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Staff Report

Date: November 1, 2016

To: City Council

From: Valerie J. Barone, City Manager

Reviewed by: Karan Reid, Director of Finance

Prepared by: Deborah Yamamoto, Senior Financial Analyst
Deborah.yamamoto@cityofconcord.org
(925) 671-3183

Subject: **Considering changes to City of Concord Policy and Procedure No. 170, User Fees and Charges Cost Recovery Policy, adjusting Special Events Fees by 3% per annum; adoption of Resolution No 16-6042.6 amending Exhibit A to Resolution No. 78-6042 adjusting City Employee Service Rates for Special Events effective January 1, 2017; and establishing a new Special Events Fund to account for revenue received from Special Events services.**

Report in Brief

The City administers many privately-sponsored special events each year, including the Fourth of July Parade and Fireworks Show, the Brew Festival, and Kidfest. These events are either held on City property or if held on private property, require City services or support for their event. City Council Policy and Procedure No. 143 (P&P 143) governs the coordination of Special Events.

On May 10, 2016, City Council approved an update to the City's Municipal Fees and Charges, incorporating changes to fee recovery based on the newly adopted Fee Recovery Policy (City Council Policy and Procedure No. 170). As a result, the City Employee Services Rates for Special Events were adjusted to fully recover staff costs associated with support provided to Special Events. Subsequent to Council approval, staff received feedback that the new rates would be cost prohibitive to some of the sponsors of Special Events. In order to continue to support these valuable community events, staff requested Council delay implementation of the new rates until staff had an

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opportunity to research this further. The request was approved by Council on June 28, 2016.

A working group representing staff from all departments involved in the Special Events process met on several occasions to formulate recommendations to the Policy Development and Internal Operations (PDIO) Committee. On September 14, 2016, the PDIO Committee supported the recommended changes and approved moving these items forward to the full City Council at a meeting in November, specifically:

1. Annual adjustments to the City Employee Services fees for Special Events be increased 3% per year, effective January 1, 2017.
2. Amend Policy and Procedure 170 – Fee Setting Policy to memorialize the fee adjustment of 3% per annum for Special Events City Employee Services.
3. Establish a separate Special Events Revenue Fund to accumulate funding which could be used to partially sponsor future Special Events, with City Council approval.

Recommended Action

Staff and the PDIO Committee recommend:

1. Adopt recommended changes to City of Concord Policy and Procedure No. 170, User Fees and Charges Cost Recovery Policy, adjusting certain Special Events fees by 3% per annum as set forth in Attachment 1 hereto;
2. Adopt resolution No. 16-6042.6 amending Exhibit A to Resolution No. 78-6042 adjusting City Employee Service Rates effective January 1, 2017 (Attachment 2 hereto); and
3. Approve a new Special Event Revenue Fund to account for revenues received from Special Events services.

Background

Recently a City-wide Cost Allocation Plan and User Fee Analysis project was completed. This project proceeded in two phases, was undertaken by a consultant (NBS, Inc.) and managed by staff in the Finance Department. The first phase was to prepare an updated Cost Allocation Plan, which spreads the cost of general government and support services across the direct services provided to the public. The second phase was an analysis of the City's user fees to confirm and update the efforts entailed in providing each of the City's services and programs. From this analysis, the City Council approved a fee recovery policy and update of the City's fee schedule.

On May 10, 2016, City Council approved updated Municipal Fees and Charges, generally effective July 1, 2016. Consistent with the newly adopted Fee Recover Policy (Policy and Procedure 170), the fully loaded cost of salaries and benefits, including the

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updated citywide overhead rate of 46%, was incorporated into the recoverable City Employee Services Rates for Special Events. Since the City's Municipal Fees and Charges had not been adjusted for two years pending the outcome of updated Cost Allocation Plan and Master Fee Analysis project, these adjustments represented large increases to the City Employee Services Rates for Special Events.

Per Master Fee Schedule Approved on June 28, 2016:

Staff Positions that Support Special Events	Past Rate (eff. 9/1/14)	New Rate (eff. 7/1/16)	Percentage Increase (Decrease)
Public Works – Maintenance	91.19	113.61	25%
Public Works – Maintenance Limited Services	22.45	24.65	10%
Police Officer	146.02	192.23	32%
Police Reserves (pass through amount as quoted by Police Department)	41.15	43.41	5%

Traditionally, the Special Events fees are updated in September after the summer event season has concluded. This allows staff time to incorporate the new rates into all cost estimates provided to special event sponsors prior to the event occurring. Inadvertently, the Fee Schedule adopted on May 10, 2016, included an effective date of July 1 for Special Events' costs. On June 28, 2016, City Council delayed implementation of new Special Events fees. Since June, a staff team was formed to review the Special Events structure and process to ensure responsive support continues to be provided for these programs.

Analysis

In July and August, a working group composed of the City Manager's Office (Jovan Grogan), Community and Economic Development (John Montagh, Victoria Walker, Florence Weiss), Finance (Karan Reid, Deborah Yamamoto), Police (Chief Guy Swanger), Public Works (Justin Ezell), and Parks and Recreation (Steve Voorhies) met and discussed the Special Events rates and collection of deposits and the possibility of establishing a new fund specific to Special Events.

Master Fee Adjustments

The new Fee Recovery policy created categories of cost recovery levels and targets changes to the City's Fees and Charges based on changes in labor costs. Updates to Special Events fees were categorized as fully cost recovering and the Fee Schedule approved by City Council on May 10th reflected these adjustments.

However, the new rates are anticipated to be a hardship on many of the organizations that sponsor Special Events in the City. Because it is the Council's goal to facilitate

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special events as a means of supporting quality of life within the community and economic development efforts, staff is recommending discontinuing the practice of setting the Special Event fee amount to equal the direct and indirect costs of providing the services. Rather staff recommends that the 2014 staff costs be increased by 3%. In future years, staff recommends that the cost of City staff support to special events only increase by 3% a year. This ensures regular modest adjustments to the fees each year, creating predictability and avoiding cost spikes for special event applicants.

The table below shows the current and proposed rates.

Staff Positions that Support Special Events	Current Rate (eff. 9/1/14)	Proposed Rate*	Percentage Increase (Decrease)
Public Works – Maintenance	91.19	93.93	3%
Public Works – Maintenance Limited Services	22.45	23.12	3%
Police Officer	146.02	150.40	3%
Police Reserves (pass through amount as quoted by Police Department)*	41.15	43.41	5%

*Rates for Police Reserves are set by the Police Department and directly remitted to the PD Reserves after the Special Event services are provided.

Staff also recommends documenting in the Master Fee Schedule the current practice of providing a discount of City staff costs (excluding pass through costs such as Police Reserves) when the special event is sponsored by a Concord resident or business. Current practice provides a cost discount of 20 percent to Concord residents and businesses; however, this discount has not been captured in the City's published Master Fee Schedule. To provide full transparency regarding Special Events fees, it is recommended the discount be documented in the Master Fee Schedule.

If approved, this action will result in a reduction in the City Employee Service Rates for Special Events previously approved by City Council on May 10, 2016. Future annual 3% adjustments are indicated.

Security and Damage Deposits

In addition, staff recommends consistent application of the requirement to collect a security deposit of twenty-five (25%) percent of the event cost estimate for all requested special events. P&P No. 143 provides for collection of a deposit but does not stipulate a due date of receipt. Staff recommends amending the Master Fee Schedule to incorporate a requirement that the deposit must be received two weeks in advance of the event.

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Attachment 1 provides a redlined update to the Fee Recovery Policy, Policy & Procedure No. 170, and Attachment 2 shows the redlined changes proposed to the Special Events Fees section of the City's Master Fee Schedule.

Establish a Special Events Special Revenue Fund

Currently, Special Events fees are deposited into the General Fund and roll into fund balance at the end of the fiscal year. Historically, the costs to provide the services by City employees have been absorbed within the departments' budgets and have not created a budget challenge. However, fees collected for Police Reserves services are a pass through cost and remitted directly to the Police Reserves. Staff recommends a Special Events Fund be established and future Special Events revenues (other than for Police Reserves) be deposited in the new fund in order to accumulate a funding source which could be used to partially sponsor future Special Events, should the City Council desire. Currently, the City of Concord does not have any funding source, other than the General Fund, for sponsorship of Special Events.

The PDIO Committee (Hoffmeister/Leone) met on September 14, 2016 to consider the recommended changes. The Committee endorsed the recommendations detailed above and approved moving these items forward for City Council consideration at a meeting in November with an effective date for the fee changes of January 1, 2017.

Alternatives

The City Council could not approve the User Fees and Charges Cost Recovery Policy changes, related amendments to the Master (User) Fee Schedule and/or the establishment of a Special Event fund and the fees will revert to the previously adopted rates on May 10, 2016 and/or the revenues will not be segregated in a separate fund.

The Council could also ask for modifications.

Financial Impact

The adoption of the recommended changes to Special Event Fees will stabilize the rate structure to provide predictability to both the City and Special Event sponsors as to the costs of City services associated with Special Events.

The establishment of the Special Events Fund will facilitate the tracking of Special Events revenues over time and establish a fund for future Special Event subsidies, should the City Council desire to sponsor events.

Public Contact

The City Council Agenda was posted.

City Council Agenda Report
Considering changes to City of Concord Policy and Procedure No. 170, User Fees and
Charges Cost Recovery Policy, adjusting Special Events Fees by 3% per annum
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Attachments

1. Redlined Markup of Police and Procedure No. 170
2. Redlined Markup of Master Fee Schedule
3. Resolution 16-6042.6 Fees and Charges

CITY OF CONCORD



Number: 170
 Authority: Council Motion
 Effective: 04-26-2016
 Revised: 11-01-2016
 Reviewed: 09-14-2016
 Initiating Dept.: FIN

USER FEES AND CHARGES RECOVERY

1. PURPOSE

To establish policy guidelines for setting and updating User Fees and Charges; establish cost recovery goals; and ensure compliance with State law.

2. GENERAL

California Constitution Articles XIIC and XIID [Prop 218], Article XIIC §1(e) [Prop 26] and Article XIII A [Proposition 13] have placed both substantive and procedural limits on cities' ability to impose fees and charges. This policy establishes a process for Concord's User Fees and Charges to be reviewed and updated on an ongoing basis to ensure that fees do not exceed the City's costs of providing services; keep pace with changes in the costs of providing the services; and keep pace with changes in methods of levels of service delivery.

3. REVIEW AND UPDATE

A comprehensive analysis of City costs and fees should be conducted at least every five years. In the interim, fees will be adjusted by annual changes in labor costs as approved by the City Council with the exception of Special Events Fees, which shall be adjusted by 3% per annum. Fees may also be changed based on supplemental analysis whenever there have been significant changes in the method, level or cost of service delivery.

4. POLICY

It is the policy of the City of Concord to set User Fees and Charges based on cost recovery levels in lieu of fully subsidizing fee-related activities with General Fund dollars. The cost recovery levels are reflective of the following policy statements.

- 4.1 Community-wide vs. Private Benefit: The level of user fee cost recovery should consider the *community-wide* versus *private-benefit* nature of the program or activity. The use of general-purpose revenues is appropriate for community-wide services, while user fees are appropriate for services that are of special benefit to easily identified individuals or groups.
- 4.2 Service Recipient vs. Service Driver: The concept of the *service recipient* versus *service driver* is particularly important for regulated activities such as development review and police-issued permits. It could be argued that the applicant is not the beneficiary of the City's development review efforts and that the community is the primary beneficiary. However, the applicant is the driver of development review costs, and as such, cost recovery from the applicant is appropriate.
- 4.3 Consistency with City Goals and Policies: City policies and Council goals related to the community's quality of life may also be factors in setting cost recovery levels. For example, fees can promote city-wide goals, facilitate environmental stewardship, encourage compliance

with City regulations (e.g. water heater permits, minor but important permits to ensure safety) or discourage certain actions (e.g. false alarms, which negatively impact law enforcement).

- 4.4 Elasticity of Demand for Services: The level of cost recovery and related pricing of services can significantly affect the demand and subsequent level of services provided. At full cost recovery, this has the specific advantage of ensuring that the City is providing services for which there is genuinely a market that is not overly-stimulated by low fees.

Conversely, high levels of cost recovery will negatively impact the delivery of services to lower income groups. This negative feature is especially pronounced, and works against public policy, if the services are specifically targeted to low income groups.

- 4.5 Availability of Services from the Private Sector: High cost recovery levels are generally sought in situations where the service is available from other sources in order to preserve taxpayer funds for core City services. Conversely, services that are not available from other sources and are typically delivered when residents experience an emergency typically have low or zero cost recovery levels (e.g. response to a 911 call).

It should be noted, that the current Master Fee Schedule for recreational services includes a lower rate for Concord residents than residents living outside of Concord.

- 4.6 Feasibility of Collection and Recovery: Although it may be determined that a high level of cost recovery may be appropriate for specific services, it may be impractical or too costly to establish a system to identify and charge the user. Accordingly, the feasibility of assessing and collecting charges should also be considered in developing user fees, especially if significant program costs are intended to be financed from that source.

Target Cost Recovery Levels

Based on these policy statements, the following table overlays certain cost recovery levels grouped in low (0-40%), medium (40.1% to 80%), and high (80.1% to 100%) cost recovery ranges. It is important to note that these groupings provide policy guidance and are not absolute. Some policy statements may weigh more heavily than others, which may result in a different cost recovery level grouping for particular fees. For example, fees for recreational activities are expected to be set in general at the medium cost recovery level. However, fees for recreational activities for which there is high demand may have a high cost recovery level due to high enrollment levels per class. It is important to note that User Fees and Charges will be reviewed at least biennially by the City Council as part of approval of the Master Fee Schedule.

Cost Recovery Levels	Cost Recovery Percentage Rate	Policy Considerations (one or all may apply)
Low	0% - 40%	<ul style="list-style-type: none"> • Public at-large benefits • No intended relationship between fee and benefit received • Fee collection not cost effective would discourage compliance • No intent to limit use of service • Affordability of service to low-income residents
Medium	40.1% - 80%	<ul style="list-style-type: none"> • Services share factors of both low and high recovery levels
High	80.1% - 100%	<ul style="list-style-type: none"> • Individuals receive most of benefit of service • Other alternative service providers • Use is regulatory or specifically discouraged

Date of Last Adoption: 6-28-2016
Res. No.: 16-6042.3

EXHIBIT A. RESOLUTION 78-6042
FEES AND CHARGES FOR VARIOUS MUNICIPAL SERVICES

	Current Fee
A. ADMINISTRATIVE FEES	
1. Appeals to City Council (7-1-16)	
a. Appeals requiring public notice (CMC 2.05.040) (7-1-16)	117.00
Plus Public Notification fee	
b. Appeals where public notice is not required (CMC 2.05.050) (7-1-16)	117.00
2. City Employee Services (7-1-16)	
Hourly rates charged for special services requested that are provided by City employees. These hourly rates will also be used to calculate compliance with the California Uniform Public Construction Cost Accounting Act. (7-1-16)	
These hourly rates are used to calculate billable hourly rates. Billable hourly rates are defined to be the sum of the Productive Hourly rate plus the citywide indirect cost rate. (7-1-16)	
	Table 1
3. City Employee Services – Special Events Blended Rates (P&P No. 143)	
a. Public Works – Maintenance (1-1-179-1-16)	93.93 143.61
b. Public Works – Maintenance – Limited Services (1-1-179-1-16)	23.12 24.65
c. Police Officer (1-1-179-1-16)	150.40 192.23
d. Police Reserves (pass through) as quoted by Police Department (1-1-179-1-16)	Actual Cost 43.44
Materials and Equipment at cost (1-1-179-1-16)	Actual Costs
<u>A Discount of 20% provided to City of Concord residents and businesses (not applicable to Police Reserves and Materials and Equipment)</u>	
<u>Deposit of 25% required at least two weeks prior to Event (1-1-17)</u>	
	Actual Cost
4. City Franchise and Telecommunication Agreement Fees	
Hourly rates charged for staff time devoted to work on City franchise and telecommunication agreements. (7-1-12)	
	See A.2
a. Deposit for small projects (replenish as needed) (7-1-09)	5,000.00
b. Deposit for large projects (replenish as needed) (7-1-09)	10,000.00
5. Copies including Public Records/Information (7-1-16)	
a. Photo copy– page size not to exceed 11”x17” (4-28-86)	
1) Each page (2-2-99)10
b. Print from microfilm (each print) (7-1-14)	3.00
c. Print copy– oversized page exceeding 11”x17” such as maps, drawings, plans, etc.	
1) Cost of production	Actual Costs
Or	
Actual cost (7-1-16)	
d. Extract of document and certification (each page) (7-1-16)	19.00
e. Certifying documents, Live Certificates (each document) (7-1-16)	29.00

**BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**A Resolution Amending Exhibit A to Resolution No.
78-6042 (Establishing Fees and Charges for Various
Municipal Services in the City of Concord) Adjusting
City Employee Services Fees for Special Events**

Resolution No. 16-6042.6

WHEREAS, the City of Concord provides a variety of municipal services; and

WHEREAS, the City Council adopted Resolution No. 78-6042 on October 9, 1978,
establishing a master resolution within which various municipal fees and charges would be located;
and

WHEREAS, amendments to Exhibit “A” to said resolution are necessary to change, establish,
or delete various fees; and

WHEREAS, the Director of Finance has recommended that the City Council approve an
amendment to City Employee Services fees for Special Events which are currently set forth in Exhibit
“A” to Resolution No. 78-6042; and

WHEREAS, the City Council, at its duly noticed regular meeting of November 1, 2016
received a report from the City Manager identifying the need for such changes; and

WHEREAS, at such meeting, members of the public were afforded an opportunity to address
the City Council regarding this matter; and

WHEREAS, the City Council considered the information received during the course of the
meeting.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES
RESOLVE AS FOLLOWS:**

Section 1. Section A of Exhibit “A” to Resolution No 78-6042 is amended as set forth in
Exhibit 1 attached hereto and incorporated by reference.

Section 2. The new fees established by this resolution shall become effective on January 1,
2017.

Section 3. This resolution shall become effective immediately upon its passage and adoption.

PASSED AND ADOPTED by the City Council of the City of Concord on November 1, 2016,

1 by the following vote:

2 **AYES:** Councilmembers -

3 **NOES:** Councilmembers -

4 **ABSTAIN:** Councilmembers -

5 **ABSENT:** Councilmembers -

6 **I HEREBY CERTIFY** that the foregoing Resolution No. 16-6042.3 was duly and regularly
7 adopted at a regular meeting of the City Council of the City of Concord on November 1, 2016.

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Joelle Fockler, MMC
City Clerk

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11 **APPROVED AS TO FORM:**

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Susanne Meyer Brown
City Attorney

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Attachment: Exhibit A – Amendments to Fees and Charges for Various Municipal Services (City
Employee Services Fees for Special Events)

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EXHIBIT A

**Amendments to the Master Fees and Charges
EXHIBIT A. RESOLUTON NO. 16-6042.6
Fees and Charges for Various Municipal Services**

Section A. Administrative Fees

	Current Fee	Adopted Fee
3. City Employee Services – Special events Blended Rates (P&P No. 143)		
a. Public Works – Maintenance (9-1-16 1-1-17)	\$113.61	<u>\$93.93</u>
b. Public Works – Maintenance – Limited Service (9-1-16 1-1-17)	\$24.65	<u>\$23.12</u>
c. Police Officer (9-1-16 1-1-17)	\$192.23	<u>\$150.40</u>
d. Police Reserves (pass through) as quoted by Police Department (9-1-16 1-1-17)	\$43.41	<u>Actual Cost</u>
Materials and Equipment at cost (9-1-16 1-1-17)	Actual Cost	<u>Actual Cost</u>
A Discount of 20% provided to City of Concord residents and businesses (not applicable to Police Reserves and Materials and Equipment)		
Deposit of 25% required at least two weeks prior to Event (1-1-17)		<u>Actual Cost</u>