

Establishing Government Charges and Fees

California Society of Municipal
Finance Officers

March 2, 2016

Overview

- City of Palo Alto
- GFOA Best Practices “Establishing Government Fees and Charges”
- Automation of the annual Municipal Fee process

Palo Alto

- Incorporated on April 23, 1894
- Charter City
- 25.925 square miles, 30 feet above sea level
- 66,029 Population
- 148,209 Daytime Population (including Stanford)
- Median Household Income: \$122,366
- AAA credit rating
- 1,041 full-time equivalent positions
- Over 1,000 municipal fees

Establishing Government Charges and Fees

GFOA Best Practice

- Consider applicable laws and statutes
- Adopt a formal policy
- Cost recovery calculation
- Periodic review of fees
- Long-term forecasting
- Inform the public

Charges and Fees



Applicable Laws and Statutes

- California Proposition 26 and 218



Why did Palo Alto need a policy?

- Consistent recovery of costs for similar fees
- Appropriate level of General Fund subsidy
- Long-term revenue source for services

Palo Alto

User Fee Cost Recovery Level Policy

1. Community vs. Private Benefit
2. Service Recipient vs. Community Benefit
3. Consistency with City Goals and Policies
4. Elasticity of Demand for Services
5. Availability of Services from the Private Sector

Community vs. Private Benefit

- High cost recovery (up to 100%)
- little to no General Fund subsidy



Service Recipient vs. Community Benefit

- High cost recovery (up to 100%)
- Little to no General Fund subsidy



Consistency with City Goals and Policies

- Medium cost recovery (30% - 70%)
- Provide a General Fund subsidy for discounts



Elasticity of Demand for Services

- Medium to high cost recovery (30% - 100%)
- Depending on demand for the service provide a General Fund subsidy



Availability of Services from the Private Sector

- High Cost Recovery (70% - 100%)
- Little to no General Fund subsidy



Cost Recovery Calculation

- Direct Costs

Fee Details (Fee: Easement Document Preparation and Processing (Commercial & Residential) (Prepared by: Mary.Figone))
 Add, edit, or remove staffing calculations for the current Fee.

Layout Import... Export

Job	Average ...	Labour Gro...	Total Positi...	Hours	Hourly R...	Amount
Click here to add a new record...						
14 - Senior Management Analyst	\$119,147.29	59.70%	\$190,278.23	3.50	\$91.48	\$320.18
103 - Manager Real Property	\$137,125.25	59.70%	\$218,989.02	1.00	\$105.28	\$105.28
152 - Senior Assistant City Attorney	\$191,161.98	59.70%	\$305,285.69	3.00	\$146.77	\$440.32
325 - Surveyor, Public Works	\$86,431.28	68.30%	\$145,463.84	2.00	\$69.93	\$139.87

Cost Recovery Calculation

- Department and citywide overhead costs
- Unproductive time
- Non-salary costs
- Cost recovery percentage

Staffing and Non-Salary Costs

Staffing Costs [Modify Staffing Costs](#)

Non-Salary Cost

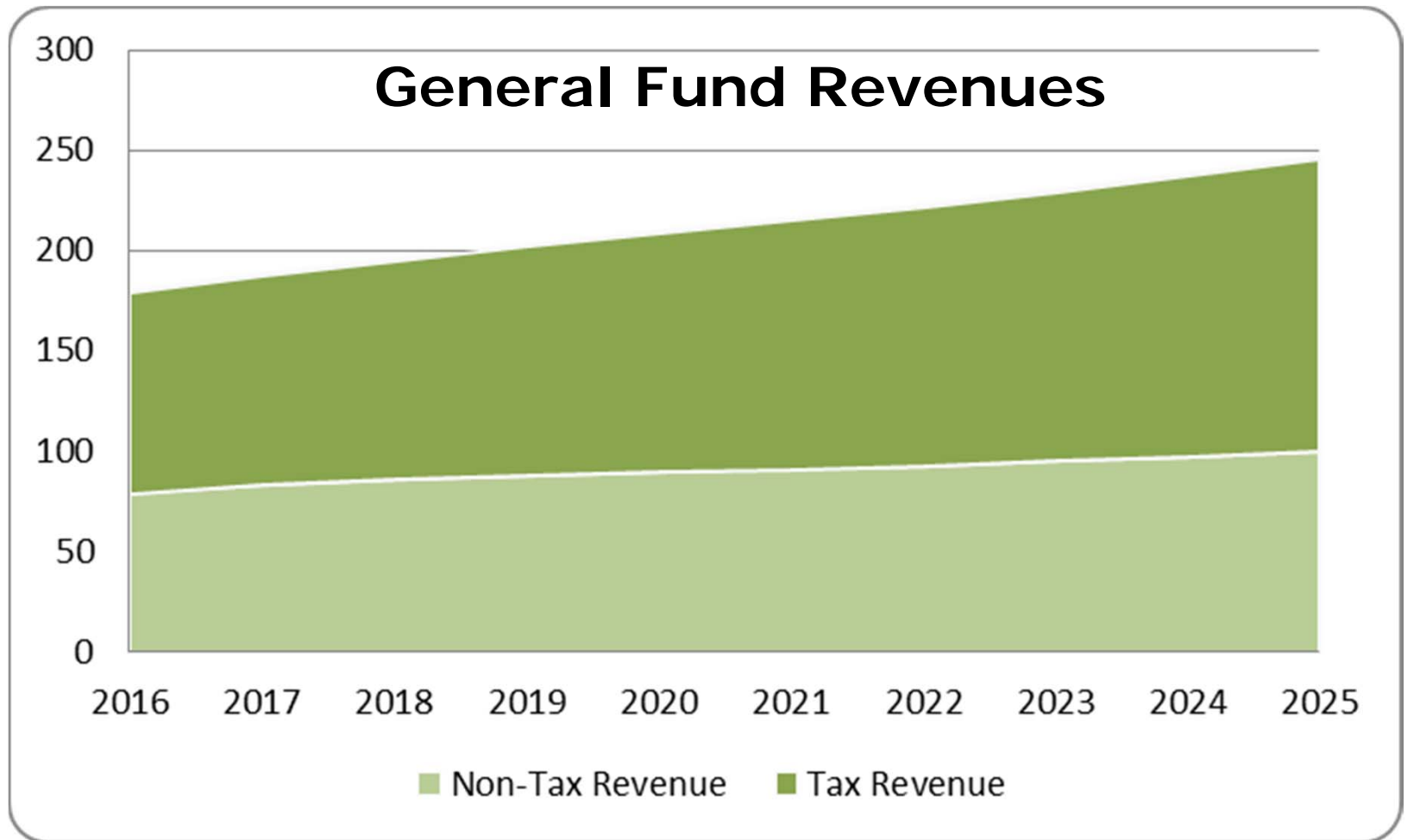
Apply Technology Enhancement Fee

Fee Costing Details		Overhead Rates	
Salary Costs	\$1,005.65	Unproductive Time Rate	23.08%
Non-Salary Cost	\$0.00	Department Cost Allocation Rate	0.00%
Overhead Costs	\$232.10	Citywide Cost Allocation Rate	0.00%
Technology Enhancement Fees	\$61.89	Technology Enhancement Rate	5.00%
Total Fee Cost	\$1,299.64		

Cost Recovery

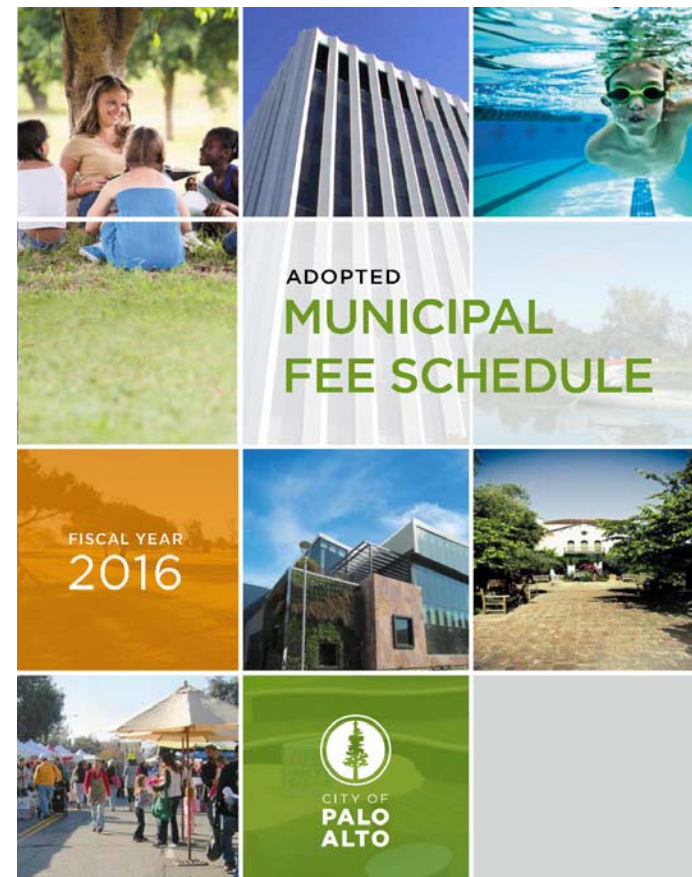
Budget Year	Proposed Fee	Activity Level	% Cost Recovery	Revenue Estimate
2016	\$1,261.00	0.00	97.03%	\$0.00

Recovering the Costs of Services



Public Involvement

- Finance Committee review
- Public hearings for budget review
- Posting of Municipal Fee Schedule on the City's website



Contact Information

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