

# **ADMINISTRATIVE REGULATION 2020-03**

## **MAYOR JOHN SUTHERS**

**DATE:** May 26, 2020

**TOPIC:** User Fee Policy

**LEGAL AUTHORITY:** City Charter §§ 3-10(b) and 15-30  
City Code § 1.2.314, and Chapter 14

### **1.0 Purpose and Scope:**

This Administrative Regulation establishes general guidelines for establishing a user fee structure for all departments and certain enterprises (excluding the Colorado Springs Airport) of the City of Colorado Springs ("City") to ensure full or partial recovery for service costs.

Any City department may have an individual written policy describing the method for setting user fees within that department; however, the department's policy must align with the City-wide guidelines as outlined below. All user fee assumptions, methodology and calculations must be reviewed and approved by the City Finance Department ("Finance") prior to publication and implementation.

All fee related items first must be placed on a City Council Budget Committee agenda for review. If the fee is legislative in nature, after review by City Council Budget Committee, it will move forward to City Council for consideration by resolution or ordinance. If the fee is administrative in nature, after review by City Council Budget Committee, it will move forward to the Mayor for consideration by an Administrative Regulation. Finance, with input from the City Attorney's Office, will help determine whether the fee is legislative or administrative.

**2.0 Terms Defined:** "User Fees" - The City of Colorado Springs' user fees are intended to recover the full or partial cost of services that benefit individuals or select groups of individuals in the community, discerning user fees from general taxes and charges that are used towards general government services that benefit the community as a whole. City Enterprises are required to maintain user fees at levels sufficient to cover the complete cost of providing service, unless they receive other funding that is intended to supplement the cost of such service.

### **3.0 Procedures:**

#### **3.1 Cost Recovery Calculations:**

Management should calculate the reasonable cost associated with performing a service for which the City collects fees. The analysis should include both direct costs and indirect costs. Direct costs are all the specific, identifiable expenses associated with the actual provision of a service. These costs can include (but are

not limited to) city staff salaries, benefits, supplies, and equipment maintenance. Indirect costs include administrative costs and general support services (i.e. Finance, Human Resources, Information Technology, etc.), and must be included in fee calculations. The City's Budget Office will provide the information required to calculate indirect costs for inclusion in fee calculations.

**3.2 User Fee Cost Recovery Policy Considerations:**

The City seeks to obtain one-hundred percent (100%) cost recovery for Enterprise Funds. For other City departments, Finance engages individual department heads or managers, Finance managers, and/or the City's Executive team (including the Mayor, Chief of Staff, and City Attorney), as applicable, to determine the proper cost recovery level for all other funds and/or activities.

The following policy considerations shall be presented to determine the appropriate cost recovery level:

1. Community-wide vs. Private Benefit: The use of taxpayer dollars is appropriate for services that benefit the community as a whole, such as police and fire. When the service provides a benefit to specific individuals or groups such as the issuance of building permits or registration for adult sports, it is appropriate for the persons receiving the benefit to pay for a large portion, perhaps all, of the cost of that service.
  
2. Consistency with City Goals and Policies: City policies and goals are also considerations for setting cost recovery levels. Examples are reduced fees to promote healthy habits and environmental stewardship, or the full recovery of fees to discourage certain detrimental actions such as false alarms.

The table below summarizes the policy considerations and sets cost recovery levels for City departments to use in order to implement a fee.

<b>Cost Recovery Levels</b>	<b>Cost Recovery Percentage Range</b>	<b>Policy Considerations</b>
Low	0% - 29%	<ul style="list-style-type: none"> <li>• There is a community-wide benefit to the service</li> <li>• The fee will discourage compliance with regulatory requirements</li> <li>• Collecting fee is not cost effective</li> <li>• Public goods</li> </ul>
Medium	30% - 69%	<ul style="list-style-type: none"> <li>• Services having factors associated with the low and high cost recovery levels</li> </ul>

High	70% - 100%	<ul style="list-style-type: none"> <li>• The service has attributes similar to services available in the private sector (therefore the government should not subsidize a service that the private sector provides)</li> <li>• Those individuals receiving the benefit of the service pay the cost of the service</li> <li>• The goal is to discourage use of a service or at least limit demand</li> <li>• The service is regulatory in nature</li> </ul>
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**3.3 Review Process for Subsequent Amendments to User Fees:**

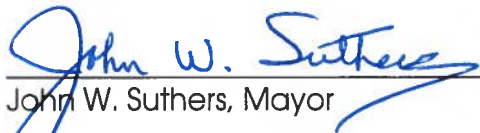
User fees will be reviewed and updated on a periodic basis that is deemed reasonable by the department, Finance, or the Executive team. It is recommended that department heads review their user fee policy and fees biennially and implement any necessary changes the following year.

Fee schedules currently in effect will remain in effect as of the date that this policy is implemented. Future revisions to current fee schedules will follow the process as outlined in this Administrative Regulation.

**4.0 Miscellaneous**

This Administrative Regulation shall be effective as of **May 31, 2020**, and shall remain in effect until amended or rescinded.

This Administrative Regulation shall be filed with the City Attorney and made available for public inspection on the City’s website.

  
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 John W. Suthers, Mayor

APPROVED AS TO FORM:

  
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 Office of the City Attorney