



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Norberto L. Dueñas  
City Manager

**SUBJECT: 2016-2017 PROPOSED FEES AND  
CHARGES REPORT**

**DATE:** May 6, 2016

The 2016-2017 Proposed Fees and Charges Report documents the majority of the fees and charges accruing to the City's General Fund and selected fees within other funds. This report does not, however, include a number of fees assessed by the City's enterprise operations (e.g., Airport and Downtown Parking), as they are brought separately to the City Council for consideration.

The fees proposed in this document are assumed in the revenue estimates contained in the 2016-2017 Proposed Operating Budget. Cumulative departmental fees and charges for 2016-2017 are projected to generate revenue of approximately \$99.4 million, of which \$92.8 million would accrue to the General Fund. This overall collection level is \$4.0 million above the 2015-2016 Adopted Budget estimate level of \$95.4 million.

This net increase from 2015-2016 reflects growth in fee revenue collected by several departments, such as the Parks, Recreation, and Neighborhood Services, Planning, Building and Code Enforcement, and Fire Departments.

Recommended fee changes to maintain or adjust cost recovery levels, as well as to add or delete a limited number of fees, are proposed in several departments, as described throughout this document.

The cost recovery rate for the fees designated as Category 1 (should be 100% cost recovery) is 76.8%, which is down from the 85.2% cost recovery level in 2015-2016. The overall cost recovery rate falls below 100% due primarily to lower cost recovery rates for the development-related fees in the Planning, Building and Code Enforcement, Fire, and Public Works Departments. However, when the use of the development fee program reserves (primarily works-in-progress funding) is factored in as a source of revenue, these programs are 100% cost recovery. The cost recovery level for Parks, Recreation and Neighborhood Services fees also dropped due primarily to the recalculation of these fees and increases to indirect costs. In the Police Department, the cost recovery rate is down due to the inclusion of the Medical Marijuana Regulatory Fee Program which is below cost

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recovery due to the delayed implementation of the 2016-2017 new Annual Operating Fee.

The body of this report contains details, by responsible department, of the proposed fees and estimated costs for the services for which the fees are assessed. In developing the 2016-2017 fee structure, staff was guided primarily by the City Council’s policy direction to strive for 100% cost recovery for most fee-related programs. During the budget development process, all fee programs were reviewed to ensure that the amounts being assessed would remain competitive in the market, would not be too cost prohibitive, and would at least maintain current levels of cost recovery, with limited exceptions in this report.

Additional City Council direction was also followed, so that where appropriate, fees take into consideration approved exceptions to the City Council’s full cost recovery policy, as well as applicable State laws. The departments with an overall cost recovery level below 100% typically administer fee programs that the City Council has previously directed remain at less than cost recovery, generally in order to assure public access to services. Examples include fees for public records and youth recreation programs.

Highlights of the 2016-2017 Proposed Fees and Charges Report include the following:

***DEVELOPMENT FEE PROGRAMS***

Development activity, including planning permit applications, building permits, plan reviews, and inspection activity, has experienced strong performance through 2015-2016 that is expected to continue in 2016-2017.

Development activity in 2015-2016 has remained solid with projected construction valuation at \$1.0 billion, although not as high as the peak levels reached in 2013-2014 of \$1.7 billion. Projects such as Coleman Highline, Silver Spring Networks, and the Splunk Inc. headquarters at Santana Row contributed to this very strong activity and associated revenue. The Development Services partners anticipate the continuation of this performance in 2016-2017 with a projected construction valuation of \$1.2 billion as a result of anticipated projects such as the Trammel Crow mixed use high rise office/residential project and the SJSC Towers residential high rise project, both in Downtown San José. In addition, Planning is anticipating future multi-family projects, as well as an increase in residential entitlements and use permits in 2016-2017.

Budget actions are included in the 2016-2017 Proposed Operating Budget for all of the development fee programs to add resources to address the anticipated workload demands and meet service delivery goals. These additions can be supported by the existing revenues generated by the fee programs as well as the use of portions of the Development Fee Program Reserves.

***DEVELOPMENT FEE PROGRAMS***

The only new fee is the Urban Design Review Pass Through Fee added to the Planning Development Fee Program, which simply aligns the Fees and Charges document with the Fee Resolution. There are no fee adjustments recommended for the Building, Fire, and Public Works Development Fee Programs.

For all the development fee programs, a consultant study to analyze current fee levels, compare fees to other jurisdictions, review business processes, and provide recommendations to adjust fees accordingly began in early 2015-2016 and is scheduled to conclude in fall 2016. The study will align cost of services with the fees charged. This will be done in conjunction with rigorous process review and improvements.

Additional resources, funded by the Development Services partners (Building, Planning, Fire, and Public Works), are included in the 2016-2017 Proposed Operating Budget to ensure the successful implementation of the new Permit System. The shared support resources for this program include: contractual project management services, a limited-dated Supervising Applications Analyst and a limited-dated Senior Analyst (June 30, 2018) as well as funding for temporary staff to cover Administrative positions needed to support the Permit System implementation. Additionally, the Development Services partners will provide funding to support city-wide technology upgrades, including the new Virtual Desktop Infrastructure and operating system upgrade to Microsoft Windows 10. One-time funding has also been

added to the Building Development Fee Program to share costs with the Planning Development Fee Program and Code Enforcement Fee Programs for a temporary position to provide public information outreach support and assist with prioritizing the translation of key handouts and online services.

***Planning, Building and Code Enforcement Department (Development Fees)*** – The Planning, Building and Code Enforcement (PBCE) Department administers a variety of fees and charges related to processing development permit applications and ensuring that construction in San José is safe and conforms to applicable building codes and regulations.

It is estimated that the 2016-2017 PBCE development-related fee programs will collect revenues of \$32.0 million, reflecting a cost recovery rate of approximately 74.8%. To maintain a cost recovery rate of 100%, the use of the Development Fee Program Reserves in the Planning and Building Development Fee Programs is recommended. The individual Planning and Building Fee Program actions are described in the following sections of this document and summarized below.

***Building Development Fee Program*** – The Building Development Fee Program is projected to be at 75.5% cost recovery in 2016-2017 with a projected revenue estimate of \$27.5 million. The use of \$8.9 million from the Building Development Fee Program Reserve is recommended to balance this fee program (estimated remaining reserve of \$13.7 million is primarily for works-in-progress projects).

***DEVELOPMENT FEE PROGRAMS***

***Planning, Building and Code Enforcement Department  
(Development Fees) (Cont'd.)***

With these actions, the Building Development Fee Program is expected to remain at 100% cost recovery.

A number of expenditure actions are included in the 2016-2017 Proposed Operating Budget: the addition of 7.31 positions to support the increased activity in the Permit Center; non-personal/equipment funding, including the addition of three vehicles in the Building Development Fee Program; additional funding for peak staffing contractual services; Plan Grid software so building inspectors can view development plans electronically; and funding for training and materials due to the adoption of updated California Building Codes. A Senior Engineer position is also recommended through June 30, 2018 to provide subject-matter expertise to support the new Permit System implementation.

There are no substantive new fees recommended in the program for 2016-2017.

*Planning Development Fee Program* – The Planning Development Fee Program administers a variety of fees and charges that are related to the processing of development permit applications. During 2015-2016, Planning has experienced a high level of applications and activity in the Permit Center. This activity is anticipated to be sustained in

2016-2017. Based on the current and projected sustained activity, collections of \$4.5 million are estimated for 2016-2017, resulting in a 70.5% cost recovery rate. The use of \$1.9 million from the Planning Development Fee Program Reserve is recommended to balance this fee program (estimated remaining reserve at the beginning of 2016-2017 is \$684,000 to be used for works-in-progress projects). With these actions, the Planning Development Fee Program is expected to remain at 100% cost recovery.

As discussed above in the Building Development Fee Program, the Planning Development Fee Program is supporting the addition of the shared support services as well. Two limit-dated (June 30, 2018) Planner IV positions have been added to provide subject-matter expertise to support the new Permit System implementation. One-time non-personal/equipment funding is also included in the 2016-2017 Proposed Operating Budget to upgrade computers and purchase software.

A technical adjustment to add the Urban Design Review Pass Through fee is recommended in 2016-2017 to align the Fees and Charges document with the Fee Resolution.

***Fire Department (Development Fees)*** – The Fire Development Fee Program provides fire safety plan reviews and conducts inspections for construction projects submitted to the Planning, Building and Code Enforcement Department. The Development Fee Program activities also include issuance of fire system permits (sprinklers, fixed extinguishing systems, and fire alarm systems). The

***DEVELOPMENT FEE PROGRAMS***

***Fire Department (Development Fees)*** (Cont'd.)

2016-2017 revenue estimate of \$6.9 million is slightly lower than the 2015-2016 estimated collection level of \$7.0 million, and reflects a cost-recovery rate of 85.2%. To maintain a cost recovery rate of 100%, the use of a portion of the Development Fee Program Reserve is proposed to fund the difference between base revenues and costs (\$610,000) as well as the proposed program additions (\$588,000). With these actions, the Fire Development Fee Reserve would be reduced from \$5.9 million to \$4.7 million. No fee increases in this area are proposed for 2016-2017.

In addition to the base costs, the 2016-2017 Proposed Operating Budget includes changes in resources that are proposed in the Fire Department's Development Fee Program to more effectively meet Development community needs and better align staffing resources with the work. These actions include the addition of three positions (1.0 Associate Engineer, 1.0 Senior Engineer, and 1.0 Senior Permit Specialist) and funding for temporary staffing to assist with peak workloads. As discussed above, the Fire Development Fee Program is also supporting a portion of the shared support services recommended in 2016-2017.

***Public Works Department*** – The Public Works Department has two fee programs, the Development Fee Program and Utility Fee Program. The Development Fee Program is responsible for the collection of various fees for private

development-related activities, such as planning application review, plan review and inspection of public improvements, review of subdivision maps, grading permits, and revocable encroachment permits. The Utility Fee Program issues utility excavation permits and encroachment permits to utility companies and other agencies.

In 2016-2017, these fee revenues are projected to total \$9.8 million (\$7.3 million from the Development Fee Program and \$2.5 million from the Utility Fee Program), which is in line with the 2015-2016 estimated collection level of \$9.8 million. This collection level, along with the use of a portion of the Public Works Development Fee Program Reserve (\$1.7 million), is sufficient to support recommended program additions in 2016-2017 and maintain 100% cost recovery. The 2016-2017 Proposed Operating Budget includes the addition of 2.0 positions (1.0 Senior Construction Inspector and 1.0 Associate Engineer) and one-time non-personal/equipment funding for the purchase of supplies and materials for the inspector position to ensure that service levels are maintained at targeted levels. The Public Works Development Fee Program Reserve is expected to total \$5.1 million at the beginning of 2016-2017 primarily for estimated works-in-progress projects. No fee increases in this area are proposed for 2016-2017.

***Transportation Department (Development Fees)*** – The development fees administered by the Transportation Department are expected to generate approximately \$462,000 in 2016-2017. The Transportation Department is responsible for the collection of fees for various development-related

***DEVELOPMENT FEE PROGRAMS***

***Transportation Department (Development Fees)*** (Cont'd.)

activities such as: General Plan Amendment (GPA) Model Analysis, Geometric Plan Design, Tree Planting and Young Tree Trimming, New Subdivision Traffic Control Signs and Pavement Markings, Sale of Street Name Signs, and Signal Design/Review. A number of fee adjustments are recommended in this report to keep pace with projected costs and/or maintain full cost recovery.

***OTHER FEE PROGRAMS***

***City Clerk*** – The Office of the City Clerk is responsible for making all official City Council records and documents accessible to the public and conducting elections for the Mayor, City Council, and ballot measures. The Office also conducts special research and provides various other services to the public, including notary, duplication, sale of publications and document copying, and Lobbyist Registration.

In 2016-2017, a number of fee changes are proposed to align fees with projected costs based on an analysis of the time necessary to provide the service and updated costs. To remain near cost recovery, increases in the following fee sections are recommended: Lobbyist Registration, Document Certification, and Special Research/Services.

Additionally, minor upward and downward adjustments are recommended in the following sections: Duplicating Services, Sale of Publications and Document Copying, Document Scanning, Duplication Services, and Electronic Media. These fee changes reflect updated costs of materials and labor associated with the delivery of these services.

At this time, a small increase in estimated revenue is anticipated from these fee adjustments and has been included as part of the 2016-2017 Proposed Operating Budget.

Two new fees (Black & White 11 x 17 and Color 8.5 x 14) are recommended under the Duplication Services section to standardize the options and sizes offered for both black and white and color copies.

***Office of Economic Development*** – The Office of Economic Development (OED) is responsible for administering the City’s Foreign Trade Alternative Site Framework (ASF) Zone including processing applications, boundary modifications, and contract negotiations and extensions. OED is also responsible for the collection of fees related to Office of Cultural Affairs activities, including various event and use permit fees to spur Downtown vibrancy and cultural development.

On April 15, 2014 the City Council approved the continued suspension of the Gated Event on Public Property Fee through June 30, 2016 (5% of gross gate receipts reduced to 0%) to provide continued opportunity for event producers to increase



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***OTHER FEE PROGRAMS***

***Office of Economic Development (Cont'd.)***

revenues. A continuation of this suspension is recommended through June 30, 2018 in this report. If Council approves this recommendation, event organizers who choose to collect entrance fees for their events will continue to receive and retain additional revenues to help offset event production costs.

In 2016-2017, a number of fee changes are proposed to more closely align fees with projected cost increases. To remain near prior year's cost recovery, increases in the following fee sections are recommended: Foreign Trade ASF Zone, Paseo/Plaza Use Permit (selected fees), Parque de los Pobladores (also known as Gore Park) Use Permit (selected fees), Private Property Event Permit (selected fees), and Wayfinding Banner Application.

Two new fees are recommended in 2016-2017. Permit Cancellation Fees (25% of permit fee with more than 30 days prior to event notice or 50% of permit fee with 30 days or less prior to event notice) are recommended to allow the City to recover a portion of the staff time spent on processing and issuing a use permit for Parque de los Pobladores (also known as Gore Park), Paseo/Plaza, and Private Property.

Additionally, a Street/Public Sidewalk – Additional Inspection Fee of \$100 per return visit (65.6% cost recovery) is recommended to be assessed to event organizers who do not perform a proper clean-up of a street or public sidewalk after an

outdoor special event. With this new fee, OCA staff will provide organizers an initial inspection at no cost; however, if the street or public sidewalk is not clean upon the first inspection, OCA will charge the event organizer \$100 for each return visit for inspection.

***Environmental Services Department*** – The Environmental Services Department administers two fee programs as part of the Integrated Waste Management Program: Source Reduction and Recycling Fees and Franchise Application Fees.

The exclusive franchise with Republic Services replaced the non-exclusive franchise system for most types of commercial garbage hauling, effective July 1, 2012. This fee is reevaluated annually and is recommended to remain at \$2.9 million in 2016-2017. Republic Services will retain \$400,000 for waste processing costs per the franchise agreement. The fee is included in the commercial service rates, the report for which was approved by the City Council on May 3, 2016.

The Waste Diversion Compliance Review Fee reflects the time and resources required to process the program's applications, and is recommended to increase from \$100 to \$104 per hour of review, due to updated cost estimates associated with the personnel costs of delivering the review service.

In addition to Integrated Waste Management Program fees, the Environmental Services Department receives revenue from two fees administered by the Library Department for the

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***OTHER FEE PROGRAMS***

***Environmental Services Department*** (Cont'd.)

Silicon Valley Energy Watch Tool Lending Library Program. These fees recover the cost of damaged or lost power meters rented out to the public by libraries.

***Finance Department*** – The Finance Department is responsible for collecting, accounting for, and monitoring the license and permit fees for Christmas tree and pumpkin patch lots, circuses, carnivals and parades, and other miscellaneous fees. The Department is also responsible for collecting the Integrated Waste Management (IWM) - related late charges.

For 2016-2017, adjustments to various fees are recommended based on activity levels and the projected staff resources to administer the fees. These cost-recovery fees are projected to generate approximately \$244,000 in the General Fund, which is well below the \$2.1 million in 2015-2016 primarily due to the reallocation of the Medical Marijuana Regulatory Program fees from the Finance Department to the Police Department.

The Integrated Waste Management-related late charges and fees are projected to generate approximately \$311,000 in the Integrated Waste Management Fund. This figure represents the Solid Waste Delinquency fees in 2016-2017 primarily associated with multi-family customers, and is down from the \$315,000 figure in the 2015-2016 Adopted Fees and Charges.

***Fire Department (Non-Development Fees)*** – The Non-Development Fee Program administers fire safety and hazardous materials permits and conducts inspections for permitted occupancies. The 2016-2017 revenue estimate of \$4.3 million assumes the same level of activities experienced in 2015-2016.

***Housing Department*** – The Housing Department administers the Rental Rights and Referrals Program, and is responsible for the collection of Inclusionary Fees, Affordable Housing Impact Fee Program, Homebuyer Subordination Fees, and Multi-Family Fees.

In order to bring the Rental Rights and Referrals Program closer to cost recovery, annual fee changes are proposed for the following: rent-controlled apartments (from \$12.25 to \$12.50), mobile home units (from \$27.00 to \$33.48), and non-rent controlled apartment units (from \$1.95 to \$1.98). With these proposed revisions, the cost recovery rate for this Program will improve from 93.5% in 2015-2016 to 99.0% in 2016-2017. Additionally, the Department intends to extend the invoice period for mobile home units from 30 to 45 days to minimize unnecessary late fees charged to mobile home owners.

Further, as part of the modifications to the City’s Apartment Rent Ordinance (“ARO”) approved on April 19, 2016, staff will return to City Council in 2016-2017 for approval of a staffing plan and a fee structure to sufficiently administer, monitor, and enforce the newly adopted requirements of the ARO.



***OTHER FEE PROGRAMS***

***Housing Department*** (Cont'd.)

Several fee additions and deletions are recommended to fully implement the Affordable Housing Impact Fee Program given a recent California Supreme Court upholding the City's Inclusionary Housing Ordinance. The Affordable Housing Impact Fee Program establishes the \$17 per square foot Affordable Housing Impact Fee for rental-market developments. However, pipeline development projects receiving entitlement prior to July 1, 2016 and receiving Certificate of Occupancy prior to January 31, 2020 are excluded from this fee; no revenue is assumed in 2016-2017. Also established is the Affordable Housing Compliance Plan Standard Application Fee of \$3,200 to offset staff processing time and the Inclusionary In-Lieu Fee of \$85,572 per unit that may be paid instead of building the required affordable units in the development. No revenue is currently assumed from the Inclusionary In-Lieu fee in 2016-2017. Eliminated fees include the Pipeline Application Processing Fee as the pipeline exemption period expires on June 30, 2016, and the Inclusionary Processing Fee, which will be consolidated with the compliance plan fee previously described.

Recommended changes to existing fees pertaining to the management of the City's Multi-Family Affordable Housing Loan Portfolio will more accurately align the fees with the cost of delivering the services. In prior years, these services were primarily funded by loan payments and low and moderate income housing funds. Due to the dissolution of the

former Redevelopment Agency of the City of San José and the loss of the low and moderate income housing funds, the fee increases are proposed to maintain full cost recovery of these services to the Housing Department's loan portfolio.

***Library Department*** – The Library Department levies fines for overdue, lost, and damaged materials, and collects fees for various services such as community room rentals and providing materials through other library systems.

To maintain full cost recovery, the Community Room Rental Fee is proposed to increase from \$35 to \$37 per use up to 4 hours. Additionally, the following fine adjustments are proposed: reduce the Overdue Materials Fine from \$0.50 per day/\$20 maximum per item to \$0.25 per day/\$5 maximum per item; eliminate the Held Materials Fine of \$3; and reduce the handling fee from \$20 to \$10 for Damaged Materials and Lost Materials and Equipment. A projected loss of revenue of \$135,000 related to these fine adjustments will be offset by a one-time reduction of \$65,000 to the Library non-personal/equipment budget and a one-time defunding of 1.5 Library Page PT positions. This one-time reduction will allow time to assess the ongoing impact of the fines and fees adjustments.

***Parks, Recreation and Neighborhood Services Department*** PRNS collects a variety of fees and charges related to sports, sports fields and facilities, recreational lessons and facilities, and admission charges for Happy Hollow Park & Zoo (HHPZ).

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***OTHER FEE PROGRAMS***

***Parks, Recreation and Neighborhood Services Department***  
*(Cont'd.)*

The Pricing and Revenue Policy that was first approved and implemented in 2009-2010 allows the City Manager, or his or her designee, to set PRNS user fees and pricing strategies in accordance with annual City Council approved cost recovery percentage goals; thereby increasing PRNS' ability to achieve cost recovery goals, ensure affordable access, and preserve existing services by decreasing PRNS' dependence on the General Fund.

As part of the development of the 2016-2017 Proposed Operating Budget, revenues were reviewed and adjusted based on activity levels and anticipated fee increases, as necessary. PRNS cost recovery goals for 2016-2017 as outlined in the attachment to the PRNS section of this document remain unchanged from 2015-2016 approved levels.

For 2016-2017, \$20.2 million in General Fund fee revenue is anticipated, reflecting an increase of \$2.4 million from the 2015-2016 Adopted Budget revenue estimate of \$17.8 million. The additional revenue is anticipated in primarily the following: Fee Classes/Activities (\$1.5 million) due to increased activity level and expansion of programming efforts; Rentals and Reservations (\$496,000) due to strong Community Center Rental, Sports Field Reservation, and

Picnic Reservation performance; and HHPZ (\$266,000) due to increased attendance levels.

The PRNS Department's continued concerted efforts to market programs are contributing to the overall increased activity levels.

***Planning, Building and Code Enforcement Department***  
***(Non-Development Fees)*** – The Code Enforcement Division of the Planning, Building and Code Enforcement Department collects fees for multiple housing permits, solid waste enforcement, neglected/vacant building registration, landfill closure and post closure activities, auto body repair shop permits, auto dismantler permits, abandoned shopping cart program, and off-sale alcohol enforcement. The Code Enforcement Fee Program is projected to be at 99.0% cost recovery in 2016-2017 with a projected revenue estimate of \$8.5 million.

For 2016-2017, upward adjustments to a number of Code fees are recommended to maintain full cost recovery per City Council policy. The Abandoned Cart Program includes an increase from \$490 per year to \$635 per year, bringing the program from a 47% to a 57% cost recovery rate, as part of a multi-year phase-in of the rate increase. Based on a reevaluation of staff time and costs, decreases are recommended for the Multiple Housing Program (Tier 1 and Tier 2 Occupancy Permit) and the Tobacco Retail License Program (Permit), while an upward adjustment is recommended for the Multiple Housing Program (Tier 3).

**OTHER FEE PROGRAMS**

**Planning, Building and Code Enforcement Department**  
**(Non-Development Fees) (Cont'd.)**

In the Solid Waste Enforcement Fee Program, a recommended reduction to the tonnage rate from \$1.08 per ton to \$0.53 per ton realigns program expenditures in 2016-2017, and includes funding shifts to the Integrated Waste Management Fund and the General Fund.

**Police Department** – In this fee program, fees are collected from the public and from other police agencies for services such as fingerprinting, computer searches, copying of public records, and releasing impounded vehicles. Certain businesses and activities are subject to regulation, and fees are charged to offset the costs for processing permits and licenses that accompany the regulatory process and to partially offset costs for related investigative work.

The Medical Marijuana Regulatory Fee Program is recommended to be reallocated from the Finance Department to the Police Department. As part of the 2016-2017 Proposed Operating Budget, the Police Department will establish a Division of Medical Marijuana Control to administer these Category I fees.

Police Department revenue anticipated for 2016-2017, based on the proposed fees and charges program, totals \$5.7 million. This revenue reflects a 66.7% increase compared to the 2015-2016 Adopted Budget level of \$3.4 million. This increase is

primarily due to the transfer of the Medical Marijuana Fee Program from the Finance Department to the Police Department. Though costs increased in many areas, there were a few areas where costs went down based on a reevaluation of the time, resource, and activity levels.

The following fees are in the second year of a three-year phase in to full cost recovery levels: Cardroom – Work Permit – Employee Transfer fee, Peddler – Fixed Location (New and Renewal), and Secondary Employment – Event Lasting 5 days or less. Several fees will decrease primarily due to a reevaluation of processing time, including Event Promoter, Secondary Employment (New and Renewal), Taxicab – Taxi Driver Permit - Retest, Taxicab – Taxi Vehicle Inspection, Taxicab – Taxi Vehicle Reinspection, Tow Car – Tow Car Driver - Renewal.

The combined adjustments bring the Department’s total 2016-2017 revenues to 89.9% of fee program costs, a decrease from the 2015-2016 cost recovery rate of 96.2%. This decrease is largely due to the addition of the Medical Marijuana Regulatory Fee Program to the Police Department with a cost recovery rate of 80.7%. This program is below cost recovery primarily due to the timing of the implementation of the 2016-2017 Annual Operating fee adjustment.

**Public Works Department (Non-Development Fees)** – This category includes Animal Care and Services fees and Use of City Hall fees. In 2012-2013, Public Works began a thorough cost analysis of the Category I fees for Animal Care and Services (ACS).

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***OTHER FEE PROGRAMS***

**Public Works Department (Non-Development Fees)**  
*(Cont'd.)*

At that time, a phase-in process to gradually bring the fees to cost recovery was started. The phased-in approach will continue in 2016-2017 for selected fees. With the recommended fee adjustments, the Category I fees will be 99.0% cost recovery, up from 97.2% in 2015-2016.

Based on an analysis of projected costs to deliver services in 2016-2017, existing fees are recommended to be adjusted to better align costs with revenues. In 2016-2017, ACS Category II fees will be at 24.8% cost recovery, down from 30.1% in 2015-2016. Fees in Adoption, Board and Impound, Disposal/Euthanasia, and the Other Charges sections are recommended to be adjusted to better align with costs and services.

Reservable event space managed by the Public Works events staff includes: the Rotunda, Plaza, Council Chambers, and Committee Meeting Rooms. The Committee Rooms and Council Chambers recorded the heaviest usage. On May 13, 2014, the City Council approved a third party manager, San Jose Fairmont Lessee, LLC, to provide catered event management services at City Hall. Fees associated with catering services (Catering Fee, Catering List Fee, and Outdoor Catering Area) for events at City Hall will continue to be suspended pending negotiations for a new contract.

The Mexican Heritage Plaza (MHP) facility is currently operated by a private operator and the revenue for these fees is not currently assumed in the General Fund budget. The fees associated with this facility are not displayed in this document; however, they are reflected in the Fee Resolution.

**Transportation Department (Non-Development Fees)** – The non-development fees administered by the Transportation Department are expected to generate approximately \$1.2 million in 2016-2017. Proposed increases to non-development fees are included in this report to align with personnel and material costs. Non-development fees are expected to keep pace with projected costs and/or maintain full cost recovery with the exception of the Sidewalk Repair Program fees, Parking Citation Administrative Fee, Tree Service Administration Fee, and Clean Air Vehicle Permit Fee as noted later in the Transportation Department section of this document.

New fees are recommended for removal of parking meters and car sensors in construction zones in and around the Downtown area. These costs were previously recovered on an as-needed basis as a miscellaneous repair fee. The fee for car sensor replacement, and for meter head and meter pole removal and replacement will establish a specified cost recovery for labor and materials for these activities.

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***OTHER FEE REVISIONS***

As mentioned earlier, there are a number of fees that are not included in this document as they are brought forward separately to the City Council.

As described in the 2016-2017 Proposed Operating Budget, a 2.5% increase to Recycle Plus rates is programmed for Multi-Family Dwellings (MFD), while there is no change proposed to single-family dwelling rates. The MFD adjustment covers the increased costs associated with residential haulers providing garbage and recycling services and service enhancements.

The Proposed Budget assumes a 2.0% increase to Municipal Water System rates in order to offset increased operating costs. Staff anticipates returning to City Council no later than fall 2016 with additional recommendations related to water rates, due to the need to further track ongoing water conservation and its effects on changes in water usage as well as on the sources of wholesale water. Until that further analysis can be conducted and evaluated, the use of the Rate Stabilization Reserve is recommended in the Water Utility Fund as a temporary funding source for the program next fiscal year.

The Sewer Service and Use Charge rate is also programmed to increase 5.5% for residential customers to allow for the continued rehabilitation and replacement of critical infrastructure and equipment at the Water Pollution Control Plant and the sanitary sewer collection system, and for

commercial and industrial customers based upon their corresponding sewer flow characterization parameters.

No increases to the Storm Sewer Service Charge rates are scheduled for 2016-2017; however, rates will be reassessed in 2017-2018 upon completion of the initial recommendations from the Storm Sewer Master Plan that are anticipated to be completed in 2017, as described in the 2017-2021 Proposed Storm Sewer System CIP.

***SUMMARY***

Proposed fees and fee revisions are presented in the following summaries and detailed in the departmental sections that form the body of this Report. The revenues that will result from the proposed fee adjustments are reflected in the 2016-2017 Proposed Operating Budget.

Notification to the public and interested parties of the proposed fee program changes was provided through various means, including meetings with interested stakeholders, and through distribution of this document to the City Clerk's Office and to Library branches. Specific notification efforts are described in each of the Departmental Impact Analysis Reports contained in this document.

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The Proposed Fees and Charges Report was released on May 6, 2016, allowing for a minimum of 10 days for public review. Public input on fee proposals will be heard by the City Council at public hearings held on Tuesday, May 17, 2016, at 1:30 p.m. and Monday, June 13, 2016, at 7:00 p.m. in the Council Chambers.



Norberto L. Dueñas  
City Manager