



County of Yolo

Administrative Policies and Procedures Manual

TITLE: COST RECOVERY AND FEES	DEPARTMENT: COUNTY ADMINISTRATOR
TYPE: POLICY	DATE: DECEMBER 15, 2015

A. PURPOSE

This policy sets forth the philosophy and principles for recovering county costs through fees and other charges for services to support the strategic goal of financial sustainability in county government.

B. APPLICABILITY

This policy provides guidance on the establishment and maintenance of fees and rates charged by the County in exchange for services rendered. It amplifies the objective of cost recovery contained in the policy titled *Financial Standards* and is supplemented by the *Policy on Cost Accounting* and the *Policy on Revenue and Collection*. This policy does not apply to taxes and assessments levied by the County or other special purpose governmental entities, nor to negotiated sharing of revenues between the County and others.

C. POLICY

1. COST RECOVERY

- a. Departments shall seek to recover the full cost of all services they provide to agencies, entities or individuals outside the County of Yolo organization on a contractual or fee basis or when obtaining grant funding. The purpose of full cost recovery is to preserve the ability to provide sustained services.
- b. Internal Service Funds shall recover the full cost of all services they provide to departments, agencies, entities or individuals on a contractual or fee basis.
- c. Full cost is defined as the sum of direct costs plus departmental/fund overhead costs plus external indirect costs that conform to the *Policy on Cost Accounting*.
- d. Board of Supervisors approval is required for initiation or revision of public fees and charges (except for fee amounts that are fixed by statute), initiation and renewal of revenue contracts, and to apply for and accept grants.

2. FEES AND CHARGES

- a. The County can charge a fee for the following:
 - 1) A specific benefit conferred, privilege granted, service or product provided, directly to the payor that is not provided to those not charged.

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- 2) Reasonable regulatory costs incident to the issuance of licenses or permits, performance of investigations, inspections or audits.
 - 3) A fine, penalty, or other monetary charge imposed by the judicial agencies as a result of violation of laws.
- b. Except for fees, fines or penalties that are fixed by law, fee rates shall be set to sufficiently recover, in the long-run, all and only actual full costs incurred by the County, directly or indirectly, and consistent with long-term cost trends.
 - c. To reduce the unpredictability and burden of dramatic fee increases, departments may opt to increase fees incrementally until full cost recovery is achieved. Prior to receiving Board approval to implement such a strategy, a full cost recovery timeframe with proposed incremental increases, anticipated revenue gap and offsetting revenue source(s) shall be disclosed.
 - d. Except for fees, fines or penalties imposed by law, fees shall be charged or allocated to the payor in a manner that reflects fairly and reasonably the benefits received by the payor from the County or the burden caused by payor on the County.
 - e. To the extent practicable, estimates of fees and charges should be provided in advance of providing services to the customers.
 - f. All fees and proposed changes must be supported by calculations that have been reviewed by the Department of Financial Services (DFS) and that are based on methods authorized by the Chief Financial Officer.
 - g. Cost projections must be based on long-term cost trends and relevant operational trends.
 - h. The County Administrator shall review all proposed changes to the fee schedules, grant applications and revenue contracts from an overall policy perspective. The County Counsel and Department of Financial Services shall review all revenue contracts to ensure that the County's interests are protected.

3. SUBSIDIES AND WAIVERS

- a. No board-approved fees or charges can be reduced or waived without the specific approval of the Board of Supervisors.
- b. The Board of Supervisors may reduce or waive certain fees that apply to certain individuals or organizations. Such reduction or waiver shall be requested by the party concerned in writing to the department providing the services; department staff shall evaluate the request and submit

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findings to the County Administrator, who will make a recommendation to the Board of Supervisors for final decision. In the evaluation, the department shall provide:

- 1) The total amount of the reduction requested and approved reductions in the past.
 - 2) All fees related to construction projects must include a finding that the waiver or reduction does not create a public work.
 - 3) A finding that the waiver or reduction does not create a gift of public funds.
 - 4) A finding that the fee meets at least one of the criteria listed in section 2.a above in regard to this payor.
 - 5) A finding that describes one or more of the following:
 - i. The payment of the fee would cause economic hardship (defined in U.S. Treasury regulations as the inability to meet reasonable basic living expenses) due the financial condition of the payor.
 - ii. The payor is making a net economic contribution to the County that exceeds the amount of the fee; or is providing uncompensated services to the County that are of comparable value to the fee.
 - iii. The payor engages in activities that specifically advance the county's strategic goals.
- c. The Board of Supervisors may delegate the authority to reduce fees to other county officials and approve a procedure with specific criteria for the officials to follow.
 - d. At least annually, the County Administrator shall report to the Board the types and amounts of fees that have been waived or reduced and the associated impact to county services.
 - e. Statutes or the courts may allow certain fees and fines to be reduced or waived by specific county officials; such reductions or waivers are exempt from the provisions of this policy.

4. OFFICIAL FEE LIST

- a. All county fees approved by the Board of Supervisors shall be included in the County Master Fee Resolution and Fee Schedule which becomes the official County fee list. The County Administrator shall recommend annual updates to the Master Fee Schedule for approval by the Board of Supervisors.
- b. Departments charging fees are to make available to the public a fee schedule which states the nature of services provided and the effective date of fee implementation.

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- c. Departments shall review all fees annually for necessary changes to comply with this policy.

5. INTER-DEPARTMENTAL CHARGES

- a. County departments providing services to other departments shall, as practicable, charge the recipient departments the full costs of those services through direct billing.
- b. County departments shall track cost data and allocate costs to county programs in accordance with the Policy on Cost Accounting.
- c. The countywide cost allocation plan is a method of allocating administrative and overhead costs and shall not be used for billing purpose, except for residual amounts that could not be practically direct-billed.
- d. All such inter-departmental charges shall be recorded timely in the accounts of the departments and paid through inter-fund transfers or journal entries.

6. REVENUE CONTRACTS

- a. Any contractual provisions involving the levy of county fees or recovery of county costs shall be reviewed by the County Auditor-Controller in addition to the County Counsel.
- b. Any negotiated provisions that result in less than full cost recovery or a levy that is less than the amount in the approved fee list shall be evaluated by the County Administrator and County Auditor-Controller who shall make a recommendation to the Board of Supervisors.
- c. All revenue contracts shall contain provisions that allow County staff to receive reports and access the records to validate the revenue paid to the County.

7. COST CLAIMS

- a. All costs included in claims shall conform to the Policy on Cost Accounting and this Policy.
- b. All claimed costs shall be based on the County general ledger and other official records maintained by the County Auditor-Controller and shall be supported by proper documentation.
- c. All claims shall be submitted timely and in the proper format to paying entities.