

Comprehensive User Fee Study

Fire & EMS, Library, Parks & Recreation,
Police including Animal Care and Code Enforcement

City Council Presentation
December 12, 2017



User Fee Presentation Overview

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**Highlights of Study
Findings, Next Steps**



Tax vs. User Fee

Taxes are:

- a charge imposed on persons or property to raise revenue in order to support government
 - not levied in proportion to a specific benefit to a person or property
 - not linked to a cost of providing a service
-

User fees can be described as a charge that is:

- **Paid in exchange for City services** which benefit the specific party paying the fee, and is not shared by other citizens
- **Paid by choice** since the party paying the fee has the option of not utilizing the service and can avoid the charge
- **Paid to compensate the City** for the expense
- **Based on fair cost recovery** (direct/indirect costs)
- Examples are licenses, permits, code enforcement, etc.



Fees Cannot Exceed Cost of Services

Best Practice

- Identifies full costs (direct and indirect)
- Aids in better financial and budgetary decisions
- Informs discussion on setting appropriate fees vs. subsidizing
- Provides the legal framework for setting fees
- Provides a sound, legally defensible basis for fees

Legal Implications:

- All cities assess fees for services
- Texas cities receive broad authority to govern and raise revenue but are prohibited from assessing unauthorized taxes
- Courts can find fees to be illegal in excess of the amount set by law or needed to provide the service
- Fees must be justified in a defensible cost analysis

**Validate
Every 3-5
years**



Fees Included in the Study

Fire



EMS



Police

Libraries



Comprehensive
User Fees

Code
Enforcement



Parks &
Recreation



Animal
Care



Scope of Work

- Conduct a user fee study to calculate the full cost of providing services for specified departments
- Includes evaluating existing fees as well as new fees
- Use methodology recommended by *GFOA*
- Recommend cost recovery strategies and identify best practices in setting fees
- Provide a user-friendly model that can be updated internally in future



Methodology

A “**bottom up**” approach to most user fees:

- Identify all direct staff time spent on the fee related activities or services
- Calculate direct cost of the staff for each fee using productive hourly rates
- Determine administrative or “overhead” costs (department & citywide)
- Compare total costs to the current fee schedule
- Recommend fee adjustments



Methodology – Cost Components

- Full Cost comprehensive approach involves detailed analysis of cost components.

Cost Component	Contents
Direct	Departmental budget: salaries and benefits, services, and supplies
Indirect	Divisional: departmental and city-wide overhead
Cross-departmental	Review by other departments
Plans, policy, and systems maintenance	Projected technology costs, comprehensive plan update, zoning and building code enforcement, etc.



Study Findings

- Most of the fee-related services generate less revenue than the actual cost of providing services
- Pricing should not necessarily equal full cost



Summary: Current & Recommended

FY 2016-17

	CURRENT						RECOMMENDED		
User Fee Department	(A) Costs, User Fee Services	(B) Current Revenue		(C) Current Subsidy		(D) Cost Recovery Policy		(E) Increased (Decreased) Revenue	
Fire	\$ 50,640,344	\$ 5,764,460	11%	\$ 44,875,884	89%	\$ 9,454,706	19%	\$ 3,690,247	
Library	\$ 707,203	\$ 59,665	8%	\$ 647,538	92%	\$ 107,042	15%	\$ 47,377	
Parks & Recreation	\$ 7,058,741	\$ 3,286,681	47%	\$ 3,772,060	53%	\$ 4,224,611	60%	\$ 937,930	
Police	\$ 4,180,626	\$ 1,775,608	42%	\$ 2,405,018	58%	\$ 2,132,440	51%	\$ 356,832	
Totals:	\$ 62,586,915	\$ 10,886,414	17%	\$ 51,700,501	83%	\$ 15,918,799	25%	\$ 5,032,385	



Libraries User Fee Changes

Recommended Changes:

- 2 fees increasing
- 5 remain at current level
- Potential \$47,000 additional annual revenue



• Copier

Current Fee	Full Cost Recovery	Proposed Fee
\$0.15	\$4.32	\$0.30
3% Recovery	100% Recovery	7% Recovery

• Printouts

Current Fee	Full Cost Recovery	Proposed Fee
\$0.15	\$1.50	\$0.30
10% Recovery	100% Recovery	20% Recovery



Police User Fee Changes

Recommended Changes:

- **Animal Care:** 11 fees remain the same, 22 increasing - +\$81,215
- **Code Enforcement:** One fee of \$73 will now be 3 separate fees - +\$62,648



Examples:

- **Animal Care: Quarantine Fee**

Current Fee	Full Cost Recovery	Proposed Fee
\$20	\$68	\$60
30% Recovery	100% Recovery	89% Recovery

- **Code Enforcement: Intense clean-up/abatement**

New Fee	Full Cost Recovery	Proposed Fee
\$73	\$823	\$412
9% Recovery	100% Recovery	50% Recovery



Police User Fee Changes

Recommended Changes:

- Central Records: 2 same, 3 increasing
- Taxicab/driver permit: no change
- Vehicle Impound/storage: no change
- Narcotics/Vice: no change



Examples:

- Commercial alarm permit

Current Fee	Full Cost Recovery	Proposed Fee
\$60	\$91	\$75
66% Recovery	100% Recovery	82% Recovery

- Notary

Current Fee	Full Cost Recovery	Proposed Fee
\$5	\$8	\$8
62% Recovery	100% Recovery	100% Recovery



Parks & Recreation 5 Year User Fee Projection

Parks & Recreation: FY 2017-18 Fee Study Recommendations

Fee Type	Service Name	Current Recovery	Year 1	Year 2	Year 3	Year 4	Year 5
AQUATICS	Admissions	13%	15%	20%	20%	20%	25%
	Rentals	6%	15%	20%	30%	40%	50%
	Instruction Fees	15%	20%	20%	20%	20%	25%
ATHLETICS	Adults	10%	30%	50%	70%	90%	90%
	Youth	26%	30%	35%	40%	40%	40%
	Rentals	54%	60%	70%	80%	90%	100%
	Youth League Leases	0%	20%	30%	40%	50%	50%
	Tennis Court Fees	43%	45%	45%	50%	50%	50%
	Tennis Pro Shop	5%	5%	5%	5%	5%	5%
LATCHKEY	After School	88%	100%	100%	100%	100%	100%
	Summer	59%	100%	100%	100%	100%	100%
	Vacation Station	20%	100%	100%	100%	100%	100%
OSO BAY WETLAND	Oso Bay Wetland Preserve	11%	15%	20%	20%	20%	25%
HERITAGE PARK	Facility Rentals	35%	40%	50%	50%	50%	65%
	Special Services: Permits & Camping	51%	60%	60%	65%	65%	70%
RECREATION CENTERS	Rentals	21%	25%	25%	30%	30%	30%
	Fee-based Programs	6%	10%	10%	15%	15%	15%
SENIOR CENTERS	Rentals	39%	45%	50%	55%	60%	65%
	Fee Split: Specialist & City 65/35%	13%	15%	18%	20%	25%	25%



Parks & Recreation User Fee Changes

Recommended Changes by Program:

- **Aquatics:** Increases to Three Program Areas: Admissions, Rentals, Instruction Fees — +\$70,217
- **Athletics:** Increases to Adult, Rentals, Tennis, and Youth Programs - + \$65,384



Examples:

■ Aquatics

Current Revenue	Full Cost Recovery	Proposed Revenue
\$217,138	\$1,670,710	\$287,355
13% Recovery	100% Recovery	17% Recovery

■ Athletics

Current Revenue	Full Cost Recovery	Proposed Revenue
\$274,610	\$1,100,718	\$339,994
25% Recovery	100% Recovery	31% Recovery



Parks & Recreation User Fee Changes

Recommended Changes by Program:

- **Latchkey:** One-Year Adjustment to Recover 100% of Full Costs - +\$757,017
- **Parks & Heritage Park:** Increases to Facility Rentals and Special Services (Permits & Camping) - +\$18,961



Examples:

■ Latchkey

Current Revenue	Full Cost Recovery	Proposed Revenue
\$2,580,593	\$3,337,610	\$3,337,610
77% Recovery	100% Recovery	100% Recovery

■ Parks & Heritage Park

Current Revenue	Full Cost Recovery	Proposed Revenue
\$115,538	\$287,179	\$134,499
40% Recovery	100% Recovery	47% Recovery



Fire Inspection User Fee Changes

Recommended Changes:

- 29 Fees Increasing
- 15 Fees Unchanged
- 1 Fee Decreasing



Examples:

- Flammable & Combustible Liquids

Current Fee	Full Cost Recovery	Proposed Fee
\$100	\$209	\$150
48% Recovery	100% Recovery	72% Recovery

- Assembly

Current Fee	Full Cost Recovery	Proposed Fee
\$100	\$272	\$150
37% Recovery	100% Recovery	55% Recovery

- Foster/Group Homes

Current Fee	Full Cost Recovery	Proposed Fee
\$75	\$209	\$100
36% Recovery	100% Recovery	48% Recovery



EMS User Fee Changes

Recommended Changes:

- 4 Fees Increasing
- 5 Fees Unchanged
- 2 New Fees



Examples:

■ EMS 911 Base Rate — Transport

Current Fee	Full Cost Recovery	Proposed Fee
\$800	\$1385	\$1385
58% Recovery	100% Recovery	100% Recovery

■ EMS 911 Base Rate - No Transport

Current Fee	Full Cost Recovery	Proposed Fee
\$125	\$902	\$150
14% Recovery	100% Recovery	17% Recovery

■ Skilled Nursing Facility Responses

Current Fee	Full Cost Recovery	Proposed Fee
\$0	\$508	\$250
0% Recovery	100% Recovery	49% Recovery

Implementation Options

- Implement fees per full cost calculations
- Phase in user fee increases over time





Next Steps

- Departments prepare fee adjustments
- Prepare mid-year adjustments for city council approval

