



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jennifer A. Maguire
City Manager

**SUBJECT: 2023-2024 PROPOSED FEES AND
CHARGES REPORT**

DATE: May 5, 2023

The 2023-2024 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) and City utilities, 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 2023-2024 Proposed Operating Budget. Cumulative departmental fees and charges for 2023-2024 are projected to generate revenue of approximately \$130.1 million, of which \$43.6 million would accrue to the General Fund. This overall collection level is \$9.2 million above the 2022-2023 Adopted Budget estimate level of \$121.0 million. In the General Fund, the collection level is \$1.2 million below the 2022-2023 Adopted Budget estimate of \$44.8 million.

Overall net collections have experienced year-over-year growth, which is mainly attributable to higher overall activity levels, along with proposed fee changes (increases and decreases) to better align ongoing revenues and costs and

to maintain or adjust cost recovery levels. The net anticipated General Fund revenue decrease in 2023-2024 from 2022-2023 levels reflects: updated staffing costs and updated analyses of the time spent performing fee-related work within several departments; as well as lower activity levels, primarily in the Parks, Recreation and Neighborhood Services Department. In addition, recommendations are included in this report to add or delete a limited number of fees.

The overall cost recovery rate for the proposed fees designated as Category I (should be 100% cost recovery) is 80.6%, which represents an increase from the 78.4% cost recovery level for Category I fees in 2022-2023. The 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, 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.

HONORABLE MAYOR AND CITY COUNCIL
SUBJECT: **2023-2024 PROPOSED FEES & CHARGES REPORT**

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 2023-2024 fee structure, staff was guided by City Council policy direction to both strive for 100% cost recovery for most fee-related programs while also balancing equity considerations by acknowledging that increased fees often have disproportionate impacts among communities and can present a barrier to accessing quality City services.

Highlights of the 2023-2024 Proposed Fees and Charges Report are provided on the following pages.

DEVELOPMENT FEE PROGRAMS

Development activity in San José peaked in 2019-2020 with construction valuation of \$2.5 billion and dropping in 2020-2021 to \$1.9 billion. Continuing with the downward trend, development activity in 2021-2022 registered at \$1.5 billion. As reported in the Development Activity Highlights appendix of the 2024-2028 Five-Year Forecast, activity in 2022-2023 is projected to reach \$1.4 billion, a 7% decrease over the 2021-2022 valuation as the impacts from economic uncertainty continue to slow activity.

Currently in the development process are a few large projects such as the City View Plaza, South Almaden, Park Habitat, and 550 East Brokaw office projects; mixed-use projects such as El Paseo de Saratoga; and housing projects such as the next phases of Communications Hill, Carlysle project, and mass

timber construction projects such as the McEvoy Multifamily Towers. Other projects expected in the near future include Ohlone Block A and the Station on North First. In addition to these is the increase in annual activity related to Accessory Dwelling Units, primarily due to the code changes that were approved by City Council in June 2018.

Planning, Building and Code Enforcement Department (Development Fees)

It is estimated that the 2023-2024 Building, Planning, and Citywide development-related fee programs will collect revenues of \$49.9 million, reflecting a combined cost recovery rate of 88.6%. 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 90.0% cost recovery in 2023-2024 with a projected revenue estimate of \$38.4 million.

DEVELOPMENT FEE PROGRAMS

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

The use of \$4.3 million from the Building Development Fee Program Fund Ending Fund Balance will balance this fee program (the estimated remaining balance of \$29.2 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 2023-2024, the Building Division is proposing fee increase to all Building Development Fees of 7% for permit related costs and 7% for both Plan Review and Inspection related permits. This recommended increase is anticipated to generate additional fee revenue of \$3.0 million in the Building Development Fee Program. Other recommended actions included in the 2023-2024 Proposed Operating Budget that impact the Building Development Fee Program is the addition of a Senior Public Information Representative position (partially funded at 10%) to assist with community outreach, the addition of four positions to support the Permit Center desk (4.0 Office Specialists), and the addition of three positions to support Best Prepared Installer (inspection) and Best Prepared Designer (plan review) programs for streamlined digital building inspections and pre-approved vendors for plan reviews (2.0 Office Specialists and 1.0 Engineer I/II).

Planning Development Fee Program – The Planning Development Fee Program is projected to be at 87.6% cost recovery in 2023-2024 with a projected revenue estimate of \$7.7 million. The use of \$1.1 million from the Planning Development Fee Program Fund Ending Fund Balance is recommended to balance this fee program (the estimated remaining balance of \$3.0 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 \$321 per hour to \$337 per hour) to account for increasing costs, resulting in a fee increase to all Planning Development Fees of approximately 5%. Other recommended actions included in the 2023-2024 Proposed Operating Budget that impact the Planning Development Fee program are continuation of one Planner I position to assist with Environmental Review for Capital Improvement Projects, the addition of one a Senior Public Information Representative position (partially funded - 20%) to assist with community outreach, the addition of one Planner I/II/III position to assist with zoning conformance, the addition of one Planner IV position to assist with Permit Center planning supervision, and the addition of one Analyst I/II position to support with customer service and policy and procedure development (partially funded at 18%).

DEVELOPMENT FEE PROGRAMS

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

Citywide Planning Fee Program – The Citywide Planning Fee Program is projected to be at 78.5% cost recovery in 2023-2024 with a projected revenue estimate of \$3.8 million. The use of \$1.0 million from the Citywide Planning Fee Program Fund Ending Fund Balance is recommended to balance this fee program (the estimated remaining balance of \$4.3 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 Planning Division is proposing a 5% increase to all Citywide Planning fees for 2023-2024 to increase cost recovery levels. Other recommended actions included in the 2023-2024 Proposed Operating Budget that impact the Citywide Planning fees are the addition of two new positions partially funded by the Citywide Planning Fee Fund to assist with policy development, customer service operations, and community outreach (6% of Analyst I/II and 10% of Senior Public Information Representative) and non-personal/equipment funding to streamline aligning zoning district of properties with General Plan Land Use designation and completing environmental review for market ready urban villages.

Fire Department (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 2023-2024 Proposed Operating Budget Proposed Fee revenue estimate totals \$8.9 million, which includes an overall fee increase of 10% (\$782,000) and anticipated increased activity (\$340,900). After accounting for all anticipated revenue, the cost recovery rate for this program is 86.7%, compared to 75.8% in 2022-2023. To align expenditures with anticipated estimated revenue levels, a recommendation to eliminate a vacant Associate Engineer position is included in the 2023-2024 Proposed Operating Budget. This action and the utilization of the Fire Development Fee Fund’s Ending Fund Balance in the amount of \$2.2 million are needed for the fee program to remain 100% cost recovery in 2023-2024.

DEVELOPMENT FEE PROGRAMS

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

For the Fire Development Fee Program, fee increases are recommended for the Plan Check hourly fee from \$296 to \$326 per hour, and for the Inspection hourly fee from \$332 to \$365 per hour. It is important to note that the Ending Fund Balance within the Fire Development Fee Program Fund is estimated at \$669,000 in 2023-2024. Should activity and revenue levels continue at their relatively low levels, the cost structure of the program will need to be reevaluated during the 2024-2025 budget development process.

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 increase in 2023-2024 due to an anticipated increase in private development activity. To ensure the fiscal stability of the

Development Fee Program, increases of approximately 7.5% are proposed across most Category I fees. As a result, Public Works Development fees are expected to generate \$8.6 million in 2023-2024, which is slightly above the 2022-2023 estimate. Factoring for these increases, projected 2023-2024 revenue along with the use of a portion of the Public Works Development Fee Program Fund's Ending Fund Balance (\$1.5 million), is sufficient to support the Development Fee Program in 2023-2024, which operates on a 100% cost recovery basis. The estimated remaining Ending Fund Balance of \$4.0 million is anticipated to support works-in-progress projects.

The Utility Fee Program, which also operates on a 100% cost recovery basis, is expected to generate \$6.7 million in 2023-2024, an increase of \$1.3 million from the 2022-2023 estimate. Most Utility Excavation Permit fees are recommended to increase by 7.5%, with the exception of Special Permit fees. Projected 2023-2024 revenues are sufficient to support the Utility Fee Program.

Small Cell Program activity is expected to decrease in 2023-2024 as telecommunications companies enter the later stages of fifth generation (5G) broadband cellular upgrade projects throughout the City. This program also operates on a 100% cost recovery basis with telecommunication companies being charged the full cost to administer the program. In 2023-2024, the Small Cell Program is expected to generate approximately \$766,000 in revenue, a reduction of approximately \$2.0 million from the 2022-2023 estimate.

DEVELOPMENT FEE PROGRAMS

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

In the 2023-2024 Proposed Operating Budget, actions are taken to eliminate five positions and realign positions from the Small Cell Program to the City’s Utilities Fee Program and Capital Improvement Programs due to the reduction in workload. The realignment of positions will support the BART Phase II project and the delivery of capital projects. The Small Cell Program will continue to maintain a team of 2.5 positions to complete the existing permits across the City of San José. With the revenue expected for 2023-2024 Small Cell Program it’s projected that the program costs will be fully recovered in 2023-2024. The estimated remaining Ending Fund Balance of \$144,000 is anticipated to support the remaining works-in-progress projects. It is important to note that, due to further anticipated decreases in activity, the Small Cell Program will continue to be phased out and incorporated into the Utility Fee Program and other programs within the next several years.

Transportation Department (Development Fees)

The Transportation Department is responsible for the collection of fees for various development-related activities such as the following: Development Review and Traffic Analysis, Tree Planting and Young Tree Trimming in New Subdivisions, New Subdivision Traffic Control Signs and Pavement Markings, Sale of Street Name Signs, and Signal Design/Review. Development Fees administered by the

Transportation Department are expected to generate approximately \$604,000 in 2023-2024, a decrease of 33.4% from the 2022-2023 Adopted Budget revenue estimate, primarily due to reduced estimated activity levels for geometric design and new subdivision pavement marking review. Overall, the Development review charges align with updated compensation, indirect costs, and other costs, including supplies, materials, and equipment. Most development fees include increases to fund a portion of 1.0 Senior Engineer, added in the 2023-2024 Proposed Operating Budget to supervise development projects and meet workload demands. The full cost of the position will be transitioned into the fee program over a four-year period, with the Traffic Capital Program absorbing the remaining costs throughout the phase-in period. For Ministerial Permits and Plan Development Zoning Residential Fee for Greater than 99 Dwelling Units, these fees were split up to capture two ranges: Residential projects of 100-499 units and 500 units and greater replaced residential projects greater than 99 dwelling units.

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 City Clerk also conducts special research and provides other services to the public, including notary, duplication, sale of publications, document copying, and Lobbyist Registration.

In 2023-2024, 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 \$25,000 in fee revenues and expenditures for 2023-2024, 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.

Office of Economic Development and Cultural Affairs

The Office of Economic Development and Cultural Affairs (OEDCA) is 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. OEDCA is also responsible for administering the City’s Foreign Trade Alternative Site Framework Zone, including processing applications,

boundary modifications, and contract negotiations and extensions.

The Gated Event on Public Property Fee is a fee imposed for the use of public property for special events. The 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. Subsequently, on June 19, 2018, the City Council approved an additional suspension of the Gated Event on Public Property Fee through June 30, 2020, which was later extended through June 30, 2023, by the respective adoption of the 2021-2022 Fees & Charges and 2022-2023 Fees & Charges (set to 0% of gross gate receipts).

This report recommends extending the Gated Event on Public Property Fee suspension through June 30, 2025, in the continued effort to encourage special events through cost reductions for event organizers, enabling them to potentially invest more resources into event production. Fee revenues, previously 5% of gross gate receipts, have historically augmented Transient Occupancy Tax funding for the Festival, Parade and Celebration (FPC) Grant Program administered by the Office of Cultural Affairs. Extension of this suspension may reduce the amount of funding otherwise available for the FPC Grant Program which continues to be supported by Transient Occupancy Tax revenues and one-time allocations of funding through the General Fund for 2023-2024 (Small Business Recovery - Supplemental Arts + Cultural Funding).

OTHER FEE PROGRAMS

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

As a result of the prior fee suspension, signature San José events such as the San Jose Jazz Summer Fest, San Jose Pride, and Fountain Blues Festival were able to increase revenue generation vital to the continued success of these events.

No additional changes are recommended to OEDCA fee programs for 2023-2024. Overall, 2023-2024 fee levels yield an 84.4% cost recovery rate, which is the same level as 2022-2023.

Environmental Services Department

The Environmental Services Department administers three fee programs as part of the Integrated Waste Management Program: Source Reduction and Recycling Fees; Franchise Application Fees; and the Energy and Water Building Performance Ordinance Fee.

The Waste Diversion Compliance Review Fee reflects the time and resources required to process the program's applications and is recommended to increase from \$170 to \$203 per hour of review, to align with revised staffing costs.

The Franchise Application Fee is recommended to increase from \$858 to \$1,073 per application in 2023-2024 to remain

at cost recovery for the costs associated with staff application review and processing services.

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 \$3.9 million in 2023-2024, as the existing fee is at 94% cost recovery. Republic Services will retain \$400,000 for waste processing costs per the franchise agreement. The fee is included in the commercial service rates for 2023-2024, the report for which is anticipated to be heard by the City Council on May 16, 2023.

The Commercial Solid Waste Fee paid by generators and collected by non-exclusive franchisees is recommended to remain unchanged at \$13.00 per debris box per load and \$14.83 per ton collected from City facilities in debris boxes. In 2022-2023, the approved fee could not be applied as the existing contracts with the haulers included the previous fee paid by non-exclusive haulers of construction and demolition debris and residential cleanout material of \$0.89 per un-compacted cubic yard collected and \$2.67 per compacted cubic yard collected. The new hauler contracts for 2023-2024 include the fee of \$13.00 per debris box per load and \$14.83 per ton collected from City facilities in debris boxes.

OTHER FEE PROGRAMS

Environmental Services Department (Cont'd.)

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 2023-2024 at \$4.10 per ton of disposed solid waste.

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.

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

For 2023-2024, adjustments to various fees are recommended based on projected activity levels and estimated staffing costs to deliver the fee-supported activities. To ensure fees do not exceed cost recovery, fee decreases are proposed for the following programs: Lien Activities; and Christmas Tree/Pumpkin Lot License. In addition, fee increases are

proposed for the following programs to maintain cost recovery: Circus Permits; Handbill Distributors Licenses and Owner's Permits; and the Return Check Fee. These cost recovery fees are projected to generate approximately \$209,921 in the General Fund, reflecting a cost recovery rate of 100%, in comparison to 2022-2023 revenues of \$210,500 and a cost recovery rate of 99.6%. The increase in revenues is primarily due to an anticipated increase in activity level for Circus Permits and a fee increase for the Returned Check Fee.

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 2023-2024. To maintain full cost recovery, a fee decrease is proposed for the Administrative Charges for Collection Procedures and Notice of Intent to Lien.

Fire Department (Non-Development Fees)

The 2023-2024 estimated revenue for the Fire Department's Non-Development Fee Program totals \$6.7 million, which is a cost recovery rate of 98.9%. Actions included in the 2023-2024 Proposed Operating Budget increase Fire Department Non-Development fees by 10%. Fee increases are recommended for the annual Fire Safety Permits from a range of \$564-\$2,277 per permit to \$620-\$2,505, and the annual Hazardous Material Permits from \$217 per quantity range to \$239. The recommended increase to the hourly inspection rate is from \$220 to \$242.

OTHER FEE PROGRAMS

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

The recommended 10% increase will be applied to all other Non-Development fees such as one-time non-renewable permits and inspections.

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, Multi-Family Fees, and the Commercial Linkage Fee.

Rental Stabilization Program (RSP) fees are collected from property owners, renters, and mobile homeowners 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 2023-2024, fees are recommended to increase for rent-controlled apartments from \$65.00 to \$72.00 and for Mobile Homes from \$30.00 to \$33.00 per unit. Non rent-controlled apartments are subject to TPO fees, which are proposed to increase from \$15.00 to \$34.00 per unit. To maintain full cost

recovery, the Ellis Act Ordinance fee per unit, up to 10 units, is recommended to maintain the current fee of \$2,833 per unit. Additional units, above 10 units, are also recommended to maintain the current fee at \$951 per unit. Penalties and interest for late payments are no longer waived during 2023-2024 and have been restored to prior levels.

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 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 Ordinance and to maintain full cost recovery, the proposed in-lieu fees per each for-sale Inclusionary Housing unit and for-rent developments is recommended to increase from \$157,858 to \$184,135 and from \$125,000 to \$145,807, respectively.

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. Historically, this fee has increased incrementally in accordance with the methodology outlined in the Inclusionary Ordinance, by approximately 2.4% annually. For 2023-2024, the Housing Impact Fee is proposed to increase from \$19.61 to \$20.08 per square foot.

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OTHER FEE PROGRAMS

Housing Department (Cont'd.)

The City's Commercial Linkage Fee requires all non-residential projects to pay a fee based on the gross square footage of each use included in the proposed project by geographic subarea. Staff review preliminary applications for non-residential projects when an application is submitted for a development permit. The application includes a fee to compensate for the staff cost of processing applications. The Application Review Fee (Agreement Required) is recommended to increase from \$1,726 to \$1,785 per standard application, the Application Review Fee (No Agreement) is recommended to decrease from \$895 to \$753 per standard transaction, and the Deferred Payment Agreement Fee is recommended to increase from \$3,396 to \$3,826 per deferred payment agreement application. California Senate Bills 330 and 8 also require the City to review all preliminary applications for new housing development projects applying for demolition permits and proposing to construct a single dwelling unit. The Replacement Unit Determination application fee is calculated based on staff time spent processing applications; the fee is recommended to increase from \$2,904 to \$3,724 per standard application.

Fee changes pertaining to Single-Family and Multi-Family Housing Loan Portfolio are recommended to more accurately align fees with the cost of delivering the services. To maintain full cost recovery, the below 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 are assessed an additional per hour rate for both Housing and City Attorney staff time. For 2023-2024, rates will decrease from \$136 per hour to \$134 per hour for Housing staff and will increase from \$187 per hour to \$210 per hour for City Attorney staff time. Additionally, the cost for Standard Transaction will increase from \$4,029 to \$4,119. Corresponding increases are also recommended to the 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. To reduce barriers to access, fine revenues have dropped from previous levels due to waivers for overdue materials for Children's and Young Adult materials and programs such as Volunteer Away Your Fines and Read Away Your Fines.

OTHER FEE PROGRAMS

Library Department (Cont'd.)

In 2023-2024, library fines remain unchanged from the prior year and are anticipated to generate revenue of \$51,000 with a cost recovery rate of 49.5% (Library Fines – Category II). Library community rooms reopened to the public in 2022-2023 after two years of closure due to the pandemic. Community room rentals are expected to generate \$15,000 in revenues through 2022-2023 and grow to \$20,000 in 2023-2024. The fees for community room rentals are recommended to remain at \$40.00 per use up to 4 hours, \$80.00 per use over 4 hours, and \$35.00 per cancellation (Library Fees – Category I).

The only change recommended to Library Department fee rates in 2023-2024 is an increase to the Pay-for-Print Fee, a fee charged at printer/copiers for public use. Due to a change in the fee assessed by the vendor for these devices, the cost per page of printing in color is recommended to decrease from \$0.65 to \$0.45 per page. As these revenues are not collected by the Library, this change has no impact on City revenues. This update reflects the change in price charged by the vendor at the point of service. The total Library Department fees and charges revenue for 2023-2024 is projected to be \$71,000, and represents a 57.7% cost recovery rate.

Parks, Recreation and Neighborhood Services Department

The Parks, Recreation and Neighborhood Services (PRNS) Department 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. The Pricing and Revenue Policy that was first approved and implemented in 2009-2010 allows the City Manager, or their 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 2023-2024 Proposed 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 2023-2024 is \$16.6 million (compared to the 2022-2023 Modified Budgeted revenue estimate of \$18.0 million), which reflects a 42.8% cost recovery rate. This is lower in comparison to the Adopted 2022-2023 cost recovery rate of 49.2% projected in the General Fund, but well above the projections in the Adopted 2021-2022 with a cost recovery rate of 24.1%.

OTHER FEE PROGRAMS

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

Participation in PRNS programs has increased from the levels seen during the pandemic’s shelter-in-place orders; however, revenues have not returned to pre-pandemic levels. The PRNS revenue estimate in 2019-2020 for all funds was \$23.3 million with a projected cost recovery rate of 64.8%; by comparison, the Department’s total projected 2023-2024 revenue of \$16.8 million is at 43.3% cost recovery. While activity levels have rebounded somewhat since the pandemic, recent activity levels have trended lower since the initial resurgence after the relaxation of public health restrictions, and costs continue to increase at a rate that outpaces the City’s ability to increase fees without unduly impacting customers.

The three largest revenue-generating programs in PRNS totaling \$15.4 million are Happy Hollow Park & Zoo with 2023-2024 revenue projected at \$7.0 million and a cost recovery rate of 52.4%; Rentals and Reservations revenue projected to collect \$2.6 million of revenue with 59.3% cost recovery; and Fee Activity revenue of \$5.8 million at a cost recovery rate of 43.9%. Leisure Programs within Fee Activity are expected to see a significant increase in the number of vendors who run classes and a corresponding increase in revenues that stem from an increase in programming participation at various community centers and regional parks. Further, the RAMAC Park synthetic field in South San José has opened for operations. The 2.2-acre synthetic turf

field provides a safer playing surface and a venue for hosting kids’ athletic programs, which will increase field rental revenues.

In 2023-2024, PRNS continues to balance cost recovery goals with a mandate to ensure equitable access for residents to City services and programming via competitive pricing and scholarships.

In response to increasing community scholarship needs due to pandemic-related financial hardships, the Proposed 2023-2024 Operating Budget includes one-time and ongoing increases to the Department’s scholarship funding. Increased scholarships will elevate economically disadvantaged communities by providing barrier-free access to safe, fun, and healthy recreational programs.

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, tobacco retail licenses, and off-sale alcohol enforcement. In 2023-2024, 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, Building Code Compliance, and Neglected/Vacant Building Programs.

OTHER FEE PROGRAMS

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

In order for the Abandoned Cart Program fee to be 100% cost recovery, a fee increase of 34% would be required. Instead, it is recommended that a multi-year phase-in of the rate increase should be implemented to bring the fee to or closer to cost recovery. For 2023-2024, it is recommended to increase the fee by 15% and bring the cost recovery rate to 86%, which is an increase from to last year's rate of 85%.

The Building Code Compliance Program is not expected to be 100% cost recovery because the Department has not been able to process sufficient permits due to permit process delays arising from vacancies, which have contributed to a backlog of over 2,000 Code Enforcement building cases. In order for the Building Code Compliance Program to be 100% cost recovery, the current fee of \$254 would need to increase by 94%. Instead, it is recommended to increase the fee by approximately 3%, or \$261, in 2023-2024 and bring the cost recovery rate to 53%. To improve program implementation going forward, the 2023-2024 Proposed Operating Budget includes a recommendation to delete a vacant Building Inspector position and add a Senior Permit Specialist position that will serve as the point of contact through the process and serve as a liaison between the customer, Code Enforcement, and the Building Division providing a streamlined process to correct the building code violations.

The Neglected/Vacant Building/Storefront Program cost recovery level has been adjusted downward and is less than 100% cost recovery. For the Neglected/Vacant Building/Storefront Program to be 100% cost recovery, a rate increase of 127.2% over the current rate of \$572 would be needed. Instead, it is recommended that the fee increase by 14.2%, to \$653, and bring the cost recovery rate to approximately 50%. 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 95.8% cost recovery in 2023-2024 with a revenue estimate of \$9.6 million. It is important to note that all of the 13.0 General Code Enforcement Inspector positions have been filled, which is anticipated to address backlog and improve inspection activity.

Police Department

The Police Department collects fees from the public and other public safety agencies for services such as fingerprinting, computer searches, copying of public records, and releasing impounded vehicles. Certain businesses and activities are also subject to regulation, and fees are charged to offset the costs incurred for processing permits and licenses that accompany the regulatory process, and to partially offset costs for related investigative work.

OTHER FEE PROGRAMS

Police Department (Cont'd.)

Overall, 2023-2024 estimated fee revenue totals \$5.7 million, with an estimated cost recovery rate of 95.8%. This revenue level represents a 7.8% decrease over the 2022-2023 level of \$6.2 million, due primarily to re-evaluation of time-studies and the streamlining of various fees through the permitting system that lowered the personal services costs for allocated staff; however, the cost recovery rate improves in comparison to the recovery rate in 2022-2023 (91.0%).

Upward and downward fee adjustments are recommended to align fee revenues with the estimated costs of service delivery for 2023-2024, mostly reflective of updated personal services costs and staff allocations. The Cardroom Regulation Fee is recommended to decrease from \$959,690 to \$954,190, per cardroom, consistent with personal services cost changes for the complement of staff responsible for program administration. Increases are recommended to multiple Cannabis program fees to better realign program costs and revenues. The revised fees include: Amendment Processing Fee (\$1,343); Annual Operating Fee (\$139,406); Application Receipt Fee (\$100); Initial Application Processing Fee (\$3,804); Delivery Vehicle Inspection Fee (\$56); and, Renewal Registration Processing Fee (\$3,121). With these changes to fee revenues, the Cannabis program is expected to achieve a cost recovery level of 100.0%.

On August 23, 2022, the San Jose Police Department Permits Unit in coordination with the Finance Department presented a memorandum regarding the ordinance regulating taxicabs. Based on the implementation of a new online permitting system (Simpligov) the Department reviewed the tasks associated with the issuance of a taxicab driver permit.

The Department had identified several areas of improved efficiencies and removed outdated tasks. The Permits Unit completed a full-time task analysis for taxicab driver and renewal permits on January 2023, with the majority of permits experiencing significant fee reductions. Ultimately, the Police Department's updated Taxicab fees show a clean and current permitting process that accurately captures all relevant costs.

Finally, the Concealable Firearms Permits are in the process of being updated in response to the City Auditor's December 2022 Firearms Regulation audit. The Department conducted a time study related to firearm dealer permits and to account for cost recovery allowed through Penal Code 26190 for licenses for carrying concealed weapons. These revised fees are new to the City of San José, just like all other California government agencies.

OTHER FEE PROGRAMS

Police Department (Cont'd.)

The updated fees cover Firearm Business License Fees for Retail Firearms and Ammunition Dealers - Dealer Initial Application/Change of Location of Place of Business (\$1,199), Firearm Business License Fees for Retail Firearms and Ammunition Dealers - Dealer Annual Renewal (\$1,135), Concealable Firearms – License to Carry Concealed Weapon - Initial Application (\$1,290), Concealable Firearms – License to Carry Concealed Weapon - Renewal (\$25), and Concealable Firearms – License to Carry Concealed Weapon - Amendments (\$10).

Due to recent changes in the Penal Code the San José Police Department has received a high number of permits requests in 2022-2023 and is expecting an equally high number of permits in 2023-2024. The Department will monitor the permitting process to look for efficiencies and adapt to any needed modifications. The Department will be conducting a time study related to all remaining firearm permits in 2023-2024, and any necessary adjustments will be brought for City Council consideration as part of the 2024-2025 Fees and Charges Report.

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 2023-2024. As facilities begin to reopen for full capacity use, it is anticipated that public sentiment around group gatherings will inhibit the return to pre-pandemic activity levels. In 2023-2024, City Hall Use Fees are anticipated to generate \$100,000, which represents a cost recovery rate of 21.2%. No fee changes are recommended in 2023-2024.

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 and Animal Permit Fees. In 2023-2024 the Category I fees are anticipated to generate \$21,450, which represents a 96.6% cost recovery rate. A minor adjustment to Category I Animal Permit Fees is included to maintain cost recovery.

Category II ACS Fees, which include Adoption Fees, Board and Impound Fees, Disposal/Euthanasia Fees, License Fees, Other Charges, Owner Surrender Fees, Quarantine Fees, Inspection Fees, Permit Application Fees and Spay & Neuter Clinic Fees, are estimated at \$2.3 million in 2023-2024, which reflects a cost recovery rate of 41.3%. Category II recommended fee adjustments include Disposal/Euthanasia Fees and Owner Surrender Fees.

OTHER FEE PROGRAMS

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

The cost recovery rate of Category II ACS fees improved from the 2022-2023 rate of 27.3%, due to the modified methodology adjustment in cost calculations to reflect the true cost of services related to the fee program. Historically, the program has incorporated all expenditures associated with the Department's ACS budgeted costs. The revised methodology omits certain service costs, such as public safety, wild animal care, and animal transfers, that are not directly associated with any fees, resulting in a higher cost recovery rate. The Public Works Department will continue to make adjustments to improve the methodology to deliver data at a satisfactory level.

Transportation Department (Non-Development Fees)

The non-development fees administered by the Transportation Department are expected to generate approximately \$1.37 million in 2023-2024. Proposed changes to non-development fees align with updated compensation, indirect and other costs, including supplies, materials, and equipment. The Residential Permit Parking Program's fee decreased from \$38 per permit to \$29 per permit resulting from a service delivery change from in-house to contracted online services. It is important to note that to better account for the number of no cost permits – approximately 20% of all permits issued – the cost recovery rate for the Residential Permit Parking program

drops from 96.8% for 2022-2023 to 81.4% for 2023-2024. Non-development, Category I fees are largely expected to keep pace with projected costs, maintaining a 94.6% cost recovery level.

Category II fees (non-cost recovery fees) - Parking Citation Administration Fee, Sidewalk Repair Program fees, and Tree Service Administrative Fee - are expected to generate \$434,200, representing a projected recovery rate of 22.5% that is significantly below last year's level of 53.9%. This decrease is primarily due to a large increase in activity levels for sidewalk grinds in the Sidewalk Repair Program. So as to minimize impacts to property owners that are obligated to perform sidewalk repairs to maintain safe sidewalk conditions, fees for this program are fixed well-below cost recovery levels, which results in greater impacts to the City when activity levels increase.

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.

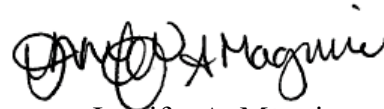
No rate increase is included for the Storm Sewer Service Charge and Sewer Service and Use Charge. The Municipal Water Utility System assumes a revenue increase of 14.6% for 2023-2024. For Recycle Plus rates, an 4.0% increase is proposed for single-family dwellings and 2.0% increase is proposed for multi-family dwellings.

HONORABLE MAYOR AND CITY COUNCIL
SUBJECT: **2023-2024 PROPOSED FEES & CHARGES REPORT**

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 5, 2023, 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 16, 2023, at 1:30 p.m. and Monday, June 12, 2023, at 6:00 p.m.



Jennifer A. Maguire
City Manager