



REPORT

THE CITY OF SAN DIEGO TO THE PARK AND RECREATION BOARD

DATE ISSUED: March 12, 2015 REPORT NO. 105

ATTENTION: Park and Recreation Board Agenda of March 19, 2015

SUBJECT: Park and Recreation Department Fiscal Year 2016 Proposed General Fund Fee Schedules

SUMMARY

Issue – Should the Park and Recreation Board recommend approval to the City Council for the proposed changes to the Park and Recreation Department and the Mount Hope Cemetery Fee Schedules (*collectively*, Fee Schedules)?

Director's Recommendation – Recommend approval of the proposed fee changes.

Other Recommendations – None.

Fiscal Impact – The proposed fee changes will result in an estimated annual increase in General Fund budgeted revenue of \$276,988.

Environmental – This action is not subject to CEQA pursuant to Section 15060 (c) (3) of State CEQA guidelines.

BACKGROUND

Council Policy 100-05, User Fee Policy, 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. Full cost recovery includes direct and indirect costs associated with the particular service or product. Per the User Fee Policy, a comprehensive user fee study is conducted every three years.

Since the last Park and Recreation Department Fee Schedule was adopted (effective date of August 1, 2010), voters approved Proposition 26, the Supermajority Vote to Pass New Taxes and Fees Act, as part of the November 2, 2010 ballot. The Mount Hope Fee Schedule was last

revised in September 2005. Proposition 26 amends Section 3 of Article XIII A and Section 1 of Article XIII C of the California Constitution to provide that a new 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 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. Per a City Attorney's Memorandum of Law dated March 4, 2011, user fees, or charges for services, are exempt from Proposition 26 as they relate to a charge for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which do not exceed reasonable costs by the City in conferring this benefit or privilege. The Memorandum of Law also discussed Proposition 26 exemptions related to use of government property, and market-based allowances for fees and charges in this category. All user fee adjustments recommended in this report have been reviewed by the City Attorney's Office for compliance with Proposition 26.

Calculating the cost of service per person or group for a specific program or service is challenging for most Park and Recreation programs. Since multiple uses can occur at a facility at one time, deriving costs for each service is difficult. In order to ensure compliance with Proposition 26 and assist with cost of service analysis, the Park and Recreation Department (Department) contracted with the firm NBS for a comprehensive cost of service study (Study)(Attachment 1). NBS was selected through a competitive process and has over 17 years experience with financial consulting and assessment engineering for government agencies, including agencies in San Diego County and the surrounding region.

The Study began in April 2013 and analyzed all general fund fee-related activities (Attachment 1). Recreation council and golf fees were not included in the scope of work. NBS identified fees that must be limited to the cost of service and fees that may be charged at market rates in accordance with Proposition 26. NBS also benchmarked existing fees with other agencies to ensure proposed fees were comparable to those of other agencies and to identify local market options and pricing. Finally, NBS provided limited implementation options for fees where sufficient detail was available.

It is important to note that of the \$32.7 million in general fund budgeted revenues for the Department in Fiscal Year 2015, approximately \$5.3 million (16%) are collected through user fees or through fees for the use of government property. The \$5.3 million represents only 5% of the Department's \$98 million general fund budget. NBS found that the Department is currently collecting approximately \$2.5 million for user fee services. Should full cost recovery for all user fees be adopted, an additional \$5.25 million could be collected (provided current use remains constant).

DISCUSSION

The Department had several goals for the Study: complying with Council Policy 100-05; complying with Proposition 26; simplifying rate structures; updating terms and conditions; and revising rates where deemed appropriate. Based on the Study and recommendations from NBS

and the goals mentioned above, the Department prepared a draft Park and Recreation Fee Schedule (Attachment 2) and a draft Mount Hope Cemetery Fee Schedule (Attachment 3) for review and approval. Category 1 fees (full cost recovery) are listed in Attachment 4. All other fees fall into Category 2 (partial recovery) or are based on market comparisons included in the Study. In all cases where market comparisons have been used as the basis for setting fees, the Department is not the sole provider of the service or subject amenity. For example, room and pool rentals are available at several other municipal agencies, non-profit groups, or businesses, and therefore a market exists for use of such facilities.

This report summarizes the major changes in the proposed Fee Schedules. Over 670 fees were reviewed. Of the fees analyzed, approximately 34% are proposed for an increase, and 10% for a decrease. Approximately 313 fees will be restructured, with 38% of those converting to a lower fee and 6% to a higher fee. There are 17 new fees and 25 fees with no change. Twenty-six fees will be eliminated. The information below describes the major proposed changes. Specific fee changes can be found in the attached draft Fee Schedules (Attachments 2 and 3).

Major Changes

As stated previously, the Department set out to simplify the current Fee Schedules, to improve customer service, reduce confusion regarding non-profit categories and better position the Department for expanding online reservations in the future. Non-resident rates for most fees have been eliminated (non-residents will be charged the same as residents). Non-profit with Admission Charge rates have also been eliminated (these groups will be charged the same as non-profits without an admission charge). Most fees have been rounded to the nearest dollar or quarter dollar.

Proposed Fee Reductions

Seventy fees are being proposed for reduction. Many reductions are mandatory to bring the fees within the cost of providing the service as required by Proposition 26 and identified in the Study. These fees must be adjusted to the proposed rate (or lower) to comply with State law and are listed in Attachment 4 in red font.

The following fees were reduced based on market comparisons: Skate Park Rental; Non-Exclusive Use for Swimming Pool Rentals and the Kumeyaay Campground Dog Fee. Although fees for Water Safety Instructor, Emergency Response and CPR for the Professional are considered user service fees, the Department reduced these based on market comparisons to remain competitive with other agencies.

Proposed Fee Increases

Approximately 226 fees are being proposed for increases. Increases are based on factors such as the cost of providing the service, market rates, and changes to the San Diego Consumer Price Index (All Urban Consumers, Not Seasonally Adjusted) since the last fee revisions (7.5% for most park and recreation fees; 19% for most Mount Hope fees). Although over one-third of fees will be increasing, the Department will continue with current policies and offer low income fee

waivers, scholarships (when available), senior and disabled discounts, and reduced youth rates for many fees. For example, a non-profit youth organization that requests a permit for an outdoor event with no admission charge would pay a fee that is discounted by more than 80% of the ground use commercial rate.

New Fees

There are 17 new fees being proposed (Attachment 5). They include field/court reservation fees for adult athletic league activities; canoe rentals (Chollas Lake); registration/reservation transaction and credit card fees and overtime fees for Mount Hope Cemetery. The new field and court reservation fees for adult athletic activities were recommended in the Study to bring youth and adult league fee structures in agreement. The Department plans to initiate canoe rentals at Chollas Lake after utility access issues are resolved; as a result, the Department is requesting a fee in anticipation of this proposed service at this time.

The new transaction and credit card fee is proposed to recover vendor costs for the new registration and reservation system. During the last several years, the Department has implemented a new registration and reservation system to improve customer service and access, enhance internal cash controls and reporting, and respond to recommendations from the Office of the City Auditor. The costs for this hosted system are not currently recovered from users (\$2 per transaction and 3% credit card fee). The fees would be non-refundable and adjusted with any vendor rate changes. Transaction fees and credit card fees are currently recovered for online transactions provided by other City departments (e.g., payment of parking citations, Junior Lifeguards registrations).

Converted or Restructured Fees

Approximately 46% of fees (313) will be converted or restructured to a different format. In most cases, these revisions will result in lower fees, reduce complexity of the fee, remove extra steps staff must take to verify user eligibility for a particular fee, and improve the ability to integrate the fee schedule into the online reservation program in the future. For example, most non-resident rates will be converted to the same rates as residents. Rates for non-profits with an admission charge will be converted to the same rates as non-profits with no admission charge. Pool rentals for meets and practices will be converted from a per hour rate to a per lane per hour rate. Swim lesson class sizes have been revised. The Adult Fitness fee will now be limited to a maximum of 30 hours per week per park venue.

Eliminated Fees

There are 26 fees that will be deleted from the Fee Schedules (Attachment 6). Several of these include locations which are leased; therefore, they should not be included along with user fees (this includes Spanish Village and the Puppet Theater, both located in Balboa Park). The ten hours per week swim team is no longer offered and the fee will be deleted. The Mount Hope Cemetery recording and quitclaim fees are eliminated; these services are administrative and now recovered as part of other burial services fees. The Mount Hope Cemetery late fee will also be deleted.

Miscellaneous Changes

Minor corrections and various clarifications are included in the proposed Fee Schedules. Balboa Park room rentals will be displayed as an hourly rental (3 hours minimum), with fees restructured based on the size and amenities of the facility. The Unattended, Exhibit Display fee was revised from a per day rate to a per permit rate.

Mt. Hope Low Income Fee Assistance Program

On September 19, 2005, the City Council adopted a low income fee assistance program at Mount Hope to ensure that residents of the City had access to basic burial services. Residents whose income falls below the Federal Lower Living Standard Income Level (LLSIL), San Diego Index, and have a maximum of \$2,000 in value of personal property receive a 50% discount in the cost of the following items and services: lot and perpetual care; opening/closing of the grave; grave liners (bell); and document processing. For Fiscal Year 2016, the maximum personal property for purposes of this discount will be increased to \$2,380 (reflects 19% CPI adjustment). The document processing fee is being eliminated. This program is available for a maximum of 15% of the estimated burials in a fiscal year.

Impacts to Users

Impacts to users will vary given permit details and use. Attachment 7 shows examples of possible changes for user groups for a sample of fees. Although the Study identified a possible \$5.25 million in increased revenue for user fees, the proposed Fee Schedules reflect lesser changes that continue to support a philosophy of discounting youth, senior, low income and disabled activities, while balancing fairness given the nature and extent of the benefit to specific users. The proposed Fee Schedule revisions will result in an estimated annual increase in General Fund revenue of \$276,988. This is an overall proposed increase of 5% for user fees and fees for the use of government property.

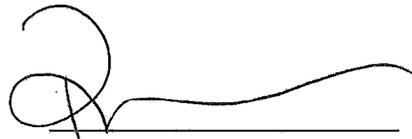
ALTERNATIVES

1. Recommend the fee revisions with modifications.
2. Do not recommend the fee revisions. (Note: some fees must be reduced to comply with Proposition 26 limitations.)

Respectfully submitted,



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Park and Recreation Director



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Attachments:

1. City of San Diego Park and Recreation Department User Fees and Charges Study
2. Park and Recreation Department Fee Schedule Strikeout Version
3. Mount Hope Cemetery Fee Schedule Strikeout Version
4. List of Proposed Category 1 (Full Cost Recovery) Fees
5. List of Proposed New Fees
6. List of Eliminated Fees
7. Possible User Impacts of Fee Revisions