RESOLUTION NO. 2015-116

A RESOLUTION ADOPTING A CITY FEE POLICY TO BE USED FOR AMENDING AND ADDING FEES IN THE CITY FEE RESOLUTION.

WHEREAS, the City charges fees for various licenses, permits and applications to cover its administrative costs; and

WHEREAS, the City Compass Committee commissioned a City Fees Audit in 2014 that outlined six recommendations for improving the process for the review, adoption and implementation of city fees based on best practices; and

WHEREAS, Compass audit recommendation 1 stated that city management should develop and seek City Council adoption of a formal fee policy that includes suggested best practices for establishing, reviewing and adjusting fees; and

WHEREAS, Compass audit recommendation 2 stated that department managers should use the guidance provided in the City's fee policy to establish fee processes that incorporate best practices for municipal fees; and

WHEREAS, Compass audit recommendation 3 stated that department managers should calculate the full cost to provide a service as part of the basis for determining the fee rate. Full costs include all direct and indirect costs; and

WHEREAS, Compass audit recommendation 4 stated that department managers should conduct fee reviews on a periodic basis and use the results to determine when and how to adjust fees; and

WHEREAS, Compass audit recommendation 5 stated that city management should consolidate all fees in one section of the Rapid City Municipal Code or in a single fee ordinance; and

WHEREAS, to address Compass audit recommendation 5 on May 18, 2015, the Common Council adopted Resolution No. 2015-50 setting forth a fee schedule intended to replicate and supplement the fees discussed in the ordinances; and

WHEREAS, Compass audit recommendation 6 stated that city management should make information on fees including current rates available to the public in an easily accessible format; and

WHEREAS, to address Compass audit recommendation number 6 Resolution No. 2015-50 consolidates the information on fees charged by the City in one location, to make it easier to track and change the fees when they become insufficient to cover the City's administrative costs; and

WHEREAS, the City Council finds it to be in the best interests of the City and its citizens to adopt a fee policy to evaluate the necessity of increasing or adding fees in the city fee resolution.

NOW THEREFORE, BE IT RESOLVED, by the City of Rapid City that the following fee policy is established:

Rapid City, South Dakota User Fee Policy

User fees may be charged when the City finds it cost-effective and administratively feasible to do so. Prior to establishing user fees, the costs to establish and administer the fees will be considered in order to provide assurances that the collection mechanisms are being operated in an efficient manner.

User fees are appropriate when services are not "basic" or when specific beneficiaries and their relative level of benefit can be identified. "Basic services" are those which the City provides to all citizens. An individual may not forego these services because of the potential impact on public health, safety or welfare. User fees and other similar charges may be used as opposed to general taxes, when distinct beneficiary populations or interest groups can be identified. User fees and charges are preferable to general taxes because the fees can provide clear demand signals which assist in determining what services the City should offer including measurements of quantity and quality. User fees are also more equitable, since only those who use or benefit from the service must pay, thereby eliminating the subsidy provided by nonusers.

The Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Government (NACSLB) supports the use of charges and fees as a method of financing governmental goods and services. The GFOA and NACSLB also specifically recommends the adoption of a fee policy to identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided.

In Rapid City, several methods have been used to establish and set fees among City departments. Regardless of the methods used by the various authorities, to better inform the public and decision makers about establishing and setting fees, City policy makers and City managers should have sound information. A City audit performed by the Compass Committee identified nine types of information suggested by best practices to help inform fee policy decisions. To the extent possible and appropriate, the following nine categories of information should be documented during the review process for proposed increases or additions to the City Fee Resolution:

1. **Cost** – Quantify the direct and indirect costs to provide the service.
   - Direct costs include items such as: salaries and benefits; materials and supplies; operating costs such as utilities; depreciation; compensated absences; and pensions.
   - Indirect costs include shared administrative expenses such as legal, finance, and human resources.

2. **Service, purpose, users** – Describe the service and define who uses the service and why the City should be the provider.

3. **Cost recovery goal** – Quantify how much of the cost of the existing or proposed service is to be covered by the fee and how much would be subsidized.
   - Indicate whether the intent is to recover the full cost of providing goods and services.
   - Reveal if there would be circumstances where fees would cover less than the full cost of

providing a good or service.
- Justify the rationale for recovering less than full costs.
- Document considerations that may influence government pricing decisions such as subsidies, economic development, or competition with private business.

4. **Service level demand** – Quantify how many individuals or organizations use the service. Include actual or estimated service volumes.

5. **Fee comparison** – Prepare a chart comparing the proposed City fee or fee increase to fees charged by similar public or private organizations.

6. **Fee history** – Document when the existing fee was approved, reviewed and/or updated.
- Note any future plans to review a proposed fee or fee increase.
- The frequency with which cost-of-service studies will be undertaken.

7. **Stakeholder input** – Document any contacts, referrals, meetings, or other outreach activities used to obtain input from stakeholders including the results and input from those efforts.

8. **Authority** – Cite the Municipal Code section, resolution, or legal authority for assessing the fee.

9. **Fee collection method** – Define the process for how and when the fee will be levied and collected.
- Include any additional fee or penalty when fees are not paid or compliance is not achieved.
- Define the method and process for any refund or reimbursement of a fee.
- Indicate whether the fee collected is to be used for a specific funding purpose including the fund or cost center within the city budget for receipt and expenditure of the fee amounts.

Initial and Ongoing Review:

Fees will be reviewed and updated on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery.

In implementing this goal, a comprehensive analysis of City costs and fees should be made upon the adoption of this resolution and at least every five years thereafter. In the interim, City Council may adjust fees annually using the Consumer Price Index and/or other economic measures. City Departments may request fee adjustments on quarterly basis based on supplemental analysis whenever there have been significant changes in the method, level or cost of service delivery. The analysis should include a review and analysis of whether the City should add or provide the service as opposed to another external public or private sector entity.

BE IT FURTHER RESOLVED that this fee policy shall remain in place until changed by an act of the City Council.

Dated this _____ day of _____, 2015.

CITY OF RAPID CITY

                                                     _____

Mayor

ATTEST:

_____

Finance Officer

(SEAL)