



Folsom City Council Staff Report

MEETING DATE:	5/13/2024
AGENDA SECTION:	Public Hearing
SUBJECT:	Resolution No. 11371 – A Resolution to Amend Resolution No. 11364 and Adopt an Amended User Fee Schedule for Selected Police Department Services
FROM:	Police Department

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommend that the City Council (1) hold a public hearing to receive input regarding the adoption of proposed updates to the Police Department’s User Fee Schedule; and (2) at the conclusion of the public hearing, adopt Resolution No. 11371- A Resolution to Amend Resolution No. 11364 and Adopt an Amended User Fee Schedule for Selected Police Department Services

BACKGROUND / ISSUE

Tax revenues fund essential City services such as public safety, streets, and infrastructure. However, discretionary services that primarily benefit specific users rather than the entire community are funded partially or entirely by user fees. Under state law, cities like Folsom can recover costs for discretionary services through these fees. Any costs not covered by user fees are subsidized by the General Fund or other sources. Examples include Police report copies and clearance letters, which provide direct benefits to individuals rather than the broader community.

By law, user fees cannot exceed the reasonable cost of providing the service. Propositions 218 and 26 amended the California Constitution to ensure fees remain within this limit. As long as the fees do not exceed the reasonable cost of providing the service, a simple majority vote by the City Council is required for approval. If a fee exceeds the cost of service, it is classified as a tax and requires voter approval. To maintain compliance and financial transparency, cities conduct periodic cost studies to assess the full cost—both direct and indirect—of providing various services before adjusting or implementing fees.

The last time the City of Folsom underwent a comprehensive Cost Allocation Plan and User Fee Study was in 2006. Since that time, individual Departments have undertaken this task separately or adjusted fees annually based on the Consumer Price Index. Under best practices, user fees should be re-examined, and the associated fee study should be updated every three to five years.

During recent years, the Police Department has added several pieces of new technology (body worn cameras, in-car cameras, traffic cameras, online report request system, etc.) that are now subject to requests from specific individuals. The Department currently has no mechanism to recover the costs of providing these services.

On September 3rd, 2024, the Police Department released a Request for Proposal for a comprehensive Police Services User Fee Study. The department received three responses by the October 1st, 2024 deadline. The review committee selected Government Consulting Partners, Inc. (GCP) based on their experience, familiarity with the City of Folsom, and competitive quote.

During the past several months, GCP's analysis of the proposed fees involved the following steps:

- Department / Staff Interviews: The consultant interviewed department staff regarding their interaction with each proposed fee, for clarification regarding the existing fee structure, and for the addition of new user fees;
- Data Collection: Data was collected by the consultant for each permit / service, including time estimates to complete the service;
- Cost Analysis: The fully burdened rate of providing each service included in the analysis was established; and
- Review and Approval of Results with Department Staff: Department management has reviewed and approved these documented results.

While working with GCP, staff reviewed the following as part of the fee study:

- Ensuring that proposed fees were in accordance with state and federal guidelines;
- Comprehending the current cost to provide each of these services; and
- Establishing fees that reasonably recover the City's cost to provide each of these services.

The final report is attached to this staff report and titled "Police Services User Fee Study". The study provides data regarding the current service levels and the cost and demand for those services. It also identifies new proposed fees and the maximum fees that the City can charge for each related service.

POLICY / RULE

The objectives of the fee study, along with the methodology used and the development of outcomes and recommended fee adjustments, were heavily guided by Article XIII C of the

California Constitution, including Propositions 218 (1996) and 26 (2010), as well as Section 66016 of the California Government Code and Folsom Municipal Code 3.50.050, which describe the procedure for adopting various fees.

Article XIII C states that, *“the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payer’s burdens on, or benefits received from, the governmental activity.”*

Additionally, Article XIII C identifies the following types of fees as items that are not defined as taxes:

- A charge imposed for a specific benefit conferred or privilege granted directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege [Art. XIII, C, 1(e)(1)].
- A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product [Art. XIII, C, 1(e)(2)].
- A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof [Art. XIII, C, 1(e)(3)].

Section 66016(a) of the California Government Code includes the following, *“Prior to levying a new fee or service charge, or prior to approving an increase in an existing fee or service charge, a local agency shall hold at least one open and public meeting, at which oral or written presentations can be made, as part of a regularly scheduled meeting.”*

Folsom Municipal Code 3.50.050 states, *“Pursuant to California Government Code Sections 66016 et seq., the city clerk shall cause notice to be provided as set out in said California Government Code Sections 66016 and 6062a concerning the fees and charges proposed to be increased or added. Such public meeting notice shall be provided prior to city council taking any action on any new or increased fees or charges.”*

ANALYSIS

The basic concept of a user fee study is to determine the reasonable cost of each service provided by the City for which it charges a user fee. The full cost of providing a service

serves as the objective basis as to the maximum amount that can be collected for that service. Working with Police Department staff, GCP developed an understanding of the existing fee structure, developed cost and cost recovery projections for each proposed fee, and recommended new fees where the department lacked the mechanism to recover costs.

Methodology:

GCP uses a per-unit or case study methodology of analysis whereby one individual unit of service is analyzed in detail and the results extrapolated for a year's worth of activity. This is the prevalent method of analyzing user fee schedules throughout California because it ensures that one fee or group of fees does not subsidize another group. To calculate the estimated reasonable cost of providing each Police fee-related service, GCP requested staffing reports, departmental budgets, and internal overhead documents.

A description of the various cost elements incorporated into GCP's user fee calculations is provided below.

Cost Element	Description
Direct Labor Costs	Salary and benefit costs of staff directly involved with service provision. Direct contractor costs.
Direct Materials Costs	Material costs that benefit a particular fee service. Example: public noticing costs for planning entitlements.
Department/Division Indirect Costs	Administrative staff (managers, clerical, analysts) within a department/division and line-item expenditures not specific to one fee service.
Citywide Overhead	Central support department budgets (HR, Attorney, Finance, etc.) are divided by direct public-facing City budgets. The resulting 10.8% markup is added to direct-labor costs.

GCP's methodology re-casted the above cost elements into Fully Burdened Hourly Rates (FBHR) that were then applied to staff time using a three-step process:

1. Establishing cost pools representing staff providing services
2. Determining the average annual work hours for staff, considering average compensated absences and the resulting standard annual productive hours per employee
3. Divide the full cost of each staff position cost pool for standard productive hours

Once all fee structure decisions were finalized, GCP and the City's subject matter experts began developing reasonable time estimates for each proposed fee category. GCP conducted a series of focus meetings with staff to identify the necessary tasks and time requirements broken down by task. (See example below)

Fee Category	TASK	Police Officer		Records Tech		Dispatcher II	
		Min.	Cost	Min.	Cost	Min.	Cost
Vehicle Release		50	\$124	30	\$40	20	\$44
	Officer calls/waits for tow	30		10			
	Dispatch runs the plate					5	
	Dispatch calls Tow company					5	
	Inventory search & records	10					
	Double check registered owner/s					10	
	Check that dispatch entered vehicle into SVS stored vehicle system at DMV			10			
	Records staff enters into system			10			
	Officer signs off form	10					

Projecting Annual Cost and Revenue:

In addition to 100% full cost calculations, GCP projected annual funds for each fee-service based on demand estimates. Demand estimates for existing fees were based on FY 2024. Estimates for new or restructured fees were based on available data from each position. The following table summarizes the potential fiscal impact of the proposed user fee schedule, based on their analysis:

FEE AREA	COST OF FEE RELATED SERVICES	CURRENT USER FEE REVENUE ¹	COST RECOVERY RATE	GENERAL FUND SUBSIDY	PROJECTED REVENUE FROM PROPOSED FEES	COST RECOVERY RATE AT PROPOSED FEES	PROJECTED REVENUE INCREASE
Alarm-related Fees	\$107,225	\$44,370	41%	\$62,855	\$65,675	61%	\$21,305
Records/Data Requests	\$27,580	\$3,000	11%	\$24,580	\$26,699	97%	\$23,699
Hourly Officer Charges	\$74,547	\$68,170	91%	\$6,377	\$74,547	100%	\$6,377
General Fees	\$34,252	\$28,542	83%	\$5,710	\$32,100	94%	\$3,558
TOTAL	\$243,604	\$144,082	59%	\$99,522	\$199,021	82%	\$54,939

The table above presents the Police Department's fee/cost recovery services organized into four major components: Alarm permits and response fees, requests for records or media,

hourly charges for Officer services (DUI Cost Recovery, special events, etc) and general fees, that would include such items as vehicle releases and VIN verifications

Projected proceeds from fee services under review totaled \$144,082 during FY 2024/25. The fully burdened cost to provide these services is \$234,604 creating a \$99,522 General Fund subsidy. If all proposed fee adjustments are adopted, the City should anticipate an increase of \$54,939 in annual fees paid, reducing the General Fund subsidy to \$44,583.

The proposed fee schedule adds new categories, eliminates others, and modifies certain categories to better reflect the services that the Police Department is actually offering and providing.

FINANCIAL IMPACT

As drafted, the proposed changes are expected to generate approximately \$199,021 annually, or an increase of \$54,939 in annual cost recovery, depending on service activity levels. Adjusting the User Fee Schedule will impact the budget by offsetting the costs of existing services rather than funding new ones. The general fund subsidy for providing these services will be reduced by more than one half, if the proposed fee schedule is adopted. While fees may increase yearly, labor and contract service costs, the primary drivers of fee-related expenses—also tend to rise every year.

It is important to note that the proposed user fee changes will not serve as a source of funding for expanded services. However, updating these fees ensures that we are recovering more of the cost to provide existing services from those who use the services, rather than relying on the general fund to subsidize this work.

ATTACHMENTS

1. Resolution No. 11371- A Resolution to Amend Resolution No. 11364 and Adopt an Amended User Fee Schedule for Selected Police Department Services
2. Police Services User Fee Study

Submitted,

Richard Hillman, Chief of Police