



Agenda Report

20-173

Agenda Date: 4/28/2020

REPORT TO COUNCIL

SUBJECT

Public Hearing: Action on the Adoption of the Fiscal Year 2020/21 Municipal Fee Schedule [Council Pillar: Deliver and Enhance High Quality Efficient Services and Infrastructure]

BACKGROUND

The City of Santa Clara's Proposed FY 2020/21 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 assuring 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 April 8 and April 15, 2020. The Fee Schedule is brought before the Council for approval in April of each year (see Discussion below for FY 2019/20 exception), in order to meet the mandatory 60-day waiting period requirement for Development Impact Fees, for all fees to be effective July 1, 2020. The revenue related to the Fee Schedule has been factored in the development of the FY 2020/21 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 preserve limited unrestricted resources for providing services that benefit the community as a whole.*

On January 14, 2020, the City Council reviewed and provided input on the City's Community Room

Rental Use Policies and Fee Structure. The item was originally scheduled to return to Council for additional discussion in March 2020; however, staff resources were re-directed to the COVID-19 response. Given the continued shelter in place order and the uncertainty of facility rentals in the near term, this item will be brought back in the Fall of 2020.

DISCUSSION

Historically, the City has relied upon the services of a third-party consultant on a three-year rotating basis to prepare a Cost of Services Study (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 (Inflation Rate) based on the greater of the Consumer Price Index (CPI-U) for the San Francisco-Oakland-Hayward metropolitan statistical area or the increase in City's operational costs.

In December 2018, the City contracted with Matrix Consulting Group (Matrix) to develop a comprehensive Study for FY 2019/20 for all City departments, based on FY 2018/19 costs. The Matrix Study resulted in an overarching restructure of City fees that were implemented in two phases with adoptions on July 16 and November 19, 2019. When the increases were deemed too large for certain fees, they will be stepped in over several years (see Stepped-in Fees below). These will also be noted in the comment section of the Proposed FY 2020/21 fee schedule.

This now places the City in its third year of the rotation cost-wise, and departments were instructed by the Finance Department to use the percentage increase in operational costs of 4.94%. This increase is the calculated percent change in the citywide budgeted recurring costs between FY 2019/20 and FY 2020/21. For those fees that fall below cost recovery, departments have followed Council adopted Budget Principles and increased fees incrementally to the extent that such increases do not exceed cost recovery.

In addition to the annual increases, the Fee Schedule includes new fees that have been carefully reviewed by staff to ensure the fee covers the full cost of providing the service, updated fees in response to operational changes, and rescinded fees which are no longer needed. For ease of administration, many fees have been rounded to the nearest dollar. New fees or fees that are proposed to be adjusted by an amount other than recommended escalation factors are discussed below.

New Fees

Parks and Recreation Department, Cemetery Division

Cremation - One Cremation Above Ground Indoor Community Mausoleum and Interment Right, pages 9-13 and 9-15

Staff recommends a new service to provide single perpetual care, which is a more cost-effective option, with a Non-Resident rate of \$2,492 and a Resident rate of \$1,869. In addition, fees for the right to inter one cremation in the Indoor Community Mausoleum are added at \$2,625 for Non-Resident and \$2,100 for Resident rates.

Deleted Fee*Parks and Recreation Department, Recreation Division**Pools Lifejacket Rental, page 9-25*

Staff recommends removal of the \$1.50 fee to rent a lifejacket to encourage further uses as a safety precaution at City pools.

Non-Standard Fee Adjustments*Community Development Department, Housing Division**Multi-Family Monitoring Fee, page 4-26*

Staff recommends a 5% increase from \$111 to \$117, per unit affordable housing multi-family monitoring fee. This fee is below full cost recovery, and it is in line with fee for the same service charged by County of Santa Clara.

Development impact fees, page 4-28

Development impact fees for residential units for sale, residential units for rent, and non-residential projects adopted pursuant to Resolution No. 17-8482 are being incorporated into the Municipal Fee Schedule. Fees became effective on the effective date of the Affordable Housing Ordinance, which was February 22, 2018.

The fees are collected and deposited into the City's Affordable Housing Fund to enable the City to support and subsidize affordable housing programs. The fees are charged prior to the issuance of certificate of occupancy. Fees vary depending on the project category and the planning approval date. See rate of fee increase below (Fees Using Other Escalation Factors).

*Fire Department, Resource Fees**DUI Fire Response, page 7-7*

Staff recommends increasing this fee to \$477, at full cost recovery, from \$114.

*Library**Collection Agency Fee Library Asset Recovery, page 8-2*

Staff recommends increasing this third-party collection agency fee on overdue fines to recover the full cost of \$27 to encourage return of library materials.

*Parks and Recreation Department, Cemetery Division**Cremation - Two Cremations Above Ground Bank of Memories, page 9-12*

The Resident rate was incorrect in the prior year (\$596); it is now adjusted to \$3,739, reflecting a 25% discount to full cost.

Casket - One Casket - Above Ground Indoor Mausoleum, page 9-13

The Resident rate was incorrect in the prior year (\$3,500); it is now adjusted to \$3,739, reflecting a 25% discount to full cost.

Cremation - Four Cremations Above Ground Indoor Mausoleum, page 9-13

The Resident rate is now adjusted to \$7,478, reflecting a 25% discount to full cost.

Casket - One Casket Above Ground Garden Mausoleum, page 9-13

The Resident rate was incorrect in the prior year (\$3,000); it is now adjusted to \$3,739, reflecting a 25% discount to full cost.

Casket - Two Caskets Above Ground Garden Mausoleum, page 9-13

The Resident rate was incorrect in the prior year (\$6,000), it is now adjusted to \$7,478, reflecting a 25% discount to full cost.

*Parks and Recreation Department, Recreation Division**Tennis Reservations, page 9-20*

Staff recommends increasing the per hour use fee of tennis courts due to rising costs of the operating vendor and is comparable to other jurisdiction "market" rates. These fees will be implemented in the quarterly Activity Guide. Per hour fees are up by \$0.50 for non-prime time, and \$1.00 for prime time.

- Resident prime time from \$9 to \$10
- Non-resident prime time from \$11 to \$12
- Resident non-prime time from \$4.50 to \$5
- Non-resident non-prime time from \$5.50 to 6

*Water and Sewer Department, Water Division**Water Meter Test, page 12-7*

Staff recommends a 24.78% increase (from \$343 to \$428) to bring the fee closer to recovering the cost (\$932) of this non-routine testing of the accuracy of the meter, upon customer request.

Field Marking for Water and Recycled Water up to 50 ft. of excavation, page 12-11

Actual cost to perform this task has decreased, thus, staff recommends a 2.89% decrease to the fee to \$235 accordingly.

*Water and Sewer Department, Sewer Division**Sewer Lateral Cleanout for 4-inch and 6-inch page 12-15*

Staff recommends 10% increases to the 4-inch lateral (from \$1,658 to \$1,824) and the 6-inch lateral (from \$8,206 to \$9,027) cleanouts to increase the cost recovery rate. These fees remain below cost recovery so that residents are not discouraged from having the cleanouts performed.

Cleanout Box Only, page 12-15

Staff also recommends a 10% increase (from \$259 to \$285) to the cleanout box only fee to increase the cost recovery rate, for the same reason as described above.

No Change*Citywide**Technology Fee, page 1-2 and throughout Fee Schedule*

The rate of 3.37% was adopted in the FY 2019/20 Fee Schedule, based on the fee study performed by Matrix Consulting.

*City Manager's Office**No-Fee Parade Permit, page 3-1*

The permit is for City's non-profit organizations pursuant to Resolution No. 18-8606 and no fee is assessed.

Community Room Rental Fees (Library, Parks and Recreation)

Room Rental Processing and Set Up and Clean Up Fee/Fee for using library meeting room, page 8-3

Community Recreation Center Room Rental, Park Building Room Rentals, page 9-17

Senior Citizens Center Auditorium and Kitchen, Meeting Rooms, Youth Activity Center Gymnasium, Room Rental Fees, page 9-19

Teen Center Room Rental Multi-Purpose Room, Arts and Crafts or Classroom Conference Room, page 9-24

The City Council provided input on the City's Community Room Rental Use Policies and Fee Structure on January 14, 2020. Due to the impact of Covid-19 and the closure of community facilities, no changes to the current Community Room Rental Fees described are proposed at this time. Changes to these fees will be brought forward for City Council consideration separately in the fall.

Police Department

Alarm Permit and False Alarm Calls Fees, page 10-8

These fees were adopted on January 28, 2020, pursuant to Santa Clara City Code 8.40.

Police Department, Animal Control

Silicon Valley Animal Control Authority (SVACA) Fees, pages 10-19 to 10-21

These fees are charged and collected by SVACA.

Public Works Department, Engineering Division

Sanitary Sewer Outlet Charge - Conveyance Fees for Residential, Accessory Dwelling Unit, and Non-residential, page 11-11

Sanitary Sewer Capacity Model Run Fee, page 11-11

Costs associated with these fees are expended upon requests submitted. Based on the latest data available, costs have not changed, therefore, staff does not recommend any increases to these fees.

Oversize, Overweight Vehicles Fee for Single and Annual, page 11-16

Fees are aligned to Caltrans fees for the same services.

Fees Restructured/Replaced/Relocated

Police Department

Massage Fees, pages 10-10 to 10-12

The Police Department restructured its massage fees based on the type of business ownership, with new categories reflecting actual experience and fees adjusted to recover full costs. See below for details:

Renamed

- *Massage Owner fee* changed to *Initial Massage Application /Inspections fee* (\$679)

- *Massage Owner Permit Renewal fee* changed to *Renewal of Massage Permit / Inspections fee* (\$546)

New

- *Initial Massage Application / Inspections - Sole Proprietor* (\$138)
- *Renewal of Massage Permit / Inspections - Sole Proprietor* (\$96)
- *Inspections / Follow-Up Inspections* (\$190)
- *Amendments to Massage Permit* (\$44)

Deleted

- *State Certified Massage Initial Registration* (\$124) and *Annual Renewal* (\$41) fees

Fire Department, Fire Prevention Division**Outdoor Assembly Event, page 7-32**

This fee is moved from Operational Permits category to Construction Permits.

Licensed Care Facility (Pre-Inspection), page 7-32

This fee is moved from State Mandated category to Construction Permits.

Fees Using Other Escalation Factors

There are several exceptions to the use of the general Inflation Rate, referred to in the Discussion section above, for fee increases. Other escalation factors used are either based on cost structure or by City ordinances and resolutions. Most of them are published statistical rates by nationally recognized institutions. Construction Cost Index (CCI) and Building Construction Index (BCI), both for San Francisco, by Engineering News-Record (ENR) are used for fees related to construction price changes. The most current indices available at time of proposed Fee Schedule preparation are used, unless a specific month is stipulated. A full list is as follows:

Community Development, Housing Division**Development impact fees, page 4-28** (see Non-Standard Fee and Charge Adjustments above)

Pursuant to Ordinance No. 1974 Chapter 17.40.060, affordable housing fees are to be adjusted annually using the ENR BCI. The February 2020 BCI of 6.8% was used for the proposed fee increases.

Community Development, Planning Division**Offsite Parking Facilities (Events North of 101), page 4-31**

Pursuant to Resolution No. 10-7778, this per space per event fee will be adjusted annually using the April San Francisco-Oakland-Hayward CPI-U. As the April CPI-U is not released until May 2020, this rate increase is not yet included as described in the Comments section for the proposed fee but will be updated accordingly in the final adopted Fee Schedule publication.

Specific Plan Fee - Lawrence Station Area Plan, page 4-42

Pursuant to Resolution No. 17-8407, this fee will be adjusted annually using the San Francisco-Oakland-Hayward CPI-U. Since 2018, the previous year's December CPI-U has been used. The December 2019 CPI-U of 2.5% was used for the 2020/21 proposed fee increase.

Electric Department**Distribution Pole Contact Attachment/Contact Costs, pages 5-10 and 5-11**

Pursuant to Resolution No. 16-8285 and 18-8594, these fees will be adjusted annually using a 2.5%

inflation proxy until the next study is conducted in 2020.

Public Works Department, Engineering Division

Construction-Related Engineering fees, pages 11-1 to 11-20

Based on cost structure and practice, several construction-related engineering fees are adjusted annually using the ENR CCI. These fees are identified in the Comments section with note 2 (see page 11-21). The January 2020 CCI of 5.7% was used.

Stepped-In Fees and Fees Under Cost Recovery

Community Development, Planning Division

Zoning Verification, page 4-38

Staff proposes to increase this fee by 4.84% (from \$434 to \$455). While this fee is well under the full cost recovery rate of \$800, it is set to be on par with neighboring jurisdictions and is at an affordable rate for small business constituents.

Fire Department

Various, see page numbers below

The Matrix Study recommended many previously highly subsidized fees to increase in phases to achieve full cost recovery over time. Many fees in the Fire Department started stepping into full cost over 2, 3, or 4 years. These stepped-in fees are identified as such in the corresponding Comments section. Most of them are found in Construction Permits (page 7-8 to 7-32) and CUPA fees (page 7-55 to 7-61), with a few in Training fees (page 7-1), two in Rental fees (page 7-5), and one in Operational Permits (page 7-35).

Fire Department, Fire Prevention Division

State Mandated fees

Hospitals fee, page 7-51

Staff proposes to increase this fee from \$1,854 to \$2,026 to recover the full cost.

Parks and Recreation Department

Various, pages 9-17 to 9-27

Staff proposes modest annual increases of approximately 5% for various recreation fees that are below full cost recovery.

Non-resident Field Preparation Softball-Synthetic Turf, page 9-23

Staff proposes to increase this fee from \$243 to \$360 to recover the full costs.

Park In-lieu fees, pages 9-28 to 9-30

Pursuant to Resolution No. 19-8769, park valuation is set at 100% of the annual appraised land values by zip code area (as of December 31, 2017), and park improvement value to increase 25% per year from FY 2019/20 to FY 2022/23.

Public Works, Streets Division

Street Maintenance fees

Concrete Removal/Replace Charge - Curb/Gutter and Sidewalk, page 11-24

Staff recommends increases to the Concrete Removal/Replace Charge - Curb/Gutter from \$174 per

I.f. to \$261 per l.f. and the Concrete Removal/Replace Charge - Sidewalk from \$116 to \$174 per sq. ft. as part of the phase-in of these fees to cost recovery over a four-year period. These stepped-in fees are identified as such in corresponding Comments section.

Pavement Restoration Charge, page 11-24

Staff proposes to increase this fee from \$2,772 to \$3,960 to recover the full cost.

Parkways & Boulevards fees

Street Tree Removal, page 11-26

Staff proposes to increase this fee from \$183 to \$221 per hour to recover the full cost.

Engineering Plan Review, page 11-27

Staff proposes to increase this fee from \$153 to \$165 per sheet for first three reviews to recover the full cost.

Separate Adoptions

Staff are in the process of preparing separate Reports to Council on below fees and they will be brought forward for action at a later date.

Community Room Rental Fees at Library (page 8-3), Parks, and Community Facilities (pages 9-17 to 9-27)

- Public hearing to be brought forward later in 2020
- Current fees suspended for Library room use

Park In-lieu fees, pages 9-28 to 9-30

- Parkland valuation to be conducted

Sewer Wastewater Treatment Plant Capacity Fee, page 12-18

- System Development Charges to be studied
- Current fees applicable until new rates are approved

Proposed FY 2020/21 Municipal Fee Schedule Document

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 Comments column provides any supplement information about specific fees.
- The column "Proposed New or Revised Fee 2020-21" displays proposed changes to FY 2019/20 fees, if any.
- The "Percent Change" column provides the percent change to existing fees. "Delete" is listed for those fees recommended to be deleted. "New" appears in for new recommended fees.

FISCAL IMPACT

The Proposed FY 2020/21 Municipal Fee Schedule moves the City toward full cost recovery for services rendered. The impact of proposed adjustments to these fees has been incorporated in the FY 2020/21 Operating Budget.

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.

COORDINATION

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

PUBLIC CONTACT

On April 8 and April 15, 2020, notices of the public hearing were 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>>.

ALTERNATIVES

1. Adopt a resolution for the “City of Santa Clara 2020/21 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, 2020.
2. Adopt a resolution for the “City of Santa Clara 2020/21 Municipal Fee Schedule” with different fee amendments as those recommended by staff effective on July 1, 2020, and direct staff to adjust the forthcoming Proposed FY 2020/21 Amended Budget accordingly.
3. Take any other action the Council deems appropriate.

RECOMMENDATION

Alternative 1:

Adopt a resolution for the “City of Santa Clara 2020/21 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, 2020.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. FY 2020/21 Proposed Municipal Fee Schedule
2. Resolution Adopting the 2020/21 Municipal Fee Schedule