

# **Performance Audit: Fee Policy Could Guide Staff and Inform the Public**

**May 2011**

City Auditor  
City of Lawrence, Kansas

May 5, 2011

Members of the City Commission

The city uses fees to provide a variety of goods and services. Fees help recover some of the cost of providing services. The process of setting fees, especially calculating costs, encourages efficient and effective provision of services.

While the city hasn't established a fee policy, such a policy could help guide staff and provide information to the public. Best practices for public financial management call for fee policies.

The report includes three recommendations to address policies and information provided to the City Commission and public.

I provided the City Manager with a final draft of this report on February 4, 2011. The City Manager's response is attached.

I appreciate the cooperation and assistance I received from city staff as I worked on this performance audit.

Michael Eglinski  
City Auditor

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# Performance Audit: Fee Policy

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## Performance Audit: Fee Policy

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### Results in Brief

The city uses fees to provide a variety of goods and services. Fees help recover some of the cost of providing services. The process of setting fees, especially calculating costs, encourages efficient and effective provision of services. The city has established well over 200 different fees. Fee revenue in the general, recreation and golf funds generated \$4.5 million in 2011.

While the city hasn't established a fee policy, such a policy could help guide staff and provide information to the public. Best practices for public financial management call for fee policies addressing:

- Factors to consider when setting fees for goods and services;
- Intended levels of cost recovery;
- When fees should recover less than full costs;
- The rationale for recovering less than full costs;
- Calculating the full costs of services; and
- Making fee information available to the public

A policy would help provide clear direction to staff and help department managers meet the established goals and expectations.

Staff can improve fee information provided to the City Commission and the public. Consistent and complete information on fees and charges would help ensure fees are based on sound information, encourage efficiency, achieved desired goals, and provide transparency to the public. Analysis of a sample of staff memos suggest that better information is needed on costs and recovery, past and future fee reviews, stakeholder input, and methods for collecting fees.

The report includes three recommendations to address policies and information provided to the City Commission.

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## Performance Audit: Fee Policy

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### The City Uses Fees to Provide a Variety of Goods and Services

The city uses fees for a variety of city services and permits. Fees help recover some of the costs of providing services and can provide an efficient and fair way to provide goods and services. The process of setting fees, especially calculating costs, encourages efficient and effective provision of services. The city has established over 200 fees and charges.<sup>1</sup> Appendix A provides a list of identified fees.

The city collected about \$4.5 million in revenue from fees in the general, recreation and golf funds in 2010. Revenue from fees is important for the city's financial stability. Lawrence's overall reliance on fee revenue is generally consistent with similar communities.<sup>2</sup> Figure 1 shows revenue from the ten largest revenue accounts for fees in 2010 in the general, recreation and golf funds.

**Figure 1 Top ten fee revenue accounts in 2010**

Fund	Item	Revenue
General	Building permits and inspections	643,605.76
General	Ambulance service	502,182.70
Recreation	Aquatic center/indoor aquatic center	468,346.44
Municipal Golf	Green fees	438,417.35
Recreation	Class enrollments	320,173.31
Recreation	Sports entry fees/adult sports	263,434.22
Recreation	Sports entry fees/youth sports	211,198.32
Municipal Golf	Golf carts	183,487.32
Recreation	Aquatic center/outdoor pool	181,710.15
General	Engineering	147,230.10

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<sup>1</sup> This report defines fees as charges for any service or activity for which the city charges to provide a benefit to an individual, group or business excluding transit fees and utility charges for water, sewer, storm water and solid waste service. It also excludes fines.

<sup>2</sup> Lawrence's ratio of governmental charges for service to total general revenues and transfers is 0.166, comparable to the median of 0.168 for a group of Lawrence and 15 similar communities. The analysis relied on the similar cities included in the Performance Audit: Financial Indicators (July 2010).

### Explore Fees as “Fiscal First Aid”

The Government Finance Officers Association recommends exploring fees as a first option for dealing with fiscal stress, noting that fees can improve an organization’s long-term prognosis.

First, make sure there are clear cost-recovery policy goals articulated at the highest level of the organizations (e.g., the governing board). Also, consider the definition of “cost” – are only direct costs considered or fully allocated costs? Then, verify any fees charged are meeting cost recovery goals. Compare fees with comparable and neighboring agencies, not just for reasonableness but also to see if your fee structure is having unintended consequences....Also, ensure that operating departments are incented to keep their fees updated; include a policy for regular reviews. Central user fee policies are an important first step, but other tactics like connecting operating budgets closely to program revenues can also help.

Source: *Fiscal First Aid*, Government Finance Officers Association, accessed at <http://www.gfoa.org/>

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## City Policy Could Guide Staff

The city has not adopted a fee policy. Best practices for public financial management from the Government Finance Officials Association (GFOA) call for cities to establish formal policy on charges and fees.<sup>3</sup> GFOA recommends that staff develop financial policies for formal adoption by the City Commission. A formal policy could guide staff as they consider providing new services, changing services and changing fees and charges. Under best practices, a fee policy addresses:

- The factors to take into account when pricing goods and services;
- Whether the jurisdiction intends to recover the full cost of providing goods and services;

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<sup>3</sup> *Best Practice: Establishing Government Charges and Fees (1996)* Government Finance Officers Association; and *Best Practice: Adoption of Financial Policies (2001)* Government Finance Officers Association.

- The conditions where fees would be set to recover more or less than 100 percent of the full costs;
- The rationale for recovering less than full costs.

Formally adopting a policy provides clear direction to staff. A policy can provide guidelines and expectations to help department managers meet the established goals and expectations. Financial policies provide guidelines for both operational and strategic decisions on financial matters and provide a standard for measuring a government's fiscal performance.

Even without a formal policy, staff can consider the information-needs required by best practices as they make decisions about fees and when they provide information to the City Commission. For example, staff presentations can consistently provide explanations that address the key aspects of the recommended practice.

#### **GFOA Establishes Best Practices for Financial Management**

The Government Finance Officers Association (GFOA) develops best practices to provide state and local governments with guidance on sound financial management practices. GFOA committees develop best practices which are then approved by an executive board.

A GFOA best practice identifies specific policies and procedures as contributing to improved government management. It aims to promote and facilitate positive change rather than merely to codify current accepted practice. Partial implementation is encouraged as progress toward a recognized goal.

In addition to a formal policy, GFOA recommend that fees and charges be based on the calculations of the full cost of providing a service; that fees and charges be reviewed and updated periodically; and that information on fees and charges be made available to the public.

**Some other cities have adopted fee policies.** About half of cities identified as similar to Lawrence have readily available fee policies. Eight of the 15 similar cities include fee policies in their budgets or on their web pages. See appendix B for two examples of fee policies from other cities. Three of the cities also have detailed fee schedules posted on their web pages.

### **Fee Policy from Champaign, IL**

The City of Champaign adopted financial policies that include policies on fees consistent with recommendations from the Government Finance Officers Association. The city adopted the policies as a framework for providing quality services efficiently and effectively while maintaining long-term financial stability. Champaign's fee policy describes:

- Factors to consider when the city prices goods and services;
- Intended level of cost recovery;
- When fees should recover less than the full cost of a service;
- The rationale for recovering less than full costs;
- Calculating the full cost of services;
- Periodically reviewing fees; and
- Making fee information available to the public.

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## **Staff Can Improve Fee Information Provided to the City Commission and the Public**

Consistent and complete information on fees and charges helps ensure fees are based on sound information, encourage efficiency, achieve desired goals, and provide transparency to the public. Analysis of information provided to the City Commission suggests that staff could improve the information provided.

When considering service and fee levels, recommended practices call for the City Commission and the public to have information to base decisions on. The City Auditor identified nine types of information encouraged by best practices. Figure 2 summarizes the types of information. Identifying the information involved reviewing GFOA best practices, select literature and practices in other municipal governments.



**Figure 2 Best practice information on fees**

<b>Information item</b>	<b>Provides information to answer questions such as:</b>
Cost	How much does it cost the city to provide the service?
Service, purpose, users	What is the service? Why does the city provide the service? Who uses the service?
Cost recovery goal	How much of the cost of service is subsidized by general tax revenue? How much of the cost does the city intend to recover through fees and charges?
Level of use or demand	How many people or businesses use the service?
Comparisons	How do the city's fees compare with other cities or with private businesses?
Past or planned fee reviews	When did the city set the current fee? When did the city last review the fee? When does the city plan to review the fee next?
Stakeholder input	How did the city seek input from stakeholders, such as users of the service? What input did stakeholders provide?
Authority	What part of the City Code or other legal authority guides the city's fee?
Fee collection method	How will the city collect the fee?

Comparing information city staff provided to the City Commission with the nine types of information noted above identified relative strengths and weaknesses in information from staff. The City Auditor selected ten examples of fees and charges considered by the City Commission from 2007 to 2010. The auditor then compared the information with the recommended information and characterized the level of information. Figure 3 identifies the main strengths and weaknesses and Figure 4 characterizes the information in each of the ten memos.

**Figure 3 Strengths and weaknesses of sample of staff memos**

<b>Relative Strengths</b>	<b>Relative Weaknesses</b>
Authority for establishing a fee	Cost and cost recovery goals
Comparison with other communities or the private sector	Past and planned fee reviews
Description of the service, purpose and users	Summaries of stakeholder input
	Method of collecting fees

**Figure 4 Information evaluation for a sample of staff memos**

Fee memo	Date	Costs	Service, purpose, users	Cost recovery goal	Level of use or demand	Comparisons	Past or planned fee reviews	Stakeholder input	Authority	Fee collection
Pedicab license	2/2/2010	○	●	○	○	○	○	○	●	○
Domestic partner	5/17/2007	○	●	○	●	●	○	○	●	●
Golf fees	6/10/2009	○	◎	○	○	●	○	○	◎	○
Ambulance and stand-by <sup>4</sup>	4/9/2008	○	◎	○	◎	◎	○	○	●	○
Municipal Court	7/3/2007	○	◎	○	◎	◎	○	○	●	○
Building permits	2/23/2010	●	◎	●	○	○	◎	○	●	○
Cemetery rates	12/3/2008	◎	◎	◎	◎	●	●	◎	◎	○
Alarm systems	4/26/2009	○	◎	○	○	○	◎	○	●	○
Swimming pools	4/20/2007	◎	◎	◎	●	●	◎	○	◎	○
Tax abatement application	3/24/2009	○	◎	○	○	●	◎	●	◎	○

- Most Complete information
- ◎ Some information
- Least complete information

<sup>4</sup> The county and the city jointly adopt ambulance fees by a jointly adopted resolution/ordinance (Cooperative Agreement Concerning the Provision of Emergency Medical Services in Douglas County, 1996).

Staff provided little information on costs or on cost recovery goals to the City Commission based on review of the 10 memos. Cost information and cost recovery goals provide a basis for setting or changing fees. Full cost information includes direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities. Only the memo on building permits provided complete cost information. In that memo, staff identified costs related to regulating building activities including overhead costs. Staff allocated overhead costs based on employee ratios. The memo on building permits also provided a complete comparison of revenue with a cost recovery goal. Staff compared building permit revenue with expenditures. Staff followed the method defined by the city code and included an adjustment based on the prior year when revenues exceeded costs

### **Measuring the Cost of Government Services**

Measuring the cost of government services provides information that can be used to set fees; measure and benchmark performance; and consider different methods of providing services. The best practices call for calculate the full cost of providing different services. Full cost includes both direct and indirect costs.

- Direct costs include items such as salaries and benefits, materials and supplies, other operating costs such as utilities, depreciation, compensated absences and pensions.
- Indirect costs include shared administrative expenses, such as legal, finance and human resources services.

Costs should be calculated using a systematic and rational allocation method; and the method should be explained.

Source: *Best Practice: Measuring the Cost of Government Service (2002)*  
Government Finance Officers Association.

Staff provided little information on past and future fee reviews based on the 10 memos. Information on fee reviews provides context for fee changes and help identify fees that may have been significantly affected by inflation or changes in how the city provides services. Only the memo on cemetery rates provided complete information on past and future fee reviews. Staff provided a history of fee increases, noting fee changes in the last decade, and recommended that the city continue to increase fees each year for 5 years to recover a higher portion of cemetery costs.

Staff provided little information on input from stakeholders, such as users of services, based on the 10 memos. Stakeholder input helps ensure the public have adequate opportunities to provide input and encourages transparent processes for setting fees. Only the memo on tax abatement

applications provided complete information on identified stakeholders and their input. Staff noted that they met with and received feedback from stakeholders including county staff and the Chamber of Commerce. Staff summarized input from a City Commission study session, the Sustainability Advisory Board, and the County Commission.

Staff provided little information on methods for collecting fees based on review of the 10 memos. Providing information on how the city plans to collect fees helps and helps ensure that administrative costs are minimal. Only the memo on the domestic partner registry provided complete information on methods for collecting the fees. Staff recommended implementing an online registration method to minimize workload, noting that even with online information staff expected to respond to phone calls requesting information.

Guidelines for staff preparing information for the City Commission on fees could help ensure more complete information.

**Many fees have not been adjusted recently.** A review of 20 randomly selected fees found that half of the fees hadn't been adjusted since 1993. Fees that haven't been adjusted for such a long period of time run the risk of inadvertently being far out of line with the costs of providing the service or with competitors' prices. Since 1993, general inflation adjustments would require fee increases of about 50 percent. However, in the same period of time, productivity gains through, for example, improved information technology may have reduced the city's cost of providing some services. Best practice calls for periodic review of fees to allow the city to ensure the appropriate match of fee revenue and service costs.

**Implementing periodic fee reviews and providing public information on fees could help ensure fees are consistently implemented.** Several fees were identified that the city hasn't implemented. The city does not issue excavation permits established in the City Code. The city established the permit over 100 years ago, most recently revising it in 1976. A 2008 performance audit recommended either issuing the existing permit or developing a right-of-way management process. To date the recommendation has not been implemented. The City Commission approved new fees for the wading pool and nature center in July 2009. Staff noted that both fees were supported by a public survey. Those fees have not been implemented. Staff had estimated the nature center fee would generate \$10,000. Staff has some uncertainty about the City Commission's action and intent regarding the wading pool and nature center fees. After reviewing the minutes and the video of the City Commission meeting, it appears the City Commission approved the fees, but it was also possible for staff to have been confused about the direction.

Periodic reviews of all fees helps ensure new fees are implemented and identify fees that should be eliminated.

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## Recommendations

The City Auditor recommends the City Manager should:

1. Prepare a city fee policy for consideration by the City Commission.
2. Establish an administrative procedure for staff to follow when preparing information to consider when establishing or eliminating fees; adjusting fee levels; and presenting information to the City Commission. The procedure should instruct staff to provide information consistent with the best practices identified in this report.
3. Establish a specific review cycle for fees, so that individual fees would be evaluated on a periodic basis.

During the fieldwork for this performance auditor, the City Auditor identified an area to consider for future audit work. The city provides partial fee waivers for Douglas County youth to participate in recreation activities regardless of household financial condition. Fee waivers totaled about \$20,000 each of the last two years. The city also maintains a Wee Folks Scholarship Fund for Lawrence youth to participate in recreation activities. The scholarship fund has a balance of about \$180,000. The city does not use the fund for scholarships. A performance audit could address controls over fee waivers, compliance with department policies and procedures, and use of the scholarship fund. The City Auditor will consider this as a topic when proposing the next annual performance audit work plan.

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## Performance Audit: Fee Policy

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### Scope, methods and objectives

The performance audit was designed to address:

- Has the city establish policy and practices consistent with recommended practices? If not, what would be the effect of establishing such policies and practices?
- Does city staff provide complete information to the City Commission when considering fees?
- What fees has the city established?

The performance audit focused on city fees excluding utility charges for water, sewer, stormwater and solid waste services.

The performance audit topic was identified in *Performance Audit: Financial Indicators* (August 2008). The 2008 report noted that several fee-supported city services faced expenses growing faster than revenues.

To identify city fees, the City Auditor reviewed the city code, information on the city's web page and data in the city's financial system. The auditor also interviewed city staff and shared drafts of a list of fees with staff.

To identify recommended practices for information related to fees, the City Auditor reviewed best practices from the Government Finance Officers Association and select literature on fees, including publications from the National Advisory Council on State and Local Budgeting and the Government Accountability Office. The auditor also reviewed policies and procedures from other communities.

The City Auditor reviewed documents and transaction records related to the Wee Folks Scholarship Fund. The auditor reviewed the 1996 agreement that established the fund as well as scholarship applications. The auditor reviewed scholarship transactions summarized in the city's Rectrac system. The auditor did not evaluate the reliability of the data in Rectrac because the auditor did not consider that data significant to the audit objectives.

The City Auditor conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The City Auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

The City Auditor provided a final draft of the report to the City Manager on February 4, 2011. The City Manager's written response is included.

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## Performance Audit: Fee Policy

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### Appendix A: List of City Fees

The table below identifies city fees, the current fee level, and the primary department responsible for administering the fee. Some fee levels vary depending on the specific level of service.

The source for the table includes the City Code; information published on the city web page, including the Parks and Recreation Activities Guide; and information provided by city staff.

The City Auditor shared drafts of the table with city staff to identify additional fees and make corrections.

Fee	Amount	Primary Department
record inspection fee	varies	City Clerk
copying fee	\$0.25	City Clerk
notary stamps	\$3.00	City Clerk
dangerous dog registration	\$50.00	City Clerk
sign hanging license	\$100.00	City Clerk
sign hanging renewal	\$50.00	City Clerk
sex shop	\$250.00	City Clerk
SOE business	\$500.00	City Clerk
SOE manager	\$50.00	City Clerk
SOE entertainer	\$50.00	City Clerk
going out of business	\$150.00	City Clerk
pawn broker	\$25.00	City Clerk
sidewalk dining (per square foot)	\$3.50	City Clerk
pedicab owner	\$75.00	City Clerk
pedicab owner - oversized pedicab	\$150.00	City Clerk
pedicab operator	\$50.00	City Clerk
domestic partner registration	\$75.00	City Clerk



mobile home park (per lot for 5-years)	\$5.00	City Clerk
alarm company	\$300.00	City Clerk
alarm company late renewal	\$75.00	City Clerk
alarm company renewal	\$150.00	City Clerk
right of way use application fee	\$10.00	City Clerk
alcohol retailer 3.2 beer plus	\$300.00	City Clerk
alcohol retailer general cereal malt beverages	\$250.00	City Clerk
alcohol retailer limited	\$125.00	City Clerk
caterers	\$250.00	City Clerk
class a club	\$250.00	City Clerk
class b club	\$250.00	City Clerk
drinking establishments	\$250.00	City Clerk
temporary permit (per day)	\$25.00	City Clerk
dog kennels for each dog over 4 months	\$20.00	City Clerk
dog kennels additional in excess of 10 dogs	\$1.00	City Clerk
ice cream sales from vehilce (per vehicle)	\$25.00	City Clerk
solicitors, canvasser, peddlers	\$25.00	City Clerk
taxi cabs first vehicle	\$100.00	City Clerk
taxi cabs second and third vehicle	\$50.00	City Clerk
taxi cabs additional vehicles	\$25.00	City Clerk
street vendor each stand/vehicle per day	\$25.00	City Clerk
street vendor each stand/vehlce per year	\$300.00	City Clerk
street vendor each stand/vehicle and per month	\$50.00	City Clerk
street vendor subsequent year	\$200.00	City Clerk
street vendor subsequent year and per month	\$50.00	City Clerk
horse drawn vehicle	\$50.00	City Clerk
tree trimmer first year	\$60.00	City Clerk
tree trimmer first year if certified	\$30.00	City Clerk
tree trimmer renewal	\$18.00	City Clerk
tree trimmer dead tree removal only first year	\$30.00	City Clerk
tree trimmer dead tree removal only renewal	\$12.00	City Clerk
moving permit	\$75.00	City Clerk
moving permit small building (<400 sq ft)	\$25.00	City Clerk
IRB application	\$1,000.00	City Manager
abatement application	\$500.00	City Manager
annual abatement renewal	\$200.00	City Manager
CID application	\$2,500.00	City Manager
emergency medical - als2	\$619.00	Fire/Medical
emergency medical - emergency als	\$559.00	Fire/Medical
emergency medical - emergency no als	\$476.00	Fire/Medical
emergency medical - non-emergency als	\$559.00	Fire/Medical
emergency medical - non-emergency no als	\$476.00	Fire/Medical
emergency medical - per loaded mile	\$7.38	Fire/Medical

high school stand by	\$13.00	Fire/Medical
other stand by	varies	Fire/Medical
blasting	\$100.00	Fire/Medical
municipal court costs	\$32.50	Legal
municipal court probation	\$150.00	Legal
municipal court fingerprint	\$10.00	Legal
municipal court jail	varies	Legal
drivers license reinstatement	\$25.00	Legal
mailing notice of suspension	\$5.00	Legal
collection fees for past due court fines	varies	Legal
diversion fee	varies	Legal
recreation room rentals	varies	Parks and Recreation
gym rentals full	\$30.00	Parks and Recreation
gym rentals half	\$18.00	Parks and Recreation
aquatics monthly membership	\$20.00	Parks and Recreation
aquatics annual membership	\$162.00	Parks and Recreation
aquatics discount punch card	\$30.00	Parks and Recreation
aquatics events	varies	Parks and Recreation
aquatics fitness classes	varies	Parks and Recreation
aquatics swimming lessons	varies	Parks and Recreation
aquatics training classes	\$175.00	Parks and Recreation
golf fees	varies	Parks and Recreation
golf fees juniors	varies	Parks and Recreation
golf fee cards for 5 to 20 rounds of play	varies	Parks and Recreation
golf pass	\$750.00	Parks and Recreation
golf driving range 40 balls	\$5.00	Parks and Recreation
golf driving range pass	\$200.00	Parks and Recreation
golf lessons	\$100.00	Parks and Recreation
golf leagues	varies	Parks and Recreation
golf monthly specials	varies	Parks and Recreation
life-long recreation	varies	Parks and Recreation
Nature center programs	varies	Parks and Recreation
Nature center birthday party	\$80.00	Parks and Recreation
Recreation instruction	varies	Parks and Recreation
Recreation special events	varies	Parks and Recreation
Special populations	varies	Parks and Recreation
Adult sports	varies	Parks and Recreation
Youth sports	varies	Parks and Recreation
Youth summer camps	varies	Parks and Recreation
Worlds/oceans of fun passes	varies	Parks and Recreation
Woodchip sales	\$10.00	Parks and Recreation
Wood debris drop off	\$5.00	Parks and Recreation
Shelter rentals half day	varies	Parks and Recreation

Gazebo rental	varies	Parks and Recreation
Facility set up and takedown	varies	Parks and Recreation
Batting cage	varies	Parks and Recreation
Cemetery lot transfer	\$35.00	Parks and Recreation
Cemetery single grave	\$700.00	Parks and Recreation
Cemetery infant grave	\$150.00	Parks and Recreation
Cemetery opening and closing adult	varies	Parks and Recreation
Cemetery opening and closing infant	varies	Parks and Recreation
Cemetery opening and closing cremation	varies	Parks and Recreation
Cemetery disinternment full burial	\$1,100.00	Parks and Recreation
Cemetery disinternment cremation	\$150.00	Parks and Recreation
traffic calming landscape fee	\$2,000.00	Parks and Recreation
Prairie Park Nature Center entrance charge	varies	Parks and Recreation
South Park wading pool	\$1.00	Parks and Recreation
electrical contractor first year	\$200.00	Planning & Dev. Services
electrical contractor renewal	\$50.00	Planning & Dev. Services
electrician, journeyman original	\$20.00	Planning & Dev. Services
electrician, journeyman exam	\$10.00	Planning & Dev. Services
electrician, journeyman renewal	\$10.00	Planning & Dev. Services
gas fitters master first year	\$30.00	Planning & Dev. Services
gas fitters master renewal	\$15.00	Planning & Dev. Services
gas fitters journeyman first year	\$7.50	Planning & Dev. Services
gas fitters journeyman renewal	\$3.00	Planning & Dev. Services
plumbers, master	\$100.00	Planning & Dev. Services
plumbers, master renewal	\$50.00	Planning & Dev. Services
plumbers, journeyman	\$20.00	Planning & Dev. Services
plumbers, journeyman renewal	\$10.00	Planning & Dev. Services
demolition fee	\$50.00	Planning & Dev. Services
contractor license	\$200.00	Planning & Dev. Services
contractor license late renewal	\$75.00	Planning & Dev. Services
trade license	\$20.00	Planning & Dev. Services
trade license renewal	\$10.00	Planning & Dev. Services
sign permit	\$25.00	Planning & Dev. Services
sign permit wall or pole	\$75.00	Planning & Dev. Services
sign variance application	\$250.00	Planning & Dev. Services
storage of unlawful signs	\$25.00	Planning & Dev. Services
rental license	\$25.00	Planning & Dev. Services
temporary special events types 1 -4	\$50.00	Planning & Dev. Services
temporary special events type 5	\$100.00	Planning & Dev. Services
graffiti removal administrative fee	\$25.00	Planning & Dev. Services
nominating a historic district	\$50.00	Planning & Dev. Services
nominating a landmark	\$10.00	Planning & Dev. Services
rezoning	varies	Planning & Dev. Services

BZA residential	\$30.00	Planning & Dev. Services
BZA other	\$60.00	Planning & Dev. Services
covenants filing	\$8.00	Planning & Dev. Services
conditional use permit	\$100.00	Planning & Dev. Services
final development plan	\$100.00	Planning & Dev. Services
floodplain permit	\$20.00	Planning & Dev. Services
lot split	\$25.00	Planning & Dev. Services
non-conforming use	\$50.00	Planning & Dev. Services
certificate of survey	\$50.00	Planning & Dev. Services
plat	varies	Planning & Dev. Services
plat recording fee	\$200.00	Planning & Dev. Services
property division unincorporated area	\$50.00	Planning & Dev. Services
preliminary development plan	\$200.00	Planning & Dev. Services
site plan	\$50.00	Planning & Dev. Services
site plan renewal	\$25.00	Planning & Dev. Services
maps aerials/city or county map	\$15.00	Planning & Dev. Services
city zoning atlas	\$10.00	Planning & Dev. Services
city zoning atlas set	\$140.00	Planning & Dev. Services
city zoning districts	\$12.00	Planning & Dev. Services
county zoning districts	\$15.00	Planning & Dev. Services
color-filled city zoning	\$15.00	Planning & Dev. Services
11x17 b&w prints	\$5.00	Planning & Dev. Services
copies	\$0.25	Planning & Dev. Services
Building permit	varies	Planning & Dev. Services
Building inspections and reinspections	\$47.00	Planning & Dev. Services
Residential furnaces and air conditioners	\$65.00	Planning & Dev. Services
fingerprints	\$5.00	Police
impoundment fees	\$10.00	Police
board fees	\$5.00	Police
merchant security service	\$200.00	Police
merchant security service (6-months)	\$100.00	Police
merchant security officer	\$50.00	Police
merchant security officer (6-months)	\$25.00	Police
merchant security officer renewal	\$25.00	Police
merchant security firearm proficiency	\$28.00	Police
tow fee	\$150.00	Police
tow storage	\$40.00	Police
parking meters	varies	Police
bicycle registration	\$0.25	Police
valuable property dealer permanent address	\$25.00	Police
valuable property dealer temporary address	\$25.00	Police
valuable property dealer display	\$25.00	Police
riverfront parking lower level	\$1.00	Police

excavation	\$15.00	Public Works
CAD/GIS map printout	varies	Public Works
City maps	varies	Public Works
Copying plat, plan/profile	varies	Public Works
Aerial maps and topographic maps	\$12.00	Public Works
Specification book (hard copy)	\$35.00	Public Works
Xerox copy	\$0.25	Public Works
Staff time for digital data and map preparation and processing	\$30.00	Public Works
roll out carts	varies	Public Works
special pick-ups of residential trash and debris	varies	Public Works
roll off container delivery	\$45.60	Public Works
roll off container fee if blocked or overloaded at pick up	\$45.60	Public Works
roll off off-load and reverse charge	\$69.00	Public Works
commercial container delivery charge	varies	Public Works
commercial container cleaning charge	varies	Public Works
commercial container off-hours additional charge	\$63.00	Public Works
commercial container heavy load charge	varies	Public Works
electronic recycling fee	varies	Public Works
cut off and reconnect fee	varies	UT billing/finance
meter inspection and test charge	\$10.00	UT billing/finance
late fee	varies	UT billing/finance
Trip charge for disconnect	\$5.00	UT billing/finance
Reconnect charge after termination	\$10.00	UT billing/finance
after-hours non-emergency service call charge	\$30.00	UT billing/finance
rescheduled appointment fee	\$10.00	UT billing/finance
water emergency violation reconnection	\$50.00	UT billing/finance
sanitary sewer hook on fee	varies	Utilities
pump station 48 connection fee	\$2,840.00	Utilities
West Baldwin creek sewer connection fee	varies	Utilities
Baldwin creek sewer interceptor connection fee	\$311.00	Utilities
pretreatment	\$75.00	Utilities
waste water discharge	\$75.00	Utilities
septage waste hauler	\$75.00	Utilities
chemical discharge fee	\$123.71	Utilities
septage discharge fee	\$135.20	Utilities
water system development charges	varies	Utilities
wastewater system development charges	varies	Utilities
CAD/GIS map printout	varies	Utilities
City maps	varies	Utilities
Additional work for time over 30 minutes for CAD/GIS maps	\$24.00	Utilities
Copying plat, plan/profile	varies	Utilities
Aerial maps and topographic maps	varies	Utilities
Specification book	\$35.00	Utilities

Xerox copy	\$0.25	Utilities
engineering inspection fee	\$37.11	Utilities
hydrant meter reading late fee	\$15.00	Utilities
hydrant meter rental admin fee	\$25.00	Utilities
industrial pretreatment surcharge	varies	Utilities
inspection for privately funded public improvements	varies	Utilities
sanitary sewer video inspection	\$1.00	Utilities
meter tile adjustment fee	\$500.00	Utilities
water front footage	\$8.00	Utilities
water tap & meter	varies	Utilities

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## Performance Audit: Fee Policy

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### Appendix B: Example User Fee Policies

This appendix includes examples of fee policies from Champaign, IL, and Missoula, MT. Both cities are among the 15 cities similar to Lawrence in terms of urban area population, portion of population under the age of 18, per capita income and median age of housing stock.

#### City of Champaign, IL

User fees: 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 wishes to provide to all citizens. An individual may not forego these services because of the potential impact on public health, safety or welfare. A service which provides benefit to the entire community and for which the benefit to specific users cannot be measured, or the cost of measuring the benefit to specific users would be prohibitive (e.g., street maintenance) should be funded from general revenues.

Types of Services, which may be funded by User Fees:

- a service which provides benefits to a limited group, but provides little or no general benefit to the community (e.g., document reproduction, alarm registration fee)

-- cost recovery: all direct and indirect costs

-- rate structure: flat rate per unit of service

- a service provides potential benefit to all members of the community and the benefit to each user can be measured or fairly approximated (e.g., sewer system maintenance, building permits, most licenses and permits except those used by a targeted group)

-- cost recovery: all direct costs

-- rate structure: based on level of service (e.g., volume, frequency) or flat rate for licenses and permits

“Direct costs” include all costs of performing the service, regulating the activity being licensed and collecting the fee, including staff time and benefits.

“Indirect costs” include a proportionate share of budgeted expenditures for administrative services, and overhead costs such as insurance and building maintenance.

For any proposed fee, staff will provide an assessment of the socio-economic impact of the fee on users. The City Council may choose not to charge a fee if it would prohibit low or fixed income groups from using City services.

- Council may opt not to charge a fee if it would be in conflict with accomplishing public policy objectives (e.g., fire inspections).
- If the cost of administering and collecting a fee is disproportionately high in relation to the cost of providing the service, the service may be funded from general revenues.
- In recommending an appropriate rate, staff will consider similar fees charged by other jurisdictions in close proximity and of similar size, with similar operations. Where the City service is in direct competition with the private sector, e.g., parking, City’s fees should be competitive unless there is a specific public purpose achieved by leading or following market rates.

**Citizen Participation:** A public hearing will be held before any new fee is instituted. City staff will also make a reasonable attempt to contact specific parties directly by means of meetings and/or document review.

**Current Services Funded from New User Fees:** When any fee is instituted to fund services currently funded from general revenues, the City will consider whether general revenues should be reduced accordingly, or whether those revenues should be targeted to some identified purpose.

User fees will be reviewed at least once every five years to ensure that the fees capture revenue consistent with the user fee policies.



## City of Missoula, MT

### User Fees.

- 1) Cost-Effective. User fees will be enacted/ charged only if the city finds it cost-effective and administratively feasible to do so. User fees are often costly to administer. Prior to establishing user fees, the costs to establish and administer the fees will be considered in order to provide assurance that the city's collection mechanisms are being operated in an efficient manner.
- 2) Beneficiary Populations. User fees and charges will 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 user charges can provide clear demand signals which assist in determining what services to offer, their quantity, and their quality. User charges are also more equitable, since only those who use and benefit from the service must pay--thereby eliminating the subsidy provided by nonusers to users, which is inherent in general tax financing.
- 3) Community-Wide versus Special Benefit. The level of user fee cost recovery should consider the community-wide versus special service nature of the program or activity. The use of general-purpose revenues is appropriate for community-wide services, while other user fees are appropriate for services that are of special benefit to identified individuals or groups.
- 4) General. The following general concepts will be used in developing and implementing service charges and user fees:
  - a. Revenues should not exceed the reasonable cost of providing the service.
  - b. Cost recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs and organization-wide support costs such as accounting, personnel, information technology, legal services, fleet maintenance, and insurance.
  - c. The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.
  - d. Rate structures should be sensitive to the "market" for similar services as well as to smaller, infrequent users of the service.
  - e. A unified approach should be used in determining cost recovery levels for various programs based on the factors discussed above.

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## **Performance Audit: Fee Policy**

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## **Management's Response**



# City of Lawrence KANSAS

CITY COMMISSION

MAYOR  
MIKE AMYX

COMMISSIONERS  
ARON E. CROMWELL  
LANCE M. JOHNSON  
MICHAEL DEVER  
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[www.lawrenceks.org](http://www.lawrenceks.org)

March 14, 2011

Mr. Michael Eglinski  
City Auditor  
City of Lawrence, Kansas

*Re: Performance Audit on City Fee Practices*

Dear Michael;

Thank you for your work in preparing the performance audit concerning City fee practices. I agree with your recommendation to establish a new City policy governing City fees. We plan to provide a draft policy, which will include provisions outlining procedures for new fees and current fees, and a specific review cycle for fees, during the City Commission 2012 budget deliberation process this spring and summer.

I believe it is appropriate to note that staff has reviewed several major fee categories in recent years, primarily focused on fees which generate substantial revenues for various City funds. We have focused our efforts on where the money is. This review has included adoption of a multi-year series of increases for our cemetery operations, adjustments to the City's downtown parking system fees and fines, municipal court fees and fines, and annual reviews conducted by the Parks and Recreation Department for their various fee structures governing their programs. It is my opinion that among the top fee revenue accounts there is not much opportunity for increased revenue – absent a substantial philosophy change in cost recovery for services such as parks and recreation. Additionally, some fees – including several with substantial revenues - are beyond direct City control under current laws and policies. For example, the Douglas County Commission establishes ambulance services fees because this is a pass-through revenue to Douglas County. (The City adopts an ordinance to provide the City's legal authority to collect those fees which are then fully sent to Douglas County.) Additionally, building permit fees are governed by a specific ordinance designed to ensure some level of appropriate equilibrium between revenues and expenditures for this function.



Another fee which might appear to be appropriate for revenue increases is the City's liquor license fees which generate over \$40,000 annually and have not be adjusted since the 1980s. These fees are governed and limited by State law. Attempts to alter the State law governing these fees has not been supported by state liquor interests.

My purpose in noting these fees and other similar fees is simply to point out that the City has reviewed fees – admittedly in the absence of a current City policy on fees and a published regime for periodic review – and focused limited staff resources on those fees deserving the most attention. In the absence of substantial increases from these recently reviewed fees, the City should not expect substantial increases in revenues simply by adopting a policy to examine all fees – there is simply not that much revenue to be gained. Revenue enhancement is not the only reason to review fees, and your audit recommendations provide policy support for a more systematic review of City fees.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Corliss', with a stylized flourish at the end.

David L. Corliss  
City Manager