



Finance

1956: Cost Recovery and Fee Policy

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### **Purpose**

This policy implements the intent of the Board to achieve recovery of county costs through fees and other charges as authorized by law for services provided by the County.

### **Authority**

- Resolution 2024-0812
- California Government Code Section 54985-54988

Additional authorities may apply depending on the type and nature of the fee or charge. These additional fee specific authorities will be maintained in each department's official fee listing, further discussed below.

### **Scope**

This policy applies to all County departments, agencies, and offices including elected officials to recover the full cost, to the greatest extent allowed by law, for services and programs provided to individuals and agencies outside the County of Sacramento where fees may be charged. This includes legally separate entities where the Board is the approving authority for fees and such authority has not been delegated (ex. Water Agency). This policy does not apply to independent special districts where the Board does not have authority. The policy applies to all fees and charges for services and programs provided, managed, operated, or implemented by the County. The policy does not apply to fines, forfeitures, penalties, and interest.

The purpose of full cost recovery is to ensure the ability to sustain county programs and services. Consequently, the policy is not intended to restrict the ability of County departments, agencies, and offices to levy fees and charges for revenue generation and other purposes expressly authorized or contemplated by federal or state law.

The policy does not apply to internal fees, charges and cost allocation applied inside a department or inside the County between departments, offices, or agencies.

### **Policy**

#### Cost Recovery

County departments and agencies shall seek to recover the full costs of the products(s), services(s), or in enforcement activities as allowed by law. This

## Finance

### 1956: Cost Recovery and Fee Policy

shall apply on both a contractual and/or fee basis. For rents, leases, usage fees, or other charges imposed by the County, departments and agencies shall seek to at minimum recover costs but may use an alternative means or basis for calculating the subject fee or charge as allowed by law.

Full cost recovery includes the direct costs for performing the service and the application of indirect costs including department overhead and county indirect costs through the Allocated Cost Plan and 2 CFR 200 Cost Allocation Plan. Indirect costs may be limited to certain fee types by law. Departments should work with their assigned County Counsel to ensure all costs conform to local, state, or federal law.

Departments, at the time of fee approval, shall inform the Board of Supervisors when proposed services and fees are less than full cost recovery, any difference between full cost and the anticipated revenue, and the funding received, and the requested or expected source that will cover the difference. Departments should consider any updates to existing fee assistance programs at the time of fee updates.

### Fees and Charges

Board approval is required for initiation of new fees and charges and revisions of fees and charges, initiation of revenue contracts and grants, except where fee amounts are fixed by federal or state law or statute, and except where authority has been previously delegated by the Board of Supervisors. The fee or charge may reflect the average cost of providing any product or service or enforcement activities.

At the time, departments request fee approval of a new or revised fee from the Board, the department should describe any outreach performed to communicate fee changes to relevant stakeholders.

With regard to fees:

- A. Departments shall perform fee studies or other calculations to support all established fees. These studies shall meet all relevant legal requirements associated with the type of fee. These fee studies shall be performed no less frequently than once every five years. Departments should plan accordingly to have resources needed to perform fee updates consistent with these principles.
- B. Departments shall work with their assigned County Counsel to ensure full cost recovery to the maximum extent of the law on all fees and charges.
- C. Internal fee calculations (i.e. prepared by department staff rather than external contractor) shall be reviewed by the Auditor-Controller's division of the Department of Finance for accuracy prior to Board approval. The Director of Finance may waive this requirement in writing, when determined this

## Finance

### 1956: Cost Recovery and Fee Policy

additional review is not necessary (ex. department follows a prescribed statutory calculation not subject to discretion).

- D. In intervening years between fee studies, departments should, where legally allowed include a mechanism to implement price adjustments to ensure fees align with increased costs of service. (Ex. Include at time of fee authorization delegated authorization to department head to perform CPI adjustments based on the most relevant industry index).
- E. Fee adjustments should be performed no more frequently than once per year (calendar or fiscal) and should be published at least 30 days before becoming effective and noticing/publishing shall be performed in accordance with underlying requirements by fee type. Fee adjustments performed by delegated authority shall be communicated to the Board of Supervisors at the earliest opportunity as part of the Receive and File portion of the Board agenda.

Departments should arrange for fees to be deposited or paid in advance or paid at the time of performance of the service or delivery of goods to the extent permitted by law. This provision is not applicable to services that are necessary to be rendered without prior authorization (e.g., Code Enforcement, Alarm Fees, etc.).

#### Official Fee List

Departments shall maintain a written record of all established fees maintained and collected by the department. This fee list shall include a brief description of each fee, authority establishing the fee, amount of the fee, and the date of the last revision.

The official fee list should include any fees collected and passed through to other agencies.

#### Subsidy and Waivers

Board approved fees or charges cannot be reduced or waived without specific approval or delegated authority from the Board of Supervisors. The Board may delegate authority to reduce or waive fees with specific criteria for County officials to follow.

#### Revenue Contracts and Grants

Revenue contracts and grants shall strive to achieve the maximum cost recovery possible. Revenue contracts and grants that are less than full cost recovery shall include an explanation for why less than full cost recovery is expected at the time of approval (including any required local matching requirements).

## Finance

### 1956: Cost Recovery and Fee Policy

This explanation should include any estimated net county cost and any implications for future staffing, operations and maintenance costs, beyond the grant or contract period.

Nothing in this policy restricts the ability of the Board of Supervisors to approve contracts, leases, memorandums of understanding, or other agreements that are less than maximum cost recovery when in the best interest of the County.

## Review

Review annually and revised as necessary to implement any changes in guidance from the aforementioned authorities above.

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## History

Established: 03/2025