



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 07/12/2021

ITEM NO: 3

DATE: July 5, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss Cost Recovery Fees (Fee Study and Fee Schedule)

RECOMMENDATION:

Discuss cost recovery fees (Fee Study and Fee Schedule).

REMARKS:

Measure A states that the Finance Commission shall “Make recommendations to the Town Council about policies and program. To maximize fee generation consistent with market rate charges for Town-provided services and market rate fees for utilization of Town-owned assets.” However, this Section of Measure A is not legal in that state law does not allow for market rate fees and only allows fees up to the actual costs incurred by the Town in providing services.

The Town’s financial policies are consistent with state law and require that certain fees, rates, and charges for services be maintained to allow for cost recovery based on the actual cost to provide Town services. “Fee” activities are services and functions provided by the Town to individuals who receive some direct material benefit above and beyond services offered to residents at general taxpayer expense.

The Town periodically reviews the cost of providing such services and recommends appropriate increases in fees when supported by actual cost data. The Town’s last comprehensive cost allocation and user fee study concluded in 2019 and the Council incorporated modifications in the FY 19/20 Fee Schedule.

Typically, the Town Council considers annual adjustments to the fee schedule, such as to adjust to the area’s Consumer Price Index. Due to the economic impacts associated with the COVID-

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Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

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19 pandemic, fee discussions and potential adjustments were deferred pending improved economic conditions.

Attachment 1 contains the staff report and analysis that was presented to the Town Council in March 2019 including the current adopted fee schedules.

Attachment:

1. 2019 Council Staff Report and Fee Analysis