



City of Palo Alto

Finance Committee Staff Report

(ID # 12193)

Report Type: Action Items

Meeting Date: 5/12/2021

Summary Title: Review of Fiscal Year 2022 Proposed Municipal Fee Schedule Amendments

Title: Review and Recommendations to Council on Fiscal Year 2022 Municipal Fee Schedule Amendments, for Incorporation in the FY 2022 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 2022 and make recommendations to Council for incorporation into the FY 2022 budget.

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 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 2022 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 2022 reflects some department service realignments from the following:

- *Office of Transportation:* As part of the Fiscal Year 2021 budget development process, pricing increases were approved by Council for six employee residential parking permit fees within Downtown, Evergreen Park-Mayfield, and Southgate residential parking districts. However, due to the cessation of parking enforcement and related projects as a result of Council action in response to the COVID-19 pandemic (CMR [11238](#)), implementation of these fee increases was delayed. For the Fiscal Year 2022 Municipal Fee Schedule, staff recommends reverting to Fiscal Year 2020 Adopted pricing.
- *Park, Community Center, and Library Development Impact Fees:* On April 12, 2021 (CMR [12163](#)) City Council approved a Park, Community Center, and Library Development Impact Fee Justification Study and directed staff to implement the maximum recommended levels through the Fiscal Year 2022 Municipal Fee Schedule process.

Most fees across the City have been updated to maintain cost recovery levels. The average increase of salaries and benefits from Fiscal Year 2021 to Fiscal Year 2022 was 2.0 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 2.0 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 conversations about Municipal Fees. As the City strives to balance its General Fund budget for Fiscal Year 2022, 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 12, 2021 as part of the budget hearings with the Finance Committee.

New Fees

As identified in Table 1 below, twenty (21) new fees are recommended to be added to the Fiscal Year 2022 Municipal Fee Schedule: Community Services (12 fees), Fire (5 fees), Planning and Development Services (3 fees) and Public Works (1 fee).

Community Services Department recommended additions:

- Nine fees to bring the City's Municipal Fees Schedule in alignment with Pets-In-Need (PIN), the City's non-profit partner at the Animal Shelter.
- One fee to provide a school year membership option for the Teen Center, which will now be available in addition to the existing monthly pass.
- Two fees to consolidate multiple fees or fee tiers to a single fee; a single non-profit rental discount for theater rentals and a single summary of fee information for the Rinconada Pool, operated by an external vendor.

Fire Department recommended additions:

- Five fees to replace the Preventable False Alarm (CFC 401.3.1) fee range, which is proposed to be deleted for Fiscal Year 2022. The proposed fee amounts are based on prior fee range amounts for the equivalent fee being replaced following Council’s municipal code amendment of the definition for “False Alarm” in CMR [11907](#).

Planning and Development Services Department recommended additions:

- Three fees to recover and offset staff and implementation costs. Proposed fees consist of a conditional use permit amendment for alcohol services to assist with changes in use of commercial spaces, a fee to recover costs associated with the implementation of SB 330 (Housing Crisis Act of 2019), and a pre-application staff consultation fee to offset staff costs for work done prior to application submittals.

Public Works recommended additions:

- One fee for the services of a consultant surveyor who will perform the duties of a City Surveyor as required by State law (Subdivision Map Act). The review and certification by a City Surveyor is required and precedes the City Engineer’s stamp and signature on parcel maps and final maps. An additional cost of 15 percent is added to each fee instance for in-house staff time and overhead costs associated with contract administration and application processing.

Table 1. New Fees for 2022

Department	Fee Title	FY 2022 Proposed Fee	Cost Recovery Level
Community Services	Rental Discount - Non-Profit	30% discount	High
Community Services	C. Neuter (100 lbs and over)	\$200.00 per pet	Low
Community Services	F. Spay (100 lbs and over)	\$225.00 per pet	Low
Community Services	Rescue Group (Non-Profit) - Cat Spay	\$65.00 per pet	Low
Community Services	Rescue Group (Non-Profit) - Dog Spay (over 50 lbs)	\$125.00 per pet	Low
Community Services	Rescue Group (Non-Profit) - Dog Neuter (under 50 lbs)	\$100.00 per pet	Low
Community Services	Feral TNR Package	\$55.00 per pet	Low
Community Services	Ear Cleaning	\$35.00 per pet	Low
Community Services	Ear Antibiotics	\$60.00 per pet	Low
Community Services	Flea Preventative	\$20.00 per pet	Low
Community Services	Teen Center Membership - School Year	\$70.00 each	Low

Community Services	Current Pool Rates	Rinconada Pool is currently operated by external vendor Team Sheepeer. For more information on current pool fees including lap swim, swim lessons, and swim camps, please visit their website at www.paloaltoswim.com	Low
Fire	Alarm Registration Fee - New	\$56.00 per incident	High
Fire	Alarm Registration Fee - Renewal	\$42.00 per incident	High
Fire	Alarm Registration Late Fee	\$20.00 per incident	High
Fire	Alarm Reinstatement Fee	\$50.00 per incident	High
Fire	Returned Check Fee	\$25.00 per incident	High
Planning and Development Services	Pre-Application Staff Consultation Fee	\$770.79 each	High
Planning and Development Services	Conditional Use Permit - Amendment for Alcohol Services	\$4,034.67 each	High
Planning and Development Services	SB 330 Fee	\$2,961.84 each	High
Public Works	Subdivision Map Act Applications	Surveyor fee + 15% contract administration	High

Deleted Fees

Twenty-eight (28) fees are recommended to be deleted in the Fiscal Year 2022 Municipal Fee Schedule. The deleted fees are included in the following departments: Community Services (23 fees); Fire (1 fee); Library (1 fee); and Non-Departmental (3 fees). Each fee, and the justification for its deletion, is detailed in Table 2 below.

Table 2. Deletion of Fees for Fiscal Year 2022

Department	Fee Title	Justification
Community Services	Animal Services Adoptions Cockatiels	This fee has been consolidated and merged into one fee
Community Services	Animal Services Vaccinations Trap Rental - 3 Day Usage (minimum)	This fee is deleted per animal shelter recommendation.
Community Services	Animal Services Pet Licenses Cat ID	This service is no longer provided by animal shelter.
Community Services	Animal Services Pet Licenses Cat ID - Altered	This service is no longer provided by animal shelter.

Community Services	G. Membership (Swim Pass) -Adult (18 and Over)	This fee has been consolidated and merged into one fee
Community Services	H. Membership (Swim Pass) - Senior (60 and Over)	This fee has been consolidated and merged into one fee
Community Services	Palo Alto Swim Club and Palo Alto Masters Swim Club	This service is no longer provided by operator
Community Services	Swimming Pool Rentals A. 1 - 25 People	This service is no longer provided by operator
Community Services	Swimming Pool Rentals B. 26 - 50 People	This service is no longer provided by operator
Community Services	Swimming Pool Rentals C. 51 - 75 People	This service is no longer provided by operator
Community Services	Swimming Pool Rentals D. 76 - 100 People	This service is no longer provided by operator
Community Services	Athletic Field Use Deposit	This service is no longer provided.
Community Services	Custodial Staff	This fee was consolidated under Custodial Services - General-Personnel rates.
Community Services	Children's Theater - Registration Ticket Processing Fee	This service is no longer provided.
Community Services	Cubberley Community Center – Theater Rentals E. Full Week Package	This service is no longer provided.
Community Services	Cubberley Community Center – Theater Rentals I. Dressing Room - M2	This service is no longer provided.
Community Services	Cubberley Community Center – Theater Rentals K. Dressing Room - M4	This service is no longer provided.
Community Services	Cubberley Community Center – Infrequent Rentals Amphitheater (Grass)	This service is no longer provided.
Community Services	Cubberley Community Center – Infrequent Rentals Auditorium (Includes Kitchen)	This service is no longer provided.
Community Services	Cubberley Community Center – Regular Weekly Rentals Amphitheater (Grass)	This service is no longer provided.
Community Services	Cubberley Community Center – Regular Weekly Rentals Auditorium (Includes Kitchen)	This service is no longer provided.
Community Services	Golf - Driving Range Fees E. Medium Bucket Card - 10	This service is no longer provided.
Community Services	Golf - Driving Range Fees F. Large Bucket Card - 10	This service is no longer provided.
Fire	Preventable False Alarm (CFC 401.3.1)	Fee being replaced with updated false alarm fee structure.
Library	Overdue Materials - LINK+	Fine no longer active; removed by outside agency.

Non-Departmental	Bicycle - Change of Ownership	Fee no longer active
Non-Departmental	Bicycle - License	Fee no longer active
Non-Departmental	Bicycle - Renewal	Fee no longer active

Changed Fees

Sixty-one (61) fees are recommended for adjustments by a factor other than the 2.0 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.

These changed fees are detailed in Attachment A and are included in the following departments: two in Administrative Services, forty-four in Community Services, two in Library, six in the Office of Transportation, one in Police, two in the Planning and Development Services and four in Non-Departmental. Each fee is listed by name along with the Adopted Fiscal Year 2021 rate, the Proposed Fiscal Year 2022 rate, the percentage change, and the fee change justification.

Partner Agencies or Vendor Fees

The City of Palo Alto may form partnerships to provide services the City 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 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. In Fiscal Year 2022, these fees are 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 3.17 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.

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 Fiscal Year 2022 and determine the ongoing frequency at which these fee structures should be reevaluated. The study establishes new fee amounts that will finance Park, Community Center, and Library facilities at levels of service necessary to meet the needs of new development through 2040. As a result, the Fiscal Year 2022 Municipal Fee Schedule reflects changes to the Community Center Impact Fee, Library Impact Fee, and Park Impact Fee listed in detail in Attachment A.

Resource Impact

The majority of fees are recommended to be increased by 2.0 percent due to the equivalent average citywide increase in salary and benefits costs from the Fiscal Year 2021 Adopted Budget to the Fiscal Year 2022 Proposed Budget. As outlined in Attachment A, certain fees are recommended to be changed by an amount other than 2.0 percent to attain a higher cost recovery level consistent with other fees or adjusted based on a policy or market study. 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. To the extent recommended fee levels are changed, implications on the revenue assumptions included in the Fiscal Year 2022 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. 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 Fiscal Year 2022 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 Fiscal Year 2022 Changed Fees

Administrative Services Department

Fee Title	FY 2021 Adopted	FY 2022 Proposed	% Change	Justification
Budget Book	\$30.00 each	\$35.00 each	16.67%	Fees aligned to cover minimum material and staffing costs
Mailing (Certified)	\$3.55 each	\$4.00 each	12.68%	Fee set by outside agency

Citywide

Fee Title	FY 2021 Adopted	FY 2022 Proposed	% Change	Justification
Utility Standards - WGW Standards, Latest Edition	\$30.00 each	\$65.00 each	116.67%	Fees aligned to cover minimum material costs
Utility Standards - Project Plan Set (Up to 25 sheets)	\$30.00 each	\$56.00 each	86.67%	

Community Services Department

Fee Title	FY 2021 Adopted	FY 2022 Proposed	% Change	Justification
Locker Rental - Large	\$35.00 per season	\$39.00 per season	11.43%	Fees aligned with market conditions and service delivery model
Grass Fields	Resident Fee: \$49.00 - \$87.00 per hour; Non-Resident Fee: \$89.00 - \$174.00 per hour	Resident Fee: \$54.00 per hour; Non-Resident Fee: \$98.00 per hour	10.16%	
Grass Fields - Palo Alto Based Non-Profits	Resident Fee: \$27.00 - \$58.00 per hour; Non-Resident Fee: Not Available	Resident Fee: \$30.00 per hour; Non-Resident Fee: Not Available	10.00%	
Grass Fields - Palo Alto Based Youth Sports Organizations	Resident Fee: \$3.00 - \$29.00 per hour; Non-Resident Fee: Not Available	Resident Fee: \$9.00 per hour; Non-Resident Fee: Not Available	28.00%	
Synthetic Turf Field	Resident Fee: \$66.00 - \$174.00 per hour; Non-Resident Fee: \$148.00 - \$232.00 per hour	Resident Fee: \$73.00 per hour; Non-Resident Fee: \$163.00 per hour	10.37%	
Synthetic Turf Field - Palo Alto Based Non-Profits	Resident Fee: \$47.00 - \$116.00 per hour; Non-Resident Fee: Not Available	Resident Fee: \$52.00 per hour; Non-Resident Fee: Not available	10.63%	
Synthetic Turf Field - Palo Alto Based Youth Sports Organizations	Resident Fee: \$35.00 - \$58.00 per hour; Non-Resident Fee: Not Available	Resident Fee: \$39.00 per hour; Non-Resident Fee: Not Available	11.43%	
A. Performance Day Package	Basic Rate: \$1,600.00 each; Non-Profit Rate: \$1,120.00 each	\$1,650.00 each	3.00%	
B. Production Day Package	Basic Rate: \$130.00 per hour; Non-Profit Rate: \$91.00 per hour	\$135.00 per hour	4.00%	
C. Rehearsal Day Package	Basic Rate: \$1,350.00 each; Non-Profit Rate: \$945.00 each	\$1,400.00 each	4.00%	
D. Dark Day Package	Basic Rate: \$960.00 each; Non-Profit Rate: \$672.00 each	\$1,000.00 each	4.16%	
Additional Performance Hours Past Four per Performance	Basic Rate: \$225.00 per hour; Non-Profit Rate: \$158.00 per hour	\$250.00 per hour	11.11%	
Dressing Room - M3	Basic Rate: \$26.00 per hour; Non-Profit Rate: \$22.00 per hour	\$30.00 per hour	15.39%	

Library Department

Fee Title	FY 2021 Adopted	FY 2022 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%	Fees aligned to costs of similar rentals per sq foot
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 (OOT)

Fee Title	FY 2021 Adopted	FY 2022 Proposed	% Change	Justification
All Downtown and SOFA Lots and Garages Annual Parking Permit	\$830.00 per year	\$806.00 per year	-2.89%	Revert to pre-pandemic pricing
California Avenue Area All Garages and Lots Annual Parking Permit	\$620.00 per year	\$403.00 per year	-35.00%	
Downtown RPP - Reduced-Price Employee Parking Permit	\$50.00 each	\$50.00 each	0.00%	
Downtown RPP - Full Price Employee Parking Permit	\$415 each	\$403 each	-2.89%	
Evergreen RPP - MayField RPP Reduced-Price Employee Parking Permit	\$50 each	\$25 each	-50.00%	
Evergreen RPP - MayField RPP Full Price Employee Parking Permit	\$310 each	\$201.50	-35.00%	
Southgate RPP - Reduced-Price Employee Parking Permit	50 each	\$25 each	-50.00%	
Southgate RPP - Full Price Employee Parking Permit	\$310 each	\$201.50 each	-35.00%	

Police

Fee Title	FY 2021 Adopted	FY 2022 Proposed	% Change	Justification
Vehicle Impoundment Fee	\$140.00 each	\$140.00 each	0.00%	Fee recommended to remain flat until further assessment from upcoming racial equity analysis

Planning and Development Services (Public Works)

Fee Title	FY 2021 Adopted	FY 2022 Proposed	% Change	Justification
Tree Inspection for Private Development	\$161.00 per inspection	\$208.00 per inspection	27.30%	Fee aligned to increased salary costs of staff time required for this service
Polychlorinated Biphenyls (PCBs) Permit Review Fee	\$410 per hour	\$223.00 per hour	-45.61%	Fee aligned to service delivery and reduced staff time costs

Planning and Development Services (Impact & In-Lieu Fees)

Fee Title	FY 2021 Adopted	FY 2022 Proposed	% Change	Justification
Park Impact Fee	Single Family \$13,103.00 per residence or \$19,565.00 per residence larger than 3,000 sq. ft.; Multi-Family \$8,577.00 per unit or \$4,337.00 per unit smaller than or equal to 900 sq. ft.	Single Family \$57,420.00 per unit; Multi-Family \$42,468.00 per unit		Fees aligned to fee study (CMR 12163)
Park Impact Fee	Commercial/Industrial \$5,564.00 per 1,000 sq. ft. or fraction thereof; Hotel/Motel \$2,516.00 per 1,000 sq. ft. or fraction thereof	Commercial/Industrial \$16,837.00 per net new 1000 sq. ft.; Hotel/Motel \$2,866.00 per net new 1000 sq. ft.		
Community Center Impact Fee	Single Family \$3,499.00 per residence or \$5,086.00 per residence larger than 3,000 sq. ft.; Multi-Family \$2,235.00 per unit or \$1,128.00 per unit smaller than or equal to 900 sq. ft.	Single Family \$4,438.00 per unit; Multi-Family \$3,283.00 per unit		
Community Center Impact Fee	Commercial/Industrial \$314.00 per 1,000 sq. ft. or fraction thereof; Hotel/Motel \$142.00 per 1,000 sq. ft. or fraction thereof	Commercial/Industrial \$1,301.00 per net new 1000 sq. ft.; Hotel/Motel \$222.00 per net new 1000 sq. ft.		
Library Impact Fee	Single Family \$1,187.00 per residence or \$1,766 per residence larger than 3,000 sq. ft.; Multi-Family \$710.00 per unit or \$390.00 per unit small than 900 sq. ft.	Single Family \$2,645.00 per unit; Multi-Family \$1,956.00 per unit		
Library Impact Fee	Commercial/Industrial \$299.00 per 1,000 sq. ft. or fraction thereof; Hotel/Motel \$126.00 per 1,000 sq. ft. or fraction thereof	Commercial/Industrial \$776.00 per net new 1000 sq. ft.; Hotel/Motel \$132.00 per net new 1000 sq. ft.		