



CITY OF DETROIT  
OFFICE OF THE CHIEF FINANCIAL OFFICER

COLEMAN A. YOUNG MUNICIPAL CENTER  
2 WOODWARD AVE., SUITE 1100  
DETROIT, MICHIGAN 48226  
PHONE: 313-628-2535  
FAX: 313-224-2135  
WWW.DETROITMI.GOV

**CFO DIRECTIVE**  
**No. 2018-101-037**

**SUBJECT:** User Fees and Charges  
**ISSUANCE DATE:** November 14, 2018  
**EFFECTIVE DATE:** November 14, 2018

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1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 117.4s(2), as amended by Public Act 182 of 2014, states the chief financial officer shall supervise all financial and budget activities of the city and coordinate the city's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the city.
- 1.2. The 2012 Charter of the City of Detroit, Section 9-507, states any agency of the City may, with the approval of the City Council, charge an admission or service fee to any facility operated, or for any service provided, by an agency. Further, it states approval of the City Council shall also be required for any change in any such admission or service fee.
- 1.3. The Michigan Supreme Court ruled in *Bolt v. City of Lansing*, 459 Mich 152 (1998) that a user fee is distinguished from a tax by three criteria:
  - 1.3.1. Must serve a regulatory purpose rather than a revenue-raising purpose
  - 1.3.2. Must be proportionate to the necessary costs of the service
  - 1.3.3. Must be voluntary

2. OBJECTIVES

- 2.1. To recover, where feasible, City costs for providing goods and services to the public, as authorized by law.
- 2.2. To provide alternative revenue streams to support public goods and services that benefit specific individuals or groups, thus making general purpose revenues available for public goods and services that benefit the community at large.
- 2.3. To ensure that the City's user fees and charges ("fees") remain competitive with peer governments and alternative service providers.

3. PURPOSE

- 3.1. To establish the City's policy on establishing, reviewing, and revising fees.

4. SCOPE

- 4.1. This Directive applies to the City's fees, including Sales and Charges for Services; Licenses, Permits, and Inspection Charges; and Revenue from Use of Assets.
- 4.2. This Directive does not apply to the City's utility rates and charges, fines, penalties, excises, taxes, and sales of assets.

## 5. RESPONSIBILITIES

- 5.1. The Deputy CFO- Director of Office of Departmental Financial Services (ODFS) shall be responsible for administration and oversight of this Directive and shall work with Department Directors to ensure that all departmental fees are periodically reviewed and revised in accordance with this Directive.
- 5.2. The Deputy CFO- Budget Director, in coordination with ODFS, shall prepare a Fiscal Impact Statement of all new fees or proposed fee changes and, if approved by the City Council, include them in the preparation of the City's revenue estimates in accordance with CFO Directive 2018-101-002 Comprehensive Financial Planning Policy and State of Michigan Public Act 279 of 1909, Section 117.4t(1)(d), as amended by Public Act 182 of 2014.
- 5.3. Department Directors shall be responsible for reviewing and proposing fees for the department's operations in accordance with City law and this Directive.

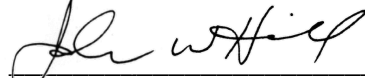
## 6. POLICY

- 6.1. Department Directors shall only charge fees that are approved by the City Council and included in the City's Revenue Estimation Conference in accordance with City law and this Directive.
- 6.2. Department Directors shall adhere to the following principals when reviewing and proposing fees for their department's operations:
  - 6.2.1. Fees shall be used to support public goods and services that are voluntary and benefit specific individuals or groups.
  - 6.2.2. Cost recovery for fees shall be proportionate to the necessary cost of providing the service and shall be based on the full cost of delivering such service, including all applicable direct and indirect costs.
  - 6.2.3. A consistent approach shall be used in determining appropriate fee cost recovery ratios for similar services, purposes, and beneficiaries. Fee cost recovery ratios shall represent the goals and priorities of the Administration.
  - 6.2.4. The method of assessing and collecting fees shall be as simple as possible in order to reduce the administrative cost of collection.
  - 6.2.5. Rate structures for fees shall be informed by the market for similar services and peer organizations.
  - 6.2.6. Departments shall consider using fees to support the cost of new programs and services when appropriate.
- 6.3. Establishing and Revising Fees
  - 6.3.1. The Deputy CFO- Director of ODFS shall issue guidelines and uniform procedures for all departments, divisions, and agencies to establish and revise their fees.
  - 6.3.2. ODFS, in coordination with the Office of Budget, shall apply consistent cost inflation factors to departmental fees during the annual budget development process. Fees that are adjusted as a result of cost inflation factors are still required

to be approved by the City Council and included in the City's Revenue Estimation Conference in accordance with City law and this Directive.

- 6.3.3. For fee changes other than those in Section 6.3.2 of this Directive, ODFS shall assist departments with the preparation of comprehensive cost recovery studies ("fee studies") to support proposals to establish new fees or review and recommend changes to existing fees. Unless otherwise determined by the CFO, fee studies shall be performed no less than every three (3) years.
- 6.3.4. Department Directors shall propose a new or revised fee in accordance with the following:
- 6.3.4.1. After the fee study is complete, Department Directors shall confer with the Administration and Office of the Chief Financial Officer and propose the amount of the fee.
- 6.3.4.2. The Office of Budget, with assistance from ODFS, shall complete a Fiscal Impact Statement based on the proposed amount of the fee.
- 6.3.4.3. Department Directors shall submit a proposal to establish a new fee or revise an existing fee to the City Council in a form and manner prescribed by the ODFS and including, at a minimum, the completed Fiscal Impact Statement. The proposal submitted to the City Council shall have the written approval of the CFO or their designee and the Department Director.
- 6.3.4.4. Proposals to add a new fee or revise an existing fee that take the form and manner of a City Ordinance shall be prescribed by the Law Department; however, the requirements in Section 6.3.4.3 of this Directive shall still be met.
- 6.3.4.5. Department Directors shall not propose a new or revised fee directly to City Council and shall adhere to this Directive.

**APPROVED**



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John W. Hill

*Chief Financial Officer, City of Detroit*