FEES! You got ‘em. How do they work today?
Overview: Fees comprise a broad category of locally-imposed revenues generally intended to recover all or a portion of the government’s costs for:

• Providing a service
• Providing access to public property, or
• Mitigating the impacts of the fee payer’s activities on the community

➢ A fee may not exceed the ‘reasonable cost’ of providing the service or facility.

➢ Plus, a fee is not a Tax.

➢ A franchise fee is a charge that a franchisee is required to pay for rights given under a franchise agreement.

Text largely borrowed from The California Municipal Revenue Sources Handbook and Prop 26
With FEES, there is no perfect SALVATION…

I WILL NOT ATTEMPT THE SALVATION
OF A BUREAUCRAT
I WILL NOT ATTEMPT THE SALVATION
OF A BUREAUCRAT
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OF A BUREAUCRAT
I WILL NOT ATTEMPT
Why the Obsession with FEES and other Revenues?
Why the Obsession with Revenues?

1977: > 90%

Today: < 66%
Context: Spectrum of Tax to Fee/Assessments...

GLOBAL BENEFIT
- Public Safety Response
- General Street Maintenance
- Health and Human Services

BLENDED BENEFIT
- Recreation/Community Services
- Fire Protection
- Inspection programs

INDIVIDUAL BENEFIT
- Building Permits
- Enhanced services
- Undergrounding utilities
- Etc.

TAX FUNDED

FEE OR ASSESSMENT FUNDED
## Typical Local Government Fees (excluding Franchise Fees)

<table>
<thead>
<tr>
<th>Category</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>User/Regulatory Fees</strong></td>
<td>• Example: Building Permits</td>
</tr>
<tr>
<td>Fees limited to recovering the cost of providing the service</td>
<td></td>
</tr>
<tr>
<td><strong>Entrance / Use Gov’t. Property</strong></td>
<td>• Example: Facility Rentals</td>
</tr>
<tr>
<td>The City can charge whatever price the market will pay (must be competitive)</td>
<td></td>
</tr>
<tr>
<td><strong>Fines and Penalties</strong></td>
<td>• Example: Library Fines</td>
</tr>
<tr>
<td>Fines are not subject to cost recovery rules and may be set by Council</td>
<td></td>
</tr>
<tr>
<td><strong>Impact Fee (AB1600)</strong></td>
<td>• Example: Development Impact Fees/Quimby for Fire/Parks/Etc.</td>
</tr>
<tr>
<td>Separate legislative authority and process</td>
<td></td>
</tr>
<tr>
<td><strong>Property-related Fees (Prop 218)</strong></td>
<td>• Example: Water/Sewer Rates or balloted Storm Drain Fee</td>
</tr>
<tr>
<td>Water/Sewer/Trash plus other</td>
<td></td>
</tr>
</tbody>
</table>
Example - Development Impact Fees

- One-time source of capital
- Consider nexus and defensibility
- Understand the context and fiscal and policy choices
Common Property-Related Fees: Article XIII D, § 6
The other Property-Related Fee (not water, sewer, trash)

**ANALYTICAL RIGOR**
- Voluntary nature?
- Analytical analysis

**APPROVAL MECHANISM**
- “Property-based fees” balloted to property owners (50%)
- Or registered voter election (2/3)

**SAMPLES**
- Sacramento Storm drain fee
- CSA fees for roads, fire, etc.
Sample provisions related to cities:
• Affirms 2/3 voter requirement for ALL special taxes/reverses Upland case (‘initiatives’)
• Specifies that all parcel taxes are special taxes
• Specifies that all taxes must be limited to specific purposes
• Requires a clear sunset provision for any revenue measures
• Forbids the Measure A/B approach (revenue plus advisory votes)
• Upholds property-based Business Improvement Districts (PBID and TBID)
• Recategorizes business-based BID charges from governing body approval to “voter” approval
• **States fees shall not exceed ‘actual’ costs vs. ‘reasonable’ cost currently**
• **Puts forth new standard of ‘minimum amount necessary’ for fees/rates**
• Targets VMT (Vehicle Mileage Traveled) and new development fees
Let’s Dig In!

The City Manager Perspective:
Christina Turner

The Legal Perspectives:
Michael Colantuono
Fees! You Got ‘Em. How Do They Work Today?

Christina Turner
September 20, 2023
**Fees and Charges**

Any levy, charge or exaction of any kind imposed by a California government, is a **tax** except:

- **User Fees and Assessments**: for a privilege/benefit, service/product
  Planning permits, development fees, parking permits, user fees, copying fees, recreation classes, etc.

- **Regulatory Fees**: regulation, permits, inspections
  Permits for regulated commercial activities (e.g., dance hall, bingo, card room, check cashing, taxicab, peddlers, catering trucks, massage parlor, firearm dealers, etc.); fire, health, environmental, safety permits; police background checks; pet licenses; bicycle licenses.

- **Rents**: charge for entrance, use or rental of government property
  Facility/room rental fees, room rental fees, equipment rental fees, on and off-street parking, tolls, franchise, park entrance, museum admission, zoo admission, tipping fees, golf green fees, etc

- **Penalties** for illegal activity, fines and forfeitures, etc.
  Parking fines, late payment fees, interest charges and other charges for violation of the law.

- **A payment that is not imposed** by government
  Includes payments made pursuant to a voluntary contract or other agreement that are not otherwise “imposed” by a government’s power to coerce.
Fee Setting

- Fiscal Sustainability
  - Cost Recovery
  - General Fund Subsidy?
    - Example: Water heaters
- Political considerations
- Community benefit
Recreation Fees

• Fee Schedules
• Community benefit
  • Example: Outdoor Sports Center
    • Third party operator
    • Cost Recovery
    • Maintenance and improvements
• Credit card fees
Water and Wastewater

- Enterprise Funds – operations and capital
- Proposition 218 process - majority protest
  - Example: Signature gathering
- Political? Defer the inevitable?
Garbage Rates

- In-house
- Third party franchise
- City Council sets fees
Assessment Districts

- Move maintenance costs outside City
- Established for improvements and maintenance
- Fee increases subject to maximum levy
- Balancing fees and service level
Concealed Carry Weapon Permit

• New state law
• Fee schedule
• Review process
• Comparability across agencies
Development Impact Fees

- Fees imposed on specific development projects to defray the cost of new or additional public facilities that are needed to serve those developments.
  - Include traffic facility mitigation fees, public safety facilities fees, park facility fees, sewer facility fees, library facility fees, among others.
- Comparability between agencies
Take-Aways

• Periodic fee reviews and studies are critical

• No one likes higher fees and/or rates!

• Advance public notice and education really help