



City of Sunnyvale

Agenda Item

17-0530

Agenda Date: 6/6/2017

REPORT TO COUNCIL

SUBJECT

Annual Review of Proposed Fees and Charges for Fiscal Year 2017/18

REPORT IN BRIEF

The fees and charges of the City are reviewed and adjusted each year in accordance with Council Policy 7.1.1 *Fiscal -Long Range Goals and Financial Policies*. This annual evaluation ensures that all fees and charges of the City are aligned with the cost to provide fee-related services, except for those fees that are legally limited, market based, or subsidized per Council direction.

After a detailed staff review of fees, necessary adjustments have been made to the proposed Fee Schedule. Fees that are legally limited remain unchanged. Periodically, staff reviews various fees in detail and adjusts them for cost of service, usually once every three to five years. In the intervening periods, fees are adjusted by a general inflation factor or annual personnel cost increases, whichever is higher. Those fees that did not receive a detailed cost of service review are proposed to be increased 5.27% based on City's year-over-year personnel cost increases due to negotiated memoranda of understanding with the various bargaining units or salary resolution and increases in other benefits and retirement. Fees related to construction and materials prices are proposed to increase in accordance with the annual Construction Cost Index (CCI), which increased 3.7% for May 2017.

The Recommended FY 2017/18 Fee Schedule (Attachment 1) details all proposed fees. Most fees become effective at the start of the new fiscal year, with exception of development processing and mitigation fees, which become effective 60 days after adoption per State law. In addition, the fees for Fire Prevention and Hazardous Materials Permit & Inspection Fees were updated in this fee schedule to align with the recommendations from a recently completed cost of service study. These fees, in most cases, have increased significantly and include the funding of additional staffing to improve inspection quality and cycle time, and many of these fees will be increased over two fiscal years to achieve full cost recovery.

Each year the City Council reviews recommended changes to the City's fees and charges. The June 6 public hearing is to allow public input and comment on proposed fees and charges. This hearing on the proposed fees will be followed by Council consideration to adopt updated and new fees on June 20, 2017. The majority of Council adopted fees for FY 2017/18 will become effective on July 1, 2017, except as noted.

BACKGROUND

The attached Fee Schedule references all City fees, except the proposed utility rates, SMaRT Station Public Haul Gate rates, and fees for recreation services. Fees related to utility services (water, refuse, and sewer) are being considered for adoption on June 20, 2017 by a separate Council action

when the utility rates are set (RTC No. 17-0137). Fees for recreation services are established administratively by the Director of Library and Community Services. Those fees are established based upon market conditions and City Council adopted policies to ensure fairness and accessibility. SMaRT Station Public Haul Gate Rates are established administratively by the Director of Environmental Services based upon disposal costs for recyclables and residues, allowing the flexibility to adjust rates as market conditions change.

Most new fees become effective at the start of the new fiscal year on July 1, 2017. Exceptions are changes to Development Processing fees (filing, accepting, reviewing, approving, or issuing of an application or permit) and mitigation fees; these become effective 60 days after adoption (in accordance with California Government Code Section 66017).

EXISTING POLICY

Council Policy 7.1.1 *Fiscal -Long Range Goals and Financial Policies:*

7.1B.5.2 - User charges and fees should be adjusted at least annually to avoid sharp changes.

7.1B.5.4 - User fees should be established at levels which reflect the full cost of providing those services.

7.1B.5.5 - Council may determine for any service whether a subsidy from the General Fund is in the public interest.

California Government Code Section 66016(a): Prior to levying a new fee or service charge, or prior to approving an increase in an existing fee or service charge, a local agency shall hold at least one open and public meeting, at which oral or written presentations can be made, as part of a regularly scheduled meeting. Further, pursuant to Government Code section 66018, a published notice for this public hearing has been published in the Sunnyvale Sun.

ENVIRONMENTAL REVIEW

As the City Council is only conducting a public hearing on the fee schedule and is not taking any action on the fee schedule no environmental review under the California Environmental Quality Act ("CEQA") is required.

DISCUSSION

Council Fiscal Policy guides staff to set fees for services to recover cost where possible and legally allowed. Staff continues to ensure that all fees not legally limited, market based, or subsidized provide for full cost recovery. The results of these efforts have been incorporated into the Recommended FY 2017/18 Fee Schedule (Attachment 1). For ease of administration, many fees have been rounded. The annual inflation rate of 5.27% proposed to be applied to fees to maintain full cost recovery is derived from City's year-on-year change of citywide salaries and benefits costs per the applicable memoranda of understanding with various bargaining units or salary resolution and increases in other benefits and retirement. Fees related to construction price changes are proposed to increase 3.7% in accordance with the CCI for the period of May 2016 to May 2017, as reported by Engineering News-Record. New fees or fees that are proposed to be adjusted by an amount other than inflation are discussed below.

New Fees

The following proposed new fees would either be charged for a new service, recover the cost resulting from a significant increase in service level for a service that the City already provides, or assess a fee for a service that has been provided at no cost but can be legally charged from the user

of the service. Each new fee has been carefully evaluated to ensure it covers the cost of providing each service.

Department of Public Safety

7.03 L Parking Permit: City Owned Lot

In May, City Council approved charging daily parking fees in Downtown Caltrain commuter lots (RTC No. 16-0871) to manage parking demand and recover costs of initial pay station installation and ongoing lot maintenance expenses and parking enforcements. Parking fees were structured at a discount to Caltrain daily rate to incentivize usage. Details of the parking fees are listed below:

Lot	Location	Daily Rate	% of Caltrain Price
(2)	Mathilda Off-ramp - Southbound	\$4.00	73%
(4)	South Mathilda Overpass	\$4.00	73%
(5)	Evelyn Avenue Lot	\$4.00	73%
(6)	North Mathilda Overpass	\$3.00	55%

7.06 B Massage Establishment License (Not Certified with the California Massage Therapy Council (CAMTC) Certified): Sole Proprietor

This new fee is for Non-CAMTC certified sole proprietors, based on a recent trend of this new type of operation. This class of permits is issued to owners who have one employee, who is CAMTC certified, but themselves are not CAMTC certified. The basis of the \$459 fee charged for initial application and subsequent annual renewals is application review time, including background check.

7.07 B Taxicab Franchises: 2-Year Driver's Permits Fees: Late Fee - Driver's License Renewal

Staff recommends adding this new fee to comply with Sunnyvale Municipal Code (SMC) Section 5.36.340. Per the SMC, a renewal application must be submitted 30 days before a permit expires, or a late fee can be charged. The recommended late fee is \$250, consistent with noncompliance penalties throughout the Department of Public Safety fee section.

7.08 Fire Prevention Permits: On Demand Mobile Fueling

This is a new permit to allow for on-demand mobile fueling within the City of Sunnyvale, an activity that was previously prohibited. There are two basic permits within this category. "*On Demand Mobile Fueling - Operation*" and "*On Demand Mobile Fueling - Site*." Each mobile fueling operation will be required to obtain both permits.

The basis of the \$750 fee for "*On Demand Mobile Fueling - Operation*" is a calculation of cost of the HazMat Inspector time required to review required documents and complete inspections of the fueling vehicle and fueling operations, estimated at three (3) hours. The renewal fee for this activity reflects the same amount of time being required as for issuance of a new permit.

The basis of the \$500 fee for "*On Demand Mobile Fueling - Site*" reflects the required HazMat Inspector time, approximately two (2) hours for issuance of the initial permit which includes a site inspection. The renewal fee for site permits is set at the lower rate of \$34 reflecting the time required for processing renewal documents as further on-site inspections are not required.

7.09 Hazardous Materials and Certified Unified Program Agencies Permits: Carbon Dioxide Beverage Dispensing

This fee will accommodate a new specific permit category identified in the Fire Code. Prior to this fiscal year, permits for carbon dioxide beverage dispensing systems were issued as Large Quantity HazMat Inert Gas. This new fee is based on the time of specialized personnel to conduct the required inspection and issue the permit. This permit will now differentiate a soda dispensing machine from industrial inert gas systems. Primary permit fee proposed is \$569 and secondary permit is \$319.

Non-Standard Fee and Charge Adjustments

The following fees are adjusted by an amount different from personnel cost increases or CCI inflation increases:

General Throughout the City

1.01 H Copies of Printed Material: Flash Drives

Staff recommends a fee increase from \$7.50 to \$10 to recover actual cost for acquiring 4GB flash drives.

Office of the City Manager

3.02 A - D Provision of Notary Public Services

Staff recommends fee increases due to notary fee changes authorized by Assembly Bill 2217, which amended Government Code Sections 8211 & 8223, effective January 1, 2017. Details for affected fees:

- *3.02 A Acknowledgment (per signature): increasing from \$10 to \$15*
- *3.02 B Jurat (per person for oath or affirmation and certificate): increasing from \$10 to \$15*
- *3.02 C Depositions (not including \$5 for oath and \$5 for certificate): increasing from \$20 to \$30*
- *3.02 D Certified Copy of Power of Attorney (for each Power of Attorney) increasing from \$10 to \$15*

Department of Community Development

4.02(k) Other Planning Items: Sense of Place Fee: East Sunnyvale

East Sunnyvale Sense of Place Plan was passed, pursuant to RTC No. 15-0912 and redevelopment is about to begin in calendar year 2017. This is an impact fee to be applied on a per unit basis for residential developments, “*Residential Unit*” rate of \$2,428 per unit, and a per square foot basis for non-residential developments, “*Nonresidential Unit, per square foot*” rate of \$0.92. This fee is calculated based on the estimated costs for the improvements within the East Sunnyvale Plan Area and developers will be charged on a pro-rata basis for the cost of those improvements. Collected fees will be used for common improvements such as pedestrian crossings, wayfinding markers and other elements identified in the plan as well as matching funds for grants.

4.02(k) Other Planning Items: Park dedication In-Lieu Fee - Average Fair Market Value per square foot

Staff recommends this fee at \$126 per square foot for FY 2017/18, decreasing from \$129 in prior year, based on the actual appraised values obtained from a consultant study. In accordance with the SMC, the average fair market value per square foot is calculated annually on a fiscal year basis. This fee is the basis for the Park Dedication In-Lieu Fee charged for residential development within the City. It applies to both residential subdivisions and multi-family residential rental housing developments. (SMC Chapters 18.10 and 19.74) Park Dedication fees are restricted to acquisition

and improvement of city parks.

Department of Finance

5.02 Business Licenses: Auctioneer's Permit

A new time and motion study was conducted to reflect updated costs, as the previous study was performed in FY 2011/12. Staff recommends an increase from \$217 to \$298.

Department of Public Safety

7.03 J Peddler/Solicitor Permit: Non-Compliance Penalty

This penalty has been revised down to \$250 from \$265 and is now aligned with all other non-compliance penalties in the Department of Public Safety fee section.

7.10 D Animal Control Services Fees and Charges: Other Fees: Return to Owner Fee for Unaltered Dog or Cat

These fees are market-based and includes a \$50 fixed charge to Santa Clara County. Staff recommends reducing the amounts by \$25 to incentivize owners to retrieve rather than abandon their pets. Details are below:

- *1st Offense: decreasing from \$100 to \$75*
- *2nd Offense: decreasing from \$125 to \$100*
- *3rd Offense and subsequent offenses: decreasing from \$150 to \$125*

Various Public Safety Fees

A new time and motion study was conducted to reflect current practices and updated costs to administer each activity, as the previous study was performed in FY 2013/14. Thus, fees were revised to reflect actual costs. Some key changes were:

- *7.02 B Vehicle Mechanical or Registration Violation Citation: increasing from \$25.50 to \$30*
- *7.03 F Firearms Sales Permit (New): increasing from \$235 to \$266*
- *7.03 H Officer Contract Overtime: Administrative Fee - Per Event: increasing from \$85 to \$92*
- *7.05 Vehicle Release Fee: increasing from \$125 to \$137.*

7.06 B & C Massage Establishments

Staff recommends fees for massage establishment permits to be increased by amounts ranging from 7.8% to 18.03% (for Not Certified with CA Massage Therapy Council Certified licenses), and from 10.35% to 24.9% (for Owner Certified with CA Massage Therapy Council Certified licenses), as detailed below. The full cost recovery impact is divided over two fiscal years.

7.06 B Massage Establishment License (Not Certified with CAMTC)

- *Fixed Location (on premise with or without outcall services)*
 - *Application (includes background for one owner): increasing from \$1,087 to \$1,197*
 - *Annual Renewal: increasing from \$1,026 to \$1,132*
 - *Additional Owner(s) initial application (Each): increasing from \$111 to \$114*
- *Outcall Only (no on-premise service or treatment of clients)*
 - *Application (includes background for one owner): increasing from \$144 to \$170*
 - *Annual Renewal: unchanged*

7.06 C Massage Establishment License (Owner Certified with CAMTC)

- *Fixed Location (on premise with or without outcall services)*
 - *Application (includes background for one owner): increasing from \$1,026 to \$1,132*
 - *Annual Renewal: increasing from \$1,026 to \$1,132*
 - *Additional Owner(s) initial application (Each): increasing from \$113 to \$114*
- *Sole Proprietor - New or Renewal: increasing from \$257 to \$321*
- *Outcall Only (no on-premise service or treatment of clients)*
 - *Application (includes background for one owner): increasing from \$83 to \$104*
 - *Annual Renewal: increasing from \$83 to \$104*

7.07 A - C Taxicab Franchises

Staff recommends fees associated with Taxicab Franchises, taxi driver permits and vehicle fees to increase by amounts ranging from 5.75% to 11.22%, depending on the specific permit type. They are detailed below:

7.07 A Franchise Fees

- *Application: increasing from \$2,578 to \$2,861*
- *Additional Owner(s) (Each): increasing from \$139 to \$147*
- *Renewal: increasing from \$2,513 to \$2,795*

7.07 B 2-Year Driver's Permit Fees

- *Application: increasing from \$295 to \$320*
- *Renewal fee: increasing from \$230 to \$255*
- *Re-test Fee: increasing from \$87 to \$92*
- *Change of Company: increasing from \$87 to \$92*

7.07 C Vehicle Fee

- *Per Vehicle Annual Fee: increasing from \$266 to \$295*

7.08 Fire Prevention Permits; and 7.09 Hazardous Materials Fees

Fire Prevention permits and fees and Hazardous Materials and Certified Unified Program Agency (CUPA) permit fees reflect significant changes from the prior year. In many cases, the fees increased substantially for two primary reasons. First, fees for these programs have not been increased for over six years. Second, the fee structure and methodology were updated to better align the cost of providing the service with the fee collected. To achieve alignment, a consultant was hired to conduct a time and motion study and provide a comprehensive analysis and recommendations for fee structures moving forward. Following receipt of the draft report, staff constructed a fee structure based on both the consultant's recommendations and the current practices of the Fire Prevention Unit that closely ties the permit or inspection fee with the cost of providing the service. Each type of permit was reviewed; the time required to complete the inspection and related tasks was validated; and the cost of staff time and all overhead was calculated. In addition, staff recommendations include additional positions (2.0 Fire Prevention Specialist, 1.0 Public Safety Specialist) and the upgrade (1.0 Hazardous Materials Inspector to 1.0 Senior Hazardous Materials Inspector) of one position to provide additional capacity to improve quality and cycle times. These positions and the associated fee revenues are not included in the FY 2017/18 Recommended Budget. If these fees are approved, the positions, offset by revenues, will be included in the FY 2017/18 Adopted Budget. As a result of

the fee review, some fees decreased due to changes in practices or regulations that have occurred over the years while others increased because the regulations or practices have changed or, in some cases, the fees were not previously set at a full cost recovery level.

For Hazardous Materials (HM) fees, the fee structure introduces the concept of primary permits, charged at the full cost, and secondary permits, charged at a reduced rate. This concept reflects the time savings realized from administering multiple permits within the same HM program at a single location as the time required for the second and subsequent permits is reduced because some tasks will overlap with those executed for the primary permit. This same concept of primary and secondary permits was applied to the Repair Garage classification to better reflect the time and effort staff spend on the required inspections. Repair Garage is the only category where the primary/secondary relationship was applied outside of the same HM program. Staff analysis of the tasks involved in inspecting for the permits required for this type of operation supported application of the concept due to overlapping tasks associated with the individual permits.

For Fire Prevention Operation permits and other non-permitted Fire Prevention Inspections, the fees were differentiated for new versus renewal permits to reflect the difference in time and effort inspectors need to spend at new operations versus existing businesses. The proposed fees have been reviewed with various stakeholders through community meetings and outreach.

Due to the magnitude of some rate increases, fees with changes greater than 100%, the full impact is recovered over two fiscal years for existing permit holders. As almost every fee was changed in these two sections, individual fee impacts are not listed in this report. See Attachment 1 for detailed fees.

A notice of planned community outreach was mailed to all affected businesses. Three meetings were held: May 16, 2017 @ 11:00 am, May 17, 2017 @ 8:30 am; and May 18, 2017 @ 4:30 pm. All meetings were held in the West Conference Room at City Hall. A total of 9 community members attended these meetings, and the presentation that was made to City Council was given by Fire Marshal Lynne Kilpatrick. Attendees were given time to ask questions and contact information for both the Fire Marshal and the DPS Management Analyst for follow up.

In addition to the outreach meetings, a full copy of the proposed fees was placed on the Fire Prevention web page and was made available to the public.

Department of Public Works

8.03 Transportation/Traffic Fees: Alturas Avenue Residential Permit Parking Fee; and Train Station Area Residential Parking Exemption Permit Fee

Staff recommends raising these permit fees from \$19.50 to \$21.50, a gradual increase in effort to achieve higher recovery of administrative costs to process them.

8.04 A Traffic Control: Neighborhood Block Parties: Refundable deposit for use of traffic control devices; and City pick-up or delivery of traffic control devices

Staff recommends increasing the deposit and pick-up/delivery fees from \$25 to \$30, a gradual increase to achieve higher recovery of current replacement costs of traffic barricades and cones, and staff time for this service.

Department of Environmental Services

9.08 Delinquency Processing Fees and Turning On and Restoring Water Service Fees

A new time and motion study was conducted to reflect updated costs, as the previous study was performed in FY 2013/14. Staff recommends \$5 increases to some fees. Details are below:

- *9.08 B Administrative fee for processing delinquent accounts which qualify for shut-off: increasing from \$45 to \$50*
- *9.08 C Restoring water service once all unpaid amounts of delinquent accounts have been paid, between 8:00 a.m. and 4:00 p.m., Monday through Friday, if necessary: increasing from \$45 to \$50*
- *9.08 F Turning on water service for new accounts between 4:00 p.m. and 8:00 a.m., Monday through Friday, Saturdays, Sundays, and holidays: increasing from \$90 to \$95*

No Change

Department of Public Works

8.06 Municipal Golf Course Green Fees

Golf fees were raised and restructured in FY 2016/17, following a Golf Market Survey. Green fees are market-based and due to the diminishing interest in the sport nationwide, no increases are recommended for FY 2017/18. At times, promotional fees are offered at the Golf Courses, which may differ from those listed in the fee schedule. A Study Session will be presented to Council in the next fiscal year, which will include recommendations for fees and golf operations and begin the public discussion relative to a workplan to address the growing subsidy projected.

Fees Being Restructured/Replaced

The City currently charges fees for the services below, but a restructuring has occurred to better align fees with service delivery or to comply with local, state, or federal laws.

Department of Public Works

8.02 Development Projects: Subdivision Map/Legal Plan Review Fee: Parcel Map Plan Check; and Tract/Final Map Plan Check

Staff recommends combining independent surveyor's map review costs with City engineering staff review time, based on average of three rounds of review, which ranges between 36 - 48 hours. Each additional review, exceeding the basic three, will incur a 10% surcharge applied on the basic fee. The large increases reflect City's costs paid to our outside vendor. Details are as below:

- *Parcel Map Plan Check Fee (per Map): increasing from \$3,177 to \$5,500*
- *Tract/Final Map Plan Check (per Map)*
 - *Low (1-parcel condo with 5 units or more): increasing from \$4,447 to \$6,000*
 - *Medium (5-10 lots): increasing from \$5,083 to \$6,500*
 - *High (11 - 50 lots): increasing from \$5,930 to \$7,550*
 - *Complex (>50 lots): increasing from \$8,894 to \$10,000*

Department of Environmental Services

9.02 Water and Sewer Connection Fees

A new time and motion study was conducted for large size service lines set forth below, as compared to prior year's Actual Cost fee structure. Recommended fees are detailed below:

- *9.02 C Water Service Abandonment Fee*
 - *Larger than 8" Lateral: \$5,951*
 - *12" Lateral: \$6,297*

- *9.02 F Cut-in Tee Fee*
 - *10" Main: \$7,453*
 - *12" Main: \$8,204*

Deletions

Department of Finance

5.04 Credit Card Convenience Fee

Staff recommends discontinuation of the 3% fee for processing business licenses over the phone. The projected impact is approximately \$1,300 per fiscal year.

Department of Public Safety

7.01 B & E Copies of Materials: Copies of Video (VHS)

Staff recommends these \$25 fees be removed from the fee schedule, as the City does not have the ability to reproduce records in this outdated format.

7.04 (b) & 7.04 (c): Emergency Response & Arson Response Fees

Staff recommends removal of these fees from Fee Schedule, as cost recovery is permitted by state law.

7.06 C Massage Therapist Permit - Non-CAMTC Certified Therapist Exemption Application

The exemption in SMC section 9.41.07(b) sunset in April, 2017; thus, this \$96 fee is no longer applicable. Staff recommends the fee removed from the fee schedule.

Department of Public Works

8.02 Development Projects: Street Lighting

Staff recommends discontinuation of this \$34 fee, based on per linear feet of street lights required by the City. There have not been any developments requiring collection of the fee since FY 2006/07.

FISCAL IMPACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

Notice of the public hearing on the proposed fees and charges was published in the Sunnyvale Sun on May 19, May 26, and June 2. Notice was sent to the Building Industry Association and the Tri-County Division of the California Apartment Association, which requested notice pursuant to the Government Code. Boards and commissions wishing to make comments, suggestions, or recommendations may testify at tonight's public hearing.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of

the City Clerk and on the City's website.

STAFF RECOMMENDATION

Conduct a public hearing in order to solicit public input and provide direction to staff on any fee requiring further review prior to the June 20, 2017 Council meeting where the proposed schedule will be considered for adoption.

Prepared by: Jensen Barna, Budget Analyst

Reviewed by: Timothy J. Kirby, Director, Finance

Reviewed by: Walter C. Rossmann, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Recommended FY 2017/18 Fee Schedule