



City of Palo Alto

City Council Staff Report

(ID # 11190)

Report Type: Action Items

Meeting Date: 5/13/2020

Summary Title: Review of Fiscal Year 2021 Proposed Municipal Fee Schedule Amendments

Title: Discussion of Fiscal Year 2021 Proposed Municipal Fee Schedule Amendments

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the City Council review amendments to the Municipal Fee Schedule for Fiscal Year 2021.

Background

The City charges fees for a variety of services provided, such as fees for photocopies, building inspection services, or room rentals. Annually, as part of the budget process, staff submits changes to the Municipal Fee Schedule for review, followed by final approval by the City Council as part of the budget adoption.

In Fiscal Year 2013, staff completed a cost of services study for most departments. Results from that study set the standards used by departments to review and calculate the City's expenditures linked to a particular fee activity in order to determine the fee amount and cost recovery level. These expenditures include the budgeted cost of staff time including salaries and benefits; related non-salary expenditures; department and citywide cost allocations to recuperate costs for department management oversight and internal support functions such as purchasing, payroll, or human resources.

On June 17, 2019, Council adopted updates to the User Fee Cost Recovery Level Policy to include language clarifying certain types of fees are not subject to state laws limiting fees to cost recovery to more accurately reflect the various types of services provided by the City for which fees may be collected ([CMR 10419](#)). Details of the policy are outlined in the chart below.

Cost Recovery Level Group	Cost Recovery Percentage Range	Policy Considerations
Low	0% - 30%	<ul style="list-style-type: none"> • No intended relationship between the amount paid and the benefit received • Fee collection would not be cost effective and/or would discourage compliance with regulatory requirements • No intent to limit the use of the service • Public at large benefits even if they are not the direct users of the service • Affordability of service to low-income residents • The service is heavily supported through donations
Medium	30.1% - 70%	<ul style="list-style-type: none"> • Services which promote healthy activities and educational enrichment to the community • Services having factors associated with the low and high cost recovery levels
High	70.1% - 100%*	<ul style="list-style-type: none"> • Individual users or participants receive most or all of the benefit of the service • Other private or public sector alternatives provide the service • The use of the service is specifically discouraged • The service is regulatory in nature

*Certain types of fees, such as fines, penalties and/or late charges, or any charge imposed for entrance to or use of, as well as the purchase, rental, or lease of local government property, are not bound by state laws that limit to full cost recovery.

Since the adoption of the initial User Fee Cost Recovery Level Policy in Fiscal Year 2015, it has served as a guide for departments to update their fees to ensure proper alignment with the user cost recovery level. To maintain this alignment, departments periodically conduct an in-depth fee analysis or undergo a fee study. For example, funding is recommended in the Fiscal Year 2021 Proposed Budget for the Planning and Development Services Department to conduct a fee study.

This annual report brings forward amendments to the Municipal Fee Schedule organized into three categories as has been the procedure since recommended by the City Council in Fiscal Year 2016:

- (1) New fees,
- (2) Deletion of existing fees, and
- (3) Changed fees to attain a cost recovery level consistent with other fees or based on a market study for similar services.

Discussion

The development of the Municipal Fee Schedule for Fiscal Year 2021 reflects some continued department service realignments from Fiscal Year 2020 from the Animal Shelter services transition detailed below:

- *Animal Services Transition:* on November 26, 2018 ([CMR 9822](#)), the City Council approved a contract with Pets-in-Need (PIN) to deliver animal care services at the shelter, transitioning service delivery from the Police Department to the outside contractor. This new partnership with PIN is administered by the Community Services Department. While the City no longer directly administers animal care services including various shelter service fees, the fees are still included in the Municipal Fee Schedule as it remains a City service and operation administered through PIN. New fees and changes to certain Animal Shelter service fees are recommended to continue to align with the new service delivery model and industry standards, and are detailed in Attachment A. These updates are a result of ongoing collaboration between PIN and CSD staff.

Most fees across the City have been updated to maintain cost recovery levels. The average increase of salaries and benefits from Fiscal Year 2020 to Fiscal Year 2021 was 2.6%, and this general rate of increase was applied to most fees to keep the fees within the current cost recovery levels. Only fees that were updated by a factor greater than 2.6% to attain a higher cost recovery level, or were adjusted based on a fee study or a market study, are further detailed in Attachment A. This report is meant to be a starting point for conversations about Municipal Fees. As the City strives to balance its General Fund budget for FY 2021, proposals with impacts on Municipal Fees will be identified. Necessary changes to the Municipal Fee Schedule resulting from those proposals will be discussed on May 26, 2020 depending on what the City Council chooses to further pursue.

New Fees

As identified in Table 1 below, eighteen (18) new fees are recommended to be added to the Fiscal Year 2021 Municipal Fee Schedule: 11 in Community Services; six in Library; and one in Public Works.

Community Services Department recommended additions:

- Three fees are recommended in alignment with Pets-In-Need (PIN), the City's non-profit partner at the Animal Shelter.
- Eight fees are related to opening of the new Junior Museum and Zoo in FY 2021 and include ticketed entry, annual memberships, and various room rentals in the new facility in alignment with the operating plan and policy change approved by the Finance Committee in [CMR 11093](#). The operating plan that this is based on is scheduled to be reviewed by the Council during the budget deliberations in the wake of the current COVID-19 emergency and amendments to this will be brought forward as necessary on May 26.

Library Department recommended additions:

- Two fees are recommended to allow for easier full day rentals of community meeting rooms at Mitchell Park and Rinconada Libraries.
- Three new deposit fees associated with cleaning, replacing resources or repairing damage to Library room rentals.
- One new fee to accommodate rentals of Library spaces as photography or filming locations.

Public Works recommended additions:

- One new fee recommended to account for Urban Forestry’s portion of review services performed under Planning’s Home Improvement Exception fee.

Table 1. New Fees for 2021

Department	Fee Title	FY 2021 Proposed Fee	Cost Recovery Level
Community Services	Deworming	\$20.00 per pet	High
Community Services	Rescue Group (Non-Profit) - Dog Spay/Neuter (under 50 lbs)	\$75.00 per pet	High
Community Services	Rescue Group (Non-Profit) - Dog Spay/Neuter (over 50 lbs)	\$100.00 per pet	High
Community Services	Ticketed Admission Fee	\$2.00 - \$13.00 per person	High
Community Services	Family Membership	\$110.00 - \$245.00 each	High
Community Services	Dawn Redwood Courtyard	Resident Fee: \$250.00 per hour; Non-Resident Fee: \$325.00 per hour	High
Community Services	Multi-use Room	Resident Fee: \$120.00 per hour; Non-Resident Fee: \$180.00 per hour	High
Community Services	Indoor Classroom	Resident Fee: \$96.00 per hour; Non-Resident Fee: \$105.00 per hour	High
Community Services	Outdoor Classroom	Resident Fee: \$120.00 per hour; Non-Resident Fee: \$180.00 per hour	High
Community Services	Art Studio Short Term	Resident Fee: \$89.00 per week; Non-Resident Fee: \$99.00 per week	High
Community Services	Package Rental - Adobe North Tech Lab and South Meeting Room	Resident Fee: \$209.00 per hour; Non-Resident Fee: \$312.00 per hour	High
Library	Mitchell Park Library Community Room - Full Day Rental	Resident Fee: \$324.00 per day; Non-Resident Fee: \$485.00 per day	High
Library	Rinconada Library Community Room - Full Day Rental	Resident Fee: \$469.00 per day; Non-Resident Fee: \$702.00 per day	High
Library	Room Cleaning & Damage Deposit	\$300.00 - \$3,000.00 per deposit	High
Library	Room Cleaning Fee - Add on	\$80.00 - \$500.00 per event	High
Library	Room Rental Furniture damage	Cost of repair or replacement per item	High
Library	Photography/Filming -Space rental fee	\$100.00 - \$2,000.00 per session	High

Public Works	Home Improvement Exception - Trees	\$737.00 per application	High
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Deleted Fees

Eighteen (18) fees are recommended to be deleted in the Fiscal Year 2021 Municipal Fee Schedule. The deleted fees are included in the following departments: Community Services (15 fees); Library (1 fee); Planning and Development Services (1 fee); and Public Works (1 fee). Each fee, and the justification for its deletion, is detailed in Table 2 below.

Table 2. Deletion of Fees for FY 2021

Department	Fee Title	Justification
Community Services	Rescue Group (Non-Profit) - Dog Spay/Neuter	This service is no longer provided.
Community Services	Dance Parties	This service is no longer provided.
Community Services	Card Replacement Fee	This service is no longer provided.
Community Services	Open Space & Parks Special Use Permit	This service is no longer provided.
Community Services	Science Lab 2	This service is no longer provided.
Community Services	Science Lab Rental	This service is no longer provided.
Community Services	Other Rooms	This service is no longer provided.
Community Services	Zoo	This service is no longer provided.
Community Services	Package Rental - Weddings (Saturday & Sunday)	This service is no longer provided.
Community Services	Upright Piano	This service is no longer provided.
Community Services	A. Art Studio Short Term, Quarter Studio	This service is no longer provided.
Community Services	B. Art Studio Short Term, Half Studio	This service is no longer provided.
Community Services	C. Art Studio Short Term, Whole Studio	This service is no longer provided.
Community Services	Teen Center	This service is no longer provided.
Community Services	Cleaning Package - Add On (Mitchell Park Only)	This service is no longer provided.
Library	Overdue Materials - Adult	Fines for adult overdue materials will no longer be collected.
Planning and Development Services	Construction/Maintenance Vehicles Parking Space Permit	Duplicate fee; Loss of Parking Space fee is available for the same purpose.
Public Works	Grease Waste Disposal	This service is no longer provided.

Changed Fees

Thirty-three (33) fees are recommended for adjustments by a factor other than the 2.6% baseline salary and benefits adjustments in order to:

- (1) attain a cost recovery level consistent with other fees;
- (2) align with a market study; or
- (3) modify the fee structure to align with current service delivery.

These changed fees are detailed in Attachment A and are included in the following departments: 1 in Administrative Services; 7 in Community Services; 2 in Library; 4 in Office of Transportation; and 19 in the Planning and Development Services Public Works division. Each fee is listed by name along with the Adopted Fiscal Year 2020 rate, the Proposed Fiscal Year 2021 rate, the percentage change, and the fee change justification.

Some examples of fees increased by other than the baseline salary and benefits adjustments include Community Services Animal Shelter fees, which were changed based on the market value for providing animal care services or held at the same level at the shelter operator's recommendation; Community Services rental fees, which are adjusted to align with practices of other local municipalities; Office of Transportation parking permit fees, which are adjusted to begin the two-year phased alignment of costs between parking districts throughout the City; and Planning and Development Services fees provided through the Public Works Department, which are adjusted to maintain appropriate cost recovery levels.

Parking In-Lieu fees

Palo Alto Municipal Code (PAMC) Chapter 16.57.030 requires that the Parking In-Lieu Fee be recalculated in the event the City Council approved the construction of a public parking structure. Per the Municipal Code, the fee shall be adjusted at the time the construction contract is awarded to include actual costs to date, plus the projected construction cost and authorized contingency. A second recalculation must occur after the project is completed, based on actual design and construction costs incurred. The recalculated fee may be higher or lower than the initial fee.

As part of the FY 2020 budget process, the Parking In-Lieu fee for the downtown assessment district was adjusted to reflect construction costs of the new California Avenue parking garage per the contract with Swinerton Builders ([CMR 9688](#)). The fee was increased by 51.5 percent, from \$70,094 to \$106,171, reflecting the total project cost of \$50.1 million divided by 475 net new parking spaces (new garage spaces minus existing spaces). Details of this calculation are provided in the FY 2020 Proposed Municipal Fee Schedule ([CMR 10225](#), Attachment B).

The second recalculation will be done after the completion of the garage, currently anticipated in Summer 2020; however, this may change due to uncertainties related to construction as a result of COVID-19. In FY 2021, the fee is recommended to increase by the most recently published Construction Cost Index (CCI), as discussed in more detail in the Development Impact and In-Lieu Fees section below.

Development Impact and In-Lieu Fees

In the Planning and Development Services Department, impact and in-lieu fees were increased

by 5.36 percent to reflect the most recently published Construction Cost Index (CCI) for the San Francisco Bay Area, as calculated by the Engineering News Record. This is in accordance with Municipal Code 16.64.110, as amended on November 28, 2016 ([CMR 7518](#)), to standardize when these fees are paid, bring uniformity to the calculation in effect, bring uniformity to the annual adjustment rate, and other updates. Since these fees are governed by the applicable Municipal Code section, they are not discussed in Attachment A.

Resource Impact

The majority of fees are recommended to be increased by 2.6% due to the equivalent average citywide increase in salary and benefits costs from the Fiscal Year 2020 Adopted Budget to the Fiscal Year 2021 Proposed Budget. As outlined in Attachment A, certain fees are recommended to be changed by an amount greater than 2.6% to attain a higher cost recovery level consistent with other fees or adjusted based on a policy or market study. It is recommended that Office of Transportation fees be adjusted to begin the two-year phased alignment of costs between parking districts throughout the City. Development Impact fees are increased in accordance with the applicable Municipal Code sections and fees that are regulated by an outside agency are not reflected in Attachment A. The revenue adjustments associated with these various fee level adjustments were factored into the development of the Fiscal Year 2021 Proposed Operating Budget as appropriate; however, this was done prior to impacts associated with COVID-19. To the extent recommended fee levels are changed, implications on the revenue assumptions included in the Fiscal Year 2021 Proposed Operating Budget will be factored into the General Fund balancing strategy, as appropriate.

Policy Implications

These recommendations are consistent with existing City policies. Where a fee or charge is subject to Proposition 26, the amount of the new or increased fee or charge is no more than necessary to cover the reasonable cost of the City service, and the manner in which those costs are allocated to a payer bears a fair and reasonable relationship to the payer's burden on, or benefits received from, the City service funded by the fee.

Note that certain types of fees, such as fines, penalties and/or late charges, or charges imposed for entrance to or use of, as well as the purchase, rental, or lease of local government property, are expressly exempted from the requirements of Proposition 26 and are not required to be based on actual costs of providing service. Instead, these types of fees are more typically governed by local market rates, reasonableness, and potentially other policy factors. These types of fees can have rates that are higher than the full cost recovery level.

Stakeholder Engagement

Staff has coordinated internally with budget and management staff in each department citywide to develop the recommendations in this report. Conversations with the City Council throughout May and June prior to the adoption of the FY 2021 Operating and Capital Budgets and Municipal Fee Schedule allow for public participation in this annual process.

Environmental Review

Adjustment to the Municipal Fee Schedule does not constitute a project as defined in Public Resource Code Section 21065 for the purpose of the California Environmental Quality Act.

Attachments:

- Attachment A: Municipal Fee Schedule Amendments for FY 2021 Changed Fees

Municipal Fee Schedule Amendments for FY 2021 Changed Fees

Administrative Services Department

Fee Title	FY 2020 Adopted	FY 2021 Proposed	% Change	Justification
Revenue Collection-Documents and Photocopies: Mailing (Certified)	\$3.50 each	\$3.55 each	1.43%	Changed per postal rate

Community Services Department

Fee Title	FY 2020 Adopted	FY 2021 Proposed	% Change	Justification
Rabbits	\$10.00 per pet	\$40.00 per pet	300.00%	Shelter operator recommendation
Rescue Group (Non-Profit) - Cat Spay/Neuter	\$55.00 per pet	\$50.00 per pet	-9.09%	
JMZ - Science School and Group Programs	Resident Fee: \$132.00 - \$349.00 per program; Non-Resident Fee: Fee plus up to 50%	Resident Fee: \$147.00 - \$390.00 per program; Non-Resident Fee: Fee plus up to 50%	11.50%	Department recommendation to align with the proposal to reopen the JMZ in Fiscal Year 2021
JMZ - Science Child and Family Programs	Resident Fee: \$28.00 - \$389.00 per program; Non-Resident Fee: Fee plus up to 50%	Resident Fee: \$28.00 - \$660.00 per program; Non-Resident Fee: Fee plus up to 50%	34.83%	
JMZ - Group Admission	\$5.00 per child	\$2.00 - \$10.00 per person	Range	
Package Rental - All Available Space	Resident Fee: \$582.00 per hour; Non-Resident Fee: \$873.00 per hour	Resident Fee: \$750.00 per hour; Non-Resident Fee: \$1,125.00 per hour	28.87%	
Exhibit Hall Rental	Resident Fee: \$233.00 per hour; Non-Resident Fee: \$350.00 per hour	Resident Fee: \$295.00 per hour; Non-Resident Fee: \$442.00 per hour	26.45%	

Library Department

Fee Title	FY 2020 Adopted	FY 2021 Proposed	% Change	Justification
Mitchell Park Library Community Room	Resident Fee: \$94.00 per hour; Non-Resident Fee: \$140.00 per hour	Resident Fee: \$65.00 per hour; Non-Resident Fee: \$97.00 per hour	-30.78%	Aligned with CSD's El Palo Alto room per sq foot cost, GRI also applied
Rinconada Library Community Room	Resident Fee: \$140.00 per hour; Non-Resident Fee: \$210.00 per hour	Resident Fee: \$94.00 per hour; Non-Resident Fee: \$140.00 per hour	-33.10%	

Office of Transportation

Fee Title	FY 2020 Adopted	FY 2021 Proposed	% Change	Justification
Evergreen Park - Mayfield RPP Reduced-Price Employee Parking Permit	\$25.00 each	\$50.00 each	100.00%	Standardizing prices of all employee permits offered by the City
Evergreen Park - Mayfield RPP Full Price Employee Parking Permit	\$201.00 each	\$310.00 each	54.23%	
Southgate RPP - Full Price Employee Parking Permit	\$201.00 each	\$310.00 each	54.23%	
California Avenue Area All Garages and Lots Annual Parking Permit	\$403.00 per year	\$620.00 per year	53.85%	

Planning and Development Services

Fee Title	FY 2020 Adopted	FY 2021 Proposed	% Change	Justification
A. 101 - 1,000 cubic yards	\$213.00 for the first 100 cubic yards, plus \$213.00 for each additional 100 cubic yards or fraction thereof	\$218.00 for the first 100 cubic yards, plus \$218.00 for each additional 100 cubic yards or fraction thereof	2.35%	Public Works fees were analyzed, and proposed prices reflect a costing method to maintain cost recovery levels.
B. 1,001 - 10,000 cubic yards	\$2,130.00 for the first 1,000 cubic yards plus \$199.00 for each additional 1,000 cubic yards or fraction thereof	\$2,180.00 for the first 1,000 cubic yards plus \$205.00 for each additional 1,000 cubic yards or fraction thereof	2.35%	
C. 10,001 or more cubic yards	\$4,120.00 for the first 10,000 cubic yards plus \$771.00 for each additional 10,000 cubic yard or fraction thereof	\$4,230.00 for the first 10,000 cubic yards plus \$798.00 for each additional 10,000 cubic yard or fraction thereof	2.67%	
Tree Inspection for Private Development	\$162.00 per inspection	\$161.00 per inspection	-0.62%	
A. Dumpster, Container	\$331.00 each	\$344.00 each	3.93%	
B. Non-Residential - Single Day	\$1,339.00 each	\$1,385.00 each	3.44%	
C. Non-Residential Short-Term (Less than 5 days)	\$1,570.00 each	\$1,619.00 each	3.12%	
D. Non-Residential Long-Term (More than 5 days)	\$2,177.00 each	\$2,226.00 each	2.25%	
Wet Season Construction Site Stormwater Inspection	\$308.00 per inspection plus \$101.00 per hour thereafter, charged monthly October thru April.	\$309.00 per inspection plus \$101.00 per hour thereafter, charged monthly October thru April.	0.32%	
Architectural Review - Minor Project Trees (ARB Review)	\$1,223.00 per application	\$1,189.00 per application	-2.78%	
Architectural Review - Minor Project Trees (Staff Review)	\$244.00 per hour	\$229.00 per hour	-6.15%	
1. Temporary Discharge to Storm Drain from Non-Exclusionary Construction Site Dewatering	\$15,593.00 each	\$15,710.00 each	0.75%	
2. Additional Temporary Discharge to Storm Drain from Non-Exclusionary Construction Site Dewatering	\$341.00 per week for the duration of dewatering activities	\$345.00 per week for the duration of dewatering activities	1.17%	
A. Construction in Public Right-of-Way (\$1.00 - \$5,999)	\$751.00 per occurrence	\$721.00 per occurrence	-3.99%	
B. Construction in Public Right-of-Way (\$6,000 - \$25,999)	\$751.00 + 9.4% of value greater than \$6,000.00	\$741.00 + 9.3% of value greater than \$6,000.00	-1.33%	
C. Construction in Public Right-of-Way (\$26,000 - \$100,999)	\$2,631.00 + 11.5% of value greater than \$26,000.00	\$2,581.00 + 11.8% of value greater than \$26,000.00	-1.90%	
D. Construction in Public Right-of-Way (\$101,000 +)	\$11,265.00 + 9.6% of value greater than \$100,000.00	\$11,431.00 + 9.3% of value greater than \$100,000.00	1.47%	
Right of Way Closure Management	\$87.00 each	\$89.00 each	2.30%	
Storm Drain Plan Check Fee	\$1,017.00 each	\$1,043.00 each	2.56%	