Call to Order at 8:30 a.m.
Roll Call: Council Member Martinez, Mayor Pro Tem Hamilton, Council Member Stadtherr, Mayor West
Absent: Council Member Irish

Pledge of Allegiance Led by Mayor Pro Tem Cameron Hamilton
Invocation - A moment of silence was observed when nobody came forward.

ORAL COMMUNICATIONS
None

SCHEDULED MATTER
1. OVERHEAD COST ANALYSIS AND FEE STUDY

Recommendation: Review the draft plan and study for City fees and charges prepared by MAXIMUS, Inc.

City Manager John Longley presented the item, and Deputy City Manager Darrel Pyle presented the staff report and introduced Mr. Dan Edds of MAXIMUS. Mr. Edds attended the meeting via conference call and facilitated an online presentation via WebEx.

Mr. Pyle reviewed the process by which MAXIMUS conducted its research and analysis for the Draft Plan and Fee Study currently before the Council. He indicated that a review of the current volume of services, fees and revenue would be compared with the cost of providing those services so as to identify the level of full cost recovery. Mr. Pyle then referred everyone to Page 8 of the handout entitled “City of Porterville Cost Allocation Plan and User Fee Study, Draft #1.” He noted that the fees, as of June 30, 2004, generated approximately $371,883 in revenue. He pointed out that the actual cost of providing those services totaled approximately $1.46 Million, thereby creating an approximate $1 Million subsidy.

Mr. Pyle indicated that another component included in the Study was a Cost Allocation Plan. He stated that MAXIMUS looked at the cost of overhead on a department by department basis, and advised that staff was still in the process of reviewing and comprehending that quite extensive document. Mr. Pyle noted that throughout the document, MAXIMUS had made recommendations as to proposed changes in how the City calculated some of its fees. For example, Mr. Pyle stated, some of the City’s building fees were based on project value. According to MAXIMUS, that methodology was currently being challenged in the Courts. Mr. Pyle indicated that MAXIMUS recommended a new approach whereby fees were based on square footage rather than value.

Mr. Pyle then referred everyone to the Appendix starting on Page 39 of the Report and requested that Mr. Edds review, via WebEx, the Fee Study beginning with the Planning Division.
Planning Division

Mr. Edds proceeded to review the rate calculation methodology utilized by MAXIMUS. He noted that the number of productive hours – meaning billable hours – was an integral part of the calculation. He explained that billable hours were derived from the standard 2080 hours, less holidays, sick time, vacation time, daily breaks, routine meetings, training, etc., which resulted in 1437 of billable or productive hours available on average per employee. He stated that in his experience, a number like 1437 was quite routine. He stated that there were 3.285 full time equivalent staff members assigned to the service area, which when multiplied by 1437, totaled 4,720 total hours. Also included in that, Mr. Edds explained, was the cost of City-wide overhead, which was in that case $148,000. He stated that this figure captured the cost of all City-wide overhead, including finance, accounting, information technology, cost of utilities, building equipment depreciation, etc. He stated from these figures, an hourly rate of $79 was derived. He emphasized that this figure was somewhat misleading in that it involved tasks other than simply planning activities. Mr. Edds then went on to explain the methodology involved in identifying tasks and assigning time to those tasks, and the procedures for cross checking those figures, which include the utilization factor, projected revenues versus projected expenses, as well as staff review of the data.

Mayor Pro Tem Hamilton questioned whether the costs of unfilled/vacant positions were included in the data, and if so, could the report be used to verify if staffing levels were appropriate. He then voiced concern with no time being attributed to Council Meetings, while Planning Division staff routinely attended Council Meetings.

Mr. Edds responded that while vacant positions were accounted for in the figures, the data would not necessarily be reliable in determining the appropriateness of staffing levels. As to Mayor Pro Tem Hamilton’s concern regarding time attributed to Council Meetings, Mr. Edds stated that this cost was captured in all of the services, but was not visible on the section of the spreadsheet currently viewed.

Mr. Edds next reviewed the methodology employed by MAXIMUS in determining support activities. A discussion ensued as to code enforcement and how the cost of that activity would be covered. It was stated that the cost of code enforcement activity would be covered through the fees in the future so as to ensure sustained recovery of that cost.

Mr. Pyle then referred everyone to the Actual Cost Results Section for the Planning Division and offered a general overview of the spreadsheet, noting that the current fees were an accumulation of fees and costs over a period of time.

In response to Mayor Pro Tem Hamilton’s question regarding how the service labeled P-1 came into play, Community Development Director Brad Dunlap explained that the Airport Development Zone Review Fee pertained to development at the Airport, which was required to be reviewed by the Council. The one identified on the spreadsheet likely represented Enduroquest’s development in the A-D Zone.

Mr. Edds noted that in some instances, MAXIMUS utilized average figures to assign annual quantities to services provided, particularly in cases where certain years were abnormal in activity. A discussion ensued as to circumstances in which fees were eliminated, due to reassignment or elimination of the service.
Mayor Pro Tem Hamilton confirmed with staff that the overhead allocation costs did include benefits and pensions, and questioned how increases and/or decreases in pension plans would be accounted for in the future.

Mr. Pyle indicated that a mechanism called MAXCARS was included in the bid by MAXIMUS, which is one of the reasons why the firm MAXIMUS had been chosen. He explained that MAXCARS would allow the data to be kept up to date. He stated that once the books were closed, audited and adjustments made, the fiscal data would be then run through MAXCARS. Mr. Pyle stated that the program would automatically calculate the required adjustments in the overhead. He indicated by utilizing this program, adjustments would be made 1 year in arrears, pointing out that the current fee and cost adjustments were 15 years in arrears. He commented that he was aware of one County that currently utilized MAXCARS and made adjustments to their fee schedule on an annual basis based on the prior fiscal year. He indicated that staff had planned a conference call in the future with that County to discuss actual implementation of the MAXCARS tool.

Engineering
Noting there were no further questions regarding the Planning Division, Mr. Edds moved onto the Engineering Division. He stated that the billable hours calculated for the Engineering Division totaled 1491 hours on average per full time equivalent staff available, which he noted was typical. He pointed out there were 2 additional cost factors in Engineering that were not in Planning, which he identified as support and a prorated amount for the General Plan Update. Mr. Edds indicated that because the City’s Building and Planning Divisions were so closely integrated, MAXIMUS utilized the same hourly rate calculation, with minor changes. A discussion ensued as to the ability of establishing the fee structure to allow for cost recovery of the General Plan Update. It was noted that the resulting hourly rate of $80 per hour for Engineering was comparable to local engineering firm rates.

Mr. Edds agreed with Mr. Pyle’s comments and stated that in fact, across the board, the City of Porterville had the lowest hourly rates that he had ever seen, compared to other jurisdictions throughout California. He continued with his review of the Actual Costs Results Report for the Engineering Division. He explained that as MAXIMUS went through the various fees, it attempted to move cities away from valuation-based fees and more towards fees based on square footage or a flat fee. He reiterated the comments made previously by Mr. Pyle regarding current challenges in the Courts to valuation-based fees and recommended against them. Mr. Edds then discussed the methodology in calculating the flat fees utilized by the Engineering staff.

Mr. Pyle pointed out that in most cases, the cost of providing the service exceeded the revenue collected. He stated that in rare instances, such as with Fee No. PW-20, the service had been broken up into smaller detail to ensure that smaller users were not overcharged and larger users were not undercharged. He indicated that a surplus actually resulted on some of the smaller connections to the water system. He added that many of the fees had not been adjusted in over ten years. Mr. Pyle summarized that currently, the City recovered approximately $95,000 for providing all of the engineering services. He stated that those services actually cost the City approximately $600,000 to provide, leaving a subsidy of approximately $500,000.

In response to a question posed by Council Member Stadtherr, Public Works Director Baldo Rodriguez clarified the difference between Fee No. PW-20: Water Meter Service: 1" or smaller; and
PW-23: Water Meter Installation: 1" or smaller, explaining that PW-20 was much more extensive, in that a new hook-up was actually constructed, as opposed to PW-23 which dealt with only installing a new water meter.

Police Division

Mr. Pyle next moved on to the Police Division and indicated that several different hourly rates were calculated in this Division, such as an administrative rate and an operational rate. He stated that the administrative rate calculated out to be $98 per hour, pointing out that Federal, State, and County requirements served to negatively impact the efficiency with which the administrative services were provided.

Mr. Edds added that overhead, as well as more highly compensated personnel also affected that administrative hourly rate of $98. He stated that Police Chief Silver Rodriguez had suggested the elimination of several of the current fees and the addition of some new fees to update the fee schedule to current times. He then referred everyone to Fee No. Police-15 regarding False Alarms, and stated that a correction should be made to reflect an annual quantity of 553 rather than 0. He explained that the Police Department had actually responded to approximately 1,600 false alarms, yet the Department only charged a fee for the third offense. Therefore, he explained, for purposes of determining the annual quantity, 1/3 of 1,600 was calculated, resulting in 553. Mr. Edds explained that the figures reflected in the copies that Council and staff had in their possession had since changed. He stated that the updated data resulted in current revenue of $47,000, with the total cost of service being $155,000, resulting in an approximate subsidy of $108,000.

Mr. Pyle noted that while the fee amounts and cost of service were relatively low, the volume in services such as copying Police Reports provided the greatest impact on revenue.

Mayor Pro Tem Hamilton questioned whether Mr. Edds was aware of any agencies attempting to recoup booking fees. Mr. Pyle elaborated on the process by which Counties charged fees to municipalities for booking individuals into County jails. He pointed out that while in the past the State of California partially reimbursed municipalities for those booking fees, that expenditure had been eliminated in the State’s 2005/2006 Budget.

Mr. Edds responded that, generally speaking, he did see a trend towards cost recovery attempts for many police functions. A discussion ensued as to various services for which Police and Fire Departments were beginning to charge.

Police Chief Silver Rodriguez elaborated on the elimination of Fee No. Police-9, Drunk Driver Accident Investigation Charges. He indicated that pursuant to a recent Court ruling, Departments could no longer charge that fee unless the Officer had actually responded to an actual emergency with personal injuries or property damage, rather than for just a routine traffic stop. As a result, Chief Rodriguez explained, this greatly affected cost recovery attempts for that service. He added that booking fees expenditures for that year were projected to be approximately $124,000.

City Attorney Julia Lew stated that cost recovery for public safety type services was becoming increasingly more difficult. She stated that throughout California, jurisdictions were attempting to recoup costs of various services, including 9-1-1 response and DUI-related activities,
however, there were challenges in the Courts to those attempts. She stated that if this was an area in which the Council wanted additional research, she could provide that.

Council Member Stadtherr observed that charging fees and collecting fees were two separate matters. He then questioned why ambulance services were able to charge fees for transporting accident victims, while the First Responders – Fire Department personnel – performed the majority of the work, yet charged nothing.

Mr. Edds confirmed that Council Member Stadtherr’s scenario was one in which much discussion was currently taking place. He indicated that many jurisdictions were investigating whether cities could recoup any of those costs for Police and/or Fire services in such a scenario. A discussion ensued as to the establishment of a business relationship with local ambulance companies in which the City would bill for time and stabilization efforts.

Building Division

Mr. Edds proceeded to the Building Division and reiterated that jurisdictions were moving away from valuation-based fees, which was the recommendation for many of the fees in this Division. He discussed the various mechanical, plumbing and electrical permit fees and the methodology used in calculating actual costs in providing those related services. Mr. Edds added that in his experience, local builders and/or building associations questioned the methodology in determining the proposed fees.

Mr. Pyle indicated that development of fee schedules in this fashion was becoming a trend, particularly moving away from valuation-based fees. It was pointed out that with most of the fees in this category, a subsidy existed.

Mr. Edds then moved onto the Parks & Recreation Division.

Parks & Recreation Division

Mr. Pyle pointed out that a full cost recovery approach in a Parks & Recreation program, would likely eliminate recreational opportunities for those who most frequently utilized the programs. He then referred the Council to the Recreation Cost Recovery Rates Sheet in the handout and indicated that Council could use that sheet to direct staff as to its comfort level in recovering costs. Mr. Pyle stated that the direct costs of providing the recreational programs included salaries/benefits of employees at the location of the service, as well as miscellaneous expenses such as soccer balls, paper products, etc. He explained that most of the fees did not cover the cost of any departmental overhead or administration, or any City overhead or administration. He stated that this methodology had been discussed in 1988, and the fees that had been adopted back then had been based on the same methodology. He added that in 1988, subsidy of the pool had been determined to be necessary.

Mr. Edds stated that in looking at costs of recreational programs, MAXIMUS had not attempted to develop detailed costs for specific elements, but rather for general programs. Using the OHV Park as an example, Mr. Edds stated that there was approximately $115,000 in revenue for the Park, and approximately $140,000 of direct program costs, which suggested a cost recovery rate of 83%. He stated that if the Department’s overhead expenses of $43,000 were added, the cost
recovery rate dropped to 63%, and when the City-wide overhead expenses were included, the cost recovery rate dropped further to 52%. He stated that the Council had the opportunity to set a policy as to how recreation staff should price individual components of programs so that a certain established cost recovery rate could consistently be met. Mr. Edds added that many cities viewed recreational programs as needed services in that they provided safe options for children.

In response to a question posed by Mayor Pro Tem Hamilton, Mr. Edds clarified that the cost for maintaining the OHV was included in the City overhead cost. A discussion ensued as to how costs were tracked for the various Parks & Recreation facilities. Mr. Edds added that the calculation for Parks overhead was one of the most complex calculations.

In response to a question posed by Council Member Martinez, Mr. Edds indicated that sponsor revenue was included in the calculation. It was also stated that facility maintenance was included in the departmental overhead and City-wide overhead.

As to equipment replacement, Parks & Leisure Services Director Jim Perrine stated that equipment designated as “rolling stock” was included, however buildings and recreational equipment replacement was not built in.

Mr. Pyle suggested that staff could bring each of the fee schedules before the Council by department, rather than bringing the entire massive fee schedule for adoption at once.

Mayor Pro Tem Hamilton commented that he believed that the Council had always understood the necessity of subsidizing recreational programs. He stated that the golf course was the only recreational program for which the Council had attempted to fully recover costs.

Mr. Pyle indicated that in preparing recommendations for the Council as to recreational fees, a test of reasonableness would be employed.

In response to a question regarding the Skate Park posed by Mayor Pro Tem Hamilton, Mr. Pyle indicated that the Park would have an operational budget and separate division so that direct program costs would be able to be determined during the next fee schedule update. He stated that one year of operations would be needed to identify costs. He stated that costs for graffiti removal, maintenance, landscape maintenance, irrigation, concrete maintenance, etc. would be tracked.

At 10:15 a.m., Mr. Edds excused himself from the meeting and terminated the WebEx presentation.

Mr. Pyle indicated that during a recent conversation between staff and Mr. Edds, it was discovered that in building inspection and plan check activities, the Fire Department did not track employee time spent. He stated that the activity actually took the equivalent of approximately one full-time Fire Lieutenant or Fire Captain. He stated that the impact of the one additional fire employee for building safety and inspections would be identified.

At that point, Mr. Pyle concluded the presentation and solicited questions from the Council.
In response to Mayor Pro Tem Hamilton’s question, Mr. Pyle indicated that risk management had been identified as an overhead component in the Cost Allocation Plan. A discussion ensued as to the capabilities of MAXCARS to identify volatile costs, such as fuel.

Mayor Pro Tem Hamilton commented that the analysis was very good. He then requested that staff research ways in which the City could recover some of the costs incurred by the Police Department.

In response to a question posed by Mayor West regarding the Golf Course, Mr. Perrine clarified that the Pro Shop and the golf carts were not a part of the City’s budget for the Golf Course.

Mr. Longley echoed Mr. Pyle’s suggestion that the fee schedules be presented to the Council on a department basis, indicating that the process would likely take several months so as to complete the analysis and notice the public hearings. A discussion ensued as to why staff recommended taking a department by department approach considering the current budget deficit. It was reiterated that because the discussion would consider not only MAXIMUS recommendations, but also what the consumer would actually pay for services, a thorough analysis would be required. Mr. Longley added that a large public response from various community interests was likely, and pointed to the benefit of having more focused discussion by department rather than one all-inclusive meeting.

Mayor West agreed that breaking up the fee schedule presentations on a department by department basis was the best way to proceed.

Mr. Longley stated that perhaps staff could begin the presentations earlier than had originally been planned.

Council Member Stadtherr suggested that perhaps January 1, 2006 would be a reasonable target.

Mr. Longley commented that staff could make the date of January 1, 2006 its goal to have completed the review of each of the fee schedules. After some discussion, the following schedule for presenting the fee schedules was decided:

<table>
<thead>
<tr>
<th>Date</th>
<th>Division</th>
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<tbody>
<tr>
<td>September 6, 2005</td>
<td>Planning Division</td>
</tr>
<tr>
<td>October 4, 2005</td>
<td>Building Division</td>
</tr>
<tr>
<td>November 1, 2005</td>
<td>Recreation</td>
</tr>
<tr>
<td>December 6, 2005</td>
<td>All remaining schedules</td>
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</tbody>
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Mayor Pro Tem Hamilton requested that Julia research franchise fees for fire/ambulance services. He then acknowledged staff’s effort in working with MAXIMUS in the preparation of the analysis and thanked everybody involved for their efforts.

Mayor West also thanked staff for their efforts.

Council Member Stadtherr requested that a copy of the spreadsheet be e-mailed to him, which Mr. Pyle confirmed.
Council Member Martinez thanked the Police Department for the fine job its Officers were performing, particularly noting the challenging incident that had occurred that past week.

ADJOURNMENT
The Council adjourned at 10:23 a.m. to the meeting of July 19, 2005 at 6:00 p.m.

Patrice Hildreth, Deputy City Clerk

ATTEST

Kelly West, Mayor