



FINANCE COMMITTEE
Wednesday, May 11, 2022
Special Meeting
Community Meeting Room
9:00 AM

Supplemental Reports Added

Pursuant to [AB 361](#) Palo Alto City Council and Committee meetings will be held as “hybrid” meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda.

HOW TO PARTICIPATE

VIRTUAL PARTICIPATION

[CLICK HERE TO JOIN](https://cityofpaloalto.zoom.us/j/99227307235) (<https://cityofpaloalto.zoom.us/j/99227307235>)
Meeting ID: 992 2730 7235 Phone:1(669)900-6833

The meeting will be broadcast on Cable TV Channel 26, live on YouTube at <https://www.youtube.com/c/cityofpaloalto>, and streamed to Midpen Media Center at <https://midpenmedia.org>.

PUBLIC COMMENTS

Public Comments will be accepted both in person and via Zoom meeting. All requests to speak will be taken until 5 minutes after the staff’s presentation. Written public comments can be submitted in advance to city.council@cityofpaloalto.org and will be provided to the Committee and available for inspection on the City’s website. Please clearly indicate which agenda item you are referencing in your email subject line.

CALL TO ORDER

ORAL COMMUNICATIONS

Members of the public may speak to any item NOT on the agenda.

ACTION ITEMS

9:00 – 9:10 AM 1) Fiscal Year 2022 May 4 Budget Hearing Continuation

At Place Memo

Presentation

*** Links to these Reports will be active on Friday April 29th**

FY 2023 Proposed Capital budget
FY 2023 Proposed Operating Budget

9:10 – 11:00 AM 2) Community and Library Services

Presentation

- a) Community Services O: 261-276
- b) Library O: 243-252

11:00 – 12:00 PM 3) Planning and Transportation

Presentation

- a) Planning and Development Services O: 261-276
- b) Office of Transportation O: 157-166
 - i) Parking Special Revenue Funds O: 89-102

12:00 – 2:00 PM LUNCH BREAK

2:00 – 2:30 PM 4) FY 2023 Proposed Municipal Fees & Charges

Presentation

Late Packet Report

2:30 – 4:00 PM 5) Infrastructure and Environment

At Place Memo

a) Utilities: Operating

- i) Electric Fund O: 355-370
- ii) Fiber Optics Fund O: 371-378
- iii) Gas Fund O: 379-392
- iv) Wastewater Collection Fund O: 393-402
- v) Water Fund O: 403-416

Presentation

b) Public Works: Operating

- i) General Fund O: 295-304
- ii) Airport Fund O: 305-314
- iii) Refuse Fund O: 315-324
- iv) Stormwater Management Fund O: 325-334
- v) Vehicle Replacement Fund O: 335-340
- vi) Wastewater Treatment Fund O: 341-348

4:00 – 5:00 PM 6) Citywide Internal Support and Administration

Presentation

- c) Information Technology O: 231-242

d) Administrative Services (including Printing & Mailing Fund)	O: 167-182
e) Human Resources	O: 211-220
f) City Attorney's Office	O: 115-122
g) City Auditor's Office	O: 123-130
h) City Clerk's Office	O: 131-140
i) City Manager's Office	O: 145-156
j) City Council	O: 141-144
k) Non-Departmental Funds	O: 417-424
i) General Benefits Fund	O: 427-432
ii) Workers Compensation Fund	O: 225-230
iii) General Liabilities Insurance Program	O: 221-224
iv) Retiree Health Benefit Fund	O: 433-436
v) Debt Service Fund	O: 105-112

FUTURE MEETINGS AND AGENDAS

ADJOURNMENT

PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to hybrid meetings via email, in person, teleconference, or by phone.

1. **Written public comments** may be submitted by email to city.council@cityofpaloalto.org.
2. **In person public comments** please complete a speaker request card located on the table at the entrance to the Council Chambers, and deliver it to the City Clerk prior to discussion of the item.
3. **Spoken public comments using a computer or smart phone** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
 - You may download the Zoom client or connect to the meeting in- browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Or download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below
 - You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
 - When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
 - When called, please limit your remarks to the time limit allotted.
 - A timer will be shown on the computer to help keep track of your comments.
4. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

[Click to Join](#) **Zoom Meeting ID: 992-2730-7235 Phone: 1(669)900-6833**

AMERICANS WITH DISABILITY ACT (ADA)

Persons with disabilities who require auxiliary aids or services in using City facilities, services or programs or who would like information on the City's compliance with the Americans with Disabilities Act (ADA) of 1990, may contact (650) 329-2550 (Voice) 48 hours or more in advance.



City of Palo Alto

Finance Committee Staff Report

(ID # 14111)

Meeting Date: 5/11/2022

Report Type: Action Items

Title: Review and Recommendations to Council on Fiscal Year 2023 Proposed Municipal Fee Schedule Amendments, for Incorporation in the FY 2023 Budget

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the Finance Committee review amendments to the Municipal Fee Schedule for Fiscal Year 2023 and make recommendations to Council for incorporation into the FY 2023 budget.

Background

The City charges fees for a variety of services provided, such as fees for room rentals, building inspection services, and photocopies. Many of these fees are limited by law to the City's cost to provide the relevant service. In these situations, the City documents the costs that support the fee. The City also charges fees in situations where the fees are not limited by the cost of providing service. For these types of fees, the City does not need to document costs. Where fees are not limited by cost of service, the City has wide discretion to set fees at the level it prefers and may consider factors such as local market conditions, policy considerations, and community needs. The Municipal Fee Schedule lists both types of fees. As part of the annual budget process, staff submit changes to the Municipal Fee Schedule for review, followed by final approval during City Council's budget adoption.

In FY 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 to determine the fee amount and cost recovery level. These expenditures represent 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 (e.g. purchasing, payroll, human resources).

In June 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 its adoption in FY 2015, the User Fee Cost Recovery Level Policy has served as a guide for departments to update fees by ensuring proper alignment with user cost recovery levels. To maintain this alignment, departments periodically conduct in-depth fee analyses or undergo fee studies. For example, in FY 2022, the Adopted Budget for the Planning and Development Services (PDS) Department includes funding to conduct a fee study. Results of this study are scheduled for consideration by the Finance Committee in May or June 2022. If the Finance Committee agrees with the recommendations in the separate PDS fee study, the changes will be incorporated into the adoption of the FY 2023 Budget, currently scheduled for June 20, 2022. If the changes are not approved in time for the FY 2023 Budget adoption, staff will return in FY 2023 to approve the results of the PDS fee study and adopt the recommended fee changes.

This annual report brings forward amendments to the Municipal Fee Schedule organized into three categories:

- (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 FY 2023 Municipal Fee Schedule reflects some department service realignments as most fees across the City have been updated to maintain cost recovery levels. The average increase of salaries and benefits from FY 2022 to FY 2023 was 4.6 percent, 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 4.6 percent 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 decisions on Municipal Fees. As the City strives to balance its General Fund budget for FY 2023, 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 11, 2022 as part of the budget hearings with the Finance Committee.

New Fees

As identified in Table 1 below, five (5) new fees are recommended to be added to the FY 2023 Municipal Fee Schedule: Public Works (two fees), Office of Transportation (two fees), and Community Services (one fee).

Public Works recommended additions:

- One fee for recycled water permit processing
- One fee for septic tank and portable toilet waste disposal permit processing

Office of Transportation recommended additions:

- Two fees for parking permit rates for Downtown and California Avenue garages (Council approved 11/1/2021, [CMR 11795](#))

Community Services recommended addition:

- One fee for zoo rental

Table 1. New Fees for 2023

Department	Fee Title	FY 2023 Proposed Fee	Cost Recovery Level
Public Works	Recycled Water Permit Processing	\$50.00 per permit	High
Public Works	Septic Tank & Portable Toilet Waste Disposal Permit Processing	\$100.00 per permit	High
Office of Transportation	All Downtown and SOFA Lots and Garages Reduced-Price Annual Parking Permit	\$225.00 per year	Medium
Office of Transportation	California Avenue Area All Garages and Lots Reduced-Price Annual Parking	\$162.50 per year	Medium

	Permit *		
Community Services	Zoo Rental *	Resident: \$314.00 per hour Non-Resident: \$471.00 per hour	High

* Fee not limited to cost recovery.

Deleted Fees

Three (3) fees are recommended to be deleted in the Fiscal Year 2023 Municipal Fee Schedule. The deleted fees are included in Community Services (one fee), Library (one fee) and Citywide (one fee). Each fee, and the justification for its deletion, is detailed in Table 2 below.

Table 2. Deletion of Fees for Fiscal Year 2023

Department	Fee Title	Justification
Community Services	Senior (w/card) - Golf Fee	Fee no longer active
Library	3-D Printing	Service not ready for implementation
Citywide	Thumb Drive	Fee no longer active

Changed Fees

295 fees are recommended for adjustments by a factor other than the 4.6 percent 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.

Of the 295 changed fees, 264 are Planning and Development Services (PDS) fees that will not be aligned per the 2019 User Fee Cost Recovery Level Policy due to a separate fee study which will be presented to the Finance Committee in a separate report in May or June 2022. If the Finance Committee agrees with the recommendations in the separate PDS fee study, the changes will be incorporated into the adoption of the FY 2023 Budget, currently scheduled for June 20, 2022. If the changes are not approved in time for the FY 2023 Budget adoption, staff will return in FY 2023 to approve the results of the PDS fee study and adopt the recommended fee changes.

The remaining 31 changed fees are recommended for adjustment as part of this report, and the changes are detailed in Attachment A. These fees are administered by the following departments: one in Administrative Services, six in Community Services, one in Fire, 11 in Office of Transportation, six in Planning and Development Services, and six in Public Works. Each fee is listed by name along with the Adopted FY 2022 rate, the

Proposed FY 2023 rate, the percentage change, and the fee change justification.

Partner Agencies or Vendor Fees

The City may form partnerships to provide services it wishes to maintain but not provide directly using City staff. While the City no longer directly administers these services, the fees may still be included in the Municipal Fee Schedule. Changes to these fees are based on the contract terms, such as 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 golf course fees, which are adjusted to align with the upper and lower limits of the course's dynamic, demand-based pricing model. Since these fees are governed by the contract through which partner agencies or vendors provide the service, they are not discussed in Attachment A.

Parking In-Lieu fees

Palo Alto Municipal Code (PAMC) Chapter [16.57.030](#) requires that the Parking In-Lieu Fee be recalculated when the City Council approves 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.

In December 2018, Council awarded a construction contract to Swinerton Builders ([CMR 9688](#)) for the California Avenue Parking Garage. The total project cost was calculated per PAMC [16.57.030](#) and includes design costs plus additional services, the construction bid with authorized contingency, and all other staff and administrative costs incurred. This calculation was done and approved as part of the Fiscal Year 2020 budget development process ([CMR 10225](#)). The cost per parking space was calculated at \$106,171 for the Fiscal Year 2020 Adopted Municipal Fee Schedule.

The California Avenue Parking Garage was completed and opened in December 2020. Staff has completed all project close-out documents and recalculated the Parking In-Lieu Fee at \$105,811. After adding the appropriate construction cost indexes for the San Francisco Bay Area for Fiscal Year 2021 through Fiscal Year 2023, the revised fee is \$124,275. (Note: this compares to the Fiscal Year 2023 proposed fee of \$124,694, if the fee was not recalculated post-construction).

Development Impact and In-Lieu Fees

In the Planning and Development Services Department, impact and in-lieu fees were increased by 8.05 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. Since these fees are

governed by the applicable Municipal Code section, they are not discussed in Attachment A.

On April 12, 2021, Council approved the maximum recommended fee levels presented in a Park, Community Center, and Library Development Impact Fee Justification Study ([CMR 12163](#)). The Community Services and Library Departments hired consulting firm DTA in April 2020 to perform a Parks, Community Center, and Library development impact fee nexus study to assess current fees and recommend increased fee levels. Prior to this study, baseline fee levels had not been evaluated in nearly 20 years. Council also directed staff, Finance Committee, and the Parks and Recreation Commission to review fee structures again in FY 2023 and determine the ongoing frequency at which these fee structures should be reevaluated. Revised fees are pending the Finance Committee recommendation to Council on May 3, 2022 to determine the appropriate methodology to update the fees in FY 2023 based on more recent information. Staff will return with updated fees when they are determined to include with the adoption of the FY 2023 Budget.

Resource Impacts

There is no staff or funding resources required for this action. Fees being increased by the general rate of increase will result in associated revenue keeping up with increasing salary and benefits costs. Other fees are adjusted to match the cost of services given updated costs for supplies and/or services.

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. 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 2023 Operating and Capital Budgets and Municipal Fee Schedule will 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:

- Municipal Fee Schedule Amendments for FY 2023 Changed Fees

Administrative Services

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Budget Book	\$35.00 each	\$40.00 each	14.3%	Fees aligned to cover minimum material and staffing costs

Community Services Department

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Auditorium and Stage	Resident Fee: \$250.00 per hour; Non-Resident Fee: \$375.00 per hour	Resident Fee: \$270.00 per hour; Non-Resident Fee: \$405.00 per hour	8.0%	Align fee to actual costs
Field Trips	\$152.00 per group	\$200.00 per group	31.0%	
Palo Alto Junior Museum & Zoo Attendant	Regular time: \$34.00 per hour; Overtime & Holiday: \$51.00 per hour	Regular time: \$44.00 per hour; Overtime & Holiday: \$66.00 per hour	29.4%	
Tennis Courts (USTA and Palo Alto Tennis Club Only)	Resident Fee: \$7.00 per hour; Non-Resident Fee: \$9.00 per hour	Resident Fee: \$8.00 per hour; Non-Resident Fee: \$10.00 per hour	12.7%	
Rehearsal Hall	Resident Fee: \$50.00 per hour; Non-Resident Fee: \$75.00 per hour	Resident Fee: \$54.00 per hour; Non-Resident Fee: \$81.00 per hour	8.0%	
Peers Park, Mitchell Park Field House)	\$28.00 per hour	Resident Fee: \$174.00 per day; Non-Resident Fee: \$235.00 per day	-	Fee structure change from hourly to daily

Fire

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Paramedic Internship Fee	\$1,394.00 each	\$1,000 each	-28.3%	Fee set low to keep competitive with other agencies

Office of Transportation (OOT)

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
All Downtown and SOFA Lots and Garages Annual Parking Permit	\$806.00 per year	\$900.00 per year	11.7%	FY 2023 Pricing based on CMR#11795
California Avenue Area All Garages and Lots Annual Parking Permit	\$403.00 per year	\$650.00 per year	39.0%	
Downtown RPP - Annual Resident Parking Permit	\$50.00 per year	\$50.00 per year	-	
Downtown RPP - Reduced-Price Employee Parking Permit	\$50.00 per six months	\$131.25 per six months	162.5%	
Downtown RPP Full Price Employee Parking Permit	\$403.00 per six months	\$525.00 per six months	30.3%	
Evergreen Park - Mayfield RPP Annual Resident Parking Permit	\$50.00 per year	\$50.00 per year	-	
Evergreen Park - Mayfield RPP Full Price Employee Parking Permit	\$201.50 per six months	\$375.00 per six months	86.1%	
Evergreen Park - Mayfield RPP Reduced-Price Employee Parking Permit	\$25.00 per six months	\$93.75 per six months	275.0%	
Southgate RPP - Annual Resident Parking Permit	\$50.00 per year	\$50.00 per year	-	
Southgate RPP - Full Price Employee Parking Permit	\$201.50 per six months	\$375.00 per six months	86.1%	
Southgate RPP - Reduced Price Employee Parking Permit	\$25.00 per six months	\$93.75 per six months	275.0%	

Planning and Community Environment

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Community Center Impact Fee	Single Family \$4,438.00 per unit; Multi-Family \$3,283.00 per unit	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		Finance Committee recommendation to Council on May 3, 2022 to determine appropriate method to update the fees
Community Center Impact Fee	Commercial/Industrial \$1,301.00 per net new 1,000 sq. ft.; Hotel/Motel \$222.00 per net new 1,000 sq. ft.	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		
Library Impact Fee	Single Family \$2,645.00 per unit; Multi-Family \$1,956.00 per unit	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		
Library Impact Fee	Commercial/Industrial \$776.00 per net new 1,000 sq. ft.; Hotel/Motel \$132.00 per net new 1,000 sq. ft.	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		
Park Impact Fee	Single Family \$57,420.00 per unit; Multi-Family \$42,468.00 per unit	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		
Park Impact Fee	Commercial/Industrial \$16,837.00 per net new 1,000 sq. ft.; Hotel/Motel \$2,866.00 per net new 1,000 sq. ft.	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		

Attachment: Municipal Fee Schedule Amendments for FY 2023 Changed Fees (14111 : Fiscal Year 2023

Public Works

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Home Improvement Exception – Trees	\$739.00 per application	\$432.00 per application	-41.5%	Fees aligned to modified salary costs of staff time required for this service
IR Review – Trees	\$319.00 per application	\$672.00 per application	110.7%	
A. Pavement Condition: Poor	\$11.00 per square foot	\$12.00 per square foot	9.1%	Fees aligned to increased cost of supplies
B. Pavement Condition: Fair/At-Risk	\$13.00 per square foot	\$15.00 per square foot	15.4%	
C. Pavement Condition: Good	\$16.00 per square foot	\$18.00 per square foot	12.5%	
D. Pavement Condition: Very Good - Excellent	\$23.00 per square foot	\$25.00 per square foot	8.7%	

Attachment: Municipal Fee Schedule Amendments for FY 2023 Changed Fees (14111 : Fiscal Year 2023