



**ADMINISTRATIVE SERVICES DEPARTMENT**

CITY HALL

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**CITY COUNCIL STAFF REPORT**

Meeting: June 6, 2017

Subject

Fiscal Year 2017-18 Fee Schedule

Recommended Action

Adopt Resolution No. 17-XXX, approving the FY 2017-18 Fee Schedule.

Description

The FY 2017-18 Fee Schedule, effective August 5, 2017, 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

Last year, the 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 3.44% and the cost of labor is expected to increase 11.16% in the FY2017-18 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 11.16% reflects two years of anticipated labor costs, FY2016-17 and FY2017-18.

The CPI was applied to Schedule A and the estimated increase in FY 2017-18 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.

Last year 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:

<b>Fiscal Year</b>	<b>Schedule A – General Fees</b>	<b>Schedule B – Engineering Fees</b>	<b>Schedule C – Planning Fees</b>	<b>Schedule D – Building Fees</b>
<b>2017-18</b>	3.44% CPI	11.16% Estimated Labor Cost Increase	11.16% Estimated Labor Cost Increase	11.16% Estimated Labor Cost Increase
<b>2016-17</b>	Varied and comprehensive changes due to Fee Study.			
<b>2015-16</b>	No Changes due to anticipated Fee Study.			
<b>2014-15</b>	2.6% CPI	3.0% Estimated Labor Cost Increase	3.0% Estimated Labor Cost Increase	3.0% Estimated Labor Cost Increase
<b>2013-14</b>	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 <sup>1</sup>
<b>2012-13</b>	2.4% CPI	2.4% CPI	2.4% CPI	2.4% CPI
<b>2011-12</b>	2.0%	3.5%	3.5%	3.5%
<b>2010-11</b>	No Change	No Change	No Change	No Change
<b>2009-10</b>	Minimal Change	3.5% CPI	3.5% CPI	3.5% CPI
<b>2008-09</b>	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 3.44% 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 FY2016-17 Fee Schedule update, the one-time business license fee needed for businesses prior to conducting community festivals was inadvertently deleted. The fee entitled *Community Festivals – One-time Business License* is being reinstituted at the rate it would have been had it not been deleted, \$9.80 per license, and then increased by CPI for the FY2017-18 update.

**Schedule B – Engineering:** Other than applying an 11.16% increase for anticipated labor cost increases for FY2017-18, most changes were made to improve fee descriptions, with the following exceptions:

- The Public Works staff hourly rate was increased mostly due to increased costs for classification upgrades for positions that provide professional services.

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

- The 15-gallon tree planting fee was eliminated from the New Public Tree Cost Schedule as it has never been used.
- A condition rating of “poor” was added to the Public Tree Removal Fee because it was inadvertently deleted with the prior year update and must be placed back on the schedule.

**Schedule C – Planning:** Other than applying an 11.16% increase for anticipated labor cost increases for FY2017-18, only one change was made to this schedule. The word “penalty” was removed from the Retroactive Tree Removal permit fee description because it was incorrectly designated as a penalty.

**Schedule D – Building:** For the Plan Check and Inspection Fee Schedules, the most substantive revision is the elimination of the Plan Check & Inspection Fees Combined schedule. The combined schedule was originally intended to facilitate faster calculation of fees when a customer required both plan check and inspection services. With the enhanced use of technology, estimating fees has been improved through the use of a fee estimator application developed in-house.

The Building Fee Schedule now 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 11.16% anticipated labor cost increases for FY2017-18. In addition to the 11.16% increase in fee rates, a number of changes were made to improve the usability of the fee schedule. The changes to the FY2017-18 Fee Schedule compared to previous years are separated into six different categories.

1. “Redundant”
2. “Outdated”
3. “Recommended”
4. “Missed”
5. “Clarity/Clean-up”
6. “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.

“Outdated” items are items recommended to be omitted due to lack of use. For example, a fee for the installation of a Cesspool is listed, however, the City of Cupertino does not have jurisdiction over the review and inspection of cesspools.

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 whole house rewire is a scope requested often by applicants but not identified in the schedule. Adding this item will reduce the amount of staff time spent to determine this particular fee.

A “Missed” item was inadvertently omitted from the previous fee schedule and is simply added back in. For example, the refund language in Table 4 inadvertently left out the refund amount in the previous fee schedule and was added back in.

“Clarity/Clean-up” revisions are meant to ensure the fee schedules are not contradictory and are easier to use. Currently there are fee items in direct conflict with another fee listed in the schedule. For example, a flat fee for single family dwelling additions less than 500 s.f. was approved by City Council in FY2009-10 to be added to the Miscellaneous Items Fee Schedule, Table 4, to reduce the fee for these types of minor projects. The Plan Check and Inspection tables, Table 1 and Table 2, do not reference this item in Table 4 and, therefore, need to be changed to reference the appropriate fee. A similar reference was added to the Accessory – Private Garage/Agricultural Building fee in Table 1 and Table 2 to reference a flat fee for private garages less than 1000 s.f. in Table 4. Another example of a clarity revision is in the MEP schedule, Table 3. An item to install/relocate a heater or an appliance was listed for both residential and commercial installations but never clearly identified as such. This change resolves the confusion.

“New code requirement” items are revisions made to be consistent with the current adopted codes. For example, in previous codes, fences 6’ or less were exempt from requiring a building permit. The codes have changed to exempt a building permit for fences 7’ or less. As a result, the fee category for fences changed accordingly.

**Schedule E – Recreation:** The proposed revisions to this fee schedule include necessary adjustments to room rental fees including Security Staff, Security Deposits, and hourly rate corrections. Proposed changes will apply to the Quinlan Community Center, Community Hall, Monta Vista Recreation Center, Creekside Park Building, the Senior Center, and the Environmental Education Center.

The Room Rental Security Staff fee is proposed to increase from \$25 to \$30 per hour and from a minimum of four hours to a minimum of six. This is aligned to the actual costs of contract security staffing. Security Staff are required when rental customers are holding an event at which alcohol will be served.

Revised Room Rental Security Deposits are recommended to simplify facility reservations and more accurately manage risk. This proposed fee schedule sets one Security Deposit rate by room, ranging from \$100 to \$500 depending on the size and amenities of each rental space. The

previous Security Deposits ranged from \$100 to \$750 and varied within a room depending on the user group. A security deposit is intended to incentivize rental groups to adhere to usage guidelines and protect the City in the event of damage or rental time overages. The cost of damage to City property is the same regardless of the user group type. Therefore, this revised fee schedule is intended to simplify rental fees and better fulfill the intended purpose of a Security Deposit. These rates have also been benchmarked with area cities to be sure they are in line with the market and comparable facilities.

This amended schedule also includes adjustments to room rental fees to better align hourly rental rates for similar facilities. The proposed fee schedule for FY16/17 included extensive proposed changes to room rental hourly rates and user groups, based on a Fee Study conducted by Matrix. The recommended changes were not adopted as proposed, and amendments were made to individual rooms. As the Department implemented the revised fees, it became clear that the hourly rates for the Monta Vista Rec Center and Creekside park buildings were out of alignment with actual costs and comparable facilities. This fee schedule recommends adjustments to correct these issues and ensures there are graduated rates by user group type, consistent with the other rental fees.

The Sports Center fees are recommended for adjustment to maintain cost recovery given the higher staff costs that occurred with the January 2017 wage increases. The Sports Center last increased the annual and monthly membership fees in FY16/17, as the program must maintain cost recovery levels. The Sports Center class drop-in fees are recommended to increase in alignment with the resident rate for day pass fees.

There was an inadvertent error in the FY16/17 fee resolution for the Teen Center Rental Rate period. The Teen Center may be rented for \$200 per three hours (not four). This proposed schedule corrects the error.

Proposed changes in the Outdoor Facilities section of the schedule create a mechanism for the Director of Recreation and Community Services to set park user fees for Cupertino public schools to use parks for their end-of-year student celebrations. The Director would set a particular fee based on the park being used, hours, and number of anticipated students to recover costs the City may incur from additional bathroom servicing and maintenance costs. Fees between \$0 and \$500 may be set by the Director of Recreation and Community Services based on actual costs to the City for use of athletic and picnic areas in neighborhood parks by public, tax supported high schools in the Cupertino School District or Cupertino High School, Monta Vista High School, and Homestead High School for one-time school functions or events (end of year picnics, parties, etc.). Events must take place on weekdays prior to 3:00pm. Blackberry Farm, Memorial Park, Portal Park, and Linda Vista picnic sites are excluded from this fee structure. Additionally, the Softball Field Facility Attendant rate has been increased from \$12 to \$14 per hour to align with actual staffing costs.

There was an inadvertent error in the FY16/17 fee resolution for the Memorial Park Amphitheatre and Gazebo rental periods. These areas are rented per two hours of time. This proposed schedule corrects the error.

A new fee series has been established for Parks Special Events. These fees are intended to establish rates for Memorial Park festival rentals. The City receives requests to rent Memorial Park for large community events and festivals. To date, no fees were established to permit the use of this space specifically for large festivals. Staff prepared analysis to set these rates, which included benchmarking special event fees, calculating the daily maintenance cost for Memorial Park, and applying best practices for facility/park rentals. The new schedule establishes an application fee for each proposed festival, a refundable security deposit, and two separate park special event permit fees depending on the size and area of the park used. The proposed Parks Special Event fees bring Cupertino in line with area cities which have established fees for large park events and permits. Cupertino has committed to partnering with community groups to produce festivals with significant cultural and community benefit. Therefore, in line with the FY2017-18 Budget, staff is recommending the waiver of the new Festival Application fee, Park Special Event Permit fee, and City Staff costs for all previously-approved FY2017-18 events. Event producers would be required to pay the \$1,000 deposit 30 days in advance of each festival, in order to receive their approved Special Event Permit. Once the post-event evaluation meeting is held and staff verify that all festival conditions were successfully met, the security deposit would be fully refunded.

The Community Garden plot rental fees and security deposit rates have been incorporated into the proposed fee schedule for FY2017-18. Rates increased from \$84 to \$100 in the FY2016-17 fiscal year. Staff conducted preliminary benchmarking and best practices research to explore fee models and infrastructure support to improve the Community Garden program in the future. With the Community Garden fees now incorporated into the fee resolution, any future proposed changes will be presented to Council for review and adoption.

#### Sustainability Impact

None.

#### Fiscal Impact

General Fund revenues can increase by \$835,000 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:

<b>Fee Schedule</b>	<b>Additional Revenue</b>	<b>Factor and Basis</b>
Schedule A – General	\$108,000	3.44% CPI for Bay Area
Schedule B – Engineering	\$370,000	11.16% for labor costs
Schedule C – Planning	\$310,000	11.16% for labor costs
Schedule D – Building	\$47,000	11.16% for labor costs
Schedule E – Recreation	\$17,000	Mostly market driven

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Prepared by: Lisa Taitano, 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