



STAFF REPORT

DATE: JUNE 9, 2026

TO: MAYOR AND CITY COUNCIL

FROM: ALEXA DAVIS, ASSISTANT CITY MANAGER
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SUBJECT: COMMUNITY SERVICES FEE STUDY UPDATE AND PROPOSED FEES

OVERVIEW

A fee study has been conducted for the Community Services Department, which includes a comprehensive analysis of the costs associated with the Department's services and the use of City facilities.

BACKGROUND

The Community Services Department updates certain fees annually based on past practice and cost-of-living increases. However, a formal analysis of the fee structure has not been conducted in recent history.

A staff recommendation to conduct a formal analysis of Community Services Department user fees for first came before the City Council at the 2024 Policy Development Session. User fee studies are conducted to analyze City costs, including staffing, maintenance, water, and facility wear and tear, and analyze City fees for services. Study findings are intended to be used to establish a framework for fees that align with a City's adopted cost-recovery policy, reflect comparable benchmarks, and consider market rates of similar jurisdictions. Council directed staff to proceed with a comprehensive fee study of Department services and approved an agreement with Matrix Consulting Group to conduct the fee analysis at its meeting of March 25, 2025.

Over the past year, staff has worked closely with Matrix representatives in pulling together data which includes items identified in the baseline costs and budget numbers culminating in a comprehensive Community Services Cost of Service (User Fee) Study. The Study has been presented to both the Equestrian Committee, on April 13 and May 11 and the Park and Activities Commission on April 21 and May 20, 2026.

The Equestrian Committee appointed an ad hoc subcommittee comprised of Committee members to further review equestrian service fees. Therefore, equestrian service fees are not presented for the purpose of the City Council's discussion at this time until further review by the subcommittee and Park and Activities Commission.

At its May 20 meeting, the Park and Activities Commission reviewed staff's recommendations for department programming (excluding equestrian services) and provided modification to some fees related to Community Services programs, excluding equestrian services. These recommendations are presented to the City Council for consideration and adoption as part of the Fiscal Year 2026–27 Fees and Charges Schedule.

ANALYSIS

City's User Fee Cost Recovery Level Policy

The Study supports a balanced approach to fee setting that considers operational and staffing expenses while maintaining affordable community access. In alignment with the City's Cost Recovery Policy (Attachment B), the Community Services Department classifies its fee-based programs as "Partial Cost Recovery (Below 100%)." Currently, annual adjustments using Consumer Price Index (CPI) are recommended to keep fees current with rising costs and minimize the need for significant future increases; however, this practice is not suitable for all levels of services and programs within the Community Services Department.

As outlined in the City's policy, community services user fees may recover less than the full cost of service when:

- Collecting full fees is not cost-effective or practical;
- The purpose of the program is to provide a public benefit or fulfill a community policy objective; or
- The service promotes healthy recreation and educational enrichment opportunities for residents.

Also, when setting fees for Community Services Department programs and services, consideration is often given to market rates and how comparable neighboring market rate jurisdiction fees are structured.

Fee Recommendations

The proposed fee adjustments are intended to preserve affordability and community access while implementing moderate adjustments in areas where current fees no longer reasonably align with service costs to maintain a sustainable cost recovery approach. At its meeting of May 20, 2026, the Park and Activities Commission made the following recommendations for the City Council's consideration:

Tennis Club Membership Fees

Key policy considerations for Tennis Club membership, court and program fees include maintaining the existing tiered pricing structure, continuing resident and non-resident fee

differential pricing, and preserving incentives for early membership renewal. The Park and Activities Commission recommends the following:

1. No fiscal year 26-27 increase to individual rates.
2. Create a Couples Membership category and adjust Family Membership fees to better align the subsidy of Family Memberships with other categories while still providing a savings.
3. Adjust frequency of fee reviews from every five years to every three years, beginning in 2027, with future adjustments informed by the Consumer Price Index (CPI) and market rates. This approach is intended to help maintain fee levels consistent with the market over time and reduce the need for more substantial increases in the future. This modification requires a revision to the City's cost recovery policy which will return to the City Council for consideration at a future date.

Tennis Club Court and Program Fees

Key policy considerations for Tennis Club court and program fees include maintaining affordability and community access for members and the public, preserving the existing tiered pricing structure, continuing resident priority through differential pricing, and maintaining a simple fee structure. The analysis found that Tennis Club court and program fees are currently achieving cost recovery levels generally ranging from 83% to 108%. The Park and Activities Commission recommends the following:

1. No adjustments to hourly court rental fees.
2. Adjust league court rental fees for Marine League and United States Tennis Association League (USTA) league play to better align with current hourly rates. School league use is recommended to maintain the existing hourly court rental fee.
3. The study supports maintaining the existing fee structure, including the non-resident fee differential. As with membership fees, a three-year fee review cycle beginning in 2027 is recommended to evaluate future adjustments based on CPI and market rates.

Sports Field Rental Fees

Key policy considerations for sports field rental fees include maintaining access for youth community organizations and preserving affordability for local users. The analysis also considered whether current cost recovery levels should be maintained, the continued use of differentiated fees by user type, and the role of discounted rates for youth league play. As one of the more heavily subsidized service areas evaluated in the study, the recommended fee adjustments are intended to improve cost recovery while maintaining community access. The Park and Activities Commission recommends the following:

1. Moderate increases to hourly field rental fees and continuation of the non-resident fee differential.

2. Annual fee adjustments based on CPI in place of the current fixed annual increases of 2%.
3. Rates for organized youth sports leagues are recommended to be addressed separately through scheduling and user agreements.

Park Permit Fees

Key policy considerations for park permit fees include maintaining community access to Ernie Howlett Park, the only park for permitted gatherings and special events, while preserving affordability for small gatherings. The analysis also considered the relationship between permit fees, park usage, event impacts, and market rates.

The current park permit fee structure is based on group size and does not fully account for the level of park usage, duration of use and space impacts. The Park and Activities Commission recommends the following:

1. Transition to a more use-based fee structure that accounts for factors such as hourly usage, group size, space utilization, and overall event impact.
2. Establish a resident and non-resident fee differential.
3. Create a fee for party vendors in addition to existing business license requirements.
4. Establish an annual fee review cycle to evaluate future adjustments based on CPI and market rates.

Special Event Permit Fees

Key policy considerations for special event permit fees include maintaining community access to parks, supporting local, small-scale nonprofit community events, and preserving recreational opportunities for residents. The analysis also considered cost recovery objectives, differentiated fees by user type, and maintaining affordability for smaller events.

The study found that current special event permit fees recover only a small portion of the City's actual service costs. While full recovery is not recommended due to the community benefits provided by special events, the proposed fee adjustments are intended to improve cost recovery and better align fees with event size, operational impacts, and market rates. The Park and Activities Commission recommends the following:

1. Establish new structure which would maintain differential pricing by user type, increase cost recovery ensuring consistency for all tiers.
2. Establish an annual fee review cycle to evaluate future adjustments based on CPI and market rates.
3. Increase the fee for rental of the trails for 5K races.
4. Establish a fee for special event use of the grass bowl.
5. Limit special event use of the grass bowl area for recreational purposes as opposed to parking for new events.
6. It was also recommended that for-profit events be prohibited.

A list of proposed fees aligned with the Park and Activities Commission recommendations can be found in Attachment C.

Other Fees

Equipment rental fees were not included in the discussion of the study's findings because they are infrequently rented. With the exception of temporary chain link fence panel installation, equipment such as tables, chairs, and risers is no longer made available for rent and is rarely requested. As a result, Staff recommends removing these fees from the City's fee schedule.

The off-site contract recreation class fee, non-resident surcharge fee, and the Council Chamber rental fees were also not included in the analysis. The off-site contract recreation class fee, which applies to classes conducted at contractor-owned facilities, was established by the Park and Activities Commission and City Council in Fiscal Year 2023–24 and is equal to 20 percent of gross registration revenue, excluding the non-resident class surcharge, which is retained entirely by the City. The non-resident class surcharge is a 10 percent fee applied to recreation programs held on City property and is consistent with practices commonly used by other municipalities. No changes to these fees are recommended at this time, as they were established based on the fee structures and market rates of comparable neighboring jurisdictions.

Council Chamber rental fees were not presented for review at this time. These fees were last increased in 2024. Staff recommends reviewing Council Chamber rental fees in conjunction with the future establishment of fees for community meeting use of the Nature Center to ensure consistency among similar facility rental opportunities.

Matrix Consulting Group representatives will present the Community Services Cost of Service (User Fee) Study (Attachment A) and summarize the study findings at Tuesday's City Council meeting. Staff will then provide an overview of the recommendations made by the Park and Activities Commission and seek City Council input and direction regarding the proposed fee adjustments.

FISCAL IMPACT

The proposed fee adjustments are intended to support the City's cost recovery objectives while maintaining affordable access to recreational programs, services, and facilities. Recommendations vary by service area and reflect differing levels of cost recovery, community benefit, market rates, and operational impacts.

While the proposed fees can increase cost recovery for certain programs and services, the overall fiscal impact cannot be precisely determined, as revenue will depend on future participation levels, facility usage, and customer demand. Because several recommendations include periodic fee review cycles and policy-based fee differentials, actual revenue impacts may vary over time. The recommended fee structure is intended to offset a portion of operating and staffing costs while supporting the long-term financial sustainability of Community Services programs.

PUBLIC OUTREACH

The agenda and staff report for this item were posted and noticed as required.

RECOMMENDATION

Staff recommends that the City Council review the Community Services Cost of Service (User Fee) Study and approve the proposed Community Services User Fees to be included in the Fiscal Year 2026–27 Fees and Charges Schedule.

Attachments:

- A. *Community Services Cost of Services (User Fee) Study – Matrix Consulting Group City of Rolling Hills Estates User Fee Cost Recovery Level Policy*
- B. *City of Rolling Hills Estates User Fee Cost Recovery Level Policy*
- C. *Proposed Community Services Department Master Fee Schedule*
- D. *Final Park and Activities Commission Staff Presentation Slides: May 20, 2026 - Community Services Fee Study Update*
- E. *Park and Activities Commission Staff Report: May 20, 2026 - Community Services Fee Study Update*



REPORT ON COMMUNITY SERVICES COST OF SERVICES (USER FEE) STUDY

April 2026

ROLLING HILLS ESTATES, CA

MATRIX
CONSULTING GROUP

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INTRODUCTION

This section of the report is intended to provide an overview regarding overall legal rules and regulations for fees for service.

The report that follows presents the results of the Community Services Department-specific Cost of Services (User Fee) Study conducted by the Matrix Consulting Group for the City of Rolling Hills Estates, California.

PROJECT BACKGROUND AND OVERVIEW

This is Rolling Hills Estates' Community Services Department's first user fee study conducted by an outside agency. The purpose of this study is to evaluate the full cost (direct and indirect) of providing a variety of parks and recreational services. The Matrix Consulting Group project team analyzed the cost-of-service relationships among fees for service for programming, equestrian arena, and tennis. The results of this study provide the City with a transparent and defensible tool to understand the current cost of services and support future policy discussions on cost recovery.

GENERAL PROJECT APPROACH AND METHODOLOGY

The work accomplished by the Matrix Consulting Group in the analysis of the proposed fees for service involved the following steps:

- **Staff Interviews:** The project team interviewed department/program staff regarding their needs for clarification of the structure of existing fee items or for the addition of new fee items.
- **Data Collection:** Data was collected for each service, including time estimates and material costs. In addition, all budgeted costs and staffing levels for Fiscal Year 2026 were entered into the Matrix Consulting Group's analytical software model.
- **Cost Analysis:** The full cost of providing each service included in the analysis was established.
- **Review and Approval of Results with City Staff:** Department management has reviewed and approved these documented results.

A more detailed description of user fee methodology and legal and policy considerations is provided in subsequent chapters of this report.

SUMMARY OF COST RECOVERY

The project team evaluated the cost recovery for the Community Services Department by assessing its direct operational costs while also factoring in indirect expenses, including departmental administration and citywide overhead. The table below compares the budgeted revenue to direct expenditures and indirect costs

such as citywide overhead and maintenance (full cost), highlighting the difference and associated cost recovery percentage.

TABLE 1: FULL COST RECOVERY

Program	FY26 Budgeted Revenue	Full Cost	Difference	Full Cost Recovery %
Recreation Programs & Special Events	\$120,000	\$500,180	(\$380,180)	24%
Tennis Rec	\$100,000	\$349,768	(\$249,768)	29%
Total	\$220,000	\$849,949	(\$629,949)	26%

Community Services is at a 26% cost recovery. The cost recovery for park and recreation services typically falls between 20% and 50%, and at 26%, the City is within this range. Additional details regarding the department’s cost recovery can be found in the Cost Recovery chapter of this report.

The display of the cost recovery figures shown in this report is meant to provide a basis for policy development discussions among Council members and City staff, and it does not represent a recommendation for where or how Council should act. The setting of the “rate” or “price” for services, whether at 100 percent full cost recovery or lower, is a policy decision to be made only by Council, with input from City staff and the community

These measures align with GFOA best practices for *Establishing Government Charges and Fees*, which state that governmental entities should review and update charges and fees periodically based on factors such as the impact of inflation, other cost increases, adequacy of cost recovery, use of services, and the competitiveness of current to avoid large infrequent fee increases. Additionally, adopting the practice of conducting comprehensive analyses every five to seven years allows for any changes to organizational structures, processes, or any new service areas to be captured.

LEGAL FRAMEWORK

This section of the report is intended to provide an overview regarding overall legal rules and regulations for fees for service. A “user fee” is a charge for service provided by a governmental agency to a public citizen or group. In California, several constitutional laws such as Propositions 13, 4, and 218, State Government Codes 66014 and 66016, and more recently Prop 26 and the Attorney General’s Opinion 92-506 set the parameters under which user fees typically administered by local government are established and administered. Specifically, California State Law, Government Code 66014(a), stipulates that user fees charged by local agencies “...may not exceed the estimated reasonable cost of providing the service for which the fee is charged”.

However, in the case of parks and recreation fees Proposition 26 allows for fee amount(s) to be based upon the rates that the market can bear. There are specific rules and regulations within the State Law that impact parks and recreation related activities directly. These can be separated into two categories – rental rates and recreation programs. The following points provide further information regarding these items:

1. **Rental Rates:** One of the exceptions to the tax category under Proposition 26 is a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property¹. There is no requirement that these rates must be limited to the cost of service, as they can be dependent upon a variety of features of the facility or park being rented.
2. **Recreation Programs:** Under Proposition 26, the exception to the tax category is a charge that is “imposed”. Based upon the League of California Cities implementation guide for Proposition 26, as well as other legal opinions, recreation classes, youth sports, and adult sports are not a charge that is “imposed upon residents”. Rather, residents have the option to voluntarily participate in those programs and utilize a private entity (non-governmental entity) for those activities. Therefore, these rates are allowed to be set based upon the market options within the area rather than being restricted to the cost of service being provided.

Utilizing these two principles is key to understanding the results generated through this analysis. As such, any over-recoveries reflected in the report do not need to be reduced to the cost of service, as the fee amount(s) should be based upon rates that the market can bear, as they are not a charge that is “imposed upon residents.” Rather, residents can rent facilities or participate in the recreational programs offered by local governments or utilize a private (non-governmental) entity for those activities / services. As such, rental rates can depend upon a variety of features of the facility or park being rented, and recreation program rates can be set based on the combination of the cost of administering the program and the demand for the program (estimated participation).

¹ Proposition 26 Article XIII C(1)(e)(4)

USER FEE STUDY METHODOLOGY

The Matrix Consulting Group utilizes a cost allocation methodology commonly known and accepted as the “bottom-up” approach to establishing User Fees. The term means that several cost components are calculated for each fee or service. These components then build upon each other to comprise the total cost for providing the service. The following chart describes the components of a full cost calculation:



The two identified components were used to calculate the full cost to the City of providing various services. The following sections detail each component.

STAFF COST

This cost component reflects the cost associated with staff time and effort associated with administering and providing these services. The cost is based upon two factors:

- **Time Assumptions:** This reflects the time associated with processing, reviewing, intaking, answering questions, set up / clean up, and other support activities.
- **Fully Burdened Hourly Rates (FBHR):** This represents the full cost to the City of an employee existing and providing services. It consists of direct cost components such as salaries, benefits, and productive hours². It also includes costs associated with internal citywide overhead.

² Productive hours refer to 2,080 hours of a full-time position reduced by sick, vacation, and holidays.

The time assumption is multiplied by the FBHR to arrive at the total staff cost associated with providing or administering a particular fee-related activity.

MATERIAL COST

Certain fees include costs associated with materials that might be necessary to provide the service. These material costs generally include items such as the cost of equipment or use of space / impact to the space sustained by the permitted activity.

PARTICIPATION / AVERAGE UTILIZATION COST

The two prior cost components (staffing and material) generate the total cost of a program or activity. For recreation, the majority of activities or rentals are based on the average participation or utilization of hours / space. Therefore, a key assumption in this analysis has been the use of average participation or rental hours when determining the cost per participant or cost per hour. As such, if a service has more or less participants or is used for more or less hours that can directly impact the per unit result. Some items in this analysis may show an over-recovery or under-recovery, but that can be directly impacted based on the level of utilization of the program or the rental space. If it is used more frequently or has higher participation, the cost will decrease. For participation-based programs (i.e. camps & classes, afterschool sports, etc.), we take into consideration the max number of participants. For space rental we look at the total hours the space was available for rent. Therefore, when evaluating the results of this analysis, it is important to remember that the level of utilization (hours and participants) directly influences the per-unit results calculated through this analysis.

SUMMARY OF COST COMPONENTS

Together, these two cost components ensure that all costs involved in operating and providing services to the public have been accounted for in the calculation of the full cost of the fees.

The following sections provide a summary of fee schedule modifications and a comparison of the full cost of providing services to the current fee for services. The total cost does not represent what fees will actually be charged, rather the column represents what fees were calculated based on the components outlined in the User Fee Methodology chapter of this report. It is ultimately up to the City Council to set the rates to be charged.

FEE SCHEDULE MODIFICATIONS

As part of the fee study, the team reviewed the Department's current fee schedule. Fees that are set by agreements or other departments within the City (i.e., contract instructor splits, outside agencies, revenue share agreements, business license, etc.) and deposits were not evaluated in the scope of this study; as such, they are not addressed in this document. To Below is a summary of the proposed modifications to the Department's fee schedule:

New Fees: Staff proposed the addition of the following fees to recover costs for the new rental spaces and programs offered to the community:

- **Tennis Center Fees:** Addition of a Tennis Membership type for couples that mirrors the existing individual and family memberships, but accounts for two adults within the same household; and a fee for the Chadwick School to rent courts per day.
- **Recreation – Rental Fees:** A new 'Table Rental (Picnic Table)' fee to account for rentals of picnic tables at City parks for special events.

Eliminated Fees: Elimination of the Portable Public Address System Rental and Race Time Clock Display rental under special event permits, as well as 10K race and 10x10 canopy fees under rental fees as these are no longer offered.

Modified Fees: Various fees were revised to more accurately reflect the current process for administering these services.

- **Business License & Permit - Horse Trainers:** The business license fees were expanded to include one-day permits and to account for the permit fee and city property use charge.
- **Ernie Howlett Park Equestrian Center Rental:** The package-based arena rental fee structure was modified to a per-arena, per-day structure, making the schedule easier to administer and understand from the applicant perspective.
- **Park Permit:** Modification of the park rental structure, moving from administering rentals based on the number of people per day, to the type of rental (picnic area, grass area, or vendor) on a per-hour, per-space or vendor rental.

The modifications noted above ensure that the proposed fee schedule more accurately reflects the current services provided by the City.

DETAILED RESULTS

The purpose of a cost-of-service (User Fee) analysis is to provide Department staff with a clear understanding of the full cost of delivering services, enabling informed policy and management decisions. The goal is to maintain services at a level that is both effective and acceptable to the community while preserving local control over cost recovery decisions.

It is important to note that a cost-of-service analysis represents a “snapshot in time,” based on a single fiscal year’s financial and operational data. While the methodology relies on documented expenditures and workload measures, it also incorporates time estimates and fee-structure adjustments, which inherently result in reasonable projections rather than exact calculations.

The baseline cost calculated for each service includes direct staff time, materials, use of facilities, departmental support, and Citywide overhead. These baseline costs represent a snapshot of service costs based on current operations and financial data and do not reflect fee recommendations or cost-recovery policies. The following section compares the calculated baseline cost of providing services to the current fee-for-service and identifies the resulting difference.

As noted previously, fees established through agreements or administered by other City departments (i.e., contract instructor splits, outside agency revenue shares, business licenses), as well as deposits, were excluded from the scope of this study and are therefore not reflected in the table below.

TABLE 2: TOTAL COST PER UNIT RESULTS

Fee Name	Unit	Current Fee	Baseline Cost ³	Difference
Business License & Permit - Horse Trainers⁴				
One Day				
Permit Fee	Each	New	\$89	N/A
City Property Use Charge	Each	New	\$19	N/A
Category 2				
Permit Fee	Each	\$150	\$179	(\$29)
City Property Use Charge	Each	\$100	\$996	(\$896)
Category 3				
Permit Fee	Each	\$250	\$179	\$71
City Property Use Charge	Each	\$300	\$3,984	(\$3,684)
Ernie Howlett Park Equestrian Center Rental				
Application	Per Application	Modified	\$389	N/A
Arena #1	Per Day	Modified	\$669	N/A
Arena #2	Per Day	Modified	\$530	N/A

³ Baseline costs reflect current cost-of-service assumptions and exclude policy considerations.

⁴ Each category includes a Business License cost in addition to the Permit Fee and City Property Use Charge. Business License costs are taxes set by voter approval and were not evaluated as part of this analysis.

Fee Name	Unit	Current Fee	Baseline Cost ³	Difference
Arena #3	Per Day	Modified	\$457	N/A
Arena #4	Per Day	Modified	\$696	N/A
Arena #5	Per Day	Modified	\$173	N/A
Turf Area	Per Day	Modified	\$1,242	N/A
Park Use Fee – Early Set-Up / Late Break-Down	Per Day	\$280	\$349	(\$69)
Ernie Howlett Park Stall Rental				
Box Stall	Per Day	\$26	\$59	(\$33)
Paddock	Per Day	\$26	\$95	(\$69)
Combo	Per Day	\$52	\$155	(\$103)
Entire Barn Rental	Per Day	\$515	\$694	(\$179)
Tennis Center Fees				
Memberships				
Individual New Memberships				
Resident	Each	\$100	\$190	(\$90)
Non-Resident	Each	\$110	\$190	(\$80)
Individual Renewals				
<u>Resident</u>				
Before July 31, 2024	Each	\$90	\$190	(\$100)
After July 31, 2024	Each	\$95	\$190	(\$95)
<u>Non-Resident</u>				
Before July 31, 2024	Each	\$100	\$190	(\$90)
After July 31, 2024	Each	\$105	\$190	(\$85)
Couple New Memberships				
Resident	Each	New	\$381	N/A
Non-Resident	Each	New	\$381	N/A
Couple Renewals				
<u>Resident</u>				
Before July 31, 2024	Each	New	\$381	N/A
After July 31, 2024	Each	New	\$381	N/A
<u>Non-Resident</u>				
Before July 31, 2024	Each	New	\$381	N/A
After July 31, 2024	Each	New	\$381	N/A
Family New Memberships				
Resident	Each	\$150	\$572	(\$422)
Non-Resident	Each	\$160	\$572	(\$412)
Family Renewals				
<u>Resident</u>				
Before July 31, 2024	Each	\$140	\$572	(\$432)
After July 31, 2024	Each	\$145	\$572	(\$427)
<u>Non-Resident</u>				
Before July 31, 2024	Each	\$150	\$572	(\$422)
After July 31, 2024	Each	\$155	\$572	(\$417)
Half-Year Marine League Membership				
Resident	Each	\$50	\$95	(\$45)

Fee Name	Unit	Current Fee	Baseline Cost ³	Difference
Non-Resident	Each	\$55	\$95	(\$40)
USTA Quarterly Memberships	Each	\$30	\$47	(\$17)
One-Time Half-Year Memberships (After January 1)				
Resident	Each	\$55	\$95	(\$40)
Non-Resident	Each	\$60	\$95	(\$35)
Family, Resident	Each	\$75	\$95	(\$20)
Family, Non-Resident	Each	\$80	\$95	(\$15)
Tennis Hourly Court Admission Fees				
Resident Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$10	\$12	(\$2)
Weekends / Holidays	Per Hour	\$11	\$12	(\$1)
Non-Resident Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$11	\$12	(\$1)
Weekends / Holidays	Per Hour	\$12	\$12	\$0
Non-Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$12	\$12	\$0
Weekends / Holidays	Per Hour	\$13	\$12	\$1
Marine League Fee	Each	\$72	\$116	(\$44)
USTA League Hourly Rate	Per Hour	\$9	\$12	(\$3)
Chadwick Fee	Per Court, Per Day	New	\$129	N/A
Misc. Fees				
Pickleball Drop-In	Each	\$5	\$5	\$0
Tennis Tournaments Surcharge	Per Court, Per Day	\$2	\$3	(\$1)
Ball Machine Rental	Each	\$5	\$5	\$0
Tennis Balls	Per Can	\$5	\$4	\$1
Pickleball Hourly Court Admission Fees				
Resident Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$6	\$9	(\$3)
Weekends / Holidays	Per Hour	\$7	\$9	(\$2)
Non-Resident Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$7	\$9	(\$2)
Weekends / Holidays	Per Hour	\$8	\$9	(\$1)
Non-Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$8	\$9	(\$1)
Weekends / Holidays	Per Hour	\$9	\$9	\$0
Sports Field Rentals Fees				
Sports Field Rental Application	Per Application	\$25.00	\$59	(\$34)
Peninsula Resident Group	Per Hour	\$17.00	\$161	(\$144)
Non-Peninsula Resident Group	Per Hour	\$34.07	\$161	(\$127)
Park Permit				
Picnic Area	Per Hour, Per Space	New	\$79	N/A
Grass Area	Per Hour	New	\$89	N/A
Vendor	Per Vendor	New	\$108	N/A
Rental Kitchen Facilities – Ernie Howlett Park	Per Day	\$40	\$144	(\$104)

Fee Name	Unit	Current Fee	Baseline Cost ³	Difference
Special Event Permit				
Special Event Application Fee	Per Application	\$50	\$238	(\$188)
Participants of 100-300				
Resident / Non-Profit	Each	\$75	\$872	(\$797)
Non-Resident / For-Profit	Each	\$95	\$872	(\$777)
Participants of 301-600				
Resident / Non-Profit	Each	\$150	\$1,745	(\$1,595)
Non-Resident / For-Profit	Each	\$170	\$1,745	(\$1,575)
Participants of 601-999				
Resident / Non-Profit	Each	\$250	\$2,909	(\$2,659)
Non-Resident / For-Profit	Each	\$270	\$2,909	(\$2,639)
Participants of 1,000+				
Resident / Non-Profit	Each	\$300	\$5,818	(\$5,518)
Non-Resident / For-Profit	Each	\$350	\$5,818	(\$5,468)
Rental Fees				
Trail Rental Fees for a Race				
5K Race	Per Day	\$200	\$602	(\$402)
Ernie Howlett Park Equipment Rentals				
Installation of Temp. Chain Link Fence Panels	Per Panel	\$10	\$103	(\$93)
Table Rental (6' or 8' Folding Table)	Per Table	\$10	\$3	\$7
Table Rental (Picnic Table)	Per Table	New	\$71	N/A
Metal Folding Chair Rentals	Per Chair	\$2.50	\$6.00	(\$3.50)
4' x 4' Carpeted Riser	Per Day, Per Riser	\$10	\$154	(\$144)
City Hall Council Chambers Rental				
First 2 Hours	Base	\$60	\$166	(\$106)
Each Additional Half-Hour	Each Addl 30 Min	\$15	\$34	(\$19)

Generally, the baseline costs calculated are higher than the fees currently charged by the City.

For the Business License & Permit – Horse Trainer fees, the difference between categories is driven by the intensity of use. Category 3 permit holders use the facilities multiple times per week, while Category 2 permit holders use them less frequently. As a result, while the administrative permit fee remains consistent, the City usage charges vary by frequency and impact on the space, resulting in an annual per-unit deficit ranging from \$896 to \$3,684. Adjusting the calculations to align more directly with actual facility usage right-sizes these charges and strengthens their defensibility.

The Ernie Howlett Park Equestrian Center rental fees include an application fee, as well as separate use-of-space and utility components. This modified structure allows applicants to tailor their rental packages while ensuring appropriate recovery of staff time, facility usage, and routine maintenance and landscaping costs. Tiered fee structures such as this are commonly used to streamline the administration of complex rental arrangements and align charges with usage levels.

All Tennis Center Membership fees under-recover, ranging from a high of \$427 for ‘Family Renewal, Resident, After July 31’, to a low of \$15 for a ‘One-Time Half-Year Membership (After January 1) – Family, Non-Resident’. Variability in cost recovery across membership types is common because existing fee structures

include policy-based subsidies for certain tiers (i.e., residents, families, etc). The calculated baseline costs presented in this analysis reflect the full cost of providing memberships and do not incorporate policy decisions regarding subsidies or pricing preferences.

Tennis and Pickleball court rentals show minimal differences between current rates and the calculated baseline costs. At a \$44 per unit difference, the 'Marine League Fee' is the exception. Similar to membership pricing, the calculated baseline costs do not incorporate policy-based pricing adjustments. Rather, they reflect the full cost of providing the service, inclusive of all direct and indirect cost components. The results are intended to provide the City and staff with a transparent reference point for evaluating cost recovery levels.

Most annual sports field rentals are governed by separate user agreements between the City and various organizations (e.g., AYSO, PV Girls Softball, Silver Spur Little League, Peninsula Junior League). These agreements were not evaluated as part of this analysis. However, the study did calculate a baseline per-hour cost for field rentals. The calculated cost of \$161 per field, per hour can be used to administer one-time rentals and may also serve as a reference point in future discussions regarding existing user agreements, if necessary.

Park rental fees were restructured from attendance-based to amenity-based. Under the City's current policy, rentals with fewer than 100 attendees do not require a Special Event permit; therefore, basing fees on group size was not reflective of the primary cost drivers associated with standard park use. Aligning rental fees with the specific amenity reserved (picnic area or grass area) is consistent with common municipal practice, as the amenity typically drives staff time, maintenance, and operational impact more directly than attendance does for non-special-event rentals.

Special Event permit fees under-recover. This is not uncommon, as baseline cost calculations account for the staff time required for coordination and the exclusive use of large public spaces. These costs increase proportionately with the size and complexity of the event, as larger events require greater staff involvement and remove more space from the general public. Compared with the City's current fee levels, the calculated baseline costs are significantly higher.

The remaining facility and equipment rental fees generally under-recover. Differences vary by item, with some minimal variation (folding chairs at a difference of \$3.50 per chair) and other more substantial variations (temporary fencing panels at a difference of \$93 per panel and carpeted risers at a difference of \$144 per day per riser). These differences are primarily driven by the inclusion of staff setup and breakdown time, maintenance, and replacement costs. Compared to current fee levels, which may not fully account for indirect and overhead costs.

COST RECOVERY

The typical cost recovery for parks and recreation services is between 20% and 50%⁵. This range reflects the belief that these services primarily benefit the community at large and therefore should be subsidized by taxpayers. As part of this analysis, the project team calculated the cost recovery for the Community Services Department based on its direct costs of operations and accounting for any indirect costs (Departmental administration and Citywide). The following subsections provide the detailed programmatic cost recovery based on direct and total cost calculations.

DIRECT PROGRAM COST RECOVERY

Direct cost recovery compares budgeted programmatic costs against generated revenues associated with that specific program. To determine direct programmatic cost recovery, the project team compared the two-year average revenue⁶ to the Department's budgeted costs. The following table shows by program: revenue, adopted budget⁷, the associated difference, and cost recovery percentage.

TABLE 3: DIRECT PROGRAM COST RECOVERY

Program	FY26 Adopted	FY25-26 Adopted Budget	Difference	Direct Cost Recovery %
Recreation Programs & Special Events	\$120,000	\$251,796	(\$131,796)	48%
Tennis Rec	\$100,000	\$176,077	(\$76,077)	57%
Total	\$220,000	\$427,873	(\$207,873)	51%

On a direct-cost basis, the Department is at a 51% cost-recovery level. This cost recovery is barely above the typical range for parks and recreational services (20-50%). Recovery levels vary significantly based on the programs offered. These ranges are common in parks and recreation departments, where optional, participation-based programs tend to be priced closer to cost recovery, and services that provide broader community benefit are often subsidized as a policy choice.

TOTAL PROGRAM COST RECOVERY

Total cost recovery looks at direct program costs, maintenance, and citywide overhead and compares those costs against generated revenues. For programmatic services to be provided, recreation maintenance and administration staff support is needed. Furthermore, support services are also needed from other City

⁵ This 20% to 50% range generally includes Library and Senior services. As these are currently not services offered through this department cost recovery may exceed this typical range, as both services tend to be heavily subsidized due to the nature of the services provided.

⁶ FY24-25 Estimated Revenue and FY25-26 Adopted Revenue was used to calculate the two-year average revenue.

⁷ The costs for Parks Maintenance, Tree Trimming, and Bridle Trials are spread as indirect maintenance costs and therefore are not represented in the direct cost table. Additionally, costs associated with the Pepper Tree Foundation and Nature Center were excluded as one is a non-profit and the other is associated with a facility that is closed for renovations.

departments, including Finance, Human Resources, City Attorney, and so forth. The following table shows, by program, the indirect costs included:

TABLE 4: INDIRECT OVERHEAD COSTS BY PROGRAM

Program	Citywide OH	Maint. OH	Total OH
Recreation Programs & Special Events	\$67,101	\$181,283	\$500,180
Tennis Rec	\$46,923	\$126,769	\$349,768
Total	\$114,024	\$308,052	\$849,949

The project team accounted for roughly \$1.7 million in indirect overhead costs. The table below compares the two-year average revenue to the total direct and indirect costs (full cost), highlighting the difference and the associated cost-recovery percentages.

TABLE 5: FULL COST RECOVERY

Program	FY26 Budgeted Revenue	Full Cost	Difference	Full Cost Recovery %
Recreation Programs & Special Events	\$120,000	\$500,180	(\$380,180)	24%
Tennis Rec	\$100,000	\$349,768	(\$249,768)	29%
Total	\$220,000	\$849,949	(\$629,949)	26%

Based on the analysis, the Department has a Full Cost recovery level of 26%, which is on the lower end of the typical 20-50% range for parks and recreation services. Of the total direct and indirect expenditures, approximately 50% are direct expenditures, 37% are maintenance overhead, and 13% is Citywide overhead.

In addition to the overall cost recovery range typically seen with parks and recreation fees, there are target cost recovery ranges based on the Matrix Consulting Group's experience conducting recreation fee studies. The following table highlights these ranges.

TABLE 6: TYPICAL COST RECOVERY RANGES

Fee Program	Cost Recovery Range
Facility, Park, Field, & Court Rentals	50% - 100%
Special Events	50% - 100%
Memberships	70% - 100%
Adult Programming	50% - 80%
Youth & Senior Programming	20% - 50%

Generally, programs with a larger community impact (e.g., senior services, youth recreation) tend to have lower cost recovery, while programs with a larger individual benefit (e.g., rentals, adult recreation) tend to have higher cost recovery. The following table takes these cost recovery ranges and compares them to programs that are specific to the City of Rolling Hills Estates.

TABLE 7: TYPICAL COST RECOVERY RANGES BY PROGRAM

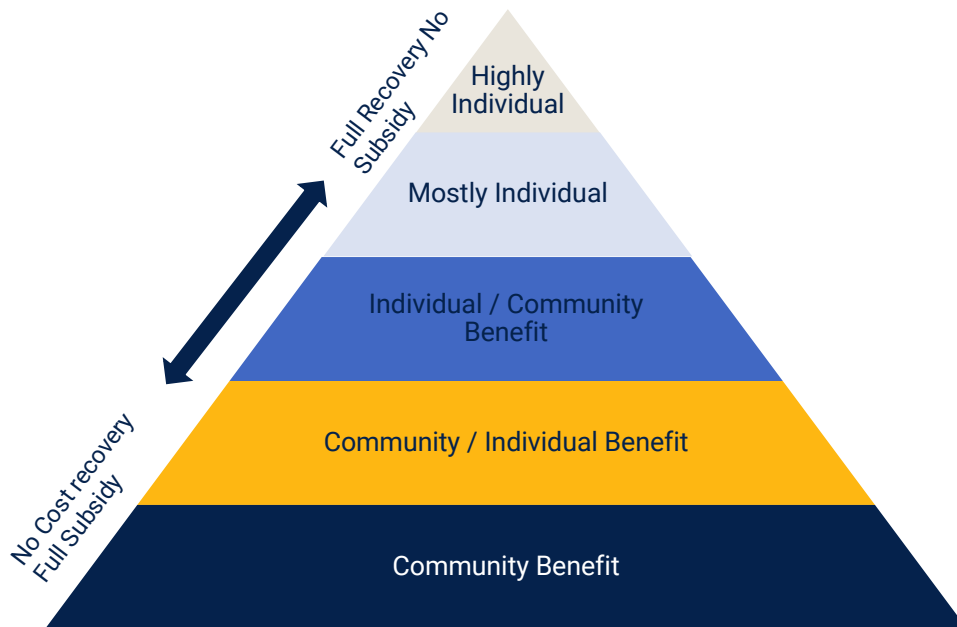
Program	Typical Cost Recovery Range	Cost Recovery %
Recreation Programs & Special Events	50% - 100%	24%
Tennis Rec	50% - 100%	29%

Both program categories are significantly below the typical cost-recovery range. The department should utilize the target cost recovery ranges as a guideline for setting rates. Within these larger program categories, there can be different cost recovery targets for sub-programs or subsections. For example, within Recreation Programs & Special Events, there would be different cost recovery goals for facility rentals versus special events or field rentals.

APPENDIX A – COST RECOVERY GUIDELINES

This study has identified areas where the City is under-collecting the cost associated with providing parks and recreation services. This known funding gap is, therefore, being subsidized by other City revenue sources. However, Community Services is unique and unlike other city services, in which there is a strong community benefit along with individualized benefits. The City of Rolling Hills Estates has an adopted cost recovery policy which provides guidance for the fees evaluated in this analysis.

For parks and recreation services, we typically see the cost recovery policy developed at the service type and community benefit factor. The following graphic shows the cost recovery pyramid:



The Department should determine, based upon the fee / service area the level of benefit and utilize that to determine the level of subsidy. For example, special event permits are more of an individual benefit, so it should be less subsidized, whereas for something such as youth sports services, the City may consider subsidizing that more heavily. Therefore, when setting fees, the City must consider the following key components:

- **Level of Benefit:** Who is the beneficiary of the service, and does it only impact the individual, or does it have a larger community benefit? This allows the City and the department to set fees based on a conscientious decision and determine the level of subsidy.
- **Alternate Funding Sources:** If other funding sources are available to offset programs (either annually or one-time), make use of those to be able to provide more services at a more cost-effective approach.
- **Equity and Inclusion:** Ensuring that services and programs are accessible to all community members. If fee waivers, discounts, or scholarships are needed, those are also available to make activities and

programs accessible. There should be clear policies and procedures to ensure consistent application of the waivers, discounts, and scholarships.

- **Cost Recovery:** For programs that are unique or have significant individualized benefits, it is important to aim for cost recovery or even an over-collection to continue to provide other services at a subsidized rate. Different cost recovery goals should be set for each division and within each division for the different fee-related programs and services.
- **Market Rate:** Annual market surveys should be done to ensure that prices are competitive for programs and services. High demand activities should be set at higher than market rate, while low demand should be set at a lower rate to encourage participation.

The department should utilize these guidelines to develop a cost recovery policy. The Government Finance Officers Association's (GFOA) best practices for Establishing Government Charges and fees state that governmental entities should adopt formal policies regarding charges and fees which include the jurisdiction's intention to recover the full cost or partial costs of providing services, set forth circumstances under which the jurisdiction might set a charge or fee at less than or more than 100% of full cost and outlines the considerations that might influence the jurisdiction's pricing decision.

The development of cost recovery policies and procedures will serve to ensure that current and future decision makers understand how and why fees were determined and set, as well as provide a road map for ensuring consistency when moving forward.

APPENDIX B – COMPARATIVE SURVEY

Matrix Consulting Group conducted a comparative market rate survey as part of this analysis. A comparative survey of parks and recreation fees provides the City and various stakeholders with a snapshot of what the market can bear.

The City identified nine jurisdictions for inclusion: Duarte, Hermosa Beach, Huntington Beach, La Cañada Flintridge, Lomita, Manhattan Beach, Norco, Rancho Palos Verdes, and Westlake Village. The following points provide a high-level comparison of several fee-related services provided by the City. The project team then reviewed public documents (i.e., agenda items, staff reports, budgets, fee schedules, and ordinances) and or contacted jurisdictions to get comparative information.

These types of fees are not static. They are reactive to economic conditions and public demands, balancing the community's needs with accessibility. When assigning fees, the department must strike a delicate balance, ensuring the fees are reasonable for users and generating sufficient revenue to support ongoing operations and improvements.

The following subsections provide a comparative look at several fee-related services provided by the City versus the surveyed jurisdictions.

EQUESTRIAN SERVICES

Rolling Hills Estates operates one of the few municipal equestrian centers among the surveyed jurisdictions. Of the eight comparison jurisdictions, only Huntington Beach and Norco offer any equestrian-related services. Duarte, Hermosa Beach, La Cañada Flintridge, Lomita, Manhattan Beach, Rancho Palos Verdes, and Westlake Village do not operate equestrian centers and therefore do not offer comparable fees.

EXHIBIT 1: COMPARATIVE RATE SUMMARY — EQUESTRIAN SERVICES

Jurisdiction	Service Offered	Fee Structure	Notes
Rolling Hills Estates (Current)	Arena, Stalls, Trainer Permits	\$218–\$1,093/day (arenas); \$26–\$515/day (stalls)	Below baseline across all categories
Rolling Hills Estates (Baseline)	Arena, Stalls, Trainer Permits	\$173–\$1,242/day (arenas); \$59–\$649/day (stalls)	Cost recovery benchmark
Huntington Beach	Arena & Stall Boarding	\$750/arena/show; \$177–\$2,348/month (boarding)	Only meaningful comparator
Norco	Equestrian Services	Quote-based – not publicly available	Cannot benchmark

KEY FINDINGS

Limited Market Data: Only Huntington Beach and Norco offer equestrian services among the nine surveyed jurisdictions, limiting benchmarking.

Below Baseline Fees: The City's current equestrian fees fall below baseline costs across all categories; arenas, stalls, and trainer permit, indicating a significant cost subsidy currently borne by other City revenues.

Arena Rentals: Huntington Beach charges \$750/arena/show, which is most comparable to the City's 2–5-arena configurations. Huntington Beach is within the baseline costs range (\$173–\$1,242/day).

Stall Rentals: The City charges \$26–\$515/day, compared to a baseline of \$59–\$649/day. Huntington Beach's monthly boarding structure is not directly comparable but signals higher market rates.

Trainer Permits: The current property-use charges for Category 2 (\$100) and Category 3 (\$300) are well below the baseline costs of \$996 and \$3,984, respectively.

The comparative survey indicates that Rolling Hills Estates generally has fees that are lower than those of its peers. The City's current equestrian fees are generally below baseline costs, suggesting an opportunity to better align pricing with cost recovery goals while remaining consistent with the limited available market data.

TENNIS CENTER FEES

The City's Tennis Center offers a comprehensive fee structure covering annual memberships, hourly court admissions for both tennis and pickleball, and miscellaneous fees such as equipment rentals and tournament surcharges. Most surveyed jurisdictions offer some form of court access, though few operate a structured

membership-based model comparable to Rolling Hills Estates. The following points provide a detailed overview of comparative findings by major fee category

EXHIBIT 2: COMPARATIVE RATE SUMMARY — TENNIS CENTER FEES

Jurisdiction	Membership	Hourly Court (Tennis)	Hourly Court (Pickleball)	Notes
Rolling Hills Estates (Current)	\$90–\$160/yr	\$10–\$13/hr	\$6–\$9/hr	Tiered by residency & membership
Rolling Hills Estates (Baseline)	\$190–\$572/yr	\$12/hr	\$9/hr	Cost recovery benchmark
Hermosa Beach	\$19/yr	\$9–\$11/hr	\$9/hr	Below City's current & baseline
Manhattan Beach	\$220–\$280/yr	\$12/hr (res.)	\$12/hr (res.)	Closest to baseline cost
La Cañada Flintridge	None	\$10/hr (flat)	No charge	Most comparable to current fee
Norco	\$0–\$35/yr (senior)	\$25–\$35/hr	\$25–\$130/hr	Exceeds City current & baseline
Huntington Beach	None	\$9–\$18/hr	\$25–\$45/hr	Pickleball far exceeds City rates
Lomita / RPV / WLV	None	Free / first-come	Free / first-come	No fee structure

KEY FINDINGS

Most Comprehensive Structure: The City's tennis fee schedule is more detailed than any surveyed jurisdiction, covering memberships, hourly court admission, pickleball, and miscellaneous fees.

Current Fee Alignment: La Cañada Flintridge (\$10/hr flat) and Hermosa Beach (\$9–\$11/hr) are the closest comparators to the City's current hourly rates.

Baseline Alignment: Manhattan Beach's \$12/hr resident rate aligns with the City's \$12/hr baseline cost for tennis and its \$9/hr pickleball baseline.

Membership Fees: City membership fees (\$90–\$160/yr) fall below the baseline (\$190–\$572/yr); Manhattan Beach (\$220/yr resident pass) is the closest peer comparator.

The comparative survey indicates that the City's tennis center fee structure is more comprehensive than the schedules of the surveyed jurisdictions. Among jurisdictions that do charge for court access, La Cañada

Flintridge at \$10 per hour fee and Hermosa Beach’s \$9 per hour fee are most comparable to the City’s current fee and baseline cost.

SPORTS FIELD RENTALS

The City charges sports field rentals on both a per-hour and per-year basis, depending on the type of user group. Peninsula resident groups are charged \$17 per hour, while non-Peninsula resident groups are charged \$34.07 per hour. Annual contracts are in place with specific leagues: AYSO Soccer, PV Girls Softball League, Silver Spur Little League, and Peninsula Junior League. A \$25 application fee applies to all rentals. The City’s

baseline hourly rental rate is \$161 per hour for both Peninsula and non-Peninsula groups, plus a \$45 application fee. All surveyed jurisdictions offer sports field rentals, though pricing structures vary:

EXHIBIT 3: COMPARATIVE RATE SUMMARY — SPORTS FIELD RENTALS

Jurisdiction	Resident / Youth Rate	Non-Resident / Adult Rate	Notes
Rolling Hills Estates (Current)	\$17/hr (Peninsula)	\$34.07/hr (Non-Peninsula)	Annual league contracts also in place
Rolling Hills Estates (Baseline)	\$161/hr	\$161/hr	Significant cost subsidy at current rates
Westlake Village	\$20.16–\$33.58/hr	\$33.58–\$40.32/hr	Closest overall comparator to current fee
Huntington Beach	\$15–\$25/hr	\$25–\$35/hr	Youth unlit aligns with Peninsula rate
Manhattan Beach	\$50–\$75/hr (sports complex)	\$140–\$200/hr (turf)	Closest to City baseline cost
Hermosa Beach	\$11–\$26/hr	\$11–\$26/hr	Community groups only
Duarte	\$10–\$30/hr	\$30–\$55/hr	Resident rate bracketed by City's current fee
Lomita	\$44/hr (soccer)	\$69.50/hr (lit softball)	Non-Peninsula rate most comparable
Rancho Palos Verdes	\$0–\$57/hr (by group)	\$30–\$105/hr (Group IV)	Group IV private party closest to baseline
Norco	\$75/hr + \$16 lights	\$75/hr + \$75 prep	Higher than City current; below baseline

KEY FINDINGS

Current Fees – Lower-to-Mid Tier: The City's \$17–\$34.07/hr range sits in the lower-to-mid tier of surveyed jurisdictions, with Westlake Village being the most comparable peer.

Significant Subsidy vs. Baseline: The baseline cost of \$161/hr far exceeds current fees across all surveyed jurisdictions, indicating the City substantially subsidizes field use.

Baseline Comparator: Manhattan Beach's turf field resident rate (\$140/hr) is the only surveyed rate approaching the City's \$161/hr baseline cost.

The comparative survey indicates that the City's current sports field hourly rates (\$17–\$34.07) are consistent with the lower-to-mid tier of surveyed jurisdictions, with Westlake Village's fees being most comparable to the City's current fees. Manhattan Beach's fees are most comparable to the City's baseline costs.

PARK PERMITS

Rolling Hills Estates currently issues park permits based on group size. The City proposed shifting to a tiered structure based on space type. Nearly all the surveyed jurisdictions, except for Westlake Village, offer some form of park or outdoor facility reservation, though structures vary widely:

EXHIBIT 4: COMPARATIVE RATE SUMMARY — PARK PERMITS

Jurisdiction	Fee Structure	Rate	Notes
Rolling Hills Estates (Current)	Per day, by group size (20–100 persons)	\$25–\$65/day	Among lowest of surveyed jurisdictions
Rolling Hills Estates (Baseline)	Per hour, per space	\$79–\$89/hr (picnic/grass); \$144/day (kitchen)	Cost recovery benchmark
Huntington Beach	Per day, by user type	\$75–\$250/day	Nonprofit/resident rate closest to City current
Manhattan Beach	Per hour, by feature	\$15–\$120/hr	Hourly rate most aligned with City baseline
Norco	Per shelter, flat fee	\$160/picnic shelter	Exceeds City baseline
Rancho Palos Verdes	Per hour, by group size	\$489–\$773/hr	Highest; most similar structure to City
Hermosa Beach	Per 4-hr block	\$58/4-hr block	Comparable to City's mid-range current fee
Duarte	Per hour (park fields)	\$10–\$55/hr	Day-equivalent exceeds City current & baseline
La Cañada Flintridge	Per hour (gazebo only)	\$20/hr + electricity	Not comparable — gazebo only
Westlake Village	Not offered	N/A	Sports fields only

KEY FINDINGS

Lowest Among Peers: The City's \$25–\$65/day park permit fees are among the lowest of all surveyed jurisdictions.

Closest Current Fee Comparator: Huntington Beach's nonprofit/resident rate of \$75/day is the nearest peer benchmark to the City's current per-day structure.

Baseline Alignment: Manhattan Beach's \$15–\$75/hr feature-based rates are most in line with the City's \$81–\$90/hr picnic/grass baseline costs.

Structural Differences: Most jurisdictions charge hourly rather than per-day, making direct comparison difficult. Rancho Palos Verdes' group-size-based structure is most similar to the City's approach.

The comparative survey indicates that the City’s current park permit fees (\$25–\$65 per day) are among the lowest of the surveyed jurisdictions. Huntington Beach’s nonprofit/resident rate of \$75 per day is most closely related to the City’s Current fees, and Manhattan Beach’s fees are more in line with the City’s baseline cost.

SPECIAL EVENT PERMITS

Rolling Hills Estates charges a \$50 special event application fee plus permit fees that vary by participant count and applicant type. Resident and non-profit fees range from \$75 for events of 100–300 participants to \$300 for events of 1,000 or more. Non-resident and for-profit fees range from \$95 to \$350 across the same size tiers. The City’s baseline cost for the application is \$238, with event permit baseline costs of \$872 for events of 100–300 participants, \$1,745 for 301–600, \$2,907 for 601–999, and \$5,818 for events of 1,000 or more. The surveyed jurisdictions employ a wide range of approaches to special event permitting:

EXHIBIT 5: COMPARATIVE RATE SUMMARY — SPECIAL EVENT PERMITS

Jurisdiction	Application Fee	Permit Fee	Notes
Rolling Hills Estates (Current)	\$50	\$75–\$350 (by size & type)	Tiered by participant count and applicant type
Rolling Hills Estates (Baseline)	\$180	\$872–\$5,818 (by size)	Cost recovery benchmark
Huntington Beach	Included	\$85–\$120 (by residency)	Most aligned with City current fee range
La Cañada Flintridge	\$100 + hourly review	At fully allocated hourly rate	Application fee closest to City baseline
Lomita	Included	\$220.16 (flat)	Flat fee closest to City baseline application cost
Norco	Included	\$2–\$250	City-sponsored events; aligns with City current fees
Rancho Palos Verdes	Included	\$125 + \$175 deposit	Below City baseline; above current resident fee
Duarte	Included	\$25 (Temp Use Permit)	Far below City current and baseline
Hermosa Beach	\$729–\$1,094	\$2–\$7/participant or \$3,480–\$6,962 flat	Far exceeds City current fees and baseline
Manhattan Beach	Included	\$692–\$1,495 (by event type)	Far exceeds City current fees and baseline
Westlake Village	Included	Actual cost	Not directly comparable

KEY FINDINGS

Generally In Line with Peers: The City's current special event permit fees are generally in line with or below those of the surveyed jurisdictions.

Current Fee Comparators: Huntington Beach (\$85–\$120), La Cañada Flintridge (\$100 application), and Norco (\$2–\$250) are most aligned with the City's current fee levels.

Baseline Comparators: La Cañada Flintridge (hourly review fees), Lomita (\$220.16 flat), and Norco are the closest matches to the City's \$180 application baseline cost.

Wide Range Among Peers: Hermosa Beach and Manhattan Beach charge substantially more (\$692–\$6,962), while Duarte charges far less (\$25), reflecting very different permitting philosophies.

The comparative survey generally shows that the City's current fees are generally in line with or below the fees of the surveyed jurisdictions. Huntington Beach, La Canada Flintridge, and Norco are more closely aligned with the City's Current fees. In contrast, La Canada Flintridge, Lomita, and Norco are more aligned with the City's baseline costs.

TRAIL RENTAL FEES FOR A RACE

Rolling Hills Estates charges \$200 per day for a 5K race, with a baseline cost of \$602 per day for the 5K. Duarte, Lomita, and Manhattan Beach indicated that trail or road rentals for races would fall under their special event permits, and Hermosa Beach routes race permit requests through their Special Event Department. Huntington Beach, Norco, Rancho Palos Verdes, and Westlake Village do not offer this service. No surveyed jurisdiction maintains a separately structured trail rental fee schedule for organized races.

EXHIBIT 6: COMPARATIVE RATE SUMMARY — TRAIL RENTAL FEES (ORGANIZED RACES)

Jurisdiction	Approach	Rate	Notes
Rolling Hills Estates (Current)	Dedicated race fee schedule	\$200/day (5K)	Unique structure among surveyed group
Rolling Hills Estates (Baseline)	Dedicated race fee schedule	\$602/day (5K)	Cost recovery benchmark
Duarte	Routes through Special Events	Per special event permit	No standalone race fee
Lomita	Routes through Special Events	Per special event permit	No standalone race fee
Manhattan Beach	Routes through Special Events	Per special event permit	No standalone race fee
Hermosa Beach	Routes through Special Events Dept.	Per special event process	No standalone race fee
HB / Norco / RPV / WLV	Service not offered	N/A	Cannot benchmark

KEY FINDINGS

Unique Fee Structure: No other surveyed jurisdiction maintains a separately structured trail rental fee schedule for organized races – the City's approach is unique in the region.

Unable to Benchmark: Because all other jurisdictions either do not offer this service or fold it into special event permitting, no meaningful fee comparison can be made.

Current vs. Baseline Gap: The City's current 5K fee (\$200/day) is well below the \$602/day baseline cost, indicating the race fee does not recover full costs.

Recommendation: Staff should consider whether to retain a standalone race fee structure or align with the regional practice of processing race permits through special event permitting.

The City's formalized race-specific fee structure is unique among the groups surveyed, as the surveyed jurisdictions either do not offer this service or would require it to be under a special events permit. As such, we could not benchmark these fees.

CITY HALL COUNCIL CHAMBER RENTAL

Rolling Hills Estates charges \$60 for the first two hours of the rental of the City Hall Council Chambers and \$15 for each additional half-hour. The City's baseline cost is \$166 for the first two hours and \$34 for each additional half-hour. Of the surveyed jurisdictions, only Huntington Beach rents its city council chambers to outside users. Duarte does not have a dedicated council chamber, as their community center serves this function and is not rented on council meeting days. Hermosa Beach, La Cañada Flintridge, Lomita, Manhattan Beach, Norco, Rancho Palos Verdes, and Westlake Village do not make their council chambers available for rental.

EXHIBIT 7: COMPARATIVE RATE SUMMARY — CITY HALL COUNCIL CHAMBERS RENTAL

Jurisdiction	Fee Structure	Rate	Notes
Rolling Hills Estates (Current)	First 2 hrs + per half-hour	\$60 (first 2 hrs); \$15/half-hr after	Below baseline and only comparator
Rolling Hills Estates (Baseline)	First 2 hrs + per half-hour	\$166 (first 2 hrs); \$34/half-hr after	Cost recovery benchmark
Huntington Beach	Per hour, by user type	\$120–\$240/hr (Chambers); \$200–\$355/hr (w/ add'l rooms)	Only jurisdiction offering this rental
All Others (7 jurisdictions)	Not available for rental	N/A	Cannot benchmark

KEY FINDINGS

Single Comparator: Of all nine surveyed jurisdictions, only Huntington Beach rents its council chambers to outside users.

Below Market and Baseline: The City's current rate (\$60 for first 2 hrs) is well below Huntington Beach's minimum rate of \$120/hr for nonprofit/government users.

Baseline vs. Comparator: The City's baseline cost of \$166 (first 2 hrs) is most comparable to Huntington Beach's lowest tier (\$120/hr nonprofit/government resident rate).

Additional HB Fees: Huntington Beach charges additional fees for security (\$31/hr), IS support (\$41/hr), setup (\$88–\$155), and cleaning (\$50) – further increasing total cost to users.

The comparative survey generally shows that the City's current fees and baseline costs are lower than what Huntington Beach currently charges. The remainder of the surveyed jurisdictions do not offer the rental of the City Hall Council Chambers and as such, were unable to be benchmarked.

OVERALL MARKET POSITIONING

The City's current fees generally fall within the lower-to-mid range of fees charged by surveyed jurisdictions.

In nearly all categories, the City's baseline costs exceed both its current fees and peer market rates.

Services with limited comparators (equestrian, race fees, council chambers) require internal policy guidance more than market benchmarking.

Many peer jurisdictions recover less than full cost for core community services.

It is important to recognize that this survey reflects only the fees currently charged, not the cost recovery policy decisions of the jurisdictions. The setting of fees may depend on various factors, such as program demand, service desirability, and unique amenities. City staff should use the survey results alongside the cost-of-service analysis to inform any necessary adjustments to the fee schedule



USER FEE COST RECOVERY LEVEL POLICY

PURPOSE

The purpose of this policy is to provide general guidelines and to incorporate best practices in establishing user fees that identify the full cost of services for activities that charge user fees in order to develop target cost recovery rates, to ensure that the City adequately recovers costs for services it provides to the public, and in order to bring existing fee levels in line with service costs to ensure that all reasonable costs incurred in providing the services are being recovered or to determine the level of subsidy (if applicable). The User Fee Cost Recovery Level Policy identifies the factors that need to be considered in setting fees, the level of cost recovery, adjustments to fees, and the frequency of comprehensive user fee studies.

BACKGROUND

The City of Rolling Hills Estates provides a variety of services to the public which benefit the entire community or individual residents or businesses, and those that benefit a combination of service recipients. Propositions 13, 218, and 26 have placed both substantive and procedural limits on the ability of the City to impose fees and charges. Certain types of fees, such as fines, penalties and/or late charges, or any charge imposed for entrance to or use of, as well as the purchase, rental, or lease of local government property, are not bound by state laws that limit full cost recovery.

A cost recovery policy serves several important purposes: (1) ensures that the costs of services provided by the City are fairly distributed among those who use them; (2) provides a clear basis for setting fees, making it easier for the public to understand how fees are determined and ensures that they are based on actual service costs; (3) by recovering the costs of services, a cost recovery policy helps to maintain the financial health of the City; (4) inclusion of provisions for regular review and adjustment of fees ensure that they keep pace with changes in service delivery costs and inflation; and (5) when users pay for the services they consume, it can encourage more efficient and responsible use of those services. Overall, adoption of a cost recovery policy will serve to balance the need for public services with the principles of fairness, transparency, and financial responsibility.

The following presents a User Fee Cost Recovery Level Policy for the City of Rolling Hills Estates (City), that includes guidelines for establishing and maintaining comprehensive user fee schedules. The User Fee Cost Recovery Level Policy establishes the method for setting up fees and the extent to which they cover the cost of the service provided, and incorporates recommendations made by the Government Finance Officers Association (GFOA), National Advisory Council on State and Local Budgeting (NACSLB), and Federal Government Office of Management and Budget (Circular A-87).

POLICY STATEMENT

It is the policy of the City of Rolling Hills Estates, to set user fees based on cost recovery levels in lieu of fully subsidizing fee-related activities with General Fund dollars. The cost recovery levels are reflective of the following policy statements.

1. **Community-wide vs. Private Benefit:** Funding services such as Sheriff's Department patrol services only through taxpayer dollars is appropriate for services that benefit the entire community. When the service or program provides a benefit to specific individuals or businesses such as the issuance of building permits, it is expected that individuals or businesses receiving that benefit pay for all of the cost of that service.
2. **Service Recipient vs. Community Benefit:** For regulated activities such as development review and Public Works issued permits, it is appropriate that the service recipient such as an applicant for a building permit or an encroachment permit pay for the permit although the community at large benefits from the regulation.
3. **Consistency with City Goals and Policies:** City policies and Council goals related to the community's quality of life are factors in setting cost recovery levels. For example, fee levels can be set to promote healthy habits, facilitate environmental stewardship, or discourage certain actions (e.g., false alarms).
4. **Elasticity of Demand for Services:** The level of cost recovery can affect the demand for services. A higher level of cost recovery could ensure the City is providing services such as recreational classes or summer camps for children and youth without over stimulating a market with artificially low prices. Such low prices, which are a reflection of a high General Fund subsidy, may result in waiting lists and attract participants from other cities; however, high-cost recovery levels could negatively impact the demand for such services from low-income individuals, special needs individuals, and seniors.
5. **Availability of Services from the Private Sector:** High-cost recovery levels are generally sought in situations where the service is available from other sources to preserve taxpayer funds for other General Fund funded City services. Conversely, services that are not available from other sources and are typically delivered when residents experience an emergency basis typically have low or zero cost recovery levels.

PRINCIPLES

1. **Transparency:** The process for setting and reviewing user fees will be transparent and based on clear criteria.
2. **Equity:** Fees will be set in a manner that is fair and equitable to all users.

3. Efficiency: The cost recovery process will be efficient and not impose undue administrative burdens.

DEFINITIONS

“User fee” is a fee charged by the City to recipients of its services. User fees generally apply to activities that provide special benefits to members of the public, and the amount of the fee is usually related to the cost of the service provided. Examples of user fees are planning, building, and encroachment permit fees, license agreements for use of City property, building and public works inspection fees, tennis center fees, sports field rental fees, and others.

“Cost recovery” is recouping a portion of or all costs associated with a particular service provided by the government agency to the public. The user fees determine the percentage of a service that is recovered. Cost recovery has two important rationales: (a) revenue enhancement through full cost accounting, thereby improving government efficiency; and (b) maintaining equity considerations in regard to the provision of public services.

“Direct costs” are the costs incurred directly by providing a specified service. These costs are associated with staff time spent performing service-related duties and include employee salary and benefits. In general, direct costs are any costs that can be traced directly to the production of a given service or product.

“Indirect costs” are the costs not directly accountable or associated with the production of a service, such as a fixed cost. Indirect costs include departmental overhead (operating expenses and internal administrative costs), as well as citywide overhead, including all those costs that support City programs and services.

REVIEW PROCESS

Changes to user fees in the General Fund and Special Revenue Funds via a Comprehensive User Fee Study or department-initiated annual changes will be proposed to the City Council for review and approval. All approved changes by the City Council will be published in the City’s user fee rate book and on the City’s website, both of which will be maintained by the Office of the City Clerk.

REQUIREMENTS

I. Levels of Cost Recovery

- a. Category I – Full Recovery (100 Percent): User fees that are determined to have a 100 percent cost recovery goal will be reviewed and updated annually as appropriate based on the costs incurred for providing services using actual data from the prior fiscal year. All user fees are assumed to be at 100 percent cost recovery unless they meet the criteria for Categories II

and III. Certain types of fees, such as fines, penalties and/or late charges, or any charge imposed for entrance to or use of, as well as the purchase, rental, or lease of local government property, are not bound by state laws that limit full cost recovery.

i. Policy Considerations

1. Individual users or participants receive most or all of the benefit of the service.
2. Other private or public sector alternatives provide the service.
3. The use of the service is specifically discouraged.
4. The service is regulatory in nature.

- b. Category II – Partial Recover (Below 100 Percent): Fees are generally less than 100 percent cost recovery in cases where: (a) the collection of fees is not cost-effective; (b) the collection of fees would not comply with regulatory requirements or statutes; (c) the purpose of the fee is not to fully recover related costs but rather provide benefits to the recipients or achieve a policy objective.

i. Policy Considerations

1. Services which promote healthy activities and educational enrichment to the community.
2. Services having factors associated with Category I and Category III recovery levels. No intended relationship between the amount paid and the benefit received.
3. Fee collection would not be cost effective and/or would discourage compliance with regulatory requirements.
4. No intent to limit the use of the service.
5. Public at large benefits even if they are not the direct users of the service.
6. Affordability of service to low-income residents.
7. The service is heavily supported through donations.

- c. Category III – Fees (Fines and Penalties): User fees that fall into this category are in most cases penalties, fines or deterrents to the public (e.g., code compliance fines or penalties for uncollected money). User fees in

Category III will be reviewed annually relative to the reasonableness of the fee and the fiscal effect as it relates to deterrence.

- d. Economic and policy considerations for setting cost recovery levels: Public use of government services will be considered (potential to use fees as a means of encouraging or discouraging activities, for instance, code compliance fines).
 - i. Constitutional or other types of limitations on charging more or less than the actual cost of providing the service.
 - ii. Subsidization (not full cost recovery) of activities for groups who cannot afford access to services if fees are set at full cost recovery or to promote equitable outcomes. In these cases, the City will subsidize a portion of the cost of the service.
 - iii. The fee amount and its impact on the demand of the service will be considered. Increasing a fee amount might not always raise revenues, but instead may have the opposite impact. A fee set above what the public is generally willing to pay will lessen the demand for the service, and, as a result, a sensitivity analysis of consumer demand will be considered when setting fees. Additionally, a benchmarking analysis of like fees across a region may be conducted to determine demand.
 - iv. The nature of the facilities or services will be considered when setting fees (e.g., fees for facilities may warrant full cost recovery while fees for youth recreation programs may warrant less than full cost recovery).
 - v. The nature and extent of the benefit to the fee-payers. The recipients that benefit from the service provided will be identified. The fee review will consider whether the service is beneficial to the public as a whole or the individual fee-payer.
 - vi. Fee amounts must be proportional to the costs associated with providing the service or program. The full cost should consist of both direct and indirect costs and should be included within the fee amount. Indirect costs will be captured through overhead rates for each department and will include allocated central support services costs.

II. Cost Recovery Calculation

- a. City Departments with user fees will determine cost recovery rates for user fees based on direct and indirect costs for all fees in order to accurately calculate the cost of providing services regardless of whether all services are deemed to be

fully cost recoverable.

- b. Indirect costs will include allocated central support services costs (e.g., information technology, risk management, vehicle assignment and usage fees, etc.). Fees are recommended to be updated annually to maintain the cost recovery level as a result of salary increases and consumer price index changes.
- c. City Departments with user fees are responsible for developing cost recovery rates for their respective user fees in accordance with the cost recovery levels described in this policy. Where appropriate, departments may initiate a multi-phase approach to achieve a targeted cost recovery rate.
- d. Different methods of adjustment are acceptable such as using a Consumer Price Index (CPI), State and Local Implicit Price Deflator, Municipal Cost Index, or other inflators. It is recommended that a CPI inflator be used for setting or revising the Departments' user fees on an annual basis, to take effect at the beginning of each Fiscal Year (July 1), as follows:
 - i. Calculate the percentage change between February of the previous year and February of the current year in the Consumer price Index (CPI) for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA areas, as published by the United States Department of Labor, Bureau of Labor Statistics, adjust each fee by the percentage amount and round off to the nearest ten (10) cents; however, no adjustment will decrease any fee and no fee may exceed the reasonable cost of providing services. When it is determined that the amount reasonably necessary to recover the cost of providing services is excess of this adjustment, the Community Development and/or Public Works Director or their designee, may present fee proposals to the City Council for review and approval.

III. Frequency of User Fees Cost Studies

User fees are recommended to be updated annually as a part of the budget process based on CPI inflation estimates or other annually adjusted inflators until the next comprehensive user fee study is undertaken.

- a. A comprehensive user fee study and a review of this policy will be conducted every five years. The user fee study should include the extent and scope of the study, as well as the level of participation of each responsible department. Any major changes to fees will be implemented prior to the adoption of the annual budget for the following fiscal year.
- b. The following factors will be considered during a comprehensive user fee study or a department-initiated change:

- i. Whether service costs are covered by revenues received.
- ii. Whether fees cover costs and generate excess revenue that supplement other services.
- iii. A comparison of fee levels for similar services provided in other jurisdictions (i.e., benchmarking).
- iv. An analysis of all relevant costs involved including direct and indirect costs.
- v. The current volume and the projected volume and associated revenue based on the changes in the fees.
- vi. Subsidization costs as pertains to the difference between the revenue from and the cost of providing the service.
- vii. Identification of any user fees that have not been revised/updated in the last five years or longer and documentation from the affected department substantiating any proposed user fee revisions or alternatively, the justification for maintaining current fee levels.
- viii. Any proposals for new or revised fees must first be approved by the Administrative Services Director (or designee). The fee proposals will then be reviewed and approval by the City Council.
- ix. Any proposals will include: the purpose of the fee (if new); justification for implementation or revision; the current, proposed, and fully cost-recoverable fee amount; current annual revenue; projected annual revenue and volume of the fee; projected user fee annual service cost; date of the last adjustment to the fee; cost recovery level and cost recovery percentage; subsidization costs for service provision; the methodology for determining the cost of the fee; the nature and extent of the benefit to the fee-payers; any benchmarking done against similar cities and public agencies and other relevant information.

IV. Benchmarking

- a. Comprehensive fee studies that are performed every five years will perform benchmarking or will provide written justification as to why they did not perform benchmarking as part of the study. Benchmarking efforts should entail listing the jurisdictions analyzed, as well as comparing user fee rates and operational services to determine whether fees should be adjusted or eliminated, whether new user fee services should be established, and whether operational efficiencies can be identified and adopted for current services.

V. Public Input and Availability of Fee Information

- a. When fees are revised, data indicating the proposed fee, the estimated cost required for providing the service, date of last adjustment, recovery rate and cost recovery category, subsidization costs for service provision, volume of fees and the estimated amount of revenue shall be available to the public prior to the City Council meetings through the docketing of the report for the City Council agenda. Once the City Council approves the fees, the City Clerk will post an updated schedule of all fees on the City's website by July 1st of each year. The City Clerk will also make available to the public a fee rate book that will be located in the Office of the City Clerk.

MONITORING AND REPORTING

City Departments will regularly monitor the effectiveness of this policy and report annually on the status of user fees and cost recovery efforts.

ATTACHMENT C

PROPOSED Master Fee Schedule

Fee Name	Unit	Current Fee	Calculated Baseline Cost	Current cost recovery	Recommended Fee	Proposed cost recovery with new fee	NOTES:	Fee Review Cycle
Tennis Center Fees								
Memberships								
Individual New Memberships								
Resident	Each	\$100	\$190	53%	\$100	53%	No Change	2027; 3 year CPI/Market Rate
Non-Resident	Each	\$110	\$190	58%	\$110	58%	No Change	2027; 3 year CPI/Market Rate
Individual Renewals								
<u>Resident</u>								
Before July 31	Each	\$90	\$190	47%	\$90	47%	No Change	2027; 3 year CPI/Market Rate
After July 31	Each	\$95	\$190	50%	\$95	50%	No Change	2027; 3 year CPI/Market Rate
<u>Non-Resident</u>								
Before July 31	Each	\$100	\$190	53%	\$100	53%	No Change	2027; 3 year CPI/Market Rate
After July 31	Each	\$105	\$190	55%	\$105	55%	No Change	2027; 3 year CPI/Market Rate
Couple <u>New</u> Memberships								
Resident	Each	New	\$381		\$150	39%	New	2027; 3 year CPI/Market Rate
Non-Resident	Each	New	\$381		\$165	43%	New	2027; 3 year CPI/Market Rate
Couple Renewals effective July 2027								
Family <u>New</u> Memberships								
Resident	Each	\$150	\$572	26%	\$220	38%		2027; 3 year CPI/Market Rate
Non-Resident	Each	\$160	\$572	28%	\$242	42%		2027; 3 year CPI/Market Rate
Family Renewals								
<u>Resident</u>								
Before July 31	Each	\$140	\$572	24%	\$210	38%		2027; 3 year CPI/Market Rate
After July 31	Each	\$145	\$572	25%	\$215	38%		2027; 3 year CPI/Market Rate
<u>Non-Resident</u>								
Before July 31	Each	\$150	\$572	26%	\$232	41%		2027; 3 year CPI/Market Rate
After July 31	Each	\$155	\$572	27%	\$237	41%		2027; 3 year CPI/Market Rate
Half-Year Marine League Membership								
Resident	Each	\$50	\$95	53%	\$50	53%	No Change	2027; 3 year CPI/Market Rate
Non-Resident	Each	\$55	\$95	58%	\$55	58%	No Change	2027; 3 year CPI/Market Rate
USTA Quarterly Memberships								
	Each	\$30	\$47	64%	\$30	64%	No Change	2027; 3 year CPI/Market Rate
One-Time Half-Year Memberships (After January 1)								
Resident	Each	\$55	\$95	58%	\$55	58%	No Change	2027; 3 year CPI/Market Rate
Non-Resident	Each	\$60	\$95	63%	\$60	63%	No Change	2027; 3 year CPI/Market Rate
Family, Resident	Each	\$75	\$95	79%	\$110	116%		2027; 3 year CPI/Market Rate
Family, Non-Resident	Each	\$80	\$95	84%	\$121	127%		2027; 3 year CPI/Market Rate
Tennis Hourly Court Admission Fees								
Resident Members								
Weekdays	Per Hour	\$10	\$12	83%	\$10	83%	No Change	2027; 3 year CPI/Market Rate
Weekends / Holidays	Per Hour	\$11	\$12	92%	\$11	92%	No Change	2027; 3 year CPI/Market Rate
Non-Resident Members								
Weekdays	Per Hour	\$11	\$12	92%	\$11	95%	No Change	2027; 3 year CPI/Market Rate

Fee Name	Unit	Current Fee	Calculated Baseline Cost	Current cost recovery	Recommended Fee	Proposed cost recovery with new fee	NOTES:	Fee Review Cycle
Non-Members								
Weekends / Holidays	Per Hour	\$12	\$12	100%	\$12	100%	No Change	2027; 3 year CPI/Market Rate
Weekdays	Per Hour	\$12	\$12	100%	\$12	100%	No Change	2027; 3 year CPI/Market Rate
Weekends / Holidays	Per Hour	\$13	\$12	108%	\$13	108%	No Change	2027; 3 year CPI/Market Rate
Marine League Fee	Each (3 Courts, 3 Hrs)	\$72	\$116	62%	\$90	78%		2027; 3 year CPI/Market Rate
USTA League Hourly Rate	Per Hour, Per Court	\$9	\$12	75%	\$11	92%		2027; 3 year CPI/Market Rate
School League Rate	Per Court, Per Day	New	\$129		\$12		New at hourly rate	2027; 3 year CPI/Market Rate
Misc. Fees								
Pickleball Drop-In	Each	\$5	\$5	100%	\$5	100%	No Change	2027; 3 year CPI/Market Rate
Tennis Tournaments Surcharge	Per Court, Per Day	\$2	\$3	67%	\$2	67%	No Change	2027; 3 year CPI/Market Rate
Ball Machine Rental	Each	\$5	\$5	100%	\$5	100%	No Change	2027; 3 year CPI/Market Rate
Tennis Balls	Per Can	\$5	\$4	125%	\$5	125%	No Change	2027; 3 year CPI/Market Rate
Pickleball Hourly Court Admission Fees								
Resident Members								
Weekdays (8 a.m. to Noon)	Per Hour	\$6	\$9	67%	\$6	67%	No Change	2027; 3 year CPI/Market Rate
Weekends / Holidays	Per Hour	\$7	\$9	78%	\$7	78%	No Change	2027; 3 year CPI/Market Rate
Non-Resident Members								
Weekdays (8 a.m. to Noon)	Per Hour	\$7	\$9	78%	\$7	78%	No Change	2027; 3 year CPI/Market Rate
Weekends / Holidays	Per Hour	\$8	\$9	89%	\$8	89%	No Change	2027; 3 year CPI/Market Rate
Non-Members								
Weekdays (8 a.m. to Noon)	Per Hour	\$8	\$9	89%	\$8	89%	No Change	2027; 3 year CPI/Market Rate
Weekends / Holidays	Per Hour	\$9	\$9	100%	\$9	100%	No Change	2027; 3 year CPI/Market Rate
Non-Resident Recreation Class Surcharge								
Non-Resident Recreation Class Surcharge	% of Fee	10%			10%		No Change	
Sports Field Rentals Fees								
Sports Field Rental Application	Per Permit	\$25.00	\$59	42%	\$25	42%	No Change	
Peninsula Resident Group	Per Hour	\$17.00	\$161	11%	\$25	16%		Annual CPI
Non-Peninsula Resident Group	Per Hour	\$34.07	\$161	21%	\$42	26%		Annual CPI
Park Permit								
Groups of 20-30	Per Day	\$25	\$414	6%	Not recommended			N/A
Groups of 31-50	Per Day	\$45	\$424	11%	Not recommended			N/A
Groups of 51-100	Per Day	\$65	\$497	13%	Not recommended			N/A
Picnic Area (Full)	Resident	Per Hour, Per Space	New	\$79	\$20	25%	New	Annual CPI/Market rate
Picnic Area (Full)	Non-Resident	Per Hour, Per Space	New		\$25	32%	New	
Picnic Area (Half)	Resident	Per Hour, Per Space	New	\$40	\$12.50	32%	New	Annual CPI/Market rate
Picnic Area (Half)	Non-Resident	Per Hour, Per Space	New	\$40	\$17.50	44%	New	
Grass Bowl Area	Resident	Per Hour	New	\$89	\$20	22%	New	Annual CPI/Market rate
Grass Bowl Area	Non-Resident	Per Hour	New	\$89	\$25	28%	New	
Vendor	Per Vendor	New	\$108		\$54	50%	New	
Refundable Deposit	Per Day	\$50			\$50		No Change	
Rental Kitchen Facilities Ernie Howlett Park	Per Day	\$40	\$144	28%	\$50	35%		
Special Event Permit								
Special Event Application Fee	Per Permit	\$50	\$238	21%	\$50	21%	No Change	
Participants of 100-300								

Fee Name	Unit	Current Fee	Calculated Baseline Cost	Current cost recovery	Recommended Fee	Proposed cost recovery with new fee	NOTES:	Fee Review Cycle
Resident / PV Non-Profit	Each	\$75	\$872	9%	\$180	21%		Annual CPI/Market rate
Non-Resident / Non-PV Non-Profit For-Profit*	Each	\$95	\$872	11%	\$234	27%		Annual CPI/Market rate
Refundable Deposit	Deposit	\$50			\$50		No Change	
Participants of 301-600								
Resident / PV Non-Profit	Each	\$150	\$1,745	9%	\$360	21%		Annual CPI/Market rate
Non-Resident / Non-PV Non-Profit For-Profit*	Each	\$170	\$1,745	10%	\$468	27%		Annual CPI/Market rate
Refundable Deposit	Deposit	\$100			\$100		No Change	
Participants of 601-999								
Resident / PV Non-Profit	Each	\$250	\$2,909	9%	\$600	21%		Annual CPI/Market rate
Non-Resident / Non-PV Non-Profit For-Profit*	Each	\$270	\$2,909	9%	\$780	27%		Annual CPI/Market rate
Refundable Deposit	Deposit	\$150			\$150		No Change	
Participants of 1,000+								
Resident / PV Non-Profit	Each	\$300	\$5,818	5%	\$1,200	21%		Annual CPI/Market rate
Non-Resident / Non-PV Non-Profit For-Profit*	Each	\$350	\$5,818	6%	\$1,560	27%		Annual CPI/Market rate
Refundable Deposit	Deposit	\$300			\$300		No Change	
Rental Fees								
Trail Rental Fees for a Race								
5K Race	Per Day	\$200	\$602	33%	\$250	42%		
Grass Bowl Area Fee	Per Day	New	Not Calculated		\$150		New	
Ernie Howlett Park Equipment Rentals								
Installation of Temp. Chain Link Fence	Per Panel	\$10	\$103		\$10		Future Consideration	
Table Rental (6' or 8' Folding Table)	Per Table	\$10	\$3		n/a		Remove	
Table Rental (Picnic Table)	Per Table	New	\$71		n/a		Remove	
Metal Folding Chair Rentals	Per Chair	\$2.50	\$6.00		n/a		Remove	
4' x 4' Carpeted Riser	Per Day Per Riser	\$10	\$154		n/a		Remove	
City Hall Council Chamber Rental								
First 2 Hours	Base	\$60	\$166		\$60		Future Consideration	
Each Additional Half-Hour	Each Addl 30 Min	\$15	\$34		\$15		Future Consideration	
Refundable Key Deposit	Deposit	\$250			\$250		Future Consideration	
Contract Recreation Fee for Non-City Facility Classes								
Percentage of Gross Revenue	% of Registration Fee	20%			20%		Future Consideration	

**Policy recommendation prohibiting For-Profit events;
private events for commercial entities would be
reviewed through the Park and Activities Commission*



Community Services Fee Study

Park and Activities Commission Meeting

May 20, 2026



Purpose

- No review of Equestrian Services at this time
- Policy Direction for fee setting
 - What cost recovery levels are appropriate by service/program type?
 - Feedback before proceeding to the City Council



Equestrian Services

No Action Needed at this time regarding Horse Trainer Fees and Ernie Howlett Park Equestrian Center Rental Fees

- Separate review through Equestrian Committee
- Equestrian Committee reviewed:
 - April 13, 2026
 - May 11, 2026
 - Subcommittee of EC members to review equestrian services, to include trainer categories and associated fees



City Cost Recovery Policy

Community Services programs are classified as:

Partial Cost Recovery (Below 100%)

City policy allows reduced cost recovery when:

- Collecting full fees is not cost-effective or practical
- The purpose of the program is to provide a public benefit or fulfill a community policy objective
- The service promotes healthy recreation and educational enrichment opportunities for residents

Consideration:

Services are not intended to recover full costs or recover at equal levels.



Tennis Club Membership Fees

Currently

- Individual memberships recover higher levels
- Family memberships recover lower levels
- Family Memberships require 3 members minimum → current structure does not provide for Couples
- Resident vs. Non-resident differential is minimal (5–10%)
- Fees are adjusted every 5 years

RECOMMENDATION:

- No Individual Member rate fee adjustment at this time
- Establish *New* Couples Membership category
- Align Family Membership fees to individual fees
- Maintain Non-resident differential
- Establish a 3-year frequency for fee adjustments based on CPI

Preserve

- Affordability and community access
- Tiered pricing structure
- Resident priority through differential pricing
- Maintain early renewal incentive

Policy Adjustments to Consider

- Maintain current pricing structure (and cost recovery) for Individual Membership
- Introduce Couples Membership category
- Increase Family Membership fees to align with Individual Membership (phased-in approach)
- Strengthen non-resident fee differential (target: 10% rounded, consistent with recreation programs)
- Consider continuing periodic increases for future
 - Based on CPI-based adjustments
 - Update every 3 years vs. 5 years



Tennis & Pickleball Court and Program Fees

Currently

- Court fees are close to baseline cost → Fees are near cost recovery
- Fees are adjusted every 5 years

RECOMMENDATION:

- No regular rate fee changes at this time
- Maintain Non-resident differential
- Establish a 3-year frequency for fee adjustments

Preserve

- Affordability and community access for members and the public
- Tiered pricing structure
- Resident priority through differential pricing
- Simplicity of fee structure

Policy Adjustments to Consider

- Maintain current pricing structure (and cost recovery) which includes non-resident fee differential
- Consider continuing periodic increases for future
 - Update every 3 years vs. 5 years



Sports Field Rental Fees

Currently

- Gap between fees ~\$17–\$34/hr. and baseline cost ~\$161/hr. → Heavily subsidized
- Rates generally comparable to market cities surveyed
- Sports League Use fees are adopted in the City's Fee Schedule each year and increased annually by 2%

RECOMMENDATION:

- Consider fee adjustment
- Maintain Non-resident differential
- Establish CPI adjustment annually going forward

Note: Organized youth sports league rates to be established by separate Agreements

Preserve

- Access for youth community organizations
- Affordability for local users

Policy Adjustments to Consider

- Consider if cost-recovery levels for hourly use should be modified or maintained at current levels
- Continue to differentiate fees by user type
- Determine if youth community group use should continue to be provided at lower or discounted rates
- Sports League Use to be considered during scheduling by agreement
- Avoid sudden or significant fee increases that may discourage participation or limit access



Park Permit Fees

Currently

- Generally below market rates
- Current structure based on group size and not reflective level of use (time and space)

RECOMMENDATION:

- Establish fees based on hourly usage vs day rates and based on space (and impact)
- Establish *NEW* Party vendor fee
- Establish Non-resident differential
- Establish CPI adjustment annually

Preserve

- Community access to parks
- Affordability for small gatherings

Policy Adjustments to Consider

- Implement new fee structure based on hourly usage (differentiating by event size, space, and impact)
- Adjust fees to align with market
- Establish fee differential for resident vs. non-resident use
- Establish a fee for party vendors, in addition to business license
- Avoid sudden or significant fee increases that may discourage participation or limit access



Special Event Permit Fees

Currently

- Event fees recover low levels
- 10k not permitted outside of City event
- Resident vs. Non-resident and Non-Profit vs. For-Profit differential

RECOMMENDATION:

- Consider fee adjustment
- Maintain Non-resident/For-profit differential
- Establish CPI adjustment annually

Preserve

- Community access to parks
- Support local, small-scale non-profit events
- Support recreational opportunities for the community

Policy Adjustments to Consider

- Consider if cost-recovery level should be modified or maintained at current level
- Continue to differentiate fees by user type (Resident, Non-Resident, Non-Profit, For-Profit)
- Maintain affordability for smaller events
- Avoid sudden or significant fee increases that may discourage participation or limit access (considered phase-in approach)



RECOMMENDATION

Review the Community Services Cost of Service (User Fee) Study and provide feedback for City Council consideration.



End of Presentation





STAFF REPORT

DATE: MAY 20, 2026

TO: PARK AND ACTIVITIES COMMISSION

FROM: ALEXA DAVIS, ASSISTANT CITY MANAGER
ROSA PINUELAS, COMMUNITY SERVICES SUPERVISOR

SUBJECT: COMMUNITY SERVICES FEE STUDY UPDATE

OVERVIEW

A fee study has been conducted for the Community Services Department, which includes a comprehensive analysis of the costs associated with the Department's services and the use of City facilities.

BACKGROUND

At its meeting of April 21, 2026, the Park and Activities Commission reviewed the Community Services Cost of Service (User Fee) Study conducted by Matrix Consulting Group. Following preliminary review and discussion, the Commission requested additional time to review the materials and continued the item to its next meeting.

Findings related to equestrian services are presented for informational purposes only pending additional review by the Equestrian Committee. The Equestrian Committee reviewed equestrian service fees at its April 13 and May 11, 2026 meetings and appointed a subcommittee consisting of members of the Committee to further review horse trainer categories and fees. Recommendations regarding equestrian services will be presented to the Park and Activities Commission, and ultimately to the City Council, upon completion of the Committee's review.

Recommendations made by the Park and Activities Commission regarding all other Community Services programs, excluding equestrian-related services, will be presented to the City Council in June for consideration and adoption as part of the Fiscal Year 2026–27 Fees and Charges Schedule.

A representative from Matrix Consulting Group will be present at the Commission's meeting on May 20, 2026 to respond to any questions related to the study.

PUBLIC OUTREACH

The agenda and staff report for this item were posted and noticed as required.

RECOMMENDATION

Staff recommends that the Park and Activities Commission review the Community Services Cost of Service (User Fee) Study and provide feedback for City Council's consideration.

Attachments:

- A. *Updated Park and Activities Commission Meeting Presentation Slides: Community Services Fee Study Update*
- B. *Park and Activities Commission Staff Report: April 21, 2026 Community Services Fee Study Update*



Community Services Fee Study

Park and Activities Commission Meeting

May 20, 2026



Purpose

- No review of Equestrian Services at this time
- Policy Direction for fee setting
 - What cost recovery levels are appropriate by service/program type?
 - Feedback before proceeding to the City Council



Equestrian Services

No Action Needed at this time regarding Horse Trainer Fees and Ernie Howlett Park Equestrian Center Rental Fees

- Separate review through Equestrian Committee
- Equestrian Committee reviewed:
 - April 13, 2026
 - May 11, 2026
 - Subcommittee of EC members to review equestrian services, to include trainer categories and associated fees



Tennis Club Membership Fees

Currently

- Individual memberships recover higher levels
- Family memberships recover lower levels
- Family Memberships require 3 members minimum → current structure does not provide for Couples
- Resident vs. Non-resident differential is minimal (5–10%)
- Fees are adjusted every 5 years

RECOMMENDATION:

- No Individual Member rate fee adjustment at this time
- Establish *New* Couples Membership category
- Align Family Membership fees to individual fees
- Maintain Non-resident differential
- Establish a 3-year frequency for fee adjustments based on CPI

Preserve

- Affordability and community access
- Tiered pricing structure
- Resident priority through differential pricing
- Maintain early renewal incentive

Policy Adjustments to Consider

- Maintain current pricing structure (and cost recovery) for Individual Membership
- Introduce Couples Membership category
- Increase Family Membership fees to align with Individual Membership (phased-in approach)
- Strengthen non-resident fee differential (target: 10% rounded, consistent with recreation programs)
- Consider continuing periodic increases for future
 - Based on CPI-based adjustments
 - Update every 3 years vs. 5 years



Tennis & Pickleball Court and Program Fees

Currently

- Court fees are close to baseline cost → Fees are near cost recovery
- Fees are adjusted every 5 years

RECOMMENDATION:

- No regular rate fee changes at this time
- Maintain Non-resident differential
- Establish a 3-year frequency for fee adjustments

Preserve

- Affordability and community access for members and the public
- Tiered pricing structure
- Resident priority through differential pricing
- Simplicity of fee structure

Policy Adjustments to Consider

- Maintain current pricing structure (and cost recovery) which includes non-resident fee differential
- Consider continuing periodic increases for future
 - Update every 3 years vs. 5 years



Sports Field Rental Fees

Currently

- Gap between fees ~\$17–\$34/hr. and baseline cost ~\$161/hr. → Heavily subsidized
- Rates generally comparable to market cities surveyed
- Sports League Use fees are adopted in the City's Fee Schedule each year and increased annually by 2%

RECOMMENDATION:

- Consider fee adjustment
- Maintain Non-resident differential
- Establish CPI adjustment annually going forward

Note: Organized youth sports league rates to be established by separate Agreements

Preserve

- Access for youth community organizations
- Affordability for local users

Policy Adjustments to Consider

- Consider if cost-recovery levels for hourly use should be modified or maintained at current levels
- Continue to differentiate fees by user type
- Determine if youth community group use should continue to be provided at lower or discounted rates
- Sports League Use to be considered during scheduling by agreement
- Avoid sudden or significant fee increases that may discourage participation or limit access



Park Permit Fees

Currently

- Generally below market rates
- Current structure based on group size and not reflective level of use (time and space)

RECOMMENDATION:

- Establish fees based on hourly usage vs day rates and based on space (and impact)
- Establish *NEW* Party vendor fee
- Establish Non-resident differential
- Establish CPI adjustment annually

Preserve

- Community access to parks
- Affordability for small gatherings

Policy Adjustments to Consider

- Implement new fee structure based on hourly usage (differentiating by event size, space, and impact)
- Adjust fees to align with market
- Establish fee differential for resident vs. non-resident use
- Establish a fee for party vendors, in addition to business license
- Avoid sudden or significant fee increases that may discourage participation or limit access



Special Event Permit Fees

Currently

- Event fees recover low levels
- 10k not permitted outside of City event
- Resident vs. Non-resident and Non-Profit vs. For-Profit differential

RECOMMENDATION:

- Consider fee adjustment
- Maintain Non-resident/For-profit differential
- Establish CPI adjustment annually

Preserve

- Community access to parks
- Support local, small-scale non-profit events
- Support recreational opportunities for the community

Policy Adjustments to Consider

- Consider if cost-recovery level should be modified or maintained at current level
- Continue to differentiate fees by user type (Resident, Non-Resident, Non-Profit, For-Profit)
- Maintain affordability for smaller events
- Avoid sudden or significant fee increases that may discourage participation or limit access (considered phase-in approach)



RECOMMENDATION

Review the Community Services Cost of Service (User Fee) Study and provide feedback for City Council consideration.



End of Presentation





STAFF REPORT

DATE: APRIL 21, 2026

TO: PARK AND ACTIVITIES COMMISSION

FROM: ALEXA DAVIS, ASSISTANT CITY MANAGER
ROSA PINUELAS, COMMUNITY SERVICES SUPERVISOR

SUBJECT: COMMUNITY SERVICES FEE STUDY UPDATE

OVERVIEW

A Fee Study has been conducted for the Community Services Department, which includes a comprehensive analysis of the costs associated with the Department's services and the use of City facilities.

BACKGROUND

The City Council directed staff to proceed with a comprehensive Fee Study of the Community Services Department. The City subsequently retained Matrix Consulting Group to conduct the fee analysis. The study evaluates the cost of services provided to the public, market rates related to public use spaces and cost recovery objectives across the Department. Its findings are intended to establish a framework for fees that align with the City's adopted cost-recovery policy, reflect comparable benchmarks, and maintain public access consistent with community expectations and the City's commitment to providing exemplary service to the community.

Developing clear cost recovery policies and procedures helps ensure that current and future decision-makers understand how and why fees are established, while providing a consistent framework for future updates. Comprehensive fee studies are typically recommended every three to five years to account for organizational changes, technological improvements that may lead to process efficiencies, and regular updates. The City has not conducted a comprehensive fee study for Community Services in recent history. The intent of the Fee Study is to provide a clear understanding of the full cost of delivering services, including both direct and indirect costs such as staffing, maintenance, and administrative overhead.

The Fee Study methodology includes an analysis of the costs associated with providing a range of services, including parks, trails, recreation programs, tennis club services, and equestrian services and amenities. Additionally, the Fee Study supports a balanced approach to fee setting that helps offset a portion of operational and staffing expenses

while maintaining affordable community access. In alignment with the City's Cost Recovery Policy (Attachment B), the Community Services Department classifies its fee-based programs as "Partial Cost Recovery (Below 100%)." Annual adjustments using the Consumer Price Index (CPI) are recommended to keep fees current with rising costs and minimize the need for significant future increases.

As outlined in the City's policy, community services user fees may recover less than the full cost of service when:

- Collecting full fees is not cost-effective or practical;
- The purpose of the program is to provide a public benefit or fulfill a community policy objective; or
- The service promotes healthy recreation and educational enrichment opportunities for residents.

ANALYSIS

As summarized in the attached Community Services Cost of Service (User Fee) Study (Attachment A), the report evaluates baseline costs including direct staff time, materials, facility use, departmental support, and citywide overhead such as utilities and maintenance. The analysis includes recreation programs such as special event and park permits, equipment rentals, Council Chamber rentals, Tennis Club offerings, sports field and Ernie Howlett Equestrian Center rentals, and fees for equestrian services, i.e. Horse Trainer permits. **At this time, the overview of equestrian services and rentals is presented for informational purposes only. Staff will return at a future meeting after additional review by the Equestrian Committee.**

The findings indicate that Community Services Department currently recovers approximately 26% of its full cost, which is within the typical 20%–50% range for parks and recreation services. As detailed in the attached report, the difference between current revenue and the full cost of service is primarily subsidized by other City revenue sources.

Typical cost recovery ranges for park and recreation services are outlined in the report (Attachment A, page 14, Table 6) and may vary depending on the programs and services. For parks and recreation services, cost recovery policies are typically determined by service type and community benefit. For instance, factors such as community impact of a program versus individual benefit can be considered in determining cost recovery goals for programming and services. Developing cost recovery goals for programs and services helps to inform policy makers of the level of subsidy for the various services the Department provides.

It is important to note that the calculated baseline cost reflects the full cost of providing services and is not intended to serve as a recommended fee. Staff does not recommend pursuing full cost recovery or implementing across-the-board fee increases. Rather, the Fee Study is intended to provide a framework to inform policy decisions regarding cost recovery levels. When setting fees, the City should consider a balanced approach that

includes cost recovery objectives, the level of community benefit, market rates, and the need to ensure equity and accessibility for residents.

An initial review of equestrian services findings was presented to the Equestrian Committee at its April 13, 2026 meeting. The Committee requested additional information and will revisit the item at a subsequent meeting. Following their review, the Committee's recommendations regarding equestrian services will be presented to the Park and Activities Commission and ultimately to the City Council for consideration. Recommendations made by the Park and Activities Commission regarding all other Community Services programs (*excluding those related to equestrian services*) will be presented to the City Council for consideration and adoption as part of the Fiscal Year 2026–27 Budget.

PUBLIC OUTREACH

The agenda and staff report for this item were posted and noticed as required.

RECOMMENDATION

Staff recommends that the Park and Activities Commission review the Community Services Cost of Service (User Fee) Study and provide feedback on the balance between cost recovery and community benefit for City Council's consideration.

Attachments:

- A. *Community Services Cost of Services (User Fee) Study – Matrix Consulting Group*
- B. *City of Rolling Hills Estates User Fee Cost Recovery Level Policy*



REPORT ON COMMUNITY SERVICES COST OF SERVICES (USER FEE) STUDY

April 2026

ROLLING HILLS ESTATES, CA

MATRIX
CONSULTING GROUP

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INTRODUCTION

This section of the report is intended to provide an overview regarding overall legal rules and regulations for fees for service.

The report that follows presents the results of the Community Services Department-specific Cost of Services (User Fee) Study conducted by the Matrix Consulting Group for the City of Rolling Hills Estates, California.

PROJECT BACKGROUND AND OVERVIEW

This is Rolling Hills Estates' Community Services Department's first user fee study conducted by an outside agency. The purpose of this study is to evaluate the full cost (direct and indirect) of providing a variety of parks and recreational services. The Matrix Consulting Group project team analyzed the cost-of-service relationships among fees for service for programming, equestrian arena, and tennis. The results of this study provide the City with a transparent and defensible tool to understand the current cost of services and support future policy discussions on cost recovery.

GENERAL PROJECT APPROACH AND METHODOLOGY

The work accomplished by the Matrix Consulting Group in the analysis of the proposed fees for service involved the following steps:

- **Staff Interviews:** The project team interviewed department/program staff regarding their needs for clarification of the structure of existing fee items or for the addition of new fee items.
- **Data Collection:** Data was collected for each service, including time estimates and material costs. In addition, all budgeted costs and staffing levels for Fiscal Year 2026 were entered into the Matrix Consulting Group's analytical software model.
- **Cost Analysis:** The full cost of providing each service included in the analysis was established.
- **Review and Approval of Results with City Staff:** Department management has reviewed and approved these documented results.

A more detailed description of user fee methodology and legal and policy considerations is provided in subsequent chapters of this report.

SUMMARY OF COST RECOVERY

The project team evaluated the cost recovery for the Community Services Department by assessing its direct operational costs while also factoring in indirect expenses, including departmental administration and citywide overhead. The table below compares the budgeted revenue to direct expenditures and indirect costs

such as citywide overhead and maintenance (full cost), highlighting the difference and associated cost recovery percentage.

TABLE 1: FULL COST RECOVERY

Program	FY26 Budgeted Revenue	Full Cost	Difference	Full Cost Recovery %
Recreation Programs & Special Events	\$120,000	\$500,180	(\$380,180)	24%
Tennis Rec	\$100,000	\$349,768	(\$249,768)	29%
Total	\$220,000	\$849,949	(\$629,949)	26%

Community Services is at a 26% cost recovery. The cost recovery for park and recreation services typically falls between 20% and 50%, and at 26%, the City is within this range. Additional details regarding the department’s cost recovery can be found in the Cost Recovery chapter of this report.

The display of the cost recovery figures shown in this report is meant to provide a basis for policy development discussions among Council members and City staff, and it does not represent a recommendation for where or how Council should act. The setting of the “rate” or “price” for services, whether at 100 percent full cost recovery or lower, is a policy decision to be made only by Council, with input from City staff and the community

These measures align with GFOA best practices for *Establishing Government Charges and Fees*, which state that governmental entities should review and update charges and fees periodically based on factors such as the impact of inflation, other cost increases, adequacy of cost recovery, use of services, and the competitiveness of current to avoid large infrequent fee increases. Additionally, adopting the practice of conducting comprehensive analyses every five to seven years allows for any changes to organizational structures, processes, or any new service areas to be captured.

LEGAL FRAMEWORK

This section of the report is intended to provide an overview regarding overall legal rules and regulations for fees for service. A “user fee” is a charge for service provided by a governmental agency to a public citizen or group. In California, several constitutional laws such as Propositions 13, 4, and 218, State Government Codes 66014 and 66016, and more recently Prop 26 and the Attorney General’s Opinion 92-506 set the parameters under which user fees typically administered by local government are established and administered. Specifically, California State Law, Government Code 66014(a), stipulates that user fees charged by local agencies “...may not exceed the estimated reasonable cost of providing the service for which the fee is charged”.

However, in the case of parks and recreation fees Proposition 26 allows for fee amount(s) to be based upon the rates that the market can bear. There are specific rules and regulations within the State Law that impact parks and recreation related activities directly. These can be separated into two categories – rental rates and recreation programs. The following points provide further information regarding these items:

1. **Rental Rates:** One of the exceptions to the tax category under Proposition 26 is a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property¹. There is no requirement that these rates must be limited to the cost of service, as they can be dependent upon a variety of features of the facility or park being rented.
2. **Recreation Programs:** Under Proposition 26, the exception to the tax category is a charge that is “imposed”. Based upon the League of California Cities implementation guide for Proposition 26, as well as other legal opinions, recreation classes, youth sports, and adult sports are not a charge that is “imposed upon residents”. Rather, residents have the option to voluntarily participate in those programs and utilize a private entity (non-governmental entity) for those activities. Therefore, these rates are allowed to be set based upon the market options within the area rather than being restricted to the cost of service being provided.

Utilizing these two principles is key to understanding the results generated through this analysis. As such, any over-recoveries reflected in the report do not need to be reduced to the cost of service, as the fee amount(s) should be based upon rates that the market can bear, as they are not a charge that is “imposed upon residents.” Rather, residents can rent facilities or participate in the recreational programs offered by local governments or utilize a private (non-governmental) entity for those activities / services. As such, rental rates can depend upon a variety of features of the facility or park being rented, and recreation program rates can be set based on the combination of the cost of administering the program and the demand for the program (estimated participation).

¹ Proposition 26 Article XIII C(1)(e)(4)

USER FEE STUDY METHODOLOGY

The Matrix Consulting Group utilizes a cost allocation methodology commonly known and accepted as the “bottom-up” approach to establishing User Fees. The term means that several cost components are calculated for each fee or service. These components then build upon each other to comprise the total cost for providing the service. The following chart describes the components of a full cost calculation:



The two identified components were used to calculate the full cost to the City of providing various services. The following sections detail each component.

STAFF COST

This cost component reflects the cost associated with staff time and effort associated with administering and providing these services. The cost is based upon two factors:

- **Time Assumptions:** This reflects the time associated with processing, reviewing, intaking, answering questions, set up / clean up, and other support activities.
- **Fully Burdened Hourly Rates (FBHR):** This represents the full cost to the City of an employee existing and providing services. It consists of direct cost components such as salaries, benefits, and productive hours². It also includes costs associated with internal citywide overhead.

² Productive hours refer to 2,080 hours of a full-time position reduced by sick, vacation, and holidays.

The time assumption is multiplied by the FBHR to arrive at the total staff cost associated with providing or administering a particular fee-related activity.

MATERIAL COST

Certain fees include costs associated with materials that might be necessary to provide the service. These material costs generally include items such as the cost of equipment or use of space / impact to the space sustained by the permitted activity.

PARTICIPATION / AVERAGE UTILIZATION COST

The two prior cost components (staffing and material) generate the total cost of a program or activity. For recreation, the majority of activities or rentals are based on the average participation or utilization of hours / space. Therefore, a key assumption in this analysis has been the use of average participation or rental hours when determining the cost per participant or cost per hour. As such, if a service has more or less participants or is used for more or less hours that can directly impact the per unit result. Some items in this analysis may show an over-recovery or under-recovery, but that can be directly impacted based on the level of utilization of the program or the rental space. If it is used more frequently or has higher participation, the cost will decrease. For participation-based programs (i.e. camps & classes, afterschool sports, etc.), we take into consideration the max number of participants. For space rental we look at the total hours the space was available for rent. Therefore, when evaluating the results of this analysis, it is important to remember that the level of utilization (hours and participants) directly influences the per-unit results calculated through this analysis.

SUMMARY OF COST COMPONENTS

Together, these two cost components ensure that all costs involved in operating and providing services to the public have been accounted for in the calculation of the full cost of the fees.

The following sections provide a summary of fee schedule modifications and a comparison of the full cost of providing services to the current fee for services. The total cost does not represent what fees will actually be charged, rather the column represents what fees were calculated based on the components outlined in the User Fee Methodology chapter of this report. It is ultimately up to the City Council to set the rates to be charged.

FEE SCHEDULE MODIFICATIONS

As part of the fee study, the team reviewed the Department's current fee schedule. Fees that are set by agreements or other departments within the City (i.e., contract instructor splits, outside agencies, revenue share agreements, business license, etc.) and deposits were not evaluated in the scope of this study; as such, they are not addressed in this document. To Below is a summary of the proposed modifications to the Department's fee schedule:

New Fees: Staff proposed the addition of the following fees to recover costs for the new rental spaces and programs offered to the community:

- **Tennis Center Fees:** Addition of a Tennis Membership type for couples that mirrors the existing individual and family memberships, but accounts for two adults within the same household; and a fee for the Chadwick School to rent courts per day.
- **Recreation – Rental Fees:** A new 'Table Rental (Picnic Table)' fee to account for rentals of picnic tables at City parks for special events.

Eliminated Fees: Elimination of the Portable Public Address System Rental and Race Time Clock Display rental under special event permits, as well as 10K race and 10x10 canopy fees under rental fees as these are no longer offered.

Modified Fees: Various fees were revised to more accurately reflect the current process for administering these services.

- **Business License & Permit - Horse Trainers:** The business license fees were expanded to include one-day permits and to account for the permit fee and city property use charge.
- **Ernie Howlett Park Equestrian Center Rental:** The package-based arena rental fee structure was modified to a per-arena, per-day structure, making the schedule easier to administer and understand from the applicant perspective.
- **Park Permit:** Modification of the park rental structure, moving from administering rentals based on the number of people per day, to the type of rental (picnic area, grass area, or vendor) on a per-hour, per-space or vendor rental.

The modifications noted above ensure that the proposed fee schedule more accurately reflects the current services provided by the City.

DETAILED RESULTS

The purpose of a cost-of-service (User Fee) analysis is to provide Department staff with a clear understanding of the full cost of delivering services, enabling informed policy and management decisions. The goal is to maintain services at a level that is both effective and acceptable to the community while preserving local control over cost recovery decisions.

It is important to note that a cost-of-service analysis represents a “snapshot in time,” based on a single fiscal year’s financial and operational data. While the methodology relies on documented expenditures and workload measures, it also incorporates time estimates and fee-structure adjustments, which inherently result in reasonable projections rather than exact calculations.

The baseline cost calculated for each service includes direct staff time, materials, use of facilities, departmental support, and Citywide overhead. These baseline costs represent a snapshot of service costs based on current operations and financial data and do not reflect fee recommendations or cost-recovery policies. The following section compares the calculated baseline cost of providing services to the current fee-for-service and identifies the resulting difference.

As noted previously, fees established through agreements or administered by other City departments (i.e., contract instructor splits, outside agency revenue shares, business licenses), as well as deposits, were excluded from the scope of this study and are therefore not reflected in the table below.

TABLE 2: TOTAL COST PER UNIT RESULTS

Fee Name	Unit	Current Fee	Baseline Cost ³	Difference
Business License & Permit - Horse Trainers⁴				
One Day				
Permit Fee	Each	New	\$89	N/A
City Property Use Charge	Each	New	\$19	N/A
Category 2				
Permit Fee	Each	\$150	\$179	(\$29)
City Property Use Charge	Each	\$100	\$996	(\$896)
Category 3				
Permit Fee	Each	\$250	\$179	\$71
City Property Use Charge	Each	\$300	\$3,984	(\$3,684)
Ernie Howlett Park Equestrian Center Rental				
Application	Per Application	Modified	\$389	N/A
Arena #1	Per Day	Modified	\$669	N/A
Arena #2	Per Day	Modified	\$530	N/A

³ Baseline costs reflect current cost-of-service assumptions and exclude policy considerations.

⁴ Each category includes a Business License cost in addition to the Permit Fee and City Property Use Charge. Business License costs are taxes set by voter approval and were not evaluated as part of this analysis.

Fee Name	Unit	Current Fee	Baseline Cost ³	Difference
Arena #3	Per Day	Modified	\$457	N/A
Arena #4	Per Day	Modified	\$696	N/A
Arena #5	Per Day	Modified	\$173	N/A
Turf Area	Per Day	Modified	\$1,242	N/A
Park Use Fee – Early Set-Up / Late Break-Down	Per Day	\$280	\$349	(\$69)
Ernie Howlett Park Stall Rental				
Box Stall	Per Day	\$26	\$59	(\$33)
Paddock	Per Day	\$26	\$95	(\$69)
Combo	Per Day	\$52	\$155	(\$103)
Entire Barn Rental	Per Day	\$515	\$694	(\$179)
Tennis Center Fees				
Memberships				
Individual New Memberships				
Resident	Each	\$100	\$190	(\$90)
Non-Resident	Each	\$110	\$190	(\$80)
Individual Renewals				
<u>Resident</u>				
Before July 31, 2024	Each	\$90	\$190	(\$100)
After July 31, 2024	Each	\$95	\$190	(\$95)
<u>Non-Resident</u>				
Before July 31, 2024	Each	\$100	\$190	(\$90)
After July 31, 2024	Each	\$105	\$190	(\$85)
Couple New Memberships				
Resident	Each	New	\$381	N/A
Non-Resident	Each	New	\$381	N/A
Couple Renewals				
<u>Resident</u>				
Before July 31, 2024	Each	New	\$381	N/A
After July 31, 2024	Each	New	\$381	N/A
<u>Non-Resident</u>				
Before July 31, 2024	Each	New	\$381	N/A
After July 31, 2024	Each	New	\$381	N/A
Family New Memberships				
Resident	Each	\$150	\$572	(\$422)
Non-Resident	Each	\$160	\$572	(\$412)
Family Renewals				
<u>Resident</u>				
Before July 31, 2024	Each	\$140	\$572	(\$432)
After July 31, 2024	Each	\$145	\$572	(\$427)
<u>Non-Resident</u>				
Before July 31, 2024	Each	\$150	\$572	(\$422)
After July 31, 2024	Each	\$155	\$572	(\$417)
Half-Year Marine League Membership				
Resident	Each	\$50	\$95	(\$45)

Fee Name	Unit	Current Fee	Baseline Cost ³	Difference
Non-Resident	Each	\$55	\$95	(\$40)
USTA Quarterly Memberships	Each	\$30	\$47	(\$17)
One-Time Half-Year Memberships (After January 1)				
Resident	Each	\$55	\$95	(\$40)
Non-Resident	Each	\$60	\$95	(\$35)
Family, Resident	Each	\$75	\$95	(\$20)
Family, Non-Resident	Each	\$80	\$95	(\$15)
Tennis Hourly Court Admission Fees				
Resident Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$10	\$12	(\$2)
Weekends / Holidays	Per Hour	\$11	\$12	(\$1)
Non-Resident Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$11	\$12	(\$1)
Weekends / Holidays	Per Hour	\$12	\$12	\$0
Non-Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$12	\$12	\$0
Weekends / Holidays	Per Hour	\$13	\$12	\$1
Marine League Fee	Each	\$72	\$116	(\$44)
USTA League Hourly Rate	Per Hour	\$9	\$12	(\$3)
Chadwick Fee	Per Court, Per Day	New	\$129	N/A
Misc. Fees				
Pickleball Drop-In	Each	\$5	\$5	\$0
Tennis Tournaments Surcharge	Per Court, Per Day	\$2	\$3	(\$1)
Ball Machine Rental	Each	\$5	\$5	\$0
Tennis Balls	Per Can	\$5	\$4	\$1
Pickleball Hourly Court Admission Fees				
Resident Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$6	\$9	(\$3)
Weekends / Holidays	Per Hour	\$7	\$9	(\$2)
Non-Resident Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$7	\$9	(\$2)
Weekends / Holidays	Per Hour	\$8	\$9	(\$1)
Non-Members				
Weekdays (8 a.m. to Noon)	Per Hour	\$8	\$9	(\$1)
Weekends / Holidays	Per Hour	\$9	\$9	\$0
Sports Field Rentals Fees				
Sports Field Rental Application	Per Application	\$25.00	\$59	(\$34)
Peninsula Resident Group	Per Hour	\$17.00	\$161	(\$144)
Non-Peninsula Resident Group	Per Hour	\$34.07	\$161	(\$127)
Park Permit				
Picnic Area	Per Hour, Per Space	New	\$79	N/A
Grass Area	Per Hour	New	\$89	N/A
Vendor	Per Vendor	New	\$108	N/A
Rental Kitchen Facilities – Ernie Howlett Park	Per Day	\$40	\$144	(\$104)

Fee Name	Unit	Current Fee	Baseline Cost ³	Difference
Special Event Permit				
Special Event Application Fee	Per Application	\$50	\$238	(\$188)
Participants of 100-300				
Resident / Non-Profit	Each	\$75	\$872	(\$797)
Non-Resident / For-Profit	Each	\$95	\$872	(\$777)
Participants of 301-600				
Resident / Non-Profit	Each	\$150	\$1,745	(\$1,595)
Non-Resident / For-Profit	Each	\$170	\$1,745	(\$1,575)
Participants of 601-999				
Resident / Non-Profit	Each	\$250	\$2,909	(\$2,659)
Non-Resident / For-Profit	Each	\$270	\$2,909	(\$2,639)
Participants of 1,000+				
Resident / Non-Profit	Each	\$300	\$5,818	(\$5,518)
Non-Resident / For-Profit	Each	\$350	\$5,818	(\$5,468)
Rental Fees				
Trail Rental Fees for a Race				
5K Race	Per Day	\$200	\$602	(\$402)
Ernie Howlett Park Equipment Rentals				
Installation of Temp. Chain Link Fence Panels	Per Panel	\$10	\$103	(\$93)
Table Rental (6' or 8' Folding Table)	Per Table	\$10	\$3	\$7
Table Rental (Picnic Table)	Per Table	New	\$71	N/A
Metal Folding Chair Rentals	Per Chair	\$2.50	\$6.00	(\$3.50)
4' x 4' Carpeted Riser	Per Day, Per Riser	\$10	\$154	(\$144)
City Hall Council Chambers Rental				
First 2 Hours	Base	\$60	\$166	(\$106)
Each Additional Half-Hour	Each Addl 30 Min	\$15	\$34	(\$19)

Generally, the baseline costs calculated are higher than the fees currently charged by the City.

For the Business License & Permit – Horse Trainer fees, the difference between categories is driven by the intensity of use. Category 3 permit holders use the facilities multiple times per week, while Category 2 permit holders use them less frequently. As a result, while the administrative permit fee remains consistent, the City usage charges vary by frequency and impact on the space, resulting in an annual per-unit deficit ranging from \$896 to \$3,684. Adjusting the calculations to align more directly with actual facility usage right-sizes these charges and strengthens their defensibility.

The Ernie Howlett Park Equestrian Center rental fees include an application fee, as well as separate use-of-space and utility components. This modified structure allows applicants to tailor their rental packages while ensuring appropriate recovery of staff time, facility usage, and routine maintenance and landscaping costs. Tiered fee structures such as this are commonly used to streamline the administration of complex rental arrangements and align charges with usage levels.

All Tennis Center Membership fees under-recover, ranging from a high of \$427 for ‘Family Renewal, Resident, After July 31’, to a low of \$15 for a ‘One-Time Half-Year Membership (After January 1) – Family, Non-Resident’. Variability in cost recovery across membership types is common because existing fee structures

include policy-based subsidies for certain tiers (i.e., residents, families, etc). The calculated baseline costs presented in this analysis reflect the full cost of providing memberships and do not incorporate policy decisions regarding subsidies or pricing preferences.

Tennis and Pickleball court rentals show minimal differences between current rates and the calculated baseline costs. At a \$44 per unit difference, the 'Marine League Fee' is the exception. Similar to membership pricing, the calculated baseline costs do not incorporate policy-based pricing adjustments. Rather, they reflect the full cost of providing the service, inclusive of all direct and indirect cost components. The results are intended to provide the City and staff with a transparent reference point for evaluating cost recovery levels.

Most annual sports field rentals are governed by separate user agreements between the City and various organizations (e.g., AYSO, PV Girls Softball, Silver Spur Little League, Peninsula Junior League). These agreements were not evaluated as part of this analysis. However, the study did calculate a baseline per-hour cost for field rentals. The calculated cost of \$161 per field, per hour can be used to administer one-time rentals and may also serve as a reference point in future discussions regarding existing user agreements, if necessary.

Park rental fees were restructured from attendance-based to amenity-based. Under the City's current policy, rentals with fewer than 100 attendees do not require a Special Event permit; therefore, basing fees on group size was not reflective of the primary cost drivers associated with standard park use. Aligning rental fees with the specific amenity reserved (picnic area or grass area) is consistent with common municipal practice, as the amenity typically drives staff time, maintenance, and operational impact more directly than attendance does for non-special-event rentals.

Special Event permit fees under-recover. This is not uncommon, as baseline cost calculations account for the staff time required for coordination and the exclusive use of large public spaces. These costs increase proportionately with the size and complexity of the event, as larger events require greater staff involvement and remove more space from the general public. Compared with the City's current fee levels, the calculated baseline costs are significantly higher.

The remaining facility and equipment rental fees generally under-recover. Differences vary by item, with some minimal variation (folding chairs at a difference of \$3.50 per chair) and other more substantial variations (temporary fencing panels at a difference of \$93 per panel and carpeted risers at a difference of \$144 per day per riser). These differences are primarily driven by the inclusion of staff setup and breakdown time, maintenance, and replacement costs. Compared to current fee levels, which may not fully account for indirect and overhead costs.

COST RECOVERY

The typical cost recovery for parks and recreation services is between 20% and 50%⁵. This range reflects the belief that these services primarily benefit the community at large and therefore should be subsidized by taxpayers. As part of this analysis, the project team calculated the cost recovery for the Community Services Department based on its direct costs of operations and accounting for any indirect costs (Departmental administration and Citywide). The following subsections provide the detailed programmatic cost recovery based on direct and total cost calculations.

DIRECT PROGRAM COST RECOVERY

Direct cost recovery compares budgeted programmatic costs against generated revenues associated with that specific program. To determine direct programmatic cost recovery, the project team compared the two-year average revenue⁶ to the Department's budgeted costs. The following table shows by program: revenue, adopted budget⁷, the associated difference, and cost recovery percentage.

TABLE 3: DIRECT PROGRAM COST RECOVERY

Program	FY26 Adopted	FY25-26 Adopted Budget	Difference	Direct Cost Recovery %
Recreation Programs & Special Events	\$120,000	\$251,796	(\$131,796)	48%
Tennis Rec	\$100,000	\$176,077	(\$76,077)	57%
Total	\$220,000	\$427,873	(\$207,873)	51%

On a direct-cost basis, the Department is at a 51% cost-recovery level. This cost recovery is barely above the typical range for parks and recreational services (20-50%). Recovery levels vary significantly based on the programs offered. These ranges are common in parks and recreation departments, where optional, participation-based programs tend to be priced closer to cost recovery, and services that provide broader community benefit are often subsidized as a policy choice.

TOTAL PROGRAM COST RECOVERY

Total cost recovery looks at direct program costs, maintenance, and citywide overhead and compares those costs against generated revenues. For programmatic services to be provided, recreation maintenance and administration staff support is needed. Furthermore, support services are also needed from other City

⁵ This 20% to 50% range generally includes Library and Senior services. As these are currently not services offered through this department cost recovery may exceed this typical range, as both services tend to be heavily subsidized due to the nature of the services provided.

⁶ FY24-25 Estimated Revenue and FY25-26 Adopted Revenue was used to calculate the two-year average revenue.

⁷ The costs for Parks Maintenance, Tree Trimming, and Bridle Trials are spread as indirect maintenance costs and therefore are not represented in the direct cost table. Additionally, costs associated with the Pepper Tree Foundation and Nature Center were excluded as one is a non-profit and the other is associated with a facility that is closed for renovations.

departments, including Finance, Human Resources, City Attorney, and so forth. The following table shows, by program, the indirect costs included:

TABLE 4: INDIRECT OVERHEAD COSTS BY PROGRAM

Program	Citywide OH	Maint. OH	Total OH
Recreation Programs & Special Events	\$67,101	\$181,283	\$500,180
Tennis Rec	\$46,923	\$126,769	\$349,768
Total	\$114,024	\$308,052	\$849,949

The project team accounted for roughly \$1.7 million in indirect overhead costs. The table below compares the two-year average revenue to the total direct and indirect costs (full cost), highlighting the difference and the associated cost-recovery percentages.

TABLE 5: FULL COST RECOVERY

Program	FY26 Budgeted Revenue	Full Cost	Difference	Full Cost Recovery %
Recreation Programs & Special Events	\$120,000	\$500,180	(\$380,180)	24%
Tennis Rec	\$100,000	\$349,768	(\$249,768)	29%
Total	\$220,000	\$849,949	(\$629,949)	26%

Based on the analysis, the Department has a Full Cost recovery level of 26%, which is on the lower end of the typical 20-50% range for parks and recreation services. Of the total direct and indirect expenditures, approximately 50% are direct expenditures, 37% are maintenance overhead, and 13% is Citywide overhead.

In addition to the overall cost recovery range typically seen with parks and recreation fees, there are target cost recovery ranges based on the Matrix Consulting Group's experience conducting recreation fee studies. The following table highlights these ranges.

TABLE 6: TYPICAL COST RECOVERY RANGES

Fee Program	Cost Recovery Range
Facility, Park, Field, & Court Rentals	50% - 100%
Special Events	50% - 100%
Memberships	70% - 100%
Adult Programming	50% - 80%
Youth & Senior Programming	20% - 50%

Generally, programs with a larger community impact (e.g., senior services, youth recreation) tend to have lower cost recovery, while programs with a larger individual benefit (e.g., rentals, adult recreation) tend to have higher cost recovery. The following table takes these cost recovery ranges and compares them to programs that are specific to the City of Rolling Hills Estates.

TABLE 7: TYPICAL COST RECOVERY RANGES BY PROGRAM

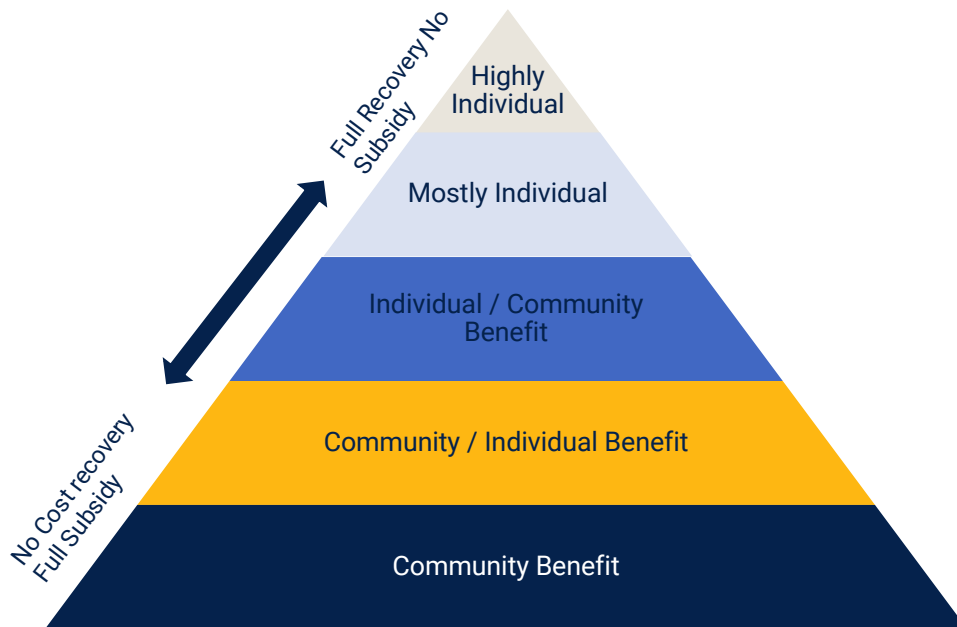
Program	Typical Cost Recovery Range	Cost Recovery %
Recreation Programs & Special Events	50% - 100%	24%
Tennis Rec	50% - 100%	29%

Both program categories are significantly below the typical cost-recovery range. The department should utilize the target cost recovery ranges as a guideline for setting rates. Within these larger program categories, there can be different cost recovery targets for sub-programs or subsections. For example, within Recreation Programs & Special Events, there would be different cost recovery goals for facility rentals versus special events or field rentals.

APPENDIX A – COST RECOVERY GUIDELINES

This study has identified areas where the City is under-collecting the cost associated with providing parks and recreation services. This known funding gap is, therefore, being subsidized by other City revenue sources. However, Community Services is unique and unlike other city services, in which there is a strong community benefit along with individualized benefits. The City of Rolling Hills Estates has an adopted cost recovery policy which provides guidance for the fees evaluated in this analysis.

For parks and recreation services, we typically see the cost recovery policy developed at the service type and community benefit factor. The following graphic shows the cost recovery pyramid:



The Department should determine, based upon the fee / service area the level of benefit and utilize that to determine the level of subsidy. For example, special event permits are more of an individual benefit, so it should be less subsidized, whereas for something such as youth sports services, the City may consider subsidizing that more heavily. Therefore, when setting fees, the City must consider the following key components:

- **Level of Benefit:** Who is the beneficiary of the service, and does it only impact the individual, or does it have a larger community benefit? This allows the City and the department to set fees based on a conscientious decision and determine the level of subsidy.
- **Alternate Funding Sources:** If other funding sources are available to offset programs (either annually or one-time), make use of those to be able to provide more services at a more cost-effective approach.
- **Equity and Inclusion:** Ensuring that services and programs are accessible to all community members. If fee waivers, discounts, or scholarships are needed, those are also available to make activities and

programs accessible. There should be clear policies and procedures to ensure consistent application of the waivers, discounts, and scholarships.

- **Cost Recovery:** For programs that are unique or have significant individualized benefits, it is important to aim for cost recovery or even an over-collection to continue to provide other services at a subsidized rate. Different cost recovery goals should be set for each division and within each division for the different fee-related programs and services.
- **Market Rate:** Annual market surveys should be done to ensure that prices are competitive for programs and services. High demand activities should be set at higher than market rate, while low demand should be set at a lower rate to encourage participation.

The department should utilize these guidelines to develop a cost recovery policy. The Government Finance Officers Association's (GFOA) best practices for Establishing Government Charges and fees state that governmental entities should adopt formal policies regarding charges and fees which include the jurisdiction's intention to recover the full cost or partial costs of providing services, set forth circumstances under which the jurisdiction might set a charge or fee at less than or more than 100% of full cost and outlines the considerations that might influence the jurisdiction's pricing decision.

The development of cost recovery policies and procedures will serve to ensure that current and future decision makers understand how and why fees were determined and set, as well as provide a road map for ensuring consistency when moving forward.

APPENDIX B – COMPARATIVE SURVEY

Matrix Consulting Group conducted a comparative market rate survey as part of this analysis. A comparative survey of parks and recreation fees provides the City and various stakeholders with a snapshot of what the market can bear.

The City identified nine jurisdictions for inclusion: Duarte, Hermosa Beach, Huntington Beach, La Cañada Flintridge, Lomita, Manhattan Beach, Norco, Rancho Palos Verdes, and Westlake Village. The following points provide a high-level comparison of several fee-related services provided by the City. The project team then reviewed public documents (i.e., agenda items, staff reports, budgets, fee schedules, and ordinances) and or contacted jurisdictions to get comparative information.

These types of fees are not static. They are reactive to economic conditions and public demands, balancing the community's needs with accessibility. When assigning fees, the department must strike a delicate balance, ensuring the fees are reasonable for users and generating sufficient revenue to support ongoing operations and improvements.

The following subsections provide a comparative look at several fee-related services provided by the City versus the surveyed jurisdictions.

EQUESTRIAN SERVICES

Rolling Hills Estates operates one of the few municipal equestrian centers among the surveyed jurisdictions. Of the eight comparison jurisdictions, only Huntington Beach and Norco offer any equestrian-related services. Duarte, Hermosa Beach, La Cañada Flintridge, Lomita, Manhattan Beach, Rancho Palos Verdes, and Westlake Village do not operate equestrian centers and therefore do not offer comparable fees.

EXHIBIT 1: COMPARATIVE RATE SUMMARY — EQUESTRIAN SERVICES

Jurisdiction	Service Offered	Fee Structure	Notes
Rolling Hills Estates (Current)	Arena, Stalls, Trainer Permits	\$218–\$1,093/day (arenas); \$26–\$515/day (stalls)	Below baseline across all categories
Rolling Hills Estates (Baseline)	Arena, Stalls, Trainer Permits	\$173–\$1,242/day (arenas); \$59–\$649/day (stalls)	Cost recovery benchmark
Huntington Beach	Arena & Stall Boarding	\$750/arena/show; \$177–\$2,348/month (boarding)	Only meaningful comparator
Norco	Equestrian Services	Quote-based – not publicly available	Cannot benchmark

KEY FINDINGS

Limited Market Data: Only Huntington Beach and Norco offer equestrian services among the nine surveyed jurisdictions, limiting benchmarking.

Below Baseline Fees: The City's current equestrian fees fall below baseline costs across all categories; arenas, stalls, and trainer permit, indicating a significant cost subsidy currently borne by other City revenues.

Arena Rentals: Huntington Beach charges \$750/arena/show, which is most comparable to the City's 2–5-arena configurations. Huntington Beach is within the baseline costs range (\$173–\$1,242/day).

Stall Rentals: The City charges \$26–\$515/day, compared to a baseline of \$59–\$649/day. Huntington Beach's monthly boarding structure is not directly comparable but signals higher market rates.

Trainer Permits: The current property-use charges for Category 2 (\$100) and Category 3 (\$300) are well below the baseline costs of \$996 and \$3,984, respectively.

The comparative survey indicates that Rolling Hills Estates generally has fees that are lower than those of its peers. The City's current equestrian fees are generally below baseline costs, suggesting an opportunity to better align pricing with cost recovery goals while remaining consistent with the limited available market data.

TENNIS CENTER FEES

The City's Tennis Center offers a comprehensive fee structure covering annual memberships, hourly court admissions for both tennis and pickleball, and miscellaneous fees such as equipment rentals and tournament surcharges. Most surveyed jurisdictions offer some form of court access, though few operate a structured

membership-based model comparable to Rolling Hills Estates. The following points provide a detailed overview of comparative findings by major fee category

EXHIBIT 2: COMPARATIVE RATE SUMMARY — TENNIS CENTER FEES

Jurisdiction	Membership	Hourly Court (Tennis)	Hourly Court (Pickleball)	Notes
Rolling Hills Estates (Current)	\$90–\$160/yr	\$10–\$13/hr	\$6–\$9/hr	Tiered by residency & membership
Rolling Hills Estates (Baseline)	\$190–\$572/yr	\$12/hr	\$9/hr	Cost recovery benchmark
Hermosa Beach	\$19/yr	\$9–\$11/hr	\$9/hr	Below City's current & baseline
Manhattan Beach	\$220–\$280/yr	\$12/hr (res.)	\$12/hr (res.)	Closest to baseline cost
La Cañada Flintridge	None	\$10/hr (flat)	No charge	Most comparable to current fee
Norco	\$0–\$35/yr (senior)	\$25–\$35/hr	\$25–\$130/hr	Exceeds City current & baseline
Huntington Beach	None	\$9–\$18/hr	\$25–\$45/hr	Pickleball far exceeds City rates
Lomita / RPV / WLV	None	Free / first-come	Free / first-come	No fee structure

KEY FINDINGS

Most Comprehensive Structure: The City's tennis fee schedule is more detailed than any surveyed jurisdiction, covering memberships, hourly court admission, pickleball, and miscellaneous fees.

Current Fee Alignment: La Cañada Flintridge (\$10/hr flat) and Hermosa Beach (\$9–\$11/hr) are the closest comparators to the City's current hourly rates.

Baseline Alignment: Manhattan Beach's \$12/hr resident rate aligns with the City's \$12/hr baseline cost for tennis and its \$9/hr pickleball baseline.

Membership Fees: City membership fees (\$90–\$160/yr) fall below the baseline (\$190–\$572/yr); Manhattan Beach (\$220/yr resident pass) is the closest peer comparator.

The comparative survey indicates that the City's tennis center fee structure is more comprehensive than the schedules of the surveyed jurisdictions. Among jurisdictions that do charge for court access, La Cañada

Flintridge at \$10 per hour fee and Hermosa Beach’s \$9 per hour fee are most comparable to the City’s current fee and baseline cost.

SPORTS FIELD RENTALS

The City charges sports field rentals on both a per-hour and per-year basis, depending on the type of user group. Peninsula resident groups are charged \$17 per hour, while non-Peninsula resident groups are charged \$34.07 per hour. Annual contracts are in place with specific leagues: AYSO Soccer, PV Girls Softball League, Silver Spur Little League, and Peninsula Junior League. A \$25 application fee applies to all rentals. The City’s

baseline hourly rental rate is \$161 per hour for both Peninsula and non-Peninsula groups, plus a \$45 application fee. All surveyed jurisdictions offer sports field rentals, though pricing structures vary:

EXHIBIT 3: COMPARATIVE RATE SUMMARY — SPORTS FIELD RENTALS

Jurisdiction	Resident / Youth Rate	Non-Resident / Adult Rate	Notes
Rolling Hills Estates (Current)	\$17/hr (Peninsula)	\$34.07/hr (Non-Peninsula)	Annual league contracts also in place
Rolling Hills Estates (Baseline)	\$161/hr	\$161/hr	Significant cost subsidy at current rates
Westlake Village	\$20.16–\$33.58/hr	\$33.58–\$40.32/hr	Closest overall comparator to current fee
Huntington Beach	\$15–\$25/hr	\$25–\$35/hr	Youth unlit aligns with Peninsula rate
Manhattan Beach	\$50–\$75/hr (sports complex)	\$140–\$200/hr (turf)	Closest to City baseline cost
Hermosa Beach	\$11–\$26/hr	\$11–\$26/hr	Community groups only
Duarte	\$10–\$30/hr	\$30–\$55/hr	Resident rate bracketed by City's current fee
Lomita	\$44/hr (soccer)	\$69.50/hr (lit softball)	Non-Peninsula rate most comparable
Rancho Palos Verdes	\$0–\$57/hr (by group)	\$30–\$105/hr (Group IV)	Group IV private party closest to baseline
Norco	\$75/hr + \$16 lights	\$75/hr + \$75 prep	Higher than City current; below baseline

KEY FINDINGS

Current Fees – Lower-to-Mid Tier: The City's \$17–\$34.07/hr range sits in the lower-to-mid tier of surveyed jurisdictions, with Westlake Village being the most comparable peer.

Significant Subsidy vs. Baseline: The baseline cost of \$161/hr far exceeds current fees across all surveyed jurisdictions, indicating the City substantially subsidizes field use.

Baseline Comparator: Manhattan Beach's turf field resident rate (\$140/hr) is the only surveyed rate approaching the City's \$161/hr baseline cost.

The comparative survey indicates that the City's current sports field hourly rates (\$17–\$34.07) are consistent with the lower-to-mid tier of surveyed jurisdictions, with Westlake Village's fees being most comparable to the City's current fees. Manhattan Beach's fees are most comparable to the City's baseline costs.

PARK PERMITS

Rolling Hills Estates currently issues park permits based on group size. The City proposed shifting to a tiered structure based on space type. Nearly all the surveyed jurisdictions, except for Westlake Village, offer some form of park or outdoor facility reservation, though structures vary widely:

EXHIBIT 4: COMPARATIVE RATE SUMMARY — PARK PERMITS

Jurisdiction	Fee Structure	Rate	Notes
Rolling Hills Estates (Current)	Per day, by group size (20–100 persons)	\$25–\$65/day	Among lowest of surveyed jurisdictions
Rolling Hills Estates (Baseline)	Per hour, per space	\$79–\$89/hr (picnic/grass); \$144/day (kitchen)	Cost recovery benchmark
Huntington Beach	Per day, by user type	\$75–\$250/day	Nonprofit/resident rate closest to City current
Manhattan Beach	Per hour, by feature	\$15–\$120/hr	Hourly rate most aligned with City baseline
Norco	Per shelter, flat fee	\$160/picnic shelter	Exceeds City baseline
Rancho Palos Verdes	Per hour, by group size	\$489–\$773/hr	Highest; most similar structure to City
Hermosa Beach	Per 4-hr block	\$58/4-hr block	Comparable to City's mid-range current fee
Duarte	Per hour (park fields)	\$10–\$55/hr	Day-equivalent exceeds City current & baseline
La Cañada Flintridge	Per hour (gazebo only)	\$20/hr + electricity	Not comparable — gazebo only
Westlake Village	Not offered	N/A	Sports fields only

KEY FINDINGS

Lowest Among Peers: The City's \$25–\$65/day park permit fees are among the lowest of all surveyed jurisdictions.

Closest Current Fee Comparator: Huntington Beach's nonprofit/resident rate of \$75/day is the nearest peer benchmark to the City's current per-day structure.

Baseline Alignment: Manhattan Beach's \$15–\$75/hr feature-based rates are most in line with the City's \$81–\$90/hr picnic/grass baseline costs.

Structural Differences: Most jurisdictions charge hourly rather than per-day, making direct comparison difficult. Rancho Palos Verdes' group-size-based structure is most similar to the City's approach.

The comparative survey indicates that the City’s current park permit fees (\$25–\$65 per day) are among the lowest of the surveyed jurisdictions. Huntington Beach’s nonprofit/resident rate of \$75 per day is most closely related to the City’s Current fees, and Manhattan Beach’s fees are more in line with the City’s baseline cost.

SPECIAL EVENT PERMITS

Rolling Hills Estates charges a \$50 special event application fee plus permit fees that vary by participant count and applicant type. Resident and non-profit fees range from \$75 for events of 100–300 participants to \$300 for events of 1,000 or more. Non-resident and for-profit fees range from \$95 to \$350 across the same size tiers. The City’s baseline cost for the application is \$238, with event permit baseline costs of \$872 for events of 100–300 participants, \$1,745 for 301–600, \$2,907 for 601–999, and \$5,818 for events of 1,000 or more. The surveyed jurisdictions employ a wide range of approaches to special event permitting:

EXHIBIT 5: COMPARATIVE RATE SUMMARY — SPECIAL EVENT PERMITS

Jurisdiction	Application Fee	Permit Fee	Notes
Rolling Hills Estates (Current)	\$50	\$75–\$350 (by size & type)	Tiered by participant count and applicant type
Rolling Hills Estates (Baseline)	\$180	\$872–\$5,818 (by size)	Cost recovery benchmark
Huntington Beach	Included	\$85–\$120 (by residency)	Most aligned with City current fee range
La Cañada Flintridge	\$100 + hourly review	At fully allocated hourly rate	Application fee closest to City baseline
Lomita	Included	\$220.16 (flat)	Flat fee closest to City baseline application cost
Norco	Included	\$2–\$250	City-sponsored events; aligns with City current fees
Rancho Palos Verdes	Included	\$125 + \$175 deposit	Below City baseline; above current resident fee
Duarte	Included	\$25 (Temp Use Permit)	Far below City current and baseline
Hermosa Beach	\$729–\$1,094	\$2–\$7/participant or \$3,480–\$6,962 flat	Far exceeds City current fees and baseline
Manhattan Beach	Included	\$692–\$1,495 (by event type)	Far exceeds City current fees and baseline
Westlake Village	Included	Actual cost	Not directly comparable

KEY FINDINGS

Generally In Line with Peers: The City's current special event permit fees are generally in line with or below those of the surveyed jurisdictions.

Current Fee Comparators: Huntington Beach (\$85–\$120), La Cañada Flintridge (\$100 application), and Norco (\$2–\$250) are most aligned with the City's current fee levels.

Baseline Comparators: La Cañada Flintridge (hourly review fees), Lomita (\$220.16 flat), and Norco are the closest matches to the City's \$180 application baseline cost.

Wide Range Among Peers: Hermosa Beach and Manhattan Beach charge substantially more (\$692–\$6,962), while Duarte charges far less (\$25), reflecting very different permitting philosophies.

The comparative survey generally shows that the City's current fees are generally in line with or below the fees of the surveyed jurisdictions. Huntington Beach, La Canada Flintridge, and Norco are more closely aligned with the City's Current fees. In contrast, La Canada Flintridge, Lomita, and Norco are more aligned with the City's baseline costs.

TRAIL RENTAL FEES FOR A RACE

Rolling Hills Estates charges \$200 per day for a 5K race, with a baseline cost of \$602 per day for the 5K. Duarte, Lomita, and Manhattan Beach indicated that trail or road rentals for races would fall under their special event permits, and Hermosa Beach routes race permit requests through their Special Event Department. Huntington Beach, Norco, Rancho Palos Verdes, and Westlake Village do not offer this service. No surveyed jurisdiction maintains a separately structured trail rental fee schedule for organized races.

EXHIBIT 6: COMPARATIVE RATE SUMMARY — TRAIL RENTAL FEES (ORGANIZED RACES)

Jurisdiction	Approach	Rate	Notes
Rolling Hills Estates (Current)	Dedicated race fee schedule	\$200/day (5K)	Unique structure among surveyed group
Rolling Hills Estates (Baseline)	Dedicated race fee schedule	\$602/day (5K)	Cost recovery benchmark
Duarte	Routes through Special Events	Per special event permit	No standalone race fee
Lomita	Routes through Special Events	Per special event permit	No standalone race fee
Manhattan Beach	Routes through Special Events	Per special event permit	No standalone race fee
Hermosa Beach	Routes through Special Events Dept.	Per special event process	No standalone race fee
HB / Norco / RPV / WLV	Service not offered	N/A	Cannot benchmark

KEY FINDINGS

Unique Fee Structure: No other surveyed jurisdiction maintains a separately structured trail rental fee schedule for organized races – the City's approach is unique in the region.

Unable to Benchmark: Because all other jurisdictions either do not offer this service or fold it into special event permitting, no meaningful fee comparison can be made.

Current vs. Baseline Gap: The City's current 5K fee (\$200/day) is well below the \$602/day baseline cost, indicating the race fee does not recover full costs.

Recommendation: Staff should consider whether to retain a standalone race fee structure or align with the regional practice of processing race permits through special event permitting.

The City's formalized race-specific fee structure is unique among the groups surveyed, as the surveyed jurisdictions either do not offer this service or would require it to be under a special events permit. As such, we could not benchmark these fees.

CITY HALL COUNCIL CHAMBER RENTAL

Rolling Hills Estates charges \$60 for the first two hours of the rental of the City Hall Council Chambers and \$15 for each additional half-hour. The City's baseline cost is \$166 for the first two hours and \$34 for each additional half-hour. Of the surveyed jurisdictions, only Huntington Beach rents its city council chambers to outside users. Duarte does not have a dedicated council chamber, as their community center serves this function and is not rented on council meeting days. Hermosa Beach, La Cañada Flintridge, Lomita, Manhattan Beach, Norco, Rancho Palos Verdes, and Westlake Village do not make their council chambers available for rental.

EXHIBIT 7: COMPARATIVE RATE SUMMARY — CITY HALL COUNCIL CHAMBERS RENTAL

Jurisdiction	Fee Structure	Rate	Notes
Rolling Hills Estates (Current)	First 2 hrs + per half-hour	\$60 (first 2 hrs); \$15/half-hr after	Below baseline and only comparator
Rolling Hills Estates (Baseline)	First 2 hrs + per half-hour	\$166 (first 2 hrs); \$34/half-hr after	Cost recovery benchmark
Huntington Beach	Per hour, by user type	\$120–\$240/hr (Chambers); \$200–\$355/hr (w/ add'l rooms)	Only jurisdiction offering this rental
All Others (7 jurisdictions)	Not available for rental	N/A	Cannot benchmark

KEY FINDINGS

Single Comparator: Of all nine surveyed jurisdictions, only Huntington Beach rents its council chambers to outside users.

Below Market and Baseline: The City's current rate (\$60 for first 2 hrs) is well below Huntington Beach's minimum rate of \$120/hr for nonprofit/government users.

Baseline vs. Comparator: The City's baseline cost of \$166 (first 2 hrs) is most comparable to Huntington Beach's lowest tier (\$120/hr nonprofit/government resident rate).

Additional HB Fees: Huntington Beach charges additional fees for security (\$31/hr), IS support (\$41/hr), setup (\$88–\$155), and cleaning (\$50) – further increasing total cost to users.

The comparative survey generally shows that the City's current fees and baseline costs are lower than what Huntington Beach currently charges. The remainder of the surveyed jurisdictions do not offer the rental of the City Hall Council Chambers and as such, were unable to be benchmarked.

OVERALL MARKET POSITIONING

The City's current fees generally fall within the lower-to-mid range of fees charged by surveyed jurisdictions.

In nearly all categories, the City's baseline costs exceed both its current fees and peer market rates.

Services with limited comparators (equestrian, race fees, council chambers) require internal policy guidance more than market benchmarking.

Many peer jurisdictions recover less than full cost for core community services.

It is important to recognize that this survey reflects only the fees currently charged, not the cost recovery policy decisions of the jurisdictions. The setting of fees may depend on various factors, such as program demand, service desirability, and unique amenities. City staff should use the survey results alongside the cost-of-service analysis to inform any necessary adjustments to the fee schedule



USER FEE COST RECOVERY LEVEL POLICY

PURPOSE

The purpose of this policy is to provide general guidelines and to incorporate best practices in establishing user fees that identify the full cost of services for activities that charge user fees in order to develop target cost recovery rates, to ensure that the City adequately recovers costs for services it provides to the public, and in order to bring existing fee levels in line with service costs to ensure that all reasonable costs incurred in providing the services are being recovered or to determine the level of subsidy (if applicable). The User Fee Cost Recovery Level Policy identifies the factors that need to be considered in setting fees, the level of cost recovery, adjustments to fees, and the frequency of comprehensive user fee studies.

BACKGROUND

The City of Rolling Hills Estates provides a variety of services to the public which benefit the entire community or individual residents or businesses, and those that benefit a combination of service recipients. Propositions 13, 218, and 26 have placed both substantive and procedural limits on the ability of the City to impose fees and charges. Certain types of fees, such as fines, penalties and/or late charges, or any charge imposed for entrance to or use of, as well as the purchase, rental, or lease of local government property, are not bound by state laws that limit full cost recovery.

A cost recovery policy serves several important purposes: (1) ensures that the costs of services provided by the City are fairly distributed among those who use them; (2) provides a clear basis for setting fees, making it easier for the public to understand how fees are determined and ensures that they are based on actual service costs; (3) by recovering the costs of services, a cost recovery policy helps to maintain the financial health of the City; (4) inclusion of provisions for regular review and adjustment of fees ensure that they keep pace with changes in service delivery costs and inflation; and (5) when users pay for the services they consume, it can encourage more efficient and responsible use of those services. Overall, adoption of a cost recovery policy will serve to balance the need for public services with the principles of fairness, transparency, and financial responsibility.

The following presents a User Fee Cost Recovery Level Policy for the City of Rolling Hills Estates (City), that includes guidelines for establishing and maintaining comprehensive user fee schedules. The User Fee Cost Recovery Level Policy establishes the method for setting up fees and the extent to which they cover the cost of the service provided, and incorporates recommendations made by the Government Finance Officers Association (GFOA), National Advisory Council on State and Local Budgeting (NACSLB), and Federal Government Office of Management and Budget (Circular A-87).

POLICY STATEMENT

It is the policy of the City of Rolling Hills Estates, to set user fees based on cost recovery levels in lieu of fully subsidizing fee-related activities with General Fund dollars. The cost recovery levels are reflective of the following policy statements.

1. **Community-wide vs. Private Benefit:** Funding services such as Sheriff's Department patrol services only through taxpayer dollars is appropriate for services that benefit the entire community. When the service or program provides a benefit to specific individuals or businesses such as the issuance of building permits, it is expected that individuals or businesses receiving that benefit pay for all of the cost of that service.
2. **Service Recipient vs. Community Benefit:** For regulated activities such as development review and Public Works issued permits, it is appropriate that the service recipient such as an applicant for a building permit or an encroachment permit pay for the permit although the community at large benefits from the regulation.
3. **Consistency with City Goals and Policies:** City policies and Council goals related to the community's quality of life are factors in setting cost recovery levels. For example, fee levels can be set to promote healthy habits, facilitate environmental stewardship, or discourage certain actions (e.g., false alarms).
4. **Elasticity of Demand for Services:** The level of cost recovery can affect the demand for services. A higher level of cost recovery could ensure the City is providing services such as recreational classes or summer camps for children and youth without over stimulating a market with artificially low prices. Such low prices, which are a reflection of a high General Fund subsidy, may result in waiting lists and attract participants from other cities; however, high-cost recovery levels could negatively impact the demand for such services from low-income individuals, special needs individuals, and seniors.
5. **Availability of Services from the Private Sector:** High-cost recovery levels are generally sought in situations where the service is available from other sources to preserve taxpayer funds for other General Fund funded City services. Conversely, services that are not available from other sources and are typically delivered when residents experience an emergency basis typically have low or zero cost recovery levels.

PRINCIPLES

1. **Transparency:** The process for setting and reviewing user fees will be transparent and based on clear criteria.
2. **Equity:** Fees will be set in a manner that is fair and equitable to all users.

3. Efficiency: The cost recovery process will be efficient and not impose undue administrative burdens.

DEFINITIONS

“User fee” is a fee charged by the City to recipients of its services. User fees generally apply to activities that provide special benefits to members of the public, and the amount of the fee is usually related to the cost of the service provided. Examples of user fees are planning, building, and encroachment permit fees, license agreements for use of City property, building and public works inspection fees, tennis center fees, sports field rental fees, and others.

“Cost recovery” is recouping a portion of or all costs associated with a particular service provided by the government agency to the public. The user fees determine the percentage of a service that is recovered. Cost recovery has two important rationales: (a) revenue enhancement through full cost accounting, thereby improving government efficiency; and (b) maintaining equity considerations in regard to the provision of public services.

“Direct costs” are the costs incurred directly by providing a specified service. These costs are associated with staff time spent performing service-related duties and include employee salary and benefits. In general, direct costs are any costs that can be traced directly to the production of a given service or product.

“Indirect costs” are the costs not directly accountable or associated with the production of a service, such as a fixed cost. Indirect costs include departmental overhead (operating expenses and internal administrative costs), as well as citywide overhead, including all those costs that support City programs and services.

REVIEW PROCESS

Changes to user fees in the General Fund and Special Revenue Funds via a Comprehensive User Fee Study or department-initiated annual changes will be proposed to the City Council for review and approval. All approved changes by the City Council will be published in the City’s user fee rate book and on the City’s website, both of which will be maintained by the Office of the City Clerk.

REQUIREMENTS

I. Levels of Cost Recovery

- a. Category I – Full Recovery (100 Percent): User fees that are determined to have a 100 percent cost recovery goal will be reviewed and updated annually as appropriate based on the costs incurred for providing services using actual data from the prior fiscal year. All user fees are assumed to be at 100 percent cost recovery unless they meet the criteria for Categories II

and III. Certain types of fees, such as fines, penalties and/or late charges, or any charge imposed for entrance to or use of, as well as the purchase, rental, or lease of local government property, are not bound by state laws that limit full cost recovery.

i. Policy Considerations

1. Individual users or participants receive most or all of the benefit of the service.
2. Other private or public sector alternatives provide the service.
3. The use of the service is specifically discouraged.
4. The service is regulatory in nature.

- b. Category II – Partial Recover (Below 100 Percent): Fees are generally less than 100 percent cost recovery in cases where: (a) the collection of fees is not cost-effective; (b) the collection of fees would not comply with regulatory requirements or statutes; (c) the purpose of the fee is not to fully recover related costs but rather provide benefits to the recipients or achieve a policy objective.

i. Policy Considerations

1. Services which promote healthy activities and educational enrichment to the community.
2. Services having factors associated with Category I and Category III recovery levels. No intended relationship between the amount paid and the benefit received.
3. Fee collection would not be cost effective and/or would discourage compliance with regulatory requirements.
4. No intent to limit the use of the service.
5. Public at large benefits even if they are not the direct users of the service.
6. Affordability of service to low-income residents.
7. The service is heavily supported through donations.

- c. Category III – Fees (Fines and Penalties): User fees that fall into this category are in most cases penalties, fines or deterrents to the public (e.g., code compliance fines or penalties for uncollected money). User fees in

Category III will be reviewed annually relative to the reasonableness of the fee and the fiscal effect as it relates to deterrence.

- d. Economic and policy considerations for setting cost recovery levels: Public use of government services will be considered (potential to use fees as a means of encouraging or discouraging activities, for instance, code compliance fines).
 - i. Constitutional or other types of limitations on charging more or less than the actual cost of providing the service.
 - ii. Subsidization (not full cost recovery) of activities for groups who cannot afford access to services if fees are set at full cost recovery or to promote equitable outcomes. In these cases, the City will subsidize a portion of the cost of the service.
 - iii. The fee amount and its impact on the demand of the service will be considered. Increasing a fee amount might not always raise revenues, but instead may have the opposite impact. A fee set above what the public is generally willing to pay will lessen the demand for the service, and, as a result, a sensitivity analysis of consumer demand will be considered when setting fees. Additionally, a benchmarking analysis of like fees across a region may be conducted to determine demand.
 - iv. The nature of the facilities or services will be considered when setting fees (e.g., fees for facilities may warrant full cost recovery while fees for youth recreation programs may warrant less than full cost recovery).
 - v. The nature and extent of the benefit to the fee-payers. The recipients that benefit from the service provided will be identified. The fee review will consider whether the service is beneficial to the public as a whole or the individual fee-payer.
 - vi. Fee amounts must be proportional to the costs associated with providing the service or program. The full cost should consist of both direct and indirect costs and should be included within the fee amount. Indirect costs will be captured through overhead rates for each department and will include allocated central support services costs.

II. Cost Recovery Calculation

- a. City Departments with user fees will determine cost recovery rates for user fees based on direct and indirect costs for all fees in order to accurately calculate the cost of providing services regardless of whether all services are deemed to be

fully cost recoverable.

- b. Indirect costs will include allocated central support services costs (e.g., information technology, risk management, vehicle assignment and usage fees, etc.). Fees are recommended to be updated annually to maintain the cost recovery level as a result of salary increases and consumer price index changes.
- c. City Departments with user fees are responsible for developing cost recovery rates for their respective user fees in accordance with the cost recovery levels described in this policy. Where appropriate, departments may initiate a multi-phase approach to achieve a targeted cost recovery rate.
- d. Different methods of adjustment are acceptable such as using a Consumer Price Index (CPI), State and Local Implicit Price Deflator, Municipal Cost Index, or other inflators. It is recommended that a CPI inflator be used for setting or revising the Departments' user fees on an annual basis, to take effect at the beginning of each Fiscal Year (July 1), as follows:
 - i. Calculate the percentage change between February of the previous year and February of the current year in the Consumer price Index (CPI) for All Urban Consumers in the Los Angeles-Long Beach-Anaheim, CA areas, as published by the United States Department of Labor, Bureau of Labor Statistics, adjust each fee by the percentage amount and round off to the nearest ten (10) cents; however, no adjustment will decrease any fee and no fee may exceed the reasonable cost of providing services. When it is determined that the amount reasonably necessary to recover the cost of providing services is excess of this adjustment, the Community Development and/or Public Works Director or their designee, may present fee proposals to the City Council for review and approval.

III. Frequency of User Fees Cost Studies

User fees are recommended to be updated annually as a part of the budget process based on CPI inflation estimates or other annually adjusted inflators until the next comprehensive user fee study is undertaken.

- a. A comprehensive user fee study and a review of this policy will be conducted every five years. The user fee study should include the extent and scope of the study, as well as the level of participation of each responsible department. Any major changes to fees will be implemented prior to the adoption of the annual budget for the following fiscal year.
- b. The following factors will be considered during a comprehensive user fee study or a department-initiated change:

- i. Whether service costs are covered by revenues received.
- ii. Whether fees cover costs and generate excess revenue that supplement other services.
- iii. A comparison of fee levels for similar services provided in other jurisdictions (i.e., benchmarking).
- iv. An analysis of all relevant costs involved including direct and indirect costs.
- v. The current volume and the projected volume and associated revenue based on the changes in the fees.
- vi. Subsidization costs as pertains to the difference between the revenue from and the cost of providing the service.
- vii. Identification of any user fees that have not been revised/updated in the last five years or longer and documentation from the affected department substantiating any proposed user fee revisions or alternatively, the justification for maintaining current fee levels.
- viii. Any proposals for new or revised fees must first be approved by the Administrative Services Director (or designee). The fee proposals will then be reviewed and approval by the City Council.
- ix. Any proposals will include: the purpose of the fee (if new); justification for implementation or revision; the current, proposed, and fully cost-recoverable fee amount; current annual revenue; projected annual revenue and volume of the fee; projected user fee annual service cost; date of the last adjustment to the fee; cost recovery level and cost recovery percentage; subsidization costs for service provision; the methodology for determining the cost of the fee; the nature and extent of the benefit to the fee-payers; any benchmarking done against similar cities and public agencies and other relevant information.

IV. Benchmarking

- a. Comprehensive fee studies that are performed every five years will perform benchmarking or will provide written justification as to why they did not perform benchmarking as part of the study. Benchmarking efforts should entail listing the jurisdictions analyzed, as well as comparing user fee rates and operational services to determine whether fees should be adjusted or eliminated, whether new user fee services should be established, and whether operational efficiencies can be identified and adopted for current services.

V. Public Input and Availability of Fee Information

- a. When fees are revised, data indicating the proposed fee, the estimated cost required for providing the service, date of last adjustment, recovery rate and cost recovery category, subsidization costs for service provision, volume of fees and the estimated amount of revenue shall be available to the public prior to the City Council meetings through the docketing of the report for the City Council agenda. Once the City Council approves the fees, the City Clerk will post an updated schedule of all fees on the City's website by July 1st of each year. The City Clerk will also make available to the public a fee rate book that will be located in the Office of the City Clerk.

MONITORING AND REPORTING

City Departments will regularly monitor the effectiveness of this policy and report annually on the status of user fees and cost recovery efforts.