



Agenda Report

19-1193

Agenda Date: 11/19/2019

REPORT TO COUNCIL

SUBJECT

Public Hearing: Action on the Adoption of Phase II of the Fiscal Year 2019/20 Municipal Fee Schedule

BACKGROUND

It is incumbent upon government agencies to periodically evaluate and update their fee schedules to manage resources efficiently and meet service demands. In California, several constitutional provisions set the parameters under which the user fees are established and administered. Applicable state law requires that any user fee charged by the City be “no more than necessary to cover the reasonable costs of the governmental activity” (Cal. Const. Art 13C §1).

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.

Historically, the City has sought to maximize cost recovery through annual review and evaluation of fees that are set at appropriate levels to cover the escalating costs of doing business and that take market comparisons into consideration.

At the City Council Goal and Priority Setting Session held on January 31 and February 1, 2019, the Council adopted Budget Principles for the FY 2019/20 and FY 2020/21 Biennial Operating Budget. The Council adopted the following budget principle related to cost recovery for 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.

The City’s cost of service fees, also referred to as user fees, are a compilation of fees for City services provided to members of the public. These services generally do not rely on tax revenues but are provided for the benefit of individual 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.

In December 2018, the Council approved an agreement with Matrix Consulting Group (consultant) to develop a comprehensive User Fee Study. The purpose of the Study is to evaluate current fees to determine the current level of cost recovery, as well as ensure compliance with local and state laws

for user fees. During the May 21, 2019 Study Session, the consultant provided information pertaining to the overall User Fee Study with a detailed focus on Phase I Summary of Findings for routine, non-development fee(s). On May 21, 2019, staff conducted a Study Session with the Council to review the City's current fee structure. As part of that Study Session, the Council established a three-phased workplan for the review and update of all Citywide User Fees. Phase I of the User Fee Study, along with the amendment of the Municipal Fee Schedule, was approved on July 16, 2019.

On October 22, 2019, staff conducted a Study Session with the City Council to review Phase II of the User Fee Study which included developer and non-development Fire Fees. The purpose of this report is to conduct a public hearing on the proposed amendments and for the Council to consider adoption of fees included in the Municipal Fee Schedule, Phase II (Attachment 2).

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. In December 2018, the City contracted with Matrix Consulting Group (Matrix) to develop a comprehensive Cost of Services Study (User Fee). The purpose of the Study is to evaluate current fees to determine the current level of cost recovery, as well as ensure compliance with local and state laws for user fees.

Following the work accomplished by Matrix in the analysis of the proposed fees for service, results of the Cost of Services Study was presented to the City Council for discussion and review during a Study Session on May 21, 2019 and Phase I of the study was adopted on July 16, 2019. Due to the magnitude of information presented in this Study and the need to allow staff with sufficient time to understand and absorb the data, as well as to allow for the necessary outreach to the development community, staff recommended a workplan that includes a phased approach to adopting the updated user fees. This report reflects Phase II, which includes development-related User Fees and non-development Fire fees.

The Municipal Fee Schedule was carefully reviewed to ensure that new fees cover the full cost of providing the service, fees were updated in response to operational changes, rescinded fees which are no longer needed and retained unchanged fees for various City departments. Certain fees are not included as part of the User Fee Study because the change in the fee is governed by specific criteria such as the change in the Consumer Price Index (CPI) or the increase in year-over-year salary and benefit costs. Fees that are not included as part of the User Fee Study were increased by 1.) 5.3% representing the increase in Salary and Benefits for FY2019/20 and/or 2.) the change in Consumer Price Index (CPI) factor as outlined in the specific fee's governing authority. For those fees that fall below cost recovery, departments have followed the January 31 and February 1, 2019 Council adopted budget Principles and increased fees incrementally to the extent that such increases do not exceed cost recovery.

The FY 2019/20 Proposed Municipal Fee Schedule, Phase II highlights include the following:

- A phased approach to increasing the Citywide fee(s).

Expanded the General Plan Amendment from two categories (up to 1 acre/over 1 acre) to four categories (Single Family, up to 1 acre, 1-5 acres, over 5 acres).

- Building fees for large projects are reduced due to revised fee structure and Single-family fees assessed on square footage, not valuation.
- Overtime Plan Review and Inspection by Fire Department conducted by request only (outside of regular business hours) achieve 100% full cost recovery.
- Thirty-two fees are recommended to be deleted from the Fee Schedule (see Table 1). These fees are either obsolete, redundant in nature and/or captured through internal City procedures.
- Eighty-three 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.

Table 1 - Deleted Fees Phase II

Department	Number of Deleted Fees
Community Development	4
Fire	22
Public Works	1
Water	5
Total	32

Table 2 - New Fees Phase II

Department	Number of New Fees
Community Development	22
Fire	25
Public Works	13
Water	23
Total	83

To facilitate the review of fee adjustments, the FY 2019/20 Proposed Municipal Fee Schedule, Phase II (attachment 2) shows the following:

- The column "Current Fee and Period" represents the current fee being charged.
- The column "Proposed New or Revised Fee 2019/20" displays proposed changes to 2018/19 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.

Study Session Outstanding Follow Up

At the May 21, 2019 Study Session on Phase I, a question was asked regarding housing penalties. After further review by the City Attorney’s Office and Community Development Department, the two suggested new penalties were not included in the Municipal Fee Schedule that was adopted on July 19, 2019.

At the October 22, 2019 City Council Study Session, the Bay Area Building Industry Association provided comments regarding conducting a process study or time and motion study as a deeper approach to evaluating user fees. While this approach was not included in the scope of this evaluation, in talking with Matrix, such a study would cost up to \$70,000 and would require an additional six months. Such a study could be conducted at a later date at the direction of the City Council. Because many of the fees that impact large development is proposed to decrease in this report, approval of the fee schedules as presented is recommended.

In addition, to be responsive to the input received from the Library Board of Trustees and the Parks and Recreation Commission the community room rental fee proposal, including Senior Center space use is anticipated to be presented separately at the December 17, 2019 Council meeting.

FISCAL IMPACT

The Proposed FY 2019/20 Municipal Fee Schedule, Phase II moves the City closer to full cost recovery for services rendered. As summarized in Table 3 below, if approved, the fee changes in Phase I and Phase II are expected to recover an additional \$300,000 in non-development General Fund revenue. This is based on a full year of fee increase activity. If approved, the FY 2019/20 is projected at approximately \$125,000. These increases will be included in the revision of the Ten-Year General Fund Financial Forecast expected to be presented to the Council in January 2020.

Development Related and Non-General Fund revenues will be considered as part of the next budget development process. Actual fee changes approved by the City Council in Phase II may result in revenues that differ from the assumed level displayed in this report. Staff will monitor actual collections throughout the year and bring forward any adjustments, if necessary, at a later date.

Table 3 - Summary Impact of Proposed Fee Revenue

Department	Annual Surplus / (Deficit)	Cost Recovery %	Change in Revenue - Proposed Fee	Proposed Cost Recovery %
General Fund				
Non-Development				
City Clerk	(\$1,950)	94%	\$1,950	100%
Finance	(\$428,194)	84%	\$121,321	88%
Fire - CUPA	(\$873,308)	48%	\$300,747	66%
Fire - Occupancy Inspections	\$139,426	110%	(\$140,197)	100%
Housing & Community	(\$9,324)	75%	\$9,324	100%
Library	(\$218,056)	34%	\$1,001	34%
Police	(\$23,093)	62%	\$7,430	74%
Recreation	(\$12,449,182)	17%	\$0	17%
Non-Development Subtotal	(\$13,863,681)	35%	\$301,576	36%
Development Related				
Planning	(\$1,818,117)	40%	\$408,759	54%
Fire	(\$761,010)	84%	\$521,642	95%
Streets	(\$427,859)	41%	\$0	41%
Engineering	(\$723,975)	78%	\$707,243	99%
Development Related Subtotal	(\$3,730,961)	69%	\$1,637,643	82%
Non-General Fund				
Electric Utility	\$36,048	111%	(\$35,972)	100%
Cemetery	(\$139,198)	61%	\$139,198	100%
Water	(\$3,744,933)	67%	\$3,054,622	94%
Sewer	(\$910,120)	55%	\$809,081	95%
Non-General Fund Subtotal	(\$4,758,202)	66%	\$3,966,929	94%
Total	(\$22,352,844)	52%	\$5,906,148	65%

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 October 30 and November 6, 2019, 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>> or at the public information desk at any City of Santa Clara public library.

The Proposed Municipal Fee Schedule, Phase II was posted on the City's Finance Department website for public viewing on November 8, 2019.

ALTERNATIVES

1. Adopt a resolution for the "City of Santa Clara 2019/20 Municipal Fee Schedule, Phase II" 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 January 20, 2020.
2. Adopt a resolution for the "City of Santa Clara 2019/20 Municipal Fee Schedule, Phase II" with different fee amendments as those recommended by staff effective on January 20, 2020.
3. Take any other action the Council deems appropriate.

RECOMMENDATION

Alternative 1:

Adopt a resolution for the "City of Santa Clara 2019/20 Municipal Fee Schedule, Phase II" 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 January 20, 2020.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Report on the Cost of Services (User Fee) Study - Phase I and II
2. FY 2019/20 Proposed Municipal Fee Schedule, Phase II
3. Resolution Adopting the 2019/20 Municipal Fee Schedule, Phase II