



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Edward K. Shikada
City Manager

**SUBJECT: 2014-2015 PROPOSED FEES AND
CHARGES REPORT**

DATE: May 2, 2014

The 2014-2015 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 2014-2015 Proposed Operating Budget. Cumulative departmental fees and charges for 2014-2015 are projected to generate revenue of approximately \$91.7 million, of which \$82.8 million would accrue to the General Fund. It should be noted that this figure does not include \$1.9 million in Animal Care and Services – Category II fees as discussed later in this message. This overall collection level is approximately \$9.6 million above the 2013-2014 Adopted Budget estimate level of \$82.2 million.

This increase from 2013-2014 is primarily the result of growth in projected revenues for the Development Fee Programs (Building, Planning, Fire, and Public Works), reflecting the continued strength in development activity. Parks, Recreation, and Neighborhood Services (PRNS) revenues are also expected to be higher, primarily as a result of increased activity. 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 89.8%, which is up slightly from the 89.3% cost recovery level in 2013-2014. 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 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, the overall cost recovery rate is close to 100%.

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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 2014-2015 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 2014-2015 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 2013-2014 that is expected to continue in 2014-2015.

Development activity in San José has clearly rebounded and total construction valuation for 2013-2014 is projected to experience a 50% increase from the prior year level of \$955.8 million. This increased activity level is primarily due to several large development projects, such as Samsung, One South Market, and Centerra. The Development Services partners anticipate this activity level to be sustained through 2014-2015, driven in part by the Silvery Towers high rise and continued build out of the Hitachi site. In addition, Planning is anticipating future multi-family residential projects, as well as an increase in residential entitlements and use permits in 2014-2015.

Budget actions are included in the 2014-2015 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.

The Administration reviewed the fees in the Building and Public Works Development Fee Programs and is recommending fee adjustments resulting in a total revenue reduction of \$400,000 and \$146,000, respectively, in these programs. Although there are no adjustments to the fees in the Fire and Planning Development Fee Programs (with the exception of the photocopy fees), one-time funding is included in the 2014-2015 Proposed Operating Budget to hire a consultant to conduct a fee study. This consultant will analyze the current fee levels, compare fees to other

DEVELOPMENT FEE PROGRAMS

jurisdictions, review business processes, and provide recommendations to adjust fees accordingly.

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 2014-2015 Proposed Budget to raise performance levels to meet customer needs. These shared support resources include: a Geographic Systems Specialist and one-time non-personal/equipment funding for the implementation and ongoing support of the Geographic Information System data migration project; one-time non-personal/equipment funding for a consultant to recommend workspace improvements; a Public Information Manager to coordinate communications for Development Services; a position in the Information Technology Department to modernize the desktop environment; a position in the Finance Department for increased cashiering activities; and one-time non-personal/equipment funding for customer service training.

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 2014-2015 PBCE development-related fee programs will collect revenues of \$29.2 million, reflecting a cost recovery rate of approximately 83%. 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 85.2% cost recovery in 2014-2015 with a projected revenue estimate of \$25.6 million, which is \$3.4 million below the 2013-2014 estimated collection level of \$29.0 million. The 2014-2015 revenue estimate assumes the continuation of strong development performance, but allows for some drop-off from the high levels experienced in 2013-2014. This collection level, along with the use of a portion of the Building Development Fee Program Reserve (\$4.5 million), is sufficient to support recommended program additions in 2014-2015 and will keep the program at 100% cost recovery. The Building Development Fee Program Reserve is expected to total \$18.8 million at the beginning of 2014-2015 primarily for estimated works-in-progress projects.

A number of expenditure actions are included in the 2014-2015 Proposed Operating Budget: the addition of 5.5 positions to address the increased level of development activity; the addition of 1.5 positions for accounting and

DEVELOPMENT FEE PROGRAMS

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

administrative support; additional non-personal/equipment funding for replacement vehicles; and funding for shared support resources discussed above.

The Department reviewed the fees in the Building Development Fee Program and two fee adjustments are recommended: 1) reduce the base hours charged by 50% for any permits purchased on-line and 2) revise the business process for small residential plan review fees. These two changes to the Building Development Fees will result in an estimated reduction of \$400,000 in revenues.

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. In 2013-2014, Planning experienced a high level of applications and permit activity. In 2014-2015, Planning Fees are anticipated to generate approximately \$3.6 million, a slight decrease from the 2013-2014 estimated collection level of \$4.0 million, resulting in a 69.3% cost recovery rate. This collection level, along with the use of a portion of the Planning Development Fee Program Reserve (\$1.6 million) is sufficient to support recommended program additions in 2014-2015 and will keep the program at 100% cost recovery. The Planning Development Fee Program Reserve is expected to total \$710,000 at the beginning of

2014-2015 primarily for estimated works-in-progress projects.

A number of recommended budget actions are included in the 2014-2015 Proposed Operating Budget to improve service delivery: the addition of a Planning Official to provide the needed oversight, experience, and expertise to address increased staffing levels and activity in the program; the addition of 7.5 positions to address the increased level of development activity; the addition of 0.75 position for accounting and administrative support; and funding for shared support resources discussed above.

Although there are no adjustments to the fees in the Planning Development Fee Program (with the exception of the photocopy fees), one-time funding is included in the 2014-2015 Proposed Operating Budget to hire a consultant to conduct a fee study. This consultant will analyze the current fee levels, compare fees to other jurisdictions, review business processes, and provide recommendations to adjust fees accordingly.

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 2014-2015 revenue estimate of \$7.0 million is slightly less than the 2013-2014 year-end estimate of \$7.1 million. Strong

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

development activity is expected to continue in 2014-2015 and the projected revenues are sufficient to fund a number of program additions without a general fee increase.

The 2014-2015 Proposed Operating Budget includes the following actions to improve service delivery: the addition of an Associate Engineer position to improve cycle time performance for plan review and ensure safety of life and property, and additional overtime and vehicle funding (two vehicles) to meet after-hours and expedited inspection requests. These actions and the additional shared support resources discussed above are fully funded by projected revenues. The Fire Development Fee Reserve is expected to total \$6.4 million in 2014-2015 primarily for estimated works-in-progress projects.

As is the case with the Planning Development Fee Program, no fee increases are recommended for this program (with the exception of the photocopy fees); however, one-time funding is included in the 2014-2015 Proposed Operating Budget to hire a consultant to conduct a fee study. This consultant will analyze both Planning and Fire current fee levels, compare fees to other jurisdictions, review business processes, and provide recommendations to adjust fees accordingly.

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 2014-2015, Public Works fee revenues are projected to total \$9.6 million (\$7.1 million from the Development Fee Program and \$2.5 million from the Utility Fee Program), which is below the 2013-2014 estimated collection level of \$11.0 million. This collection level, along with the use of a portion of the Public Works Development Fee Program Reserve (\$520,000) is sufficient to support recommended program additions in 2014-2015 and maintain 100% cost recovery. The Public Works Development Fee Program Reserve is expected to total \$7.7 million at the beginning of 2014-2015 primarily for estimated works-in-progress projects.

The 2014-2015 Proposed Operating Budget includes the following actions to improve service delivery in these programs: addition of 6.5 positions to the Development Fee Program to ensure that service levels are maintained at targeted levels; the addition of 1.0 position to the Utility Fee Program to assist in meeting the service delivery target of an 85% completion rate within specified time frames; and funding for shared support resources discussed above.

DEVELOPMENT FEE PROGRAMS

Public Works Department (Cont'd.)

No fee increases are included, however, a number of targeted fee adjustments are proposed for residential customers focused on streamlining service opportunities in the following categories resulting in a decrease of \$146,000 in revenues: Common Interest Development Engineering and Inspection; Erosion and Sediment Control; Grading Permit/Plan Checking; and the Private Utility Permits.

In addition to these two major fee programs, the Public Works Department also collects fees for utility undergrounding, sanitary and storm sewer connections, Inter-Agency Encroachment Permits, and Geographic Information Systems (GIS) data extraction services.

Transportation Department (Development Fees) – The development fees administered by the Transportation Department are expected to generate approximately \$432,500 in 2014-2015. 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

City Clerk – 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 2014-2015, a review of fees and charges was completed and adjustments are recommended to maintain cost recovery levels to the extent possible.

To account for changes in salary and benefit costs, as well as to incorporate all of the cost components, including some indirect costs that had previously been omitted from the fees, increases to the following fees are recommended: Duplicating Services (Audio Recording, Materials, and Video Recording); Lobbyist Registration (Client Fee, Lobbyist Registration, Prorated Registration Fee, and Quarterly Report Delinquent Fee); Sale of Publications (Agenda Subscriptions, City Charter, and FAX Copies to the Public); and Special Research/Services.

Lobbyist Registration and Agenda Subscriptions fees are recommended to be increased over a two-year period, in order to move towards full cost recovery (currently proposed at 73.6%).

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OTHER FEE PROGRAMS

City Clerk (Cont'd.)

A decrease to the Document Copying fee is recommended as a result of reviewing the time and resources necessary to complete this service. For consistency, the Document Copying fee is standardized across the City to match the department with the lowest cost recovery fee for this service.

Office of Economic Development – The Office of Economic Development (OED) is responsible for administering the City’s Foreign Trade Main Zones, Subzones, and Alternative Site Framework Zones 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 (OCA) activities, including various event and use permit fees to spur Downtown vibrancy and cultural development.

While no fee increases are recommended, the Enterprise Zone Program is recommended to be eliminated as a result of the termination of the program by the State of California on December 31, 2013. Staff anticipates completing all applications received through December 2013 by June 30, 2014. In addition, the fees collected by the OCA staff are recommended to be reallocated from the General Fund to the Transient Occupancy Tax (TOT) Fund because the OCA staff are budgeted in the TOT fund.

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.

Environmental Services Department – The Environmental Services Department (ESD) 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 reduced from \$3.2 million to \$2.75 million due to reduced costs for contract and franchise administration, and a reduced need to purchase public litter cans. Because some of these cost reductions may be one-time and solely reflect the anticipated need for 2014-2015, staff may recommend a fee increase in 2015-2016 to adequately cover the projected costs for City administration of the commercial program. Republic Services will retain \$400,000 for waste processing costs per the franchise agreement that is subject to City Council approval on May 13, 2014.

In addition to Integrated Waste Management Program fees, the Environmental Services Department receives revenue

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OTHER FEE PROGRAMS

Environmental Services Department (Cont'd.)

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.

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, along with Integrated Waste Management-related late charges. The Finance Department would also be responsible for collecting any Medical Marijuana regulatory fees. These fees, however, are currently suspended.

For 2014-2015, upward adjustments to various fees are recommended based on the projected staff resources to administer the fees and 2014-2015 costs. In 2014-2015, these cost-recovery fees are projected to generate \$174,000 in the General Fund.

The Integrated Waste Management-related late charges and fees are projected to generate approximately \$4.1 million in the Integrated Waste Management Fund. This figure incorporates upward adjustments to the Solid Waste Delinquency fees proposed for 2014-2015 based on updated cost projections.

Medical Marijuana Fees, which were adopted in the 2011-2012 Budget, continue to be suspended due to the suspension of the Regulatory Ordinance. On May 13, 2014 the City Council is scheduled to consider a Regulatory Ordinance regarding Medical Marijuana. Pending this decision, a Manager’s Budget Addendum is anticipated to be released under separate cover to address the staffing resources and associated regulatory fee structure as part of the 2014-2015 budget process.

Fire Department (Non-Development Fees) – The Non-Development Fee Program administers fire safety and hazardous materials permits and conducts inspections for permitted occupancies. The 2014-2015 revenue estimate of \$4.15 million is slightly above the current 2013-2014 estimate of \$4.08 million. In response to a recommendation included in the Audit of the San José Fire Department’s Bureau of Fire Prevention (issued in April 2013), funding for a fee study is recommended to analyze current fee levels, compare fees to other jurisdictions, review business processes, and provide recommendations to adjust fees accordingly. In addition, the elimination of a Hazardous Materials Inspector position and a modest fee increase of 3% are recommended to align revenues and costs to bring the program to 100% cost recovery.

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. There are no proposed changes to the existing Inclusionary

OTHER FEE PROGRAMS

Housing Department (Cont'd.)

in-lieu fees. However, in order to maintain cost recovery levels for the Homebuyer Subordination Fee and Multi-Family Fees, fee increases are recommended to reflect updated salary, benefits, and overhead costs.

The following fee increases are recommended for the Rental Rights and Referrals Program (RRRP): rent-controlled apartment units (from \$7.50 to \$11.75), non-rent controlled apartment units (from \$1.00 to \$2.00), and mobile home units (from \$17.00 to \$21.00). These increases reflect two factors: 1) increase in demand for services and 2) increase in program costs. With changes in the rental market, there has been a large increase in the number of residents calling to report significant increases in their rents, including space rents at mobile home parks. This has resulted in an increased demand for mediation and arbitration services. In addition to the increase in activity levels, the cost for hearing officers to conduct mediations and arbitrations is also expected to increase in 2014-2015. The Department, which has already conducted two RFPs for this service, will conduct a third RFP in summer 2014, in an effort to enlist the remaining amount of hearing officers needed to meet the increased demand. As a result of the RFP and to stay within current market rate, a 20% compensation increase for the hearing officers is anticipated as no increase has been made over the past 10 years. With the overall proposed fee increases in the RRRP fees, the cost recovery rate for 2014-2015 would be 72.5%. The Administration recommends a

two to three year phased-in approach to bring this program to full cost recovery.

The Housing Department has a loan portfolio of over 2,100 loans. A new County of Santa Clara Clerk Recorder's Office Fee is recommended to recover eligible costs associated with supplemental documents filed with the County of Santa Clara. Currently, the Housing Department absorbs third party expenses associated with processing supplemental documents.

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.

In order to align fee and charges with other public agencies, the following new fees are recommended: Copying and Reproducing Photographs (Commercial Advertisement use) and Copying and Reproducing Photographs (For Profit Exhibits).

Parks, Recreation and Neighborhood Services Department – The 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 and Zoo.

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**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 2014-2015 Proposed Operating Budget, revenues were reviewed and adjusted based on activity levels and anticipated fee increases, as necessary. PRNS cost recovery goals for 2014-2015 as outlined in the attachment to the PRNS section of this document remain unchanged from 2013-2014 approved levels.

For 2014-2015, \$16.5 million in General Fund fee revenue is anticipated, reflecting an increase of \$429,000 from the 2014-2015 base revenue estimate of \$16.1 million. Additional revenue is anticipated as a result of the city-wide roll-out of the Fit Camp Summer Program that was first piloted in four community centers in 2013-2014 (\$198,000), the addition of reservable park picnic sites (\$20,000), new revenue from the Ocala Middle School sports field coming online in 2014-2015 (\$10,000), and the newly-completed Martial-Cottle community garden coming online in 2014-2015 (\$1,000). Also, an Earmarked Reserve of \$200,000 is being established in 2014-2015 to set aside artificial turf

field reservations revenue collected above estimated costs, which include maintenance and administration (managing reservations) of the fields.

Increased activity levels are also anticipated in several categories including fee classes/activities, rentals and reservations, park permits, and skate park. The PRNS Department's continued concerted efforts to market programs, including the skate park and fee activity classes, are contributing to the 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 100% cost recovery in 2014-2015 with a projected revenue estimate of \$9.9 million.

For 2014-2015, upward adjustments to a number of miscellaneous Code fees are proposed to recover the net increase in personnel costs and any additional non-personal/equipment costs to support the Code Program.

OTHER FEE PROGRAMS

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

In the Solid Waste Enforcement Fee Program, a reduction to the tonnage rate from \$1.31 per ton to \$1.16 per ton is recommended. This reduction is possible because higher than budgeted collections in 2013-2014 (\$600,000) are recommended to be used to offset a portion of the costs in 2014-2015.

To address a recommendation from a Code Enforcement Audit issued by the City Auditor on November 21, 2013, the 2014-2015 Proposed Operating Budget includes the addition of five positions to implement a new Multiple Housing Tier Program. This new program includes the adoption of a risk-based, proactive inspection process with a self-certification component. The program will have three tiers and assignment to a tier is based upon the number of prior cases and violations, ranging from a self-certification program to a three-year inspection cycle.

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 2014-2015, based on the proposed fees and charges program, totals \$3.5 million. This revenue reflects a 4.1% increase compared to the 2013-2014 Adopted Budget level of \$3.3 million. The increase reflects a slight increase in anticipated activity over the 2013-2014 Adopted levels and fee adjustments to recover the costs to deliver the fee program. These proposed changes will bring the Department's total 2014-2015 revenues to 98.7% of fee program costs, a slight decrease from the 2013-2014 cost recovery rate of 99.0%.

Despite the general recommended increase in fees to account for changes in program costs, downward adjustments are recommended in the Taxicab and Tow Car categories to reflect the civilianization of the staff performing the work for the permits. However, in the areas of the Restricted Owner's License and Taxi Company (New and Renewal) permits, administration by sworn personnel is still required and increases to these fees are recommended.

While the majority of Department fees are in the 100% cost recovery category, there are a few fees that fall below cost recovery because they are limited by State Law. In addition, for consistency, the Public Records Duplication fee, currently at a cost recovery rate of 47.5% in the Police Department, is standardized across the City to match the department with the lowest cost recovery fee for this service.

Public Works Department (Non-Development 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.)

Based on the continued analysis in 2013-2014, a number of adjustments to fees are recommended for 2014-2015, including the addition of new fees and deletion of existing fees. In 2012-2013, a three year phase-in process to a number of the fee increases was started. The phased-in approach will continue in 2014-2015 for selected fees.

The Department continues to conduct an in-depth time analysis study for the ACS – Category II fee program to differentiate services provided which are part of the fee structure, services provided as public service (e.g. investigating complaints, removal of deceased animals, and picking up feral cats), and contractual services provided to other local agencies. Revenues and expenditures associated with these activities are excluded from this report. A total of \$1.9 million in revenue collections; however, is included in the 2014-2015 Proposed Budget document. The Department will continue its review of the costs associated with these fees and will bring forward an updated cost recovery rate and any appropriate fee adjustments as part of the 2015-2016 budget process.

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 is scheduled to consider a third party

manager, San Jose Fairmont Lessee, LLC, to provide catered event management services at City Hall. In anticipation of City Council's approval, fees associated with catering services for events at City Hall are recommended to be suspended as these services will be managed and collected by the third party manager. If the City Council does not approve this action, a City Manager's Budget Addendum will be released to update the Fees and Charges document.

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 \$801,000 in 2014-2015. 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.

OTHER FEE REVISIONS

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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 2014-2015 Proposed Operating Budget, the following increases are recommended for the Recycle Plus rates: a 3% increase for single-family dwellings (SFD) to fund sorting of garbage, to collect recycling, and to help achieve a 65% diversion rate in the SFD sector; and a 5% increase for multi-family dwellings (MFD) to fund the large item collection program. Although not yet final, the Municipal Water System rates are estimated to increase by 11% due to the higher cost of wholesale water purchases and higher operating costs. Commercial Solid Waste Franchise Fees are recommended to increase 1.46% based on the consumer price index (\$161,000 increase in General Fund revenue). No rate increases are recommended for the Sewer Service and Use Charge and the Storm Sewer Service Charge.

SUMMARY

Proposed fees and fee structure 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 2014-2015 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 2, 2014, 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 13, 2014, at 7:00 p.m. and Monday, June 9, 2014, at 7:00 p.m. in the Council Chambers.



Edward K. Shikada
City Manager

