

San Luis Obispo
User Fee Policy- User Fee Cost
Recovery Goals

Presentation to HRM's TRC- Sept. 20,
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Budget and Fiscal Policies

- Located in California, San Luis Obispo has a **Budget and Fiscal Policies** document that clearly outlines its goals for user fee cost recovery
- The following is a summary of the **User Fee Cost Recovery Goals**





Ongoing Review

- Fees will be reviewed to keep pace with changes in the cost-of living and methods of service delivery.
- In order to achieve this, a comprehensive analysis of the city's costs and fees should be made at least every five years.
- In the interim, fees will be adjusted by annual changes in CPI
 - During this time, fees may be adjusted to reflect significant changes in the method, level or cost of service delivery.





User Fee Cost Recovery Levels

The following factors will be considered when setting user fees and cost recovery levels:

1. 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.

2. Service Recipient Vs. Service Driver:

- Consideration should also be given to those that may not clearly be the beneficiary of a service, but is driving the need or the cost for the service.

3. Effect of Pricing on the Demand for Services:

- Full cost recovery can have an effect on the demand for a service. Setting the user fee at full cost recovery can help ensure that people are using the service at true market demand; however, this could negatively impact low income users, for whom the service was originally intended.

4. Feasibility of Collection and Recovery:

- It may be impractical or too costly to identify and charge the user of a particular service. The feasibility of assessing and collecting charges should be considered.



Factors Favouring Low Cost Recovery Levels

Very low cost recovery levels are appropriate under the following circumstances:

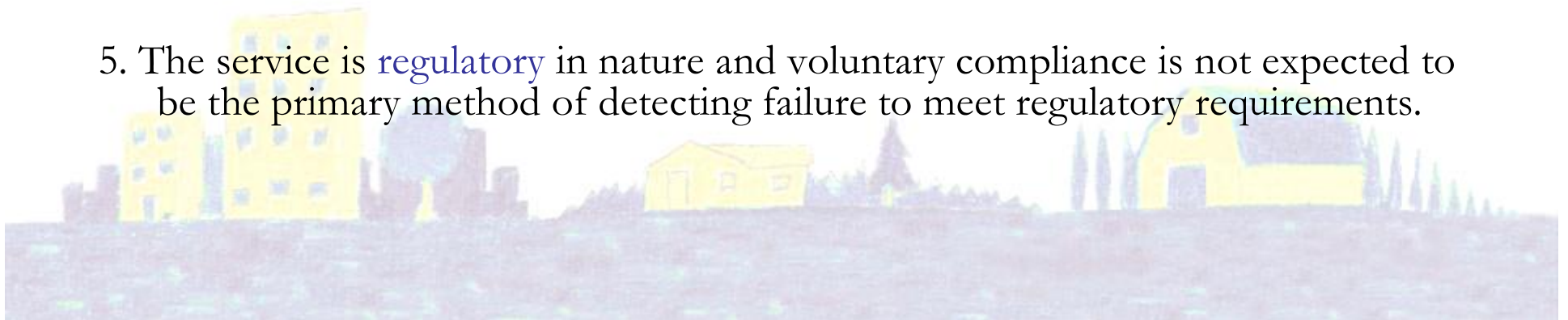
1. No **intended relationship** between the **amount paid** and the **benefit received**, for example “social services- it is expected that one group will subsidize another.
2. Collecting fees is not **cost effective**.
3. There is no intent to **limit the use** of the service.
4. The service is **non-recurring**, delivered on a “peak demand” or emergency basis, can not be planned for on an individual basis, and is not readily available from the private sector.
5. Collecting fees would **discourage compliance** with regulatory requirements and adherence is primarily self-identified.



Factors Favouring High Cost Recovery Levels

The use of service charges as a major source of funding is appropriate under the following circumstances:

1. The service is **similar** to services provided through the **private sector**.
2. Other private or public sector **alternatives** could or do exist.
3. There is an intended **direct relationship** between the **amount paid** and the level and cost of the **service received**.
4. The use of the service is specifically **discouraged**.
5. The service is **regulatory** in nature and voluntary compliance is not expected to be the **primary method** of detecting failure to meet regulatory requirements.





General Concepts Regarding the Use of Service Charges

The following general concepts will be used in *developing* and *implementing* service charges:

1. Revenues should not exceed the *reasonable cost* of providing the service.
2. Cost recovery goals should be based on the *total* cost of delivering the service, including direct costs, departmental administration costs, etc.
3. The method of assessing and collecting fees should be as *simple* as possible in order to reduce the administrative cost of collection.
4. Rate structures should be sensitive to the *market for similar services* as well as to smaller, infrequent users of the service.
5. A *unified approach* should be used in determining cost recovery levels for various programs.



Low Cost-Recovery Services

For the most part, general purpose revenue should be the primary source of funding for the following:

1. Delivering **public safety** emergency response services.
2. Maintaining and developing **public facilities** that are provided on a uniform, community-wide basis.
3. Providing **social service** programs and economic development activities.





Recreation programs

The following cost recovery policies apply to the City's recreation programs:

1. Cost recovery for activities directed to **adults** should be relatively **high**.
2. Cost recovery for activities directed to **youth and seniors** should be relatively **low**, unless there are similar services provided by the private sector, in which case cost recovery levels should be higher.
3. The policy then goes on to divide recreation services into different levels of **appropriate cost recovery** :
 - 60%-100% (ex. Day care services, adult programs)
 - 30%-60% (ex. Swim lessons, Special events)
 - 0-30% (ex. Public swims, teen services)



Development Review Programs

The following cost recovery policies apply to the development review programs:

1. Services provided under this category include:
 - a. Planning
 - b. Building and safety
 - c. Engineering
 - d. Fire plan check
2. Cost recovery for these services should generally be **very high**, in most instances a 100%.
3. The City needs to **clearly establish standards** for its performance in reviewing developer applications to ensure that there is “value for cost.”



Comparability with other Communities

The City will consider fees charged by other agencies when setting user fees in accordance with the following criteria:

1. Surveying the comparability of the city's user fees to other communities is useful due to the following:
 - They reflect the “market” for these fees and can assist in assessing the reasonableness of our City's fees.
 - Can serve as a benchmark for how cost effectively our city provides its services
2. Surveying other city's fees should never be the sole/primary criteria for setting fees, as other communities may have set their fees low for specific reasons
3. The comparability of our fees to other communities should be one factor among many that is considered in setting City fees.

