AGENDA
MAY 11, 2026
ITEM NO. 6A

STAFF REPORT

DATE: **MAY 11, 2026**

TO: **EQUESTRIAN COMMITTEE**

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

SUBJECT: **COMMUNITY SERVICES FEE STUDY UPDATE – EQUESTRIAN SERVICES**

OVERVIEW

A fee study has been conducted for the Community Services Department, which includes a comprehensive analysis of the costs associated with all departmental programs and services, including equestrian-related services and the use of City facilities.

BACKGROUND

At its meeting of April 13, 2026, the Equestrian Committee reviewed the Equestrian Services component of a comprehensive user fee study conducted for all Community Services Department programs and services and discussed related fees. The Committee requested additional information regarding the study and directed staff to return with further information.

A representative from Matrix Consulting Group, the firm retained to conduct the study, will be present at the May 11 meeting to provide an overview of the study in response to questions received by the Committee in April. The consultant will provide additional details on the fee study, including the methodology used to identify the full cost of service. This includes both direct and indirect costs such as staffing, maintenance, and administrative overhead, across the Community Services division which includes equestrian facilities.

PUBLIC OUTREACH

The agenda and staff report for this item were posted and noticed as required and licensed horse trainers were notified that this item would be considered.

RECOMMENDATION

Staff recommends that the Equestrian Committee provide feedback on the balance between cost recovery and community benefit, for consideration by the Parks and Activities Commission, with subsequent review and determination by the City Council.

Attachments:

A. *Equestrian Committee Meeting Presentation Slides: May 11, 2026 Community Services Department Fee Study Update – Equestrian Services*

B. *Equestrian Committee Staff Report: April 13, 2026 Community Services Department Fee Study Update – Equestrian Services*

C. *Equestrian Committee Meeting Presentation Slides: April 13, 2026 Community Services Department Fee Study Update – Equestrian Services*

ATTACHMENT A

Community Services Fee Study Update: Equestrian Services

Equestrian Committee Meeting

May 11, 2026

Presentation Overview

1. Presentation by Matrix Consulting Group to include an overview of:
   - Fee Study Results related to Equestrian Services
   - Cost Methodology
2. Staff Presentation
3. Committee Questions
4. Public Comment
5. Committee Discussion and Recommendation

Purpose

No fees will be adopted tonight. Feedback will be presented to the P&A Commission for consideration with subsequent review by the City Council for policy direction and determination for fee setting.

Seeking feedback regarding:

- Acceptable cost recovery goals for equestrian services
- The balance between cost recovery and community benefit

Balance between:

- Cost recovery
- Affordability and community access
- Preservation of the equestrian lifestyle

Consideration of:

- Maintaining current subsidy levels
- Gradually increasing cost recovery through phased adjustments

Note:

The study reflects current operational data and serves as a benchmark only.

Baseline costs are not intended to be fee recommendations.

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.

Trainer Permits

Current Framework

One-Day (Use of public facilities allowed)
No permit fee, business license only

Annual Category 1 (Use of private facilities only)
No permit fee, business license only

Annual Category 2 (Use of public facilities limited to one day per week)
Business license, $150 permit fee, $100 City property use fee

Annual Category 3 (Unlimited annual public facility use – arenas or bridle trails)
Business license, $250 permit fee, $300 City property use fee

Currently, there are:

- Category 1 Trainers = 7
- Category 2 Trainers = 5
- Category 3 Trainers = 20

Horse Trainer Permit Fees

Currently

- Existing permit categories based on frequency of use
- Permit fees do not align equally with baseline costs
- One-day trainer permits are not currently required (Only business license is required)

Current Pricing Framework

One-Day (Use of public facilities allowed)
No permit fee, business license only

Annual Category 1 (Use of private facilities only)
No permit fee, business license only

Annual Category 2 (Use of public facilities limited to one day per week)
Permit Fee: $150

Annual Category 3 (Unlimited annual public facility use – arenas or bridle trails)
Permit Fee: $250

Preserve

- Community access
- Access for licensed trainers
- Support for equestrian-related businesses
- Support for the equestrian character and lifestyle

Policy Considerations

- Add one-day permit requirement
- Lower permit fee for Category 3 below baseline costs
- Avoid significant fee increases that could discourage participation or limit access

Horse Trainer City Property Use Charges

Currently

- Property use fees falls below calculated baseline costs
- Existing permit categories are based on frequency of use
- There is no separate permit category for trail-use only businesses. Trainers utilizing the trails are classified as Category 3.

Current Pricing Framework

One-Day (Use of public facilities allowed)
No City Property Use Charge

Annual Category 1 (Use of private facilities only)
No City Property Use Charge

Annual Category 2 (Use of public facilities limited to one day per week)
City Property Use Charge: $100

Annual Category 3 (Unlimited annual public facility use – arenas or bridle trails)
City Property Use Charge: $300

Horse Trainer City Property Use Charges

Preserve

- Community access
- Access for licensed trainers
- Support for equestrian-related businesses
- Support for the equestrian character and lifestyle
- Shared public use of arenas

Policy Considerations

- Continue balancing affordability and community access
- Consider a property use charge for one-day trainers
- Consider an additional category for trail-use only businesses at a lower cost compared to Category 3
- Consider if cost-recovery levels should be modified or maintained at current levels
- If modified, evaluate phased increases toward cost recovery goals
- Avoid significant fee increases that could that discourage participation or limit access
- Avoid disproportionate burden on one group

Comparative Survey

Key Findings:

- Very few jurisdictions operate municipal equestrian facilities.

  Of the nine agencies surveyed:

  - Only Huntington Beach and Norco provide equestrian-related services
  - Huntington Beach was the only meaningful comparison available

  **NOTE: Nellie Gail Ranch was not included in survey as it is a private facility*

Key Consideration:

- Limited benchmarking reinforces the importance of a cost-of-service analysis and underscores that fee considerations should be guided by local priorities, community values, and stakeholder input.

EHP Equestrian Center Rentals - Arenas

Currently

- Complex package-based fee structure
- Fees do not fully reflect maintenance and operational costs
- Arena fees are increased annually by 2% (periodic increases began in 2022)
- There is no application fee

Activity	Event	Charge/Day
A	English, Western, or combination using all 5 arenas	$1,093.00
B	English, Western, or combination using two arenas	$546.00
C	Dressage show using dressage ring and a warm-up ring	$437.00
D	Clinics or demonstrations that charge participants or spectators using two or more rings	$328.00
E	Dressage or non-dressage clinics or demonstrations that charge participants or spectators using only one ring.	$218.00
F	Clinics and other uses that are free to public and participants	No charge
G	Park Use Fee – Early Set-Up / Late Break-Down	$274.00
H	Dog Shows – Use of Equestrian Center's turf area	$218.00
Activity	**Refundable Event**	**Charge**
A – H	Clean-up deposit	$200.00

EHP Equestrian Center Rentals - Arenas

Preserve

- Ability to host events, shows and clinics
- Access for local users
- Community access to equestrian facilities and events
- Support for the equestrian character and lifestyle

Policy Considerations

- Consider if the fee structure should be modified to a simpler per-arena/per-day rental structure vs. the current tiered rental option
- Consider if cost-recovery levels should be modified or maintained at current levels
- Consider aligning charges with square footage and usage
- If modified, evaluate phased increases toward cost recovery goals
- Avoid significant fee increases that could discourage participation or limit access
- Continue balancing affordability and community access to equestrian facilities

For Future Discussion

- Opportunities to market the EHP Equestrian Center for equestrian events

EHP Equestrian Center Rentals - Stalls

Currently

- Current stall rental fees fall below baseline costs
- Fees do not fully reflect maintenance and operational costs
- Stall fees are not increased on a regular basis (last increased in 2022)
- There is no application fee

Current Pricing Framework

Box Stall: $26/day

Paddock: $26/day

Combo: $52/day

Entire Barn: $515/day

Preserve

- Access for local users
- Community access to equestrian facilities and events
- Ability to host events, shows, and clinics
- Support for the equestrian character and lifestyle

Policy Considerations

- Consider if cost-recovery levels should be modified or maintained at current levels
- If modified, evaluate phased increases toward cost recovery goals
- Avoid significant fee increases that could discourage participation or limit access
- Continue balancing affordability and community access to equestrian facilities

COMMITTEE CONSIDERATIONS

- ❑ One-day trainer permit fee
- ❑ Lower Category 3 trainer permit fee below baseline cost
- ❑ One-day trainer city property use charge
- ❑ Cost recovery levels (City subsidy) for Category 2 trainer city property use charge
  - If modified, phased approach and timeline?
- ❑ Cost recovery levels (City subsidy) for Category 3 trainer city property use charge
  - If modified, phased approach and timeline?
- ❑ Addition of trail-use only trainer category
- ❑ Modified EHP Equestrian Center arena rental fee structure
- ❑ Addition of EHP Equestrian Center application fee

Within the Community Services Department, services are not intended to recover full costs or recover at equal levels.

Cost recovery levels may vary and be guided by community goals and policy priorities.

RECOMMENDATION

Review the Community Services Fee Study for Equestrian Services and provide feedback regarding:

- Balancing community benefit with operational sustainability.
- Acceptable levels of subsidy and cost recovery goals by service/program category
- Potential fee adjustment approach (immediate vs. phased)

Committee input received this evening will be presented to the Park and Activities Commission on May 20, 2026, with subsequent review by the City Council for policy direction and determination.

Public Comment

Equestrian Committee

Discussion and Recommendations

STAFF REPORT

DATE: **APRIL 13, 2026**

TO: **EQUESTRIAN COMMITTEE**

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

SUBJECT: **COMMUNITY SERVICES FEE STUDY UPDATE – EQUESTRIAN SERVICES**

OVERVIEW

A Fee Study has been conducted for the Community Services Department, which includes a comprehensive analysis of the costs associated with equestrian-related 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 following staff's recommendation. The City subsequently retained Matrix Consulting Group to conduct the fee analysis. The study evaluates the cost of services provided to the public and considers market rates 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, reflects comparable benchmarks, and maintains public access consistent with community expectations and the City's commitment to preserving the equestrian lifestyle.

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 Fee Study includes an analysis of the costs associated with providing equestrian-related services that utilize City facilities such as park, trail and arena use for various equine activities. The 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 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

Key findings of the study, as summarized in the attached Cost of Service Summary – Equestrian Services (Attachment A), evaluate baseline costs including direct staff time, materials, facility use, departmental support, and citywide overhead such as utilities and maintenance. The analysis includes equestrian fees such as Horse Trainer Permits, City property use, and Ernie Howlett Equestrian Center rentals.

Based on the consultant’s analysis, typical cost recovery for facility and park usage ranges from approximately 50% to 100%. For discussion purposes, staff is proposing a cost recovery approach that incrementally increases recovery levels over time through a phased or “step-up” strategy, while continuing to balance affordability for users to an agreed upon cost-recovery goal.

The findings indicate that current equestrian fees are below baseline costs across all categories, including arenas, stalls, and trainer permits, resulting in a subsidy supported by other City revenues. A comparative survey also shows that the City’s equestrian fees are generally lower than those of peer agencies, although this data is somewhat limited. These results suggest an opportunity to better align fees with some level of cost recovery goals while considering market conditions and community expectations.

Horse Trainer Permits and Property Use

The study indicates that the City is generally under-recovering costs within this service category, with the exception of the Category 3 permit fee. The report outlines three usage categories:

- Category 1: One-time use
- Category 2: Limited recurring use (e.g., weekly)
- Category 3: Annual unlimited use

The analysis assumes shared arena usage and adjusts cost allocations accordingly, including a reduced utilization rate to reflect multiple users. Staff is proposing the addition of one-day permit options and will seek Committee

feedback on potential fee adjustments that better balance cost recovery with continued affordability for equestrian users. Consideration may also be given to establishing an additional category for businesses that offer trail riding exclusively, without the need for access to City arenas.

Ernie Howlett Park Equestrian Center Rental

Staff is proposing to simplify the current fee for an EHP equestrian arena structure by transitioning to a per-arena rental rate that accounts for the square footage of the space utilized, replacing the existing, more detailed fee structure. Additional details regarding the proposed fee adjustments will be presented at the meeting.

A full review of the Fee Study and proposed updates will be presented at the Equestrian Committee meeting for discussion and feedback. Recommendations will then be forwarded to the Parks and Activities Commission, with subsequent consideration by the City Council for 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 and licensed horse trainers were notified that this item would be considered.

RECOMMENDATION

Staff recommends that the Equestrian Committee provide feedback on cost recovery goals and potential fee updates for consideration by the Parks and Activities Commission, with subsequent review by the City Council for policy direction and determination.

Attachments:

A. *Cost of Service Summary (Matrix Consulting Group)*
B. *City of Rolling Hills Estates User Fee Cost Recovery Level Policy*

MATRIX CONSULTING GROUP

April 9, 2026

COST OF SERVICE SUMMARY – EQUESTRIAN SERVICES

As part of the Community Services Cost of Service (User Fee) Study, the Matrix Consulting Group evaluated the full cost of providing equestrian-related services at the Ernie Howlett Park Equestrian Center, including arena rentals, stall rentals, and horse trainer permits. The purpose of this analysis is to provide a transparent and defensible understanding of the cost to the City of delivering these services.

COST METHODOLOGY AND LEGAL FRAMEWORK

The analysis uses a standard "bottom-up" cost-of-service methodology commonly applied by local governments. This approach calculates the total cost of service by incorporating direct staff time, materials, facility use, and indirect costs such as departmental support and citywide overhead. These costs are then allocated based on typical usage levels to determine a per-unit cost for each service. This provides a consistent framework for evaluating how costs are distributed across user types and levels of facility use.

Under California law, user fees are generally required to not exceed the reasonable cost of providing the service. However, parks and recreation services, including equestrian facility rentals, allow for flexibility under Proposition 26, meaning fees may also reflect market conditions and community benefit. As a result, the calculated costs presented in this memorandum serve as a benchmark for understanding service costs rather than a prescribed fee level.

STUDY METHODOLOGY AND APPROACH

The baseline costs presented in this memorandum reflect Fiscal Year 2026 financial and operational data and represent a snapshot in time. These results are provided for informational purposes only and do not constitute fee recommendations. Any future decisions regarding fee levels would be made separately by the City Council with input from City staff, the Equestrian Committee, and the community.

Key findings from the analysis are summarized below. Each item is described in greater detail within this memo, and the full report and materials provided to City staff under separate cover.

- **Fee Structure Modifications:** Updates were proposed to simplify the fee structure and better align fees with how services are provided, including a shift to per-arena rental pricing, the addition of utility cost recovery, and expanded horse trainer permit options.
- **Detailed Results:** Current equestrian fees are generally below the calculated cost of providing services, particularly for stall rentals and higher-frequency facility users, indicating that a portion of costs is currently supported by other City funding sources.

- **Comparative Survey:** Very few jurisdictions operate municipal equestrian facilities, limiting direct comparisons. Of those surveyed, only Huntington Beach provides a meaningful benchmark, reinforcing the importance of the cost-of-service analysis as the primary reference point.

These findings are provided for informational purposes and do not represent fee recommendations. Any future changes to fees would be considered separately through a policy discussion involving the City Council, Park & Activities Commission, Equestrian Committee, and the community.

FEE STRUCTURE MODIFICATIONS

As part of this study, staff reviewed and proposed modifications to equestrian-related fee items. The changes are summarized below.

- **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.

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

DETAILED RESULTS

The table below compares current equestrian fees to the calculated baseline cost of providing each service. Baseline costs reflect direct staff time, materials, facility use, departmental support, and citywide overhead.

In the following table, baseline costs do not represent fee recommendations. 'Modified' indicates a fee that previously existed but has been restructured, and 'New' indicates no prior fee existed; therefore, the difference is shown because there is no current rate for comparison. Line items with a difference in parentheses indicate that a portion of the costs of providing the services is currently supported by other City funding sources.

TABLE 1: TOTAL COST PER UNIT RESULTS

Fee Name	Unit	Current Fee	Baseline Cost[1]	Difference
Business License & Permit - Horse Trainers[2]				
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)

[1] Baseline costs reflect current cost-of-service assumptions and exclude policy considerations.
[2] 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[1]	Difference
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
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	($49)
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)

The difference between Category 2 and Category 3 permit costs is driven primarily by the intensity of facility use. Category 3 permit holders use the equestrian facilities multiple times per week, while Category 2 permit holders use them less frequently. As a result, while the administrative permit fee remains consistent across categories, the City property use charges vary substantially, ranging from $996 (Category 2) to $3,984 (Category 3) annually. This means that individuals who use the facility more frequently place greater demand on City resources, increasing the cost of providing that service. Aligning charges more directly with actual facility usage strengthens the defensibility of these fees.

The Ernie Howlett Park Equestrian Center rental fee structure includes an application fee and a separate use-of-space component (which covers maintenance, landscaping, and utility costs). This modified structure allows applicants to tailor rental packages while ensuring appropriate recovery of staff time, facility usage, and routine maintenance and landscaping costs. Tiered fee structures of this type are commonly used by municipalities to streamline the administration of complex rental arrangements and align charges with usage levels.

All stall rental fees are currently under-recovering. The differences range from $33 per day for a Box Stall to $179 per day for an Entire Barn Rental. These gaps arise from the inclusion of staff time, maintenance, and overhead costs that are not fully captured in the current rate structure.

COMPARATIVE SURVEY

Matrix Consulting Group conducted a comparative market rate survey as part of this study. Nine jurisdictions were surveyed: Duarte, Hermosa Beach, Huntington Beach, La Cañada Flintridge, Lomita, Manhattan Beach, Norco, Rancho Palos Verdes, and Westlake Village.

Rolling Hills Estates operates one of the few municipal equestrian centers among the surveyed jurisdictions. Of the nine comparison cities, only Huntington Beach and Norco offer any equestrian-related services. The remaining seven jurisdictions do not operate equestrian centers and therefore have no comparable fees.

TABLE 2: COMPARATIVE RATE SUMMARY

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

The comparative survey indicates that Rolling Hills Estates' equestrian fees are generally lower than those of its peers. The following provides an overview of 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.

This information is particularly important in helping the City and community understand the true cost of providing these services. The results are intended to support informed discussions and ensure that future decisions are made with a clear understanding of both costs and community priorities.

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

Community Services Fee Study Update: Equestrian Services

Equestrian Committee Meeting

April 13, 2026

Purpose

- **Review cost-of-service results**
- **Discuss Cost Recovery Concepts**
- **And most importantly, receive your feedback before this proceeds forward to the Parks and Activities Commission and City Council.**

COST RECOVERY ANALYSIS

Horse Trainers Fees

Fee Name	Current Fee	Baseline Cost	Difference	90% Cost Recovery	Fee at 90% Cost Recovery
One Day					
Permit Fee	New	$89	N/A	90%	$80
City Property Use Charge	New	$19	N/A	90%	$17
Category 2 (Annual)					
Permit Fee	$150	$179	($29)	90%	$161
City Property Use Charge	$100	$996	($896)	90%	$896
Category 3 (Annual)					
Permit Fee	$250	$179	$71	90%	$161
City Property Use Charge	$300	$3,984	($3,684)	90%	$3,586

- **Business License Fee**

These are in addition to business license fees. The current business tax structure was approved by voters with the passage of Measure A in 2018 and is established by ordinance.

<u>Current Business License Tax:</u>
One Day = $30
Annual =$363.87

COST RECOVERY ANALYSIS

Horse Trainers Fees

Fee Name	Current Fee	Baseline Cost	Difference	90% Cost Recovery	Fee at 90% Cost Recovery
One Day					
Permit Fee	New	$89	N/A	90%	$80
City Property Use Charge	New	$19	N/A	90%	$17
Category 2					
Permit Fee	$150	$179	($29)	90%	$161
City Property Use Charge	$100	$996	($896)	90%	$896
Category 3					
Permit Fee	$250	$179	$71	90%	$161
City Property Use Charge	$300	$3,984	($3,684)	90%	$3,586

***These are in addition to business license fees.**

COST RECOVERY ANALYSIS

Horse Trainers Fees

Fee Name	Current Fee	Baseline Cost	Difference	90% Cost Recovery	Fee at 90% Cost Recovery
One Day					
Permit Fee	New	$89	N/A	90%	$80
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City Property Use Charge	$100	$996	($896)	90%	$896
Category 3					
Permit Fee	$250	$179	$71	90%	$161
City Property Use Charge	$300	$3,984	($3,684)	90%	$3,586

***These are in addition to business license fees.**

COST RECOVERY ANALYSIS

Horse Trainers Fees

***These are in addition to business license fees.**

- **Current cost recovery is 10%**

Fee Name	Unit	Current Fee	Baseline Cost	Difference	90% Cost Recovery	Fee at 90% Cost Recovery
One Day						
Permit Fee	Each	New	$89	N/A	90%	$80
City Property Use Charge	Each	New	$19	N/A	90%	$17
Annual Category 2 Permit (Use of public arenas no more than once per week)						
Permit Fee	Annual	$150	$179	($29)	90%	$161
City Property Use Charge	Annual	$100	$996	($896)	90%	$896
Annual Category 3 Permit (Trainers/trail riding operators whose business significantly relies on the use of the City's public arenas and/or the City's public trail system or parks.)						
Permit Fee	Annual	$250	$179	$71	90%	$161
City Property Use Charge	Annual	$300	$3,984	($3,684)	90%	$3,586

COST RECOVERY ANALYSIS

5-YEAR STEP UP EXAMPLE FOR Horse Trainers Fees at 50% Cost Recovery

Typical cost recovery for facility and park usage ranges from approximately 50% to 100%.

Fee Name	Current Fee	Baseline Cost	Difference	Fee at 50% Cost Recovery of Baseline Cost	Year 1	Year 2	Year 3	Year 4	Year 5
					These are in addition to business license and permit fees.				
Category 2 (Annual)									
City Property Use Charge	$100	$996	($896)	$498	$179.60	$259.20	$338.80	$418.40	$498
Category 3 (Annual)									
City Property Use Charge	$300	$3,984	($3,684)	$1,992	$638.40	$976.80	$1,315.20	$1,653.60	$1,992

In alignment with the City's Cost Recovery Policy, 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.

COST RECOVERY ANALYSIS

5-YEAR STEP UP EXAMPLE FOR Horse Trainers Fees at 25% Cost Recovery

Typical cost recovery for facility and park usage ranges from approximately 50% to 100%.

Fee Name	Unit	Current Fee	Baseline Cost	Difference	Fee at 25% Cost Recovery of Baseline Cost	Year 1	Year 2	Year 3	Year 4	Year 5
						These are in addition to business license and permit fees.				
Category 2										
City Property Use Charge	Annual	$100	$996	($896)	$249	$ 128.95	$ 159.60	$ 189.40	$ 219.20	$ 249
Category 3										
City Property Use Charge	Annual	$300	$3,984	($3,684)	$996	$ 439.20	$ 578.40	$ 717.60	$ 856.80	$ 996

In alignment with the City's Cost Recovery Policy, 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.

New Category for Consideration

Those who use the trails for their business currently have a Category 3 license.

- **Category 3 License:**

For horse trainers or trail riding operators whose business significantly relies on use of the City's public arenas and/or the City's public trail system or parks.

- The Committee may wish to consider recommending a category specific to use of the trails, meaning it would not include access to the public arenas **(Category 4)**.

Ernie Howlett Equestrian Center Arena Rentals

- **Equestrian Rentals Processed:**

  **Does not include the Portuguese Bend National Horse Show rentals, which will be considered separately in the future.*

  - 2 paid rentals in 2025
  - 2 paid rentals in 2024

- **Current Fee Schedule:**

Activity	Event	Charge/Day
A	English, Western, or combination using all 5 arenas	$1,093.00
B	English, Western, or combination using two arenas	$546.00
C	Dressage show using dressage ring and a warm-up ring	$437.00
D	Clinics or demonstrations that charge participants or spectators using two or more rings	$328.00
E	Dressage or non-dressage clinics or demonstrations that charge participants or spectators using only one ring.	$218.00
F	Clinics and other uses that are free to public and participants	No charge
G	Park Use Fee – Early Set-Up / Late Break-Down	$274.00
H	Dog Shows – Use of Equestrian Center's turf area	$218.00
Activity	**Refundable Event**	**Charge**
A – H	Clean-up deposit	$200.00

Ernie Howlett Equestrian Center Arena Rentals

Arena Rental Costs

Fee Name	Unit	Baseline Cost	Fee at 90% Cost Recovery of Baseline Cost	Fee at 75% Cost Recovery of Baseline Cost	Fee at 50% Cost Recovery of Baseline Cost
New Structure					
Application Fee	Each - NEW	$389	$ 350.10	$ 291.75	$ 194.50
Arena #1	Per Day	$669	$ 602.10	$ 501.75	$ 334.50
Arena #2	Per Day	$530	$ 477.00	$ 397.50	$ 265.00
Arena #3	Per Day	$457	$ 411.30	$ 342.75	$ 228.50
Arena #4	Per Day	$696	$ 626.40	$ 522.00	$ 348.00
Arena #5	Per Day	$173	$ 155.70	$ 129.75	$ 86.50
Turf Area	Per Day	$1,242	$ 1,117.80	$ 931.50	$ 621.00

Ernie Howlett Equestrian Center Arena Rentals

Arena Rental Costs Continued:

Fee Name	Current Fee	Baseline Cost	Difference	Fee at 90% Cost Recovery of Baseline Cost	Fee at 75% Cost Recovery of Baseline Cost	Fee at 50% Cost Recovery of Baseline Cost
Arena Rental Costs (Continued)						
Early Setup/Late Breakdown Park Use Fee (per day)	$280	$349	($69)	$ 314.10	$ 261.75	$ 174.50
Box Stall Rental (per day)	$26	$59	($33)	$ 53.10	$ 44.25	$ 29.50
Paddock Rental (per day)	$26	$95	($69)	$ 85.50	$ 71.25	$ 47.50
Combo Rental (per day)	$52	$155	($103)	$ 139.50	$ 116.25	$ 77.50
Barn Rental (per day)	$515	$694	($179)	$ 624.60	$ 520.50	$ 347.00

RECOMMENDATION

Staff is recommending that the Equestrian Committee provide feedback on:

- Appropriate cost recovery goals
- Potential fee adjustments
  - Addition of trail-use only category
- And how to balance cost recovery with maintaining accessibility and the equestrian community

Input will be presented to the Parks and Activities Commission, with subsequent review by the City Council for policy direction and determination.

End of Presentation