

COST RECOVERY AND FEE SCHEDULE POLICY



COASTSIDE FIRE PROTECITON DISTRICT

ADOPTED: NOVEMBER 15, 2023

COASTSIDE FIRE PROTECTION DISTRICT COST RECOVERY AND FEE SCHEDULE POLICY

Purpose

To provide general cost recovery guidelines for establishing and maintaining a comprehensive user fee schedule to ensure that the District adequately recovers costs for the provision of fire prevention services in an efficient, legal, and accountable manner.

Policy

Target Cost Recovery

There are several factors used in setting target cost recovery goals: 1) community-wide vs. private benefit; 2) service recipient vs service driver; 3) consistency with District goals and policies; 4) elasticity of demand for services; and 5) availability of services from the private sector.

The District has established that most of its fees provide both community-wide and private benefits and are driven by state codes and regulations. Additionally, these services are not available from the private sector, and the level of cost recovery does not affect the demand for service.

Therefore, the District has established a target cost recovery goal of **80%** for all its fees, except for smoke detector inspections which are determined to be a critical life-safety service that will be performed at a lower recovery rate.

Update to Cost Recovery

This cost recovery policy establishes that the District may conduct a comprehensive user fee study every five to seven years to determine the true cost of providing fee-based services. However, if a major organizational shift within the District occurs, the review may be conducted sooner.

In the interim, the District will apply an increase factor – Consumer Price Index (CPI) to its current user fees annually to account for increases in costs. If the CPI exceeds 4%, a Cost of Living Adjustment (COLA) may be utilized instead to match the increases more closely in staffing costs.

The annual fee increase may be built into the fee resolution to allow for annual increases through the fee schedule and budget update process.

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Definitions

User Fees are fees imposed in return for a specific benefit conferred, privilege granted, or service provided directly to the payer of the fee that is not provided to those not charged. User Fees are not imposed for the purpose of raising revenue. Examples of Services that may be assessed user fees are Land Use / Entitlement Application Reviews, Building (Fire & Life Safety) Reviews, Extinguishing and Alarm Systems, and Annual Operational Fire Permits.

Cost Recovery is recouping all costs associated with a particular Service provided by the District. A fee may not exceed the estimated reasonable cost of providing the Service for which the fee is charged. Fees must be reasonable, fair, equitable and proportionally representative of the costs incurred by the District. Costs qualify for cost recovery if they would not occur if not for the need to provide the Service.

Direct Costs are the costs incurred directly for providing a specified Service. These costs include staff time spent providing the Service, and any costs that can be traced directly to the production of a given Service or product.

Indirect Costs are the incidental costs that are incurred by the District because of providing the Service not directly accountable or associated with the production of a Service. Indirect costs include District overhead such as operating expenses and internal administrative costs.

Procedures

Cost Recovery Calculation

The full cost of providing services shall be based on direct and indirect costs. Indirect costs shall include district overhead.

Determination of Cost Recovery Levels

User fees will be set at **80%** cost recovery and in accordance with State and Federal laws and regulations. Legal limitations on charging fees shall be adhered to and are not subject to this policy. Additionally, the following economic and policy considerations shall be considered when setting cost recovery levels as follows:

- The nature of the Services shall be considered when setting fees.
- Fee amounts shall be proportional and reasonably related to the costs associated with providing the Service. The full cost should include direct and indirect costs.

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- Fees may be phased to full cost recovery, specifically fees that have a current cost recovery level below 50% to minimize impacts to the community.

These considerations will be critical when re-evaluating the full cost of fees every year.

Third Party (External) Direct Costs

Third party direct costs will be recovered in addition to the user fees outlined in the user fee schedule. Third party out of pocket costs include, but are not limited to, attorney fees, consultant fees, etc. required for the review and processing of applications and permits.

Annual Review

User fees may be updated annually based upon the Consumer Price Index (CPI) for San Francisco-San Mateo-Redwood City. District staff should utilize the CPI from March to ensure consistent CPI application. If the CPI exceeds 4%, then the Cost-of-Living Adjustment (COLA) for District staff may be utilized to increase fees. This will ensure that fees are increased to maintain the original established cost recovery target.

Frequency of User Fee Cost Studies

A comprehensive user fee study and review of this policy may be conducted every five to seven years. While an annual internal review is necessary to determine whether fees should be updated according to the policy (as outlined in Cost Recovery Calculation), a comprehensive annual user fee study may not be cost-effective because of its labor and time-intensive nature.

Availability of User Fee Information to Public

The User Fee Schedule shall be made available to the public.