**USER FEE POLICY**

*This template provides the basics of a user fee policy. You should adjust this policy to fit your government’s needs. For further guidance, refer to the GFOA book “Financial Policies.” The book describes the elements in this template plus additional options.*

# **Why a User Fee Policy Is Important**

User fees support [name of your government]’s ability to provide services to the public. A user fee policy helps make sure that fees are fair and equitable.

# **Cost Recovery for User Fees**

User fees are meant to recover a portion of the cost of providing a service. Staff will develop and recommend to [name of governing board] cost recovery goals for services that charge user fees.

Staff will recommend a cost recovery goal based on characteristics of the service. Characteristics that suggest a higher goal include:

**Customer receives all or most of the value from the service.** Public services often benefit the entire community and the individual receiving the service. In cases where all or most of the value of a public service goes to the individual, greater cost recovery should be the goal.

**Similar to private sector service.** [Name of your government] should not fund public services that are similar to services available from the private sector.

**[Name of your government] needs to limit demand.** If the charge is too low, people may use too much.

**The service is regulatory.** Some private activities are controlled by [name of your government]. Individuals who undertake those activities should pay the cost of the regulation.

Characteristics that suggest lower cost recovery goals include:

**Difficult collection.** It may not be practical to charge a fee. If so, collection would cost more than it would bring in revenue.

**Emergency service.** The service is provided in an emergency and not planned by the user.

**Creates the wrong incentives.** If a fee is too high, it might discourage people from using a service or following a regulation.

Here are examples of services with high-cost recovery goals: [You may insert services you’d like to establish as high-cost recovery. Examples might be municipal utilities and building permits].

# **Review of Fees**

Fees will be reviewed and updated by the department administering the fees. This will ensure that fees keep pace with changes in the cost of providing a service.

A full analysis of a service’s cost, the level of service provided, the means by which it is provided, and the fees charged should be made at least every five years. This should result in a recommendation to [name of governing board] for any changes to the fee structure.

In the interim, each year, the finance director and the department that administers the fee will recommend to [name of governing board] any adjustments to fees that may be necessary to keep up with cost increases or for the service to meet its cost recovery goals.