



Fee Policy Work Session

December 4, 2018

Melissa Neel

Assistant Director of Finance

FEE POLICY WORK SESSION

AGENDA

Fee Policy Structure

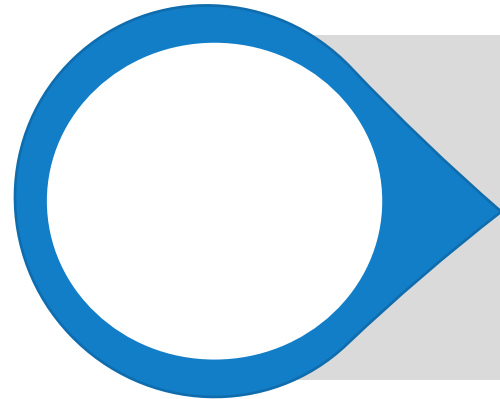
Cost Recovery Expenses

Cost Recovery Methodology

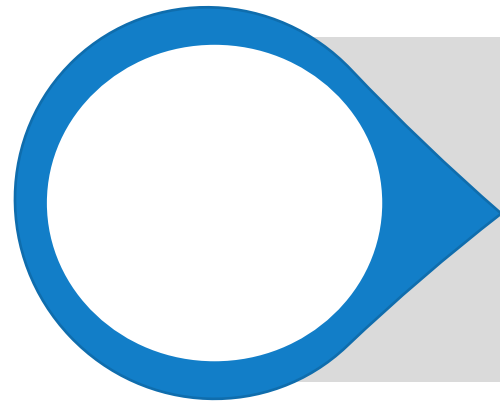
Fee Policy Highlights

Recommendation & Approval

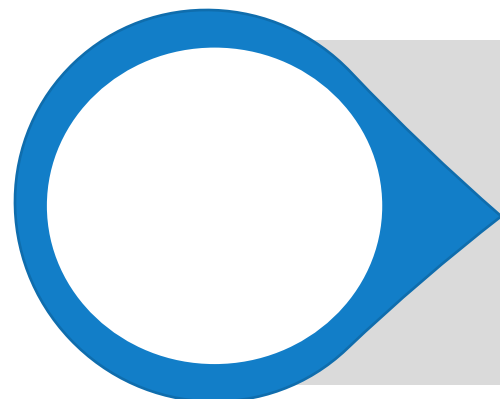


History of determining fees -

- Fragmented fee setting process across departments: peer city comparison, cost of service study, Council directive



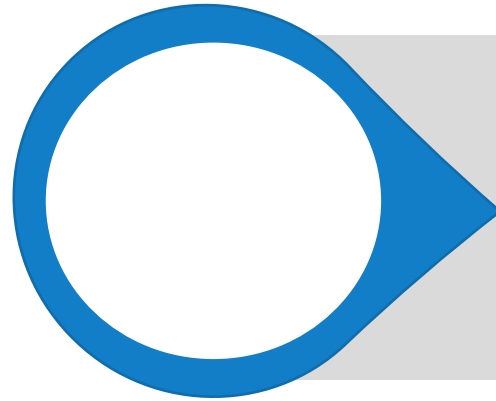
- Fees remained flat for many years. FY16 began CPI adjustment, and 3 year cost of service study cycle



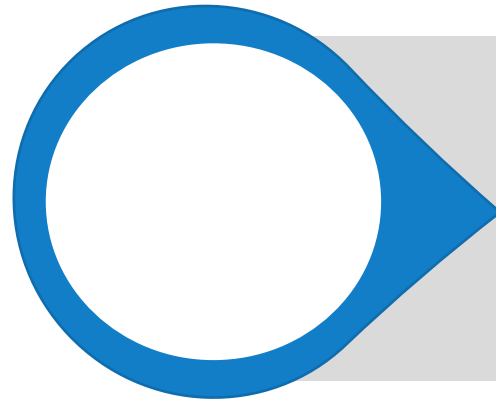
- Direct costs evaluated every 3 years, but without consideration to overhead or indirect costs



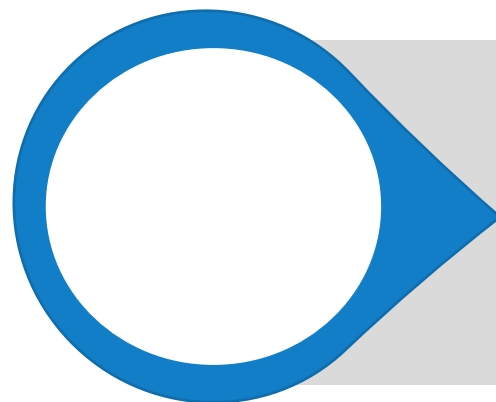
What is “Fee Policy”?



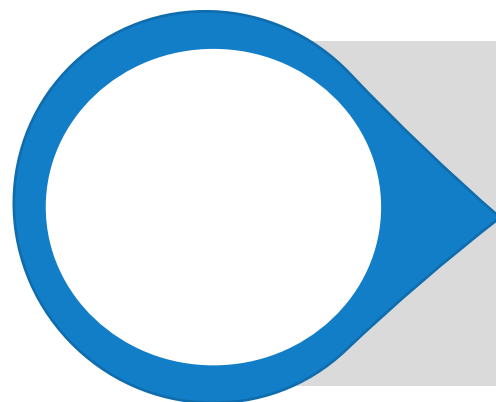
- A tool for evaluating services/programs and establishing appropriate fees



- Long term strategy to support financial stability



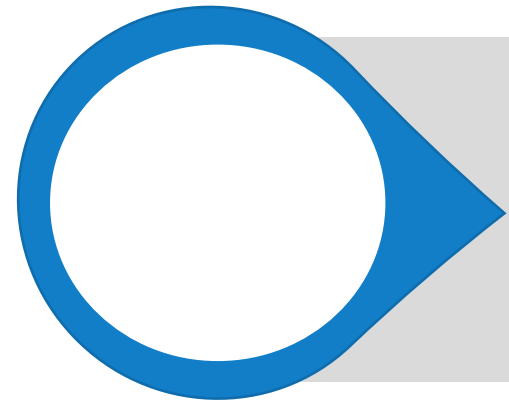
- Structured framework for sustainability



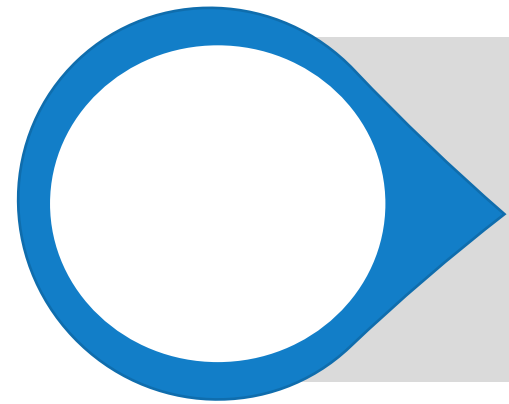
- Consistency and transparency in fees



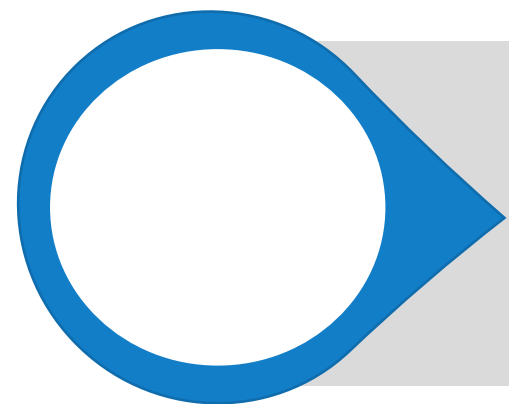
What are the components of “Fee Policy”?



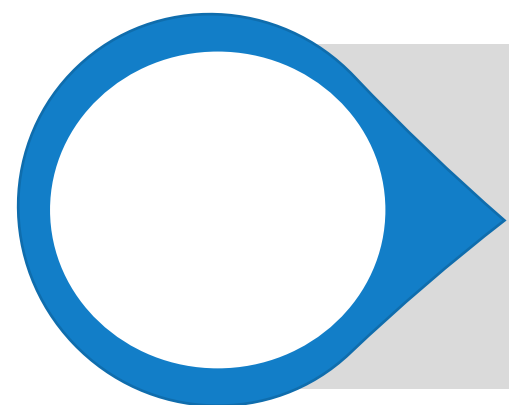
- Evaluates cost recovery and types of cost



- Identifies who benefits from the services/programs (fee areas)



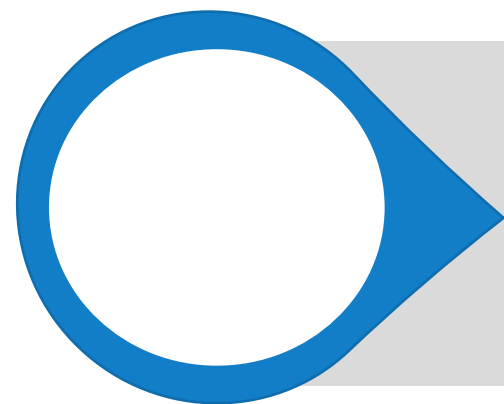
- Provides flexibility in price structure for special considerations



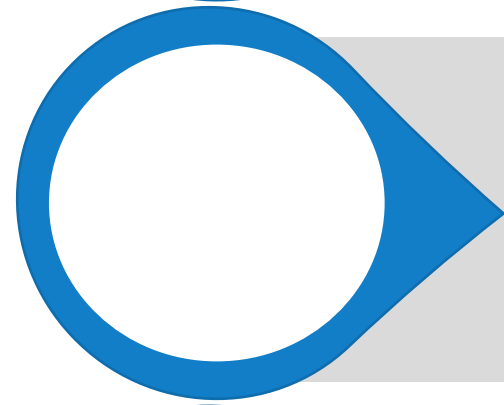
- Standardizes how fees are set across all fee areas



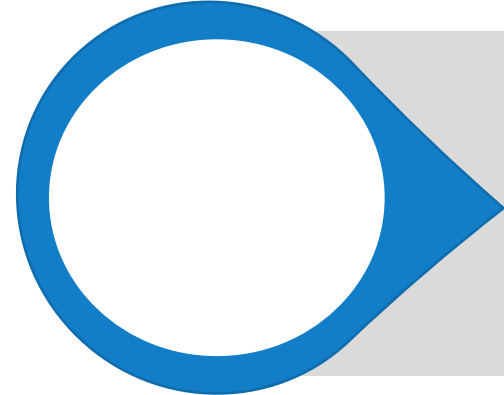
What are the determining factors?



- Who receives benefit (community or individual)?



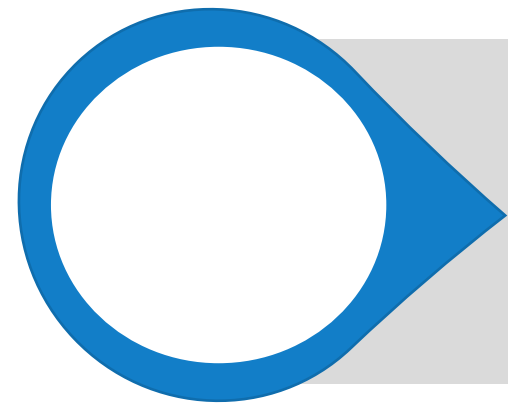
- To what level of benefit compared to the general taxpayer.



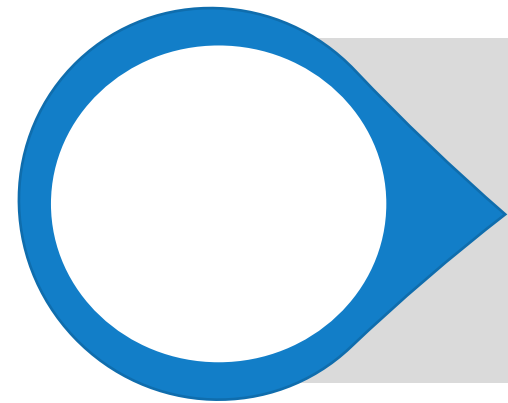
- Users ability to pay



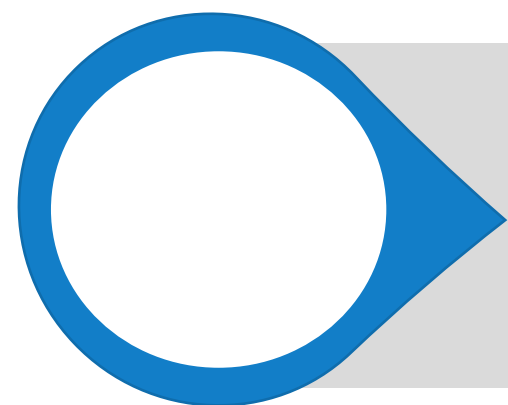
What do we achieve by adopting a Fee Policy?



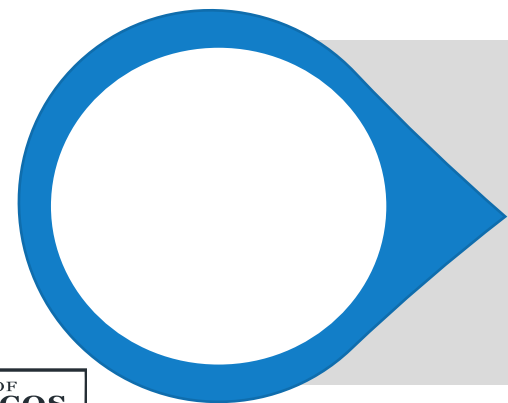
- Balance general fund subsidy (taxpayer dollars) and user fees



- Effective pricing: revenue production to assist overall operations and provide flexibility to offer programs not otherwise possible; revenue matching to the cost center providing expenditures



- Efficiency of City resources

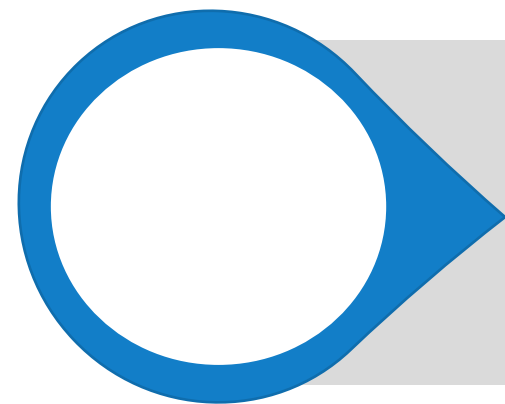


- Assistance to customers not able to pay. It is not a sustainable practice to keep fees artificially low in order to ensure that all can afford to pay

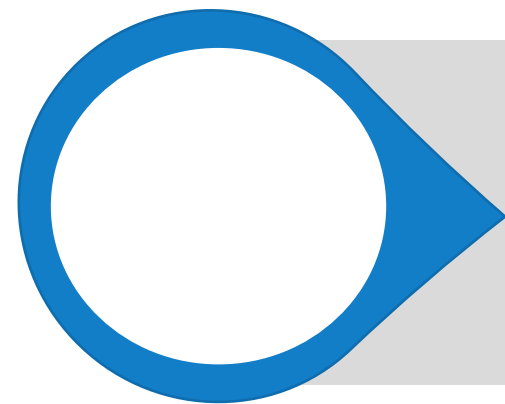


COST RECOVERY | EXPENSES

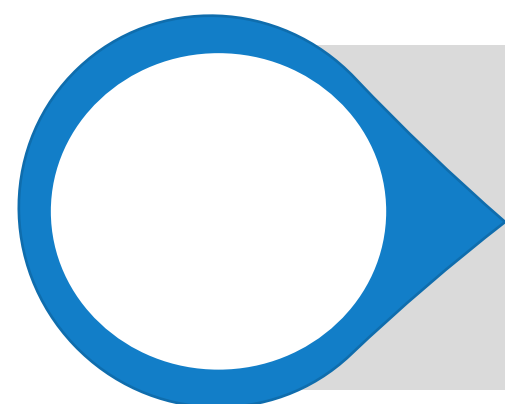
A major component in Fee Policy is Cost Recovery. Below are the major types of expenses within the cost of each department.



- Direct Cost: Cost specific to the service or program
 - Staff leading the program/service
 - Supplies, transportation



- Overhead: Costs directly related across multiple programs
 - Direct program supervision, allocation of admin support
 - Operating allocation: custodial services, supplies, utilities

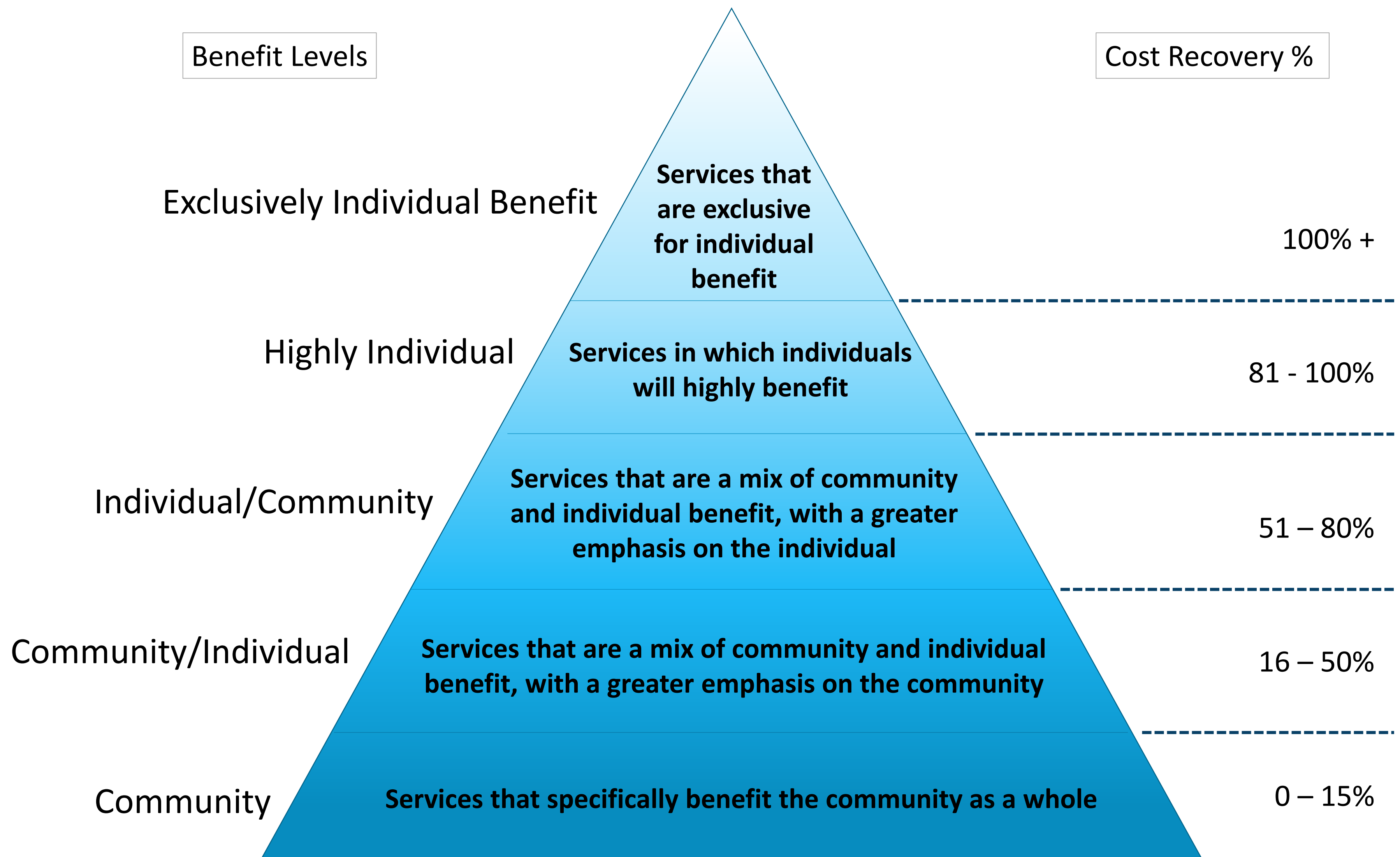


- Indirect Cost: Division level and shared cost
 - Department management, finance support, technology
 - Professional development, printing, on-going facility maintenance and repairs



COST RECOVERY

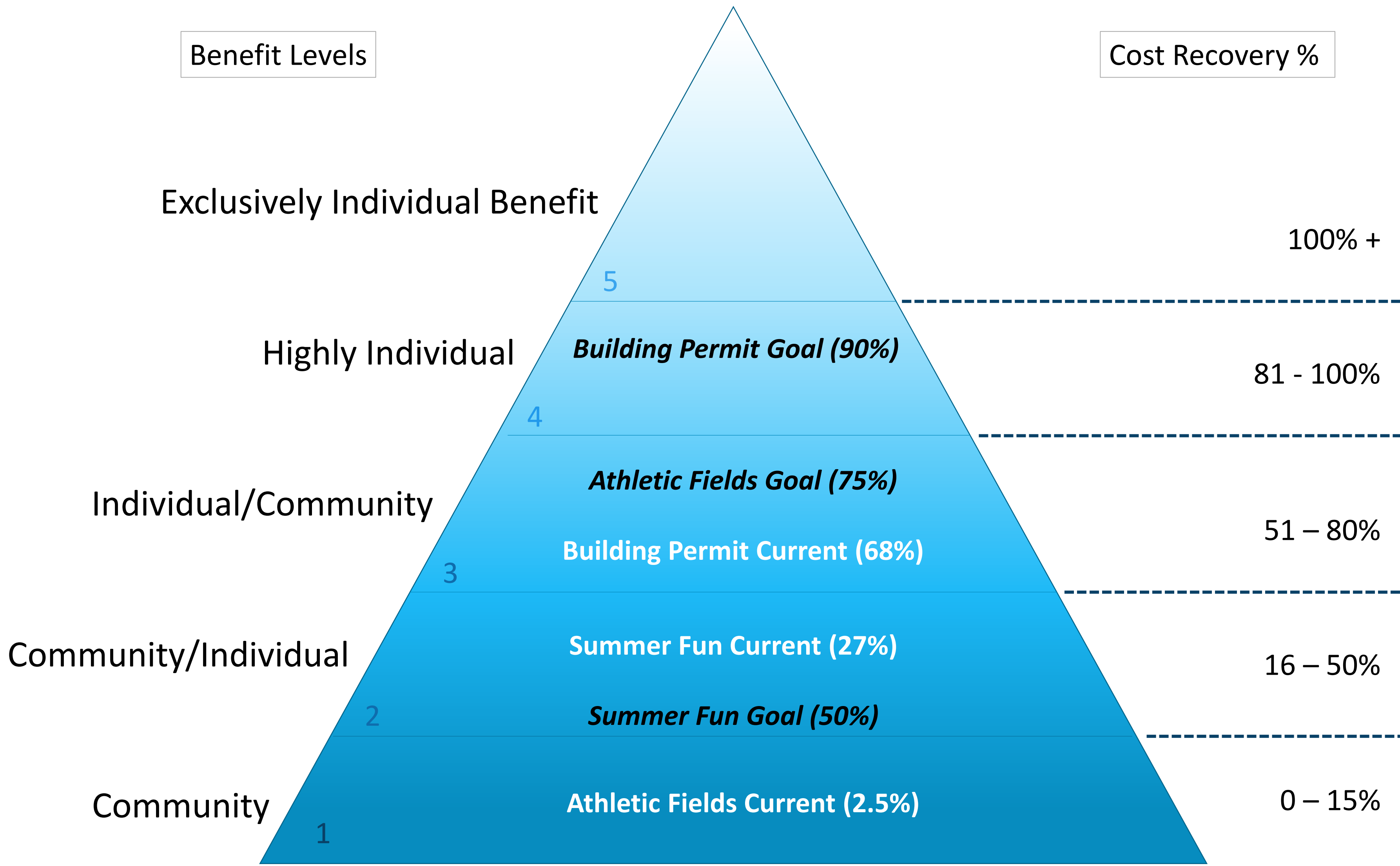
PYRAMID METHODOLOGY*



$$\text{Fee} = (\text{Cost Recovery \%}) * \text{Cost of Service} / \# \text{ of participants}$$

COST RECOVERY

SAMPLE AREAS



Fee = (Cost Recovery %) * Cost of Service / minimum # of participants

FEE POLICY | HIGHLIGHTS

- Pyramid methodology will be used
- Establish cost recovery thresholds
- Thresholds include both minimum and target levels of cost recovery
- Areas unable to meet their minimum threshold have the option to: reduce costs; reduce cost recovery target; eliminate fee area
- Activities that have achieved or exceeded their target threshold will be evaluated to determine if the target can/should be adjusted
- Fee Policy may also include specific other fee consideration (e.g. Benchmarking to a specific competitor) that may supersede cost recovery target considerations
- Non-residents may be assessed a 100-200% additional fee for services (amount pending impact analysis)
- Eligible discount available to defined groups (e.g. senior citizens, homeowners)



FEE POLICY | PROCESS

- Group all fee areas in benefit levels (1 – 5)
- Gather data - direct / indirect cost and participants
- Establish cost recovery goals
- Reach out to stakeholder groups for feedback
- Present plan to Advisory Board (if applicable)
- Determine proposed fees
- Present to City Council for adoption



- Move forward with establishing the Fee Policy according to Cost Recovery Methodology and Guidelines
- Develop implementation plan over a multi-year period
- Present Fee Policy, Cost Recovery Plan, and proposed Community Service Fees to City Council in April for pricing effective May 1, 2019

