



A study sponsored by:
Committee on Jobs
**San Francisco Chamber
of Commerce**
**Building Owners and
Managers Association**
**Golden Gate Restaurant
Association**

Winter 2005

**WELCOME TO SAN FRANCISCO
HIGH FEES AHEAD**

ADDENDUM

A Hefty Toll:

**How San Francisco's Broken Fee
System Affects Businesses and Residents**

Update

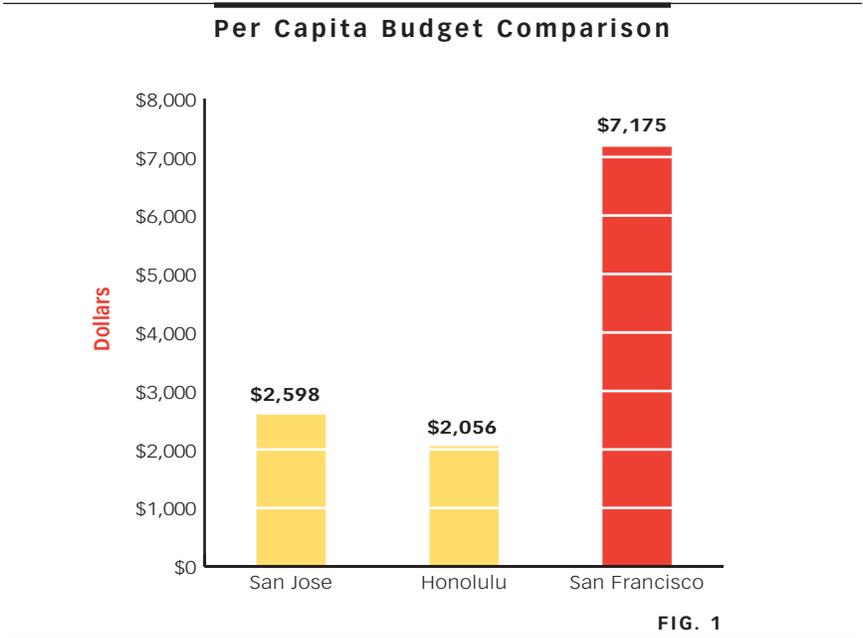
A Hefty Toll, released in June 2005, described San Francisco's dysfunctional and broken government fee system that has increasingly become a go-to source of easy revenue for a city that cannot control its spending. Since then, San Francisco adopted its 2005-2006 budget—the largest in City history—totaling \$5.3 billion. The budget, passed by a unanimous vote of the Board of Supervisors, included yet another wave of fee increases.

Up, Up and Away: Per Capita San Francisco Outspends Other Comparable Cities on Resident Services

With a budget of \$5.3 billion, and a population of 744,230, San Francisco spends **more than \$7,100** for every San Francisco resident.¹

In comparison, the City of San Jose’s FY ‘05-’06 budget of roughly \$2.35 billion is less than half the size of San Francisco’s budget even though San Jose’s population is more than 20% larger than that of San Francisco.² **Per capita, San Francisco spends more than twice what San Jose spends to run their local government** (Figure 1).

“But San Francisco is both a city and county” is the cry often heard. Yet when comparing San Francisco with another major city and county—the City and County of Honolulu—the picture looks even bleaker for San Francisco. Honolulu’s recently adopted FY ‘05-’06 budget of \$1.85 billion is 1/3 the size of San Francisco’s budget and Honolulu’s population is 20% larger than that of San Francisco.³ **On a per capita basis, San Francisco spends more than three times what Honolulu spends** (Figure 1).



A closer look at San Francisco's population trend over the past five years compared to its budget growth reveals an alarming development. San Francisco led California in both the rate and size of its population decline this year, yet has done nothing to curtail its level of spending.⁴ With the exodus of San Francisco residents, the City would be expected to spend less on services as there are fewer people to use those services. The opposite is true (Figure 2). As population

declines, City spending is still on the rise and elected officials, paying little attention to these facts, have once again approved a host of new fees. The additional fees and hikes come despite the fact that on a per-capita basis, San Franciscans paid roughly \$461 in governmental fees in 2004, more than double that of San Jose's per capita figure of \$222 and almost triple Honolulu's \$156 per capita number.⁵

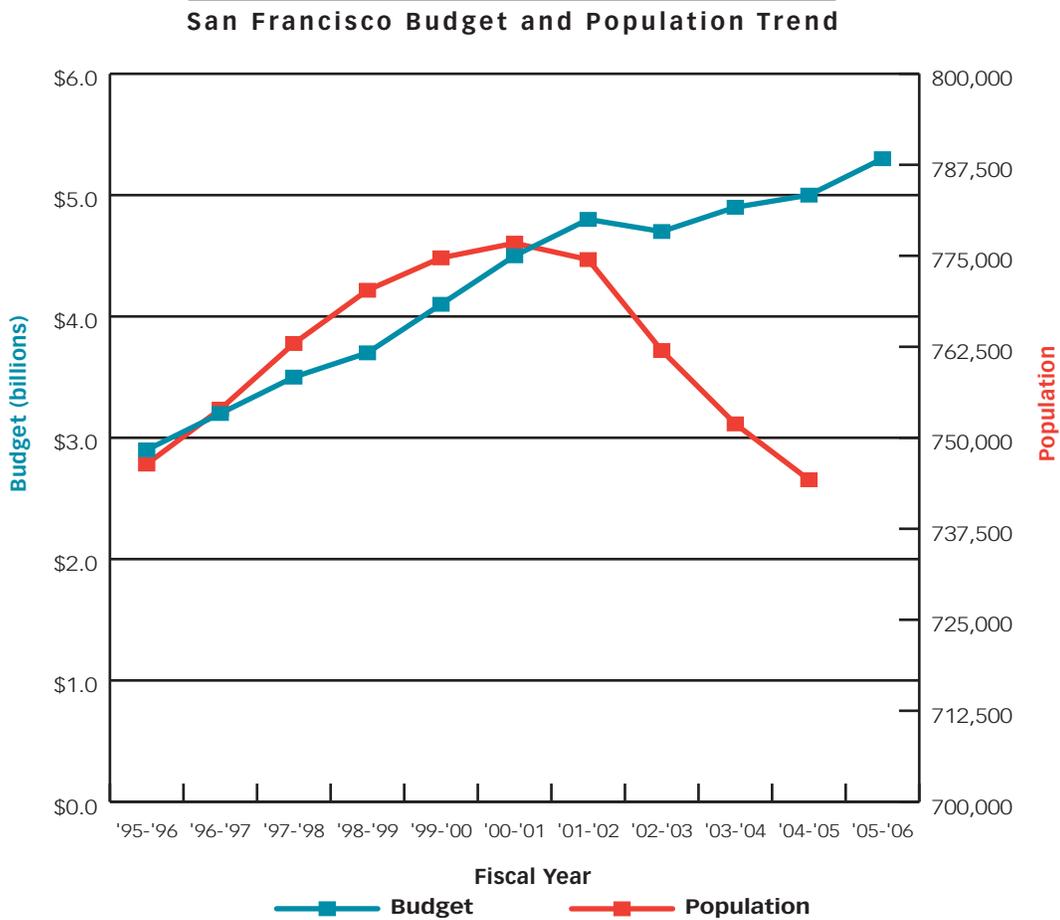


FIG. 2

This Just In: Fee for Dying in San Francisco Increases 32%

The most recent fee hikes leave San Franciscans faced with the harsh reality that they will be paying even **more** for everything from dying to playing soccer.

If you are admitted to the County hospital after suffering a trauma, expect to pay more in fees as City officials have adopted a set of fee increases covering virtually all the hospital services. In fact, even the rate for dying in a City hospital was raised from \$6,050 to \$8,000—over a 32% fee increase for *dying*. If you survive a trauma, the rates were raised even more—from \$3,784 to \$8,000—representing over a 110% boost.⁷ For residents, surviving in San Francisco just got more expensive.

If your car is stolen and you are fortunate enough to have it recovered, the City will now charge you for the cost of towing and storing the stolen vehicle.⁸ The new fee hikes are too many to list, but as one can see, they cover a wide range of activities associated with working, living, and even dying in San Francisco (Figure 3).

In terms of our local economy, fees, like taxes, can create significant in-

centives and disincentives for certain products or services. By not addressing and incorporating such effects in its decision making process, the City essentially blindfolds itself in foreseeing future consequences in terms of both government revenue and the local economy.

San Francisco's television and film industry provides an example of how a misguided fee structure inconsistent with policy priorities can adversely impact the City. A study by the San Francisco Center for Economic Development (SFCED) found that while other cities offer incentives to the television and film industry, San Francisco has failed to stay competitive and is considered an expensive and unfriendly city.⁹ The result? Film industry activity in San Francisco has declined 70% since 1996, resulting in a loss of \$323 million in direct production expenditures and a loss of \$743 million in indirect spending.¹⁰ With the myriad of San Francisco's costly fees and permits that film crews must pay and take the time to swim through, many simply choose another host city to the detriment of the local economy.

New Fee Increases⁶

- **Stolen Cars:** If your car is stolen and abandoned, the City recently passed an ordinance holding the owner liable to pay all towing and storage fees.
- **Patient Rates:** If one dies after being treated for a trauma in a City hospital, the fee was boosted from \$6,050 to \$8,000. If one survives, the fee was boosted even more—from \$3,784 to \$8,000—representing over a 110% increase.
- **Recreation:** Fees for the use of softball fields, soccer fields, swimming pools, and even enrollment in the Tiny Tots care program have all been raised.
- **EMS Services:** Medical responses now come with a \$195 base price tag. If you require basic life services transport, the fee is \$700—raised from \$473—or for “advanced life services” add \$850 (up from \$691). Finally, be sure to ask your ambulance to take short cuts because every mile in an ambulance will now cost more: \$15 per mile up from \$13.

FIG. 3

Middle Class Hit the Hardest

While the City makes some exceptions in waiving fees for low-income individuals, the pertinent policy question rarely raised is how the middle class is affected.

San Francisco has already gained a reputation as one of the most difficult and expensive cities in the US. The City's ever-increasing list of fees raises questions about how much the

government values the middle class. At some point the cost of living will simply be too great and the City's population will continue to decline further. With San Francisco's already steady drop in population, elected officials should not be pondering how to charge the remaining residents more through an elaborate system of fees, but rather how to keep the City's most vital asset—its people.

Price Fixing: A Call For Reform Again

A *Hefty Toll* offered a clear set of reform proposals with hopes that City officials would take immediate and substantive action to help fix San Francisco's fee system. The following is a list of those recommendations and how the City has responded:

1. A Hefty Toll Recommendation:

Complete the Master Fee Schedule, with firm, enforceable mandates that require individual City departments and agencies to provide a full accounting of the fees they charge. If the fee is not listed, it cannot be collected.

► **The City's Response:** No Response. The City has failed to institute a policy in which departments are held to strict standards of listing their fees. The phrase "details not submitted" is still plastered throughout the updated Master Fee Schedule.

2. A Hefty Toll Recommendation:

Develop and implement a system to clearly communicate the Master Fee Schedule (print, online, etc.) to the public and show the connection between individual fees and the City policies to which they apply.

► **The City's Response:** No Response.

The City has made no changes to its system, which remains cumbersome for the average citizen. The Master Fee Schedule is posted online, at the bottom of a sidebar caption within the City's website on the Controller's webpage. Once found, the schedule is a huge PDF file (17 megabytes) which necessitates the public to search through hundreds of pages of detailed fees listed by department in order to find the one(s) applicable to them. It can take up to 40 minutes to simply download this file, which in this day and age is too long to wait to get information.

3. A Hefty Toll Recommendation:

Conduct an immediate audit and review of all individual fees, eliminating duplicative and obsolete fees. Institute a system that allows for some form of regular (annual or every other year), ongoing review of fees.

► **The City's Response:** No response. An audit or a review of all fees in order to eliminate obsolete or duplicative charges has not taken place. In fact, the fees originally mentioned in "A Hefty Toll," (Figure 4) are not only still in effect **but have all been raised once again.**

4. A Hefty Toll Recommendation:

Review fees, taking appropriate and timely administrative or legislative action to ensure that they are either consistent with or align directly with broader public policy goals.

► **The City's Response:** No Response. The City has still not conducted a detailed review of all its fees to ensure they are aligned with the City's broader public policy priorities, leaving residents with a fee system that is disjointed from the City's actual policy goals.

Hard-to-Believe Fees¹¹

Item	Permit Fee
Ball or Ring Throwing Games	\$522.47
Junk Dealer	\$1,035.05
Discharge of Cannon	\$438.23
Closing-Out Sale	\$452.44
Bingo Games	\$122.82
Wild West Show	\$713.04

FIG. 4

5. A Hefty Toll Recommendation:

Develop and implement a process for creating new fees and altering existing fees that uses—individually or in combination—precise cost-of-service measures and benchmarking to ensure fees are reasonable and accurate. New fees cannot be created or existing fees increased if the department seeking a new fee or fee increase has failed to comply with audit recommendations.

➤ **The City's Response:** No Response. The City has neither conducted an audit of the fee system, nor instituted a policy of auditing departments seeking fee increases though many departmental fees were raised and new fees initiated since A Hefty Toll was released in June. The City is legally bound to set fees at or below the reasonable cost of providing that particular service. If departments are operating inefficiently and can simply pass the cost of their inefficiency onto residents through fees, a valid argument can be made that the level of the fee would not reflect a "reasonable" cost.

6. A Hefty Toll Recommendation:

Create an online fee payment system that will serve as an easy, efficient, one-stop method for paying fees across departments.

➤ **The City's Response:** Since A Hefty Toll was released, the Planning Department posted an "online fee calculator" which helps one find the total fee amount due given their request, yet it is only a calculator telling individuals what they owe with no provisions for online payment. A government-wide online system would not only reduce bureaucratic costs associated with processing bills and payments, but it would also be a big step in making local government more user-friendly. So while the Planning Department has made a small step in the right direction, the rest of the City has yet to follow suit.

Meanwhile, other municipalities are forging ahead. The City of Newport Beach, California for example, has developed a revenue tracking system that, among other things, compiles all government charges associated with licenses, fees, fines, and requests for service. The efficient system sends the resident one bill known as a "municipal services statement" which is even conveniently payable online.¹²

Pay Now, Pay Later

This report was drafted by a coalition of local business associations that are increasingly concerned about San Francisco's high cost of living and how it effects job creation and retention. San Francisco officials seem to operate under a "sky's the limit" method for setting fees for residents and businesses. At some point the cost will be too great and the City will pay the price for setting its fees and taxes too high, with little to show but an anemic economy, a limited workforce and a smaller tax base.

This report was developed with the hope that policy makers would take

notice and reform San Francisco's fee system immediately. Sadly, elected officials at City Hall have paid little attention to *A Hefty Toll* and its recommendations, giving the impression that an elaborate, broken fee system is in fact acceptable and not of major concern. It is apparent that in a City where politicians respond to the most whimsical demands of vocal special interest groups, the majority of tax and fee paying residents are forced to do the best they can without any relief.

It seems we are all expected to pay more simply in exchange for the privilege of living here.

Acknowledgements

Special thanks to Baha Hariri of the Committee on Jobs; the San Francisco Office of the Controller; the members and leadership of the San Francisco Chamber of Commerce, the Golden Gate Restaurant Association, and the San Francisco Building Owners and Managers Association for their critical contributions to this study.

Endnotes

1. City and County of San Francisco '05-'06 Budget; U.S Census Bureau , 7/1/04 Population Estimate
2. City of San Jose '05-'06 Budget (proposed); U.S Census Bureau, 7/1/04 Population Estimate
3. City and County of Honolulu '05-'06 Budget; U.S Census Bureau, 7/1/04 Population Estimate
4. *San Francisco Chronicle*; "Contra Costa, South Bay lead in growth," 4/15/05
5. *A Hefty Toll*; June 2005
6. San Francisco fees increases included in the '05-'06 budget
7. San Francisco Ordinance #178-05; July 26, 2005
8. San Francisco Ordinance #191-05; July 26, 2005.
9. *San Francisco Examiner*; "Film Industry Revenue Down," 2/22/05
10. *ibid.*
11. San Francisco 2005-06 Master Fee Schedule
12. *Governing Magazine*; "Cross Checking," July 2005



*This report is also available
at the following Websites:*

<http://www.sfvotewatch.com>

<http://www.ggra.org>

<http://www.bomasf.org>

<http://www.sfchamber.com>

