

User Fee Study: Run the City more like a Business

We believe that Santa Maria residents and customers appreciate understanding where their hard-earned money goes for City services. And, we sometimes hear that government should be run more like a business. You are invited to learn more about a new City user fee analysis that ties these principles together.

The City is sharing with its constituents a new user fee study that identifies the full business cost of providing services that affect our quality of life. These range from public safety, ensuring safe development, maintaining what we have, and leisure and cultural services.

Numerous user fees – such as a business license, building plan review for a home remodel, swim lessons, or grading inspections – could be increased, introduced, or in some cases reduced.

The City works hard to continually keep costs low and services efficient. However, even at a low cost, the question is what is the proportion of who pays for these costs, the person benefitting from the service, or subsidized by taxpayers?

Learn more about the study and its recommendations, and give us your input, by attending two virtual public workshops via Zoom video conferencing, on February 23rd and March 11th. You also may read the study online at www.cityofsantamaria.org/proposeduserfees.

The motivation for this study is the need of both the City Council and City staff to maintain service levels. The City faces severe financial challenges to maintain services, and on July 1st will begin its 13th consecutive fiscal year of costs exceeding revenues. We are balancing the budget using one-time reserves, keeping vacant positions unfilled, and reducing expenses where possible.

It has been 15 years since the last user fee study. In May 2005, the City Council adopted user fees based on a 2005 user fee study. Except for July 2020 (because the fee study was underway), those fees were increased annually since then based on the Consumer Price Index. In the 15 years since that 2005 study, many City costs to provide services have far outpaced inflation.

This analysis provides the City with a systematic and documented approach to understand, control, and recapture the costs placed on it by normal service demands, growth, and general economic inflation.

Whether residents pay for a given service through taxes or user fees is determined through a process of assessing the individual and societal benefits of that service. Following that benefit assessment, each City service is funded either: (1) fully tax-supported with no user fees, (2) partially tax-supported with reduced user fees, (3) non-tax supported with full user fees, or paid for by (4) licenses, permits and approvals.

This user fee study recommends establishing a cost control structure that follows business principles, to achieve more equity between taxpayers and user fee-payers, and to improve the City's financial position.

One of the City Council's main job duties is to adopt the City's annual budget. The Council sets fiscal policies to guide expenditures and revenue. This includes approving fees and charges.

The consultant is recommending most fees be increased and the taxpayer subsidies be eliminated. They state that the recommendations, if implemented, would establish a cost control system following the business principles which are generally espoused for government, but are often ignored in application.

The Council has in the past decided to subsidize certain fees because there is a public benefit to do so. An example is the establishment of swimming fees at less than full cost recovery, to promote exercise, water safety, and good health.

The Council could choose to phase in fee adjustments. Just like any business, if the City does not continually raise revenues to cover its expenses, it will fall behind and that is the City's present situation.

As is the Santa Maria way, we are again being transparent about our situation as we continue to work hard to continue maintaining a range of municipal services that support our quality of life.

Mary Harvey is the Director of Finance for the City of Santa Maria.