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COMMITTEE ACTION SHEET

107  
03/10

COUNCIL DOCKET OF \_\_\_\_\_

Supplemental     Adoption     Consent     Unanimous Consent    Rules Committee Consultant Review

R -

O -

General Fund User Fee Policy

Reviewed     Initiated    By Budget    On 2/25/09    Item No. 1

RECOMMENDATION TO:

Motion was made by Councilmember DeMaio, second by Chair Tony Young to:

1. Approve the User Fee Policy;
2. Present all proposed fee increases to the Budget and Finance Committee before going to Council;
3. Identify efficiencies that might lower a fee from its baseline cost; and
4. Return to the Budget and Finance Committee on September 9, 2009, with a draft Comprehensive Fee Study.

VOTED YEA: Young, Gloria, DeMaio

VOTED NAY:

NOT PRESENT: Emerald, Falconer

CITY CLERK: Please reference the following reports on the City Council Docket:

REPORT TO THE CITY COUNCIL NO.

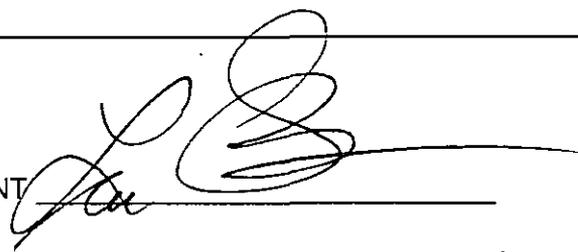
INDEPENDENT BUDGET ANALYST NO. 09-08

COUNCIL COMMITTEE CONSULTANT ANALYSIS NO.

OTHER:

Chief Financial Officer's February 12, 2009, memorandum (Proposed); Chief Financial Officer's February 12, 2009, memorandum (General); Chief Financial Officer's February 12, 2009, PowerPoint

COUNCIL COMMITTEE CONSULTANT \_\_\_\_\_



000411



THE CITY OF SAN DIEGO

## M E M O R A N D U M

DATE: February 12, 2009

TO: Members of the Budget and Finance Committee  
Members of City Council

FROM: Mary Lewis, Chief Financial Officer *Mary Lewis*

SUBJECT: Proposed General Fund User Fee Policy

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In consideration of the Kroll Report recommendation that "activities supported by user fees should be fully cost recoverable," and subsequent City Council direction, City staff has prepared a User Fee Policy which incorporates guidelines and recommendations of the Government Finance Officers Association, National Advisory Council on State and Local Budgeting, and Federal Government Office of Management and Budget Circular A-87.

If approved by City Council, the proposed User Fee Policy will allow the City to identify the full cost of services for activities that charge user fees in order to develop target cost recovery rates. This policy will replace City Council Policy 100-05; will allow the City to bring existing fee levels in-line with service costs to ensure that all reasonable costs incurred in providing these services are being recovered; and will ensure that a rate book of current fees will be regularly updated and maintained in an accessible manner for public access.

The proposed User Fee Policy, if approved by City Council, will incorporate all essential components such as user fee review requirements, methodology and factors for setting fees, rationale for different levels of cost recovery, stakeholder input, and availability to the public. One of the key components of the User Fee Policy is to allow the City to review and update fees on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery.

This proposed User Fee Policy will include guidelines for the City General Fund. This proposed policy will not include guidelines for the City enterprise funds as user fees in enterprise funds will be recommended by each responsible enterprise fund department.

000413



THE CITY OF SAN DIEGO

## M E M O R A N D U M

DATE: February 12, 2009

TO: Members of the Budget and Finance Committee  
Members of City Council

FROM: Mary Lewis, Chief Financial Officer *Mary Lewis*

SUBJECT: General Fund User Fee Policy

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**INTRODUCTION**

The following presents a comprehensive User Fee Policy for the City of San Diego that includes guidelines for establishing and maintaining a comprehensive user fee schedule. The proposed user fee policy establishes the method for setting up fees and the extent to which they cover the cost of the service provided, as recommended by the Government Finance Officers Association (GFOA), National Advisory Council on State and Local Budgeting (NACSLB), and Federal Government Office of Management and Budget (Circular A-87).

**BACKGROUND AND DISCUSSION**

The City charges a range of fees for services provided to residents and businesses. These fees are imposed as a result of a public need, such as recreational services, rental uses, and other types of services.

According to the standards established by GFOA and NACSLB and their best practice guidelines, governments should calculate the full cost of the different services they provide. For instance, GFOA recommends a formal fee policy that should identify factors to be considered when pricing services.

Many cities have implemented user fee policies to comply with the regulations set by their jurisdictions. Best practices indicate that several components are essential in developing a User Fee Policy that are described below and included in the proposed User Fee Policy:

1. Provide specific requirements for frequency of fee review.
2. Identify how fees are set and what factors are considered.

000414

3. Develop a cost recovery rationale which will allow revenue enhancement through full cost accounting, thereby improving government efficiency, and which will maintain equity considerations in regard to provision of government services.

4. State the government agency's intent to set fees to recover the full cost of service. Determining cost recovery rates necessitates an accurate calculation of the cost of providing government services, both direct and indirect, regardless of whether all services are deemed to be fully cost recoverable. Direct costs consist of costs that are incurred directly by providing the service, such as staff time spent on service-related activities in addition to salary and benefit expenses. Indirect costs consist of departmental overhead such as operating expenses and internal administrative costs as well as citywide overhead costs. Failure to include indirect costs results in inadvertent subsidization of government services that benefit individuals rather than the overall public.

5. Provide rationale in cases where a government agency sets a fee lower than the full cost of a service. The concept behind a user fee is that the fee charged for a service should equal the cost of providing that service. Examples of programs and services with low to moderate cost recovery levels include recreational activities for youth and seniors, other community services, and library fees.

6. Set a frequency for undertaking cost of service studies. In-depth user fee studies should be undertaken every two to five years, with annual adjustments based on certain economic inflators or changes in budget allocations. While some cities determine annual fee changes by evaluating the impact of inflation, others also evaluate the impact of changes in budget allocations for each department to determine whether the cost of providing specific services has changed. In addition, while an annual review is necessary to determine whether fees should be updated according to the policy, a comprehensive annual user fee study may not be cost-effective because of its labor and time-intensive nature, particularly due to the large number of fees that must be reviewed. Therefore, a schedule of increases based on Consumer Price Index (CPI) or other annually adjusted inflator should be included in the policy.

7. Allow stakeholder input and make the policy available to the public. GFOA recommends that stakeholders be given an opportunity to provide input during the User Fee Policy formulation process. This proposed User Fee Policy includes: a) provisions for allowing the public to be part of the discussion of the proposed fees; and b) the requirement to make a schedule of all fees available and ensure its easy access for the public.

## **USER FEE POLICY**

### **DEFINITIONS**

A **User Fee** is a fee charged by a government agency to recipients of its services. User fees generally apply to activities that provide special benefits to members of the public, and the amount of the fee is usually related to the cost of the service provided. Examples of user fees are pool fees, park room rental fees, fire inspection fees, and others.

000415

**Cost Recovery** is recouping a portion of or all costs associated with a particular service provided by the government agency to the public. The user fees determine the percentage of a service that is recovered. Cost recovery has two important rationales: (a) revenue enhancement through full cost accounting, thereby improving government efficiency; and (b) maintaining equity considerations in regard to the provision of public services.

**Direct Costs** are the costs incurred directly by providing a specified service. These costs are associated with staff time spent performing service related duties and include employee salary and benefits. In general, direct costs are any costs that can be traced directly to the production of a given service or product.

**Indirect Costs** are the costs not directly accountable or associated with the production of a service, such as a fixed cost. Indirect costs include departmental overhead (operating expenses and internal administrative costs), as well as citywide overhead, including all those costs that support City programs and services.

## **OBJECTIVES**

- A. Establish a comprehensive User Fee Policy which will allow the City to identify the full cost of services for activities that charge user fees in order to develop target cost recovery rates.
- B. Bring existing fee levels in-line with service costs to ensure that all reasonable costs incurred in providing these services are being recovered.

## **ANNUAL REVIEW PROCESS**

Regular annual changes to user fees in the General Fund shall be proposed to the City Council during the annual budget process. All approved changes shall be published in the City's user fee rate book and on the City's website, both of which shall be maintained by the Office of the City Clerk.

Changes to user fees in enterprise fund departments (Water, Wastewater, Airports, Golf Course, Recycling, and Refuse Disposal funds) shall be proposed to the City Council as recommended by each responsible enterprise fund department.

## **POLICY REQUIREMENTS**

### **LEVELS OF COST RECOVERY**

#### **Category I – Full Recovery (100 Percent)**

User fees that are determined to have a 100 percent cost recovery goal shall be updated annually based on the costs incurred for providing services using actual data from the prior fiscal year. All user fees are assumed to be at 100 percent cost recovery unless they meet the criteria for Categories II and III.

000416

**Category II – Partial Recovery (Below 100 Percent)**

User fees that are below the 100 percent cost recovery goal shall be adjusted annually by a standardized escalator based on the most recent Consumer Price Index. Alternatively, these fees may be changed at any point in time upon recommendation by the responsible department, approval by the Chief Operating Officer and final approval by the City Council.

Fees are generally less than 100 percent cost recovery in cases where: (a) the collection of fees is not cost-effective; (b) the collection of fees would not comply with regulatory requirements; (c) the purpose of the fee is not to generate revenue but rather provide benefits to the recipients (e.g. recreational activities).

**Category III – Fees (Fines and Penalties)**

User fees that fall into this category are in most cases penalties, fines or deterrents to the public (library fines, penalties for uncollected money or public safety response for disturbances). User fees in Category III shall be reviewed annually relative to the reasonableness of the fee and the fiscal effect as it relates to deterrence.

In summary, the following economic and policy considerations shall be considered when setting cost recovery levels as follows:

- Public use of government services shall be considered (potential to use fees as a means of encouraging or discouraging activities, for instance, library book fines).
- Constitutional or other types of limitations on charging more or less than the actual cost of providing the service.
- Subsidization (not full cost recovery) of activities for groups who cannot afford access to services if fees are set at full cost recovery (e.g. pool fees). In these cases, the City shall subsidize a portion of the cost of the service.
- The fee amount and its affect on the demand of the service shall be considered. Increasing a fee amount might not always raise revenues, but instead may have the opposite impact. A fee set above what the public is generally willing to pay will lessen the demand for the service, and, as a result, a sensitivity analysis of consumer demand shall be considered when setting fees.
- The nature of the facilities or services shall be considered when setting fees (e.g. fees for facilities may warrant full cost recovery while fees for youth recreation programs may warrant less than full cost recovery).
- The nature and extent of the benefit to the fee-payers. The recipients that benefit from the service provided shall be identified. The fee review shall consider whether the service is beneficial to the public as a whole or the individual fee-payer.
- Fee amounts shall be proportional to the costs associated with providing the service or program. The full cost should consist of both direct and indirect costs and should be included within the fee amount. Indirect costs shall be captured through overhead rates for each department.

000417

### **COST RECOVERY CALCULATION**

City departments with user fees shall determine cost recovery rates based on direct and indirect costs for all fees in order to accurately calculate the cost of providing services regardless of whether all services are deemed to be fully cost recoverable. Indirect costs shall include allocated central support services costs (IT, risk management, fleet assignment and usage fees, etc.).

Fees shall be annually adjusted to maintain the cost recovery level. Departments with user fees shall be responsible for developing cost recovery rates for their respective user fees in accordance with the cost recovery levels described in this policy. User fees that do not meet the criteria for Categories II and III shall be developed to achieve full cost recovery (Category I). Where appropriate, departments may initiate a multi-phase approach to achieve a targeted cost recovery rate.

Different methods of adjustment are acceptable such as using a Consumer Price Index (CPI), State and Local Implicit Price Deflator, Municipal Cost Index, or other inflators. It is recommended that, if applicable, a CPI inflator be used for setting or revising the City's user fees.

### **FREQUENCY OF USER FEES COST STUDIES**

User fees shall be updated annually as a part of the budget process based on CPI inflation estimates or other annually adjusted inflators until the next comprehensive user fee study is undertaken.

A comprehensive user fee study and a review of this proposed User Fee Policy shall be conducted every three years. The user fee study should include the extent and scope of study as well as the level of participation of responsible departments. Any major changes to fees shall be implemented prior to the adoption of the annual budget for the following fiscal year.

The following factors shall be taken into account during a comprehensive user fee study:

- Whether service costs are covered by revenues received
- Whether fees cover costs and generate excess revenue that supplement other services
- A comparison of fee levels for similar services provided in other jurisdictions
- An analysis of all relevant costs involved including direct and indirect costs

Any proposals for new or revised fees shall be first approved by the Chief Operating Officer with subsequent approval by the City Council. Any such proposals shall include the purpose of the fee (if new); justification for implementation or revision; the fee amount and annual revenue; annual cost; the methodology and level of cost recovery; the nature and extent of the benefit to the fee-payers; and other relevant information.

The City's Administrative Regulations related to user fee charges shall be revised by including all the requirements of this proposed User Fee Policy and shall include procedures for implementing new fees or revising existing fees.

000418

**PUBLIC INPUT AND AVAILABILITY OF FEE INFORMATION**

When fees are revised, data indicating the proposed fee, the estimated cost required for providing the service, and the estimated amount of revenue shall be available to the public prior to the City Council meetings through the docketing of the report for the Council agenda. The City Clerk shall post an updated schedule of all fees on the City's internet site on July 1<sup>st</sup> of each year. The City Clerk shall also make available to the public a fee rate book that shall be located in the Office of the City Clerk.

This policy shall replace Council Policy 100-05 ("Fees - Public Notification") adopted by the City Council in April 1979.

**CONCLUSION**

The purpose of this policy is to provide general guidelines and to incorporate best practices in establishing user fees to ensure that the City adequately recovers costs for services it provides to the public. The User Fee Policy identifies factors that need to be considered in setting fees, the level of cost recovery, and the frequency of comprehensive user fee studies. The key factor of the User Fee Policy is to review and update fees on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery.

Mary Lewis  
Chief Financial Officer

- cc: Honorable Mayor Jerry Sanders
- Honorable Members of the City Council
- Jay M. Goldstone, Chief Operating Officer
- Andrea Tevlin, Independent Budget Analyst
- Tracy McCraner, Acting City Comptroller
- Eduardo Luna, City Auditor
- Nader Tirandazi, Financial Management Director



## THE CITY OF SAN DIEGO

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**OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT**

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Date Issued: February 23, 2009

IBA Report Number: 09-08

Budget and Finance Committee Date: February 25, 2009

Item Number: 1

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## General Fund User Fee Policy

### OVERVIEW

On February 12, 2009 the Chief Financial Officer released a proposed General Fund User Fee Policy for consideration at the February 25, 2009 meeting of the Budget and Finance Committee. The proposed policy is the outcome of a long-term effort to formalize a comprehensive user fee policy, which is needed to assist with determining the appropriate levels of user fees for services and related cost-recovery revenues.

The need for a comprehensive user fee policy has been raised by the IBA in numerous reports over the past few years. In particular, the IBA has stressed the importance of timely implementation, and more importantly, has recommended that a fee review and adjustment process be an element of the City's annual budget process.

The City's user fees and cost recovery rates have not been comprehensively reviewed for all departments in many years. The City is facing a stated \$54 million deficit for FY 2010, as well as a structural budget deficit. It is critical that the City Council be made aware of where existing user fees are not recovering the full cost of service; what extent the general fund is subsidizing these services; and how much revenue is potentially recoverable. The Kroll report released in August 2006 also recommended "that activities supported by user fees should be fully cost recoverable."

### FISCAL/POLICY DISCUSSION

In past reports, the IBA has discussed the need for the City to:

- Identify the full cost of service for activities that charge user fees
- Determine current cost recovery rates for these activities
- Develop "target" cost recovery policies, and
- Propose recommendations to Council for achieving these targets

**Office of Independent Budget Analyst**

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The policy should outline goals for cost recovery, including a listing showing which city fees fall into categories of various levels of cost recovery, with an explanation of why it may be desirable for some costs to not be fully recovered. A separate administrative regulation should be prepared including formulas for determining appropriate costs, the methodology to determine cost recovery, and instructions for calculating fees. Finally, a Rate Book of Fees should be made available for review, which the policy states will be available both at the City Clerk's office and on the City's website.

The IBA had previously pointed to the need for annual inflationary or other technical adjustments to routinely take place as part of the annual budget process and for a comprehensive user fee study to be conducted every five years. In the proposed policy, a comprehensive user fee study and review of the User Fee Policy is to be conducted every three years. The policy also calls for user fees to be "updated annually as part of the budget process based on CPI inflation estimates or other annually adjusted inflators until the next comprehensive user fee study is undertaken."

It is our understanding that steps are presently being taken to conduct selected departmental user fee reviews. The Mayor's Five-Year Financial Outlook included a possible corrective action in FY 2010 for General Fund user fee increases in the range of \$2.0 - \$5.0 million to help address budgetary shortfalls. The adoption of this policy is the first step toward implementing this action. Financial Management staff has informed the IBA that the following departments are expected to bring user fee proposals to the Budget and Finance Committee:

- San Diego Fire-Rescue
- Park and Recreation
- Engineering and Capital Projects
- Special Events
- City Clerk
- Neighborhood Code Compliance
- Police
- City Treasurer

If fee increases are to be included in the Mayor's Proposed Budget, we recommend the Budget and Finance Committee review these proposals in advance and participate in decision-making relative to cost recovery policies.

A comprehensive user fee study should also be conducted and presented to Council in addition to the proposed user fee policy. Only a comprehensive study of all general fund fees and recovery rates will provide to the Council complete information on present cost recovery rates and will allow for full consideration of all fees. This analysis is necessary for Council to determine any further changes. A timeframe for this should be established.

In addition, our office has other areas of concern which we recommend be addressed in the proposed policy, including:

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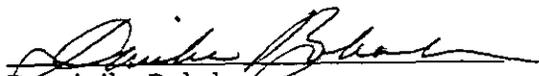
- Ensuring opportunities for public and other stakeholder input into the formulation of this policy and for proposed new fees or increases
- Ensuring all departments undertake appropriate reviews and bring recommendations forward in a timely fashion
- If significant increases are necessary to achieve cost recovery, possible multi-year phased approaches to bring fees to targeted levels should be considered
- Requiring the Auditor or Comptroller to verify and/or periodically audit cost recovery levels
- Identifying a single point of contact for specific department to maintain the Rate Book and the electronic user fee data that will ensure information is current and accurate
- A list of which fees fall within which category for cost recovery

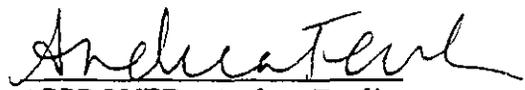
Some of these details, instructions and procedures could be addressed in an upcoming revision to administrative regulations related to user fees, and may not necessarily be required in a policy document. However, given the recent long-term lapse in user fee updates, it is important that these issues be clarified.

## CONCLUSION

The proposed General Fund User Fee Policy is presented in advance of the FY 2010 budget process, with the intention to integrate revenue from new and updated user fees in the FY 2010 Proposed Budget. Pending discussion and recommendations from the Budget and Finance Committee, the proposed policy is expected to be forwarded to the Council for its review and approval.

Concurrently, departments are preparing fee proposals, which will be brought forward to the Committee, with the intention for the implementation of new and/or increased revenues to be incorporated into the FY 2010 Budget. The proposed policy marks important progress in this area. However, a comprehensive user fee study is needed to demonstrate to the Council and the public which City programs are currently being subsidized by the General Fund, and to allow full consideration of user fee increases as an alternative to service reductions in the development of future budgets.

  
Dominika Bukalova  
Research Analyst

  
APPROVED: Andrea Tevlin  
Independent Budget Analyst



THE CITY OF SAN DIEGO

## M E M O R A N D U M

DATE: February 25, 2009

TO: Members of the Budget and Finance Committee  
Members of City Council

FROM: Mary Lewis, Chief Financial Officer *Mary Lewis*

SUBJECT: General Fund User Fee Policy

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**INTRODUCTION**

The following presents a comprehensive User Fee Policy for the City of San Diego that includes guidelines for establishing and maintaining a comprehensive user fee schedule. The proposed user fee policy establishes the method for setting up fees and the extent to which they cover the cost of the service provided, as recommended by the Government Finance Officers Association (GFOA), National Advisory Council on State and Local Budgeting (NACSLB), and Federal Government Office of Management and Budget (Circular A-87).

**BACKGROUND AND DISCUSSION**

The City charges a range of fees for services provided to residents and businesses. These fees are imposed as a result of a public need, such as recreational services, rental uses, and other types of services.

According to the standards established by GFOA and NACSLB and their best practice guidelines, governments should calculate the full cost of the different services they provide. For instance, GFOA recommends a formal fee policy that should identify factors to be considered when pricing services.

Many cities have implemented user fee policies to comply with the regulations set by their jurisdictions. Best practices indicate that several components are essential in developing a User Fee Policy that are described below and included in the proposed User Fee Policy:

1. Provide specific requirements for frequency of fee review.
2. Identify how fees are set and what factors are considered.

3. Develop a cost recovery rationale which will allow revenue enhancement through full cost accounting, thereby improving government efficiency, and which will maintain equity considerations in regard to provision of government services.
4. State the government agency's intent to set fees to recover the full cost of service. Determining cost recovery rates necessitates an accurate calculation of the cost of providing government services, both direct and indirect, regardless of whether all services are deemed to be fully cost recoverable. Direct costs consist of costs that are incurred directly by providing the service, such as staff time spent on service-related activities in addition to salary and benefit expenses. Indirect costs consist of departmental overhead such as operating expenses and internal administrative costs as well as citywide overhead costs. Failure to include indirect costs results in inadvertent subsidization of government services that benefit individuals rather than the overall public.
5. Provide rationale in cases where a government agency sets a fee lower than the full cost of a service. The concept behind a user fee is that the fee charged for a service should equal the cost of providing that service. Examples of programs and services with low to moderate cost recovery levels include recreational activities for youth and seniors, other community services, and library fees.
6. Set a frequency for undertaking cost of service studies. In-depth user fee studies should be undertaken every two to five years, with annual adjustments based on certain economic inflators or changes in budget allocations. While some cities determine annual fee changes by evaluating the impact of inflation, others also evaluate the impact of changes in budget allocations for each department to determine whether the cost of providing specific services has changed. In addition, while an annual review is necessary to determine whether fees should be updated according to the policy, a comprehensive annual user fee study may not be cost-effective because of its labor and time-intensive nature, particularly due to the large number of fees that must be reviewed. Therefore, a schedule of increases based on Consumer Price Index (CPI) or other annually adjusted inflator should be included in the policy.
7. Allow stakeholder input and make the policy available to the public. GFOA recommends that stakeholders be given an opportunity to provide input during the User Fee Policy formulation process. This proposed User Fee Policy includes: a) provisions for allowing the public to be part of the discussion of the proposed fees; and b) the requirement to make a schedule of all fees available and ensure its easy access for the public.

## **USER FEE POLICY**

### **DEFINITIONS**

A **User Fee** is a fee charged by a government agency to recipients of its services. User fees generally apply to activities that provide special benefits to members of the public, and the amount of the fee is usually related to the cost of the service provided. Examples of user fees are pool fees, park room rental fees, fire inspection fees, and others.

**Cost Recovery** is recouping a portion of or all costs associated with a particular service provided by the government agency to the public. The user fees determine the percentage of a service that is recovered. Cost recovery has two important rationales: (a) revenue enhancement through full cost accounting, thereby improving government efficiency; and (b) maintaining equity considerations in regard to the provision of public services.

**Direct Costs** are the costs incurred directly by providing a specified service. These costs are associated with staff time spent performing service related duties and include employee salary and benefits. In general, direct costs are any costs that can be traced directly to the production of a given service or product.

**Indirect Costs** are the costs not directly accountable or associated with the production of a service, such as a fixed cost. Indirect costs include departmental overhead (operating expenses and internal administrative costs), as well as citywide overhead, including all those costs that support City programs and services.

### **OBJECTIVES**

- A. Establish a comprehensive User Fee Policy which will allow the City to identify the full cost of services for activities that charge user fees in order to develop target cost recovery rates.
- B. Bring existing fee levels in-line with service costs to ensure that all reasonable costs incurred in providing these services are being recovered.

### **ANNUAL REVIEW PROCESS**

Regular annual changes to user fees in the General Fund shall be proposed to the City Council during the annual budget process. All approved changes shall be published in the City's user fee rate book and on the City's website, both of which shall be maintained by the Office of the City Clerk.

Changes to user fees in enterprise fund departments (Water, Wastewater, Airports, Golf Course, Recycling, and Refuse Disposal funds) shall be proposed to the City Council as recommended by each responsible enterprise fund department.

### **POLICY REQUIREMENTS**

#### **LEVELS OF COST RECOVERY**

##### **Category I – Full Recovery (100 Percent)**

User fees that are determined to have a 100 percent cost recovery goal shall be updated annually based on the costs incurred for providing services using actual data from the prior fiscal year. All user fees are assumed to be at 100 percent cost recovery unless they meet the criteria for Categories II and III.

##### **Category II – Partial Recovery (Below 100 Percent)**

User fees that are below the 100 percent cost recovery goal shall be adjusted annually by a standardized escalator based on the most recent Consumer Price Index. Alternatively, these fees

may be changed at any point in time upon recommendation by the responsible department, approval by the Chief Operating Officer and final approval by the City Council.

Fees are generally less than 100 percent cost recovery in cases where: (a) the collection of fees is not cost-effective; (b) the collection of fees would not comply with regulatory requirements; (c) the purpose of the fee is not to generate revenue but rather provide benefits to the recipients (e.g. recreational activities).

### **Category III – Fees (Fines and Penalties)**

User fees that fall into this category are in most cases penalties, fines or deterrents to the public (library fines, penalties for uncollected money or public safety response for disturbances). User fees in Category III shall be reviewed annually relative to the reasonableness of the fee and the fiscal effect as it relates to deterrence.

In summary, the following economic and policy considerations shall be considered when setting cost recovery levels as follows:

- Public use of government services shall be considered (potential to use fees as a means of encouraging or discouraging activities, for instance, library book fines).
- Constitutional or other types of limitations on charging more or less than the actual cost of providing the service.
- Subsidization (not full cost recovery) of activities for groups who cannot afford access to services if fees are set at full cost recovery (e.g. pool fees). In these cases, the City shall subsidize a portion of the cost of the service.
- The fee amount and its affect on the demand of the service shall be considered. Increasing a fee amount might not always raise revenues, but instead may have the opposite impact. A fee set above what the public is generally willing to pay will lessen the demand for the service, and, as a result, a sensitivity analysis of consumer demand shall be considered when setting fees.
- The nature of the facilities or services shall be considered when setting fees (e.g. fees for facilities may warrant full cost recovery while fees for youth recreation programs may warrant less than full cost recovery).
- The nature and extent of the benefit to the fee-payers. The recipients that benefit from the service provided shall be identified. The fee review shall consider whether the service is beneficial to the public as a whole or the individual fee-payer.
- Fee amounts shall be proportional to the costs associated with providing the service or program. The full cost should consist of both direct and indirect costs and should be included within the fee amount. Indirect costs shall be captured through overhead rates for each department.

### **COST RECOVERY CALCULATION**

City departments with user fees shall determine cost recovery rates based on direct and indirect costs for all fees in order to accurately calculate the cost of providing services regardless of whether all services are deemed to be fully cost recoverable. Indirect costs shall include allocated central support services costs (IT, risk management, fleet assignment and usage fees, etc.).

Fees shall be annually adjusted to maintain the cost recovery level. Departments with user fees shall be responsible for developing cost recovery rates for their respective user fees in accordance with the cost recovery levels described in this policy. User fees that do not meet the criteria for Categories II and III shall be developed to achieve full cost recovery (Category I). Where appropriate, departments may initiate a multi-phase approach to achieve a targeted cost recovery rate.

Revisions to the fees shall incorporate savings from efficiency reforms. Departments shall include these efficiency savings in their cost analysis to determine fees.

Different methods of adjustment are acceptable such as using a Consumer Price Index (CPI), State and Local Implicit Price Deflator, Municipal Cost Index, or other inflators. It is recommended that, if applicable, a CPI inflator be used for setting or revising the City's user fees.

### **FREQUENCY OF USER FEES COST STUDIES**

User fees shall be updated annually as a part of the budget process based on CPI inflation estimates or other annually adjusted inflators until the next comprehensive user fee study is undertaken.

A comprehensive user fee study and a review of this proposed User Fee Policy shall be conducted every three years. The user fee study should include the extent and scope of study as well as the level of participation of responsible departments. Any major changes to fees shall be implemented prior to the adoption of the annual budget for the following fiscal year.

The following factors shall be taken into account during a comprehensive user fee study:

- Whether service costs are covered by revenues received
- Whether fees cover costs and generate excess revenue that supplement other services
- A comparison of fee levels for similar services provided in other jurisdictions
- An analysis of all relevant costs involved including direct and indirect costs

Any proposals for new or revised fees shall be first approved by the Chief Operating Officer. The fee proposals then shall be reviewed by the Budget and Finance Committee with subsequent approval by the City Council. Any such proposals shall include the purpose of the fee (if new); justification for implementation or revision; the fee amount and annual revenue; annual cost; the methodology and level of cost recovery; the nature and extent of the benefit to the fee-payers; and other relevant information.

The City's Administrative Regulations related to user fee charges shall be revised by including all the requirements of this proposed User Fee Policy and shall include procedures for implementing new fees or revising existing fees.

### **PUBLIC INPUT AND AVAILABILITY OF FEE INFORMATION**

When fees are revised, data indicating the proposed fee, the estimated cost required for providing the service, and the estimated amount of revenue shall be available to the public prior to the City Council meetings through the docketing of the report for the Council agenda. The City Clerk

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shall post an updated schedule of all fees on the City's internet site on July 1<sup>st</sup> of each year. The City Clerk shall also make available to the public a fee rate book that shall be located in the Office of the City Clerk.

This policy shall replace Council Policy 100-05 ("Fees - Public Notification") adopted by the City Council in April 1979.

**CONCLUSION**

The purpose of this policy is to provide general guidelines and to incorporate best practices in establishing user fees to ensure that the City adequately recovers costs for services it provides to the public. The User Fee Policy identifies factors that need to be considered in setting fees, the level of cost recovery, and the frequency of comprehensive user fee studies. The key factor of the User Fee Policy is to review and update fees on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery.

Mary Lewis  
Chief Financial Officer

CC: Honorable Mayor Jerry Sanders  
City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Andrea Tevlin, Independent Budget Analyst  
Tracy McCraner, Acting City Comptroller  
Eduardo Luna, City Auditor  
Nader Tirandazi, Financial Management Director

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SAN DIEGO, CA



THE CITY OF SAN DIEGO

## M E M O R A N D U M

DATE: February 12, 2009

TO: Members of the Budget and Finance Committee  
Members of City Council

FROM: Mary Lewis, Chief Financial Officer *Mary Lewis*

SUBJECT: General Fund User Fee Policy

---

**INTRODUCTION**

The following presents a comprehensive User Fee Policy for the City of San Diego that includes guidelines for establishing and maintaining a comprehensive user fee schedule. The proposed user fee policy establishes the method for setting up fees and the extent to which they cover the cost of the service provided, as recommended by the Government Finance Officers Association (GFOA), National Advisory Council on State and Local Budgeting (NACSLB), and Federal Government Office of Management and Budget (Circular A-87).

**BACKGROUND AND DISCUSSION**

The City charges a range of fees for services provided to residents and businesses. These fees are imposed as a result of a public need, such as recreational services, rental uses, and other types of services.

According to the standards established by GFOA and NACSLB and their best practice guidelines, governments should calculate the full cost of the different services they provide. For instance, GFOA recommends a formal fee policy that should identify factors to be considered when pricing services.

Many cities have implemented user fee policies to comply with the regulations set by their jurisdictions. Best practices indicate that several components are essential in developing a User Fee Policy that are described below and included in the proposed User Fee Policy:

1. Provide specific requirements for frequency of fee review.
2. Identify how fees are set and what factors are considered.

3. Develop a cost recovery rationale which will allow revenue enhancement through full cost accounting, thereby improving government efficiency, and which will maintain equity considerations in regard to provision of government services.
4. State the government agency's intent to set fees to recover the full cost of service. Determining cost recovery rates necessitates an accurate calculation of the cost of providing government services, both direct and indirect, regardless of whether all services are deemed to be fully cost recoverable. Direct costs consist of costs that are incurred directly by providing the service, such as staff time spent on service-related activities in addition to salary and benefit expenses. Indirect costs consist of departmental overhead such as operating expenses and internal administrative costs as well as citywide overhead costs. Failure to include indirect costs results in inadvertent subsidization of government services that benefit individuals rather than the overall public.
5. Provide rationale in cases where a government agency sets a fee lower than the full cost of a service. The concept behind a user fee is that the fee charged for a service should equal the cost of providing that service. Examples of programs and services with low to moderate cost recovery levels include recreational activities for youth and seniors, other community services, and library fees.
6. Set a frequency for undertaking cost of service studies. In-depth user fee studies should be undertaken every two to five years, with annual adjustments based on certain economic inflators or changes in budget allocations. While some cities determine annual fee changes by evaluating the impact of inflation, others also evaluate the impact of changes in budget allocations for each department to determine whether the cost of providing specific services has changed. In addition, while an annual review is necessary to determine whether fees should be updated according to the policy, a comprehensive annual user fee study may not be cost-effective because of its labor and time-intensive nature, particularly due to the large number of fees that must be reviewed. Therefore, a schedule of increases based on Consumer Price Index (CPI) or other annually adjusted inflator should be included in the policy.
7. Allow stakeholder input and make the policy available to the public. GFOA recommends that stakeholders be given an opportunity to provide input during the User Fee Policy formulation process. This proposed User Fee Policy includes: a) provisions for allowing the public to be part of the discussion of the proposed fees; and b) the requirement to make a schedule of all fees available and ensure its easy access for the public.

## **USER FEE POLICY**

### **DEFINITIONS**

A User Fee is a fee charged by a government agency to recipients of its services. User fees generally apply to activities that provide special benefits to members of the public, and the amount of the fee is usually related to the cost of the service provided. Examples of user fees are pool fees, park room rental fees, fire inspection fees, and others.

**Cost Recovery** is recouping a portion of or all costs associated with a particular service provided by the government agency to the public. The user fees determine the percentage of a service that is recovered. Cost recovery has two important rationales: (a) revenue enhancement through full cost accounting, thereby improving government efficiency; and (b) maintaining equity considerations in regard to the provision of public services.

**Direct Costs** are the costs incurred directly by providing a specified service. These costs are associated with staff time spent performing service related duties and include employee salary and benefits. In general, direct costs are any costs that can be traced directly to the production of a given service or product.

**Indirect Costs** are the costs not directly accountable or associated with the production of a service, such as a fixed cost. Indirect costs include departmental overhead (operating expenses and internal administrative costs), as well as citywide overhead, including all those costs that support City programs and services.

**OBJECTIVES**

- A. Establish a comprehensive User Fee Policy which will allow the City to identify the full cost of services for activities that charge user fees in order to develop target cost recovery rates.
- B. Bring existing fee levels in-line with service costs to ensure that all reasonable costs incurred in providing these services are being recovered.

**ANNUAL REVIEW PROCESS**

Regular annual changes to user fees in the General Fund shall be proposed to the City Council during the annual budget process. All approved changes shall be published in the City's user fee rate book and on the City's website, both of which shall be maintained by the Office of the City Clerk.

Changes to user fees in enterprise fund departments (Water, Wastewater, Airports, Golf Course, Recycling, and Refuse Disposal funds) shall be proposed to the City Council as recommended by each responsible enterprise fund department.

**POLICY REQUIREMENTS**

**LEVELS OF COST RECOVERY**

**Category I – Full Recovery (100 Percent)**

User fees that are determined to have a 100 percent cost recovery goal shall be updated annually based on the costs incurred for providing services using actual data from the prior fiscal year. All user fees are assumed to be at 100 percent cost recovery unless they meet the criteria for Categories II and III.

**Category II – Partial Recovery (Below 100 Percent)**

User fees that are below the 100 percent cost recovery goal shall be adjusted annually by a standardized escalator based on the most recent Consumer Price Index. Alternatively, these fees

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may be changed at any point in time upon recommendation by the responsible department, approval by the Chief Operating Officer and final approval by the City Council.

Fees are generally less than 100 percent cost recovery in cases where: (a) the collection of fees is not cost-effective; (b) the collection of fees would not comply with regulatory requirements; (c) the purpose of the fee is not to generate revenue but rather provide benefits to the recipients (e.g. recreational activities).

### **Category III – Fees (Fines and Penalties)**

User fees that fall into this category are in most cases penalties, fines or deterrents to the public (library fines, penalties for uncollected money or public safety response for disturbances). User fees in Category III shall be reviewed annually relative to the reasonableness of the fee and the fiscal effect as it relates to deterrence.

In summary, the following economic and policy considerations shall be considered when setting cost recovery levels as follows:

- Public use of government services shall be considered (potential to use fees as a means of encouraging or discouraging activities, for instance, library book fines).
- Constitutional or other types of limitations on charging more or less than the actual cost of providing the service.
- Subsidization (not full cost recovery) of activities for groups who cannot afford access to services if fees are set at full cost recovery (e.g. pool fees). In these cases, the City shall subsidize a portion of the cost of the service.
- The fee amount and its affect on the demand of the service shall be considered. Increasing a fee amount might not always raise revenues, but instead may have the opposite impact. A fee set above what the public is generally willing to pay will lessen the demand for the service, and, as a result, a sensitivity analysis of consumer demand shall be considered when setting fees.
- The nature of the facilities or services shall be considered when setting fees (e.g. fees for facilities may warrant full cost recovery while fees for youth recreation programs may warrant less than full cost recovery).
- The nature and extent of the benefit to the fee-payers. The recipients that benefit from the service provided shall be identified. The fee review shall consider whether the service is beneficial to the public as a whole or the individual fee-payer.
- Fee amounts shall be proportional to the costs associated with providing the service or program. The full cost should consist of both direct and indirect costs and should be included within the fee amount. Indirect costs shall be captured through overhead rates for each department.

### **COST RECOVERY CALCULATION**

City departments with user fees shall determine cost recovery rates based on direct and indirect costs for all fees in order to accurately calculate the cost of providing services regardless of whether all services are deemed to be fully cost recoverable. Indirect costs shall include allocated central support services costs (IT, risk management, fleet assignment and usage fees, etc.).

Fees shall be annually adjusted to maintain the cost recovery level. Departments with user fees shall be responsible for developing cost recovery rates for their respective user fees in accordance with the cost recovery levels described in this policy. User fees that do not meet the criteria for Categories II and III shall be developed to achieve full cost recovery (Category I). Where appropriate, departments may initiate a multi-phase approach to achieve a targeted cost recovery rate.

Different methods of adjustment are acceptable such as using a Consumer Price Index (CPI), State and Local Implicit Price Deflator, Municipal Cost Index, or other inflators. It is recommended that, if applicable, a CPI inflator be used for setting or revising the City's user fees.

#### **FREQUENCY OF USER FEES COST STUDIES**

User fees shall be updated annually as a part of the budget process based on CPI inflation estimates or other annually adjusted inflators until the next comprehensive user fee study is undertaken.

A comprehensive user fee study and a review of this proposed User Fee Policy shall be conducted every three years. The user fee study should include the extent and scope of study as well as the level of participation of responsible departments. Any major changes to fees shall be implemented prior to the adoption of the annual budget for the following fiscal year.

The following factors shall be taken into account during a comprehensive user fee study:

- Whether service costs are covered by revenues received
- Whether fees cover costs and generate excess revenue that supplement other services
- A comparison of fee levels for similar services provided in other jurisdictions
- An analysis of all relevant costs involved including direct and indirect costs

Any proposals for new or revised fees shall be first approved by the Chief Operating Officer with subsequent approval by the City Council. Any such proposals shall include the purpose of the fee (if new); justification for implementation or revision; the fee amount and annual revenue; annual cost; the methodology and level of cost recovery; the nature and extent of the benefit to the fee-payers; and other relevant information.

The City's Administrative Regulations related to user fee charges shall be revised by including all the requirements of this proposed User Fee Policy and shall include procedures for implementing new fees or revising existing fees.

#### **PUBLIC INPUT AND AVAILABILITY OF FEE INFORMATION**

When fees are revised, data indicating the proposed fee, the estimated cost required for providing the service, and the estimated amount of revenue shall be available to the public prior to the City Council meetings through the docketing of the report for the Council agenda. The City Clerk shall post an updated schedule of all fees on the City's internet site on July 1<sup>st</sup> of each year. The City Clerk shall also make available to the public a fee rate book that shall be located in the Office of the City Clerk.

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This policy shall replace Council Policy 100-05 ("Fees - Public Notification") adopted by the City Council in April 1979.

**CONCLUSION**

The purpose of this policy is to provide general guidelines and to incorporate best practices in establishing user fees to ensure that the City adequately recovers costs for services it provides to the public. The User Fee Policy identifies factors that need to be considered in setting fees, the level of cost recovery, and the frequency of comprehensive user fee studies. The key factor of the User Fee Policy is to review and update fees on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery.

Mary Lewis  
Chief Financial Officer

CC: Honorable Mayor Jerry Sanders  
City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Andrea Tevlin, Independent Budget Analyst  
Tracy McCraner, Acting City Comptroller  
Eduardo Luna, City Auditor  
Nader Tirandazi, Financial Management Director

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THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: February 25, 2009 REPORT NO: 09-014  
ATTENTION: Council President and City Council  
SUBJECT: User Fee Policy  
REFERENCE: City User Fee Policy Memorandum

REQUESTED ACTION:  
Approve the City User Fee Policy.

STAFF RECOMMENDATION:  
Approve the requested action.

SUMMARY:

The proposed User Fee Policy incorporates guidelines and recommendations of the Government Finance Officers Association, National Advisory Council on State and Local Budgeting, and Federal Government Office of Management and Budget Circular A-87. The proposed User Fee Policy establishes the method in which fees are set and the extent to which they cover the cost of the service provided.

DISCUSSION:

**User Fee Policy**

The City of San Diego charges a range of fees for services provided to residents and businesses by many City departments. Fees are applied to recreational activities, rental use, permits and other different types of activities. The goals of the User Fee Policy are to: (a) establish a comprehensive User Fee Policy which will allow the City to identify the full cost of services for activities that charge user fees in order to develop target cost recovery rates; and (b) bring existing fee levels inline with service costs to ensure that all reasonable costs incurred in providing these services are being recovered. The proposed User Fee Policy will replace City Council Policy 100-05 ("Fees – Public Notification") adopted in 1979 and will direct staff to maintain a book of current fees in an accessible format for public use.

The proposed User Fee Policy establishes the method by which fees and charges are set and the extent to which they cover the cost of the services provided. The purpose of this policy is to provide guidelines for the review of City fees and to incorporate best practices in establishing user fees to ensure that the City adequately recovers costs for services it provides to the public. The User Fee Policy identifies factors that need to be considered in setting fees, the level of cost

recovery, and the frequency of comprehensive user fee studies. The key factor of the User Fee Policy is to review and update fees on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery.

**User Fee Studies**

User fees will be updated annually as a part of the budget process, and adjustments will be based on the current annual CPI inflation rate until the next comprehensive User Fee Study is undertaken. A comprehensive User Fee Study will be conducted every three years. The User Fee Study will include the extent and scope of study as well as the level of participation of responsible departments. Each stakeholder department will evaluate each fee assessed on services to the City's residents and businesses and will advise the COO on whether or not an adjustment of a fee is warranted.

When evaluating cost recovery rates on services, departments will include analysis of all relevant costs including direct costs (personnel expenses, materials, etc.) and indirect costs (department overhead expenses). Indirect costs are centrally calculated by the Office of the City Comptroller and are expressed as flat percentages assessed as overhead rates on service-based departmental job orders.

**Availability to the Public**

Per the User Fee Policy, the City Clerk will establish a web-based rate book on which the information for all current and revised fees (including fees that are increased annually on a CPI basis) will be posted. The City Clerk will update the web-based rate book by July 1<sup>st</sup> of each year. In addition to the web-based rate book, a hard copy of all fees will be located at the Office of the City Clerk.

**FISCAL CONSIDERATIONS:**

Revisions to user fee levels will allow the City to generate additional revenues to cover service cost increases.

**PREVIOUS COUNCIL and/or COMMITTEE ACTION:**

On 2/25/2009, the Budget Committee voted 3-0-2 to approve the user fee policy as amended by the committee and to direct the Mayor to take certain actions with respect to proposed fee increases and preparation of a comprehensive fee report.

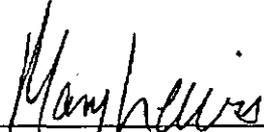
**COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:**

Stakeholder meetings were held with various user groups.

**KEY STAKEHOLDERS AND PROJECTED IMPACTS:**

Users of City services will be affected by fee modifications.

  
\_\_\_\_\_  
Nader Tirandazi  
Financial Management Director

  
\_\_\_\_\_  
Mary Lewis  
Chief Financial Officer

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City of San Diego

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# City of San Diego General Fund User Fee Policy

February 25, 2009



City of San Diego

## General Fund User Fee Policy User Fee Guidelines

- Government Finance Officers Association (GFOA)
- National Advisory Council on State and Local Budgeting
- Federal Government Office of Management and Budget (Circular A-87)



## General Fund User Fee Policy User Fee Research & Guidelines

### City Internal Auditor participation:

- Recommended studies (Best Practices, Methodologies, and Guidelines\*; Best Practices of Indirect Cost Calculation\*)
- Reviewed and approved methodology

*\*Studies based on research of other municipalities and best practices and guidelines*



## Other Municipalities User Fee Research

### Research of other municipalities' cost recovery:

- City of San Jose
- City of San Luis Obispo
- City of Phoenix
- City of Houston
- City of Long Beach
- County of San Diego, etc.



# General Fund User Fee Policy

June 2008 - User Fee Task Force created:

- Financial Management
- City Auditor
- City Comptroller
- IBA
- Police
- San Diego Fire-Rescue
- Park & Recreation
- Library
- Engineering & Capital Projects
- City Clerk
- City Planning and Community Investment
- Neighborhood Code Compliance



# General Fund User Fee Policy

## Purpose

- Provide specific requirements for frequency of fee review
- Identify how fees are set and what factors are considered
- Develop cost-recovery rationale
- State the intent to set fees to recover full cost of service
- Provide rationale for setting a fee lower than the full cost of a service
- Set a frequency for undertaking cost-of-service studies
- Allow stakeholder input and make the policy available to the public



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## General Fund User Fee Policy

### Objectives

- Identify the full cost of services
- Bring existing fee levels in-line with service costs



## General Fund User Fee Policy

### Levels of Cost Recovery

- Category I
  - Full Cost Recovery (100%)  
(misc. fire inspection fees, HAZMAT permits, entertainment permits, meeting room rentals, etc.)
- Category II
  - Partial Cost Recovery (below 100%)
    - a) fees that comply with regulatory requirements (passport processing fee, etc.)
    - b) the purpose of the fee is not a full cost recovery but to provide benefits to the recipients (recreational programs, etc.)
- Category III
  - Fines and Penalties (library book fines, non-compliance fire fees, etc.)



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## General Fund User Fee Policy Considerations when Setting Fees

- Public use of government services
- Constitutional or other types of limitations
- Subsidization of activities
- Affect of a fee increase on demand
- The nature and extent of benefit to fee-payers



## General Fund User Fee Policy City of San Diego Cost Recovery

- Standard cost recovery methodology for all departments:  
Direct costs (labor, fringe) + indirect costs (overhead rates)
- Annual adjustments will be required to maintain cost recovery level
- Fees that do not meet the criteria for Categories II and III are to be developed to achieve full cost recovery
- Multi-phase approach to achieve a targeted cost recovery rate may be required



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## General Fund User Fee Policy

### Fee Review

- User fees are to be updated annually during budget process based on CPI rate or other inflators
- Major changes to fees are to be implemented prior to the adoption of the annual budget for the following fiscal year
- A comprehensive user fee study and review of the User Fee Policy are to be conducted every three years
- All approved fee changes should be published in a City user fee rate book and published on the City's website



## Other Municipalities User Fee Policies

### San Jose Fee Policy:

"Fees shall be set to cover 100% of the cost of service delivery, unless such amount prevents residents from obtaining an essential service. Fees or service charges should not be established to generate money in excess of the cost of providing services.

Fees may be less than 100% if Council determines that other factors (e.g., market forces, competitive position, etc.) need to be recognized"



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## Other Municipalities User Fee Policies

### Los Angeles Fee Policy:

“Sufficient user charges and fees shall be pursued and levied to support the full cost of operations for which fees are charged, including all operating (direct and indirect) and capital costs. All user charges and fees for the City shall be monitored annually to determine that rates are adequate and each source is maximized. If fees or charges are not set at 100 percent full cost recovery, the Mayor and Council will specifically recognize the subsidy and shall take specific action to appropriate the necessary funds to subsidize the fee for service”



## General Fund User Fee Policy

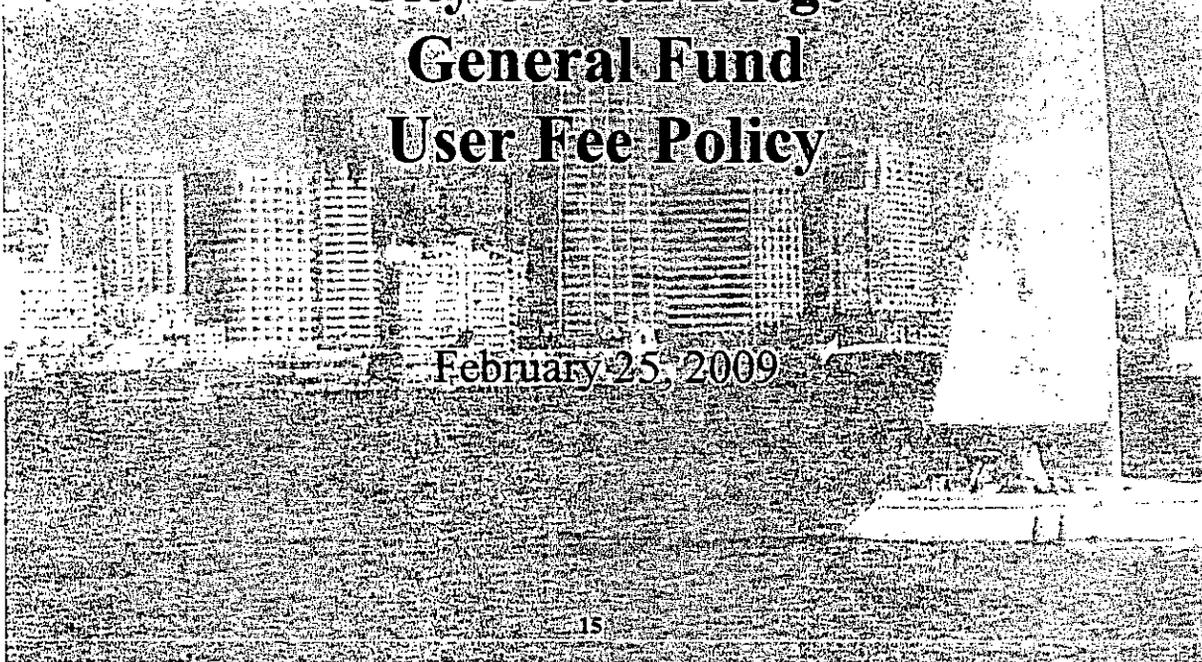
### Next Steps

- User Fee Policy to B&FC – 02/25/09
- User Fee Policy to City Council – 03/10/09
- March – April 2009 proposed user fees presented by departments to B&FC and City Council
  - Fire
  - Police
  - Park & Recreation
  - Library
  - Other Departments



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# City of San Diego General Fund User Fee Policy



February 25, 2009

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REQUEST FOR COUNCIL ACTION  
CITY OF SAN DIEGO

1. CERTIFICATE NUMBER 107  
(FOR AUDITOR'S USE OR) 03/10

TO: CITY ATTORNEY

2. FROM (ORIGINATING DEPARTMENT):  
FINANCIAL MANAGEMENT

3. DATE: 02/25/09

4. SUBJECT:  
General Fund User Fee Policy

5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.)  
Irina Kumits MS 8A 235-5714

6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.)

7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND			
DEPT.			
ORGANIZATION			
OBJECT ACCOUNT			
JOB ORDER			
C.I.P. NUMBER			
AMOUNT			

9. ADDITIONAL INFORMATION / ESTIMATED COST:

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT	<i>[Signature]</i>	2/25/09	8	CITY COMPTROLLER	<i>[Signature]</i>	2/26/09
2				9	CFO	<i>[Signature]</i>	2/25/09
3				10	CITY ATTORNEY	<i>[Signature]</i>	2/26/09
4	LIAISON OFFICE	<i>[Signature]</i>	2/26/09	11	ORIGINATING DEPARTMENT	<i>[Signature]</i>	2/25/09
5				DOCKET COORD: _____ COUNCIL LIAISON: _____			
6				<input checked="" type="checkbox"/> COUNCIL PRESIDENT <input type="checkbox"/> SPOB <input checked="" type="checkbox"/> CONSENT <input type="checkbox"/> ADOPTION <input type="checkbox"/> REFER TO: _____			
7					COUNCIL DATE: 3.10.09		

11. PREPARATION OF:  RESOLUTION(S)  ORDINANCE(S)  AGREEMENT(S)  DEED(S)

1. Approve the City User Fee Policy

11A. STAFF RECOMMENDATIONS:  
1. Approve the City User Fee Policy

12. SPECIAL CONDITIONS:

COUNCIL DISTRICT(S): CITYWIDE

COMMUNITY AREA(S): CITYWIDE

ENVIRONMENTAL IMPACT: This action is exempt from CEQA pursuant to Section 15060 (c) (3) of State CEQA guidelines

HOUSING IMPACT: none

OTHER ISSUES: none

RESOLUTION NUMBER R-\_\_\_\_\_

DATE OF FINAL PASSAGE \_\_\_\_\_

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN  
DIEGO APPROVING THE CITY USER FEE POLICY.

WHEREAS, the proposed User Fee Policy incorporates guidelines and recommendation of the Government Finance Officer Association, National Advisory Council on State and Local Budgeting, and Federal Government Office of Management and Budget Circular A-87; and

WHEREAS, the proposed User Fee Policy establishes the method in which fees are set and the extent to which they cover the cost of the service provided; and

WHEREAS, the proposed User Fee Policy will replace City Council Policy 100-05 [Fees-Public Notification] adopted in 1979 and will direct staff to maintain a book of current fees in an accessible format for public use; and

WHEREAS, the purpose of this policy is to incorporate best practices in establishing user fees to ensure that the City adequately recovers costs for services it provides to the public; and

WHEREAS, the key factor of the User Fee Policy is to review and update fees on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery; and

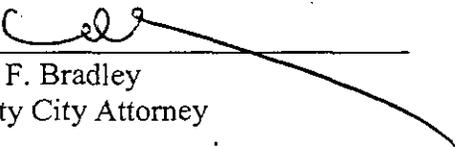
WHEREAS, revisions to the fees shall incorporate savings from efficiency reforms, departments shall include these efficiency savings in their cost analysis to determine fees; and

WHEREAS, any proposals for new or revised fees shall be first approved by the Chief Operating Officer and then shall be reviewed by the Budget and Finance Committee with subsequent approval by the City Council; NOW THEREFORE,

000448

BE IT RESOLVED, by the Council of the City of San Diego that the Report No.: 09-014 of the Financial Management Department and the User Fee Policy is approved.

APPROVED: JAN I. GOLDSMITH, City Attorney

By   
Todd F. Bradley  
Deputy City Attorney

TFB:jdf  
02/26/09  
Or.Dept:Fin. Mgmt.  
R-2009-912

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of \_\_\_\_\_.

ELIZABETH S. MALAND  
City Clerk

By \_\_\_\_\_  
Deputy City Clerk

Approved: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor