

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: David Sykes
City Manager

**SUBJECT: 2018-2019 PROPOSED FEES AND
CHARGES REPORT**

DATE: May 4, 2018

The 2018-2019 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 2018-2019 Proposed Operating Budget. Cumulative departmental fees and charges for 2018-2019 are projected to generate revenue of approximately \$129.3 million, of which \$113.2 million would accrue to the General Fund. This overall collection level is \$12.1 million above the 2017-2018 Adopted Budget estimate level of \$117.1 million.

This net increase from 2017-2018 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 continue to implement 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 86.8%, which is an increase from the 85.9% cost recovery level for Category I fees in 2017-2018. 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 2018-2019 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 2018-2019 Proposed Fees and Charges Report include the following:

DEVELOPMENT FEE PROGRAMS

Development activity in 2017-2018 remains strong with projected construction valuation at \$1.89 billion, compared to \$1.93 billion in 2016-2017. Projects such as the residential high rise Miro project and downtown student housing (The Graduate), new hotel projects like Hampton Inn, Fairfield Inn @ American Center and Bay 101 Embassy Hotel, along with the Valley Fair expansion and SuperMicro Building 23, contributed to the strong activity and associated revenue. Building activity levels are projected to remain strong in 2018-2019 as a result of building permits being issued for a number of large, mixed use residential/commercial projects, such as The Carlyle and Park View Towers and hotel projects like Almaden Corner and The Stockton Hotel, along with office projects like Akatiff and the Adobe expansion. In addition, Planning Services is anticipating continued residential entitlements for multi-family projects, as well as sustained levels in secondary unit residential entitlements and use permits in 2018-2019.

Budget actions are included in the 2018-2019 Proposed Operating Budget to add positions to support the City’s small cell utility program, continue limit-dated positions to support the implementation of the upgraded Integrated Permit System, and to shift funding for a portion of the Assistant Director position in Planning, Building and Code Enforcement to realign costs with workload and responsibilities. These changes will be supported by proposed fee increases as well as the use of portions of the Development Fee Program Reserves.

DEVELOPMENT FEE PROGRAMS

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 17 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.

For 2018-2019, the Development Services Partners are continuing the phased implementation of the fee models. Those changes include fee model updates and simplifications like shifting Building residential fees from units to square footage. Additionally, for 2018-2019, the Planning Division

is proposing to increase fees to the Planning Hourly Rate (from \$209.22 per hour to \$280 per hour) to account for updated personnel and non-personnel/equipment costs from those used in Planning Fee Program Study, resulting in an average fee increase to Planning Development Fees of 34%, and generating an additional \$2.46 million in revenue to ensure the program remains at cost recovery. This increase in Planning Development Fees represents an average increase of approximately 5% in the Entitlement and Permitting fees (i.e., Development Services Partner fees) associated with a given development project. It is important to note that the Development Services Partner fees account for approximately 10% of all City taxes and fees associated with a project.

A revision to the General Plan Update Fee is under development and will be brought forward as a 2018-2019 Manager’s Budget Addendum. The proposed changes will restructure the fee to provide funding for additional resources to support the many citywide planning and planning policy items on which the Department is working.

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 ensures construction in San José substantially conforms to applicable building codes and regulations to promote life-safety.

DEVELOPMENT FEE PROGRAMS

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

It is estimated that the 2018-2019 PBCE development-related fee programs will collect revenues of \$41.5 million, reflecting a cost recovery rate of approximately 87.6%. 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 86.0% cost recovery in 2018-2019 with a projected revenue estimate of \$32.5 million. The use of \$4.8 million from the Building Development Fee Program Reserve is recommended to balance this fee program (estimated remaining reserve of \$15.1 million is primarily for works-in-progress projects). With these actions, the Building Development Fee Program is expected to remain at 100% cost recovery.

Budget proposals totaling a net increase of \$405,000, are recommended in the 2018-2019 Proposed Budget, including the extension of 1.9 limit-dated positions through June 30, 2019 to the Building Development Fee Program (1.0 Senior Engineer, 0.45 Senior Analyst, and 0.45 Supervising Applications Analyst) to support the continued

implementation of the upgraded Integrated Permit System used by the Development Services Partners, and shifting 0.31 Assistant Director position to Building Development Fees.

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.

For 2018-2019, Building is continuing the phased implementation of the fee models. Those changes include fee model updates and simplifications like shifting Building residential fees from units to square footage. The fee changes recommended by the study are not anticipated to generate any additional revenue from building permits in 2018-2019.

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 2017-2018, Planning has experienced a level of applications and activity in the Permit Center comparable to 2014-2015. This activity is anticipated to be sustained in 2018-2019.

The Planning Development Fee Program is projected to be at 94.3% cost recovery in 2018-2019 with a projected revenue

DEVELOPMENT FEE PROGRAMS

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

estimate of \$8.96 million. This includes 2018-2019 base revenues of \$6.5 million and \$2.46 million from proposed fee increases. With Planning Development Fee Program base costs expected to exceed the base revenue estimate of \$6.5 million in 2018-2019 by \$2.6 million, it was assumed in the 2019-2023 Forecast the Planning Development Fee Program Reserve would be used to close part of the \$2.6 million gap in 2018-2019 to ensure the program remained at 100% cost recovery. In the Proposed Budget, the base funding gap along with proposed additions are addressed by net fee increases included in this Report totaling \$2.46 million and the use of Planning Development Fee Program Reserve.

The 2018-2019 Proposed Operating Budget includes the extension of 2.24 limit-dated positions through June 30, 2019 to the Planning Development Fee Program (2.0 Planner IV, 0.12 Senior Analyst, and 0.12 Supervising Applications Analyst) to support to continued implementation of the upgraded Integrated Permit System used by the Development Services Partners.

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 2018-2019 Base Budget revenue estimate of \$8.1 million assumes a slight decline in activity with the offset of a full year of billing at the rates established in 2017-2018. This results in the 2018-2019 revenue estimate remaining consistent with the estimated 2017-2018 level of \$8.1 million, which falls short of the estimated base cost of \$8.5 million by \$429,000. The use of the reserve is recommended to bring the program to cost recovery. Included in the 2018-2019 Proposed Operating Budget is a continuation of one-time funding for shared resources for Development Services (\$214,000) for temporary staffing to support the implementation of the Integrated Permitting System. Use of the Fire Development Fee Reserve is also recommended to fund the proposed one-time program additions. With these actions and the base costs, the Fire Development Fee Reserve would be reduced from \$8.0 million to \$7.4 million. Fee structure and base hour changes 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*.

DEVELOPMENT FEE PROGRAMS

Public Works Department (Development Fees)

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 2018-2019, Public Works Development fees are expected to generate \$8.9 million from the Development Fee Program, which reflects an increase from the 2017-2018 estimated collection level of \$8.6 million. This revenue increase is a result of several proposed fee changes recommended in this report. The 2018-2019 projected revenues, along with the use of a portion of the Public Works Fee Program Reserve (\$252,000) are sufficient to support the Development Fee Program, which operates on a 100% cost recovery basis.

The Utility Fee Program, which also operates on a 100% cost recovery basis, is expected to generate \$5.20 million in 2018-2019, which is \$2.2 million above the original 2017-2018 estimated collection level of \$3.0 million. The 2018-2019 projected revenues, along with the use of a portion of the Public Works Fee Program Reserve (\$99,218) and the

liquidation of the Small Cell Permitting Reserve (\$450,000), are sufficient to support the Utility Fee Program.

The addition of 7.0 positions is recommended to the Utility Fee Program to support the City Manager’s Office of Civic Innovation’s efforts to fulfill the City’s Smart City Vision and Broadband and Digital Inclusion Strategy. Fee funding will support staffing costs for permitting, electrical, plan check, electrical inspection services, project inspection services, and project management related to the installation of small cell devices on City infrastructure.

Transportation Department (Development Fees)

Development fees administered by the Transportation Department are expected to generate approximately \$654,000 in 2018-2019. The Transportation Department is responsible for the collection of fees for various development-related activities such as: Development Review and Traffic Analysis, General Plan Amendment (GPA) Model Analysis, Tree Planting and Young Tree Trimming, New Subdivision Traffic Control Signs and Pavement Markings, Sale of Street Name Signs, and Signal Design/Review.

Following a comprehensive review, the methodologies, fee structures, and fee titles for most fees under Development Review and Traffic Analysis (formerly, “Geometric Plan Design”) were updated in 2017-2018 to align with related fees in the Public Works Department, and to accurately reflect projected costs. Given this preceding comprehensive restructure, adjustments to development-related fees for

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DEVELOPMENT FEE PROGRAMS

Transportation Department (Development Fees) (Cont'd.)

2018- 2019 are the result of updated compensation, indirect and other costs of supplies, materials, and equipment operation.

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 conducts special research and provides other services to the public, including notary, duplication, sale of publications and document copying, and Lobbyist Registration.

In 2018-2019, several fee changes are proposed to align fees with projected costs. These include upward and downward revisions based on an analysis of the amount of time necessary to provide the service, and updated costs. In this report, the Clerk’s Office has an estimated \$52,000 in fees for 2018-2019, reflecting a 100% cost recovery rate. To remain at cost recovery, increases in the following sections are recommended: Duplicating Services for Audio and Video Recordings, Sale of Publications and Document Copying Services, and Special Research/Services; while fee reductions are recommended in the Lobbyist Registration section.

Notary Public Services, as set by State law, will remain at \$15 per acknowledgement.

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.

Included in this report is a recommendation to continue the suspension of the Gated Event on Public Property Fee through June 30, 2020. If Council approves this recommendation, event organizers who choose to collect entrance fees for their events will continue to receive and retain additional revenues to help offset event production costs. The 5% gate fee revenue traditionally augments the Transient Occupancy Tax (TOT) based grant funds awarded through the Festival, Parade and Celebration (FPC) Grant Program administered by the OCA. The extension of this suspension will continue to reduce the amount of available funds in the FPC Grant Program.

Additionally, it is recommended that the Gated Event Maximum Ticket Charge be increased from \$30 per person per day to \$35 per person per day to account for consumer price index adjustments over the past several years. This maximum ticket charge amount has not been adjusted since 2010-2011.

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OTHER FEE PROGRAMS

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 recommended to be reduced from \$2.9 million to \$2.7 million in 2018-2019 due to cost reductions for franchise agreement oversight and administration and residue disposal. Republic Services will retain \$300,000 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 22, 2018.

The Waste Diversion Compliance Review Fee reflects the time and resources required to process the program's applications, and is recommended to increase to from \$104 to \$110 per hour of review, to recover the costs associated with the personnel review service.

The Franchise Application Fee is recommended to increase to from \$535 to \$571 per application for 2018-2019, to recover the costs associated with the personnel application review and processing services.

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, and monitoring the license and permit fees for Christmas tree and pumpkin patch lots, circuses, carnivals, parades, and a number of miscellaneous fees. The Department is also responsible for collecting late charges related to the Integrated Waste Management (IWM).

For 2018-2019, 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 \$135,000 in the General Fund.

The Integrated Waste Management-related late charges and fees are projected to generate approximately \$862,000 in the Integrated Waste Management Fund. This figure represents the Solid Waste Delinquency fees in 2018-2019 primarily associated with multi-family customers, which is higher than the \$392,000 figure from the 2017-2018 Adopted Fees and Charges, and reflects the actual activity level in this area for the late payment charge.

OTHER FEE PROGRAMS

Fire Department (Non-Development Fees)

In 2018-2019 the Fire Non-Development Fee revenue estimate of \$5.2 million is slightly higher than the 2017-2018 estimate of \$5.1 million. With base costs of \$5.2 million, the Non-Development Fee Program will be 100% cost recovery.

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.

The Rental Rights and Referrals Program experienced many changes in 2016-2017 and 2017-2018 expanding the rights, protections, and services for the City’s residents. The program includes the Apartment Rent Ordinance, Tenant Protection Ordinance and the Mobilehome Ordinance. The Apartment Rent Ordinance had the first of three phases implemented as part of the 2017-2018 Operating budget. City Council approved the final version of the Apartment Ordinance and Phase II of the staffing plan on November 14, 2017, increasing the 2017-2018 adopted fee from \$30.30 to \$55.80. Phase III marks the final phase of the implementation of the staffing plan, and is included as part of the 2018-2019 Proposed Operating Budget. The recommended changes increase the 2017-2018 Modified fee level of \$55.80 per unit to \$77.30 per unit in 2018-2019 for rent-controlled apartments. Changes are

recommended to the non-rent controlled apartment units (from \$4.10 to \$6.20) to maintain cost recovery. The mobilehome unit fees are recommended to decrease for one year (from \$34.10 to \$25.70) as a result of applying current year savings towards next year’s fees.

The Affordable Housing Impact Fee, was established at \$17 per square foot for rental-market developments. In 2017-2018 the fee increased from \$17 per square foot to \$17.41 per square foot. In accordance with the methodology outlined in the Inclusionary Ordinance, the fee is proposed to increase from \$17.41 to \$17.83 per square foot in 2018-2019.

The Inclusionary Housing 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 2018-2019 at \$167,207 per each for-sale Inclusionary Housing unit. Also, Council approved in December 19, 2017 a transition for for-rent developments 20 units or over from the Affordable Impact Fee Program to the Inclusionary Housing Ordinance. As a result, for rent developments will be assessed \$125,000 per unit. Further discussion on this can be found in the Housing Department’s schedule of fees and charges.

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.

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OTHER FEE PROGRAMS

Library Department

Although, there are no changes to Library fines for 2018-2019, in 2016-2017, the Library reduced the Overdue Materials Fine from \$0.50 per day/\$20 max. per item to \$0.25 per day/\$5 max. per item. It also eliminated the Held Materials Fine of \$3, and reduced the handling fee from \$20

to \$10 for Damaged Materials and Lost Materials and Equipment. Furthermore, in 2017-2018, the Library piloted two ongoing programs aimed to reduce barriers to access: Volunteer Away Your Fine (VAYF) and Read Away Your Fines (RAYF). 367 volunteers participated in VAYF, 255 accounts were cleared, and \$8,035 fees were waived to date. RAYF had 818 participants and \$10,024 in fines were waived for children and teens to date. The total Library Department fees and charges revenue for 2018-2019 is projected to be \$553,000 with costs of \$507,597 for a cost recovery rate of 108.9%.

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 2018-2019 Proposed Operating Budget, every revenue category was thoroughly examined and adjusted based on anticipated fee increases or proposed service augmentations, as necessary. As a result, the General Fund revenue estimates for 2018-2019 (\$22.0 million) have been adjusted from levels assumed in the 2017-2018 Adopted Budget (\$21.9 million). All PRNS cost recovery goals are recommended to continue at 2017-2018 approved levels. It should be noted that the 2017-2018 overhead rate was 84.58% and 2018-2019 rate is now 66.40%. This decrease in the overhead rate improves the cost recovery rates overall.

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

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OTHER FEE PROGRAMS

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

permits, abandoned shopping cart program, and off-sale alcohol enforcement. The Code Enforcement Fee Category I Fees projected to be at 99.1% cost recovery in 2018-2019 with a projected revenue estimate of \$9.8 million.

In the Code Enforcement Fee Program, increases to the following fees are recommended to maintain full cost recovery per City Council policy: Environmental Inspector and Building Code Compliance Hourly Rates; General Code Reinspection Fee; Automobile Dismantler Permits; Abandoned Cart Program Plan Fee; Multiple Housing Program Permit, Transfer and Reinspection Fees; the Off-Sale Alcohol Enforcement Program Permit and Transfer Fees; the Tobacco Retail Program (Permit, Reinspection, Reinstatement, and Transfer) Fees; and the Neglected/Vacant Building Program.

For 2018-2019, the amendment to expand the scope of Chapter 17.38 of Title 17 of the San Jose Municipal Code to include vacant storefronts and establish mandatory registration within the Vacant Building Program for Downtown buildings and storefronts that have been vacant for 30 days will be in effect. This change was approved by the City Council on May 1, 2018. An incremental increase to the Abandoned Cart Program from \$780 per year to \$925 per year will bring the program to a 60.4% cost recovery rate, as part

of a multi-year phase-in of the rate increase. However, with store closures and some stores reducing the number of their shopping carts to below the 25-cart threshold, exemptions have increased, reducing activity for the program.

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 2018-2019, based on the proposed fees and charges program, totals \$6.9 million. This revenue reflects a 5.2% increase compared to the 2017-2018 Adopted Budget level of \$6.6 million. There were a few areas where costs decreased due to a reduced overhead rate coupled with a reevaluation of processing time; however, there were several fees that had a significant increase based on a reevaluation of time, resources, and activity levels.

Due to large cost increases in certain areas as a result of a reevaluation of processing time, the following fee increases are recommended to be phased in over two or three years: Massage Parlors, One-Day Liquor Assessment, Pawnbrokers/Secondhand Dealers License, Peddler, Photo CD, Press Pass, Taxicab Driver's Permit, Taxicab Vehicle

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OTHER FEE PROGRAMS

Police Department (Cont'd.)

Inspection and Taxicab Vehicle Reinspection, Tow Car Driver Permit (New and Renewal), and Vehicle Impound. Several fees will decrease primarily due to a reduced overhead rate and reevaluation of processing time, and some of these fees include Fingerprinting, Amusement Devices, Bingo,

Cannabis Amendment Processing Fee, Cardrooms Regulation Fee, Concealable Firearms, Ice Cream Vendor, and Taxicab Restricted Owner's License.

The combined adjustments bring the Department's total 2018-2019 revenues to 93.6% of fee program costs, a decrease from the 2017-2018 cost recovery rate of 96.9%.

Public Works Department (Non-Development Fees)

The Public Works Department is responsible for the collection of City Hall Use Fees, which include the Rotunda and mezzanine, outdoor plaza, and committee meeting rooms. In 2018-2019 City Hall Use Fees are anticipated to generate \$326,000, which represents a cost recovery rate of 45.7%.

In addition, the Department collects Animal Care and Service (ACS) fees related to animal permits, licenses, adoptions, and other animal shelter services. Category I ACS Fees include Animal Event Permit Fees, Animal Permit Fees, Inspection Fees, and Permit Application Fees. In 2018-2019 the

Category I fees are anticipated to generate \$61,000, which represents an 86.0% cost recovery rate. Category II ACS Fees, which include Adoption Fees, Board and Impound Fees, Disposal/Euthanasia Fees, License Fees, Other Charges, Owner Surrender Fees, Quarantine Fees, and Spray/Neuter Clinic Fees, are estimated at \$2.4 million in 2018-2019, which reflects a cost recovery rate of 30.5%.

Transportation Department (Non-Development Fees)

The non-development fees administered by the Transportation Department are expected to generate approximately \$1.0 million in 2018-2019. Proposed increases to non-development fees align with updated compensation, indirect and other costs, including supplies, materials, and equipment. Non-development, Category I fees are largely expected to keep pace with projected costs, maintaining full cost recovery. However, due to phased increases, the proposed fee for Tow-Away Permit issuance is projected to reach 66% recovery for 2018-2019. Remaining Category II fees - Parking Citation Administration Fee, Sidewalk Repair Program fees, Tree Service Administrative Fee, and the Clean Air Vehicle Permit Fee - are expected to generate \$411,000, representing a projected recovery rate of 49.1%. More detail on these fees is provided in the Transportation Department section of this document.

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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 2018-2019 Proposed Operating Budget, a 3% increase to Recycle Plus rates is programmed for Single-Family Dwellings, while a 2% increase is programmed for Multi-Family Dwellings. The Proposed Budget assumes a 5.6% revenue increase to the Water Utility Fund to offset increased operating costs.

The Sewer Service and Use Charge rate is also programmed to increase 3.0% 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.

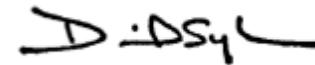
No increases to the Storm Sewer Service Charge rates are scheduled for 2018-2019; however, rates will be reassessed annually and any necessary increases will be brought forward for City Council consideration as part of the annual budget process.

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 2018-2019 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. 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 4, 2018, 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 15, 2018, at 1:30 p.m. and Monday, June 11, 2018, at 6:00 p.m. in the Council Chambers.



David Sykes
City Manager