



## Staff Report

**TO:** City Council  
**FROM:** Elizabeth Gibbs, Community Services Director  
**DATE:** November 2, 2021  
**SUBJECT:** Discussion and direction to City Staff on Facility Use Rentals and Fees for Non-Profit/Tax Exempt Organizations

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### Background and Analysis:

Government Code Section 66014 empowers the City to impose user fees covering up to 100 percent of the actual costs of providing services to applicants. From time to time, certain fees are adjusted to recoup part, or all of the actual costs incurred by the City in providing these services. Likewise, Chapter 3.32 of the Beaumont Municipal Code provides that the City may set fees to recoup costs reasonably borne by the City by means of adopting a resolution of the City Council, after compliance with the requirements of state law. Government Code Section 66014 et al. allows local agencies to charge fees for various activities as long as those fees do not exceed the estimated reasonable costs of providing the service for which the fee is intended.

On November 7, 2017, City Council adopted Resolution No. 2017-48 adopting a comprehensive user fee study and adopting a comprehensive fee schedule establishing user fees for certain specified services, including Community Services Department's facility use fees for facility rentals and park rentals (Attachment A). Rental rates were divided into two tiers:

- Tier 1 - includes civic groups, non-profits, clubs/associations, and other government agencies; and
- Tier 2 - includes private parties and commercial events.

Additionally, the fee schedule includes a note that any fees not included in the fee schedule will be calculated based on actual costs to provide the service.

### **Pre-COVID 19 Procedures**

In April 2020, in accordance with the COVID-19 stay-at-home order, the Albert A. Chatigny, Sr. Community Recreation Center (CRC) was closed to the public. Prior to COVID-19, several non-profit/tax exempt agencies used the CRC for various reasons, including board meetings, support groups, youth sports, and special events. At that time, fee waivers were granted administratively for rental fees (only staff time was charged) and therefore, none of the non-profit/tax exempt agencies were charged for their usage in accordance with Council's adopted resolution.

### **Types of Tax Exemptions**

For purposes of discussion, the Internal Revenue Service defines the types of organizations that may be exempt, such as non-profits and charities, more commonly referred to as 501(c)(3) organizations. These include:

#### **Charitable Organizations**

Organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, educational, or other specified purposes and that meet certain other requirements are tax exempt under Internal Revenue Code Section 501(c)(3).

#### **Churches and Religious Organizations**

Churches and religious organizations, like many other charitable organizations, may qualify for exemption from federal income tax under Section 501(c)(3).

#### **Private Foundations**

Every organization that qualifies for tax-exempt status under Section 501(c)(3) is classified as a private foundation unless it meets one of the exceptions listed in Section 509(a). Private foundations typically have a single major source of funding (usually gifts from one family or corporation rather than funding from many sources) and most have as their primary activity the making of grants to other charitable organizations and to individuals, rather than the direct operation of charitable programs.

#### **Political Organizations**

A political organization subject to Section 527 is a party, committee, association, fund or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function.

### Other Nonprofits

Organizations that meet specified requirements may qualify for exemption under subsections other than 501(c)(3). These include social welfare organizations, civic leagues, social clubs, labor organizations and business leagues.

At the time of this writing, there are approximately 173 tax exempt organizations registered in Beaumont, not including unincorporated Cherry Valley.

### **Post COVID-19 Procedures**

When the CRC re-opened to the public in March 2021, a few of the groups requested to be scheduled back to resume their normal events and activities. It was then that City staff presented the requestors with the 2017 adopted fee schedule. Since that time, City Council has granted some fee waivers to those groups that have requested waivers for various reasons.

### **Costs to Operate the Facility on an Average Monthly Basis**

In order to quantify the monthly costs associated with operating the facility, staff is providing the following information taken from the first quarter of Fiscal Year 2021:

#### Personnel Costs

\$30,000 average per month.

#### Maintenance and Operations

*(including custodial, utilities, and janitorial supplies such as toilet paper, etc.)*

\$15,000 average per month.

### **Cost Allocation Plan and Comprehensive User Fee Study – In Progress**

A Request for Proposal for a full cost allocation plan and comprehensive user fee study was issued by City staff on September 28, 2021, with a due date for responses on October 29, 2021. It is anticipated that a contract award will be recommended to City Council on December 7, 2021.

### **Proposed Temporary Solutions**

To simplify the fee waiver process while the study is underway, City staff is recommending that City Council discuss a uniform approach to fee waivers in the interim and provide direction to City staff.

Attached is a list of non-profits that used the CRC prior to the COVID 19 pandemic (Attachment B). It should be noted that not all groups have contacted the CRC inquiring the request to return to the facility.

Option 1

Direct City staff to present City Council with all requested fee waivers individually as they are requested by the applicant.

Option 2

Direct City staff to waive rental fees only (not including staff time) for one-time special events for local non-profit service clubs, such as Rotary, Kiwanis, Lions, Boy Scouts, Girls Scouts, etc.

Option 3

Direct City staff to waive rental fees only (not including staff time) to local non-profit entities on an annual basis for monthly board meetings that are a maximum of one time per month for no more than 3 hours. This option would include Carol's Kitchen, AYSO, and Beaumont Cougars JAAF. All waivers would be brought back to City Council for an annual review and direction.

Option 4

Consider an allocation in the annual budget to be used by non-profits in lieu of facility use payments. These funds would be used like a grant program in which non-profits would formally request that the "grant" funds pay for their facility use. When the funding is exhausted, future use would be paid for per the adopted fee resolution.

**Fiscal Impact:**

The cost to prepare this staff report is approximately \$500.

**Recommended Action:**

Discussion and direction to City staff.

**Attachments:**

- A. Resolution No. 2017-48
- B. List of Non-profits that use City facilities