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**Attachments:** 1. 2018-19 Proposed Municipal Fee Schedule, 2. Resolution Adopting the 2018-19 Municipal Fee Schedule, 3. Resolution Establishing the 2018-19 Parkland In Lieu Fee Schedule for New Residential Development, 4. POST MEETING MATERIAL

Date	Ver.	Action By	Action	Result
4/24/2018	1	City Council and Authorities Concurrent	Continued	Pass

**REPORT TO COUNCIL**

**SUBJECT**

Adoption of the Fiscal Year 2018-19 Municipal Fee Schedule and 2018-19 Park In Lieu Fee Schedule for New Residential Development

**BACKGROUND**

The City of Santa Clara’s Proposed 2018-19 Municipal Fee Schedule (Fee Schedule) is a compilation of fees for City services provided to members of the public. 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.

Historically, the Park In Lieu fee schedule for new residential development has been presented to the City Council as a separate standalone report and incorporated into the Municipal Fee Schedule each year. In order to continue to streamline City processes staff is including the Park In Lieu fee schedule into this report.

The City completed a “Public Facilities Impact Fee Study” (“Nexus Study”) dated June 25, 2014, prepared by Willdan Financial Services, Inc. Since July 2014, Santa Clara City Code Chapter 17.35 Park and Recreational Land has required that new residential developments dedicate parkland for

active recreational uses and/or pay a fee in-lieu of parkland dedication pursuant to the California Quimby Act and/or Mitigation Fee Act.

The Schmidt-Prescott Group, Inc., an independent real estate appraisal firm, was retained by the City to provide a fair market value of land opinion (as of December 31, 2017) for use in the calculation of the in-lieu fees for FY2018-19. The valuation report was made available on March 9, 2018, posted on the City website for a two week review and comment period, and stakeholders were notified by email regarding the fee resolution and hearing date. No comments were received by March 23, 2018.

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, a notice for this public hearing has been published in the Santa Clara Weekly.

The Fee Schedule is brought before the Council for approval in April of each year in order to meet the mandatory 60-day waiting period requirement for Development Impact Fees. The revenue related to the Municipal Fee Schedule is assumed in the development of the FY 2018/19 Recommended Budget.

The City Council has directed that cost recovery should be an important component of the City's financial stability strategy by adopting the following Budget Principle that provides guidance for adjustments to the City's fees:

- *With limited exceptions, establish fees based on full cost recovery where individuals/businesses rather than the community at-large are benefiting from City services. This preserves limited unrestricted resources for providing services that benefit the community as a whole.*

## **DISCUSSION**

Historically, the City has relied upon the services of a third party consultant on a three year rotating basis to prepare a User Fee Study and update the City's Cost Allocation Plan. The study is divided into two years with specific departments studied each year. The third year the City uses a percentage increase based on the greater of the Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose metropolitan statistical area or the increase in personnel costs. On June 23, 2015, the City contracted with NBS Government Finance Group to prepare the User Fee Study for Fiscal Years 2016-17 and 2017-18. We are currently in the third year of the rotation and departments were instructed by the Finance Department to use the percentage increase in personnel costs of 6.27%. The increase of 6.27% is the calculated percent change in the 2018-19 salary and benefit costs when compared to the 2017-18 salary and benefit costs. Over the last two years, fees have been increased to achieve full cost recovery. For those fees that fall below cost recovery, departments have followed January 29, 2018 Council adopted budget Principles and increased fees by increments of 25% to the extent that such increases do not exceed cost recovery. New fees added to the Fee Schedule have been carefully reviewed by staff to ensure the fee covers the full cost of providing the service, update fees in response to operational changes, and rescind fees which are no longer needed.

The park in lieu fee calculation uses the same components presented in the Nexus Study (Willdan, 2014). The housing type densities are 2.9 persons per single family household and 2.24 persons per

multi-family household, based on the 2010 Census and City General Plan. The City’s Quimby Act parkland dedication standard is 3 acres per 1000 residents. The City’s Mitigation Fee Act standard is 2.53 acres per 1000 residents. The new per acre, fair market value of land (Schmidt-Prescott 2017) for each ZIP Code area is: \$3.738 million in 95050; \$3.993 million in 95051; and, \$4.035 million in 95054. The current valuation of existing park improvements (Kitchell 2017) is \$405,241,173 and the resulting Improvements and Special Use Facilities Cost per Acre is \$1,611,105. Given these factors, the proposed fees by area and residential development type are provided in the table below and included in the City’s proposed Municipal Fee Schedule:

Area	Project Type	Quimby Act		Mitigation Fee Act	
		Existing Fee 2017	Proposed Fee 2018	Existing Fee 2017	Proposed Fee 2018
95050	Single Family	\$31,804	\$45,228	\$27,195	\$40,031
	Multi-Family	\$24,566	\$34,934	\$21,007	\$30,920
95051	Single Family	\$34,182	\$47,490	\$29,201	\$41,939
	Multi-Family	\$26,403	\$36,682	\$22,556	\$32,394
95054	Single Family	\$34,946	\$47,863	\$29,845	\$42,254
	Multi-Family	\$26,993	\$36,970	\$23,053	\$32,637

A 2% Technology Fee is proposed to be added as a surcharge to all fees. The need for the City to modernize its business applications across all departments requires a significant amount of dedicated funding to update and/or replace aging technology. The revenue generated from the Technology Fee will be an important strategy to ensure internal controls are in compliance with current business standards and legal requirements. For example, the Finance and Human Resources Department(s) will have specific funding earmarked to replace the aging PeopleSoft HR/Payroll and Financial system(s).

2018-19 Municipal Fee Schedule Highlights include:

- A new citywide section was created which lists fees applicable to various departments. These are fees such as Copy & Fax fees, Non-Sufficient Fund/Payment Decline fees and Subpoena fees.
- The Electric Utility, Silicon Valley Power, added a new component to the existing Load Development Fee to include a System Receiving Capacity Expansion (SRCE) fee creating a two tier fee structure enabling capacity expansion to better serve large customers.
- The Parks and Recreation Department redesigned the Cemetery section to include an easy to read table outlining Mission City Memorial Park Interment Rights and Burial Materials.
- Three fees are recommended to be deleted from the Fee Schedule (see Table 1). These fees are either obsolete and/or captured through internal City procedures.

- Eighteen new fees have been added to the Fee Schedule (see Table 2). The proposed new fees are to recover the cost resulting from a significant increase in service level for a service that the City already provides, or the assessment of a fee for a service that has been provided at no cost but can be legally charged from the user of the service. For example, a 2% Technology Fee can be assessed on all permit and plan check fees to provide for on-going maintenance for the new permitting and GIS system(s). Further, the 2016-17 User Fee Study identified housing fee services such as technical and financial assistance the City was providing but there was not a charge for this service.

**Table 1 - Deleted Fees**

Department	Fee	Amount
City Manager's Office	Council Meeting Audio Tape Duplication	\$15.75
	Mileage	
	1. Superior and Municipal Court	\$ IRS Business Mileage Rate
	2. Federal District Court	\$ IRS Business Mileage Rate

**Table 2 - New Fees**

Department	Fee	Amount
Citywide	Technology Fee	2% on All Fees, Permits and Plan Check Fees
Community Development - Housing & Community	Neighborhood Conservation Improvement Program (NCIP) Loan Application	\$587
	Residential Loan Refinance/Subordination All Programs	\$1,174
	Multi-Family Loan Subordination Request Review	\$5,873
	Loan Demand Payoff	
	1. All Programs through Title Closings	\$880
	2. All Programs for Walk-Ins	\$587
	Multi-Family Monitoring	\$48.95
	Affordable Housing Developer Agreement Preparation	\$1,500
	Affordable Housing Application	\$50
Community Development - Planning	Non-Historical Referral to Historical and Landmarks Commission - Standard	\$426

	Non-Historical Referral to Historical and Landmarks Commission - Comprehensive	\$797
	Significant Property Alteration	
	1. Major - Single Family	\$797
	2. Major - Other	\$8,512
	3. Minor - Single Family	\$532
	4. Minor - Other	\$1,419
Public Works - Engineering	Encroachment Permit Field Marking - Traffic Signal	
	1. Up to 50 ft. of Excavation	\$140
	2. Over 50 ft. of Excavation	\$140
	3. Each Additional 50 ft. or Fraction Thereof	\$93.50
	Sanitary Sewer Outlet Charge - Conveyance Accessory Dwelling Unit	\$2,635
Water & Sewer Utilities	Wastewater Treatment Plant Capacity - Accessory Dwelling Unit	\$747

To facilitate the review of fee adjustments, the attached document shows the following:

- The column “Current Fee and Period” represents the current fee being charged.
- The column “Proposed New or Revised Fee 2018-19” displays proposed changes to 2017-18 fees, if any.
- Refer to the column “Percent Change” to determine whether a proposed fee is new or revised. If there is a percent amount listed or the word “Delete”, this is a revised fee. If the word “New” appears in the “Percent Change” column, the fee is new.
- Supporting documentation for fee increases and fees identified as “New” are available for review at the City Clerk’s Office.

**FISCAL IMPACT**

The Proposed 2018-19 Municipal Fee Schedule moves the City toward full cost recovery for services rendered. The proposed adjustments to the Fee Schedule are projected to increase revenue by approximately \$1.5M (.5M from the 2% Technology Fee) and are incorporated in the Fiscal Year 2018 -19 Recommended Operating Budget. All requested fee changes are based on calculations of full cost (i.e., direct plus indirect costs per the Fee Studies).

The 2018-19 Parkland Fees in-lieu of parkland dedication are consistently aligned with the current market conditions and at 100% cost recovery, the program will mitigate the impacts of additional residential housing to the same level of service that currently exists (2.53 acres to 3 acres of developed parkland per one thousand residents) for active recreational uses. The actual amount in lieu fee revenue collected will vary based upon: the amount of land dedicated by each housing project; the valuation of land used when the fee was set; the value of existing developed parkland used in the formula; the density, number and type of new housing units built; and, the amount of financial credit developers receive for eligible, on-site parks and recreation amenities. Where ongoing recreation operations and park maintenance cost recovery are also addressed in the new

residential development agreements, the impact to the General Fund can be reduced.

### **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.

### **PUBLIC CONTACT**

On April 11 and April 18, 2018 a notice of the public hearing was published in the *Santa Clara Weekly* in the manner set forth in Government Code Sections 6062a and 66018. 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) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

### **ALTERNATIVES**

1. Adopt a resolution for the “City of Santa Clara 2018-19 Municipal Fee Schedule” and a resolution establishing the “2018-19 Parkland In Lieu Fee Schedule for New Residential Development”, each of which (1) set new fees, rates, and charges (collectively “fees”); (2) amend existing fees; (3) delete certain fees; and (4) retain unchanged fees for various City departments effective on July 1, 2018.
2. Adopt a resolution for the “City of Santa Clara 2018-19 Municipal Fee Schedule” and adopt a resolution establishing the “2018-19 Parkland In Lieu fee Schedule for New Residential Development”, with different fee amendments as recommended effective on July 1, 2018 and direct staff to adjust the forthcoming FY 2018-19 Recommended Operating Budget accordingly.
3. Take any other action the Council deems appropriate.

### **RECOMMENDATION**

Alternative 1):

Adopt a resolution for the “City of Santa Clara 2018-19 Municipal Fee Schedule” and a resolution establishing the “2018-19 Parkland In Lieu Fee Schedule for New Residential Development”, each of which 1) set new fees, rates, and charges (collectively “fees”), 2) amend existing fees; 3) delete certain fees; and (4) retain unchanged fees for various City departments effective on July 1, 2018.

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Reviewed by: Angela Kraetsch, Director of Finance

Reviewed by: Brian Doyle, City Attorney

Reviewed by: Walter C. Rossmann, Chief Operating Officer

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. 2018-19 Proposed Municipal Fee Schedule
2. Resolution Adopting the 2018-19 Municipal Fee Schedule

3. Resolution Establishing the 2018-19 Parkland In Lieu Fee Schedule for New Residential Development.