



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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### REPORT TO COUNCIL

#### SUBJECT

Annual Review of Proposed Fees and Charges for Fiscal Year 2018/19

#### 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. Those fees that did not receive a detailed cost of service review are proposed to be increased 3.27% based on City's labor salaries year-over-year change (Labor Rate Increase). Fees related to construction and materials prices are proposed to increase in accordance with the annual Construction Cost Index (CCI), which increased 3% for May 2018.

The Recommended FY 2018/19 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 reflect the second year of fee increases from the recently completed cost of service study in FY 2017/18. 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 are being increased over two fiscal years.

Each year, the City Council reviews recommended changes to the City's fees and charges. The June 12 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 26, 2018. The majority of Council adopted fees for FY 2018/19 will become effective on July 1, 2018 except as noted above.

#### 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 (i.e., water, refuse, and sewer) are being adopted on June 26, 2018 by a separate Council action when the utility rates are set (RTC No. 18-0304). 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 disposition costs for recyclables and residues, allowing the flexibility to adjust rates as market conditions change as is the normal practice for transfer stations and disposal facilities.

Most new fees become effective at the start of the new fiscal year on July 1, 2018. 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 2018/19 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 annual inflation rate of 3.27% proposed to be applied to fees to maintain full cost recovery is derived from City's year-over-year change of citywide salaries and benefits costs. Fees related to construction price changes are proposed to increase 3% in accordance with the CCI for the period of May 2017 to May 2018, 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

### *7.04(b): Alarms: Permit Renewal - Late Fee*

Staff recommends creating a late fee to replace the non-compliance penalty which will reduce staff time spent on reviewing appeals to waive the \$250 penalty. This fee will be applied to alarm users who do not renew their annual permit in a timely manner. Prior to this, there was no guidance for late permit payments in the fee schedule and a \$250 Non-Compliance Penalty was assessed for late permit payments. The recommended late fee of \$25 is consistent with Section 7.10 (late fee charged for renewal of pet licenses).

The Non-Compliance Penalty will still be used to deter violations of other components of Sunnyvale Municipal Code Chapter (SMC) 9.90 (Alarms), such as failure to register a new alarm system, failure to respond within 30 minutes to an alarm activation, etc.

### *7.09: Annual Hazardous Waste Generator Fees*

Staff recommends adding this new fee for those waste generators that have more than one building with the same EPA ID number. The basis for the new \$83 fee reflects the additional HazMat Inspector time required to inspect each contiguous building for compliance.

## **Non-Standard Fee and Charge Adjustments**

The following fees are adjusted by an amount different from Labor Rate Increase or CCI inflation increases:

## Department of Community Development

### *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: Development Related Fees*

A technology surcharge applies to each building and engineering project issued and to each planning application that gets filed. Staff recommends a technology surcharge increase of 5%. This fee will fund the ongoing costs of a new permitting system, and will require several more years of adjustment to bring it to full cost recovery.

#### *4.02(k): Other Planning Items: Art In Private Development*

Staff recommends a fee increase from \$3,822 to \$4,267 to recover actual staff costs spent to assist developers in identifying artists who specialize in creating integrated or landmark public art. The fee funds a review by staff and support to the Arts Commission to ensure that the art meets reasonable standards and is located, lighted and maintained in appropriate locations.

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

Staff recommends increasing this fee to \$130 per square foot for FY 2018/19, increasing from \$126 in the prior year, based on the actual appraised values obtained from a consultant study. In accordance with the Sunnyvale Municipal Code (SMC), the average fair market value per square foot is to be 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. (SMC Chapters 18.10 and 19.74) Park Dedication fees are restricted to acquisitions and improvements of city parks and recreation facilities.

#### *4.02(k) Other Planning Items: Tree Replacement In-lieu Fee without Planning Development Application*

The fee has not been increased since FY 2014/15 and so staff recommends increasing it by the Construction Cost Index in FY 2018/19.

#### *4.03 Building Division Fees:*

Staff recommends that the building permit fees be increased by the labor rate and the construction valuation data by the Construction Cost Index in FY 2018/19. It is to be noted that the construction valuation data has not been revised since FY 2014/15.

#### *4.06(a) Below Market Rate (BMR) Program Fees:*

Staff recommends a 50% increase in this fee from \$50 to \$75. The purpose of the BMR Program Fee is to help mitigate the need for affordable housing as a result of new residential and non-residential development within the City of Sunnyvale. The BMR Program Eligibility Verification Fee has not been increased in several years. Increasing the fee from \$50 to \$75 is still not full cost recovery.

On average, an Affordable Housing Manager spends three hours to review each BMR Program application, to determine applicant eligibility to buy a BMR home. The proposed fee increase would offset some staff costs spent on this activity.

#### Department of Finance

#### *5.02 Business Licenses: Auctioneer's Permit:*

The permit requirement is established in SMC Chapter 5.16. The calculation is based on updated personnel and indirect program costs each year. Staff recommends a decrease in fee from \$298 to \$289 as the process is now administered by a lower level management classification.

#### Department of Library and Community Services

#### *Section 6.03: Community Special Event Fees*

This fee is for events that are open to the general community such as a run/walk/race, trade shows, festival and other events that use city facilities. Staff recommends a fee increase of 5% from \$128 to \$134 to recover partial costs for these services.

#### Department of Public Safety

#### *Section 7.08 & 7.09: Fire Prevention Permits and Fees / Hazardous Materials and Certified Unified Program Agencies (CUPA) Permits:*

Fire Prevention and Hazardous Materials Permits and Fees for FY 2017/18 fees were approved by Council after an extensive fee study that was conducted by a consultant in FY 2015/16. Some of the fee adjustments recommended by that study would have resulted in increases so large that they would have burdened local businesses if implemented in a single year so they were stepped into over two years. FY 2018/19 proposed fees include the second year of fee increases per the study. The recommended fee has also been adjusted by the salary inflation factor that has been applied to all other eligible DPS fees.

#### *Section 7.12: Administrative Citations*

The Non-Compliance Penalty for violations of the City's Massage Ordinance (SMC Chapter 9.41) will be increased from \$250 to \$500. (Government Code Section 36901 allows a City to impose fines and penalties for violations of ordinances up to \$1,000.)

This increase is intended to be a deterrent to discourage violations that continue to be problematic for the Department of Public Safety and the City. Administration and documentation of massage establishment violations, if allowed to go unchecked, tie up a substantial amount of departmental and citywide resources.

#### Department of Public Works

#### *8.01 Right of Way Encroachment: Traffic Control Plan Review Fee Or Construction Management Plan Review Fee (each applicable permit)*

Staff recommends a fee increase from \$122 to \$168. Previously this fee was adjusted by labor rate. The recommendation is based on average costs of actual review time of a Traffic Engineer and Traffic Engineer Technician.

### *8.02 Development Projects*

Staff recommends an increase to map check fees to account for independent surveyor's review costs, city engineering staff review time and a comparison of fees in neighboring cities. The final increases are as follows:

- Certificate of Correction/Amendment of Map: Increase from \$443 to \$527
- Lot Line or Lot Merger Adjustment Fee: Increase from \$1251 to \$1962
- Public Easement Review Fee: Increase from \$259 to \$935

Tract/Final Map Plan Check proposed fees were increased significantly for the FY 2017/18 fee schedule based on cost recovery for the review time of both an outside surveyor and engineering staff. The current proposed fee includes a 3% proposed increase to absorb outside surveyor's hourly cost beyond three map check reviews.

### *8.06 Municipal Golf Course Green Fees*

Golf customers play at Sunnyvale based on cost, location, and quality of the course. If fees are raised beyond what other courses are charging - rounds and revenue will decrease - significantly at Sunken Gardens (based on age of user). The two courses will charge fees to remain competitive in the local market as reflected in the Fee Survey. Golf increased revenue approximately 10% this fiscal year. Raising fees beyond what is proposed potentially affects total revenue. This is the second year that both courses will have restaurants open. It is to be noted that golf is still struggling to attract many users that left when there were few amenities at the courses.

Many factors go into the increasing of fees - the four closet courses (San Jose, Palo Alto, Shoreline and Santa Clara) being the most prominent - since Santa Clara is closing and Sunnyvale is trying to capture their users - Palo Alto is reopening with high fees, Sunnyvale is trying to offset costs, and Shoreline is subsidizing monthly cards, which will eventually be reversed.

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. At times, promotional fees are offered at the Golf Courses which differed from those listed in the fee schedule. Comparisons noted below are between published fees and do not reference promotional rates. Of particular note are the following fees:

#### *Weekday*

- Sunnyvale Resident (18 Holes): \$34 to \$35
- Sunnyvale - Non-Resident (18 Holes): \$38 to \$39
- Sunnyvale - Senior 60+ (18 Holes): \$27 to \$28
- Sunnyvale - Morning Back 9 Holes: \$27 to \$28

#### *Weekday Twilight/Replay*

- Sunnyvale (18 Holes): \$27 to \$28
- Sunnyvale - Super (18 Holes): \$17 to \$18

#### *Weekend/Holiday*

- Sunnyvale - Resident (18 Holes): \$46 to \$47
- Sunnyvale - Non-Resident (18 Holes): \$52 to \$53
- Sunnyvale - Junior (18 Holes): \$17 to \$18

#### *Weekend/Holiday - Twilight/Replay*

- Sunnyvale - Resident (18 Holes): \$27 to \$28
- Sunnyvale - Non-Resident (18 Holes): \$32 to \$33
- Sunnyvale - Super (18 Holes): \$22 to \$23
- Sunnyvale - Junior (18 Holes): \$17 to \$18

*Discount Cards/Monthly Passes*

Staff recommends that the Monthly Card fees be raised in correlation with the daily fee raises. Additionally, the amount of the increase was in line with other local courses such as Palo Alto. The Golf Car fees is being increased as Sunnyvale Golf Course has new Golf Cars with additional amenities such as windshields.

*Sunnyvale Advantage Card (Residents only)*

Sunnyvale (18 Holes): \$180 to \$185

*Resident Golf Discount Card (Seniors, Juniors, Disabled Only)\**

Sunnyvale (18 Holes): \$155 to \$160

*Non-Resident Monthly Card*

M-F Sunnyvale (18 Holes): \$209 to \$ 219

M-Su Sunnyvale (18 Holes): \$299 to \$309

Department of Environmental Services

*9.06 Groundwater to Sewer Discharge*

The proposed fee has been updated to reflect current service based on staff costs, overhead administrative rate and low strength commercial rate as detailed below:

Annual Discharge Permit

- Up to 10,000 gallons - decreased from \$1,540.00 to \$1,124.00
- Up to 50,000 gallons - decreased from \$1,720.00 to \$1,348.00
- Up to 100,000 gallons - decreased from \$1,944.00 to \$1,629.00
- Up to 200,000 gallons - decreased from \$2,394.00 to \$2,090.00
- Up to 300,000 gallons - decreased from \$2,841.00 to \$2,752.00
- Up to 400,000 gallons - increased from \$3,291.00 to \$3,313.00
- Up to 500,000 gallons - increased from \$3,738.00 to \$3,875.00

One-Time Discharge Permit

- Up to 10,000 gallons - decreased from \$672.00 to \$618.00
- Up to 50,000 gallons - decreased from \$851.00 to \$843.00
- Up to 100,000 gallons - increased from \$1,075.00 to \$1,123.00
- Up to 200,000 gallons - increased from \$1,523.00 to \$1,685.00
- Up to 300,000 gallons - increased from \$1,972.00 to \$2,246.00
- Up to 400,000 gallons - increased from \$2,419.00 to \$2,808.00
- Up to 500,000 gallons - increased from \$2,870.00 to \$3,369.00

*9.08 - Delinquency Processing Fees and Turning on and Restoring Water Service Fees*

No changes proposed, after rounded for customer service purposes, fee remains in line with cost.

*9.09 - Administrative Citation Fine Schedule for Sewer Use Violations*

No changes proposed.

9.10 - Administrative Citation Fine Schedule for Stormwater Management Violations  
No changes proposed.

9.11 - Administrative Citation Fine Schedule for Water  
No changes proposed.

9.12 - Administrative Fines for Violation of Drought Restrictions  
No changes proposed.

9.13 - SMaRT Station Public Haul Gate Rates  
No changes proposed.

9.14 - Water Theft Penalty  
No changes proposed.

### **Fees Being Restructured/Replaced/Relocated**

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 Community Development

##### *4.02(k) Other Planning Items: Tree Replacement In-lieu Fee without Planning Development Application*

The fee has not been increased since FY 2014/15 and so staff recommends increasing it by the Construction Cost Index in FY 2018/19.

##### *4.03 Building Division Fees:*

Staff recommends that the building permit fees be increased by the labor rate and the construction valuation data by the Construction Cost Index in FY 2018/19. It is to be noted that the construction valuation data has not been revised since FY 2014/15.

#### Department of Public Safety

Non-Compliance Penalties for Licenses and Permits will be moved to Section 7.12, to place this fine appropriately in the same section as Administrative Fines.

- *7.03D Secondhand Dealers/Pawnbroker Permit - One-Owner: \$250*
- *7.03F Firearms sales Permit: \$250*
- *7.03J Peddler/Solicitor Permit: \$250*
- *7.04(b) Alarm Users Permit: \$250*
- *7.06A-C Massage Establishments: \$250*
- *7.07 Taxi-Cab Franchises (Franchise Fees): \$250*

##### *7.03(M): Explosives Permit*

- *Initial: \$345*

Staff recommends relocating the Explosives Permit fees from Fire Prevention to the Licenses and Permits Section.

## Department of Public Works

*8.01 Right of Way Encroachment: Traffic Control Plan or Construction Management Plan Review Fee*  
The addition of text “Construction Management Plan Review Fee” reflects clarifying language and not a new fee

## *8.03 Transportation / Traffic Fees*

Instead of street specific parking fees, a new generic line item “Residential Permit Parking Fee” is being created to broaden the scope of public street parking.

## Department of Environmental Services

### *9.02 Water and Sewer Connection Fees: Water Connection Fees*

A note is being added in the fee schedule to identify the current methodology as per the Water & Sewer Capacity Charge Study as listed below since the report previously did not include a reference to hotels/motels:

- Hotels shall be classified as low occupancy units per room

## Deletions

### Department of Public Safety

#### *7.08 & 7.09: Fire Prevention Permits and Fees / Hazardous Materials and Certified Unified Program Agencies (CUPA) Permits*

##### Large Day Care Facilities

As per the State Health and Safety Code 1597.46, it is recommended that yearly inspection fees for Large Family Day Care facilities should continue on a voluntary basis without an assessment fee to the business owner and that the fire marshal prepare an update to the local California Fire Code amendments that reflects that change in policy. As a result, this fee is being eliminated in the FY 2018-19 Proposed Fee Schedule as detailed below:

A Large Family Day Care Home (9-14 persons):

- Initial - \$468
- Renewal - \$267

Staff recommends renewal fees be removed for those activities where the permit or inspection is one-time only and no renewal is available as detailed below:

High Rises: An inspection of high rise buildings is required

- Per Floor < 40,000 sq. feet - \$273
- Per Floor > 40,000 sq. feet - \$401

Explosives Permit

- Renewal - \$224



Likewise, “Secondary” permit fees were deleted for those activities where a secondary permit is not applicable:

Toxic Gas Closure Plans (Secondary Fees) - \$929

California Accidental Release Prevention (CalARP) (Secondary Fees) - \$233

### Department of Public Works

#### *8.02 Development Projects*

The “Utility Modeling Analysis (per Project) fee” is being deleted under “Development Projects” in Public Works as it was moved to the Department of Environmental Services during FY 2017/18 as the “Water Hydraulic Modeling Fee”.

### **FISCAL IMPACT**

The impact of proposed adjustments to these fees has been incorporated in the FY 2018/19 Recommended Budget. Attachment 1 presents the Recommended FY 2018/19 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 25, June 1, and June 8. 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 the public hearing.

### **STAFF RECOMMENDATION**

Council is conducting a public hearing in order to solicit public input and provide direction to staff on any fee requiring further review prior to the June 26, 2018 Council meeting where the proposed schedule will be considered for adoption.

Prepared by: Amudha Sankar, Budget Analyst

Reviewed by: Timothy J. Kirby, Director, Finance

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

### **ATTACHMENTS**

1. FY 2018/19 Recommended Fee Schedule
2. 2018 Golf Fee Market Survey