

# **City of Laredo - Cost Recovery & User Fee Policy Resolution (Updated)**

## **Preamble**

RESOLUTION NO. 2025-R-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAREDO, TEXAS, ESTABLISHING A FORMAL COST RECOVERY AND USER FEE POLICY TO ENSURE EQUITABLE PRICING, TRANSPARENCY, AND LONG-TERM FINANCIAL SUSTAINABILITY WITH EXTERNAL ORGANIZATIONS, PROGRAMS AND EVENTS.

WHEREAS, the City of Laredo partners with numerous external organizations, including nonprofit entities, athletic leagues, civic and cultural partners, and event organizers, who provide services and events that benefit the community but also generate direct and indirect costs to the City;

WHEREAS, it is the policy of the City Council to ensure that the level of public subsidy provided to any program, service, or partner is aligned with the demonstrated level of community benefit, fiscal capacity, and long-term financial priorities;

WHEREAS, the City of Laredo provides services that vary in their degree of public benefit, requiring a consistent and transparent method for evaluating appropriate levels of subsidy and user charges;

WHEREAS, the City Council seeks to promote fiscal sustainability, equitable cost sharing, and responsible stewardship of taxpayer resources;

WHEREAS, this resolution complements the City's Debt Management Policy and Reserve Policy, and will serve as part of the consolidated Financial Management Policy framework;

## **Section 1 - Purpose and Application**

This policy establishes a structured cost recovery framework to determine the appropriate level of City support or subsidy for services, events, or programs provided by outside organizations, including but not limited to:

- Nonprofit organizations
- Civic or cultural partners
- Youth and adult sports organizations
- Special event or festival organizers
- Other public or private entities that receive in-kind, financial, or logistical City support

City departments shall apply this policy when evaluating applications for City sponsorship, co-hosting, fee waivers, or direct funding support.

**Section 2 - Definitions and Cost Types**

Cost recovery calculations shall consider:

- Direct Costs: Staff, materials, utilities, supplies, or contracts tied to the service;
- Indirect Costs: Departmental overhead, citywide services, administration;
- Capital Costs: Facilities, vehicles, and equipment used to deliver the service.

**Section 3 - Tiered Service Model**

Each program, event, or partnership shall be categorized into one of the following tiers based on its relative community benefit and private benefit:

<b>Tier</b>	<b>Community Benefit</b>	<b>Target Cost Recovery</b>
Tier 1	Fully Public Benefit (e.g., City-run, free to all)	0–10%
Tier 2	Primarily Public Benefit (e.g., non-profit education or health fair)	10–40%
Tier 3	Mixed Benefit (e.g., ticketed events with free components)	40–60%
Tier 4	Primarily Private Benefit (e.g., club sports, exclusive access)	60–90%
Tier 5	Fully Private Benefit (e.g., commercial use of public property)	90–100%

Each department is expected to meet the lower bound of the applicable tier unless a formal exception is granted by the City Manager or City Council.

**Section 4 - Evaluation Process and Review**

1. Application Required: Any organization requesting City funding, fee waivers, or in-kind support must submit a completed Cost Recovery Evaluation Form to the relevant department.
2. Departmental Analysis: The sponsoring department shall conduct a cost-benefit analysis and assign a preliminary cost recovery tier.
3. Council Approval: Final approval of subsidies, waivers, or City support is subject to City Council action during the budget process or via separate resolution.

**Section 5 – Fee Updates and Review**

Each department shall submit a comprehensive cost recovery review to the Finance Department and Budget Department at least once every three (3) years.

Fee updates should be included in the budget process and include justifications for any continued subsidy.

**Section 6 - Grant and Special Event Program Requirements**

Programs and events must demonstrate a cost recovery plan that prevents General Fund subsidization of overhead, unless City Council has approved a waiver or sponsorship.

**Section 6 - Enforcement and Reporting**

Violations of this policy shall first be addressed administratively. If unresolved, the City Manager shall

report the matter to the City Council with recommendations for corrective action, suspension, or funding restrictions.

Finance shall publish a Citywide Fee Index annually, and all fees shall be made available publicly online and through departmental channels.

**Section 7 - Effective Date**

This resolution shall take effect immediately and apply to all fees adopted or updated beginning in FY 2026.

PASSED AND APPROVED THIS\_\_DAY OF\_\_\_\_\_, 2025.

ATTEST:\_\_\_\_\_, City Secretary

APPROVED:\_\_\_\_\_, Mayor, City of Laredo