CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Debra Figone

SUBJECT: **2011-2012 ADOPTED FEES AND CHARGES**

DATE: December 20, 2011

INFORMATION MEMORANDUM

PURPOSE

This memorandum serves as a supplemental insert to the 2011-2012 Proposed Fees and Charges document and outlines those fees revised between the release of the 2011-2012 Proposed Fees and Charges and the final adoption of the 2011-2012 Fees and Charges. It is recommended that this memorandum be retained with the 2011-2012 Proposed Fees and Charges document for a complete record of all fees and charges adopted for 2011-2012.

BACKGROUND

The 2011-2012 Proposed Fees and Charges document was released on May 6, 2011 and outlined the proposed fees for the majority of fees and charges accruing to the General Fund and selected fees and charges associated with other funds. Public input on fee proposals was heard by the City Council at public hearings held on Tuesday, May 17, 2011, at 7:00 p.m. and Monday, June 13, 2011, at 7:00 p.m. in the Council Chambers. The proposed fees and charges were approved by the City Council with a small number of adjustments that were brought forward during the budget deliberation process and incorporated into the Mayor's June Budget Message for Fiscal Year 2011-2012.

Historically, the Proposed Fees and Charges document has been updated and an Adopted Fees and Charges book redistributed to reflect the changes approved by the City Council between the Proposed Budget and the Adopted Budget. After all Adopted Budget changes were compiled, however, the magnitude of changes has paled in comparison to the number of fee and charge line items outlined in the original Proposed Fees and Charges document. Therefore, as a result of historically minimal changes, staffing resources, and efforts to reduce document production costs, this memorandum is instead being distributed to document all approved changes to the 2011-2012 Proposed Fees and Charges document. It is recommended that this memorandum be retained with the 2011-2012 Proposed Fees and Charges document for a complete record of all fees and charges adopted for 2011-2012.

The following fees, as described in the Analysis section of this memorandum, were revised between the release of the 2011-2012 Proposed Fees and Charges document and the final adoption of the 2011-2012 Fees and Charges: Planning Expedited Coordinated Review Fee; the Solid Waste Enforcement Fee; the Medical Marijuana Program Fees; the Expedited Inspection Fee; and the Enterprise Zone Voucher Application Fee. An outline of each fee change is referenced in Attachment A.

ANALYSIS

Following is a description of each of the changes to the 2011-2012 Proposed Fees and Charges approved by the City Council, including the associated impact on estimated revenues.

Office of Economic Development

Enterprise Zone Voucher Application Fee

San José was designated an Enterprise Zone (EZ) by the State of California in 1986. Businesses located in the Enterprise Zone (12 square mile area) are eligible to receive state tax credits. In order to receive a tax credit for hiring eligible employees (meeting certain defined categories), the State of California requires the business to submit a tax voucher application along with documented proof of eligibility to determine if the business hired Enterprise Zone eligible employees. The voucher serves as the document that certifies the employee's eligibility to the State. The voucher must be processed, copied and tracked. Once the voucher is approved, a $15 fee payment for each voucher issued is submitted to the State. Unlike most Enterprise Zones, the City of San José had not charged businesses for reviewing applications or for the $15 State-required application fee. The San Jose Redevelopment Agency budget covered the administrative costs and paid the State administrative fee on behalf of companies that had been participating in the EZ program but could no longer afford to do so. As described in MBA #38, a cost-recovery Enterprise Zone Voucher Application Fee of $109 per Enterprise Zone application was brought forward to support this program. It is anticipated that 2,000 applications will be submitted to the Office of Economic Development, generating General Fund revenues of $218,000. These funds cover the cost of the Enterprise Zone administrator, the required $15 application fee to be paid to the State for each voucher application accepted, and the costs of the required quarterly meetings and annual training.

Finance Department/Police Department

Medical Marijuana Program Fees

On April 19, 2011, as part of various actions related to the regulation of medical marijuana, the City Council directed staff to issue a Manager's Budget Addendum to establish the appropriate 2011-2012 budget actions required to implement and sustain the amendments to Title 6 (Medical Marijuana Regulations) and Title 20 (Land Use/Zoning Regulations), related to medical marijuana, such as: (1) staffing plan; (2) amendments to the Schedule of Fees and Charges; and (3) amendments to the schedule of fines. In response to that direction, the Administration

released MBA #30, which included an updated staffing plan, a number of fee revisions, and the establishment of a complete cost recovery fee structure for the program. This multi-departmental staffing plan, approved by the City Council as part of the Mayor's June 2011-2012 Budget Message, reflects the professional responsibilities and expertise to implement and sustain the Medical Marijuana Regulatory Program. As part of this program the following fee changes were approved:

- *Annual Operating Fee:* Ensures sufficient and appropriate staffing levels to implement and enforce the regulations and requirements for the program on an annual basis. This annual fee is assessed per collective (for each of the ten collectives) and was set at $134,223 per medical marijuana establishment, assuming that the maximum number of establishments allowed to register with the City remains capped at ten.
- *Renewal Registration Fee:* Approved at $4,182 per collective, this fee recovers the City's cost of renewing each establishment's registration on an annual basis and reflects the staff time to properly review, coordinate, and/or investigate any changes related to registration.
- *Amendment Fee:* Approved at $1,303 per amendment, this fee is required to sustain Section 6.88.360 (Change of Location and Updated Registration Forms) of the new Chapter 6.88, added to Title 6 of the Code and to cover the cost of the City reviewing any information submitted by an establishment to memorialize any changes in the establishment's operations.
- *Application Receipt Fee:* This one-time fee of $192 per application recovers the City's costs that are projected to be incurred on the day that applications are received.
- *Application Processing Fee:* In the 2011-2012 Proposed Fees and Charges document, an application processing fee of $4,975 was proposed. This fee was reduced to $4,182 as part of MBA #30 to accurately align the fee with budgeted expenditures in 2011-2012. This reduction reflects revised costs for employee total compensation (salary, fringe, and retirement) and indirect overhead cost rates, consistent with the approved levels in the 2011-2012 Adopted Operating Budget.
- *Police Hourly Investigation Fee:* In the 2011-2012 Proposed Fees and Charges document, a Police Hourly Investigation fee of $167 was proposed. This fee was reduced to $126 per hour as part of MBA #30 to reflect revised costs for employee total compensation (salary, fringe, and retirement) and indirect overhead cost rates, consistent with the approved levels in the 2011-2012 Adopted Operating Budget.

In total these fees are estimated to generate $1.4 million in revenues in 2011-2012 and will provide funding for 5.90 new positions in various departments. It should be noted that the existing fees will be shifted from the Police Department to the Finance Department where all Medical Marijuana Regulatory Program fees will be displayed in the resolution and in future publications of the Fees and Charges document. Subsequent to the Adoption of these fees, the Medical Marijuana Regulatory Ordinance has been suspended as a result of the Petition for Referendum filed by the Medical Marijuana advocate. Therefore, it is anticipated that expenditure and revenue rebalancing actions will be brought forward as part of the 2011-2012 Mid-Year Budget Review.

Fire Department

Inspector Activity Fees - Expedited Inspection

In the 2011-2012 Proposed Fees and Charges, a Fire Department Expedited Inspection Fee was proposed to be increased from the hourly rate (minimum 1 hour) to 1.5 times the hourly rate (minimum 1 hour). This change was recommended based on staff estimates of the resources required to fulfill expedited inspection services. As described in MBA #31, staff further reviewed this activity and determined that the projections on the resources required to meet expedited inspection service levels did not warrant an increase in the Inspector Activity Fees to 1.5 times the hourly rate (minimum 1 hour). Therefore, the Administration recommended and the City Council approved to maintain the fee at the hourly rate (minimum 1 hour), consistent with the 2010-2011 Adopted Fees and Charges.

Library Department

Fines and Fees

Though no change in the amount assessed for Library fees and fines were brought forward in the 2011-2012 Proposed Budget, Library fine revenue was expected to decrease by $300,000 in 2011-2012 as the result of the proposed reduction in branch library operations from four and a half days per week to three days per week, bringing total Library Department revenues to $1.1 million. As a result of actions taken in the 2011-2012 Adopted Operating Budget to restore branch library hours to four days per week, Library Department fine revenue for 2011-2012 is not expected to decline by $300,000. Library Department revenues, including both fines and fees, are now projected to total $1.4 million.

Planning, Building and Code Enforcement Department

Planning Expedited Coordinated Review Fee

Included in the 2011-2012 Proposed Fees and Charges was a recommendation to add a new Expedited Coordinated Review Fee modeled after the successful Building Enhanced Expedited Plan Review Fee, charging 1.5 times applicable Planning fees. During the preparation of the 2011-2012 Proposed Fees and Charges, a pilot Expedited Planning process was launched using the existing Expediting Small Planning Projects Fee. As described in Manager's Budget Addendum (MBA) #13, it was determined that the proposed new Expedited Coordinated Review Fee was not needed based on the experience with the pilot and, therefore, was recommended and approved for deletion. No change to revenue is anticipated as a result of this action.

Solid Waste Enforcement Fee

The 2011-2012 Proposed Fees and Charges included a recommendation to reduce the Solid Waste Enforcement Fee from $1.29 per ton to $1.21 per ton to maintain 100% cost recovery levels based on the cost of the staffing complement in the 2011-2012 Proposed Budget. As

described in MBA #20, a recommendation to maintain the fee at the 2010-2011 fee level of $1.29 per ton was brought forward and approved. It is anticipated that maintaining the 2010-2011 fee level over the next year will generate an additional $212,950 in revenue, from the $3,315,200 assumed in the Proposed Budget bringing the total 2011-2012 Adopted Budget revenue estimate to $3,528,150. The additional revenue provided funding to restore 1.0 Code Enforcement Inspector, recover the costs for 0.31 of a Code Enforcement Inspector position assigned to the Vacant Building Program, and increase the Code Enforcement overtime budget by $16,740 from $13,260 to $30,000. This revenue covered direct costs as well as overhead, generating a net $69,687 available for reallocation as part of the 2011-2012 budget process.

CONCLUSION

The changes outlined in this document reflect as the revisions to the 2011-2012 Proposed Fees and Charges approved by the City Council. The revenues that will result from the approved fee adjustments are reflected in the 2011-2012 Adopted Operating Budget. This memorandum in combination with the 2011-2012 Proposed Fees and Charges document comprise the 2011-2012 Adopted Fees and Charges. It is recommended that this memorandum be retained with your 2011-2012 Proposed Fees and Charges document for a complete record of all fees and charges approved for 2011-2012.

DEBRA FIGONE
City Manager

Attachment A

For questions, please contact Jennifer A. Maguire, Budget Director, (408) 535-8144.

2011-2012 ADOPTED FEE CHANGES

Attachment A

Fee Name	2011-2012 Fees & Charges		2011-2012 Estimated Cost	2011-2012 Estimated Revenue		2011-2012 % Cost Recovery		11-12 Proposed Fees & Charges Pg #
	Proposed Fee	Adopted Fee		Proposed Fee	Adopted Fee	Proposed Fee	Adopted Fee	
OFFICE OF ECONOMIC DEVELOPMENT								
Category I								
Enterprise Zone Voucher Application Fee	None	$109 per application	218,371	N/A	218,000	N/A	99.8%	New
FINANCE DEPARTMENT								
Category I								
Medical Marijuana Collective Annual Operating Fee	None	$134,223 per collective selected	1,342,230	N/A	1,342,430	N/A	100.0%	New
Medical Marijuana Collective Renewal Registration Fee [4]	None	$4,182	-	N/A	-	N/A	N/A	New
Medical Marijuana Collective Amendment Fee [4]	None	$1,303	-	N/A	-	N/A	N/A	New
Medical Marijuana Collective Application Receipt Fee	None	$192 per application	2,880	N/A	2,880	N/A	100.0%	New
Medical Marijuana Collective Application Processing Fee [1]	$4,975	$4,182	41,824	49,750	41,824	119.0%	100.0%	112
Police Hourly Investigation Fee [1,4]	$167 per hour	$126 per hour	-	-	-	N/A	N/A	112
FIRE DEPARTMENT								
Category I								
Expedited Inspection Fee [2]	1.5 times the hourly rate (minimum 1 hour)	Hourly rate (minimum 1 hour)	N/A	N/A	N/A	N/A	N/A	26
PLANNING, BUILDING AND CODE ENFORCEMENT								
Category I								
Expedited Coordinated Review Fee Note: replaced by Expedited Small Planning Projects Pilot Fee on page 88 [3]	1.5 times Planning fees, excluding Public Noticing and Pass-Through Fees	Eliminated	N/A	N/A	N/A	N/A	N/A	86
Solid Waste Enforcement Fee	$1.21 per ton	$1.29 per ton	3,528,150	3,315,200	3,528,150	94.0%	100.0%	81

[1] In the 2011-2012 Proposed Fees & Charges document, these fees were reported under the Police Department. All fees associated with the Medical Marijuana Program have been transferred to the Finance Department.

[2] The cost and revenue estimates for this fee roll-up to the Fire Prevention Development Program Fees-Category I total on page 30. The change from the Proposed fee to the Adopted fee did not change the Category I cost or revenue estimate.

[3] The cost and revenue estimates for this fee roll-up to the Planning Fee Program-Category I total on page 96. The change from the Proposed fee to the Adopted fee did not change the Category I cost or revenue estimate.

[4] The cost and revenue estimates for this fee are zero to reflect the implemenation period of this program. Costs and revenues are estimated to begin in 2012-2013.