



# Lake Havasu City

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## Legislation Text

File #: ID 22-3480, Version: 1

### COUNCIL COMMUNICATION

**TO:** Honorable Mayor and Council

**FROM:** Jill Olsen, Administrative Services Director

**SUBJECT:**

Discuss and Provide Direction on the Process for Updating the City Schedule of Fees and Service Charges as Contained in Lake Havasu City Code Section 3.20.040 (*Jill Olsen*)

**FUNDING SOURCE:**

N/A

**PURPOSE:**

To discuss the process for updating City costs recovered for 2023.

**BACKGROUND:**

Annually, the City undergoes a review of fees and charges as required by Chapter 3.20 of the City Code. During the process, departments review their fee schedules and make recommendations to either increase, decrease, or maintain the fees. They also evaluate the need for new services and the elimination of current services as the citizens' needs change.

Several years ago, the City established a method to adjust fees by using the Consumer Price Index (CPI) when calculating recommended fee changes. This method allowed for reasonable costs to be covered and minimized large changes in fees and charges. So, every few years staff will complete a detailed review of services and adjust based on actual costs. In years where no detailed review is conducted, CPI will be applied to keep pace with market changes. The last detailed review was conducted for the 2022 fees, so the 2023 fee change recommendations will be based on the CPI.

Council also provided direction a few years ago to not make actual changes to fees each year since the amount of CPI during those years was minimal (typically less than 2.5%). The CPI would be applied and carried forward to the following year; therefore, actual fee adjustments would occur every two years.

Though CPI changes in the past years have been minimal, the current CPI reflects the impact of current economic conditions. This year's CPI is 13.85%. Due to the considerable increase from that of prior years, staff is recommending that Council consider making changes to the fees each year that CPI remains above 4%. If Council is in agreement with annual changes, staff will apply the CPI to the applicable fees and bring the fee

schedule back to Council for consideration.

As with each prior submittal to Council, staff will apply the CPI to the appropriate fees and then apply the cost recovery rates to those fees to determine the final fee recommendation. Therefore, some fees will be increased by the full CPI of 13.85% but some may or may not change depending on the cost recovery rate adopted by Council. For example, Parks and Recreation fees for various programs would remain at market rates, which are typically much less than 100% cost recovery. However, there may be fees that are increased due to the application of CPI and the existing recovery rate. These types of fees include items such as review for various applications in the Development Services Department, i.e., tenant improvements, zone changes, sign permits, etc. This would be appropriate since the City's costs for providing services has increased substantially in the past two years.

The 2022 Master Fee Schedule is included with this Council Communication for reference purposes. Staff is requesting Council direction on whether to move forward with applying the substantial cost increases to the applicable fees or delay increasing any fees this year which is consistent with recent prior practice. Delaying this year will cause a cumulative effect of an even higher CPI increase next year if CPI remains at or near the same level.

**COMMUNITY IMPACT:**

Transparency in cost for City services allows the community to better understand the fees collected for those services.

**FISCAL IMPACT:**

Not applicable.

**ATTACHMENTS:**

Master Fee Schedule for 2022

**SUGGESTED MOTION:**

I move to direct staff to apply CPI and adjust fees for 2023.

OR

I move to direct staff to not adjust fees for 2023 and defer increases to the following year.