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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** April 17, 2009

**IBA Report Number:** 09-35

**City Council Meeting Date:** April 20, 2009

**Item Numbers:** 150, 151, 152, 153, 154, 155, 156, 157, 158

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# General Fund Proposed User Fee Revisions

## OVERVIEW

On Monday, April 20, 2009, the City Council will be asked to consider proposed user fee revisions for nine City departments, as follows:

- Item 150: Park and Recreation
- Item 151: City Treasurer
- Item 152: City Clerk
- Item 153: Economic Growth Services
- Item 154: Engineering and Capital Projects
- Item 155: Library
- Item 156: Special Events (Public Safety)
- Item 157: San Diego Police
- Item 158: Development Services/Neighborhood Code Compliance

As noted in previous IBA reports, the IBA has recommended that a fee review and adjustment process be an element of the City's annual budget process. Reviewing fees is particularly important during this time when there are numerous competing pressures for the City's scarce General Fund resources.

This report summarizes recent Budget and Finance Committee and City Council actions pertaining to the above proposed user fee items.

## FISCAL/POLICY DISCUSSION

On March 10, 2009, the City Council adopted a General Fund User Fee Policy with the intention of including revenue from new and revised fees into the FY 2010 Annual Budget. Following the adoption of the Policy, departments were instructed to review and bring forward individual fee proposals.

The Fire-Rescue Department presented its new and revised fees at the March 12, 2009 meeting of the Budget and Finance Committee, which voted 3-0 to forward the Department's fee proposal to Council, with Councilmember DeMaio voting in favor, with the exception of non-penalty fees. The proposed fee increases are estimated to generate \$2.4 million in new revenue. Mayor's staff has informed the IBA that changes to the Fire-Rescue fees require a public noticing period and are expected to be scheduled for Council consideration in the upcoming weeks.

On April 1, 2009, the Budget and Finance Committee received both a report and a presentation from the following departments:

- San Diego Police Department
- Special Events
- Park and Recreation Department

At the April 1, 2009 meeting, Budget and Finance Committee Chair Tony Young noted that the task of the Committee was to identify major issues and concerns, and to forward those to the City Council. The Chair also noted that some departments may be forwarded without a presentation to the Committee due to time constraints. With some exceptions, which are further expanded below, by majority vote the Committee forwarded all department user fee proposals for consideration to the City Council.

The following departments presented their proposals to the Committee, which raised the issues outlined below:

### Park and Recreation User Fee Proposal

User fee increases proposed by the Park and Recreation Department were generally accepted, although Councilmember Faulconer highlighted the necessity of reaching out to stakeholders who will be impacted by the increase in charges to the outdoor park space use.

### Special Events Public Safety User Fee Proposal

The Committee requested that prior to any further consideration of cost recovery pertaining to the agreements with the Chargers, the Aztecs and Padres, the Special Events Department, in conjunction with the City Attorney, must report back to Budget and Finance Committee with additional analysis. It has been estimated that the City subsidizes costs in excess of \$2.2 million for these purposes. Additionally, the Committee moved to retain a non-profit rate for City services, which is currently available to tax-exempt organizations.

### Police Department User Fee Proposal

Discussion at the April 1, 2009 Budget and Finance Committee meeting regarding new/revised fees in the Police Department centered on issues related to Entertainment Permits (Fees listed as #12-#17). Additionally, concerns were raised regarding significant increases to the Firearms Dealer Permits and Burglar Alarm Penalties.

The following table summarizes new/revised fees as proposed to Council as compared to the estimates included in the Mayor's FY 2010 Proposed Budget.

| Department                                  | New/Revised Fee Revenue Proposed | Mayor's FY 2010 Proposed Budget | Difference               |
|---------------------------------------------|----------------------------------|---------------------------------|--------------------------|
| Park and Recreation                         | \$1,159,190                      | \$1,167,365                     | (\$8,175)                |
| City Treasurer                              | \$120,000                        | \$120,000                       | \$0                      |
| City Clerk                                  | \$875                            | \$875                           | \$0                      |
| Economic Growth Services (Comm./Leg. Serv.) | \$225,000                        | \$225,000                       | \$0                      |
| Engineering and Capital Projects            | \$44,750                         | \$44,750                        | \$0                      |
| Library                                     | \$110,000                        | (already budgeted)              | n/a                      |
| Police                                      | \$1,800,000 - \$2,300,000*       | \$2,008,765                     | (\$208,765) to \$291,235 |
| Special Events (Police)                     | \$1,000,000                      | \$700,000                       | \$300,000                |
| Development Services - NCC                  | \$16,000                         | \$16,000                        | \$0                      |
| Fire-Rescue                                 | \$2,400,000                      | \$1,900,014                     | \$499,986                |
| Special Events (Fire)                       | \$450,000                        | \$475,000                       | (\$25,000)               |
| <b>Total</b>                                | <b>\$7,325,815 - \$7,825,815</b> | <b>\$6,657,769</b>              |                          |

\* Range provided by Department pending State legislation that will affect estimated revenue

Sources: Department Reports, Mayor's FY 2010 Proposed Budget

### Revised Proposed Revenue Estimate

In light of comments from the Committee, the Police Department removed the Entertainment Permit fee increase from its proposal, and decreased its revenue estimate by approximately \$300,000. Therefore, the Police Department Report to Council reflects a new estimated range of \$1.8 to \$2.3 million, a decrease from the \$2.1 - \$2.6 million estimate presented to Committee. The table above reflects this adjustment to the range.

According to Financial Management, the estimated revenue for the Police Department included in the Mayor's FY 2010 Proposed Budget reflects approximately \$700,000 in Special Events Public Safety revenue, compared to the \$1.0 million estimated in the Special Events report. In addition, \$475,000 has been included in the proposed budget for the Fire-Rescue Department related to Special Events, compared to the \$450,000 described in the report. Staff has indicated that the Mayor's Budget included estimates that were available at the time of the printing of the budget document, and any needed changes can be addressed in the Mayor's May Revision.

As depicted in the table above and as reported to Committee, the Library Department is projecting a \$110,000 in increased revenue from adult library book fines in FY 2010. In FY 2009, the Library Department projected \$685,000 in adult fine revenue; however actual revenue of \$565,000 is expected. Therefore, this new revenue will be used to meet the already budgeted \$685,000 in adult book fines budgeted for FY 2010.

As a result, if Council approves the proposed fee revenue as presented in departments' reports, estimates currently budgeted in the FY 2010 Proposed Budget may need to be adjusted accordingly as part of the Mayor's May Revision.

All remaining department fee estimates reported to Council are correctly reflected in the FY 2010 Proposed Budget.

## CONCLUSION

In conclusion, the IBA recommends approval of the above new/revised user fee proposals. The Council should consider the comments of the Committee members which may impact the revenue estimates. Moreover, the Council should consider the impact to the FY 2010 Budget if proposed user fee increases are not approved.

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