

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number	Issue	Page
PROCESSING NEW AND REVISED USER FEES	95.25	4	1 of 11
Effective Date July 14, 2023			

1. PURPOSE

- 1.1 To establish a uniform process for City departments to initiate, develop, or revise *City User Fees*.
- 1.2 To ensure that a rate book of current *User Fees* is maintained and accessible to the public.
- 1.3 To ensure that revenues derived from *User Fees* follow the guidelines laid out in the *User Fee Policy* (i.e., City Council Policy 100-05).

2. SCOPE

- 2.1 This regulation shall apply to every City department that administers *User Fees* and to the Department of Finance that coordinates a *Comprehensive User Fee Study* every three to five years.

3. DEFINITIONS

- 3.1 *Administering Department* – A City department that provides a service and is responsible for developing, analyzing, and benchmarking a *User Fee* for that service. Examples include the Transportation Department’s valet permit fees and the Parks and Recreation Department’s golf course fees.
- 3.2 *CPI* – The *CPI* shall mean the Consumer Price Index of all items in San Diego-Carlsbad, CA, all urban consumers, not seasonally adjusted (Series ID: CUURS49ESA0, CUUSS49ESA0) as published by the United States Department of Labor, Bureau of Labor Statistics, for May of each year.

(Supersedes Administrative Regulation 95.25, Issue 3, effective January 1, 1988)

Authorized

Signature on File

CHIEF OPERATING OFFICER

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 95.25	Issue 4	Page 2 of 11
PROCESSING NEW AND REVISED USER FEES	Effective Date July 14, 2023		

3.3 Comprehensive User Fee Study – A review of all *User Fees*, conducted every three to five years, coordinated by the Department of Finance to (i) determine whether costs are covered by revenues received; (ii) determine whether fees charged exceed costs and generate excess revenues that supplement other services; (iii) analyze all relevant costs incurred by the City in providing certain services, by evaluating service delivery and operations to determine whether fees should be adjusted, eliminated, or added; (iv) ensure monitoring and identification of all *User Fees* that have not been revised/updated in the last five years or longer; and if applicable (v) ensure that *User Fee* benchmarking was performed by all departments as part of the City’s *Comprehensive User Fee Study*.

3.4 Cost Recovery Categories

Category I – Full Recovery (100 Percent)

User Fees that are determined to have a 100 percent cost recovery goal. These fees shall be reviewed to determine the costs incurred for providing services using actual data from the prior fiscal year. All *User Fees* are assumed to be 100 percent cost recoverable unless they meet the criteria for Categories II and III.

Category II – Partial Recovery (Below 100 Percent)

User Fees that are below the 100 percent cost recovery goal. These fees shall be adjusted annually by a standardized escalator based on the most recent *CPI*. Authority for the annual *CPI*-based increase must be requested by the *Administering Department* and granted by the City Council via resolution.

Alternatively, these fees may be changed at any point in time upon recommendation by the *Administering Department*, approval by the Chief Operating Officer and final approval by the City Council.

User Fees are generally less than 100 percent cost recoverable in cases when: (a) the collection of fees is not cost-effective; (b) the collection of fees would not comply with regulatory requirements or statutes; (c) the purpose of the fee is not to generate revenue, but rather provide benefits to the recipients (e.g., recreational activities); or (d) the fees are subsidized by the City to provide non-profit organizations or other users a discounted rate.

Category III – Fines and Penalties

User Fees that fall into this category are in most cases penalties, fines, or deterrents to the public (e.g., penalties for uncollected money, or fees for public safety responses to disturbances). *User Fees* in Category III shall be reviewed annually for reasonableness, including both the fiscal and deterrent impact on the fee-payer.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 95.25	Issue 4	Page 3 of 11
PROCESSING NEW AND REVISED USER FEES	Effective Date July 14, 2023		

- 3.5 Departmental User Fee Workbook Template – The template composed by the Department of Finance and used by *Administering Departments* to develop a *User Fee*. This template typically includes backup data such as the average salary and fringe benefits for positions in a given fiscal year, and overhead and labor load rates to assist with the establishment or revision of a *User Fee*. City departments using the template should determine the full cost of service; propose a fee amount, fee category, subsidy amount, and estimated revenue that will be generated; assess Proposition 26 compliance, the fiscal year of the last update, the revenue account, and the prior year’s revenue information; and benchmark against other cities (if applicable) for inclusion in the template to submit to the Department of Finance and present to policymakers.
- 3.6 Proposition 26 (Prop 26) – Approved in 2010, amended articles XIII A and XIII C of the California Constitution to provide that a levy, charge, or exaction of any kind imposed, increased, or extended by a local government is a tax unless an exception applies. Exceptions to Prop 26 include user fees, government service or product fees, regulatory fees, government property entrance fees, fines and penalties imposed by a court or local government, property development impact fees, and assessments and property-related fees governed by Proposition 218.
- 3.7 User Fee Rate Book – A document detailing *User Fees* for services provided by various City departments that is available online for City residents and customers. This document is updated and maintained by the Department of Finance and accessible on the City Clerk’s public website.
- 3.8 User Fees – Charges to users of certain City services established to recover only the City’s cost of providing the services. Examples include golf course fees, filing fees for planning services, and charges for engineering.
- 3.9 User Fee Policy – A policy that establishes the method for establishing and setting fees, updating fees, and the extent to which those fees will recover the costs of the services provided. The City’s *User Fee Policy* is City Council Policy 100-05.
4. POLICY
- 4.1 General
- 4.1.1 It is the policy of the City to establish *User Fees* to recover the **full** cost of providing certain services.
- 4.1.2 It is the policy of the City for *Administering Departments* to comprehensively review *User Fees* every three to five years to ensure that all reasonable costs incurred in providing these services are being recovered.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 95.25	Issue 4	Page 4 of 11
PROCESSING NEW AND REVISED USER FEES	Effective Date July 14, 2023		

4.1.3 It is the policy of the City to annually review and update (if applicable) *User Fees* as part of the budget process based on *CPI* inflation estimates until the next *Comprehensive User Fee Study* is undertaken.

4.1.4 It is the policy of the City to conduct a *Comprehensive User Fee Study* every three to five years and review the *User Fee Policy* as needed.

4.1.5 The *User Fee Policy* requires that when *User Fees* are revised, data indicating the proposed fee, the estimated cost required for providing the service, and the estimated amount of revenue to be generated from the fee shall be available to the public in the docket materials for the meetings at which the City Council considers the *User Fees*.

4.1.6 It is the policy of the City for *Administering Departments* to conduct a comparison of fee levels for similar services provided in other jurisdictions (i.e., benchmarking).

4.1.7 It is the policy of the City that *Administering Departments* identify any *User Fees* that have not been revised or updated in the last five years or longer and provide documentation substantiating their proposed *User Fee* revisions or alternatively, their justification for maintaining current fee levels.

4.1.8 It is the policy of the City to conduct a fiscal analysis of any recommended *User Fee* changes to ensure that the fiscal impacts of such changes are clearly communicated to stakeholders and policy makers.

4.1.9 It is the policy of the City to incorporate all *User Fees* developed or revised off-cycle from the *Comprehensive User Fee Study* into the *User Fee Rate Book*.

4.2 Policy Application

4.2.1 Each *Administering Department* shall annually analyze services provided to determine if new *User Fees* are appropriate and whether current *User Fees* reasonably recover the cost of providing services or need to be modified as a result of service delivery changes to the public and other City funds.

4.2.2 The calculated cost of providing a service should include the proportionate amount of (1) the known salaries and wages of applicable personnel involved in providing the service, (2) the applicable overhead and labor load

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT PROCESSING NEW AND REVISED USER FEES	Number 95.25	Issue 4	Page 5 of 11
	Effective Date July 14, 2023		

rates as determined annually by the Department of Finance, (3) the related non-personnel expenses required to provide the service, and (4) any planned expenditure or expenditure increases as proposed in the budget.

5. RESPONSIBILITY

5.1 Administering Departments

5.1.1 *Administering Departments* are responsible for reviewing all fees annually as part of the budget process to ensure that the fees recover all reasonable costs incurred in providing services and account for any changes to service delivery. *Administering Departments*:

- a. Ensure an appropriate cost recovery level to allow revenue enhancement through full cost accounting.
- b. Update *User Fees* based on *CPI* inflation estimates and salary increases, until the next *Comprehensive User Fee Study* is undertaken, if the adjustment is appropriate. Update *User Fees* that are 100% cost recoverable to ensure that they are not more than fully cost recoverable.

5.1.2 *Administering Departments* desiring to apply a revised adjustment of *CPI* to a *User Fee* shall submit to the Department Director or designee a recommended fee schedule for review and approval. City Council approval is required to apply a revised *CPI*.

- a. Submit the proposed fee schedule to the Department of Finance for review and approval.
- b. Submit the following documentation with the proposal:
 - i. Purpose of fee.
 - ii. Justification for implementation or revision of fee (e.g., *CPI* adjustment).
 - iii. Annual cost (including overhead and labor load) to the City to provide the service.
 - iv. Current fee schedule and annual revenue receipts.
 - v. Proposed fee schedule and estimated annual revenue receipts.
 - vi. Volume (i.e., the number of times a fee is paid in a given year) of fees.
 - vii. Proposed implementation date.
 - viii. Cost recovery percentage and *Cost Recovery Category*.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 95.25	Issue 4	Page 6 of 11
PROCESSING NEW AND REVISED USER FEES	Effective Date July 14, 2023		

- ix. Variance analysis of proposed and current fee and the reason for the difference.
 - x. Benchmarking conducted, including a list of jurisdictions analyzed, a comparison of *User Fee* rates and operational services to determine whether fees should be adjusted or eliminated, whether new *User Fees* should be established, and whether operational efficiencies can be identified and adopted for current services.
 - xi. Date of last adjustment to the fee.
 - xii. Total cost of the fee.
 - xiii. Subsidy amount for service provision.
 - xiv. Methodology for determining the cost of the fee.
 - xv. Nature and extent of the benefit to the fee-payer.
- c. After Department of Finance review, regular annual updates to *User Fees* in the General Fund shall be first reviewed by the Budget and Government Efficiency Committee, which can then refer the proposal to the City Council. Additionally, after Department of Finance review, changes to *User Fees* in Enterprise Fund departments (e.g., Water, Wastewater, Airports, Golf Course, Development Services, Recycling, and Refuse Disposal Funds) shall be first reviewed by the Budget and Government Efficiency Committee, which can then refer the proposal(s) to the City Council.
- d. Upon approval of the proposed *User Fee*, obtain appropriate Fund and Revenue Accounts information for inclusion in *Departmental User Fee Workbook Template*.
- e. Forward an electronic copy of either the *Departmental User Fee Workbook Template* if a comprehensive study was conducted or the documentation and proposal approved by the City Council to the Department of Finance within ten (10) business days of the *Administering Department's* approval for inclusion in the *User Fee Rate Book*.
- f. Maintain official records in accordance with the *Administering Department's User Fees* records retention schedule.
- 5.1.3 Conduct a *Comprehensive User Fee Study* every three to five years.
- a. The Department of Finance will coordinate the *Comprehensive User Fee Study* citywide every three to five years. A *Departmental User Fee Workbook Template* will be provided to all *Administering Departments*. Additionally, the Department of Finance will develop

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 95.25	Issue 4	Page 7 of 11
PROCESSING NEW AND REVISED USER FEES	Effective Date July 14, 2023		

- a. a schedule and communicate timelines and deliverables to *Administering Departments*.
 - b. *Administering Departments* will review and develop *User Fee* cost recovery calculations to ensure that the City is achieving appropriate levels of cost recovery.
 - c. The following factors will be considered during the *Comprehensive User Fee Study*:
 - i. To what extent service costs are recovered from revenues received;
 - ii. To what extent *User Fees* recover costs and generate excess revenue that supplements other services;
 - iii. Fee usage and volume to allow for more effective oversight;
 - iv. A comparison or benchmarking of *User Fee* levels for similar services provided in other jurisdictions (if applicable);
 - v. Date of last revision and current *User Fee* amount;
 - vi. An analysis of all relevant costs involved, including direct and indirect costs, and subsidies; and
 - vii. An average number of minutes needed to deliver the service based on the most accurate form of service delivery. This is to avoid any outlier years or months, etc.
 - d. After *Administering Departments* complete the *Comprehensive User Fee Study*, the Department of Finance will review and provide feedback.
 - e. Department of Finance will coordinate the review and presentation of *User Fees* to executive management, the Mayor, and the City Council.
 - f. Implement *User Fee* changes to *User Fees* prior to the adoption of the annual budget for the following fiscal year.
- 5.1.4 Implement a new or revised *User Fee* based on the *Comprehensive User Fee Study*.
- a. Prepare proposal and submit to the Chief Operating Officer, or designee, for approval via the docketing process, and provide Mayoral or executive briefings.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 95.25	Issue 4	Page 8 of 11
PROCESSING NEW AND REVISED USER FEES	Effective Date July 14, 2023		

- b. The proposal must include:
 - i. The purpose of the *User Fee* (if new);
 - ii. Justification for implementation or revision;
 - iii. The proposed *User Fee* amount and annual revenue;
 - iv. Total annual cost;
 - v. The methodology and level of cost recovery;
 - vi. The nature and extent of the benefit to the fee-payers;
 - vii. Date of last adjustment to the *User Fee*;
 - viii. Proposed implementation date;
 - ix. Benchmarking (if applicable);
 - x. Other relevant information; and
 - xi. Deputy City Attorney approval of methodology's compliance with Proposition 26.

5.1.5 Docket the approved proposal for Budget and Government Efficiency Committee review and approval. The Department of Finance is a required reviewing department of the docketing process for any *User Fee*.

For the *Comprehensive User Fee Study* that is conducted every three to five years, the Department of Finance will provide a Staff Report template and associated attachments that will be used to docket the item. Additionally, the Department of Finance will work to identify a date when *User Fees* will be presented collectively at a committee meeting.

5.1.6 Upon the Budget and Government Efficiency Committee's recommendation to forward the item to the City Council, docket the report for the City Council agenda for public input with data identifying the proposed *User Fee*, fiscal year of last update, the estimated cost required for providing the service, the estimated amount of revenue, the estimated volume or usage, cost recovery percentage, benchmarking conducted (if appropriate), and subsidy amount.

Notice of the City Council meeting at which a new *User Fee* or the modification of an existing *User Fee* will be considered shall be made via the City Council's published docket.

5.1.7 Upon City Council action, complete the *Departmental User Fee Workbook Template* and process as follows:

- a. Obtain appropriate Fund and Revenue Account information for inclusion in *Departmental User Fee Workbook Template*.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 95.25	Issue 4	Page 9 of 11
PROCESSING NEW AND REVISED USER FEES	Effective Date July 14, 2023		

- b. Forward electronic copy of *Departmental User Fee Workbook Template* to Department of Finance for inclusion in *User Fee Rate Book*.
- c. Forward electronic copy of signed City Council resolution for *User Fee* to Department of Finance.
- d. Maintain official records in compliance with the *Administering Department's* documentation protocol.

5.2 *Administering Department* Directors or Designee

5.2.1 Adhere to this Administrative Regulation and the *User Fee Policy*.

5.2.2 Review proposed *User Fee* schedules managed by the *Administering Department* and provide written approval or disapproval of the fee change.

5.2.3 Ensure Enterprise Fund departments coordinate their own *Comprehensive User Fee Study* every three to five years, preferably coinciding with the Department of Finance's *Comprehensive User Fee Study*.

Docket Enterprise Fund proposed *User Fees* for Budget and Government Efficiency Committee review and subsequent City Council approval.

5.2.4 Ensure General Fund departments work with the Department of Finance during the coordination of the *Comprehensive User Fee Study*.

Assist Department of Finance with the docketing of General Fund proposed *User Fees* for Budget and Government Efficiency Committee review and subsequent City Council approval.

5.2.5 *Administering Departments* using consultants should communicate with the Department of Finance during the coordination of the *Comprehensive User Fee Study*.

- a. Communicate with the Department of Finance to ensure *Comprehensive User Fee Study* is on track with General Fund timeline.
- b. Provide justification if *Comprehensive User Fee Study* will not be completed within the designated timeframe.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 95.25	Issue 4	Page 10 of 11
PROCESSING NEW AND REVISED USER FEES	Effective Date July 14, 2023		

- c. Communicate with the Department of Finance on the docketing of the *Administering Department's* proposed *User Fees* for Budget and Government Efficiency Committee review and subsequent City Council approval.

5.3 Chief Operating Officer

- 5.3.1 Review proposed new or revised *User Fees* for all City departments and provide approval to *Administering Departments* to submit *User Fee* proposals to the Budget and Government Efficiency Committee and the City Council.

5.4 Department of Finance

- 5.4.1 Coordinate a *Comprehensive User Fee Study* of the General Fund departments' proposed *User Fees* every three to five years.

- a. Consolidate and provide all *User Fee* reports and materials into a single report to be presented to City leadership and the Budget and Government Efficiency Committee for review, and then the City Council for approval.
- b. Identify any *User Fees* that have not been revised or updated in the last five years or longer. Upon identifying such *User Fees*, the Department of Finance shall require responsible *Administering Departments* to provide documentation showing their intent to revise each affected *User Fee*, or justification as to why the fee will not be revised or updated.
- c. Require each *Administering Department* with General Fund-supported *User Fees* to confirm in writing that the *Administering Department* performed *User Fee* benchmarking as part of its *Comprehensive User Fee Study* or justify in writing the lack of any need to perform benchmarking.
- d. Docket the approved proposal for Budget and Government Efficiency Committee review.
- e. Upon the Budget and Government Efficiency Committee's review and recommendation to forward the item to the City Council, docket the report for the City Council agenda for City Council and public input with information provided including the proposed *User Fee*, the estimated cost required for providing the service, and the estimated amount of revenue.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT PROCESSING NEW AND REVISED USER FEES	Number 95.25	Issue 4	Page 11 of 11
	Effective Date July 14, 2023		

- i. Notice of the City Council meeting at which a new *User Fee* or the modification of an existing *User Fee* will be considered shall be made via the City Council’s published docket.
- 5.4.2 Maintain and update electronic master file for all *User Fees* once approved by the City Council or Department Director.
- 5.4.3 Update the *User Fee Rate Book* as *User Fee* updates are approved by the City Council and make available to the public on the Department of Finance’s public website.
- 5.5 Office of the City Attorney
 - 5.5.1 Responsible for the review of all *Administering Departments’ User Fees* with respect to ensuring that those departments’ methodologies for calculating their *User Fees* comply with Proposition 26 prior to docketing the item for City Council action.
 - 5.5.2 The City Attorney will draft the associated City Council Resolution; the City Council must approve the final Resolution before the Department of Finance updates the *User Fee Rate Book*.
- 5.6 Office of the City Clerk
 - 5.6.1 Maintain online a master *User Fee Rate Book* available for public inspection in accordance with the City’s retention policy by including a link on the City Clerk’s public website to the *User Fee Rate Book* maintained by the Department of Finance.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT PROCESSING NEW AND REVISED USER FEES	Number 95.25	Issue 4	Page 12 of 11
	Effective Date July 14, 2023		

APPENDIX

Legal References

State Government Code: Chapter 13, Part 1, Division 2, Title 5
Council Policy 100-05
Process Narrative PN-0167 – Maintain User Fees

Forms

Departmental User Fee Workbook Template
User Fee Staff Report Template
User Fee Power Point Template

Subject Index

User Fees
User Fee Rate Book

Administering Department

Department of Finance