

September 18-20, 2019

Ohio GFOA Conference

Cost Study and Fee Schedule Discussion



Cost Recovery Policy

Fee Schedule set by Ordinance adopted annually:

Findings and Intent

- (a) It is the intent of the City Council to ascertain and recover the specified percentages of full costs from fees, charges, and regulatory license fees levied in providing the regulation, products, or services set forth in this Chapter.
- (b) The fee and service charge revenue/cost comparison system set forth in this Chapter provides a mechanism for ensuring that fees adopted by the City for services rendered do not exceed the reasonable estimated cost for providing the services, unless otherwise noted.
- (c) **It is the intent of the City Council to achieve a more equitable and fair mix for financing services set forth in this Chapter in order to reduce or eliminate subsidizing these services with general tax revenue;** thereby, allowing those general tax revenues to be used for general services, including infrastructure maintenance and replacement.

Note: Since 2013 the a comprehensive analysis of the City's full costs is conducted every other (even) year with an inflationary measure applied to previously calculated costs in off (odd) years.



Cost Recovery Policy

Full costs defined:

- 1) All applicable **direct costs** including, but not limited to **salaries, wages, overtime, employee fringe benefits, services and supplies, maintenance and operating expenses, contracted services, special supplies**, and any other direct expense incurred.
- (2) All applicable **indirect costs** including, but not restricted to, **building maintenance and operations, equipment maintenance and operations, communications expenses, computer costs, printing and reproduction, vehicle expenses, insurance, debt service**, and like expenses when distributed on an accounted and documented rational pro-ration system.
- (3) Fixed asset recovery expenses, consisting of **depreciation of fixed assets**, divided by the approximate life expectancy of the fixed asset.
- (4) **General overhead**, expressed as a percentage, distributing and charging the expenses of the City Council, including the Clerk of Council, Department of Law, City Manager, Accounting and Auditing, Taxation, Procurement, Information Technology, Economic Development, Human Resources and City promotional programs, and all other staff and support service provided to the entire City organization. Overhead shall be prorated between tax-financed services and fee-financed services on the basis of said percentage so that each tax-financed service and fee-financed service shall proportionately defray such overhead costs.
- (5) **Departmental overhead**, expressed as a percentage, distributing and charging the cost of each department head and his or her supporting expenses as identified in subsections 1, 2, 3, and 6 of this Section.
- (6) **Debt service costs**, including the payment of interest, and trustee fees and administrative expenses of all applicable bond, certificate, or securities issues or loans of whatever nature or kind.



Cost Recovery Policy

Specified percentages:

- Generally set at 100% of the full cost to provide the service
 - Few exceptions outside of Planning/Development and Recreation usually related to compliance or resident specific fees
- Planning/Development related services (50%)
 - Shared cost between City and developers encourages economic development/partnership
- Recreation Services (about 50%: amended in 2010 and 2018)
 - Policy dates back to late 1990s as the City paid for the construction costs associated with the Recreation Center (DCRC) and outlined a 50/50 split on operating expenses between residents and users
 - Shared cost between City and residents for negative externalities associated with economic development (Traffic)



Cost Recovery Policy

Impact:

- Fees are reviewed and adjusted annually
- Fee increases are well supported by comprehensive analysis demonstrating the full cost to the City to provide the service
 - Businesses generally understand full costs, residents may not
- Discussion and subsequent decisions by Council on fee recommendations are guided by the understanding that not charging the recommended amount means subsidizing the service with general income tax dollars
 - Fee increases are not popular – but neither is using public money to subsidize private activities



Recreation Program Cost Recovery Policy

- Issue: The “As Introduced” 2019-2024 Capital Improvement Program included issuing \$6.0 million in G.O. debt in 2020 for the North Pool
 - Council was concerned about the level of debt but supportive of the need to reconstruct the North Pool
- Issue: The Capital Improvement Program did not include any timeline for “refreshing” the Dublin Community Recreation Center
 - The facility was constructed in the 1990s and could use some updates to remain a premier facility
- Issue: The 50% cost recovery for Recreation had resulted in fees that were set by Council not being updated in over 10 years including annual membership fees.
 - If Recreation met their 50% recovery goal – no need to increase fees



Recreation Program Cost Recovery Policy

In general, the recreation program will attempt to recover, on an aggregate basis, 50% of **direct costs and building maintenance costs (2010)** plus an assigned percentage of costs associated with certain recreation program capital improvement projects (2018), while recognizing that some programs may be somewhat less than that for certain reasons and some more than that. This to be based on the nature of the program. This will ensure that individual fees are reviewed annually, and any set unusually high/low are flagged.

Cost	Direct Costs to Rec. Program		Building Maintenance		Capital Improvements	
	User Fees	General Fund	User Fees	General Fund	User Fees	Other revenue sources dedicated to Capital Improvements
Before 2010	>50%	<50%	0%	100%	0%	100%
2010- Present	>50%	<50%	>50%	<50%	0%	100%
2019 -	>50%	<50%	>50%	<50%	As assigned	<100%



Recreation Program Cost Recovery Policy Decisions

Council assigned 100% of the costs associated with the following projects to be included in the Recreation program's fee recovery goal:

- Reconstruction of North Pool (2020)
 - \$6.0 million

- Improvements to DCRC (2020+)
 - Construction - \$3.1 million
 - Furnishings - \$400,000



Recreation Program Cost Recovery Policy

- Resolution: Amending the Recreation Cost Recovery Policy to include Recreation facility construction costs specified by Council.
 - Fees (annual memberships included) were increased by 20%
 - Recreation users were informed of the policy changes and that the fee increase would be used to support new Recreation facilities including the North Pool reconstruction in 2020 and a DCRC refresh at a later date
- The City was able to leverage the Cost Study/Fee Schedule process to:
 - Identify a potential increase in revenue (user fees)
 - Engage the public about the need for a fee increase
 - Develop a connection between user fees and Recreation capital needs



Performing Cost Study: Why?

The annual review and comprehensive analytical process used to determine fees gives Council the information necessary to regularly address fee schedule changes.

Council explicitly states what services it will subsidize and must publicly justify using general income tax dollars for those subsidizes.

Complaints, comments, concerns, etc. about fee levels are supported and defended by Council and Staff due to having completed the comprehensive analysis necessary to determine the fee schedule.

The cost study process is flexible enough to allow for policy changes over time as conditions change. The Recreation policy has been amended twice to address building maintenance and Recreation program facility needs. The process significantly contributes to getting community buy-in necessary for these changes to occur.



Performing Cost Study: Lessons Learned

You will likely need professional services and/or specialized software.

- Your budget is organized by fund/department not tax/fee supported services.

Details matter. You will need to analyze the appropriate costs to include/exclude:

- Sometimes you add costs that don't exist (health care)
- Sometimes you subtract actual costs (contractual services; buildings; debt)
 - The goal is to base the fee on the estimated cost to provide the service.

Your fees might be too low. Did you intend to subsidize fee services?

- Linear rise in existing costs (salaries and benefits)
- New costs are a lump sum (personnel)

Determining how to handle credit card fees.



A Note on Credit Card Processing Fees

- Taxation: 100% Direct cost recovery/Obvious to credit card holder
 - A notice of the fee is added to the amount to be charged at the terminal
- Court Services: 100% Direct cost recovery/Hidden to credit card holder
 - A Fine Processing Service consisting of the processing time and credit card charges is monitored as part of the fee schedule. Users pay \$20 fee regardless of payment method.
- Building Standards: 100% Indirect cost recovery/Hidden to credit card holder
 - Charges for credit card processing are calculated as part of the division's overhead. Because the division is 100% supported by fee related services all of these charges are recovered.
- Recreation Services: 50% Indirect cost recovery/Hidden to credit card holder
 - Because most Recreation programs are purchased through a credit card when determining the fees associated with a program a fee of 2.5% is added to the amount to be charged. Because Recreation is only required to recover 50% of their costs this results in about half of the credit card processing fee being recovered.
- Planning/Development: (Almost) No cost recovery/Hidden to credit card holder
 - The annual credit card processing fees for this division are calculated as part of the division overhead. Since the division is about 10% fee related services and 90% tax supported services very little of the \$5,000 is recovered.



Questions?

