

11/19/19

Item #2



**City of
Santa Clara**
The Center of What's Possible

Finance Department
Memorandum

Date: November 18, 2019

To: Honorable Mayor and City Councilmembers

From: Kenn Lee, Director of Finance

Subject: November 19, 2019 Council Agenda Item #2: "Public Hearing: Action on the Adoption of Phase II of the Fiscal Year 2019/20 Municipal Fee Schedule" Replacement Page

The purpose of this supplemental is to replace page 12 – 8 of the Attachment 2 – FY 2019/20 Municipal Fee Schedule, Phase II document with the attached page. The Water and Sewer Utilities Department Engineering Inspection Fees did not include the correct rates due to a clerical error. It should be noted that the correct rates were posted correctly on page 117 of the Attachment 1 - Report on the Cost of Services (User Fee) Study – Phase I and II. The attached page would correctly align the Municipal Fee Schedule with the proposed rates included in the User Fee Study Report.

POST MEETING MATERIAL

CITY OF SANTA CLARA MUNICIPAL FEE SCHEDULE

SUBMITTED BY DEPARTMENT / DIVISION:
WATER & SEWER UTILITIES / WATER

RESOLUTION NUMBER:

APPROVED:


DESCRIPTION OF FEE, RATE OR CHARGE	CURRENT FEE and PERIOD	TECHNOLOGY FEE (3.37%) APPLIES (Yes or No)	CHARGING DEPT / DIV	DATE FEE LAST CHANGED	FEE DETAIL OBJECTIVE PROP 26 EXCEPTION (SEE READER'S GUIDE) FULL COST FACTOR	COMMENTS	PROPOSED NEW OR REVISED FEE 2019-20 (PHASE II)	Percent Change
			COLLECTING DEPT / DIV	ORDINANCE NUMBER & DATE (if applicable)				
<u>Engineering Plan Review</u>			Charged By: Water	Date: 5/8/2018	Objective: Recover Cost			
Engineering Plan Check for Projects up to \$25K (per plan set) - includes 3 checks	\$ 278.00	No	Collected By: Engineering	O. No.: O. Date:	Prop 26 Exception: 6 Full Cost: \$ Varies		\$ 608.00	118.71%
Engineering Plan Check for Projects over \$25K (per sheet) - includes 3 checks	\$ 973.00	No					\$ 1,732.00	78.01%
Engineering Plan Check (per plan set for Projects up to \$25K and per sheet for Projects over \$25K) - 4th and subsequent review	\$ 92.00	No					\$ 397.00	331.52%
<u>Engineering Inspection</u>								
\$0-\$15K	\$ 278.00	No					\$ 339.00	21.94%
\$15,001-\$25K-base + 10.17% of cost above \$15K	\$ 1,112.00	No					\$ 339.00	REVISED
\$25,001-\$50K-base + 8.13% of cost above \$25K	\$ 2,782.00	No					\$ 1,356.00	REVISED
\$50,001-\$100K-base + 4.52% of cost above \$50K	\$ 4,637.00	No					\$ 3,389.00	REVISED
\$101K-\$200K-base + 3.39% of cost above \$100K	\$ 7,421.00	No					\$ 5,646.00	REVISED
\$201K-\$500K-base + 3.39% of cost above \$200K	\$ 15,768.00	No					\$ 9,038.00	REVISED
\$501K-\$1M-base + 3.84% of cost above \$500K	\$ 31,539.00	No					\$ 19,205.00	REVISED
>\$1M; base + plus \$12,427 for each additional \$500K or fraction thereof	\$ 10,203.00	No					\$ 38,410.00	REVISED

The seal of the City of Santa Clara, California, is circular. It features a central illustration of a mission-style building with a red roof and a bell tower, set against a green landscape with a palm tree. The year "1852" is inscribed below the building. The outer ring of the seal contains the text "CITY OF SANTA CLARA CALIFORNIA" at the top and "THE MISSION CITY" at the bottom.

City Council Meeting

Item 2. (19-1193) – Public Hearing: Action on the Adoption of Phase II of the FY 2019/20 Municipal Fee Schedule

November 19, 2019

The logo of the City of Santa Clara, featuring a circular seal with a building and the text "CITY OF SANTA CLARA" and "1852".

City of Santa Clara
The Center of What's Possible

Agenda

- User Fee Timeline
- Overview and Methodology
- Development User / Non-Development Fire Fees
- Outreach Summary

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User Fee Timeline

- **May 21** – First Study Session establishing multi-phase workplan for all city-wide User Fees
- **July 16** – City Council adopted recommended changes as part of Phase I of the User Fee Study
- **September 24 and 30** – Community outreach meetings held to discuss proposed development and non-development Fire fees

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User Fee Timeline

- **October 15** – Parks and Recreation Commission and Board of Library Trustees discussion on community room rentals
- **October 22** – City Council Study Session on Phase II of the User Fee Study
- **November 19** – Adoption of Municipal Fee Schedule for Phase II of the User Fee Study for City Council approval

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User Fee Timeline

- **December 17** – City Council Study Session on Community room rental fees
- **Phase III** – To be brought forward for City Council separate and individually based on specific fee workplan
 - Electric bike/scooter fee
 - False alarm fee
 - Massage program fee
 - Off-site parking fee
 - Temporary street pole banner permit

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User Fee Study

Legal Framework

- User fees charged by local agencies “...may not exceed the estimated reasonable cost of providing the service for which the fee is charged”
- A user fee can be no more than necessary to cover the reasonable cost

Overview

- Identifies the full cost (direct and indirect) for staff and overhead associated with fee-supported services and associated revenue gaps
- Ensures compliance with State and local laws (e.g., Prop 218 and 26)
- Informs staffing levels and service delivery model
- Streamlines fee schedules to eliminate outdated fees or ranges
- Incorporates new fees and services

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Methodology

- A “bottom up” approach was employed, where time spent per unit of fee activity is determined for each position within a Department or program.
 - Widely accepted
 - Most defensible
- Update fee schedules and structures
- Calculate fully burdened hourly rates for each position
- Establish time estimates by position for each service provided
- Collect volume statistics to project workload and revenue impacts
- Analyze the gaps between cost and revenue.

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Development User Fees / Non- Development Fire Fees



Summary

Existing Levels of Cost Recovery

Department	Cost Recovery % (Typical)*	Cost Recovery % (Current)**
CDD – Planning	50 – 80%	40%
CDD – Building	80-100%***	80-100%***
Fire	50 – 80%	81%
PW – Engineering	80 - 100%	78%
PW – Streets	80 - 100%	41%
Water & Sewer	80-100%	65%

* Based on local government operations across the U.S

** Represents annual revenue vs. expenditure

*** Estimate; Building permit data not available to provide exact percentage

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Current Subsidies – Phase II Fees

Annual Program Cost Recovery Analysis

Department	Annual Deficit	Cost Recovery % (Current)*
CDD - Planning	\$ 1.8 million	40%
Fire	\$ 1.5 million	81%
PW - Engineering	\$ 0.7 million	78%
PW – Streets	\$ 0.4 million	41%
Water & Sewer	\$ 4.7 million	65%
Total**	\$9.1 million	

Across programs
evaluated in
Phase I and II,
the total subsidy
is **\$22.4 million**

* Represents annual revenue vs. expenditure

** Excludes Building due to proposed changes in fee structure and new permitting system

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Proposed Fee Impacts

Annual Program Cost Recovery Analysis

Department	Change in Revenue	Cost Recovery %
General Fund (Non-Development)	\$ 0.3 million	36%
General Fund (Development)	\$ 1.6 million	82%
Non-General Fund	\$ 4.0 million	94%
Total	\$ 5.9 million	65%

Across programs evaluated in Phase I and II, the total subsidy of \$22.4 million would be reduced by **\$5.9 million**

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Summary of Fee Changes

- Planning would continue to be subsidized at 54%
- Building
 - Revised fee structure and decreased fees for high valuation projects
 - Increased fees for low valuation projects
 - Single-family fees assessed based on square footage, not valuation
- Fire
 - Hazardous Materials (CUPA) would reach cost recovery over four years
 - Overtime and Plan Review Inspections increase to 100% cost recovery
- Public Works – proposed fee increases close to cost recovery
- Water and Sewer – proposed increases to cost recovery

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Summary of Fee Changes

- 32 fees recommended for deletion
 - obsolete, redundant, or captured through internal procedures
- 83 new fees recommended to be added
 - Fee for service that has been previously provided at no cost

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Outreach Summary

- Notices were sent to approximately 100 developer contacts, over 1,000 Fire contacts for hazardous materials fees
- Approximately 12-15 attendees at each session
- Discussion with developers at specific plan meetings
- Consultant report released as part of the Study Session
- Municipal Fee Schedule was released at least 10 days prior to November 19th Council consideration of fees

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Questions and Feedback

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City Council Meeting

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