



CITY COUNCIL WORK SESSION MEETING

CITY COUNCIL CHAMBERS

109 EAST OLIVE STREET; BLOOMINGTON, IL 61701

MONDAY, FEBRUARY 8, 2016; 5:00 PM

1. Call to Order
2. Roll Call
3. Public Comment
4. Presentation on Comprehensive Fee Study (*Presentation by Bruce Cowans Partner Fiscal Choice Consulting, LLC, XX 15 minutes, Council discussion 15 minutes.*)
5. Adjourn (approximately 5:30 p.m.)



WORK SESSION ITEM: 4

FOR COUNCIL February 8, 2016

SUBJECT: Full Cost Allocation Plan and Comprehensive Fee Study

RECOMMENDATION/MOTION: N/A

STRATEGIC PLAN LINK: 1. Financially Sound City Providing Quality Basic Services.

STRATEGIC PLAN SIGNIFICANCE: 1a. Budget with adequate resources to support defined services and level of services.

BACKGROUND:

Recognizing many of the City's key rates, fees, and fines have remained unadjusted some time, Council directed staff to undertake a comprehensive fee and rate study. The desire to understand the true cost of providing each service and to substantiate the corresponding rate, fee and fine, Fiscal Choice LLC was retained. Fiscal Choice specializes in cost allocation plans and rate and fee analysis and has performed hundreds of fee studies for Illinois Counties including Mclean County. Fiscal Choice has additional expertise in costs allowed for federal grants under federal circular A-87 which was factored into the cost allocation used for this study which can be applied elsewhere with other agencies and federal grant reporting. Fiscal Choice has also provided the City with two working models for permanent use.

The study encompassed general fund fees and did not address utility or solid waste fees and rates.

COMMUNITY GROUPS/INTERESTED PERSONS CONTACTED: N/A

FINANCIAL IMPACT: None at this time.

Respectfully submitted for Council consideration.

Financial & budgetary review by: Patti-Lynn Silva, Finance Director

Recommended by:

A handwritten signature in black ink, appearing to read "David A. Hales".

David A. Hales
City Manager

Attachments: Summary Power point
Detail by department

Motion: _____ Seconded by: _____

	Aye	Nay	Other		Aye	Nay	Other
Alderman Black				Alderman Mwilambwe			
Alderman Buragas				Alderman Painter			
Alderman Fruin				Alderman Sage			
Alderman Hauman				Alderman Schmidt			
Alderman Lower							
				Mayor Renner			

**City of Bloomington, Illinois
Full Cost Allocation Plan and
Comprehensive Fee Study**

RFP #2016-16

Presentation of Findings to Council
February 8, 2016

Why Cities Have Fees

- Match the cost of a service to those who benefit from it, relieving taxpayers of the funding burden
 - “Private benefit” services
- Many cities neglect to do what Bloomington has done – review the extent to which reality matches the policy.
 - Fees updated in 2011

Taxes vs. Fees

- Taxes have nothing to do with how much service you get. They are exactions of wealth, income or spending.
- Fees are for purchases of service that are essentially discretionary and of private benefit.
- A fee is NOT a tax! Fees are a form of tax relief. You need to know how to answer, "*Why should I have to pay fees, since I'm a taxpayer?*"

Fees, Fines, Licenses and Taxes

- **Fees** are for discretionary, private-benefit purchases of service. Their prices must not be greater than the cost of the underlying work (per an Illinois appellate court case).
- **Fines** are behavioral incentives and need not be based on the cost of fining the offender.
- **Licenses** grant permission to do business or conduct an otherwise-not-permitted activity. They need not be based on the cost of licensing the applicant.
- **Taxes** are simply for funding the general cost of government. They have no link to service levels.

Options for a Tight Budget

- Increase revenue
 - Taxes (PTELL, unpopular)
 - Fee prices
- Reduce expense
 - This means reducing service levels
 - If there were waste or programs the City did not wish to offer, that would be an option. Years of fiscal discipline and recession limit this option.

Two deliverables

- Full cost allocation plan
 - Analyze centrally-provided overhead services to determine the cost of supporting other City departments
- Fee study of individual offices
 - Determine the cost of billed services in each office
 - Compare costs to current prices
 - Survey selected prices charged by Central Illinois peer cities

Cost Allocation Plan

- Some departments serve the public directly and others support those departments
- “Cost Allocation Plan” is an industry term for a report that shows how the latter support the former
- Examples of indirect cost include facility maintenance, City Manager, finance, HR, fleet, information services and legal costs

User Fee Analysis vs. Budgets

- A user fee study drills down from financial reports at the entity level to create financial analysis at the level of individual services.
- Labor is generally the largest element of cost. We discussed how City staff perform services.
- We traced other appropriated expenses to show how they support services too.
- Cost allocation plan data allows us to associate support from other departments with individual departments and services.

Summary of Findings

Note: Increases to full cost recovery may have undesirable consequences

	Budget Impact					
	Revenue (Price x # Paid)	Cost	Cost of billed services paid	Price minus cost to serve paying customers	Revenue / Cost of billed services paid	Dept Recommends
Total	\$5,496,038	\$7,918,312	\$6,908,123	\$(1,412,084)	80%	\$9,382,673
Comm Dev.: Building Safety	578,664	1,517,141	1,517,141	(938,477)	38%	578,664
Comm Dev: Planning	16,371	409,979	409,979	(393,608)	4%	16,371
City Clerk	270,249	78,894	78,894	191,355	343%	618,200
Fire Department	4,192,304	4,316,235	4,316,235	(123,930)	97%	4,316,235
Police Department	395,620	1,550,948	543,406	(147,786)	73%	1,550,948
Public Works	42,830	45,115	42,468	362	101%	45,115

Community Development Building Safety

	Revenue	Expense	Net	% Recovery
MEP flat fees	13,420	10,262	3,158	131%
Misc. flat fees	-	-	-	
Valuation fees (per MUNIS)	565,244	1,506,880	(941,636)	38%
Total	578,664	1,517,141	(938,477)	38%

- Cities often hesitate to increase these fees for fear of reducing economic development. However, fees are typically 1% of the cost of a development project.
- The City does not have data to match costs to prices in the current construction permit fee structure.

Community Development Planning

The City charges \$125 for a Planning Commission case that costs \$3,667. This is a typical practice in Illinois, but a burden on taxpayers.

Budget Impact (based on paid customers)			
Revenue (Price x # Paid)	Cost of billed services	Cost of billed services paid	Price minus cost to serve paying customers
\$ 16,371	\$ 409,979	\$ 409,979	\$ (393,607)

City Clerk Fee Services

- In the main, this is an overhead support office to other City departments. Fees are approximately 16% of effort and generate a profit.

Revenue (Price x # Paid)	Cost of billed services	Cost of billed services paid	Price minus cost to serve paying customers	Office Recommends
\$ 270,249	\$ 78,894	\$ 78,894	\$ 191,355	\$ 618,200

Fire Department

- Ambulance billings recover approximately 45% of cost. We expected this to be 40%.
- Ambulance standby costs for sporting events operate at a loss.

Revenue (Price x # Paid)	Cost of billed services	Price minus cost to serve paying customers
\$ 4,192,304	\$ 4,316,235	\$ (123,930)

Police Department

- Police costs related to City Clerk permits are included in that analysis. Here we treat activities billed and collected by the Police.

Revenue (Price x # Paid)	Cost of billed services	Cost of billed services paid	Price minus cost to serve paying customers
\$ 395,620	\$ 1,550,948	\$ 543,406	\$ (147,786)

Public Works

- The Water Department incurs costs for meters and mains billed by Public Works, but recovers its costs through water rates. Public Works fees break even.

Revenue (Price x # Paid)	Cost of billed services	Cost of billed services paid	Price minus cost to serve paying customers
\$ 42,830	\$ 45,115	\$ 42,468	\$ 362

Peer Price Comparisons

- Compared to the Central Illinois cities of Peoria, Springfield, Champaign, Normal, Urbana and Decatur
- In each office, sought comparisons of higher-volume activities
- Many departments have activities that do not match meaningfully to peer charges (this is common)

Next Steps

- Digest the findings
- Confirm price recommendations
- Council decides what to enact
- Departments need time to adjust price lists (including on website)
- Update findings annually by a cost index with full update every 4-5 years

FINAL REPORT

	Bloomington	% of Peer Avg	Peer Avg	Peoria	Springfield	Champaign	Normal	Urbana	Decatur
Population	76,610	95%	80,364	115,007	116,250	81,055	52,497	41,250	76,122

Community Development

Construction permit, \$250,000 structure	1,165	125%	933	1520	665	479	1160	500	1275
Construction Permit, \$1,000,000 structure	4,305	126%	3,426	6020	2290	1498	3722.5	2000	5025
Plan review, \$250,000 structure	400	85%	471	300	375	1150	750	250	0
Plan review, \$1,000,000 structure	2,600	170%	1,533	300	1500	4900	2100	400	0
Electric permit, cost of work \$2,000	85	140%	61	43	25-245, depends on amps	75	100	50	35
HVAC permit, cost of work \$4,000	503	1002%	50	32	25-50, depends on scope of work	52	57	60	50

City Clerk

Liquor application fee	400	150%	267	650	50	500	100	200	100
Motel/hotel	960	167%	575	1000	\$0 fee; 6% tax	5% tax	\$0 fee; 6% tax	150	no fee

Fire

ALS emergency transport	716	103%	696	0	have ambulances but don't transport	0	696	0	\$0
BLS emergency transport	597	103%	579	0	same as above	0	579	0	\$0

FINAL REPORT

	Bloomington	% of Peer Avg	Peer Avg	Peoria	Springfield	Champaign	Normal	Urbana	Decatur
Park and Recreation									
18 holes, best course, weekend rate	42	160%	26	28	23.25	No golf at City or CPD	26	No golf at City or CPD	27.5
Season pass seniors	475	82%	580	495	622.5	No golf at City or CPD	500	No golf at City or CPD	702.5
Golf cart rental, 18 holes	16	77%	21	12	28	No golf at City or CPD	28	No golf at City or CPD	15.5
Planning									
Plan Commission case	125	43%	292	787	175	65	300	175	250
Police									
Tow impound	400	148%	271	125	250	250	500	250	250
Hourly rate for private events	72.10			25-45 - all arranged privately	City not involved	\$53/hr	\$57; Town manages	see notes	City not involved. \$35 fee, min of 2 hrs. Rate set by Union. PO may wear uniform, operate under PD regs

FINAL REPORT

	Bloomington	% of Peer Avg	Peer Avg	Peoria	Springfield	Champaign	Normal	Urbana	Decatur
Public Works									
Excavation, utility permit per address	35	88%	40	45	based on size and material used	25	35	75	20
Curb cut	35	68%	52	\$50/ft	10 + restoration fee based on size and material used	70	10 for resid; 15 for others	75	10
Overweight / Oversize Permit Cat F	20		-	no info	no city fee	no fee	no fee - 12/10 email from Brown	0	need a permit but there's no fee for the permit
Water Meter size 5/8" x 3/4"	300		33	private firm	\$1000 if inside city and lot has access to water main, plus street and sidewalk repairs	45	20	\$0 - private	\$35 per email

Notes to peer survey

	Const Permit	Plan Review	Electric	HVAC	Golf	Tow Impound	Excavation	Plan Commission	Liq Applic Fee
Champaign		.005 x const cost over \$20k							
Decatur		has tried to implement but hasn't passed yet			used avg of two golf fees		\$15 if in grass blvd; \$20 if in paved area; contractor also needs an annual \$30 license to get a permit		
Peoria		new fee effective 1/1/16						used 1 acre for calc	
Urbana		fee based on vol, assumed 10' ceilings	data is the minimum fee						
Springfield			fee ranges based on amps or scope of work, not cost; excluded from avgs	fee ranges based on amps or scope of work, not cost; excluded from avgs		\$250 for first and \$500 for second; assumed first tow			\$50;Confirmed. Todd Oliver 217-789-2393
Normal					Cart is \$14 rider; assumed 2 in cart				

Sources: calls, websites; also www.municode.com