



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Public Hearing - Annual Review of Proposed Fees and Charges for Fiscal Year 2015/16

REPORT IN BRIEF

The fees and charges of the City are reviewed and adjusted each year in accordance with Council Fiscal Policy. This annual evaluation ensures that all fees and charges of the City are aligned with the cost to provide each service, 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. Fees that are intended to recover the cost of service were reviewed and adjusted by the increase in labor costs of the work unit that provides the service if necessary. In general, labor costs, including salaries and benefits, rose 3.1%, the average increase of regular employee salaries and benefits between FY 2014/15 and FY 2015/16. In some cases, staff from the appropriate department reviewed the fees in more detail and made further adjustments. Fees related to construction and materials prices are changing in accordance with the Construction Cost Index (CCI), which increased 1.8%.

The Recommended FY 2015/16 Fee Schedule (Attachment 1) details all proposed fees. Most fees become effective at the start of the new fiscal year, with the exception of development processing and mitigation fees which become effective 60 days after adoption.

Each year the City Council reviews recommended changes to the City's fees and charges. Tonight's 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 23, 2015; the Council adopted fees would be effective for FY 2015/16.

BACKGROUND

The attached Fee Schedule references all City fees, except the proposed utility rates and fees for recreation services. Fees related to utility services (water, refuse, and sewer) are being adopted tonight by a separate Council action when the utility rates are set (RTC 15-0302). 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.

Most new fees become effective at the start of the new fiscal year on July 1, 2015. 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 §66017 of the California Government Code).

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.

ENVIRONMENTAL REVIEW

This action is exempt from environmental review under CEQA Guideline 15378(b)(5) (administrative activities that will not result in a direct or indirect physical change to the environment. (CEQA Guideline 15378(b)(5).)

DISCUSSION

The majority of fees charged by the City are set to recover the cost of providing the service. In most cases, the cost to provide the service is based on personnel costs, as fees are predominantly labor-based. The labor-based increases take into account the full cost of labor, including the cost of employee benefits.

Council Fiscal Policy guides staff to set fees for services to recover cost where possible and legally allowed. Staff continues to work 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 2015/16 Fee Schedule (Attachment 1); the proposed Schedule details all recommended fees. For ease of administration, many fees have been rounded to the nearest logical unit. The inflation rate for full cost recovery, 3.1%, is derived from an average increase of regular employee salaries and benefits between FY 2014/15 and FY 2015/16. Fees related to construction price changes are increasing 1.8% in accordance with the CCI for the period of May 2014 to May 2015, 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 address a new demand for service, recover the cost resulting from a significant increase in demand for service that the City already provides, or collect revenue for a service that has been provided at no cost but can be legally recovered 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 B: Other Permits and Services: Concealed Weapons Permit - Amend an Existing License

Staff recommends adding this fee to help cover the cost of amending an existing license. The amount of this fee is governed by statute (CA Penal Code 26190(e)).

7.01 B: Informal Traffic Discovery Photographs - Digital (CD)

This addition clarifies for staff how to calculate charges for photographs delivered in digital format; it is consistent with the citywide fee for CDs in Section 1.01.

Department of Environmental Services

Development Related Fees B: Recycled Water Permit

The fee for issuing these permits would cover application review, inspecting of equipment used for dust control operations and street sweeping operations, the monitoring of recycled water users through field inspections to ensure compliance with California Code of Regulation requirements, and training of equipment operators using recycled water under the City permit.

9.02 D: Water Service Abandonment Fee

This fee is being proposed to cover the cost of abandoning water pipelines that are no longer needed due to water system improvements or land development projects. On a consistent basis, both water system improvement projects and land development projects require the abandonment of water pipelines that no longer meet fire flow demand requirements. City crews are responsible for abandoning these water pipelines and for ensuring that the abandonments are done in a safe and specific manner, which protects the City's potable water supply from bacteriological contamination and pipeline failure. This fee will ensure the cost of the City's work to abandon these pipelines is paid for by the developer of the project.

9.02 G: Cut-In Tee Fee

This fee is being proposed to cover the cost of cutting-in tees for contractors who are installing new domestic, fire, or recycled water services for land development projects or capital improvement projects. Cut-in tees are utilized when the typical water tap cannot be done due to underground conditions, such as other utilities in the way of tapping equipment or if the condition of the existing pipeline to be tapped fails to meet tapping requirements.

9.03 A: Annual Backflow Testing Permit

Backflow and cross-connection related fees here and below are proposed to comply with the State Water Resources Control Board and Title 17 of the California Code of Regulations, which requires a cross-connection program. This particular fee will impact backflow testing companies or private testers who meet our program requirements. The permit covers the administrative cost of managing the City's Cross-Connection Control Program. The annual permit will allow staff to review the backflow tester's applications for testing backflows in Sunnyvale. This permitting process consists of: reviewing applications in detail, reviewing and vetting multiple state licensing requirements, contacting references, contacting applicants to discuss City requirements and expectations, and meeting with backflow testers on an annual basis.

9.03 B: Annual Backflow Tags and Test Reports

This fee is being proposed to cover the costs of annually administering the Cross-Connection Control Program Backflow Database and Monitoring. On an annual basis, this activity consists of making contact with backflow testers and owners of backflow devices, issuing test forms, issuing backflow tags for devices that are tested, and for monitoring the testing program.

9.03 C: Backflow Field Inspection

This fee is being proposed to cover the cost of performing backflow inspections in the field by Water Division staff. The backflow device unit itself is intended to protect the public water supply from contamination that may occur from activities performed on private property. As such, a majority of the inspections where backflow devices are located are for commercial, industrial, and multi-residential uses. As a function of the Water Division due to State Board licensing requirements, water staff is performing field inspections, which are regulatory in nature and are required under the City of Sunnyvale's Cross-Connection Control Program Policies and Regulations.

9.04 C: Fire Hydrants - Fire Flow Testing Fee

This fee is being proposed to cover the cost of performing fire flow tests for land development projects and for insurance companies. These tests are conducted upon request by the developer or insurance company, and would not have been conducted otherwise. Currently, the total cost for this task is being charged to the Water Program's operating budget, but this cost should be paid by the party requesting the fire flow data.

9.11 A: Administrative Citation Fine Schedule For Water: Water Theft Fine

This fee is being proposed to deter and prevent the theft of potable and recycled water from hydrants, water meters, and any other appurtenance that is connected to the City's water and recycled water system. In addition, this fee is especially relevant at a time of extreme drought, from theft or cross-contamination from those who illegally connect to the City's water systems.

9.11 B: Administrative Citation Fine Schedule For Water: Cross-Connection Control & Backflow Code Violations

This fee is being proposed to deter the unapproved installation of backflow devices that fail to meet the City's Cross-Connection Control Program Policies and Regulations. This fee will also prevent the use of unapproved backflow devices that fail to meet State regulatory standards in protecting the City's public water supply from cross-contamination.

9.11 C: Administrative Citation Fine Schedule For Water: Hydrant Meter Unreported Consumption Fee

This fee is being proposed in order to recover the consumption of water from hydrant meters when a holder of a Withdrawal Permit fails to report their monthly consumption usage, at the end of the reportable year.

Non-Standard Fee and Charge Adjustments

The following fees are adjusted by an amount different from labor-based inflation:

Development Impact Fees

The City charges development impact fees on new developments to mitigate the costs of infrastructure or facilities necessitated by that development. Since these fees are not labor-based, they are adjusted based on different factors, as discussed below:

4.01: Sense of Place (Department of Community Development)

This fee is increasing 1.8% in accordance with the Construction Cost Index (CCI) for the period of May 2014 to May 2015, as reported by Engineering News-Record.

8.03: Transportation Impact Fee (Department of Public Works)

These fees are increasing 1.8% in accordance with the Construction Cost Index (CCI) for the period

of May 2014 to May 2015, as reported by Engineering News-Record.

Department of Environmental Services

The majority of the fees in this section are increasing by 1.8%, in accordance with the Construction Cost Index (CCI) for the period of May 2014 to May 2015, as reported by Engineering News-Record because the fees are related more to construction costs than straight labor costs. Exceptions to the 1.8% increase include Section 9.01C: Construction Credits, Section 9.02E: Water Meters, Section 9.02F: Water Main Tapping Fee, and Section 9.06: Groundwater to Sewer Discharge. Each of these sections are increasing to reflect the actual cost of labor, including overhead, support services, and materials needed to complete the given task or provide the required service.

9.01 C: Construction Credits

These fees are based on the actual cost of the materials, which has stayed flat between FY 2014/15 and FY 2015/16.

9.02 E: Water Meters

Staff recommends a larger than usual increase for the installation of some water meters, which are charged to developers when putting new connections into service, because the current fees do not fully capture all the labor hours. The proposed fees, ranging from an increase of approximately 1.32% (2" Meters) to 52% (5/8" meter), now accurately reflect all labor hours. The wide percentage change differences are a result of labor hours not being applied consistently across the different sizes in last year's calculation.

9.02 F: Water Main Tapping Fee

A detailed review found that the methodology in calculating this fee did not capture all labor and materials costs. Tapping costs are increasing 14.3% and 81.6% over the previous year to reflect full cost recovery, which includes all labor, tapping sleeves, valves, fittings, and other materials. The wide percentage change differences are a result of labor hours not being applied consistently across the different sizes in last year's calculation.

9.06: Groundwater to Sewer Discharge

These fees are based on employee hours, so are increasing by the labor inflation rate of 3.1%, derived from an average increase of regular employee salaries and benefits between FY 2014/15 and FY 2015/16.

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

These fees (except the initializing of water service for new accounts during business hours) are proposed to increase by \$5.00 starting in FY 2015/16 to account for the increased labor cost of service.

Department of Library and Community Services

Library fees are recommended to be held flat for FY 2015/16. This keeps them in sync with the fees and fines charged by the Silicon Valley Library System. The only other fees from the Library and Community Services Department that are included in the Fee Schedule are the Refundable Damage Deposits and Application Fees for Community Special Events. The Refundable Damage Deposits are proposed to be increased by the CCI, reflecting material cost increases. The application fees are proposed to be increased by the labor inflation rate.

Department of Public Safety

In the majority of cases, fees are proposed to increase by labor inflation less Department of Justice fingerprint fee components (which are held flat) to FY 2014/15 amounts. As part of the budget preparation process, a detailed analysis of some Public Safety fees was performed to ensure that they reflect both the direct and indirect costs of providing the service. This analysis included review of the time and materials required to provide the service. Proposed changes from FY 2014/15 are primarily due to a re-alignment of personnel that resulted in different personnel providing certain services and time estimate updates.

7.02 A: Police Services - Civil Subpoena Fees

This fee is governed by state statute and should be increased from \$150 to \$275 in order to comply with the state fee increases.

7.02 B: Police Services - Vehicle Mechanical or Registration Violation Citation Correction Verification (Fix-it Ticket sign off)

Staff adjusted the calculation from \$49 to \$25 so that the FY 2015/16 fee accurately reflects the costs involved in providing this service. The proposed fee revision includes a provision that the fee for this service applies only to non-residents and residents whose citations were issued by another agency. The reduced fees also better align with the amount charged by surrounding cities. Citations that are given to Sunnyvale residents by Sunnyvale officers, but later corrected, will not be charged any fee for correction.

7.05: Vehicle Release Fee and Post Storage Hearing Fee

A detailed analysis of these fees was performed and fees revised downward (Vehicle Release Fee from \$240 to \$122 and Post Storage Hearing Fee from \$148 to \$105) to ensure they accurately reflect both the current direct and indirect costs of providing the service, including review of the time and materials required to provide the service. The reduced fees also better align with the amount charged by surrounding cities.

7.10 A: Animal Licensing - Unaltered Cat

Staff reviewed local area fees and found the local industry standard for cats is half of that for dogs. This fee was adjusted accordingly, and overall fees for animal licensing are now comparable with fees in surrounding jurisdictions.

7.10 D: Animal Control - Other Fees - Field Service Charge, per trip

Staff adjusted the calculation from \$97 to \$110 so that the FY 2015/16 fee accurately reflects the cost of providing this service.

No Change

Department of Community Development

4.01: Park Dedication In-Lieu Fee

For the Recommended FY 2015/16 Fee Schedule, the Park Dedication Fee is listed at the existing fee of \$96 per square foot since it was updated less than a year ago. Staff proposes to reevaluate this fee for the FY 2016/17 Fee Schedule.

4.05: Housing Mitigation Fees

In 2009, per Study Issue CDD 09-11, Council directed staff to look at possible expansion and/or increase of the housing impact fees for new non-residential development (commonly referred to as

commercial linkage fee). Based on a nexus study, approval to impose the new fee structure was received in December 2014 (RTC 14-0673). Additionally, based on a second nexus study, Council directed staff on March 2015 (RTC 14-0846) to establish a housing impact fee for new rental housing projects. While the attached fee schedule does not currently include the proposed fees, staff is preparing an ordinance and fee resolutions to adopt these two housing impact fees by separate Council action on June 23, 2015.

4.04: Storm Drain Inlet Markers

This fee is based on the actual cost of the marker, which has remained unchanged.

Department of Public Works

8.06: Municipal Golf Course Green Fees

Golf fees are market based and staff has completed the annual Golf Market Survey (Attachment 2), which provides an overview of basic weekday and weekend fees and a comparison with the Sunnyvale fees for each course. Based on the results of the survey and current market conditions, fees for FY 2015/16 are recommended to stay flat.

Department of Public Safety

7.07: Taxicab Fees are staying flat for FY 2015/16 while staff conducts a review of these fees under Study issue DPS 15-02, which looks at car/ride share impacts on taxicab franchises and taxicab franchise regulations. The study issue is proposed for presentation to Council on August 25, 2015.

7.08 and 7.09: In 2014, DPS and Finance initiated a third party review of all Fire Prevention, Hazardous Materials, and Certified Unified Program Agency permit and inspection fees to ensure that all fees align with the actual cost of providing services. The consultant has reviewed the operating costs associated with each fee and recently completed a report with recommended adjustments. Staff is reviewing the report and changes as a result of the study will be recommended in a separate Report to Council late summer/early fall 2015.

The following fees are based on state and local law and are compared with neighboring cities during the fee update process. Since there have been no new violations, penalties, or assessments added to state or local law, and current fines remain consistent with surrounding cities, these fees are recommended to be held flat in FY 2015/16.

- Civil Penalties for Parking Violations (7.11)
- Administrative Citations (7.12)

7.04: Alarm Permit fees are being held flat as they are sufficient to cover their costs. False Alarm Fees have also been held flat. The fees are not based on the cost to provide service but are instead set to discourage false alarms. Staff believes the current fee structure adequately meets the intended objective.

Department of Environmental Services

In 2014, the departments of Environmental Services, Public Works, and Finance initiated a third party review of all water and wastewater connection and capacity permit and inspection fees to ensure that all fees align with the actual cost of providing services. The consultant has reviewed the operating costs associated with each fee and recently completed a report with recommended adjustments. Staff is conducting its final analysis of the study and changes as a result of the study will be recommended in a separate Report to Council late summer/early fall 2015.

Fees Being Restructured/Replaced

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

Department of Community Development

4.05 G: Affordable Housing Developer Agreement Preparation

The administrative fee for processing affordable housing developer agreements has been split by type of affordable housing project, including Below Market Rate (BMR) for-sale, density bonus rental, BMR condo-map only, and combos. This has been done to aid staff in tracking the various types of affordable housing projects that pay the fee during the year, and to aid staff in providing the correct agreement template for each project. There is no change to the amount of the fee or the types of projects subject to the fee compared to the current fee schedule, it is simply an additional level of detail for tracking purposes.

4.01: Tree Replacement In-Lieu Fee without Planning Development Application and Tree Replacement with a Planning Development Application

A tiered approach for the In-Lieu Fee is recommended, ranging from \$400 to \$1,600, compared to last year's \$262, to more closely reflect the current cost to buy, transport, and plant boxed specimen trees of various sizes (24", 36" and 48" boxed trees). A comparison with other local entities and a review of the actual costs was conducted to ensure fees are proposed at the right levels. The above in-lieu fees pertain to tree removals that are not associated with a planning development application. For tree removals with a planning development application, the tree replacement in-lieu fee would be based on a valuation prepared by a certified arborist using the Guide for Plant Appraisal by the Council of Tree and Landscape Appraisers. Per the Zoning Code, the City will continue to emphasize replacement trees over in-lieu fees whenever possible for development projects. All in-lieu fees are used to support the City's urban forestry program.

Department of Public Safety

7.01 C: Public Records Request

When citizens make a public records request, it is usually for documents - there are few public records that include video footage. The proposed changes, to remove the VHS and DVD media offerings and add CD offerings, align fees for production of electronic copies of printed documents with the already established citywide fee.

7.03 H: Officer Contract Overtime

A detailed analysis of this fee was performed to ensure that it reflects both the current direct and indirect costs of providing the service, including review of the time and materials required to provide the service and the amount charged by surrounding cities. This update also includes restructuring the fee to charge an hourly rate for all services and a separate administrative charge per event. The administrative charge would be waived for schools and non-profits.

Deletions

Department of Library and Community Services

6.01 B: DVD and E-Book Reader overdue fines have been consolidated into the Fines for Overdue Materials Fee line.

Department of Public Safety

7.01 B: Address Searches/Research Fee

DPS is not providing flash drives and this service is already covered within the Public Records Request fees.

7.01 F: Subpoena Duces Tecum

These services are already covered under section Subpoena Fees - Document Production.

7.02: Applicant Fingerprint Fee - Volunteers

DPS does not provide volunteer screening services for outside agencies and City of Sunnyvale volunteers are already screened at no charge to them.

FISCAL IMPACT

The impact of proposed adjustments to these fees has been incorporated in the FY 2015/16 Recommended Budget and Resource Allocation Plan. Attachment 1 presents the Recommended FY 2015/16 Fee Schedule reflecting proposed fees and charges.

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.

Notice of the public hearing on the proposed fees and charges was published in the Sunnyvale Sun on May 22rd and May 29th. Notice was sent to the Building Industry Association and the Tri-County Division of the California Apartment Association, which requested notice pursuant to Government Code. Boards and commissions wishing to make comments, suggestions, or recommendations may testify at tonight's public hearing.

STAFF RECOMMENDATION

Tonight's only action is to conduct the public hearing to meet the requirements of the City Charter and the California Government Code. Council should provide direction to staff on any fee requiring further review prior to the June 23, 2015 Council meeting, where the proposed schedule will be considered for adoption.

Prepared by: Tim Kirby, Assistant Director of Finance

Reviewed by: Grace K. Leung, Director, Finance

Reviewed by: Robert A. Walker, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Recommended FY 2015/16 Fee Schedule
2. Golf Market Survey - January 2015