

RESOLUTION NO. XX - 12

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF DUBLIN**

ESTABLISHING A USER FEE COST RECOVERY POLICY

WHEREAS, on June 7, 2011, the City Council authorized the City Manager to execute an agreement with Capital Accounting Partners to conduct a User Fee Study and a Cost Allocation Plan; and

WHEREAS, the purpose of the User Fee Study and Cost Allocation Plan was to determine the full cost of providing fee-related services, including City-wide indirect costs; and

WHEREAS, the User Fee Study and Cost Allocation Plan were prepared and submitted to the City Manager by Capital Accounting Partners in June 2012; and

WHEREAS, the City Council wishes to establish a general policy for establishment of general fees and recovery of related costs; and

WHEREAS, the City Council desires to have within its policy procedures for the regular updating of general fees and charges.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Dublin does hereby adopt the User Fee Cost Recovery Policy attached hereto as **Exhibit A**.

PASSED, APPROVED AND ADOPTED this 4th day of September 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mayor

ATTEST:

City Clerk

City of Dublin

User Fee Cost Recovery Policy

(Resolution – Exhibit A)

Measuring the cost of government services is useful for a variety of purposes, including setting user fees and performance measurement/benchmarking.

Ongoing Review

It is planned that a comprehensive user fee study should be conducted at least every five years to assure that user fees reflect the City's underlying costs. The last such study was completed in fiscal year 2011-12.

Annual Increase

User fees established as part of a Master Fee Schedule will be increased each July 1 to keep pace with increases in the City's costs. In years between comprehensive user fee studies, the increase should be calculated based on changes in the preceding December Consumer Price Index (Bureau of Labor Statistics, San Francisco-Oakland Urban Wage Earners and Clerical Workers). The resulting calculation for each fee shall be rounded down to the nearest whole dollar.

Applicability

This User Fee Cost Recovery Policy applies to all general user fees and charges for services established in accordance with an adopted Master Fee Schedule. Parks & Community Services shall establish its program related fees in accordance with the Parks & Community Services Pricing Policy as originally adopted September 21, 2010 and as may be subsequently amended. Impact Fees which fund capital improvements are not covered by this policy.

Cost Recovery Levels

Costs should not be the sole consideration in determining how much the City will charge for services it provides. However, absent reasons to the contrary, the City will set user fees at a level to recover the total cost of delivering the related services, including direct costs, departmental administration costs, and City-wide indirect costs. Offsetting revenues should be considered when determining the total cost.

Revenue from each user fee should not exceed the related reasonable total cost of providing the related services.

It is appropriate for certain user fees to be established at a level below the related total cost of delivering the related services. The following factors will be considered when determining the appropriate cost recovery level:

- Community-wide vs. special benefit - The use of general purpose revenue is appropriate for community-wide services while user fees are appropriate for services that are of special benefit to individuals or groups. Full cost recovery is not always appropriate for special benefits.
- Service recipient vs. service driver - Particularly for services associated with regulated activities (development review, code enforcement), from which the community primarily benefits, cost recovery from the "driver" of the need for the service (applicant, violator) is appropriate.

City of Dublin

User Fee Cost Recovery Policy

(Resolution – Exhibit A)

- Consistency with City public policies and objectives - City policies and Council goals focused on long term improvements to community quality of life may impact desired fee levels as fees can be used to change community behaviors, promote certain activities or provide funding for pursuit of specific community goals (e.g., health and safety, environmental stewardship, renewable energy, economic development).
- Impact on demand (elasticity) - Pricing of services can significantly impact demand. At full cost recovery, for example, the City is providing services for which there is a genuine market not over-stimulated by artificially low prices. Conversely, high cost recovery may negatively impact lower income groups and this can work against public policy outcomes if the services are specifically designed to serve particular groups.
- Discounted rates and surcharges - Rates may be discounted to accommodate lower income groups or groups who are the target of the service, such as senior citizens or residents. Higher rates are considered appropriate for non-residents to further reduce general fund subsidization of services.
- Feasibility of collection - It may be impractical or too costly to establish a system to appropriately identify and charge each user for the specific services received. The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection

For fees that are established at a level less than full cost recovery, the City Council may desire to examine the rationale for these deviations, and direct Staff to explore the appropriateness.

Contractor Hourly Rates

When City contractors provide services to other governments, businesses or individuals, their time should be charged at direct labor cost, including benefits, plus a mark-up percentage representing City administrative overhead. The markup percentage(s) shall remain in effect until the next comprehensive fee study.

Definitions

Direct costs – those costs that can be specifically identified with a particular cost objective, such as street maintenance, police protection.

Indirect costs – those costs not readily quantifiable with a direct operating program, but rather, are incurred for a joint purpose that benefits more than one cost objective. Common examples of indirect cost functions include accounting, purchasing, legal services, personnel administration and building maintenance. Although indirect costs are generally not directly linked with direct cost programs, their cost should be included as part of the total cost of providing specific services.

Administration and Billing

The method of assessing and collecting user fees should be as simple as possible in order to minimize inconvenience to the users and to minimize the City's administrative cost of collection.

The cost recovery level established by the City for each fee should be sensitive to the “market” rate for such services provided by other governments, non-profit organizations, companies and individuals.

City of Dublin

User Fee Cost Recovery Policy

(Resolution – Exhibit A)

However, the rates charged by others will not be the primary criteria for setting City user fees because there are many factors affecting how other communities and organizations set their rates, including:

- Planned cost recovery level
- What costs are included in calculated total cost
- The last time a comprehensive user fee study was performed
- The level of service provided

Fees should be charged to all entities using City services including Federal, State and County jurisdictions unless exempt by law.

The City Manager may exempt or reduce fees where it is in the City's best interest to do so, and in accordance with business need.

When new fees become desired or necessary before the next comprehensive fee study, they will be established at a level based on estimated direct labor cost, including benefits, plus a markup representing City administrative overhead, which will be calculated as part of each comprehensive fee study and remain in effect until the next such fee study. The new fees shall be added to the City's Master Fee Schedule.

The City Council will approve the Master Fee Schedule each year prior to its July 1 effective date. It will then be made available to the public on the City's website.