



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jennifer A. Maguire

**SUBJECT: CATEGORY II FEES AND
CHARGES: PUBLIC WORKS
AND TRANSPORTATION
DEPARTMENTS**

DATE: May 22, 2017

Approved

Date

5/22/17

BACKGROUND

At the Budget Study Session on May 11, 2017, Councilmember Peralez inquired about the lower cost recovery rates for the Category II fees assessed by the Public Works and Transportation Departments.

In the City's Fees and Charges, there are two categories of fees: Category I fees, which are designed to be 100% cost recovery; and Category II fees, which can be less than or more than cost recovery. The rationale for setting fees at below cost recovery is generally to ensure public access to services, encourage participation, and to comply with legal limits for particular fees.

ANALYSIS

Following is a discussion of the Category II fees for the Public Works and Transportation Departments.

- **Public Works:** The Category II fees are 28.7% cost recovery in the 2017-2018 Proposed Fees and Charges, which is slightly above the 2016-2017 cost-recovery level of 25.3%. The majority of Category II fees are associated with Animal Care Services (ACS), with the lowest rates for the adoption fees (35.5% cost recovery), spay/neuter clinic fees (33.4% cost recovery), and license fees (22.1% cost recovery). These fees are set at below cost recovery to encourage participation and ensure accessibility with the goal of maximizing animal adoptions and the use of spay/neuter services as well compliance with animal licensing which helps increase the live release rate at the shelter. The ACS fees are similar to what other Bay Area agencies charge. The rental fees for the use of City Hall and the Rotunda are also below cost recovery at 54.4% and are set at levels to ensure accessibility. Last year, the City increased the number of free events for the Mayor and

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Council Offices and City departments from 5 to 7 and 3 to 5, respectively, to encourage City Hall activation.

- **Transportation:** The Category II fees are 48.0% cost recovery in the 2017-2018 Proposed Fees and Charges, which is above the 2016-2017 cost-recovery level of 41.6%. Most of the Category II fees are associated with the Sidewalk Repair Program that has a cost recovery rate of 39.9% for the administrative costs associated with issuing permits and conducting inspections (property owners pay 100% of the actual cost of repairs). Given that property owners bear the more substantial cost of sidewalk repairs, the administrative costs are set at levels to lessen the overall impact on property owners.

COORDINATION

This memorandum has been coordinated with the Public Works and Transportation Departments.



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For more information on this memorandum please contact Margaret McCahan, Assistant Budget Director, at (408) 535-8144.