



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Norberto L. Dueñas
City Manager

**SUBJECT: 2017-2018 PROPOSED FEES AND
CHARGES REPORT**

DATE: May 5, 2017

The 2017-2018 Proposed Fees and Charges Report documents the majority of the fees and charges accruing to the City's General Fund and selected fees within other funds. This report does not, however, include a number of fees assessed by the City's enterprise operations (e.g., Airport and Downtown Parking), as they are brought separately to the City Council for consideration.

The fees proposed in this document are assumed in the revenue estimates contained in the 2017-2018 Proposed Operating Budget. Cumulative departmental fees and charges for 2017-2018 are projected to generate revenue of approximately \$117.1 million, of which \$107.8 million would accrue to the General Fund. This overall collection level is \$17.7 million above the 2016-2017 Adopted Budget estimate level of \$99.4 million.

This net increase from 2016-2017 reflects increases to fees collected by several departments, such as the Planning, Building and Code Enforcement, Housing, Fire, and Public Works Departments. Adjustments to the Development Fee

Programs (Building, Fire, Planning, and Public Works) are proposed to better align the ongoing revenues and costs for these programs and are in line with the recommendations brought forward in the *City of San José Development Services Cost Recovery Analysis, Process Improvements, Calculation of Unearned Revenues, and Refund Processing Report* presented to the City Council in December 2016. Other recommended fee changes to maintain or adjust cost recovery levels as well as to add or delete a limited number of fees, are described throughout this document.

The cost recovery rate for the proposed fees designated as Category I (should be 100% cost recovery) is 85.9%, which is an increase from the 76.8% cost recovery level for Category I fees in 2016-2017. The overall cost recovery rate falls below 100% due primarily to lower cost recovery rates for the Parks, Recreation, and Neighborhood Services Department, and for the development-related fees in the Planning, Building and Code Enforcement and Public Works Departments. However, when the use of the development fee program reserves (primarily works-in-progress funding) is factored in as a

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source of revenue, development-related fees are at the 100% cost recovery level.

The body of this report contains details, by responsible department, of the proposed fees and estimated costs for the services for which the fees are assessed. In developing the 2017-2018 fee structure, staff was guided primarily by the City Council’s policy direction to strive for 100% cost recovery for most fee-related programs. During the budget development process, all fee programs were reviewed to ensure that the amounts being assessed would remain competitive in the market, would not be too cost prohibitive, and would at least maintain current levels of cost recovery, with limited exceptions in this report.

Additional City Council direction was also followed, so that where appropriate, fees take into consideration approved exceptions to the City Council’s full cost recovery policy, as well as applicable State laws. The departments with an overall cost recovery level below 100% typically administer fee programs that the City Council has previously directed remain at less than cost recovery, generally in order to assure public access to services. Examples include fees for public records and youth recreation programs.

Highlights of the 2017-2018 Proposed Fees and Charges Report include the following:

DEVELOPMENT FEE PROGRAMS

Development activity in 2016-2017 remained strong with projected construction valuation at \$1.8 billion, compared to \$1.6 billion in 2015-2016. Projects such as Coleman Highline, Equinix, and continued construction at the Almaden Ranch project contributed to the strong activity and associated revenue. Building activity levels are projected to remain strong in 2017-2018 as a result of building permits being issued for a number of large, mixed use residential/commercial projects, such as The Reserve and Market Park, and commercial projects like Supermicro (Phase 2) and Bay 101 (Phase 2). In addition, Planning Services is anticipating continued residential entitlements for multi-family projects, as well as an increase in secondary unit residential entitlements and use permits in 2017-2018.

Budget actions are included in the 2017-2018 Proposed Operating Budget to add development resources to address the anticipated workload demands and meet service delivery goals. Additionally, a Planning staff realignment shifts 6.0 planner positions from the Building Development Fee Program to the Planning Development Fee Program to properly align costs with revenues. These changes will be supported by proposed fee increases for all the development fee programs as well as the use of portions of the Development Fee Program Reserves.

DEVELOPMENT FEE PROGRAMS (Cont'd)

In December 2016, City Council accepted the *City of San José Development Services Cost Recovery Analysis, Process Improvements, Calculation of Unearned Revenues, and Refund Processing Report* and directed the administration to evaluate and bring forward recommendations through the 2017-2018 budget process and other subsequent Council actions to implement, to the extent possible, the recommendations in the Report. The acceptance of the Report concluded seventeen months of work by consultant and City staff that included:

1. Reviews of Planning, Building, Fire and Public Works (Development Services Partners) existing service delivery models using process mapping, and interviews with City staff and external stakeholder groups to identify operational challenges and improvements that will reduce delays, streamline processes, enhance cost effectiveness and improve customer service; and
2. Cost recovery analysis for each Development Services Partner and recommended changes to existing fee schedules based on the cost recovery models developed as part of the Report.

Additional resources, funded by the Development Services partners (Building, Planning, Fire, and Public Works), are included in the 2017-2018 Proposed Operating Budget for a position to support document imaging technology.

Planning, Building and Code Enforcement Department (Development Fees)

– The Planning, Building and Code Enforcement (PBCE) Department administers a variety of fees and charges related to processing development permit applications and ensuring that construction in San José is safe and conforms to applicable building codes and regulations.

It is estimated that the 2017-2018 PBCE development-related fee programs will collect revenues of \$40.2 million, reflecting a cost recovery rate of approximately 88.7%. To maintain a cost recovery rate of 100%, the use of the Development Fee Program Reserves in the Planning and Building Development Fee Programs is recommended. The individual Planning and Building Fee Program actions are described in the following sections of this document and summarized below.

Building Development Fee Program – The Building Development Fee Program is projected to be at 88.5% cost recovery in 2017-2018 with a projected revenue estimate of \$32.5 million, including a fee increase of \$4.0 million. The use of \$4.2 million from the Building Development Fee Program Reserve is recommended to balance this fee program (estimated remaining reserve of \$12.4 million is primarily for works-in-progress projects). With these actions, the Building Development Fee Program is expected to remain at 100% cost recovery.

DEVELOPMENT FEE PROGRAMS

***Planning, Building and Code Enforcement Department
(Development Fees) (Cont'd.)***

Budget proposals totaling a net savings of \$1.0 million are recommended in this budget, including a Planning staff realignment that shifts 6.0 planner positions from the Building Development Fee Program to the Planning Development Fee Program to properly align costs with revenues and shared resources expenditures associated with supporting document imaging technology.

As discussed earlier in this section, the study to analyze current fee levels, compare fees to other jurisdictions, review business processes, and provide recommendations to adjust fees accordingly began in early 2015-2016 and was completed in December of 2016. The Building Development Fee portion of the study aligns the cost of service with the fees charged in conjunction with rigorous process review and improvements.

The Building Fee Program is pursuing a phased implementation of the new fees and/or fee modifications recommended for the program. The 2017-2018 changes include the adoption of new hourly rates as well as proposed reductions to single family residential addition/alteration permits. Subsequent fiscal years will complete the adoption of the full Building fee model. The fee changes recommended by the study are anticipated to generate an additional \$4.0 million in revenue from building permits in 2017-2018.

Planning Development Fee Program – The Planning Development Fee Program administers a variety of fees and charges that are related to the processing of development permit applications. During 2016-2017, Planning has experienced a high level of applications and activity in the Permit Center. This activity is anticipated to be sustained in 2017-2018. The Planning Development Fee Program is projected to be at 89.6% cost recovery in 2017-2018 with a projected revenue estimate of \$7.7 million, including fee increases of \$3.2 million. The use of \$895,000 from the Planning Development Fee Program Reserve is recommended to balance this fee program (the \$1.4 million estimated remaining reserve at the beginning of 2017-2018 will be used for works-in-progress projects). With these actions, the Planning Development Fee Program is expected to remain at 100% cost recovery.

The 2017-2018 Proposed Operating Budget includes the addition of 15.09 positions through June 30, 2019 to the Planning Development Fee Program, including a Planning staff realignment that shifts 6.0 planner positions from the Building Development Fee Program to the Planning Development Fee Program to properly align costs, the addition of 9.0 limit-dated planner positions to address development activities in the Permit Center and Development Review, and a portion of a position that will support document imaging technology and the implementation of the new Integrated Permit System.

DEVELOPMENT FEE PROGRAMS

Fire Department (Development Fees)

The Fire Development Fee Program provides fire safety plan reviews and conducts inspections for construction projects submitted to the Planning, Building and Code Enforcement Department. The Development Fee Program activities also include issuance of fire system permits (sprinklers, fixed extinguishing systems, and fire alarm systems). The 2017-2018 revenue estimate of \$8.6 million includes base revenue of \$7.5 million and \$1.1 million from proposed fee increases (average fee increase of 15%). With the recommended fee increases, this program has a cost-recovery rate of 98.6%. To achieve a cost recovery rate of 100%, the use of a portion of the Development Fee Program Reserve is proposed to fund the difference between base revenues and costs (\$12,732) as well as the proposed program additions (\$114,000). With these actions, the Fire Development Fee Reserve would be reduced from \$5.9 million to \$5.8 million. Fee increases are recommended in accordance with the findings of the *City of San José Development Services Cost Recovery Analysis, Process Improvements, Calculation of Unearned Revenues, and Refund Processing Report*. Plan Check hourly fee increase from \$206 per hour to \$230 per hour, and Inspection hourly fee increase from \$206 per hour to \$259 per hour are recommended.

In addition to the base costs, the 2017-2018 Proposed Operating Budget includes changes in resources that are proposed in the Fire Department’s Development Fee Program

to more effectively meet Development community needs and better align staffing resources with the work. These actions include one-time costs to replace two vehicles to meet expedited and after-hours inspection needs, and to purchase tablets and accessories as part of the Integrated Permitting System implementation. As discussed above, the Fire Development Fee Program is also supporting a portion of the shared support services recommended in 2017-2018.

Public Works Department – The Public Works Department has two fee programs, the Development Fee Program and Utility Fee Program. The Development Fee Program is responsible for the collection of various fees associated with private development-related activities, such as planning application review, plan review and inspection of public improvements, review of subdivision maps, grading permits, and revocable encroachment permits. The Utility Fee Program issues utility excavation permits and encroachment permits to utility companies and other agencies.

In 2017-2018, the estimated activity levels and the phase-in of the necessary fee adjustments as discussed in the Report are projected to generate a total \$11.6 million (\$8.6 million from the Development Fee Program and \$3.0 million from the Utility Fee Program), which is up from the 2016-2017 estimated collection level of \$9.8 million. These revenues, along with the use of \$1.2 million of the Public Works Development Fee Program Reserve, is sufficient to support recommended program additions in 2017-2018 and maintain 100% cost recovery. To ensure that the Utility Fee Program

DEVELOPMENT FEE PROGRAMS

Public Works Department (Development Fees) (Cont'd.)

maintains targeted service levels, the 2017-2018 Proposed Budget includes the addition of 2.0 positions (1.0 Senior Construction Inspector and 1.0 Principal Engineer Technician) and one-time non-personal/equipment funding to purchase one vehicle and the supplies and materials for the recommended inspector position.

Transportation Department (Development Fees) The development fees administered by the Transportation Department are expected to generate approximately \$693,000 in 2017-2018. The Transportation Department is responsible for the collection of fees for various development-related activities such as: General Plan Amendment (GPA) Model Analysis, Geometric Plan Design, Tree Planting and Young Tree Trimming, New Subdivision Traffic Control Signs and Pavement Markings, Sale of Street Name Signs, and Signal Design/Review.

A number of fee adjustments are recommended in this report to keep pace with projected costs and/or maintain full cost recovery. The methodologies, fee structures, and fee titles have been revised for most fees under Development Review and Traffic Analysis Permits (formerly titled “Geometric Plan Design”) to reflect the current work associated with the fees. The methodology for these fees had not been thoroughly analyzed and updated for several years. During this period, evolving transportation goals, policies and priorities have

required a more comprehensive review process for each project. As a result, the fees proposed address current time and work for full cost recovery. Most notably, “Plan Development,” “Plan Development Zoning,” and “Site Development Permit” fees are proposed to increase by an average of 109% to reflect the expanded scope of review necessary for each project. Additional review time is required to ensure that roadway safety and multi-modal elements are included in the projects such as bike lanes, traffic calming measures, enhanced sidewalks and crosswalks, and green infrastructure features. These fees support the following permit requests: PD Zoning Permits (PDC), PD Permits (PD), Site Development Permits (H), Conditional Use Permits (CP), and Special Use Permits (SP).

In addition, Traffic Analysis Fees have been restructured to more accurately reflect the different types of traffic reports generated, align with related fees in the Public Works Department, and accurately reflect costs. A review of staff time and the fee methodology found that the existing fees were only 18% to 50% cost recovery. The proposed rates reflect full cost recovery. Combined with the Department of Public Works’ portion of this fee, the net impact of these increases is a 42% increase to the total permit cost.

OTHER FEE PROGRAMS

City Clerk – The Office of the City Clerk is responsible for making all official City Council records and documents accessible to the public and conducting elections for the Mayor, City Council, and ballot measures. The Office also

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OTHER FEE PROGRAMS

City Clerk (Cont'd.)

conducts special research and provides other services to the public, including notary, duplication, sale of publications and document copying, and Lobbyist Registration. In 2017-2018, a number of fee changes are proposed to align fees with projected costs based on an analysis of the time necessary to provide the service and updated costs. To remain near cost recovery, increases in the following sections are recommended: Lobbyist Registration, Sale of Publications and Document Copying Services, and Special Research/Services. Notary Public Services, as set by State law are proposed to increase from \$10 per acknowledgement to \$15. Duplicating Services for Audio and Video Recordings are proposed to decrease in 2017-2018, reflecting staffing changes.

A small increase in estimated revenue is anticipated from these fee adjustments and has been included as part of the 2017-2018 Proposed Operating Budget.

Office of Economic Development – The Office of Economic Development (OED) is responsible for administering the City’s Foreign Trade Alternative Site Framework (ASF) Zone, including processing applications, boundary modifications, and contract negotiations and extensions. OED is also responsible for the collection of fees related to Office of Cultural Affairs activities, including wayfinding

banners and various event and use permit fees to spur Downtown vibrancy and cultural development.

While no changes to existing fees are recommended for 2017-2018, three new fees are proposed. A new Easy Urbanism Permit Fee of \$150 is recommended to permit a mid-range event (maximum attendance of 300-500 attendees) to be held in paseos and plazas in the Downtown, to include one food (cooking) booth or truck, no alcohol distribution, and no permits required by the Fire Department and/or Police Department. Additionally, a Private Property Event Permit – Reoccurring Site Location Fee of \$450 is recommended to permit event organizers the temporary use of the same outdoor private property located outside of the Downtown area for a repeat event at reduced cost. Lastly, a Private Property Event Permit – Limited Tent Event Fee of \$450 is recommended to permit event organizers the use of an outdoor private property for an event with tent only.

Environmental Services Department – The Environmental Services Department administers two fee programs as part of the Integrated Waste Management Program: Source Reduction and Recycling Fees and Franchise Application Fees.

The exclusive franchise with Republic Services replaced the non-exclusive franchise system for most types of commercial garbage hauling, effective July 1, 2012. This fee is reevaluated annually and is recommended to remain at \$2.9 million in 2017-2018. Republic Services will retain \$400,000

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OTHER FEE PROGRAMS

Environmental Services Department (Cont'd.)

for waste processing costs per the franchise agreement. The fee is included in the commercial service rates, the report for which is anticipated to be heard by the City Council on May 23, 2017.

The Waste Diversion Compliance Review Fee reflects the time and resources required to process the program's applications, and is recommended to remain at \$104 per hour of review, to recover the costs associated with the personnel review service.

In addition to Integrated Waste Management Program fees, the Environmental Services Department receives revenue from two fees administered by the Library Department for the Silicon Valley Energy Watch Tool Lending Library Program. These fees recover the cost of damaged or lost power meters rented out to the public by libraries.

Finance Department – The Finance Department is responsible for collecting, accounting for, and monitoring the license and permit fees for Christmas tree and pumpkin patch lots, circuses, carnivals and parades, and other miscellaneous fees. The Department is also responsible for collecting the Integrated Waste Management (IWM) - related late charges.

For 2017-2018, adjustments to various fees are recommended based on activity levels and the projected staff resources to

administer the fees. These cost-recovery fees are projected to generate approximately \$165,000 in the General Fund.

The Integrated Waste Management-related late charges and fees are projected to generate approximately \$392,000 in the Integrated Waste Management Fund. This figure represents the Solid Waste Delinquency fees in 2017-2018 primarily associated with multi-family customers, and is up from the \$311,000 figure in the 2016-2017 Adopted Fees and Charges.

Fire Department (Non-Development Fees) – The Non-Development Fee Program administers fire safety and hazardous materials permits and conducts inspections for permitted occupancies. The 2017-2018 revenue estimate of \$4.5 million assumes the same level of activities experienced in 2016-2017 and includes a recommended increase of \$364,000 to a total of \$4.8 million. This represents an 8.2% increase to permits and inspections. The fee increase is covering the proposed addition of 1.0 Fire Prevention Inspector, overtime funding and an ongoing Fire Inspector Academy to improve the inspection performance.

Housing Department – The Housing Department administers the Rental Rights and Referrals Program, and is responsible for the collection of Inclusionary Fees, Affordable Housing Impact Fee Program, Homebuyer Subordination Fees, and Multi-Family Fees.

City Council has expanded the scope of the Rental Rights and Referrals Program by approving an Ellis Act Ordinance and

OTHER FEE PROGRAMS

Housing Department (Cont'd.)

just cause Tenant Protection Ordinance (TPO). The TPO will provide all tenants with just cause protections from no-cause evictions. A new Ellis Act Fee and fee increases for increased staffing to sufficiently administer, monitor, and enforce the newly adopted Tenant Protection Ordinance are recommended in 2017-2018. The addition of these approved resources result in a recommended fee increase to bring the Rental Rights and Referrals Program to cost recovery, and

annual fee changes are proposed for the following: rent-controlled apartments (from \$19.29 to \$30.30), mobile home units (from \$33.48 to \$34.10), and non-rent controlled apartment units (from \$1.98 to \$4.10).

It is important to note that when staff return to City Council this fall with the final version of the New Apartment Rent Ordinance, additional positions will be proposed that are necessary to implement the new ARO. The staffing proposal will be accompanied with proposed changes to the fees charged to rent-controlled and non-rent controlled apartments.

The Affordable Housing Impact Fee Program establishes the \$17 per square foot Affordable Housing Impact Fee for rental-market developments. In accordance with the Ordinance the Affordable Housing Impact Fee is proposed to increase from \$17 to \$17.41 per square foot in 2017-2018.

The Inclusionary Ordinance requires the City to establish an in lieu fee on an annual basis. In accordance with the methodology outlined in the Ordinance, the Housing Department has calculated the proposed in-lieu fee for 2017-2018 at \$153,426 per each Inclusionary Housing unit.

Recommended changes to existing fees pertaining to the management of the City's Multi-Family Affordable Housing Loan Portfolio will align the fees with the cost of delivering the services. In 2017-2018, these fees will be shifted from the Low and Moderate Income Housing Asset Fund to the Multi-Source Housing Fund. The Housing Department is proposing fees at a level to maintain the full cost recovery of these services to its loan portfolio.

Library Department – The Library Department levies fines for overdue, lost, and damaged materials, and collects fees for various services such as community room rentals and providing materials through other library systems. The 2016-2017 Adopted Budget reduced fines and fees on a one-time basis. These revised fines are recommended to be ongoing to reduce barriers to access: Overdue Materials Fine \$0.25 per day/\$5 maximum per item; eliminate the Held Materials Fine of \$3; and \$10 for Damaged Materials and Lost Materials and Equipment. A projected loss of revenue of \$260,000 related to these fines will be offset by a staff funding shift from General Fund to Library Parcel Tax Fund.

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OTHER FEE PROGRAMS

Parks, Recreation and Neighborhood Services Department

– PRNS collects a variety of fees and charges related to sports, sports fields and facilities, recreational lessons and facilities, and admission charges for Happy Hollow Park & Zoo (HHPZ).

The Pricing and Revenue Policy that was first approved and implemented in 2009-2010 allows the City Manager, or his or her designee, to set PRNS user fees and pricing strategies in accordance with annual City Council approved cost recovery percentage goals; thereby increasing PRNS’ ability to achieve cost recovery goals, ensure affordable access, and preserve existing services by decreasing PRNS’ dependence on the General Fund.

As part of the development of the 2017-2018 Proposed Operating Budget, revenues were reviewed and adjusted based on activity levels and anticipated fee increases, as necessary. PRNS cost recovery goals for 2017-2018 as outlined in the attachment to the PRNS section of this document remain unchanged from 2016-2017 approved levels.

For 2016-2017, \$22.4 million in General Fund fee revenue is anticipated, up from the 2016-2017 Adopted Budget level of \$20.7 million. The additional revenue is anticipated in primarily the following: Fee Classes/Activities (\$1.3 million) due to increased activity level and expansion of programming efforts; Rentals and Reservations (\$80,000) due to strong

Community Center Rental, Sports Field Reservation, and Picnic Reservation performance; Family Camp reservation (\$125,000), a decrease of \$35,000 in parking revenue and HHPZ (\$71,000) due to increased attendance levels.

The PRNS Department’s continued concerted efforts to market programs are contributing to the overall increased activity levels.

Planning, Building and Code Enforcement Department (Non-Development Fees)

– The Code Enforcement Division of the Planning, Building and Code Enforcement Department collects fees for multiple housing permits, solid waste enforcement, neglected/vacant building registration, landfill closure and post closure activities, auto body repair shop permits, auto dismantler permits, abandoned shopping cart program, and off-sale alcohol enforcement. The Code Enforcement Fee Category I Fees projected to be at 93.8% cost recovery in 2017-2018 with a projected revenue estimate of \$8.7 million.

For 2017-2018, upward and downward adjustments to several Code fees are recommended to maintain full cost recovery per City Council policy. Increases to the following fees are recommended: Environmental Inspector and Building Code Compliance Hourly Rates; General Code Reinspection Fee; Abandoned Cart Program plan fee; Multiple Housing Program Transfer and Reinspection fees; the Off-Sale Alcohol Enforcement Program Permit and Transfer fees; the Tobacco Retail Program (Permit, Reinspection,

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Planning, Building and Code Enforcement Department
(Non-Development Fees) (Cont'd.)

Reinstatement, and Transfer) fees; the Solid Waste Enforcement fee; and the Neglected/Vacant House Registration fee. The following fees are recommended to be decreased based on a reevaluation of staff costs for this activity: Off Sale Alcohol Program Reinspection and Reinstatement fees; Multiple Housing Program (Tier 1, Tier 2, Tier 3) Occupancy Permits; Reinspection and Reinstatement fees; and Auto Body Dismantler and Auto Body Shop and Reinspection fees.

Police Department – In this fee program, fees are collected from the public and from other police agencies for services such as fingerprinting, computer searches, copying of public records, and releasing impounded vehicles. Certain businesses and activities are subject to regulation, and fees are charged to offset the costs for processing permits and licenses that accompany the regulatory process and to partially offset costs for related investigative work.

Police Department revenue anticipated for 2017-2018, based on the proposed fees and charges program, totals \$6.6 million. This revenue reflects a 14.8% increase compared to the 2016-2017 Adopted Budget level of \$5.7 million. Though in many areas costs increased, there were a few areas where costs decreased based on a reevaluation of time, resources, and activity levels.

The following fees are in the second year of a four-year phase in to full cost recovery levels: Cardroom – Work Permit – Employee Transfer Fee and Secondary Employment – Event Lasting 5 Days or Less. Based on a large cost increase in 2017-2018, the following fee increases are recommended to be phased-in over two years: Taxicab Vehicle Inspection and Taxicab Vehicle Reinspection. A number of fees will decrease primarily due to a reevaluation of processing time, including Massage Business Permit, Medical Marijuana Annual Operating Fee, Medical Marijuana Initial Application Processing Fee, Medical Marijuana Renewal Registration Processing Fee, Peddler Approved Location Permit (New, Renewal, and Reinspection), and Tow Car Driver – New Permit.

The combined adjustments bring the Department’s total 2017-2018 revenues to 96.9% of fee program costs, an increase from the 2016-2017 cost recovery rate of 89.9%. This increase is largely due to amendments made to the Medical Marijuana Zoning code, as approved by the City Council on October 18, 2016, in the Medical Marijuana Regulatory Fee Program that change the calendar for payment of the Annual Operating Fee from calendar year to fiscal year, which results in an increase to the cost recovery rate from 80.7% in 2016-2017 to 100% in 2017-2018.

OTHER FEE PROGRAMS

Public Works Department (Non-Development Fees) – This category includes Animal Care and Service (ACS) fees and Use of City Hall fees. For ACS, fee adjustments to maintain 100% cost recovery are recommended to Category I fees that reflect updated labor costs; no changes are recommended for Category II fees. For events at City Hall, the continued suspension of the Catering, Catering List, and Outdoor Catering Area fees is recommended in accordance with City Council approval on May 13, 2014.

Transportation Department (Non-Development Fees) – The non-development fees administered by the Transportation Department are expected to generate approximately \$1.3 million in 2017-2018. Proposed increases to non-development fees are included in this report to align with personnel and material costs. Non-development fees are expected to keep pace with projected costs and/or maintain full cost recovery with the exception of the Sidewalk Repair Program fees, Parking Citation Administrative Fee, Tree Service Administration Fee, and Clean Air Vehicle Permit Fee as noted later in the Transportation Department section of this document.

OTHER FEE REVISIONS

As mentioned earlier, there are a number of fees that are not included in this document as they are brought forward separately to the City Council.

As described in the 2017-2018 Proposed Operating Budget, a 4.5% increase to Recycle Plus rates is programmed for Single-Family Dwellings, while a 2.5% increase is programmed for Multi-Family Dwellings. The SFD adjustment covers increased costs associated with additional back-end garbage processing, while both adjustments cover the increased costs associated with residential haulers providing garbage and recycling services and service enhancements.

The Proposed Budget assumes a 9.0% revenue increase to the Water Utility Fund to offset increased operating costs.

The Sewer Service and Use Charge rate is also programmed to increase 7.0% for residential customers to allow for the continued rehabilitation and replacement of critical infrastructure and equipment at the Water Pollution Control Plant and the sanitary sewer collection system, and for commercial and industrial customers based upon their corresponding sewer flow characterization parameters.

No increases to the Storm Sewer Service Charge rates are scheduled for 2017-2018; however, rates will be reassessed in 2018-2019 upon completion of the initial recommendations from the Storm Sewer Master Plan that are anticipated to be completed in 2017, as described in the 2018-2022 Proposed Storm Sewer System CIP.

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SUMMARY

Proposed fees and fee revisions are presented in the following summaries and detailed in the departmental sections that form the body of this Report. The revenues that will result from the proposed fee adjustments are reflected in the 2017-2018 Proposed Operating Budget.

Notification to the public and interested parties of the proposed fee program changes was provided through various means, including meetings with interested stakeholders, and through distribution of this document to the City Clerk's Office and to Library branches. Specific notification efforts are described in each of the Departmental Impact Analysis Reports contained in this document.

The Proposed Fees and Charges Report was released on May 5, 2017, allowing for a minimum of 10 days for public review. Public input on fee proposals will be heard by the City Council at public hearings held on Tuesday, May 16, 2017, at 1:30 p.m. and Monday, June 12, 2017, at 7:00 p.m. in the Council Chambers.



Norberto L. Dueñas
City Manager