

Memorandum

TO: HONORABLE MAYOR AND

CITY COUNCIL

SUBJECT: 2015-2016 PROPOSED FEES AND

CHARGES REPORT

The 2015-2016 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, Downtown Parking, and Convention Center Facilities), 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 2015-2016 Proposed Operating Budget. Cumulative departmental fees and charges for 2015-2016 are projected to generate revenue of approximately \$95.4 million, of which \$89.1 million would accrue to the General Fund. This overall collection level is \$1.9 million above the 2014-2015 Adopted Budget estimate level of \$93.5 million.

This net increase from 2014-2015 reflects growth in fee revenue collected by several departments, such as the Parks,

FROM: Norberto L. Dueñas Interim City Manager

DATE: May 1, 2015

Recreation, and Neighborhood Services, Planning, Building and Code Enforcement, Housing, and Finance 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 85.2%, which is down from the 89.5% cost recovery level in 2014-2015. 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 Parks, Recreation and Neighborhood Services fees are also below cost recovery due, in part, to the recalculation of these fees and increases to indirect costs.

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 2015-2016 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 2015-2016 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 2014-2015 that is expected to continue in 2015-2016.

Development activity in 2014-2015 has remained strong with projected construction valuation at \$1.3 billion, although not as high as the peak levels reached in 2013-2014 of \$1.7 billion. Projects such as Super Micro, Westfield Valley Fair Expansion, and the Santana Row Office Expansion contributed to this very solid activity and associated revenue. The Development Services partners anticipate activity levels to remain steady in 2015-2016 with a projected construction valuation of \$1.1 billion as a result of anticipated projects such as the Silvery Towers, a high rise in Downtown San José, and the continued build out of Almaden Ranch, including the Bass Pro Shop. In addition, Planning is anticipating future multifamily projects, as well as an increase in residential entitlements and use permits in 2015-2016.

Budget actions are included in the 2015-2016 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.

Two new fees are recommended in the Public Works Development Fee Program to more efficiently deliver services to its clients, resulting in a total revenue increase of \$15,000. There is one new fee recommended in the Planning Development Fee Program for any project requiring Habitat Conservation Plan review and coordination. There are no fee adjustments recommended for the Building and Fire 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 is scheduled to begin in late 2014-2015 and conclude in spring 2017.

In response to the growing amount of development activity, additional shared support resources, funded by the Development Services partners (Building, Planning, Fire, and Public Works), are recommended in the 2015-2016 Proposed Operating Budget to raise performance levels to meet customer needs. These shared support resources include: an addition of a Website and Graphics Coordinator to update the Planning, Building and Code Enforcement Department's website and educational materials; the addition of a Staff Technician to increase the number of documents imaged and decrease turnaround time for duplication requests; the addition of a Permit Specialist to better serve customers in the Permit Center; a position in the Information Technology Department to support enterprise management systems; and a position in the Finance Department for increased procurement support.

<u>Planning, Building and Code Enforcement Department</u> (<u>Development Fees</u>) – 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 2015-2016 PBCE development-related fee programs will collect revenues of \$37.5 million, reflecting a cost recovery rate of approximately 79%. 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 80.9% cost recovery in 2015-2016 with a projected revenue estimate of \$26 million. The use of \$6.1 million from the Building Development Fee Program Reserve is recommended to balance this fee program (estimated remaining reserve of \$18.0 million is primarily for works-in-progress projects). 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 2015-2016 Proposed Operating Budget: the addition of 9.75 positions to address the increased activity in the Permit Center, inspection, plan review, and administrative duties; additional non-personal/equipment funding for replacement vehicles, peak staffing contractual services, and mobile inspection devices; and funding for shared support resources discussed above.

<u>Planning, Building and Code Enforcement Department</u> (Development Fees) (Cont'd.)

There are no new fees or fee modifications recommended in the program for 2015-2016. Fee adjustments may be brought forward in the future based on the results of the fee study. The Building portion of the study will be part of the second phase of the project and will align the Building fees with current business processes and develop a works-in-progress model that can be used regularly to estimate the Building Development Fee Program's liability.

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 2014-2015, Planning has experienced a high level of applications and activity in the Permit Center. This activity is anticipated to be sustained in 2015-2016. Based on this projected activity, collections of \$3.6 million are estimated for 2015-2016, resulting in a 67.2% cost recovery rate. The use of \$1.8 million from the Planning Development Fee Program Reserve is recommended to balance this fee program (estimated remaining reserve at the beginning of 2015-2016 is \$37,000). With these actions, the Planning Development Fee Program is expected to remain at 100% cost recovery.

As discussed above, the Planning Development Fee Program is supporting a portion of the shared support services

recommended in 2015-2016. One-time funding is also included in the 2015-2016 Proposed Operating Budget to convert hardcopy files in the Planning Division library to digital files.

There is one new fee recommended in this program for 2015-2016. A Habitat Conservation Plan (HCP) base fee of \$374, minimum of two hours, for any project requiring HCP review and coordination is proposed. Complex projects requiring significantly more staff time will be charged the additional cost of a Planner's time at \$187 per hour. The Planning Development Fee Program's fee study started in 2014-2015 and will be completed in 2015-2016. Once completed, the study will align the Planning fees with current business processes and develop a works-in-progress model that can be used regularly to estimate the Planning Development Fee Program's liability.

Fire Development (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 2015-2016 revenue estimate of \$6.4 million is slightly less than the 2014-2015 estimated collection level of \$6.5 million, and reflects a cost-recovery rate of 90.6%. 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 (\$481,000) as

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

well as the proposed program additions (\$164,000). With these actions, the Fire Development Fee Reserve would be reduced from \$7.1 million to \$6.4 million. No fee increases in this area are proposed for 2015-2016.

In addition to the base costs, the 2015-2016 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 a Senior Engineer position and an Analyst PT position, partially offset by the elimination of a vacant Senior Hazardous Materials Inspector position. In addition, to meet inspection requests, the replacement of two vehicles is included in the 2015-2016 Proposed Operating Budget. As discussed above, the Fire Development Fee Program is also supporting a portion of the shared support services recommended in 2015-2016.

<u>Public Works Department</u> – 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 2015-2016, 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 are slightly above the 2014-2015 estimated collection level of \$9.6 million. This collection level, along with the use of a portion of the Public Works Development Fee Program Reserve (\$945,000) is sufficient to support recommended program additions in 2015-2016 and maintain 100% cost recovery. The 2015-2016 Proposed Operating Budget includes the addition of 1.85 positions to the Development Fee Program 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 2015-2016 primarily for estimated works-in-progress projects.

No fee increases are included, however, a couple of targeted fee adjustments are recommended for residential customers focused on streamlining service opportunities in the following categories, resulting in a slight increase of \$15,000 in revenue estimates: Develop Application Review: Preliminary Review; Develop Application Review: Site Development Permits/Conditional Use/Special Use Permits; Develop Application Review: Traffic Reports; and Materials Testing Laboratory Review Services.

Transportation Department (Development Fees) — The development fees administered by the Transportation Department are expected to generate approximately \$544,000 in 2015-2016. The Transportation Department is responsible for the collection of fees for various development-related 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. Fee adjustments are recommended in this report to keep pace with projected costs and/or maintain full cost recovery. Development fees will remain at 100% cost recovery as a result of recommended fee adjustments.

OTHER FEE PROGRAMS

<u>City Clerk</u> – One of the City Clerk's responsibilities is to make all official City Council records and documents accessible to the public. The Office of the City Clerk also performs special research and notary services, and provides duplication of taped materials on a fee basis. In 2015-2016, a number of fee changes are recommended to align fees with projected costs. These include both upward and downward revisions based on an analysis of the amount of time necessary to provide the service and updated costs. To remain near cost recovery, increases in the following fee sections are recommended: Duplicating Services (selected fees), Lobbyist Registration, and Special/Research Services.

The largest upward adjustments are in the Lobbyist Registration/Client Fees, which are proposed to increase by 19.8% to \$767. This represents the second year of a three year strategy to move towards full cost recovery (an increase from 73.6% in 2014-2015 to 85.8% in 2015-2016).

Additionally, fee decreases are recommended in the following sections: Duplicating Services (selected fees) and Sale of Publications and Document Copying. These fee decreases reflect a reduction in staffing costs 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 2015-2016 Proposed Operating Budget.

As part of the development of the 2015-2016 Proposed Fees and Charges, standard fees associated with compliance with the Public Records Act (Document Delivery, Document Scanning, Duplication Services, and Electronic Media) which previously appeared in individual department sections have been consolidated for ease of reference. These charges now appear as a subsection in the Office of the City Clerk, and are discussed in greater detail in that section of this document.

Office of Economic Development – The Office of Economic Development (OED) is responsible for administering the City's Foreign Trade Zone (FTZ) Alternative Site Framework 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.

While no fee increases are recommended, the Foreign Trade Main Zones and Subzones fees are recommended for deletion as a result of the establishment of the FTZ Alternative Site Framework on November 27, 2012 and the completion of the Foreign Trade Main Zone and Subzones operating agreements.

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 revenues.

<u>Environmental Services Department</u> – 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 Allied Waste Services of Santa Clara County (now known by the name of its parent company, 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 be increased from \$2.75 million to \$2.90 million to reflect increased costs for franchise and contract administration and waste materials processing. 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 is subject to City Council approval, scheduled for May 19, 2015.

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

<u>Finance Department</u> – 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-related late charges and Medical Marijuana Fees.

Finance Department (Cont'd.)

For 2015-2016, 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 \$2.1 million in the General Fund, which is primarily due to the re-establishment of the Medical Marijuana Regulatory Program fees, as approved by the City Council in August and December 2014.

The Integrated Waste Management-related late charges and fees are projected to generate approximately \$315,000 in the Integrated Waste Management Fund. This figure represents the Solid Waste Delinquency fees in 2015-2016 primarily associated with multi-family customers, and is down significantly from the \$4.1 million figure in the 2014-2015 Adopted Fees and Charges. This drop reflects a strategy approved by City Council in 2013 to collect Single Family Dwelling Recycle Plus revenues through Santa Clara County's property tax collection program beginning in 2015-2016, which will eliminate the majority of delinquency fees collected.

Fire Department (Non-Development Fees) – The Non-Development Fee Program administers fire safety and hazardous materials permits and conducts inspections for permitted occupancies. The 2015-2016 revenue estimate of \$4.15 million assumes the same level of activities experienced in 2014-2015. Base costs of \$4.25 million, however, exceed

base revenue estimates for 2015-2016. A 2% fee increase is proposed to bring this program to full cost recovery. A complete list of proposed fee revisions is located in the Summary of Proposed Fee Changes section of this document.

Housing Department – The Housing Department administers the Rental Rights and Referrals Program, and is responsible for the collection of Inclusionary Fees, Homebuyer Subordination Fee, and Multi-Family Fees. In addition to these existing fees, City Council adopted an ordinance to establish a Housing Impact Fee Program on November 18, 2014 for new market rate rental housing development to address the need for affordable housing associated with such new development. The City Council recommended that the operative date of the ordinance be July 1, 2016, preceded by the implementation of an exemption process to minimize the financial impacts on development projects in the pipeline.

The proposed grandfathering process exempts pipeline development projects from the new \$17 per square foot Housing Impact Fee if the rental development project has received an entitlement prior to July 1, 2016 and if the project receives its Certificate of Occupancy prior to January 31, 2020. New fees associated with the collection of pipeline project applications and to cover the cost for staff to track compliance and monitoring of exempted projects are recommended in accordance with the plan adopted by City Council.

Housing Department (Cont'd.)

In order to bring the Rental Rights and Referrals Program closer to cost recovery, fee increases for rent-controlled apartments (from \$11.75 to \$12.25) and for mobile home units (from \$21.00 to \$27.00) are included. Non-rent controlled apartment fees will decrease from \$2.00 to \$1.95. The cost to deliver this program is also going down, due primarily to lower consultant funding for mediation and arbitration services. Therefore, with this revision in costs, and incremental increases in the proposed fee levels, cost recovery for this Program will improve from 72.5% to 93.5%.

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 these services. In prior years, these services were primarily funded by loan payments and low and moderate income housing funds. As a result of the dissolution of the former Redevelopment Agency of the City of San José and the loss of the low and moderate income housing funds, fee increases are proposed to maintain full cost recovery of these services to its loan portfolio.

<u>Library Department</u> – 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.

There are no fee revisions proposed in 2015-2016. However, Library fines and fee revenue is anticipated to increase, as the result of the opening of the new Village Square Branch Library in spring 2016 and the expansion of Library days open from four to six beginning in 2015-2016.

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).

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 2015-2016 Proposed Operating Budget, revenues were reviewed and adjusted based on activity levels and anticipated fee increases, as necessary. PRNS cost recovery goals for 2015-2016 as outlined in the attachment to the PRNS section of this document remain unchanged from 2014-2015 approved levels.

<u>Parks, Recreation and Neighborhood Services Department</u> (Cont'd.)

For 2015-2016, \$17.8 million in General Fund fee revenue is anticipated, reflecting an increase of \$1.3 million from the 2014-2015 Adopted Budget revenue estimate of \$16.5 The additional revenue is anticipated in the million. following: Fee Classes/Activities (\$1.0 million) due to increased activity level and expansion of programming efforts; HHPZ (\$220,000) due to increased attendance levels; Rentals and Reservations (\$195,000) due to strong Community Center Rental and Picnic Reservation performance and added reservable picnic locations; Park Permits (\$51,000) due primarily to the amendment to the Parks Ordinance and creation of the Community Special Events Ordinance adopted on June 17, 2014, which allows for-profit entities to hold special events in parks and along trail systems; Aquatics Program (\$38,000) due to higher than anticipated attendance and strong vendor performance; partially offset by the consolidation of Concessions and Surcharges into Fee Classes/Activities (\$135,000) as well as decreased activity levels in Parking (\$67,000) and Family Camp (\$25,000).

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 99.1% cost recovery in 2015-2016 with a projected revenue estimate of \$10.1 million.

For 2015-2016, upward adjustments to a number of miscellaneous Code fees are proposed to recover increased personnel and non-personal/equipment costs to support the Code Enforcement Fee Program. All fees are recommended to increase except the Tier 1 fee and Transfer Fee in the Multiple Housing Program, Transfer Fee in the Off-Sale Alcohol Enforcement Program, Solid Waste Enforcement Fee, and the Tobacco Retail Permit Fee and Transfer Fee in the Tobacco Retail Program.

In the Solid Waste Enforcement Fee Program, a reduction to the tonnage rate from \$1.16 per ton to \$1.08 per ton is recommended. This reduction is possible because estimated expenditure savings in 2014-2015 (\$530,000) are recommended to be used to offset a portion of the costs in 2015-2016. The Permit Fee in the Tobacco Retail Program is recommended to decrease from \$534.80 per business to \$429.10 per business as a result of an elimination of 1.0 Code Enforcement Inspector due to the decreased activity level. The

<u>Planning, Building and Code Enforcement Department</u> (Non-Development Fees) (Cont'd.)

permit fee is assessed on each business owner that sells tobacco products and the fee recovers the costs associated with annual inspections of these businesses. Activity level will decrease in 2015-2016 due to retailers, such as CVS, that have discontinued selling tobacco products

The 2014-2015 Adopted Operating Budget approved the implementation of a risk-based and self-certification tiered Multiple Housing Fee Program that allowed Code Enforcement to focus on the more problematic landlords and their properties and is 100% funded by Multiple Housing fees. With this program re-design, the fee schedule was amended to charge higher fees for more problematic buildings, providing a financial incentive for owners/managers to improve building maintenance in order to move to a lower tier level.

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.

Projected Police Department revenue for 2015-2016, based on the proposed fees and charges program, totals \$3.4 million. This revenue reflects a 1.1% decrease compared to the 2014-2015 Adopted Budget level of \$3.5 million, compared to a 1.4% increase in costs. While the overall changes in revenues and costs are relatively small, there are significant changes in the cost associated with individual fees based on a reevaluation of the time, resource and activity levels. Though in many areas costs went down, for those fees where a reevaluation of time and activity resulted in a significant cost increase, a number of fees are not recommended to be raised to full cost recovery levels in order allow for a multi-year phase in of the appropriate fee amount. The following fee increases will be phased in over multiple years: Cardroom – Work Permit Employee Transfer fee, Cardroom - Work Permit Sworn (New), Peddler - Fixed Location (New and Renewal), Secondary Employment – Event Lasting 5 days or less, Street Closing - Block Party (New and Renewal), Taxicab Driver's Permit – Retest, Taxicab Vehicle Inspection and Reinspection, Tow Car- Private Property Tow and Tow Car Driver – Renewal

Several fees will decrease primarily due to civilianization of the function, including Massage – Business, Taxicab – Restricted Owner's License, Taxicab – Taxi Company Application, Taxicab – Taxi Company Renewal, Tow Car – Tow Car Business (New and Renewal).

The combined adjustments bring the Department's total 2015-2016 revenues to 96.2% of fee program costs, a slight decrease from the 2014-2015 cost recovery rate of 98.7%.

<u>Public Works Department (Non-Development Fees)</u> – 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).

At that time, a phase-in process to gradually bring the fees to cost recovery was started. The phased-in approach will continue in 2015-2016 for selected fees. With the recommended fee adjustments, the Category I fees will be 97.2% cost recovery, up from 91.4% in 2014-2015.

The Department completed an in depth time analysis study for ACS – Category II fee program to differentiate services provided that are part of the fee structure, services provided for the community (e.g. investigating complaints, removal of deceased animals, and picking up feral cats) that are not part the fee structure, and contractual services provided to other local agencies. Based on the review conducted in 2014-2015, six new fees are recommended in this report, a number of fees are recommended to be adjusted, and six fees are recommended to be deleted to better align costs, revenues, 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 for events at City Hall are suspended for two years as these services will be managed and collected by the third party manager.

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.

<u>Transportation Department (Non-Development Fees)</u> – The non-development fees administered by the Transportation Department are expected to generate approximately \$964,000 in 2015-2016. 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 and Parking Citation Administrative Fee as noted later in the Transportation Department section of this document.

For several fees with large increases in 2015-2016, a multiyear increase is recommended. A two-year phased increase is proposed for Banner, New Banner, Double Banner, and New Double Banner installations, with annual rate increases below 15%. A phased-in fee increase is also proposed for Valet Parking Zones and Taxi Stand Rentals due to increased Smart Meter rates. A three year phased-in increase for Valet Parking

<u>Transportation Department (Non-Development Fees)</u> (Cont'd.)

Zones and Taxi Stand Rentals are proposed, with an annual fee increases below 15%.

There are several fee adjustments recommended for the Sidewalk Repair Program. A fFee changes are proposed to simplify the fee structure for permits for Sidewalk Repairs. The current fee structure mandates that property owners pay a \$90 permit fee if they choose to perform remove and replace work with their own contractors, and \$110 for the same work if they authorize the City to perform the work. The revised Remove and Replace Permit fee is recommended at the \$100 level for both instances. A new fee of \$20 is proposed for non-compliance for Sidewalk Repairs to recover some of the costs incurred for additional inspections of properties where there has been non-compliance for required repairs. The new fee is proposed to offset the additional costs incurred in these instances. This recommended fee aims to induce property owners to expedite repairs by either engaging their own contractor or authorizing the City to perform the work.

Two additional new fees are recommended in response to the installation of Smart Meters in and around the Downtown area. The addition of Smart Meter Construction Hood fee and Smart Meter Service Hood fee to the Meter Hood Rental Administration Fee program corresponds to the implementation of the special smart meter parking zones.

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 2015-2016 Proposed Operating Budget, the following increases are recommended for the Recycle Plus rates: 3.0% increase for single-family dwellings (SFD) and 5.0% increase for multi-family dwellings (MFD). These adjustments cover the increased costs associated with residential haulers providing garbage and recycling services and service enhancements, including the funding of back-end processing for an additional 20% of the City's SFD sector. Although not yet final, the Municipal Water System rates are estimated to increase by up to 29.0% due to the higher cost of wholesale water purchases, increased operating costs, and water conservation program enhancements. The Sewer Service and Use Charge rate will 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. No increases to the Storm Sewer Service Charge rates are scheduled for 2015-2016; however, rates will be reassessed in 2016-2017 upon completion of the initial recommendations from the Storm Sewer Master Plan that are anticipated to be completed in 2017, as described in the 2016-2020 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 2015-2016 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.

The Proposed Fees and Charges Report was released on May 1, 2015, 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 12, 2015, at 1:30 p.m. and Monday, June 8, 2015, at 7:00 p.m. in the Council Chambers.

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