



**MINUTES
SPECIAL MEETING
FINANCE COMMISSION**

Wednesday, September 14, 2016
4:00 p.m.
City of Huntington Beach
Civic Center – Lower Level Room B-7
2000 Main Street
Huntington Beach, CA 92648-2702

Chair Bunten called the meeting to order at 4:00 p.m. and led the Pledge of Allegiance.

MEMBERS PRESENT: Bunten; Hart; Hreish; Woodworth; Berge

MEMBERS ABSENT: Romero; Small

STAFF PRESENT: Lori Ann Farrell Harrison; Chief Financial Officer
Stephanie Beverage; Director, Library Services
Scott Hess. Director, Community Development
Janeen Laudenback; Director, Community Services
Travis Hopkins, Director, Public Works
Bill Reardon; Fire Chief - Fire Prevention
Russell Reinhart; Police Captain, Police
Dahle Bulosan; Finance Manager - Accounting
Kevin Justen; Senior Administrative Analyst, Fire
Elaine Kuhnke; Senior Administrative Analyst, Community Services
Debra Gilbert; Senior Administrative Analyst, Community Development
Jane Cameron; Firemed Coordinator, Fire
Mary Loadsman; Administrative Assistant, Finance

ORAL COMMUNICATIONS – None.

MINUTES

Motion: Moved by Woodworth and seconded by Berge to approve the Finance Commission Special Meeting Minutes dated September 7, 2016 as presented.

Ayes: Berge; Bunten; Hart; Hreish; Woodworth

Absent: Romero; Small

Motion passed: 5-0

DISCUSSION ITEMS

Citywide User Fee and Rate Study/Master Fee and Charges Schedule - Review and finalize the Finance Commission's Draft Recommendations to City Council regarding proposed user fees and charges.

Consistent with the direction agreed to at the Special Finance Commission Meeting of September 7, 2016, Chair Bunten requested each Commissioner report on their comments and questions regarding specific fees.

Commissioner Woodworth:

Commissioner Woodworth would like to recommend the City Council consider increasing Jail Processing/Booking Fees from \$275 to \$300 to further deter breaking the law in the City of Huntington Beach.

She asked if a three business comparison review had been prepared for the purpose of determining whether or not the City of Huntington Beach is business friendly, or if fees are disproportionate. Finance Manager, Dahle Bulosan responded that a limited sample comparison worksheet for discussion had been prepared.

Commissioner Woodworth asked if a 4th of July fee discussion could take place at a future date and is not recommending any changes at this time.

Commissioner Woodworth confirmed she is aware that Development Impact Fees are set by Resolution and asked that a side project be considered for the future to further understand the underlying costs associated with the fees. She noted she wanted to make sure the fees have not changed dramatically from the time the Resolution was approved.

Commissioner Woodworth asked for clarification on the cleaning fee and deposit differences between the Central Library and Community Services Recreational Facilities. Community Services Director, Janeen Laudenback thanked Commissioner Woodworth for her comments and noted that some of the items for the Senior Center were in fact refundable deposits and not fees, and that the final user Fee Study reports would more accurately reflect the correct deposit and cleaning fee notations for improved clarity. She explained that deposits were held for facilities rentals with the expectation the client would return the facilities in the condition found, and a full refund of the deposit would ensue. If the facilities were not returned as found and staff had to clean the facilities, then the client would be charged for the required cleaning services from the deposit and the balance would be returned. Library Services Director, Stephanie Beverage, also clarified the deposit and cleaning fee information with the Commission and responded to questions. The Community Services Director and Library Services Director confirmed that the cleaning fee at the Central Library and Community Services Recreation Facilities are comparable.

Commissioner Woodworth asked the Library Services Director if the City was charged for City Events held at the Central Library. Director Beverage responded that there is no charge back to the City, however, she does track the scope and scale of events and prepares a cost estimate of what the City uses for her own budgeting purposes. She indicated she would be

able to develop an annual survey on the facility usage that could be shared with the departments. Woodworth responded that in lieu of the actual accounting and charge back, the survey usage information would be good for the department to view.

Commissioner William Hart:

Commissioner Hart thanked the Department Heads and staff for attending the Special Meetings saying he appreciated the hard work that went into establishing the fees, as well as the process and rationale that vary the percentage of cost recovery.

Commissioner Hart noted that for Community Development almost every fee is increasing to 100% cost recovery, while other departments are not seeking recovery at that level. He expressed concern for the average resident who is interested in making improvements to their residence. He commented that building permits are sought for additions, upgrades and renovations that would enhance property values and improve neighborhoods. He indicated that the citizens are currently paying taxes and asked for the rationale on charging the 100% cost recovery for these types of inspection and permit services, noting that other City services are provided a significant subsidy, including some used by non-residents. He also commented that it would seem to be beneficial to strive to keep fees as low as possible in order to encourage homeowners to invest in their property. He asked if the Community Development's budget is not sufficient, or are we in line with what other cities charge for the same services. The Community Development Department responded that the law allows the City to charge 100% of the cost to whomever is receiving the service, noting that if we are not charging 100% then the General Fund would have to subsidize the difference.

Community Development Director, Scott Hess, also clarified the 100% cost recovery direct benefit is for planning services as well as building permit and inspection services. He reported that currently, the Department outsources the plan check and inspection process with costs passed onto the end user, noting that without the outsourced processes, developers, business owners and residents would be waiting for extensive periods of time to have their projects reviewed, approved, inspected and completed in a reasonable timeframe.

Commissioner Hart thanked the Community Development Department for providing the explanation that the individual, business or developer would pay for the service and not the community at large.

Commissioner Hart also asked for an explanation on cost recovery levels for the Fire Department inspection fees. Fire Prevention Chief Reardon responded that some fees are mandated cost recovery amounts, while others are set not to recover the fully burdened rates so as to not impact small business, yet still provide a reasonable cost recovery effort. He explained that most inspection fees are based upon square footage.

Commissioner Hart again thanked staff noting he has a better understanding of the reasoning behind the cost recovery variances.

Commissioner Nouha Hreish:

Commissioner Hreish reported she was satisfied with the Fee Study, and the Master Fee and Charges Schedule. She felt that sufficient investigation and analysis had been performed and thanked the departments for the time and effort that was put into preparing and completing the reports. She also appreciated the participation from each of the departments in attending the Commission meetings and taking the time to explain the fees and answer the questions from each of the Commissioners.

Commissioner Hreish commented that as a business owner in Huntington Beach for 35 years, she felt she had been treated fairly. She explained that during the times when her business underwent a Fire Inspection, that the Fire Department Personnel were always willing to answer questions and provide useful information. She noted that she felt that all of the business services received have been fair.

Commissioner Hreish noted that as long as the City is not losing money in the provision of City Services, she is satisfied and has no further questions.

Commissioner Bud Berge:

Commissioner Berge commented that Mr. Hess's explanation is sufficient regarding planning, permitting and inspection fees and indicated that citizens seeking to remodel their residences will plan on the necessary costs and services. Commissioner Berge commented that the City should not subsidize these types of services and that the City deserves to recoup the costs. He doesn't believe that asking for 100% cost recovery for these types of services discourages the residents from making improvements.

Commissioner Hreish commented that any complaints about fees for these types of services are from frustration from contractors, noting that quality customer service for many contractors, developers and businesses are more important. If the customer service is excellent, many residents and businesses will not complain about the fees.

Commissioner Berge noted that they may complain about the fees but, want a timeline so they know how to plan for their projects. He explained that when a developer gets a commitment to do a development, they want an expedited process as much as possible, noting their biggest problem is time, because time is a critical factor and may lead to increased costs.

Commissioner Buntun comments:

Chair Buntun asked the Community Services Department for clarification regarding parking fees at the City Beach and Sports Complex.

Community Services Director, Janeen Laudenback explained the \$15 flat rate beach parking is "Per Space Occupied", in other words, if a vehicle that is towing a trailer pulls into the parking lot and uses two spaces for the vehicle and one space for the trailer, then the total spaces occupied would be three (3) spaces and charged the rate of \$45.00. She noted that clarifications or corrections to ensure the public understands the fees in the final documents would be completed.

Chair Bunten indicated the \$10.00 daily rate for a 20 ft. plus vehicle to park at the Sport Complex is encouraging daily use Recreational Vehicle (RV) parking. Director Laudenback responded that on the weekends, many groups utilize the RV Parking during team events and tournaments however, during the weekday there are several RVs that regularly park at the Sports Complex. Many of the weekday RV Parking is with handicap placards and is “free parking”, since anyone parking at a City facility or metered parking in the City can park for free if they have a disabled parking placard. She explained that changing the rate will not deter the situation with RV Parking at the Sports Complex.

Chair Bunten commented that he has witnessed ad hoc car shows on Main Street and that many of the participants parked using disabled placards. He also commented that there are very few cities that have beach parking and that they do not allow RVs into daily use parking lots, which may be something to consider.

General Discussion:

Woodworth asked to discuss the “Cost of doing Business” scenarios asking Mr. Bulosan if there was anything during the course of review that was particularly noteworthy. Finance Manager, Dahle Bulosan, responded that the main focus was to obtain “apples to apples” data for each business scenario to facilitate the Commission’s analysis.

Chair Bunten noted City 2 and City 4 were in a different league for fees and asked that the discussion and questions be limited to the other three sample cities and the City of Huntington Beach.

Commissioner Woodworth asked if the City had considered a Business License Tax based on sales revenue, such as gross receipts. Director Farrell Harrison responded that any changes to the Business License Tax would result in a ballot measure and that it can be collected on gross receipts or flat rate plus employee if the voters approve the change. She explained that if the rate was based on gross receipts, you have to confirm and validate the gross receipts and match them up with the State in order to derive the amount to charge. The flat rate plus employee is the more cost effect approach considering the work and manpower required for the gross receipt based fees.

Commissioner Woodworth asked if we knew if City 3 took business away from the City of Huntington Beach. Bulosan responded that business migration was not part of the survey conducted.

Commissioner Hreish commented that when a business starts-up, they look at location and run the cost of start up, it is part of the business plan, and the fees and charges are usually understood, and should not be a surprise.

Commissioner Woodworth explained that the purpose of the exercise was that there is a perception that the City of Huntington Beach may not be business friendly and she wanted to identify if our fees are out of sync. After review and discussion of the business scenarios, Commissioner Woodworth concluded the City of Huntington Beach is business friendly with comparable fees charged for similar business activities.

Commissioner Berge asked if staff considered placing “No Overnight Parking” signs at the Sport Complex. Director Laudenback confirmed that there is no overnight parking at any of the parks, there is a citywide curfew at 10:00 p.m. and that the department works with the Police Department to issue citations to violators.

Commissioner Berge asked for information regarding the \$20 bicycle impound fee. Police Captain Reinhart explained the fee is recent and is intended to help deter bicyclists that have chained their bicycle in the beach area or downtown and have left them for several days. The bicycles are marked after 24 hours and if after several days the bicycles have not moved, the locks will be cut and the bicycles impounded. He explained this has not been done before, that fee is intended to discourage “nuisance bikes”.

Commissioner Berge asked for clarification on Fire Inspection fees for items F121 through F125, noting the fees are not at full cost recovery. Fire Prevention Chief Reardon explained that the percentage cost recovery is a conscious decision, noting traditionally the department did not charge as much as the proposed fees prepared by the consultant. He explained that normally when a team is dispatched to do inspections (for example a strip mall), the team splits up to make best use of their time. If a single business is to be charged the fully burdened rate for the entire team, the cost would be prohibitive for most small business owners.

Commissioner Berge noted item F123 is for inspection for up to three (3) units. Fire Prevention Chief Reardon explained the inspection is not extensive and that the proposed fee amount adequately captures the time.

Commissioner Woodworth asked for clarification regarding High Rise Inspections, item F121 and F122 and asked how many buildings in Huntington Beach are above seven stories. Chief Reardon said he would need to double check on the number of buildings the fees would apply to, perhaps around 7 to 8 buildings.

Commissioner Berge asked about Multi-Unit and Large Family Day Care Inspections if there were charges for re-inspection. Fire Prevention Chief Reardon explained that generally speaking most businesses are not charged for a re-inspection fee, however, if the property is in disrepair and several inspections are required to observe corrections, then consideration for cost recovery efforts can apply.

Chair Bunten noted that based on the comparisons, it looks like the Fire Inspection fees are in line with other cities.

Commissioner Berge asked for clarification regarding the hourly rate. Fire Prevention Chief Reardon explained the hourly rate is more prevalent in Fire Prevention field unit activities versus plan review and permitting processes.

Director Farrell Harrison indicated that the challenge of the annual budget is to try and balance anticipated revenue and that changing the methodology for setting fees and for cost recovery for the Fire Department could be added to a future recommendation to determine the feasibility and potential revenue impact, if any.

Public Works Director, Travis Hopkins, commented that it is “Better for Business” to have known fees, not unknown fees, and how a flat rate allows for predictability for a business owner.

Chief Reardon reviewed the High Rise Fee noting that if he took the time of 6.5 hours at \$537 per hour the inspection fee would be around \$3,500 for 100% cost recovery. He commented the consultant is suggesting 65% cost recovery fees of \$2,270. Finance Manager, Dahle Bulosan noted the fee is increasing from about \$1,500 to \$2,270 already to achieve the 65% cost recovery.

Chair Bunten went around the table asking Commissioners if there were additional questions, and with no further questions called for a motion:

Motion: Moved by Berge, Seconded by Woodworth, recommend to the City Council that the Master Fee and Charges Schedule be approved as presented, and to have Finance staff present material from the Special Meetings of Finance Commission for review at the regularly scheduled Finance Commission meeting of September 28, 2016 to forward to City Council at Study Session on October 3, 2016.

Ayes: Berge; Bunten; Hart; Hreish; Woodworth

Noes: None

Absent: Romero; Small

Motion passed: 5-0

ITEMS DISTRIBUTED TO COMMISSION

1. Draft Preliminary Calendar - Citywide User Fee and Rate Study/Master Fee and Charges Schedule.
2. “Cost of Starting a Business Scenarios” – Five City Sample.

ADJOURNMENT

There being no further business, the meeting adjourned at 5:27 p.m.

Submitted by:

Lori Ann Farrell Harrison, Chief Financial Officer

By: Mary Loadsman, Administrative Assistant, Finance Department