



## ADMINISTRATIVE SERVICES DEPARTMENT

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### CITY COUNCIL STAFF REPORT

Meeting: May 17, 2022

#### Subject

Consider the Fiscal Year (FY) 2022-23 Fee Schedule Update

#### Recommended Action

Adopt Resolution No. 22-049 approving FY 2022-23 Fee Schedules A, B, C, D, and E effective July 18, 2022.

#### Summary

The City reviews user fees 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 recreational purposes, are based on market conditions or fees charged by outside service providers and other governments. The General Fund subsidizes fees that do not generate sufficient revenue to cover the cost of service.

#### Background and Recommendation

The City revised the Fiscal Year (FY) 2016-17 Fee Schedule after a comprehensive Fee Study was completed in conjunction with a Cost Allocation Study. The studies analyzed the City's costs and fees to determine costs that can be allocated between City departments and costs that can be recovered through fees charged to the public. The City conducted approximately every seven years. Staff has submitted a budget proposal in the FY 2022-23 Proposed Budget for the next comprehensive fee study. If the budget proposal is approved, staff plans to develop a Request for Proposal (RFP) and complete the study in FY 2022-23.

The City adjusts fees between studies using either the Bay Area Consumer Price Index (CPI), Bay Area Construction Cost Index (CCI), or budgeted labor costs. For FY 2022-23, the CPI increase is 5.2%, the CCI increase is 9.8%, and the labor cost increase is 1.0%, as shown below.

	February 2021	February 2022	Index Increase	% Increase
<b>Consumer Price Index for All Urban Consumers (CPI-U)</b>	304.39	320.20	15.81	<b>5.2%</b>
<b>Construction Cost Index (CCI)</b>	13,110.16	14,396.70	1,286.54	<b>9.8%</b>
<b>Budgeted Labor Costs</b>	\$37,422,332 <sup>1</sup>	\$37,781,396 <sup>2</sup>	\$359,064	<b>1.0%</b>

<sup>1</sup>Base Salary and Benefits (FY 2021-22 Amended Budget as of 2/28/2022)

<sup>2</sup>Base Salary and Benefits (FY 2022-23 Proposed Budget as of 2/28/2022)

The City is currently negotiating with its bargaining groups because labor agreements expire on June 30, 2022. Due to the uncertainty, the labor cost increase only accounts for step increases and changes in CalPERS retirement rates. The labor cost increase does not include any cost-of-living adjustments (COLA) or equity adjustments. As a result, in FY 2023-24, the labor cost factor will consist of a true-up for FY 2022-23 and the normal labor cost increase for FY 2023-24.

The CPI increase was applied to Schedules A and C, the CCI increase was applied to Schedule B, and the estimated labor cost increase was applied to Schedules B, C, and D to produce the City's recommendations described in more detail below. No escalator was applied to Schedule E, as Parks and Recreation fees are market-driven to be competitive with entities that offer competing services.

In FY 2016-17, Matrix Consulting Group, a City consultant, completed a comprehensive Fee Study, which informed the FY 2016-17 fee schedule update. The changes to fees since FY 2016-17 are summarized in the table below:

Fiscal Year	Schedule A – General Fees	Schedule B – Engineering Fees	Schedule C – Planning Fees	Schedule D – Building Fees
<b>2022-23 (proposed)</b>	5.2% CPI	9.8% CCI 1.0% Estimated Labor Cost Increase	5.2% CPI 1.0% Estimated Labor Cost Increase	1.0% Estimated Labor Cost Increase
<b>2021-22</b>	1.6% CPI	2.5% CCI 5.7% Estimated Labor Cost Increase	1.6% CPI 5.7% Estimated Labor Cost Increase	5.7% Estimated Labor Cost Increase
<b>2020-21</b>	2.91% CPI	6.3% CCI 17.3% Estimated Labor Cost increase	17.3% Estimated Labor Cost increase	17.3% Estimated Labor Cost increase

Fiscal Year	Schedule A – General Fees	Schedule B – Engineering Fees	Schedule C – Planning Fees	Schedule D – Building Fees
2019-20	3.53% CPI	1.0% CCI 4.0% Estimated Labor Cost Increase	4.0% Estimated Labor Cost Increase	4.0% Estimated Labor Cost Increase
2018-19	3.55% CPI	3.5% CCI 4.1% Estimated Labor Cost Increase	4.1% Estimated Labor Cost Increase	4.1% Estimated Labor Cost Increase
2017-18	3.44% CPI	11.2% Estimated Labor Cost Increase	11.2% Estimated Labor Cost Increase	11.2% Estimated Labor Cost Increase
2016-17	Varied and comprehensive changes due to Fee Study.			

#### New Fees and Substantial Changes

**Schedule A – General:** A 5.2% CPI increase has been applied to all applicable fees in Schedule A. Increases to these fees are mostly impacted by the cost of materials or external prices that are not under the control of the City. The following addition is proposed for Schedule A:

- *Animal Establishment Permit*
  - An "Animal Establishment Permit" category is being added. An existing fee, "Commercial Kennel Permit," is being moved to this category. New fees for "Private Kennel," "Pet Shop," "Grooming Business," and "Horse Establishment" are also being added to this category. The new fees are proposed at the same rates as the "Commercial Kennel Permit."

**Schedule B – Engineering:** A 9.8% CCI or 1.0% labor cost increase has been applied to fees in Schedule B, except for Park Land Dedication In-Lieu Fees and Transportation Impact Fees.

- *Park Land Dedication In-Lieu Fees and Transportation Impact Fees*
  - Park Land Dedication In-Lieu Fees are calculated per Municipal Code section 13.08. On an annual basis, the Public Works Department updates the fair market value of land within the City based on the appraised values of land sales.
  - The Public Works Department is continuing to evaluate Parkland Dedication and Transportation Impact fees for FY 2022-23. It is recommended that increases to Parkland Dedication and Transportation Impact fees be deferred to allow for further review of potential fee increases.

**Schedule C – Planning:** A 1.0% labor cost increase has been applied to all fees in Schedule C, except the Housing Mitigation In-Lieu fees. The Housing Mitigation In-Lieu fees increase annually (on July 1 of each year) by the Consumer Price Index (CPI) for All Urban Consumers for San Francisco, CA, which is 5.2% for FY 2022-23.

Zoning, Planning, Municipal Code Fees did not increase because 1.0% of the original fee was less than \$0.01 per square foot.

The following change is proposed for Schedule C:

- *Parcel Map: Subdivisions, including ministerial subdivisions - up to four (4) parcels (CMC Chapter 18.20).*
  - The definition of Parcel Map is being modified to add "ministerial subdivisions." The addition clarifies staff's earlier determination that the process of processing ministerial subdivisions closely matches existing parcel map processes. Therefore, the same fee would apply.

**Schedule D – Building:** The Building Fee Schedule contains four tables that 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

Schedule D fees have been increased by a 1.0% labor cost increase. If 1.0% of the original fee was less than \$0.50, the fee did not increase since Schedule D fees are rounded to the nearest dollar.

The following fees are proposed additions to Schedule D:

**Table 3 – Mechanical, Electrical, and Plumbing Fees**

- *Install/Relocate forced air or gravity-type furnace or burner (including attached ducts and vents) up to and including 100,000 Btu/h (each)*
  - The description is being modified to remove "or gravity-type." Gravity-type furnaces are no longer used.
- *Repair/Alter/Add heating appliance, refrigeration unit, cooling unit, absorption unit, mini-split system/heat pump, or each heating, cooling, absorption, or evaporative cooling system, including installation of controls and/or ducts.*
  - The description is being modified to change "split system" to "mini-split system/heat pump" and add "and/or ducts" for clarification.
- *Mechanical Permit Fee*
  - This fee is being added. It was inadvertently left off in the FY 2021-22 fee schedule.

- *Electrical Permit Fee*
  - This fee is being added. It was inadvertently left off in the FY 2021-22 fee schedule.
- *Plumbing/Gas Permit Fee*
  - This fee is being added. It was inadvertently left off in the FY 2021-22 fee schedule.

Table 4 – Miscellaneous Items

- *Accessory Dwelling Unit (ADU) - Plan Check Fees*
  - "Non Hillside" is being removed because the fee applies to ADUs in Non-Hillside and Hillside areas.
- *Accessory Dwelling Unit (ADU) - Inspection Fees*
  - "Non Hillside" is being removed because the fee applies to ADUs in Non-Hillside and Hillside areas.
- *Cellular/Mobile Phone, alterations to existing facility*
  - This fee is new. Currently, there is no fee for installing antennas on existing pole structures.
- *Battery Energy Storage System*
  - This fee is increasing to align with the standard hourly rate.
- *Inspections: Courtesy Inspection - 2 hour minimum*
  - This fee is increasing to align with the inspection hourly rate.
- *Inspections: Outside of normal business hours (2 hour minimum)*
  - This fee is increasing to align with the inspection hourly rate.
- *Expedite Plan Review*
  - This fee is being removed because the City does not offer expedited service.
- *Plan Review: Overtime Plan Review (2 hour minimum)*
  - This fee is increasing to align with the plan review hourly rate.
- *Plan Review: Pre-Submittal Plan Review (2 hour minimum)*
  - This fee is increasing to align with the plan review hourly rate.

**Schedule E – Parks and Recreation:** City staff are proposing the following modifications to the schedule:

- *Quinlan Community Center*
  - Establishment of fees for the Craft Room. The room's capacity matches Creekside Park building at 50 occupants maximum, so the fees are proposed at the same rates.
- *Monta Vista Recreation Center/Creekside Park Building/Wilson Park Building*
  - Establishment of fees for the Monta Vista Kitchen and Room 5. The kitchen's capacity most closely matches the Senior Center's Classroom at 30 occupants maximum, so the fees are proposed at those rates. Room 5 most closely matches Creekside Park building, so fees are proposed at that rate.

- *Senior Center*
  - The \$7 Flex Pass is being replaced with a Drop-In Rate to more accurately adjust to the varying costs of classes and programs offered at the Senior Center. This rate is for members to drop into specific fitness classes listed in *The 50+ Scene*.
- *Outdoor Facilities*
  - The Field Attendant fee amount is increasing from \$17 to \$18 per hour to align with minimum wage requirements.
  - Establishment of picnic area rental fees for Creekside Park. New BBQ pits were installed, and the picnic area capacity matches Portal Park at 80 occupants maximum, so the fees are proposed at the same rate.
- *Sports Field Fees*
  - The sports field fees were updated to incorporate an hourly fee schedule starting in FY 2021-22. However, this shift to an hourly rate resulted in increased costs for permitted field users. To ease this increase, City Council approved the proposed fees to be phased over two years, established at 50% in FY 2021-22 and 100% beginning in FY 2022-23.
- *Park Special Events Permits*
  - Establishment of fees for the Civic Center Plaza for festivals and events. The plaza's capacity matches half of Memorial Park at 500 or fewer attendees, so the fees are proposed at the same rate as the "half of Memorial Park" fee.

#### Sustainability Impact

None.

#### Fiscal Impact

Due to the proposed fee schedule increases, additional revenues of \$92,662 in the General Fund and \$158,000 in the Enterprise Funds are estimated in FY 2022-23. Revenues are based on a three-year historical average (FY 2019-20 to FY 2021-22), accounting for the proposed increases. If the increases are not adopted, the cost of providing the related 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 mainly 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
<b>Schedule A – General</b>	\$4,872	5.2% CPI
<b>Schedule B – Engineering</b>	\$17,628	9.8% CCI, 1.0% labor costs
<b>Schedule C – Planning</b>	\$9,536	5.2% CPI, 1.0% labor costs
<b>Schedule D – Building</b>	\$42,626	1.0% labor costs
<b>Schedule E – Parks &amp; Recreation</b>	General Fund: \$18,000, Enterprise Funds: \$158,000	Primarily market-driven

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Prepared by: Thomas Leung, Acting Finance Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Approved for Submission by: Jim Throop, City Manager

Attachments:

A – FY 2022-23 Proposed Fee Schedule A – General (Redline)

B – FY 2022-23 Proposed Fee Schedule B – Engineering (Redline)

C – FY 2022-23 Proposed Fee Schedule C – Planning (Redline)

D – FY 2022-23 Proposed Fee Schedule D – Building (Redline)

E – FY 2022-23 Proposed Fee Schedule E – Parks & Recreation (Redline)

F – FY 2022-23 Proposed Fee Schedule A – General (Clean)

G – FY 2022-23 Proposed Fee Schedule B – Engineering (Clean)

H – FY 2022-23 Proposed Fee Schedule C – Planning (Clean)

I – FY 2022-23 Proposed Fee Schedule D – Building (Clean)

J – FY 2022-23 Proposed Fee Schedule E – Parks & Recreation (Clean)

K – User Fee Study 2016

L – Draft Resolution No. 22-049 approving FY 2022-23 Fee Schedules A, B, C, D, and E