



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: David Sykes
City Manager

**SUBJECT: 2021-2022 PROPOSED FEES AND
CHARGES REPORT**

DATE: May 7, 2021

The 2021-2022 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 2021-2022 Proposed Operating Budget. Cumulative departmental fees and charges for 2021-2022 are projected to generate revenue of approximately \$107.1 million, of which \$35.6 million would accrue to the General Fund. This overall collection level is \$3.4 million above the 2020-2021 Adopted Budget estimate level of \$103.7 million. However, General Fund revenue is \$10.0 million below the 2020-2021 Adopted Budget estimate of \$45.6 million.

This net General Fund decrease from 2020-2021 reflects lower projected collections in multiple departments, primarily due to the COVID-19 pandemic's continued impact on

activity levels, the largest of which is the Parks, Recreation and Neighborhood Services Department. As mentioned, overall collections have experienced year-over-year growth, which is mainly attributable to proposed fee increases in Development Fee programs (Fire, Planning, Building and Code Enforcement, Public Works, and Transportation). Adjustments to the Development Fee Programs are proposed to better align the ongoing revenues and costs for these programs. Additionally, other recommended fee changes to maintain or adjust cost recovery levels, as well as to add or delete a limited number of fees, are included in this report.

The cost recovery rate for the proposed fees designated as Category I (should be 100% cost recovery) is 72.7%, which represents a slight increase from the 71.8% cost recovery level for Category I fees in 2020-2021. The overall cost recovery rate falls below 100% due primarily to lower cost recovery rates for the Parks, Recreation, and Neighborhood Services Department, Library Department, and for the development-related fees in the Fire, Planning, Building and Code Enforcement, and Public Works, Departments. However,

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when the use of the Ending Fund Balance within the Development Fee Program Funds, (primarily works-in-progress funding) is factored in as a source of revenue, development-related fees are at the 100% cost recovery level.

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 2021-2022 fee structure, staff was guided primarily by the City Council’s policy direction to strive for 100% cost recovery for most fee-related programs; however, due to the COVID-19 pandemic and in acknowledgement that fee increases have disproportionate impacts within the community, especially while the region is just beginning to recover from the pandemic, a few fee categories moved further away from cost-recovery levels than in prior years. 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 2021-2022 Proposed Fees and Charges Report are provided on the following pages.

DEVELOPMENT FEE PROGRAMS

Development activity in 2020-2021 were anticipated to drop 30% from 2019-2020 levels as a result of the continued impacts of the COVID-19 pandemic; however, activity is performing stronger than originally estimated with construction valuation projected to reach \$1.6 billion in 2020-2021, compared to \$1.8 billion in 2019-2020. Since the beginning of the pandemic, activity has declined in terms of building permits but has been offset by a few large commercial and industrial projects. Recent activity, however, indicates an increase in commercial and multi-family activity, with projects such as the Bank of Italy expansion, Park Habitat Highrise Offices, The Mark Highrise Apartments, a Marriott Hotel, and mass timber construction projects such as the McEvoy Multifamily Towers, the Madera Multifamily, and 255 W Julian Highrise Offices that are expected to be submitted for review and/or permitted in 2021-2022. In addition, there has been a continued increase in annual activity related to Accessory Dwelling Units (ADU), primarily due to the code changes that were approved by City Council in June 2018.

DEVELOPMENT FEE PROGRAMS

***Planning, Building and Code Enforcement Department
(Development Fees)***

It is estimated that the 2021-2022 Building, Planning, and Citywide development-related fee programs will collect revenues of \$42.2 million, reflecting a combined cost recovery rate of 84.5%. To maintain a cost recovery rate of 100%, the use of Ending Fund Balance in the Building and Planning Development and Citywide Planning Fee Program Funds is recommended.

Building Development Fee Program – The Building Development Fee Program is projected to be at 82.6% cost recovery in 2021-2022 with a projected revenue estimate of \$32.2 million. The use of \$6.8 million from the Building Development Fee Program Fund Ending Fund Balance is recommended to balance this fee program (the estimated remaining balance of \$20.9 million is primarily for works-in-progress projects). With these actions, the Building Development Fee Program is expected to remain at 100% cost recovery.

For 2021-2022, the Building Division is proposing to increase each of its three hourly rates by 3% to account for increasing costs, resulting in a fee increase to all Building Development Fees of approximately 3%. This recommended increase is anticipated to generate additional fee revenue of \$937,000 in the Building Development Fee Program. Other recommended actions included in the 2021-2022 Proposed Operating Budget

that impact the Building Development Fee program are the addition of three positions to support the ADU program, the elimination of a total of 11 positions (8.58 positions in Building Development Fee Program Fund, 1.21 positions in Fire Development Fee Program Fund, 0.77 positions in the Planning Development Fee Program Fund, 0.33 positions in the Public Works Development Fee Program Fund, and 0.11 positions in the General Fund) and position funding shifts in the Development Services Imaging and Call Center as a result of the implementation of process and technology improvements, and contractual services savings from the Open Counter Project.

Planning Development Fee Program – The Planning Development Fee Program is projected to be at 94.2% cost recovery in 2021-2022 with a projected revenue estimate of \$6.7 million. The use of \$410,000 from the Planning Development Fee Program Fund Ending Fund Balance is recommended to balance this fee program (the estimated remaining balance of \$1.3 million is primarily for works-in-progress projects). With these actions, the Planning Development Fee Program is expected to remain at 100% cost recovery.

The Planning Division is also proposing to increase fees to the Planning Hourly Rate (from \$303 per hour to \$312 per hour) to account for increasing costs, resulting in a fee increase to all Planning Development Fees of approximately 3%. Additionally, the following new fees are proposed for 2021-2022: Habitat Conservation Plan Nitrogen Deposition Only,

DEVELOPMENT FEE PROGRAMS

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

Mixed Use Permit Credit – Discretionary Planning Permits, Mixed Use Permit Credit – Ministerial Planning Permits, Planning Monitoring Compliance for Permits with Affordability Restrictions, Planning Translation Fee (In-House Translation of Written Planning Public Notice into Non-English Language Fee, Language Interpretation Coordination for Planning Permits Fee, and Language Interpretation Pass-Through Fee), and Urban Design Review Coordination Fee. The recommended fee changes are anticipated to generate additional fee revenue of \$195,000 in the Planning Development Fee Program.

Citywide Planning Fee Program – The Citywide Planning Fee Program is projected to be at 85.3% cost recovery in 2021-2022 with a projected revenue estimate of \$3.3 million. The use of \$565,000 from the Citywide Planning Fee Program Fund Ending Fund Balance is recommended to balance this fee program (the estimated remaining balance of \$2.7 million is set aside for future General Plan updates). With these actions, the Citywide Planning Fee Program is expected to remain at 100% cost recovery.

The Citywide Planning Fee is proposed to remain unchanged for 2021-2022. However, the Citywide Planning Fee is a percentage of certain Building and Planning Development Fees, and, therefore, additional fee revenue of \$96,000 for the

Citywide Planning Fee Program is anticipated to be generated from the fee increases recommended for the Building and Planning Development Fees.

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 2021-2022 Current Fee Estimated Revenue totals \$7.0 million. This estimate reflects a 22% decrease from 2019-2020 activity levels. In addition, expenditure budget actions totaling \$36,500 are recommended in the 2021-2022 Proposed Budget, including the addition of a Program Manager position (4% of the position is funded by the Fire Development Fee Program Fund) to manage the Workplace Safety Program, and funding to purchase California Building and Fire Code publications. The estimated cost of the Fire Department Development Fee program is \$9.2 million. The 2021-2022 Proposed Operating Budget includes an overall fee increase of 8%, which would generate an additional \$558,000 in revenue. After accounting for the fee increase, the cost recovery rate for this program is 82.2%, compared to 66.0% in 2020-2021. In addition, utilization of the of the Fire Development Fee Fund’s Ending Fund Balance in the amount of \$1.5 million is needed to balance this fee program to remain 100% cost recovery in 2021-2022 (the estimated remaining

DEVELOPMENT FEE PROGRAMS

Fire Department (Development Fees) (Cont'd)

balance of \$2.4 million is primarily for works-in-progress projects). For the Fire Development Fee Program, fee increases are recommended for the Plan Check hourly fee from \$249 to \$269 per hour, and for the Inspection hourly fee from \$280 to \$302 per hour.

Public Works Department (Development Fees)

The Public Works Department has three fee programs, the Development Fee Program, Utility Fee Program, and Small Cell Program. The Development Fee Program is responsible for the collection of various fees associated with 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 and encroachment permits to utility companies and other agencies. The Small Cell Program reviews, issues and inspects permits to telecommunication companies.

Public Works development activity is expected to return to pre-pandemic levels in 2021-2022. Fee increases are proposed across most Category I fee sections in the Development Fee Program. Many proposed fee increases are approximately 4%, which will support the fiscal sustainability of the program. As a result, Public Works Development fees are expected to generate \$8.4 million in 2021-2022, which is

\$1.8 million higher than the 2020-2021 estimate. The 2021-2022 projected revenues, along with the use of a portion of the Public Works Development Fee Program Fund's Ending Fund Balance (\$700,000), are enough to support the Development Fee Program, which operates on a 100% cost recovery basis (the estimated remaining balance of \$4.7 million is primarily for works-in-progress projects).

The Utility Fee Program, which also operates on a 100% cost recovery basis, is expected to generate \$4.6 million in 2021-2022, which is \$100,000 higher than the 2020-2021 estimate. Most Utility Excavation Permit fees have proposed increases, with all but one of the fees receiving an approximate 3% increase. The 2021-2022 projected revenues are sufficient to support the Utility Fee Program.

In 2021-2022, the Small Cell Program is expected to generate approximately \$4.2 million in revenues. This program operates on a 100% cost recovery basis with telecommunication companies being charged the full cost to administer the program. With the 2021-2022 projected revenues and use of Small Cell Permitting Fee Program Fund's Ending Fund Balance (\$325,000), the program costs will be fully cost recovery in 2021-2022 (the estimated remaining balance of \$185,000 is for works-in-progress projects).

Transportation Department (Development Fees)

Development fees administered by the Transportation Department are expected to generate approximately \$755,600

DEVELOPMENT FEE PROGRAMS

Transportation Department (Development Fees) (Cont'd)

in 2021-2022. Transportation Department is responsible for the collection of fees for various development-related activities such as: Development Review and Traffic Analysis, General Plan Amendment (GPA) Model Analysis, Tree Planting and Young Tree Trimming, New Subdivision Traffic Control Signs and Pavement Markings, Sale of Street Name Signs, and Signal Design/Review. Overall the Development review charges largely align with updated compensation, indirect and other costs, including supplies, materials, and equipment.

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 other services to the public, including notary, duplication, sale of publications, document copying, and Lobbyist Registration.

In 2021-2022, several fee changes are proposed to align fees with projected costs. These include upward and downward revisions based on an analysis of the amount of time necessary to provide the service, and updated costs. In this report, the

City Clerk’s Office has an estimated \$26,000 in fees for 2021-2022, reflecting a 100% cost recovery rate. In addition, adjustments to the Public Records Act fees have been proposed to maintain a 100% cost recovery level. The City has re-procured the reprographics (printing) contract resulting in lower rental costs for multi-functional devices that lower the cost for duplication services.

Office of Economic Development and Cultural Affairs

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

On June 19, 2018, the City Council approved an additional extension to the fee suspension of the Gated Event on Public Property Fee through June 30, 2020. As part of this report, it is recommended that the suspension of this fee continues through June 30, 2022. The Gated Event on Public Property Fee was originally suspended by City Council on April 6, 2010 as a strategy to reduce charges to outdoor special event producers and promote outdoor special events that generate economic impact and cultural vibrancy for the City. The 5% gate fee revenue traditionally augments the Transient

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OTHER FEE PROGRAMS

Office of Economic Development and Cultural Affairs
(Cont'd.)

Occupancy Tax based grant funds awarded through the Festival, Parade and Celebration (FPC) Grant Program administered by the OCA. The extension of this suspension will continue to reduce the amount of available funds in the FPC Grant Program. However, as a result of the suspension, signature San José events such as the San Jose Jazz SummerFest, San Jose Juneteenth in the Park Festival, Silicon Valley Pride, and Fountain Blues Festival have been able to increase their revenue generation, which is critical to the continued success of these events.

A new Film and Photography section is proposed with the following fees: Film Permit Fee, Film Permit Non-Profit Fee, and Film Permit Student Fee to ensure that commercial filming and photographing activities do not unreasonably interfere with the public space, health, and safety, including traffic, parking, the use of or access to public property and facilities, or unreasonably endanger any property. The fee for the permit ranges from \$40 - \$150 and additional-day permit fee ranges from \$10 - \$75, both dependent on the applicant type. With the new fees, staff will be able to mitigate community concerns, resolve issues with filming spaces, and provide guidelines on following municipal codes to the filming team. The proposed fee was developed by comparing film/photography permits of surrounding jurisdictions. For budget planning purposes, as these are new fees without any activity level history, OEDCA is

conservatively estimating minimal revenues to be generated from these fees in 2021-2022.

Overall, the 2021-2022 fees for the OEDCA yield a 77.0% cost recovery rate, which is lower than the 2020-2021 rate of 82.7%. The lower rate is primary due to the new Film and Photography Permit fee that reflects a 26.6% cost recovery rate.

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 Waste Diversion Compliance Review Fee reflects the time and resources required to process the program's applications, and is recommended to increase from \$121 to \$158 per hour of review, to recover the costs associated with the personnel review service. The Franchise Application Fee is recommended to increase from \$750 to \$938 per application in 2021-2022 to recover the costs associated with the staff application review and processing services.

The following fees are proposed to remain unchanged in 2021-2022: The exclusive franchise with Republic Services replaced the non-exclusive franchise system for most types of commercial garbage hauling, effective July 1, 2012 and this fee is recommended to remain at \$2.9 million in 2021-2022.

OTHER FEE PROGRAMS

Environmental Services Department (Cont'd.)

Republic Services will retain \$360,500 for waste processing costs per the franchise agreement. The fee is included in the commercial service rates, the report for which is anticipated to be heard by the City Council on May 18, 2021. The Energy and Water Building Performance Ordinance Report Submission Fee, intended to recoup costs associated with processing report submissions associated with this ordinance, is recommended to remain at \$150. This Report Submission Fee will be collected by the Finance Department and will be adjusted on an annual basis dependent upon the costs of the program. The Commercial Solid Waste Fee paid by generators and collected by non-exclusive franchisees will remain at \$0.89 per un-compacted cubic yard collected and \$2.67 per compacted cubic yard for 2021-2022. The Disposal Facility Operator Integrated Waste Management Fee and the Landfill Waste Disposal Fee charged at landfills and transfer/processing stations, which is collected by the County of Santa Clara for Household Hazardous Waste and other programs, will remain unchanged for 2021-2022 at \$4.10 per ton of disposed solid waste.

Finance Department

The Finance Department is responsible for collecting, accounting, and monitoring the license and permit fees for Christmas tree and pumpkin patch lots, circuses, carnivals, parades, and a number of miscellaneous fees. The Department

is also responsible for collecting late charges related to the Integrated Waste Management program.

For 2021-2022, adjustments to various fees are recommended based on projected activity levels and estimated staffing and overhead costs to deliver the fee-supported activities. To maintain full cost recovery, fee increases are proposed for the following programs: Circus Permits; Handbill Distributors Licenses and Owner's Permits; Business Tax Special Reports; Lien Activities, and Christmas Tree/Pumpkin Lot License - Lot; a reduction to the Return Check Fee is also recommended to maintain cost recovery. These cost recovery fees are projected to generate approximately \$140,000 in the General Fund, reflecting a cost recovery rate of 98.5% in comparison to 2020-2021 revenues of \$231,000 and a cost recovery rate of 99.9%. The decrease in revenues is primarily due to a fee decrease for the Returned Check Fee and an anticipated reduction in activity level for the Collection Fee program.

Modifications to Solid Waste Delinquency Fees are also based on the evaluation of activity levels, staff time involved to administer these fee programs, and updated personnel costs for 2020-2021. To maintain full cost recovery, a fee increase is proposed for the Administrative Charges for Collection Procedures and a fee decrease is proposed for Notice of Intent to Lien. Integrated Waste Management late charges are projected to generate approximately \$719,000 in the Integrated Waste Management Fund. Estimated revenue from Solid Waste Delinquency fees, primarily associated with multi-family customers, is projected to increase from the

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Finance Department (Cont'd.)

2020-2021 Adopted Fees and Charges estimate of \$310,000 due to an estimated increase in late payment fees. The increase year over year is mainly due to the COVID-19 pandemic. On April 7, 2020, the City Council retroactively imposed a late payment moratorium for Municipal Water and Multi-Family Dwelling Solid Waste delinquent accounts with due dates from March 17, 2020 through June 30, 2020. The City resumed imposing late payment fees for these delinquent accounts on July 1, 2020. One lien was issued during 2019-2020. After a pause in issuing liens due to sensitivity in doing so given the COVID-19 pandemic, the City has resumed issuing liens to collect these fees and late charges.

Fire Department (Non-Development Fees)

The 2021-2022 Current Fee Estimated Revenue for the Fire Department's Non-Development Fee Program totals \$5.7 million, which is a cost recovery rate of 92.2%. Actions included in the 2021-2022 Proposed Operating Budget increased Fire Department Non-Development permit and inspection fees by 8% to bring the program closer to full cost recovery. As a result of the fee increases, the Proposed fee revenue totals \$6.1 million, with a cost recovery rate of 99.6%. In addition, the 2021-2022 Proposed Fees and Charges Report includes a new fee for Fireworks Response, which is set at the actual cost of response. This new fee is contingent upon City Council review and approval of the Social Host

Ordinance for Illegal Fireworks memorandum that is agendized for May 11, 2021.

Housing Department

The Housing Department administers the Rent Stabilization Program, and is responsible for the collection of Inclusionary Fees, Affordable Housing Impact Fee Program, Rental Mediation Penalty Fees, Homebuyer Subordination Fees, and Multi-Family Fees.

The Rental Stabilization Program (RSP) fees are collected from property owners, renters, and mobile home owners to support work associated with implementation of the Apartment Rent Ordinance (ARO), the Tenant Protection Ordinance (TPO), the Ellis Act, and the Mobile Home Ordinance. The fees are set at an amount to cover the estimated costs of providing the RSP, which include mediation services to settle tenant-landlord disputes, information and referral services, tenant protection, and outreach and education services. For 2021-2022, fees are recommended to remain at current levels for rent-controlled apartments at \$55.00 and for Mobile Homes at \$20.00 per unit. Non-rent-controlled apartments are subject to TPO fees which are proposed to remain at \$5.45. To maintain full cost recovery, the Ellis Act Ordinance fee per unit, up to 10 units, is recommended to increase from \$2,464 to \$2,542 per unit. Additional units, above 10 units, are recommended to increase from \$907 to \$932 per unit. Penalties and interest for late payments will be waived during 2021-2022, after which it is anticipated that fees will return to prior levels.

OTHER FEE PROGRAMS

Housing Department (Cont'd.)

The City's Inclusionary Housing Policy requires the inclusion of affordable housing units in newly-constructed for-sale housing developments with greater than 10 units that are located in former Redevelopment Project Areas. The Inclusionary Housing Ordinance requires the City to establish an in-lieu fee on an annual basis. In accordance with the methodology outlined in the Inclusionary Ordinance and to maintain full cost recovery, the proposed in-lieu fees per each for-sale Inclusionary Housing unit is recommended to remain at \$157,858 with for-rent developments at \$125,000.

The Affordable Housing Impact Fees are associated with new market rate rental housing development projects and cover staff costs to track compliance and monitoring of projects. This fee has historically incrementally increased in accordance with the methodology outlined in the Inclusionary Ordinance, by approximately 2.4% annually. In 2021-2022, the Housing Impact Fee is proposed to increase from \$18.70 to \$19.15 per square foot.

Fee changes pertaining to the Single-Family and Multi-Family Housing Loan Portfolio are recommended to more accurately align the fees with the cost of delivering the services. In order to maintain full cost recovery, the fee changes are recommended to cover staff time and resources necessary to complete the various types of transactions. For more complicated refinancing scenarios that exceed the base

transaction hours, property owners will be assessed an additional per hour rate for both Housing and City Attorney staff time. In 2021-2022, rates will increase from \$101 per hour to \$112 per hour for Housing staff and will decrease from \$146 per hour to \$138 per hour for City Attorney staff time. Additionally, the cost for Standard Transaction per application will increase from \$3,042 to \$3,206. Fee increases are also recommended to the following fees: Homebuyer Subordination Fee, Miscellaneous Fees, Supplemental Document Processing Fee, and Single-Family Loan Payoff Fees, as well as to the following Multi-Family fees: Affordable Restriction Monitoring Fee, Loan Conversion Fee, Loan Origination Fee, Loan Payoff Processing Fee, Loan Recapitalization Fee, Loan Refinance Fee, Loan Servicing Fee, Project Owner Transfer Fees, and Project Restructuring Fee.

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. With ongoing programs to reduce barriers to access, fine revenues have dropped significantly since 2016-2017 when fines were revised, and Volunteer Away Your Fines and Read Away Your Fines programs were implemented. Additionally, beginning in 2018-2019 late fines on youth materials were eliminated. In 2021-2022, as a result of the continued programs to reduce barriers to access information, the library fines are anticipated to generate

OTHER FEE PROGRAMS

Library Department (Cont'd.)

revenue of \$60,000 and have a cost recovery rate of 31.8% (Library Fines – Category II).

In 2020-2021, Library community rooms have been closed to the public due to the pandemic. In 2021-2022, it is unclear when the community rooms will be able to open to the public, therefore, the estimated revenue included in this report totals \$6,500, which represents the cost recovery rate of 54.2% (Library Fees – Category I).

The total Library Department fees and charges revenue for 2021-2022 is projected to be \$72,500, and represent a 33.0% cost recovery rate. While this figure is significantly below the cost recovery rate included in the 2019-2020 Fees and Charges Report (79.0%) and the 2020-2021 Fees and Charges Report (64.9%), actual revenue collections in both 2019-2020 and 2020-2021 are also significantly below the amounts assumed in the report, which would result in a lower cost recovery rate for each respective year.

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 & 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, to ensure affordable access, and to preserve existing services by decreasing PRNS' dependence on the General Fund where feasible. PRNS continues to work to ensure the Department's services are delivered in an equitable manner, scholarships are available, and that programs are accessible to all.

As part of the 2021-2022 Proposed Operating Budget, every revenue category was thoroughly examined and adjusted based on anticipated fee increases or proposed service augmentations, as necessary. As a result, the General Fund revenue estimate for 2021-2022 (\$8.8 million) reflects a 24.1% cost recovery rate. This compares to the Adopted 2020-2021 cost recovery rate of 55.4%; however, it should be noted that as part of the 2020-2021 Mid-Year Budget Review, the PRNS fee revenue budgeted estimate was significantly lowered to account for the temporary suspension of revenue-generating programs and services due to the pandemic. When the shelter-in-place mandate began in spring 2020, community programming and recreation opportunities offered by PRNS were significantly impacted. As pandemic-related restrictions ease in 2021, programming is reopening, though

OTHER FEE PROGRAMS

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

slowly and pursuant to State and County guidelines. The 2021-2022 Fees and Charges Report includes a cost recovery rate of 24.3%; however, this rate will be impacted by several factors, including the return of all in-person programming, the public's desire to return to programming, and occupancy limits, particularly for HPPZ, fee classes and activities, and Arcadia Ballpark.

HPPZ reflects the modified reopening of the park and zoo in compliance with State and County amusement park and zoo guidelines, which limit the attendance at the facility, and reduced ticket prices due to the continued closure of the amusement park rides. Daily attendance is currently roughly 15-20% of pre-pandemic numbers, and food and beverage sales are minimal due to safety modifications. As the year goes on, staff expects State and County health guidelines to allow for greater levels of visitation, the resumption of amusement park rides, and greater levels of food and beverage sales. Ticket prices will return to pre-COVID levels when the amusement park fully reopens.

In 2021-2022, while there are some revenue generating programs, such as Family Camp that are going to be suspended, most other fee activity programs such as R.O.C.K. 'n' Learn "learning pods" and San José Recreation Preschool

are going to continue to operate, though at a deeply discounted prices and with limited occupancy levels.

Staff is currently preparing Arcadia opening plans to present to the City's Emergency Operations Center. The facility, which was planned for a March 2020 grand opening, has not yet opened for operations. Since its operations have not yet begun, its future revenues remain an unknown, but staff has received interest from possible tournaments looking to rent the facility.

In 2021-2022, PRNS continues to balance cost recovery goals, with a mandate to ensure equitable access for residents via competitive pricing and scholarships, while supporting the safety of our residents during the pandemic.

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. In 2021-2022, fee adjustments are recommended in the Code Enforcement Fee Program to maintain full cost recovery per City Council policy, with the exception of the Abandoned Cart Program. In order for the Abandoned Cart Program fee to be 100% cost recovery, it would require a 38.9% increase. Instead, it is recommended

OTHER FEE PROGRAMS

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

that a multi-year phase-in of the rate increase should be implemented to bring the fee to or closer to cost recovery. For 2021-2022, it is recommended to increase by 17% bringing the cost recovery rate to 84.2%.

Proposed increases to the Code Enforcement Category I Fees largely align with updated compensation, indirect and other costs, including supplies, materials, and equipment. The Code Enforcement Category I fees are projected to be 99.6% cost recovery in 2021-2022 with a revenue estimate of \$9.6 million.

Police Department

In the Police Department 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 2021-2022 Proposed fee revenue totals \$6.3 million, with an estimated 91.0% cost recovery rate. While this revenue level represents an incremental increase over the 2020-2021 level of \$6.2 million, due primarily to the increased costs of

assigned personnel, this cost recovery rate is lower in comparison to 2020-2021 (99.8%) to more accurately represent the estimated costs for processing copies of public records/tapes. Estimated departmental costs (\$0.61) for public records exceed the city-wide rates that are charged as set by the City Clerk, as well as the \$16.00 fee set by statute for traffic accident reports.

Upward and downward fee adjustments are recommended to align the fee revenues with the estimated 2021-2022 costs of service delivery, primarily personnel costs. The Cardroom Regulation Fee is recommended to increase from \$861,113 per Cardroom to \$966,017 per Cardroom, primarily reflecting personnel cost changes for the complement of staff responsible for program administration. Increases are also recommended to the Peddler program to better realign program costs and revenues, but still only achieve a cost recovery level of 59.3%.

Public Works Department (Non-Development Fees)

The Public Works Department is responsible for the collection of City Hall Use Fees, which include the Rotunda and mezzanine, outdoor plaza, and committee meeting rooms. Due to the pandemic, many of the facilities have been closed to reservations. It is anticipated that there will continue to be lower activity throughout 2021-2022 until it is safe for facilities to reopen for public use. In 2021-2022, City Hall Use Fees are anticipated to generate \$116,000, which represents a cost recovery rate of 15.1%. No fee changes are recommended in 2021-2022.

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OTHER FEE PROGRAMS

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

In addition, the Department collects Animal Care and Services (ACS) fees related to animal permits, licenses, adoptions, and other animal shelter services. Category I ACS Fees include Animal Event Permit Fees, Animal Permit Fees, Inspection Fees, and Permit Application Fees. In 2021-2022 the Category I fees are anticipated to generate \$78,000, which represents an 89.9% cost recovery rate. No Category I ACS Fee changes are proposed in 2021-2022. Category II ACS Fees, which include Adoption Fees, Board and Impound Fees, Disposal/Euthanasia Fees, License Fees, Other Charges, Owner Surrender Fees, Quarantine Fees, and Spay & Neuter Clinic Fees, are estimated at \$2.1 million in 2021-2022, which reflects a cost recovery rate of 19.2%. Category II recommended fee adjustments include Board and Impound Fees, Owner Surrender Fees, Quarantine Fees, and Spay & Neuter Clinic Fees.

Transportation Department (Non-Development Fees)

The non-development fees administered by the Transportation Department are expected to generate approximately \$1.3 million in 2021-2022. Proposed increases to non-development fees align with updated compensation, indirect and other costs, including supplies, materials, and equipment. Non-development, Category I fees are largely expected to keep pace with projected costs, maintaining full cost recovery. Category II fees - Parking Citation Administration Fee,

Sidewalk Repair Program fees, Tree Service Administrative Fee, and the Clean Air Vehicle Permit Fee - are expected to generate \$434,025, representing a projected recovery rate of 28.2%.

To align costs in the Shared Micro Mobility Permit Program with the expected revenue from a reduced number of devices that are anticipated to be in operation due to the pandemic, a proposal is included in the 2021-2022 Proposed Operating Budget to shift 50% of a Transportation Specialist position from the Shared Micro Mobility Permit Program to Traffic Capital Funds on a one-time basis to perform capital-related work. The proposal also adds one-time non-personal/equipment funding of \$73,300 to continue the use of a standardized data processing platform for one more year to monitor, process, and analyze micro-mobility data.

The fees for Meter Hood rentals have been deleted starting in 2021-2022 because meter hoods are no longer issued by the Department. Instead, parking meters can be turned off, set to “Free Parking,” or temporarily removed as needed.

The Department added new fees for One-way Vehicle Sharing permits to cover the cost of staff activities required to support permitting and administration of the program, which will be considered by the City Council on May 18, 2021. The new permits include a residential parking zone permit and a metered zone permit. The annual revenue for these fees is estimated to be \$13,290 with 98.4% cost recovery.

HONORABLE MAYOR AND CITY COUNCIL
SUBJECT: **2021-2022 PROPOSED FEES & CHARGES REPORT**

OTHER FEE PROGRAMS

Transportation Department (Non-Development Fees)
(Cont'd.)

Additionally, a new fee for Miscellaneous Repairs and Services was added to recover cost when the City performs sanitary sewer repairs that are the property owner's responsibility, but the City made the repairs to prevent health and safety violations within the City sewer system.

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 2020-2021 Proposed Operating Budget, a 17% increase to single-family Recycle Plus rates and a 7% increase to multi-family Recycle Plus rates are programmed, as well as a 9% revenue adjustment to the Water Utility Fund.

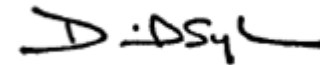
No increases to the Storm Sewer Service Charge or Sewer Service and Use Charge rates are scheduled for 2021-2022;

however, rates will be reassessed annually and any necessary increases will be brought forward for City Council consideration as part of the annual budget process.

SUMMARY

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.

The Proposed Fees and Charges Report was released on May 7, 2021, allowing for a minimum of 10 days for public review prior to the final public hearing. Public input on fee proposals will be heard by the City Council at public hearings held on Tuesday, May 18, 2021, at 1:30 p.m. and Monday, June 14, 2021, at 6:00 p.m.



David Sykes
City Manager