		Year 3 : July 1, 2025 \$1 Playing Cost Increase			
	9 Holes	18 Holes	9 Holes	18 Holes	9 Holes	18 Holes		
Weekday - Resident	\$ 13	\$ 21	\$ 15	\$ 23	\$ 16	\$ 24	\$ 17	\$ 25
Weekday - Non-Resident	\$ 14	\$ 23	\$ 16	\$ 25	\$ 17	\$ 26	\$ 18	\$ 27
Weekday - Senior Resident	\$ 9	\$ 13	\$ 11	\$ 15	\$ 12	\$ 16	\$ 13	\$ 17
Weekday - Senior Non-Resident	\$ 11	\$ 17	\$ 13	\$ 19	\$ 14	\$ 20	\$ 15	\$ 21
Weekday - Junior (17 & Under)	\$ 10	\$ 15	\$ 12	\$ 17	\$ 13	\$ 18	\$ 14	\$ 19
Weekend & Holidays - Resident	\$ 15	\$ 25	\$ 17	\$ 27	\$ 18	\$ 28	\$ 19	\$ 29
Weekend & Holidays - Non-Resident	\$ 17	\$ 29	\$ 19	\$ 31	\$ 20	\$ 32	\$ 21	\$ 33
Weekend & Holidays - Senior Resident	\$ 15	\$ 25	\$ 17	\$ 27	\$ 18	\$ 28	\$ 19	\$ 29
Weekend & Holidays - Senior Non-Resident	\$ 17	\$ 29	\$ 19	\$ 31	\$ 20	\$ 32	\$ 21	\$ 33
Weekend & Holidays - Junior (17 & Under)	\$ 13	\$ 21	\$ 15	\$ 23	\$ 16	\$ 24	\$ 17	\$ 25

In FY 2021/22, 70% of golf course expenditures were offset by golf course fees. The Department’s goal is for Fairmount Golf Course to become a self-sustaining enterprise fund with funding set aside for infrastructure maintenance, renovations, and repairs. The golf course is a fee-based facility, so it does not qualify for grant funding for renovations and currently does not have funding set aside when costly repairs are needed, or aging infrastructure needs to be replaced.

PRCSD implemented an outreach campaign to provide the public with an opportunity to voice their opinion on the fee increase. A flyer was posted at the Fairmount Golf Course and social media was used to promote community engagement. Residents also had the opportunity to speak to staff, leave a comment, and/or contact the Department via phone and email. The PRCSD Director met with stakeholders and experts in golf courses for further input on the fee increase.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 - High Performing Government** and **Goal 5.4: Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.**

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust:** The development of the FY 2022/23 Schedule of Fees and Charges is a transparent process that incorporates community engagement, involvement of City Boards & Commissions, and timely and reliable information.
2. **Equity:** User fees are charged to the user for a service provided when the cost of providing that service, and the benefits that service provides, are mainly attributed to that specific person or user. The fee is typically based upon the cost the agency incurs in providing the service but may be set at less than the full cost of providing the service for practical or policy reasons.
3. **Fiscal Responsibility:** The thoughtful and deliberate nature of the City’s Schedule of Fees and Charges demonstrates the City’s commitment to responsible management of the City’s financial resources while providing quality public services to all by ensuring that general revenues such as taxes are not used to pay for services that mainly provide private benefit to individuals.
4. **Innovation:** The proposed CPI fee increase is an innovative solution to preserve general revenues for citywide needs as opposed to subsidizing private benefit to individuals.
5. **Sustainability and Resiliency:** Charging users for services that provide private benefit to recover the cost of providing such service ensures general revenues remain available for community-wide needs.

FISCAL IMPACT:

Fees and charges are intended to offset the cost of providing the services rendered; however, the actual recovery of costs varies per fee. The fiscal impact of increasing fees as detailed in Attachment 1 is a projected revenue increase in FY 2023/24 of approximately \$739,700 in the General Fund; \$145,200 in the Electric Fund, and \$68,000 in the Water Fund, for a citywide total of \$952,900.

Department	FY 2023/24 Projected Revenue Impact
28 - Arts & Cultural Affairs	\$ 1,300
28 - Building & Safety	311,400
28 - Code Enforcement	11,700
28 - Planning	131,000
23 - Finance	(1,200)
35 - Fire	61,100
51 - Library	(3,400)
12 - City Clerk	0
52 - Parks, Recreation, & Community Services	149,200
31 - Police	22,800
41 - Animal Control	33,100
41 - Engineering	22,700
61 - Electric	145,200
62 - Water	68,000
Projected Revenue Impact Total	\$ 952,900

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Attachments:

1. FY 2023/24 Proposed Master Fees & Charges Schedule
2. Fairmount Golf Course Market Study
3. Presentation