



CITY OF HOUSTON

Administrative Procedure

Subject: **Fee Increases or Adjustments Pursuant to Section 1-13
of the Code of Ordinances**

A.P. No:

4-9 Revised

Effective Date:

December 4, 2012

1. AUTHORITY

- 1.1 Article VI, Section 7a, Houston City Charter; Section 1-13 of Chapter 1 of the Code of Ordinances ("Section 1-13").

2. PURPOSE

- 2.1 Ensure the accurate annual adjustment of license, permit, service and other fees pursuant to Section 1-13.

3. OBJECTIVES

- 3.1 Institute a policy for the annual adjustment of fees subject to Section 1-13.
- 3.2 Establish a policy for conducting cost of service analysis applicable to the fees subject to this policy.
- 3.3 Ensure the inclusion of annually adjusted fees in annual revenue budget submissions.

4. SCOPE

- 4.1 This policy applies to all departments/divisions administering fees established in or authorized by the Code of Ordinances of the City of Houston other than those fees specifically excluded by Section 1-13. As used in this Policy, "Code" means (1) the City of Houston Code of Ordinances (the "City Code"), (2) the City of Houston Construction Code and (3) the Houston Fire Code.

5. POLICY

- 5.1 All departments/divisions administering the fees subject to this policy shall adhere to the procedures outlined herein.
- 5.2 This Procedure does not apply to any maximum fee established by the Code, state or federal law, or any fee adjusted by provisions other than Section 1-13, state or federal law or any fee established by contract or other factors determined by the Department and approved by the Legal Department and the Director of Finance. All fees shall be automatically increased on January 1st of each year by a percentage equal to the percentage increase shown in the most recent available twelve-month regional Consumer Price Index for All Urban Consumers (CPI-U) for Houston-Galveston-Brazoria ("CPI-U Percentage Change"); if there is no increase in such period, the fees shall remain unchanged.

Approved:

Date Approved:

12/04/2012

Page 1 of 3

- 5.3 Any proposal for new fees shall be prepared by the department director and forwarded to the Director of Finance for review, including basis, calculation of fees, and cost analysis. The Finance Department (“Finance”) may perform a cost study to determine if adjustments are needed by the responsible department prior to submission to City Council for approval.
- 5.4 Finance shall be responsible for creating and maintaining the City Fee Schedule website and shall update the website by January 1 of each year with newly adjusted fee amounts. Fees automatically adjusted by Code provisions other than Section 1-13 or by other laws, which adjustments are required to be effective on specific dates other than January 1, shall be adjusted as of such date each year and the City Fee Schedule shall be amended to timely reflect the changes. Departments shall remove all references to fees on any departmental websites and refer visitors to the City Fee Schedule website for pricing information, unless otherwise permitted by the Director of Finance.
- 5.5 All departments administering fees shall submit additional/revised Performance Measures on the form(s) promulgated by the Director of Finance to Finance for inclusion in the Monthly Financial & Operations Report (“MFOR”). The Performance Measures shall indicate the number of permits/licenses/services of each type sold, the unit cost and the revenues recorded for each respective month as determined by the Director of Finance.

6. PROCEDURES

6.1 Fee Increase Procedures

6.1.1 Annual CPI-U Adjustment under Section 1-13

6.1.1.1 Finance shall obtain the most recent available CPI-U Percentage Change from the Bureau of Labor Statistics website as soon as it is available for August of each calendar year. An average change in fees will be calculated based on all CPI reporting periods since the last fee update.

6.1.1.2 Finance shall apply the CPI-U Percentage Change to the appropriate fees listed on the City Fee Schedule website and disseminate the revised fee schedules to the departments no later than October 31 of each calendar year.

6.1.1.3 Finance shall use the following formula in calculating the revised fee schedule:

$$A = (B \times C) + B,$$

Where:

A is the new fee,

B is the current fee, and

C is the CPI-U Percentage Change.

6.1.1.4 For years in which the CPI-U Percentage Change is negative or zero, there shall be no change in the fees under Section 1-13.

6.1.1.5 Finance shall disseminate to the appropriate departments the final CPI-U Percentage Change and the final increased fee amounts as soon as they are available.

- 6.1.1.6 Departments shall implement the adjusted fees on January 1 of each calendar year beginning in 2013. The departments shall incorporate the new fees into their budgets for the fiscal year beginning on the next following July 1.
- 6.1.1.7 The fee increase shall be applicable to each license, permit or service that starts on or after January 1 of a calendar year even if the fee is paid in advance.
- 6.1.1.8 Fee increases shall be rounded to the nearest one cent. Fees requiring up to 4 decimal places for calculations purpose may be rounded to the nearest two decimal places for presentment purposes.

6.1.2 Amending City Fee Schedule

6.1.2.1 In the event that a department director determines that there has been a material change in the process or overall cost underlying a fee, the director shall coordinate with Finance and agree on the procedures for the fee review. The director shall request assistance from the Legal Department to determine whether an amendment to the Code is required and to prepare an ordinance to amend the City Fee Schedule and, if necessary, the Code. Any proposed adjustments to fees shall be forwarded to the Director of Finance for review, including basis and calculation of fees.

6.1.2.2 If the amendment is approved by Council, Finance shall immediately revise the fee in the City Fee Schedule and apply on the Ordinance approval date. The amended fee shall be subject to the next annual CPI-U Percentage Change, on a pro-rated basis, as set forth in Section 1-13.

Each department shall maintain on file and have available for City Council and Finance to review the cost analysis supporting any fee.

7. POLICY COMPLIANCE

7.1 All departments shall comply with this Administrative Procedure from the effective date forward.