



City of La Quinta

CITY / SA/ HA/ FA MEETING DATE: November 18, 2014

ITEM TITLE: ADOPT RESOLUTION TO INCREASE VEHICLE IMPOUND COST RECOVERY FEE

AGENDA CATEGORY:

BUSINESS SESSION: _____

CONSENT CALENDAR: _____

STUDY SESSION: _____

PUBLIC HEARING: _____

RECOMMENDED ACTION:

Adopt a resolution to increase the Vehicle Impound Cost Recovery fee.

EXECUTIVE SUMMARY:

- The City collects a Vehicle Impound Cost Recovery (VICR) fee to recover administrative costs associated with the removal, impound, storage, or release of vehicles within the City.
- The VICR fee has not been updated since 2009, and the La Quinta Police Department recommended that it be evaluated in order to increase cost recovery for police services.
- The City commissioned ClearSource Financial Consulting to perform an analysis of the VICR fee (Attachment 1), which estimates the City's current cost at \$195 per impounded vehicle.
- The current VICR fee is \$124 per impounded vehicle, which is among the lowest fees charged by other Coachella Valley cities.
- By increasing the VICR fee from \$124 to \$195, the City will recover 100 percent of costs associated with impound, storage and release of vehicles.

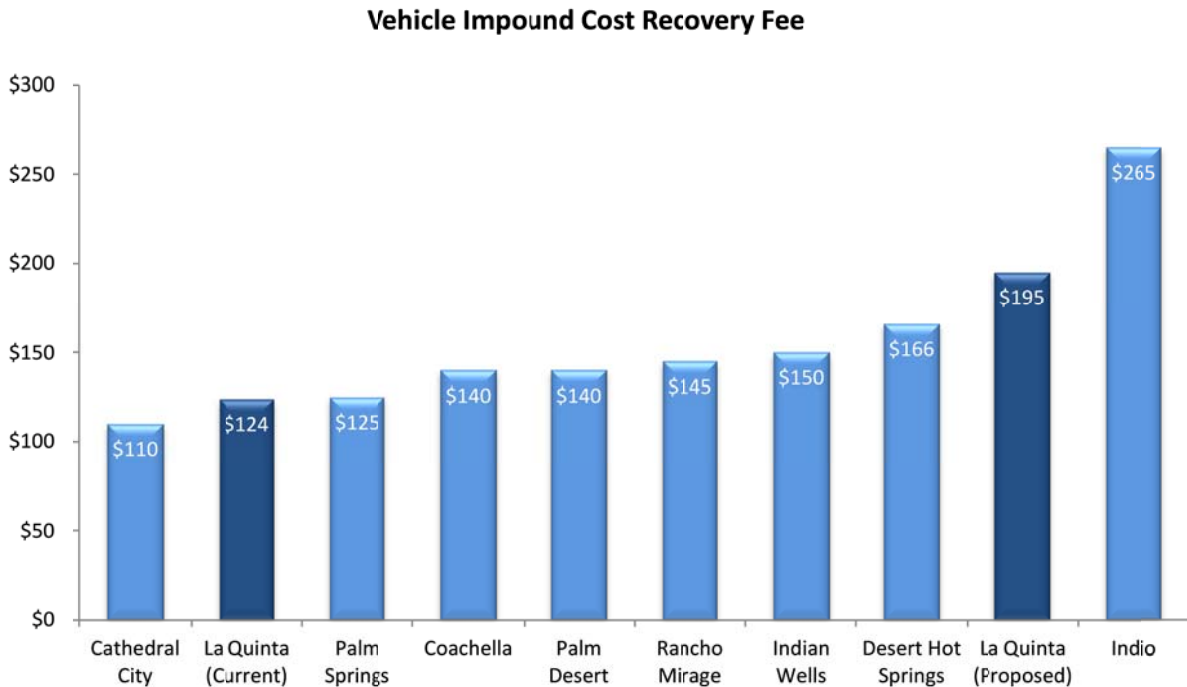
FISCAL IMPACT:

Based upon the annual number of impounds, staff estimates the new fee, if approved, may generate roughly \$11,000 in additional revenue or cost recovery per year, or approximately \$5,500 for the remainder of the current fiscal year.

BACKGROUND/ANALYSIS:

In February 2013, staff presented to Council a Cost of Services Study completed by ClearSource Financial Consulting. The study focused primarily on City departments’ rates charged for services. The rates were previously reviewed in 1996 and were set at 50 percent of true cost recovery. The balance of staff costs were augmented by the General Fund. Similar to the study completed in February 2013, the Cost of Service Analysis for Vehicle Cost Recovery Fee evaluated actual personnel time and fully-burdened hourly contract rate charged to the City by Riverside County Sheriff’s Department for law enforcement services.

California Vehicle Code authorizes cities to levy fees to recoup the administrative costs associated with the removal, impound, storage, or release of vehicles. Removal and/or impound of vehicles from highways, public property and private property in the City is a necessary component of public safety. Cities throughout California and the Coachella Valley commonly collect fees for similar services. All communities within the Coachella Valley currently impose a VICR fee, as illustrated in the bar chart below:



Periodically, fees may be reviewed to determine how closely aligned they are to actual costs. Over the past five years, service costs to the City have increased. According to the study, the current estimated administrative cost to the City for vehicle removal, impound, storage, or vehicle release is \$195. The actual cost is wholly passed on to the City from the Sheriff’s Department. Adoption of this resolution will enable the City to recoup the entire burden of these costs. To reduce the likelihood of imposing significant fee increases, staff will annually

review costs incurred and make recommendations to future fee schedules to fully recover costs incurred by contracted services.

When the current VICR fee was adopted in 2009, the Council expressed concerns regarding charging this fee to victims of stolen or embezzled vehicles. As a result, the resolution adopted contained a provision wherein the Police Chief may elect to waive this fee in these circumstances. The recommended fee increase would continue this practice.

A Notice of Public Hearing was advertised in *The Desert Sun* newspaper on November 7 and November 12, 2014. To date, no comments have been received. Any written comments received will be handed out at the meeting.

ALTERNATIVES

Alternatives include not increasing the current fee or adopting a lower fee. As these alternatives would reduce the amount of cost recovery and result in using General Fund revenue to underwrite service costs, staff does not recommend the alternatives.

Respectfully submitted: Ted Shove, Business Analyst

Approved for submission by: Frank J. Spevacek, City Manager

Attachment: 1. Cost of Service Analysis for Vehicle Impound
Cost Recovery Fee

RESOLUTION NO. 2014 - _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LA QUINTA, CALIFORNIA INCREASING THE VEHICLE
IMPOUND COST RECOVERY FEE**

WHEREAS, the Riverside County Sheriff's Department ("RCSD"), acting as the La Quinta Police Department, impounds or stores numerous and various vehicles from highways, public property, or private property, in the City of La Quinta ("City") during the normal course of duty; and

WHEREAS, the RCSD, acting as the La Quinta Police Department, impounds or stores vehicles pursuant to its authority under the California Vehicle Code sections 22650 through 22669; and

WHEREAS, Vehicle Code Section 22850.5 authorizes cities by ordinance or resolution to establish an administrative charge relating to the removal, impound, storage, or release of vehicles; and

WHEREAS, stolen and embezzled vehicle victims should be exempt from service fees for impoundment and release of stolen vehicles; and

WHEREAS, situations may arise that warrant the exercise of prudent discretion to forego or excuse the proposed service fee; and

WHEREAS, ClearSource Financial Consulting has prepared the report titled "Cost of Service Analysis for Vehicle Impound Cost Recovery Fee" dated September 2014, that includes a calculation of the estimated administrative costs to the City relating to the removal, impound, storage, or release of vehicles; and

WHEREAS, the City Council hereby finds that the report prepared by ClearSource Financial Consulting provides adequate evidence to conclude that the proposed vehicle impound cost recovery fee does not exceed the estimated reasonable cost to provide the corresponding services and that the manner in which the costs are allocated to a payor bear a fair and reasonable relationship to the payor's burdens on, or benefits received from the vehicle removal, impound, storage, or release activities and services provided by the City; and

WHEREAS, the administrative cost to the City for vehicle removal, impound, storage, or vehicle release has increased, necessitating an increase in the administrative charge from one hundred and twenty-four dollars (\$124) to one hundred and ninety-five dollars (\$195).

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of La Quinta, California, as follows:

Section 1. Pursuant to Vehicle Code Section 22850.5, the administrative fee for the recovery of impounded vehicles shall be increased from one hundred and twenty-four dollars (\$124) to one hundred and ninety-five dollars (\$195) and shall be effective upon adoption of this Resolution.

Section 2. The victims of stolen or embezzled vehicles shall be exempt from this administrative fee when their vehicles are released from impound.

Section 3. RCSD, acting as the La Quinta Police Department may, in the exercise of its discretion, forego or excuse this administrative fee when deemed appropriate by the Chief.

PASSED, APPROVED, AND ADOPTED at a regular meeting of the La Quinta City Council held on this 18th day of November 2014 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Don Adolph, Mayor
City of La Quinta, California

ATTEST:

Susan Maysels, City Clerk
City of La Quinta, California

APPROVED AS TO FORM:

William H. Irhke, City Attorney
City of La Quinta, California



City of La Quinta
Cost of Service Analysis for
Vehicle Impound Cost Recovery Fee

- September 2014 -



Table of Contents

Executive Summary..... 1

Introduction 2

Study Methodology..... 3

General Findings 4

Recommendations 5

Appendix 6

Executive Summary

Section 22850.5(a) of the California Vehicle Code states, “A city...may adopt a regulation, ordinance, or resolution establishing procedures for the release of properly impounded vehicles and for the imposition of a charge equal to its administrative costs relating to the removal, impound, storage, or release of the vehicles....”

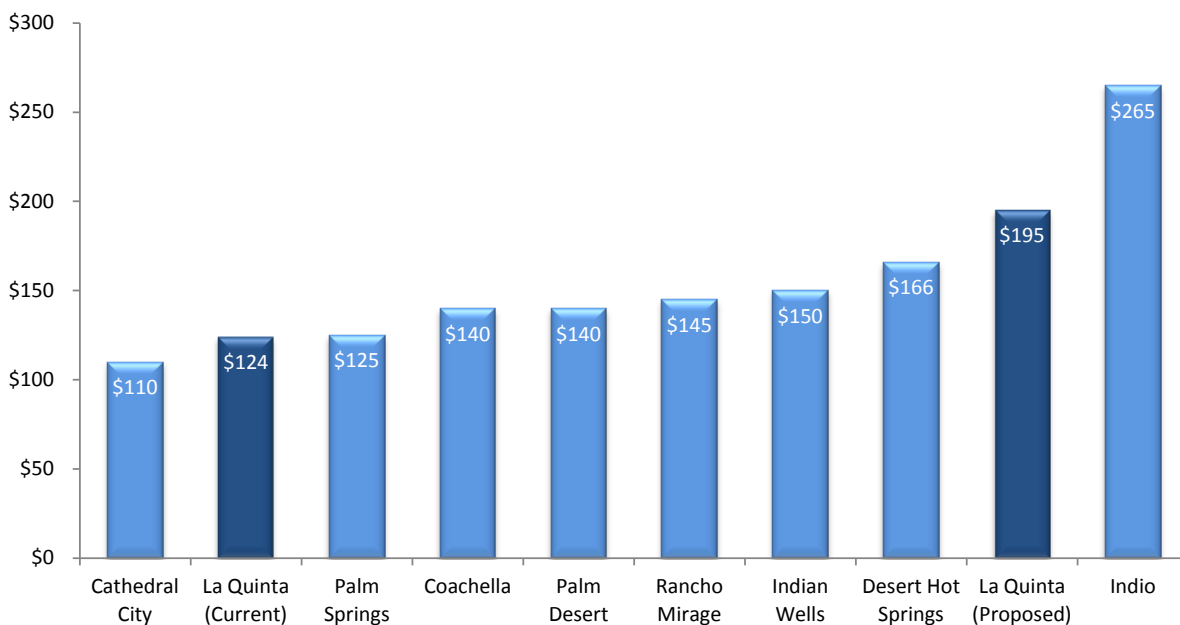
Cities throughout California and the Coachella Valley attempt to recover all, or a portion of, the administrative costs of impounding and releasing vehicles through fees commonly identified as vehicle impound fees or vehicle release fees. The City of La Quinta and several other cities in the Coachella Valley formally identify this fee as the “Vehicle Impound Cost Recovery Fee”.

The City’s Vehicle Impound Cost Recovery Fee has not been updated since 2009. The current fee is \$124. The proposed fee is \$195. The proposed fee does not exceed the City’s estimated cost of providing the services for which the fee is collected.

Based upon the number of impounds staff estimates for Fiscal Year 2014/15, the new fee may generate roughly \$11,000 in additional revenue per year.

The City’s current fee is at the lower end of the spectrum, but not the lowest, of the fees charged by other Coachella Valley cities for similar services. The City’s proposed fee is at the upper end of the spectrum, but not the highest, of fees charged for similar services. A cursory examination indicates that the majority of Coachella Valley agencies have not updated their impound/release fees for several years.

Vehicle Impound Cost Recovery Fee



Introduction

The City of La Quinta conducts periodic examinations of the various user and regulatory fees it collects. Routinely examining the costs of providing fee related services and making deliberate decisions about the recovery of costs and fee modifications helps cities maintain fiscal sustainability and respond to the changing needs of citizens, changes in regulations, and changes in local and regional economies.

The scope of this study is limited to review and recommendations relating to the City's Vehicle Impound Cost Recovery Fee. This fee has not been updated since 2009.

The primary goals of the study were to:

- Identify the City's estimated administrative costs relating to the impound of a vehicle
- Determine current cost recovery levels
- Examine the existing fee calculation methodology and modify, if necessary, to more closely align the calculation methodology to the cost of services being provided
- Assign targeted fee and cost recovery levels
- Compare current and proposed fees to those imposed by neighboring communities
- Estimate anticipated revenue impacts of any proposed fee modification

The outcomes and recommendations of the study are intended to comply with applicable federal, state, and local laws including providing confirmation that the proposed fee (charge) recommended as a result of this study is not a tax as defined in Article 13C of the California Constitution and that the proposed fee (charge) is no more than necessary to cover the reasonable costs of the City's activities and services addressed in this fee (charge) relating to the removal, impound, storage, or release of vehicles within the City of La Quinta. Additionally, this report is intended to show that the manner in which the costs are allocated to a payor bear a fair and reasonable relationship to the payor's burdens on, or benefits received from the vehicle removal, impound, storage, or release activities and services provided by the City of La Quinta.

Study Methodology

Section 22850.5(a) of the California Vehicle Code states, “A city, county, or city and county, or a state agency may adopt a regulation, ordinance, or resolution establishing procedures for the release of properly impounded vehicles and for the imposition of a charge equal to its administrative costs relating to the removal, impound, storage, or release of the vehicles....”

The study calculated the City’s estimated administrative costs relating to the removal, impound, storage, or release of vehicles within the City of La Quinta.

Generally, the estimated cost of providing the vehicle impound activities and services examined in the study can be calculated as the product of the estimated labor time required to process a typical impound and release and the composite fully-burdened hourly labor rate of the staff responsible for providing the activities and services.

Estimated labor times were developed by the City of La Quinta Police Department. The City contracts with the Riverside County Sheriff’s Department for Police Department services. The Police personnel that developed the labor time estimates have expert knowledge of the activities, services, and estimated labor effort associated with impound and release of vehicles within the City of La Quinta. Additionally, the consultant conducted multiple interviews reviewing the estimated labor time assumptions and designation of staff responsible for providing services. Finally, the consultant compared the labor times to those developed as part of other cost of service studies. This review provided an additional test of the reasonableness of the time estimates.

The composite fully-burdened hourly rates calculated in the study are based on the actual contract labor rates charged to the City of La Quinta by the Riverside County Sheriff’s Department or the actual rates calculated by the Riverside County Sheriff’s Department for the most recent fiscal year. While the composite-fully burdened hourly rate typically includes a provision for citywide overhead, no citywide overhead amounts have been included in the estimated cost of service calculation. The City does not maintain a current citywide overhead cost allocation plan and the consultant estimates that any citywide overhead costs associated with the typical vehicle impound process would be minimal because any citywide overhead costs would be required to be allocated over the full range of police services provided by the City. The typical impound and release process requires just over two hours of Police Department effort. Since the City receives thousands of hours of Police support per year, any citywide overhead costs allocated to the vehicle impound and release activities and services examined in this study would be minimal.

General Findings

Cost of Service Calculation

- The City’s estimated cost of providing the vehicle impound and release activities and services examined in this study is \$195 per impounded vehicle.
- The calculation assumes 2.25 hours of total labor effort multiplied by hourly rates ranging from \$34 - \$139 per hour. The cost of service calculation is illustrated in table form, below:

Personnel	Estimated Labor Time (Hours)	x	Hourly Contract Rate	=	Cost of Service
Deputy	1.00	x	\$139	=	\$139
Office Assistant	0.50	x	\$30	=	\$15
Sergeant	0.25	x	\$92	=	\$23
ISB Operator	0.25	x	\$35	=	\$9
Accounting Technician	0.25	x	\$34	=	\$8
Total	2.25	x	varies	=	\$195

Current Fee and Cost Recovery Information

- The current Vehicle Impound Cost Recovery Fee is \$124.
- The City’s current fee is at the lower end of the spectrum, but not the lowest, of the fees charged by other Coachella Valley cities for similar services.
- The current estimated cost recovery level is 64%. The current cost recovery level is illustrated in table form, below:

Fee	Current Fee	/	Estimated Cost of Service	=	Current Cost Recovery
Vehicle Impound Fee	\$124	/	\$195	=	64%

Proposed Fee and Cost Recovery Information

- The proposed Vehicle Impound Cost Recovery Fee is \$195.
- The City’s proposed fee is at the upper end of the spectrum, but not the highest, of the fees charged by other Coachella Valley cities for similar services.
- The proposed estimated cost recovery level is 100%. The proposed cost recovery level is illustrated in table form, below:

Fee	Proposed Fee	/	Estimated Cost of Service	=	Proposed Cost Recovery
Vehicle Impound Fee	\$195	/	\$195	=	100%

Recommendations

The Vehicle Impound Cost Recovery Fee is set at the direction of the City Council. Consequently, the City Council may adopt the proposed fee and modify it at a future date as costs of service change or city policies and goals change.

If the City decides to adopt the proposed fee it should:

- **Ensure that City staff begins using the updated fee** once the adopted fee is effective.

Additionally, the City may consider the following:

- **Adjust fee on an annual basis to reflect the change in contract labor rates for the Riverside County Sheriff's Department** – Since the City's cost of vehicle impound services is tied to the cost of Riverside County Sheriff's Department labor rates, the City could update this fee to keep pace with any labor rate increases. The Riverside County Sheriff's Department annually calculates updated labor rates. The City could include this in the list of fees it examines and updates each July.

Appendix

The appendix provides detailed analytical findings from the study, including the amount of cost, or estimated cost, required to provide the services for which the fee or service charge is levied and the revenue sources anticipated to provide the service, including General Fund revenues. For any fees targeted to recover less than 100% of the estimated reasonable cost of service, it is anticipated that General Fund revenues of the City will fund the difference between the targeted recovery level and 100% recovery of the estimated cost of service. These amounts are identified in this appendix.

Appendix

Table of Contents

Contents	Page
Current and Proposed Fee	2
Calculation of Estimated Cost of Service, Cost Recovery Analysis, and Revenue Analysis	3
Regional Fee Comparison	4

City of La Quinta

Police Vehicle Impound Cost Recovery Fee

Fee Description		Current Fee	Proposed Fee	Fee Change (\$)	Fee Change (%)
1	Vehicle Impound Cost Recovery Fee	\$124	\$195	\$71	57%

City of La Quinta
 Vehicle Impound Cost Recovery Fee
 Calculation of Estimated Cost of Service and Cost Recovery Analysis

Cost of Service Calculation

Personnel	Estimated Labor Time (Hours)	x	Hourly Contract Rate	=	Cost of Service
Deputy	1.00	x	\$139	=	\$139
Office Assistant	0.50	x	\$30	=	\$15
Sergeant	0.25	x	\$92	=	\$23
ISB Operator	0.25	x	\$35	=	\$9
Accounting Technician	0.25	x	\$34	=	\$8
Total	2.25	x	varies	=	\$195

Source: Labor time and hourly rate information provided by City of La Quinta Police Department.

Cost Recovery Analysis

Fee	Current Fee	/	Estimated Cost of Service	=	Current Cost Recovery
Vehicle Impound Fee	\$124	/	\$195	=	64%

Proposed Fee	Proposed Cost Recovery
\$195	100%

Proposed Fee Increase
\$71

Revenue Analysis

Description	Fee	x	Estimated Annual Volume	=	Estimated Annual Revenue
Current Fee	\$124	x	161	=	\$20,000
Proposed Fee	\$195	x	161	=	\$31,452
Annual Increase	\$71	x	161	=	\$11,452

City of La Quinta
Vehicle Impound Cost Recovery Fee
Regional Fee Comparison

Vehicle Impound Cost Recovery Fee

