



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 2019/20

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 3.5% 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 2019. Another benchmark used to assess the change in certain impact fees for commercial or residential real estate development is the Consumer Price Index for Urban Consumers for the San Francisco-Oakland-Hayward Area (CPI-U SF), which increased by 4% from the prior fiscal year.

The Recommended FY 2019/20 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 pursuant to Government Code section 66017.

Each year, the City Council reviews recommended changes to the City's fees and charges. The June 11, 2019 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 25, 2019.

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 25, 2019 by a separate Council action when the utility rates are set (RTC No. 19-0376). 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.

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 2019/20 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 3.5% 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 2018 to May 2019, as reported by Engineering News-Record. For the CPI-U SF, the United States Bureau of Labor Statistics most recent report (published on May 10, 2019) has shown a 4% increase from April 2018 to April 2019. New fees or fees that are proposed to be adjusted by an amount greater other than the factors discussed above are detailed 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 Community Development

4.02(c): Staff Level Permits and Review - No Public Hearings: Miscellaneous Plan Permit or Unspecified

Staff recommends splitting this fee into two separate fees to mitigate necessary cost increases to residents. Although the proposed fee increases would still not achieve a 100% cost recovery due to

the staff time required to evaluate each request, it will bring the City closer while trying to maintain relative price stability for residents.

The new fee proposal would differentiate between residential properties with less than 3 units (single family homes and duplexes) and all other properties (properties with 3 or more units and all non-residential properties). Staff proposes the current fee of \$132 to increase to \$200 and \$400 respectively.

4.02(m) Peery Park Specific Plan: Appeal Fees

Staff is recommending this addition to the fee schedule to establish and clarify the cost of appeal fees regarding the Peery Park Specific Plan. Staff recommends the appeal fee for both requiring and not requiring a public hearing to be \$200. Currently staff is using appeal fees from other sections as the basis of the appeal fee for the Peery Park Specific Plan. The cost of the fee is consistent with all other appeal fees in the Community Development section.

Non-Standard Fee and Charge Adjustments

The following fees are adjusted by an amount greater than from Labor Rate Increase, CCI inflation increase, or CPI-U SF inflation increase:

Department of Community Development

Section 4 Appeal Fees at all decision levels (public hearing or non-public hearing)

Staff recommends increasing all appeal fees from \$160 to \$200. Considerable staff time and effort go into reviewing plans for permit approval. An appeal from an applicant from a public or non-public hearing requires a comprehensive re-evaluation of an application. The evaluation of any appeal, on average, costs the City over \$4,000 to conduct.

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 5.3%, continuing a multi-year step in to a higher fee that will fund the ongoing costs of a new permitting system.

4.02(a) Single Family Homes and Duplexes: Design Review

Staff is recommending design review fees of single-family homes or duplexes that do not require a public hearing increase from \$160 to \$400, as well as, for those that require a public hearing from \$471 to \$600. The actual cost for this service is significantly higher than the proposed increases. Although the fee increase does represent a substantial price hike, the increase strives to strike a balance between reflecting actual staffing costs while still trying to maintain affordable services for residents.

4.02(c) Staff Level Permits and Review - No Public Hearing: Preliminary Project Review

Staff is recommending an increase from \$390 to \$1000. The original intention of this fee was to promote early engagement with staff and promote more detailed plan submission from applicants. These reviews utilize staff across multiple departments/divisions to provide detailed comments and feedback to applicants, which has increased direction/transparency in project requirements for applicants and improved overall relations between staff and applicants.

4.02(e) Moffet Park Specific Plan Administrative Design Review and Minor Special Development Permit

Staff is recommending an increase from \$1767 to \$2500 for both fees. The cost for these services is estimated to be approximately \$4,200 for the level of staff time required. The increase will reduce the deficit between the current fee and staff costs.

4.02(g) Planning Commission Hearings: Major Special Development Permit/Use Permit

Staff is recommending an increase from \$3753 to \$5000. It is estimated that the actual cost for these types of reviews is approximately \$11,000. The increase will reduce the deficit between the current fee and staff costs.

4.02(i) BMR Alternative Compliance Plan Review

Staff is recommending an increase from \$3753 to \$5000. When this fee was first established, it was anticipated that only one public hearing would be conducted to review a proposal. After the first proposal was brought before Council in 2017, (RTC No. 16-0618), Council requested an administrative policy change for the Housing and Human Services Commission to review these proposals and make a recommendation prior to going to Council. This has caused a considerable increase in the amount of staff time and effort required to review these proposals.

Department of Finance

5.02 Business Licenses: Auctioneer's Permit

The permit requirement is established in Sunnyvale Municipal Code Chapter 5.16. The calculation is based on updated personnel and indirect program costs each year. Staff recommends a decrease in fee from \$289 to \$199 as the amount of staff time needed to review an application has decreased.

Department of Public Safety

Section 7.08: Fire Prevention: System Maintenance Testing and Inspection Electronic Report Submittal

Staff recommends increasing this fee from \$12 to \$15 to reflect an increase in vendor costs.

Department of Public Works

Section 8.03 Transportation/Traffic Fees: Transportation Permit of a vehicle operating on certain City streets exceeding maximums specified in the Vehicle Code of California

Staff recommends an increase from \$17.50 to \$67.50. The increase is more reflective of staff time required.

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 - increased from \$1124.00 to \$1131.00
- Up to 50,000 gallons - increased from \$1348.00 to \$1384.00
- Up to 100,000 gallons - increased from \$1629.00 to \$1701.00
- Up to 200,000 gallons - increased from \$2090.00 to \$2335.00

- Up to 300,000 gallons - increased from \$2752.00 to \$2969.00
- Up to 400,000 gallons - increased from \$3313.00 to \$3602.00
- Up to 500,000 gallons - increased from \$3875.00 to \$4236.00

One-Time Discharge Permit

- Up to 10,000 gallons - increased from \$618.00 to \$730.00
- Up to 50,000 gallons - increased from \$843.00 to \$983.00
- Up to 100,000 gallons - increased from \$1123.00 to \$1300.00
- Up to 200,000 gallons - increased from \$1685.00 to \$1934.00
- Up to 300,000 gallons - increased from \$2246.00 to \$2567.00
- Up to 400,000 gallons - increased from \$2808.00 to \$3201.00
- Up to 500,000 gallons - increased from \$3369.00 to \$3835.00

9.07 Solid Waste Enforcement Fees: A. Impound Fee

Staff is proposing an increase from \$954 to \$1029. The increase reflects the current rental rate of an on-call 30 cubic yard debris bin. The title has also been updated to more accurately reflect the charge to “Fee for Collection and Disposal of Impounded Receptacles.”

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

The majority of fees in this section remain unchanged from prior year. Only fees D and E have increases from \$90 to \$95 and from \$45 to \$50 respectively. Staff analyzed the time required to perform each function and found adjustments were needed to maintain cost recovery on fees D and E of this section.

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 Public Safety

Section 7.03: Other Permits and Service: M. Explosives Handling Permit

Staff recommends changing this fee from \$345 per application to \$122 per individual applicant. Since individual background checks are required for each applicant that is applying for a permit of this type, this fee structure was deemed most reflective of the actual costs required to recover expenses and to be consistent with the fees of other specialized permits of this nature.

Section 7.10 B Animal Control Impound Fees

Staff is proposing to update this section to reflect consistency with the impound fees for dogs and cats charged in other jurisdictions across Santa Clara County. The State fine for unaltered pets was previously included in impounds fees, and has now been given a separate line item for clarity. Waiver of the State fine will be offered as an incentive for owners to spay/neuter their pets upon retrieval, or a refund will be issued if the owner of the pet has been spayed/neutered within 60 days of retrieval.

The table below illustrates the proposed updates:

City Animal Impound Fees

Dogs and Cats	Current Fee*	Proposed Fee*
1st Offense	\$95.00	\$40.00
2nd Offense	\$110.00	\$75.00
3rd Offense and subsequent offenses	\$160.00	\$100.00

Humane Society of Silicon Valley may impose additional fees* **State Fine for intact pets (u

Code 30804.7

Dogs and Cats	Current Fee	Proposed Fee
1st Offense	\$30.00	\$35.00
2nd Offense	\$30.00	\$50.00
3rd Offense and subsequent offenses	\$30.00	\$100.00

Department of Public Works

Section 8.02 Development Projects

Footnote 1, located under public improvement engineering plan check and inspection fees, has been updated to reference the minimum public improvement amount of \$10,000 rather than referring to a dollar figure. This was done to reduce the number of updates required for future fee schedules.

Deletions:

Community Development Department

4.029(m) Peery Park Specific Plan: Water Infrastructure Fee

Staff is recommending the deletion of this fee as it was determined that a site by site analysis was sufficient.

FISCAL IMPACT

Most new fees become effective at the start of the new fiscal year on July 1, 2019. Exceptions are changes to Development Processing fees (i.e., 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). The impact of proposed adjustments to these fees has been incorporated in the FY 2019/20 Recommended Budget. Attachment 1 presents the Recommended FY 2019/20 Fee Schedule with 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 24, May 31, and June 7. 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 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 25, 2019 Council meeting where the proposed schedule will be considered for adoption.

Prepared by: Joseph Shin, 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 2019/20 Recommended Fee Schedule