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CITY COUNCIL STAFF REPORT

Meeting: April 17, 2018

Subject

Fiscal Year 2018-19 Fee Schedule

Recommended Action

Adopt Resolution No. 18-XXX, approving the FY 2018-19 Fee Schedule.

Description

The FY 2018-19 Fee Schedule, effective July 1, 2018, carries over the current schedule with various changes described in this report.

Discussion

Summary

User fees are reviewed each year in conjunction with budget preparation. City policy ensures that, to the extent possible, fees cover the cost of providing services. The majority of the fees proposed for adoption are based on the estimated actual cost to perform the service. Some fees, such as those for general or recreational purposes, are based on market conditions or fees charged by outside service providers and other governments. Fees that do not generate sufficient revenue to cover the cost of providing the service are subsidized by the General Fund.

Background and Recommendation

The FY2016-17 Fee Schedule was revised after a comprehensive Fee Study was completed in conjunction with a Cost Allocation Study. Both studies relied upon the same data to determine costs that can be allocable between City departments and costs that can be recovered through fees charged to the public. These studies are conducted approximately every seven years and, in between studies, the City adjusts fees using either the Bay Area consumer price index (CPI) or the estimated increase in the cost of labor derived through the City's budget process. For this year, the CPI is 3.546%, CCI is 3.5%, and the cost of labor is expected to increase 4.10% in the FY2018-19 Proposed Budget when compared to the basis used for the Fee Study. Due to timing of the study, labor negotiations were not yet finalized at the time the Fee Study was prepared. As a result, the 4.10% reflects two years of anticipated labor costs, FY2017-18 and FY2018-19.

The CPI was applied to Schedule A and the estimated increase in FY 2018-19 labor costs was applied to Schedules B, C, and D to produce the City's recommendations. Schedule E was revised using staff recommendations that targeted specific fees that were no longer competitive or were not projected to be sufficient to cover all City costs. Some targeted increases made to Schedule E

were needed to get the City’s fees better aligned with agencies that charge similar fees for similar services.

In FY2016-17, a comprehensive Fee Study was conducted by a City consultant, Matrix, which allowed the City Council to update the City fee schedules for FY2016-17. The changes to fees since FY 2008-09 are summarized in the table below:

Fiscal Year	Schedule A – General Fees	Schedule B – Engineering Fees	Schedule C – Planning Fees	Schedule D – Building Fees
2018-19	3.546% CPI	3.5% CCI 4.10% Estimated Labor Cost Increase	4.10% Estimated Labor Cost Increase	4.10% Estimated Labor Cost Increase
2017-18	3.44% CPI	11.16% Estimated Labor Cost Increase	11.16% Estimated Labor Cost Increase	11.16% Estimated Labor Cost Increase
2016-17	Varied and comprehensive changes due to Fee Study.			
2015-16	No Changes due to anticipated Fee Study.			
2014-15	2.6% CPI	3.0% Estimated Labor Cost Increase	3.0% Estimated Labor Cost Increase	3.0% Estimated Labor Cost Increase
2013-14	2.4% CPI	2.4% CPI, plus 2.0% for increased costs	2.4% CPI, plus 2.0% for increased costs	2.4% CPI, plus 2.0% for increased costs ¹
2012-13	2.4% CPI	2.4% CPI	2.4% CPI	2.4% CPI
2011-12	2.0%	3.5%	3.5%	3.5%
2010-11	No Change	No Change	No Change	No Change
2009-10	Minimal Change	3.5% CPI	3.5% CPI	3.5% CPI

New Fees and Substantial Changes

Schedule A – General: This schedule is being updated by CPI of 3.546% across all fees. Increases to these fees are mostly impacted by the cost of materials or external prices that are not under the control of the City. In the process of finalizing this schedule for the FY2018-19 Fee Schedule update, the *City Administrative Fee* was corrected from “.15” to “15%.” Additionally, the *Notary Fee (State Regulated Fee)* did not properly include an increase from \$10 to \$15 per signature in FY2017-18. The FY2018-19 proposed fee schedule reflects this increase.

Schedule B – Engineering: Other than applying a 4.10% increase for anticipated labor cost increases for FY2018-19, most changes were made to improve fee descriptions, with the following exceptions:

- The majority of proposed fees were adjusted to “rounded” figures to improve administrative efficiency.

¹ New construction planning and inspection fees included an additional 5.28% adjust for additional increased costs.

- The *Permit Extension* fee was added to the schedule in line with the Building Department's Permit extension fee and is necessary to help ensure timely completion of improvements required as conditions of development, and to minimize the inconveniences caused to public in general that accompany this type of work.
- The permitting process for Small Cell Facilities has additional checks and balances beyond a typical encroachment permit, to ensure location, notification, aesthetics and technical feasibility of the facilities are properly handled. This results in Public Works staff spending additional time and resources working to permit the facilities. The separated permit fee for Small Cell Facilities helps the City to recuperate these additional expenses.
- *Transportation Permit (State Regulated Fee)* was not increased for FY2018-19 as the State of California regulates this fee.
- The *Transportation Impact Fees* and *Master Storm Drain Area Fees* were adjusted using CCI (3.5%) rather than the anticipated labor cost.

Schedule C – Planning: A 4.10% increase for anticipated labor cost increases for FY 2018-19 has been applied for all fees in Schedule C, except the Housing Mitigation In-lieu fees. The Housing Mitigation In-lieu fees increase annually (on July 6 of each year) by the Consumer Price Index (CPI) for All Urban Consumers for San Francisco, CA.

In FY 2016-17, a reduced fee for Fence Exception Permits for properties zoned R-1 or R-2 (Fence Exceptions – R1/R2) was inadvertently left off the fee schedule. It is recommended that this fee be added to the fee schedule. Certain fees in the existing fee schedule such as R-1 permits, Architectural and Site Approval – Duplex/Residential, Reasonable Accommodation, Tree Removal Permits and Appeals are subsidized by the General Plan. These subsidized fees are generally targeted to duplex and single-family homeowners. Therefore, the proposed fee complies with the intent of the existing subsidized fees.

The other changes in the fee schedule are proposed to improve clarity and readability of the fee schedule. These include re-organizing the fees in the schedule by permit type, adding definitions to explain existing fees, and minor wording changes to the definitions and footnotes for ease of understanding and administration.

Schedule D – Building: The Building Fee Schedule contains four tables which have been numbered to facilitate reference between them. The tables are numbered as follows:

1. Table 1 – Plan Check Fees Only
2. Table 2 – Inspection Fees Only
3. Table 3 – Mechanical, Electrical and Plumbing Fees
4. Table 4 – Miscellaneous Items

All of the fees in the Schedule D tables been increased by the 4.10% anticipated labor cost increases for FY2018-19. In addition to the 4.10% increase in fee rates, a number of changes were made to improve the usability of the fee schedule. The changes to the FY2018-19 Fee Schedule compared to previous years are separated into four different categories.

1. “Redundant”

2. “Recommended”
3. “Clarity/Clean-up”
4. “New code requirement”

Fee revisions marked as “Redundant” are identified as items that appear multiple times in the Fee Schedule. To avoid confusion, these items have simply been omitted.

The “Recommended” items are fee categories that are recommended to be added. The fee schedule allows the department to charge an hourly fee for scopes of work that are not clearly identified in the Fee Schedule. The hourly fee charged is usually discussed at length by staff to determine a cost recovery amount consistent with the anticipated administrative, plan check, and inspection time required for the project. “Recommended” items are project scopes that are not included in previous Fee Schedules but should be added to reduce the amount of staff time needed to determine such fees. For example, a “pre-inspection” is a scope often required by applicants but not identified in past schedules. Adding this item will reduce the amount of staff time spent to determine this particular fee.

“Clarity/Clean-up” revisions are meant to ensure the fee schedules are not contradictory and are easier to use. For example, Mechanical, Electrical & Plumbing Fees on Table 3 were revised to remove duplicate residential appliance fees. Additionally, some fee descriptions included the unit range in prior years; this has been appropriately moved to the “UNIT” column for clarity purposes.

“New code requirement” items are revisions made to be consistent with the current adopted codes. For example, in previous codes, Accessory Dwelling Unit Plan Check and Inspection Fees were not required under regulation; however, they have been added to the fee schedule to ensure compliance with code regulations is maintained.

Schedule E – Recreation: Community Hall fee schedule was revised to include the following provision, “Cupertino Library: May be approved for a select number of uses of Community Hall without fee, based on approval from the Recreation & Community Services Department Director. The Library is exempt from the provision of deposits relating to the use of Community Hall.”

The Monta Vista Recreation Center/Creekside Park Building fee schedule was revised to include “Wilson Park Building.”

Creekside Park building has added a \$100 security deposit and \$250 security deposit if alcohol is served.

The Wilson Park Building rental would not include access to ceramic wheels, kiln, or specialized art equipment.

The Sport Center/Child Watch/Teen Center revised the rental rate as follows:

- The Rental Rate established a three (3) hour minimum
- The Rental Rate was increased from \$200 to \$210
- Addition of Extra Fees: \$35 each half hour (30 min); \$70 each hour (1 hr)

Revised Outdoor Facilities fees for Picnic Areas were also adjusted to align with the maximum occupancy capacity for the Memorial, Linda Vista, and Portal picnic areas.

Sustainability Impact

None.

Fiscal Impact

General Fund revenues can increase by \$353,000 for Schedules A through D, if all proposed fee increases are adopted. If increases are not adopted the cost of providing the corresponding services will be further subsidized by the General Fund and the service cost will compete with tax dollars used for City services benefitting the general public. Revenues derived from changes to Schedule E mostly increase Enterprise Funds of the City and not the General Fund.

The recommended increase in fees and estimated revenue are summarized as follows:

Fee Schedule	Additional Revenue	Factor and Basis
Schedule A – General	\$5,000	3.546% CPI for Bay Area
Schedule B – Engineering	\$147,000	4.10% for labor costs, 3.5% CCI
Schedule C – Planning	\$98,000	4.10% for labor costs
Schedule D – Building	\$103,000	4.10% for labor costs
Schedule E – Recreation	No increase	Mostly market driven

Prepared by: Zach Korach, Finance Manager
 Reviewed by: Kristina Alfaro, Director of Administrative Services
 Approved by: David Brandt, City Manager
 Attachments: A. Draft Resolution
 B. Proposed Fee Schedule A – General
 C. Proposed Fee Schedule B – Engineering
 D. Proposed Fee Schedule C – Planning
 E. Proposed Fee Schedule D – Building
 F. Proposed Fee Schedule E – Recreation