



Agenda Report

22-99

Agenda Date: 4/19/2022

REPORT TO COUNCIL

SUBJECT

Public Hearing: Action on the Adoption of the Proposed FY 2022/23 Municipal Fee Schedule and Parks & Recreation Cost Recovery Policy

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

EXECUTIVE SUMMARY

The City of Santa Clara Municipal Fee Schedule provides a detailed list of fees charged by the City for specific services. The purpose of these fees is to recover costs related to providing the services, with varying levels of cost-recovery. City staff review the fee schedule on an annual basis. Periodically, a cost of service study is performed to identify the City's full costs of providing fee-related services. This fiscal year's proposed fee schedule reflects a comprehensive fee study that was performed by the third-party consultant, ClearSource Financial Consulting, in coordination with City departments. The intent of this study was to review all the costs of services provided and to adjust fees as necessary to obtain a reasonable level of cost recovery.

Additionally, the City's consultant, alongside the Parks & Recreation Department, developed a Cost Recovery Policy for Parks & Recreation services. A community survey was conducted and a joint meeting with the Parks & Recreation Commission, Senior Advisory Commission, and Youth Commission took place to get community input on what residents/interested parties felt were reasonable levels of cost recovery for Parks & Recreation services offered.

On April 5, 2022, a study session was held to review the Proposed FY 2022/23 Municipal Fee Schedule and Parks & Recreation Cost Recovery Policy with the City Council and the public. Responses to City Council and general public questions and/or comments are included in this report. In addition, a revision to the Parks & Recreation Cost Recovery Policy is recommended in this report incorporating the feedback received from the study session.

BACKGROUND

User and regulatory fees are established by the City Council. The City of Santa Clara's Proposed FY 2022/23 Municipal Fee Schedule (Fee Schedule) is a compilation of fees for City services provided to members of the public. The advantages of updating the City's user fees include ensuring that fees are set based on current costs and approved cost recovery objectives while providing transparency in the fee structure for the City's development-related and other municipal fees. These fees cover the costs for specific City services, except those mandated by or set by another Council action or document (e.g., Electric Rate Schedule, Water & Sewer Utilities Rate Schedule, and Santa Clara Recreation Activity Guide).

Proposition 218 and California Government Code Section 66014 enable local agencies to set fees at rates that obtain fair and reasonable recovery of costs incurred in providing these services, thereby minimizing or eliminating the use of limited general tax revenues to fund these services. To the extent that a fee has been set based upon a presumption of 100% cost recovery, the City cannot waive the fee unless it does so out of another permissible funding source such as the General Fund.

California Government Code Section 66016(a) states that prior to levying a new fee or service charge, or prior to approving an increase in an existing fee or service charge, a local agency shall hold at least one open and public meeting at which oral or written presentations can be made as part of a regularly scheduled meeting. Further, pursuant to Government Code section 66018, notices for this public hearing have been published in the Santa Clara Weekly on March 30 and April 6, 2022. Staff has also notified all interested parties that have requested to be notified regarding proposed fee updates. This item and staff's recommendations are intended to be considered upon completion of the public hearing. The public hearing provides all interested parties with an opportunity to comment or request clarification regarding any of the fees proposed for update.

The City's Municipal Fee Schedule is reviewed annually by City staff as part of the normal course of operations. Periodically, a cost of service study is performed to identify the City's full costs of providing fee-related services. Incremental updates typically occur in the years in between comprehensive studies, which was the case last fiscal year.

As part of the adoption of the FY 2021/22 Biennial Operating Budget on June 21, 2021, the Council directed staff to bring forward a Parks & Recreation Cost Recovery Policy as part of the comprehensive review of fees. The budget was also balanced with the assumption that additional revenues of \$0.7 million would be generated as a result of the cost recovery policy.

The FY 2022/23 fee schedule update was influenced by a comprehensive cost of service study completed in calendar year 2021 by ClearSource Financial Consulting. Results of the comprehensive study are included as Attachment 1. This study also includes an evaluation of Parks and Recreation fees and the results of a community survey that was administered in order to get input for the development of the new cost recovery policy. The presentation that was provided to members of the Parks & Recreation Commission, Senior Advisory Commission, Youth Commission, and general public is also included in Appendix A of Attachment 1.

A Study Session was held on April 5, 2022 on the Proposed FY 2022/23 Municipal Fee Schedule and the Parks & Recreation Cost Recovery Policy. Responses to the City Council as well as public feedback and questions are included in the discussion section below.

DISCUSSION

The City's Municipal Fee Schedule (Attachment 2) identifies fees for services and activities provided at the request of, or on behalf of, a single party as opposed to the public at large. These fees are commonly referred to as "user and regulatory fees." Examples of user and regulatory fees collected by the City of Santa Clara and municipalities throughout California include, but are not limited to:

- Planning Fees, for services such as entitlement review and review for compliance with the zoning code
- Building Fees, for services such as permitting of new construction or modifications to existing

structures

- Engineering Fees, for services such as map review, encroachment permitting, and public improvement review
- Utility Fees, for services such as requests for sewer lateral inspections, and restoration of discontinued service
- Police Fees, for services such as vehicle impound and false alarm response
- Fire Fees, for services such as annual inspections and construction review to ensure compliance with the fire code
- Recreation Fees, for services such as program participation fees, and facility rental fees
- Park Fees due in lieu of parkland dedication, for residential development pursuant to Quimby Act and Mitigation Fee Act
- Cemetery Fees, for services such as interment rights, components of burial, and endowed care
- Administrative Fees, for services such as requests for public records

User and regulatory fees specifically exclude:

- Taxes
- Assessments
- Franchise Fees
- Development Impact Fees
- Fines or Penalties
- Utility Rates and Services Charges

As mentioned, a comprehensive fee study was done in preparation of the FY 2022/23 Proposed Municipal Fee Schedule. As part of this study, over 1,000 individual fees were reviewed, and the following reflects the changes recommended as part of the proposed fee schedule:

Summary of Changes to Fees Examined

Description	Count *	Percentage *
Fees Proposed to Decrease	82	8%
Fees Proposed to Remain Unchanged or Minor Adjustments Up to 10% or \$10 Change	851	79%
Fees Proposed to Increase by More than 10%	118	11%
New Fees Proposed	25	2%
Total Fees Examined	1,076	100%

Fees Proposed to Decrease and Minor Adjustments

- Eighty-seven percent (87%) of fees are proposed to either decrease, remain unchanged, or

reflect only minor adjustments (i.e., up to 10% or \$10 change).

Fees Proposed to Increase by More than Ten Percent (11%)

- Fee changes greater than 10% are the result of:
 - A recalibration in the cost of service.
 - Recent significant increases in the costs of materials and supplies included in service fees (e.g., increase in the cost of utility meters).
- A multi-year phase-in pattern is recommended for more than half of the fees proposed to increase by more than 10%. Immediate adjustment is primarily targeted only for new, discretionary activities.

New Fees Proposed

- 25 new fees are proposed
- The fees will allow the City to recover the costs of services or materials that are being requested of staff and for which corresponding fees or rates are not readily portrayed in the City’s fee schedule. These changes include:

#	Action	Fee Description	Proposed Fee	Initial Cost Recovery
Fire Fees				
1	Establish New Fee for Service	Review of Knox Box Installation	\$349	87%
2	Establish New Fee for Service	Operational Permit – Additive Manufacturing	\$267	100%
3	Establish New Fee for Service	Operational Permit – Lithium Battery Storage – Greater than 1,000 pounds	\$267	100%
4	Establish New Fee for Service	Operational Permit – Update of Emergency Contact Information	\$25	37%
5	Establish New Fee for Service	Operational Permit – Smoke Control and Evacuation Systems	\$697	87%
Planning Fees				
6	Establish New Fee for Service	Establish fee to comply with State Legislation – AB32 Tribal Consultation Fee	\$846	100%
7	Establish New Fee for Service	Establish fee to comply with State Legislation – SB9 Review Fee	\$1,692	100%
8	Establish New Fee for Service	Establish fee to comply with State Legislation – SB35 Review Fee	\$22,560	100%
9	Establish New Fee for Service	Zoning Clearance Review – For Home Occupancy	\$282	100%
10	Establish New Fee for Service	Zoning Clearance Review for Live Entertainment and Outdoor Dining (up to 24 seats)	\$282	100%
11	Establish New Fee for Service	Zoning Clearance Review – Other Non-Single Family	\$1,128	100%
12	Establish New Fee for Service	Tree Removal Permit – Single Family Residence	\$282	50%
13	Establish New Fee for Service	Tree Removal Permit – All Others	\$564	100%
14	Establish New Fee for Service	Establish fee for Code Enforcement Re-Inspections	\$266	100%

#	Action	Fee Description	Proposed Fee	Initial Cost Recovery
Building Fees				
15	Establish New Fee for Service	Alternate Materials & Methods Review (per hour)	\$220	100%
Water Fees				
16	Establish New Fee for Service	Engineering Plan Check for SFH Remodel	\$620	100%
17	Establish New Fee for Service	Water and Fire Service Tap (10" and 12")	\$1,588	100%
18	Establish New Fee for Service	Insertion Valve Installation (4" through 12" valves – excavation included)	Varies depending on size	100%
19	Establish New Fee for Service	Development Impact Analysis	\$2,783	100%
Sewer Fees				
20	Establish New Fee for Service	Establish fee for Plan Review of Fats, Oils, and Grease Collection Systems	\$1,248	100%
21	Establish New Fee for Service	Establish fee for Permit Inspection of Fats, Oils, and Grease Collection Systems	\$1,248	100%
22	Establish New Fee for Service	Establish fee for Issuance of Temporary Waste Discharge Permit	Varies depending on quantity	100%
Electric Fees				
23	Establish New Fee for Service	Project Clearance Committee / Subcommittee Review	\$801	100%
PW Engineering Fees				
24	Establish New Fee for Service	Permit Extensions for Permit Requests for all Projects	\$436	100%
Parks & Recreation Fees				
25	Establish New Fee for Service	Parking at Parks and Recreation Facilities (fee for reserved parking)	\$5 - \$500 per event	varies

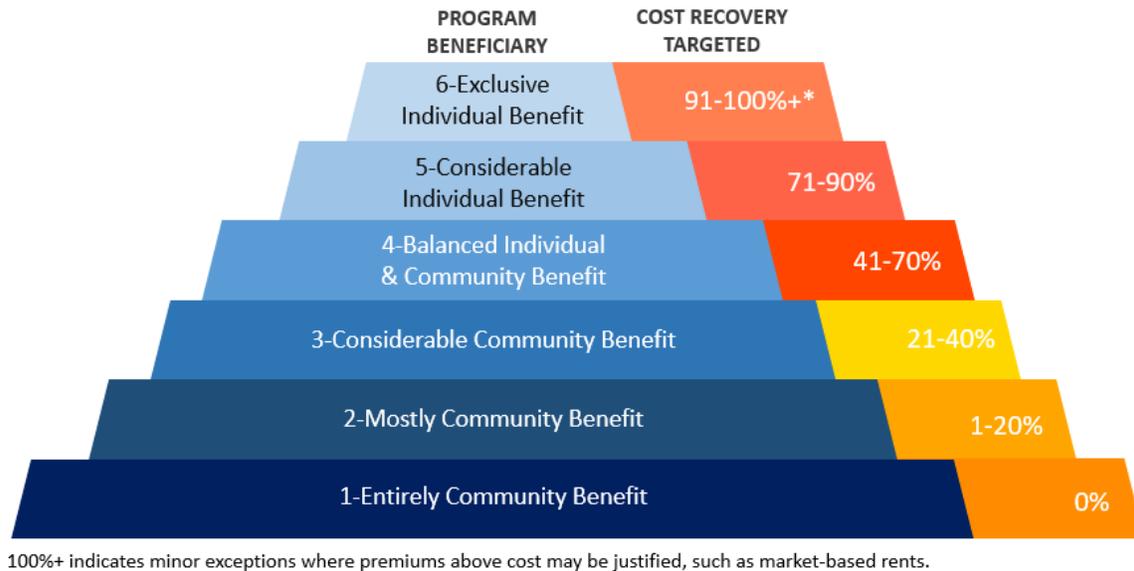
Establishment of a Cost Recovery Policy for Parks & Recreation Services

As part of the fee study process, City staff conducted community outreach to assist with cost recovery policy development for parks and recreation programs and services. Appendix A of the User and Regulatory Fee Study Report (Attachment 1) includes the presentation provided to members of the Parks & Recreation Commission, Senior Advisory Commission, Youth Commission, and the general public.

Additionally, commission members and the general public were asked to participate in a survey about the amount of individual and/or community benefit the parks and recreation program areas provide and how much cost should be recovered from the participants (resident and non-resident) and organizations (non-profit and for profit) (Attachment 3). The survey was available from March 2, 2022 through March 17, 2022. The City received 234 total responses. Response summaries are illustrated in Appendix B of the User and Regulatory Fee Study Report. It should be noted, by a wide margin, survey respondents thought most programs and services provide a "Balanced Individual and Community Benefit with a cost recovery target of 41-70%." By a smaller margin, survey respondents thought that programs and services provide "Considerable Community Benefit with a cost recovery target of 21-40%". In summary, the community supports an amount of cost recovery from users of Parks & Recreation programs, facilities, and services above current cost recovery levels. While there is a recognition that there is shared individual and community benefit, the amount of program subsidy should be balanced based on the level of community and/or individual benefit.

The proposed policy is consistent with a foundational and widely used cost recovery tool that aligns

cost recovery and program pricing to individual and community benefit. This concept is illustrated below.



Department staff initially used the findings of the survey, without deviation, to inform the proposed cost-recovery policy for City Council consideration that was presented at the April 5, 2022 study session. Based on feedback from the study session, staff has revised the policy. The users of programs and services are now placed into three categories: residents, non-profit organizations serving Santa Clara, and everyone else (for profit businesses, non-residents). Changes were also made to where programs were placed in terms of percentage of cost recovery. For example:

- Competitions, meets, and tournaments that include competitors from other Cities were moved from the 71-90% cost recovery target to a lower 41-70% cost recovery target to recognize the value of access to high level competitions for participants and attendees.
- In recognition of non-profit organizations’ and community groups’ service to the City of Santa Clara, such organizations were moved from 41-70% cost recovery to the lower level of 1-20% cost recovery for facility use such as meeting rooms or social gatherings, and even the non-profit event fee was moved to this level.
- Programs providing considerable individual benefit such as a learn to dance class, pottery, keyboard, are now placed into the 71-90% cost recovery target due to their considerable individual benefit.

The higher levels of cost recovery in program and service areas are desired to help minimize the cuts to existing programs, facilities, and staffing that provide these programs and maintain facilities for public use. The proposed cost recovery policy is included as Attachment 4. Excerpts from that Cost Recovery Policy are included below.

Targeted Cost Recovery in Fees

Once the full cost of service is established for each activity, the City will apply a consistent set of guidelines for determining the amount of cost to be recovered in the final fee amount. A cost recovery percentage will be applied to the full cost of service to calculate the fee. **Figure 1** describes the general criteria for assigning

Departmental programming, facility use, and services to cost recovery tiers. The cost recovery threshold assigned to each fee-related service and program area will be identified in the periodic analysis and documentation supporting the ongoing and seasonally managed calculation of the City’s Parks and Recreation fees.

FIGURE 1 | COST RECOVERY GUIDELINES – PARKS AND RECREATION SERVICES

BENEFIT-BASED RECOVERY TIER	DESCRIPTION	FEE BASED PROGRAM AREA
0% COST RECOVERY Entirely Community Benefit	Programs, facilities, and services that benefit the community as a whole. The community generally expects the City to offer these services and supports paying for these through taxes.	<ul style="list-style-type: none"> General, non-exclusive park, playground, open space, trails, restrooms, and facility visitation and use
1-20% COST RECOVERY Mostly Community Benefit	Programs, facilities, and services that provide benefit to the individual user, but have more fundamental goal of: <ul style="list-style-type: none"> Seeking to engage community with high participation levels desirable Community problem solving (e.g., services for vulnerable or underserved populations) 	<ul style="list-style-type: none"> Non-Profit facility use serving the City of Santa Clara Special Events Resident Senior Center Use Senior Nutrition Program Afterschool Program
21-40% COST RECOVERY Considerable Community Benefit	Programs, facilities, and services which promote individual physical and mental well-being, and provide recreation skill development. They may have a community benefit but to a smaller group of the community. Generally, costs of service are offset by both a tax subsidy to account for community benefit and participant fees to account for individual benefit.	<ul style="list-style-type: none"> Early Learners Therapeutic Recreation
41-70% COST RECOVERY Balanced Individual and Community Benefit	Programs, facilities, and services which promote individual physical and mental well-being, and provide recreation skill development. Program, facility, and service use that benefits individuals primarily, but the community receives some benefit. <ul style="list-style-type: none"> Services which are specialized and/or similar to private sector Comparable “market rates” for similar services affect ability to recover a greater percentage of costs 	<ul style="list-style-type: none"> Competition, Meets, and Tournaments that include competitors from other cities Drop-in Fitness/Recreation/Swimming Youth Theater Programs Resident facility use City provided programs
71-90% COST RECOVERY Considerable Individual Benefit	Benefits individuals significantly more than the community; Private sector or public agencies offer similar services; Demand for service, facility or program exceeds capacity	<ul style="list-style-type: none"> Programs providing individual benefit
91-100% COST RECOVERY Exclusively Individual Benefit	Benefit individuals; Commercial nature of services; Enterprise funds expected to operate without General Fund support	<ul style="list-style-type: none"> Non-resident & Commercial use of facilities

The following shall serve as guidelines for categorizing Recreation Programs and services based on types of programs, target populations, and level of community benefit to determine appropriate subsidy Level:

- ➡ Programs with the highest level of community benefit will have the lowest level of cost recovery.

- Programs that have the greatest level of individual or group benefit will target the highest level of cost recovery.
- Pricing of programs and services takes into account market rates and the impact on demand which may override cost-recovery target considerations.
- Non-resident fees are priced higher than resident fees.
- Fees will be periodically reviewed to keep pace with changes in the cost of living, market demands, and/or to promote identified Recreation Programs.
- Staff will adjust fees to meet minimum cost-recovery rates and to be consistent with market demand for services.
- The City will continue to offer a grant program to offset the cost of programs for eligible low-income participants identified through its established procedures

Staff will seek to enhance and refine this policy over time.

Feedback from the April 5, 2022 Study Session

During the Study Session, the City Council and the public had questions and comments regarding the fee schedule and Parks and Recreation Cost Recovery Policy. Following are responses to the feedback received.

Library and Parks & Recreation Community Room Rentals

- 1. Question:** Are there exemptions for non-profits and is there a policy to define non-profits for fee purposes?

Response: Yes, non-profit educational and service organizations include those that are incorporated in the State of California and have a recognized tax status through an IRS determination letter and category such as 509, 501c3 etc. (these would include Sierra Club, Rotary Club, Kiwanis, Veterans Post 419, Santa Clara Swim Club, Scouting, etc.). In addition, casual groups, such as craft clubs, mom & tot, and book clubs, may be grouped into the same category. Recognizing that these groups may not have non-profit status, official boards, or capacity to provide insurance, they would simply provide a membership roster showing members are City of Santa Clara residents. Since non-profit organizations and community groups are providing services to residents which is seen as a high community benefit, they would receive a higher level of subsidy and pay a lower level of cost recovery.

- 2. Question:** The community room rental fees and technology fees seem excessive. The fees for community rooms may discourage individuals from using them when they should be available to all. The community room rental fees should be minimized and aligned to the “mostly community benefit” category in the Parks & Recreation Cost Recovery Policy. Can the community room fees be updated to be consistent with Senior Center charges?

Response: The community room rental fee for community/non-profit organizations is in the 1-20% cost recovery range, and now is proposed at \$20 per meeting. This fee should be reviewed annually to understand whether it has the desired effects on use, cost recovery, and community satisfaction.

The Library community room fee is currently suspended, and no change is included in the Proposed FY 2022/23 Municipal Fee Schedule. Proposed changes to the Library community rooms rental fees will be brought forward to the Board of Library Trustees with a special meeting called by April 22, 2022 to discuss how the Library will proceed. It is anticipated that a proposed fee change will be brought forward during the upcoming budget process at the end of the fiscal year.

The following two changes will be recommended to the Board of Library Trustees:

- A proposed flat fee of \$20/hr. with no minimum time requirement will be charged for Library community room use. This would make non-profit usage in line with Parks and Recreation spaces. This would be a change from past fees of \$50/hr. with a 2-hour minimum and a \$50 processing fee.
- Technology fees for Library community room rentals will no longer be charged. If groups require staff assistance throughout their reservation, they will be charged a staffing fee to offset the loss of staff time available for Library services.

3. Question: To avoid calling staff, can we use a system to help with scheduling the community rooms?

Response: The Department uses Active.net which is a system for facility reservation. The Department has a fillable pdf on-line and accepts use requests by email or fax. Even with online booking, there is an application review process and staff scheduling that requires communication between two separate divisions prior to confirmation with the applicant. There would still be a need to interact with recreation staff to ensure the facility is ready for use. Even when staff have cleaned a facility, there are outside factors that may impact a use and therefore communication with staff remains necessary. Separately, staff have been working on access improvements related to locking and unlocking the community rooms.

Parks and Recreation Fees and Cost Recovery Policy

4. Question: For Parks & Recreation, the current fees recover approximately 11% of the \$24.8 million in costs. Is this subsidy level consistent with other cities?

Response: Each year the National Recreation and Park Association publishes an Agency Performance Review. The Agency Performance Review contains data from 1,000 unique park and recreation agencies across the United States, as reported between 2018 and 2020 and is widely considered to comprise the most comprehensive collection of park and recreation-related benchmarks and insights that inform professionals, key stakeholders and the public about the state of the park and recreation field.

The following table compares information generated in the Agency Performance Review to the City of Santa Clara. The findings indicate that the City of Santa Clara uses a greater share of its General Fund Tax Support and other dedicated revenues to meet annual operating expenses than the nationwide average. The City of Santa Clara is also ***approximately 50% under the national average for percentage of operating expenditures paid from earned/generated revenues*** (e.g., user and regulatory fees).

Description	National Average (1)	City of Santa Clara (2)
Operating Expenditures Paid from General Fund Tax Support and Other Dedicated Revenues	77%	89%
Operating Expenditures Paid from Earned / Generated Revenue	23%	11%

(1) Source: National Recreation and Park Association, 2021 NRPA Agency Performance Review, Figure 19.

(2) Source: FY 2021/22 Adopted Budget

5. Question: How can we ensure all services are available to all individuals, regardless of income level?

Response: The establishment of a grant program for persons with economic need is the preferred best practice to ensure access to the City’s programs. This would allow targeted subsidies to those in need. Conversely, the provision of 100% subsidy, i.e. “free” programs for all, would require an additional \$2-3 million in annual funds to offset the loss in current revenue. Given there is no source of funding to cover this loss and the General Fund has a structural deficit, this would result in an additional reduction in staff and maintenance, materials, supplies and utilities costs, which means that services would be reduced and/or eliminated.

6. Question: For low-income individuals taking children’s classes, how are we subsidizing access? Is this funded by the General Fund and/or Art & Wine Festival proceeds?

Response: The Parks and Recreation Department has received approximately \$25,000 annually from the Santa Clara Friends of Parks & Recreation, a non-profit organization which is no longer raising funds; but funds collected in the past can provide funding for the next few years. These funds are used to support individuals who cannot afford summer camp and recreation programs.

7. Question: What is the revenue generated from Program Beneficiaries 5 and 6, compared to Program Beneficiaries 1 through 4 in the Parks and Recreation Cost Recovery Policy?

Response: The vast majority of revenue generated by the Department is generated from participants in Tiers 1 through 4 of the cost recovery policy (0% - 70% cost recovery). While an exact figure is not available, estimated revenue generated from Tiers 5 & 6 (71% - 100% cost recovery) are approximated to represent less than 5% of current revenue generated. This is driven by the fact that most of the Department’s programming provides both individual and community benefits. Additionally, this indicates that for the Department to materially enhance cost recovery, adjustments will be required to fees and charges for programming within Tiers 1 through 4 of the cost recovery policy due to the high number of participant activities occurring within these tiers. The City provides a wide range of programs and services with a focus on delivering programs with the greatest community benefit and filling gaps in service that the market cannot address. To continue to help support this programming, it is important to judiciously recover costs across the Tiers.

8. Question: How were the Program Beneficiaries determined? What standards were used to

differentiate the tiers between how much community benefit?

Response: In general, program beneficiaries were determined based on community feedback, department staff recommendations, and feedback provided by the City Council. The cost recovery tiers align to generally accepted cost recovery policy framing used with the parks and recreation industry. As part of the initial process, survey respondents were shown differentiated levels of benefit and asked whether the parks and recreation program areas provided greater or lesser levels of community and individual benefit or balanced (see survey - Attachment 3). This approach is similar to crowd sourcing/crowd wisdom which has at its foundation a belief that the collective knowledge and opinions of a group are better at decision-making, problem-solving, and innovating than an individual. In utilizing this approach, the intent is to develop a cost recovery policy that is directly informed by Santa Clarans, reflecting the values of our community.

9. Feedback: Charges should be proportional to where money is coming from.

Response: The fees included within the fee schedule are based on the cost to provide the service to users and the determination of the cost-recovery level. The fees are generally set proportionally to the costs.

10. Feedback: Parks services should not be full cost recovery.

Response: Parks & Recreation Services are not full cost recovery. Overall, the current cost recovery rate is well below the national average at only 11%, resulting in a General Fund subsidy of 89%. This negatively impacts the City's ability to continue support of General Fund programs across the City. The proposal is to enhance cost recovery to better support staffing for the program and maintenance of the facilities and avoid reductions in these areas. Overall, the fees would remain well below 100% cost recovery.

Other Fee Comments/Questions

11. Feedback: In the Fire Department fee section, there is a proposed First Tent, Canopy, or Air Supported Structure fee of \$932.67. There is not a clear definition of the canopy.

Response: The California Fire Code (CFC) does not require permits to be obtained from the fire department for small tents and canopies at parks, single-family dwellings, public & private schools, or for funeral services, to name a few.

The CFC requires that tents and membrane structures over 400 square feet are not erected, operated, or maintained without first obtaining a permit from the fire department. The permit threshold for canopies (tents without sides) is over 700 square feet if the following conditions are met:

1. Multiple canopies placed side-by-side don't exceed 700 squares without a 12-foot fire break; and
2. A minimum clearance of 12 feet to all structures and other tents is provided.

The CFC provisions regulate elements like location, fire department access, seismic anchorage, exiting, and State Fire Marshal certification. Typical events where large tents and canopies are utilized include concerts, conferences, weddings, skating rinks, cooking operations, fairs, carnivals, worship, competitions, or other assembly events.

12. Question: There was a question from the public regarding the new SB35 review fee of \$22,560

in the Community Development/Planning section of the fee schedule.

Response: This new fee was added to address residential projects that would be going through an SB 35 site and architectural review process. This would differentiate from the standard charge for the review of this type of new development - non-single-family residence - that is proposed at a higher rate of \$33,840.

- 13. Question:** There was a question from the public regarding the new Development Impact Analysis Fee in the Water & Sewer/Water section of fee schedule.

Response: The new Development Impact Analysis fee is a hydraulic modeling fee specifically for larger developments like Specific Plans where there is an Environmental Impact Review or Water Supply Assessments.

- 14. Feedback:** There was a comment from a member of the Board of Library Trustees regarding input on changes to library fees.

Response: The proposed library fees reflect no increases from prior year levels, with one fee reflecting a significant decrease. As discussed above, Library staff will be meeting with the Board of Library Trustees to discuss the community room rental fee, and it is anticipated that a proposed fee change will be brought forward during the upcoming budget process at the end of the fiscal year.

General Comments/Questions

- 15. Question:** Can we quantify the amount of revenue for the fees?

Response: The estimated revenue impact of the proposed fee adjustments equates to approximately \$1.4 million and recovers increasing costs in the General Fund as well as other funds. These increases are factored into the annual budget. Using the fee adjustments from the cost recovery policy, some inflationary adjustments for Recreation classes and programs, and assuming increased participation levels, the estimated revenue for Parks & Recreation is approximately \$0.6 million. It should be noted that the FY2021/22 & FY2022/23 Biennial Operating Budget assumed \$0.7 million additional revenue from the Parks & Recreation Cost Recovery Policy development. Revenues will be adjusted annually as part of the budget process.

- 16. Question:** How does the City of Santa Clara compare to other jurisdictions? Is the City an outlier in any category? Are we charging more anywhere or less anywhere compared to other cities?

Response: The vast majority of fees (87%) are proposed to either decrease, remain unchanged, or reflect only minor adjustment for FY 2022/23. The underlying cost of service calculations are consistent with amounts calculated for other regional agencies. Thus, the fee amounts are not considered to be regional outliers.

However, as discussed earlier in this report, when compared to national trends, the City's parks fees recover a lower percentage of costs (11% versus 23%). As an example, the City does not currently collect fees for reserved sports field use by non-profit groups. While amounts collected vary among municipalities, most communities the consultant works with, including Santa Clara neighboring communities, collect fees for reserved field use. The following provides a sample of

reserved field use fees for non-profit groups using natural grass fields without requests for field lighting.

- City of Campbell: \$20-\$30 per hour with discount based on percentage of resident participation
- City of Mountain View: \$8 per hour
- City of Novato: \$9 - \$15 per hour
- City of Palo Alto: \$9 - \$30 per hour
- City of San Rafael: \$20 - \$25 per hour
- City of Santa Clara: Currently, no charge; proposed non-profit fee of \$14 per hour
- City of Sunnyvale: \$25 per hour or \$175 per day

It is important to note that while comparisons to other jurisdictions may provide an insight about whether a particular fee amount is higher or lower, it does not provide an indication about the drivers of costs (such as labor, supplies, utilities), the level of cost recovery, and funding sources for any subsidies

17. Feedback: Fees should be lower for residents (little to no fees).

Response: The proposed Parks and Recreation Cost Recovery Policy incorporates a fee setting consideration to establish a higher fee for non-resident participants. The Policy has specific categories for resident and non-profit organizations serving Santa Clara. In addition, individuals who are lower income and economically challenged have access to grant programs (Wade Brummal Youth Sports Grant, Recreation youth summer camp program grants to provide financial support for their participation in recreation programs).

18. Feedback: Adjusting the fee schedule seems to be a good way to recover costs in order to alleviate deficit and to avoid cutting programs and staff.

Response: Staff agrees that the judicious use of fees to recover city costs is an important strategy to help address the immediate General Fund shortfall as well as to better position the City long-term to deliver services. Based on the latest forecast, the City faces an ongoing General Fund deficit of \$19.6 million. A balanced approach that uses a combination of revenue solutions, use of reserves and expenditure reductions will be necessary to bring the budget into balance. Failure to reduce the current level of subsidy will result in the need to make additional cuts to valued Parks and Recreation programs in the near future in order to balance the City's budget.

Changes to the FY 2022/23 Proposed Fee Schedule from Study Session

Since the April 5, 2022 study session, the following changes have been incorporated into the Proposed FY 2022/23 Municipal Fee Schedule:

Electric Utility Department

- Removal of "commercial" to reflect Facilities < 12kV under the Load Development fee.

Parks and Recreation

- Update to In-Lieu Fees for Quimby Act and Mitigation Fee Act (see separate report on this agenda (RTC 22-302) for land valuation data and calculations).
- Update to the Cost Recovery Policy to reflect feedback from the April 5, 2022 Study Session.
- Update to Recreation Fees based on the revised Cost Recovery Policy.

Police Department

- Addition of clarifying language to the Residential Parking Permit fee; this specifies the type of parking pass.

Public Works - Engineering Division

- Addition of the Engineering Department - Justification for Increase in Fees, Rates, and Charges; this page was inadvertently excluded from the original proposed document. The sewer conveyance fee funds improvements needed per the sanitary sewer master plan and the current fee is sufficient to support all the identified improvements. No changes are necessary.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

The changes incorporated into the Proposed FY 2022/23 Municipal Fee Schedule are intended to offset the cost of providing these services.

COORDINATION

This report has been coordinated with the City Attorney’s Office.

PUBLIC CONTACT

On March 30 and April 6, 2022, notices of the public hearing were published in the *Santa Clara Weekly* in the manner set forth in Government Code Sections 6062a and 66018. Additionally, the City notified all interested parties that had requested to be notified regarding proposed fee updates. Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

ALTERNATIVES

1. Adopt a resolution for the “City of Santa Clara 2022/23 Municipal Fee Schedule” which (1) sets new fees, rates and charges (collectively “fees”); (2) amends existing fees; (3) deletes certain fees; and (4) retains unchanged fees for various City departments effective on July 1, 2022.
2. Adopt a resolution approving the Parks & Recreation Cost Recovery Policy used to set fees for the Parks and Recreation Department.
3. Take any other action the Council deems appropriate.

RECOMMENDATION

Alternative 1 and 2:

1. Adopt a resolution for the "City of Santa Clara 2022/23 Municipal Fee Schedule" which (1) sets new fees, rates and charges (collectively "fees"); (2) amends existing fees; (3) deletes certain fees; and (4) retains unchanged fees for various City departments effective on July 1, 2022; and
2. Adopt a resolution approving the Parks & Recreation Cost Recovery Policy used to set fees for the Parks and Recreation Department.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Office of the City Manager

ATTACHMENTS

1. User and Regulatory Fee Study
2. Proposed FY 2022/23 Municipal Fee Schedule
3. Santa Clara Parks and Recreation Commission Survey Questions
4. Parks and Recreation Cost Recovery Policy
5. Resolution on the City of Santa Clara 2022/23 Municipal Fee Schedule
6. Resolution on the Parks & Recreation Cost Recovery Policy