

City of Corona, CA



Rent Stabilization Ordinance Fee Study

11/10/2025



TABLE OF CONTENTS

TABLE OF CONTENTS	1
User Fee Background	2
Background	2
California User Fee History	2
Additional Policy Considerations	3
Study Objective	4
Project Approach and Methodology	5
Conceptual Approach.....	5
Fully Burdened Hourly Rates.....	5
Methodology.....	6
Quality Control/Quality Assurance	6
City Staff Contributions.....	6
Corona User Fees	7
Cost Recovery.....	7
Subsidization	7
Summary	8
Appendix A – Cost Recovery Analysis	9

User Fee Background

Background

Local governments provide numerous programs and services targeted to specific populations such as home builders, exercise class attendees, or facility renters. To remain solvent, the government must recover the costs associated with providing these. Rather than placing the cost burden on the community as a whole by recovering costs from local taxes, the government charges user fees directly to the residents benefiting from specific programs and services. As cities struggle to maintain levels of service and variability of demand, they have become increasingly aware of subsidies provided by the General Fund and have implemented cost-recovery targets. To the extent that governments use general tax monies to provide individuals with private benefits and not require them to pay the full cost of the service (and, therefore, receive a subsidy), the government is limiting funds that may be available to provide other community-wide benefits. In effect, the government is using community funds to pay for private benefit. Unlike most revenue sources, cities have more control over the level of user fees they charge to recover costs, or the subsidies they can institute.

The Rent Stabilization Ordinance (RSO) is a program where service fees that will be recovering the City's cost of service that is authorized to be directly imposed as a fee on those who receive the benefit or service from the City in accordance with Proposition 26. As such, the full cost of services can be recovered through fees that reflect the City's reasonable cost of providing services.

As defined by Proposition 26 (California Constitution Article XIII C, Section 1(e)), any charge imposed by the City is a "tax" requiring approval by voters, unless the City establishes that the charge fits within one of seven exceptions under Proposition 26. As relevant to user fees as the scope of this Study, there are three Proposition 26 exceptions that support the conclusion that the fees may be approved by the City Council without seeking voter approval since the charges do not exceed: (1) the City's costs of providing a specific benefit to the payor (where the benefit is not provided to those who do not pay the fee); (2) the City's costs of providing a service or product to the payor (where the service or product is not provided to those who do not pay the fee); and (3) the City's costs of regulation (limited to: licensing, permitting, investigating, inspecting, auditing, or enforcement). Under Proposition 26, the City bears the burden of proving that the amount of the fee is no more than necessary to cover the reasonable cost of the City's activity (under one of the exceptions), and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the City's activity.

California User Fee History

Before Proposition 13, California cities had broader authority to recover the cost of their services through taxes instead of fees imposed on individual fee payers. In times of fiscal shortages, cities simply raised property taxes, which funded everything from police and recreation to development-related services. However, this situation changed with the passage of Proposition 13 in 1978 by which property taxes were limited to 1 percent of a property's value with subsequent tax increases limited to a 2 percent increase per year, and special taxes were required to obtain approval by two-thirds of the electorate.

Proposition 13 established the era of revenue limitation in California local government. In subsequent years, the state saw a series of additional limitations to local government revenues. Proposition 4 (1979)

established appropriation limits for local government; and Proposition 218 (1996) established additional limitations on assessments and property related fees (such as water and sewer rates). Compounding this limitation, the State of California took a series of actions in the 1990's and 2000's to improve the State's fiscal situation-at the expense of local governments. As an example, in 2004-05, the Educational Revenue Augmentation Funds ("ERAF") take-away of property taxes and the reduction of Vehicle License Fees have severely reduced local tax revenues. Then, as summarized above, on November 2, 2010, California voters approved Proposition 26, the "Stop Hidden Taxes Initiative," which further constrained the definition of a "fee" that is authorized to be approved by the City Council without voter approval. The fees analyzed as part of this study fell under categories one through three consisting of charges for specific benefits, government service, or regulatory services.

Additional Policy Considerations

The recent trend for municipalities is to update their fee schedules to reflect the actual costs of certain public services primarily benefitting users. User Fees recover costs associated with the provision of specific services benefitting the user, thereby reducing the use of General Fund monies for such purposes.

In addition to collecting the direct cost of labor and materials associated with processing and administering user services, it is common for local governments to recover support costs. Support costs are those costs relating to a local government's central service departments that are properly allocable to the local government's operating departments. Central services support cost allocations were incorporated using the resulting indirect overhead percentages determined through the City of Corona Cost Allocation Plan. This plan was developed prior to the fee study to determine the burden placed upon central services by the operating departments in order to allocate a proportionate share of central service cost.

Since the RSO is a new program with new processes and procedures, it is recommended that staff evaluate the performance of the fees after the first two years to determine if any changes to the cost inputs and assumptions used within the analysis remain reasonable, and to make modifications to the methodology and subsequent fees as necessary.

As labor effort and costs associated with the provision of services fluctuate over time, a significant element in the development of any fee schedule is that it has the flexibility to remain current. It is not recommended that the City include an inflationary factor in the resolution adopting the fee schedule until the City has data regarding the actual cost incurred over a period of time and better knowledge of how the program costs change from year to year. Once the program needs are better understood, then the use of an annual inflator would be recommended to represent the increase in operation costs from year to year in between a reanalysis of the study inputs every 5 years (starting after the initial two year evaluation).

Study Objective

As the City of Corona seeks to efficiently manage limited resources and adequately respond to increased service demands, it needs a variety of tools. These tools provide assurance that the City has the best information and the best resources available to make sound decisions, fairly and legitimately set fees, maintain compliance with state law and local policies, and meet the needs of the City administration and its constituency. Given the limitations on raising revenue in local government, the City recognizes that a User Fee Study is a very cost-effective way to understand the total cost of services and identify potential fee deficiencies. Essentially, a User Fee is a payment for a requested service provided by a local government that primarily benefits an individual or group.

The total cost of each service included in this analysis is based on the full cost of providing City services within one of the Proposition 26 exceptions, including direct salaries and benefits of City staff, direct departmental costs, and indirect costs from central service support. This study determines the full cost recovery fee for the City to provide each service; however, each fee is set at the City's discretion, up to 100% of the total cost, as specified in this report.

The principal goal of the study was to help the City determine the full cost of RSO services that the City will be providing. In addition, Willdan established a series of additional objectives including:

- Developing a rational basis for setting fees
- Identifying the subsidy amount, if applicable, of each fee in the model
- Ensuring compliance with State law
- Developing an updatable and comprehensive list of fees
- Maintaining accordance with City policies and goals

The study results will help the City better understand its true costs of providing services and may serve as a basis for making informed policy decisions regarding the most appropriate fees, if any, to collect from individuals and organizations that require individualized services from the City.

Project Approach and Methodology

Conceptual Approach

The basic concept of a User Fee Study is to determine the “reasonable cost” of each service provided by the City for which it charges a user fee. The full cost of providing a service may not necessarily become the City’s fee, but it serves as the objective basis as to the maximum amount that may be collected.

The standard fee limitation established in California law is that the fee may not exceed the “estimated, reasonable and proportionate cost” of providing the service to the person paying the fee. In order to maintain compliance with the letter and spirit of this standard, every component of the fee study process included a related review. The use of budget figures, time estimates, and improvement valuation clearly indicates reliance upon estimates for some data.

Fully Burdened Hourly Rates

The total cost of each service included in this analysis is primarily based on the Fully Burdened Hourly Rates (FBHRs) that were determined for City personnel directly involved in providing services. The FBHRs include not only personnel salary and benefits, but also any costs that are reasonably ascribable to personnel. The cost elements that are included in the calculation of fully burdened rates are:

- Salaries & benefits of personnel involved
- Operating costs applicable to fee operations
- Departmental support, supervision, and administration overhead
- Indirect City-wide overhead costs calculated through the Cost Allocation Plan

The FBHRs are then used in conjunction with time estimates, when appropriate, to calculate a fee’s cost based on the personnel and the amount of their time that is involved in providing each service.

Methodology

The methodology of analysis for calculating fees used in this report was the:

Case Study Method (Standard Unit Cost Build-Up Approach): This approach estimates the actual labor and material costs associated with providing a unit of service to a single user. This analysis is suitable when City staff time requirements do not vary dramatically for a service, or for special projects where the time and cost requirements are easy to identify at the project's outset. Further, the method is effective in instances when a staff member from one department assists on an application, service or permit for another department on an as-needed basis. Costs are estimated based upon interviews with City staff regarding the time typically spent on tasks, a review of available records, and a time and materials analysis.

Program Cost Approach: In instances where cost and efforts are expended to provide service to a group or pool of participants, a program cost approach was used to determine the share of reasonable cost that should be borne by each participant. The determination of the cost pool utilizes the case study method but also includes an added step of dividing that cost over the user group to determine each participants share.

Quality Control/Quality Assurance

All study components are interrelated, thus flawed data at any step in the process will cause the ultimate results to be inconsistent and unsound. The elements of our Quality Control process for User Fee calculations include:

- Involvement of knowledgeable City staff
- Clear instructions and guidance to City staff
- Discussions regarding Reasonable application and validation of inputs
- Cross-checking and verification of calculations

City Staff Contributions

As part of the study process, Willdan received tremendous support and cooperation from City staff, who contributed and reviewed a variety of components to the study, including:

- Budget and other cost data
- Staffing structures
- Fee and service structures, organization, and descriptions
- Direct and indirect work hours (billable/non-billable)
- Time estimates to complete work tasks
- Review of draft results and other documentation

A User Fee Study requires significant involvement of the managers and line staff from the departments—on top of their existing workloads and competing priorities. The contributions from City staff were critical to this study. We would like to express our appreciation to the City and its staff for their assistance, professionalism, positive attitudes, helpful suggestions, responsiveness, and overall cooperation.

Corona User Fees

Cost Recovery

The cost recovery model is presented in detail in **Appendix A**. Full cost recovery is determined by summing the estimated amount of time each position (in increments of minutes or hours) spends to render a service. Time estimates for each service rendered were predominately determined through a time and materials survey conducted for the RSO program. The resulting cost recovery amount represents the total cost of providing each service.

It is important to note that the time and materials survey used to determine the amount of time each employee spends assisting in the provision of the services listed on the fee schedule is essential in identifying the total cost of providing each service. Specifically, in providing services, a number of employees are often involved in various aspects of the process, spending anywhere from a few minutes to several hours on the service. In addition, shared service types have been distributed by a percentage share across the facility group types based on an estimation of the level of effort that should be borne by each group. Both the time estimates as well as the share of cost burden per facility group type should be evaluated on a periodic basis to ensure that the estimates are reasonable and result in reasonable fees.

The primary goal of this study was to identify the cost of City services, to provide information to help the City make informed decisions regarding the actual fee levels and charges. The responsibility to determine the final fee levels is a complicated and nuanced task. City staff must consider many issues in formulating recommendations, and the City Council must consider those same issues and more in making the final decisions.

City staff assumes the responsibility to develop specific fee level recommendations to present to the City Council. Unfortunately, there are no hard and fast rules to guide the City, since many of the considerations are based on the unique characteristics of the City of Corona, and administrative and political discretion. However, in setting the level of full cost recovery for each fee, one should consider whether the service solely benefits one end user or the general community.

Subsidization

Recalling the definition of a user fee helps guide decisions regarding subsidization. The general standard is that, as long as the costs of the fee fit within one of the Proposition 26 exceptions, individuals (or groups) who receive a wholly private benefit should pay 100% of the full cost of the services. In contrast, services that are simply public benefit should be funded entirely by the general fund's tax dollars. Unfortunately, for the decision makers, many services fall into the range between these two extremes.

Further complicating the decision, opponents of fees often assert that the activities subject to the fees provide economic, cultural, "quality of life," or other community benefits that exceed the costs to the City.

While It is recommended the City consider such factors during its deliberations regarding appropriate fee levels, under California law up to the full cost identified in the study can be charged as detailed in the study since the services are providing a compliance need to fulfill the requirements of the RSO.

It is also important for the City and public to understand that subsidies must be covered by another revenue source, such as the General Fund. Therefore, the general taxpayer would potentially help to fund private benefit services, which can reduce the City's ability to fund general benefit activities without access to those general unobligated funds used to subsidize RSO services.

Summary

If the City's principal goal of this study were to maximize revenues from user fees, Willdan would recommend setting user fees at 100% of the full cost identified in this study. However, we understand that revenue enhancement is not the only goal of a cost of service study, and sometimes full-cost recovery is not needed, desired, or appropriate. Other City and departmental goals, City Council priorities, policy initiatives, past experience, implementation issues, and other internal and external factors may influence staff recommendations and City Council decisions. In this case, the proper identification of the full cost of RSO services and creation of a reasonable and comprehensive fee schedule was the primary objective of this study. City staff has reviewed the full costs and identified the recommended fee levels for consideration by City Council. The attached appendices exhibit these unit fees individually.

The preceding section provides the background for each department or division and the results of this study's analysis of their fees. For the full list of each fee's analysis, refer to [Appendix A](#) of this report.

Appendix A – Cost Recovery Analysis

The following tables provide the results of the analysis, the resulting full cost recovery amount for each fee, and recommended fees. Each fee listed has a corresponding split between park owners and homeowners to share in the cost recovery burden. The first table shows a summary of the cost per service, the suggested total fee for each service and the anticipated revenue and expenditure shortfall due to subsidization. The tables on the following pages detail the cost calculation for each fee as well as the recommended split in fee share for park owners and homeowners.

All services and fees analyzed as part of this study fall under one or multiple categories one through three of the exceptions defined in Proposition 26. As such a cost analysis was performed to calculate the estimated reasonable full cost of each service, and suggested fees are recommended at or below those amounts. Estimated reasonable full costs were calculated based on projected City expenditures and time estimates.

Mobilehome Park Rent Stabilization Program

#	Service Name	Unit	Full Cost - Year 1	Suggested Total Fee - Year 1	Full Cost - Year 2	Suggested Total Fee - Year 2
1	Capital Improvement Petition Fee*	each	\$10,503.34	\$10,500.00	\$10,503.34	\$10,500.00
2	Fair Return Petition Fee*	each	\$25,478.34	\$25,000.00	\$25,478.34	\$25,000.00
3	Homeowner Petition Fee**	each	\$6,115.21	\$100.00	\$6,115.21	\$100.00
4	Mobilehome RSO Administration Fee	annual	\$99.00	\$99.00	\$62.16	\$62.16
5	Administrative Citations	each	N/A	Per Ordinance	N/A	Per Ordinance
6	Appeals	each	Variable	Actual Cost	Variable	Actual Cost

* Homeowner portion of fee is only paid if petition is successful

** Fee will be reimbursed if petition is successful



27368 Via Industria, Suite 200
Temecula, California 92590-4856
800.755.6864 | Fax: 888.326.6864
951.587.3500 | Fax: 951.587.3510
www.willdan.com