



STAFF REPORT

City Council
Meeting Date: 5/3/2016
Staff Report Number: 16-066-CC

Public Hearing: **Amendment to the City's Comprehensive Master Fee Schedule for Community Development, Community Services, Police, Public Works, and the Menlo Park Municipal Water District**

Recommendation

Staff recommends City Council adopt a resolution amending the City's Master Fee Schedule to incorporate proposed changes in fees to become effective immediately, July 1, 2016, or as required by statute for the following departments: Community Development, Community Services, Police, Public Works, and the Menlo Park Municipal Water District.

Policy Issues

The fee changes proposed in this report are in compliance with the Cost Recovery/Subsidization Policy adopted by Council on March 9, 2010, as part of the 2016-17 Work Plan, the City Council has prioritized an update to the 2008-09 Cost of Services Study.

Background

The Master Fee Schedule reflects fees charged by all City departments. It is amended annually so that fees reflect current costs to provide services, to bring fees closer to full cost recovery targets, to add new fees when applicable for new City services, and/or to eliminate fees for discontinued services.

The City imposes different categories of fees with different requirements regarding how fees are set or changed:

- Fees and charges for use of facilities, services, and access to property: these fees are elective on the part of the customer/user. The purpose of these fees and charges is to generate revenues for access or use of the service or facility. There is no legal restriction on the amount of such fees or charges, and they can be effective immediately.
- Property development processing fees: these include fees for building and use permits, variances, building inspections, map applications, and planning services. These fees cannot exceed the reasonable cost of providing the service. Any new fee or increase to existing fees in this category can be effective no sooner than sixty days after approval by City Council.
- Fees relating to public records act requests and copies of documents and reports: these fees are limited to the actual cost of copying (not including personnel time to copy) or the statutory amount, whichever is less. There are no changes recommended for any fees in this category at this time.

Identifying the cost components of providing services is integral to the establishment of the fees and cost recovery rates. Accordingly, a detailed cost study was identified as a priority project for the 2006-07 budget

and completed in 2008-09. Staff has prepared the following recommendations using analyses provided by the Cost Allocation and Comprehensive Fee and Service Charge Study, using updated cost information. In addition, the citywide Cost Recovery Fee Policy/Strategy (Attachment B) was referenced as a guide in determining appropriate cost recovery rates for services.

The recommendations presented by staff in this report ensure not only that charges keep pace with the costs of providing services, but are also competitive with comparable programs (where applicable), aligned with cost recovery levels defined in the Cost Recovery Fee Policy, and are responsive to demands for these services within the community.

The schedules to follow summarize the current fees, proposed fees, and percentage change in fees. The recommended changes are based on factors further discussed in each section. Fees for which there are no recommended changes are not listed unless provided for comparison purposes.

Analysis

Community Development

Consistent with City Council policy to maximize cost recovery for development related services, the recommendation is to establish a surcharge on all planning and building fees to provide for 1) General Plan updates and 2) the maintenance and replacement of the computer database used by Community Development in their service to the community.

Proposed Changes to Community Development Department Fees			
Fee Title	Current Fee	Proposed Fee	Percentage Change
Technology Surcharge	\$ -0-	3% of all planning and building fees	New
General Plan Update Surcharge	\$ -0-	3% of all planning and building fees	New

Technology Surcharge – Planning & Building Fees

This new surcharge provides a dedicated revenue stream for the acquisition, update, and regular maintenance of a modern community development technology system. As part of the City’s ongoing IT Master Planning process, a significant upgrade of the existing database and interface used by Community Development is a high priority project recommended in the next two to three years. To provide for this upcoming and on ongoing costs to the City, the recommended surcharge is 3% on all fees charged by the community development department (planning and building). The surcharge is based on a survey of seven neighboring jurisdictions showing fees/surcharges ranging from 1.3% (San Carlos) to 9.0% (San Bruno) of the building permit fee only. The Town of Atherton takes a slightly different approach of applying a surcharge of 3.24% on planning permits and 3.30% on building permits. Given that the community development technology system will be utilized by both planning and building, the recommendation is to adopt a model similar to Atherton’s. The surcharge is estimated to generate \$130,000 in 2016-17 based on current revenue estimates. These funds will be held in a capital replacement account in the Information Technology Internal Service Fund. Staff will work with a fee consultant in 2016-17 to analyze the cost the full non-operating costs associated with technology in the community development department and return to the Council in 2017 with those findings plus a recommendation to adjust the surcharge, if necessary.



General Plan Update Surcharge – Planning & Building Fees

This new surcharge provides a revenue stream to maintain the City’s General Plan. The General Plan process is currently underway. To provide for this cost to the City, the recommend surcharge is 3% on all fees charged by the community development department (planning and building). The recommendation is based on a survey of neighboring jurisdictions showing fees/surcharges of 0.10% (Foster City) to 0.39% (San Mateo) of construction valuation and Hayward and San Bruno with a charge of 12% and 9%, respectively, of the building permit fees. The surcharge is estimated to generate approximately \$130,000 in 2016-17 based on current revenue estimate. Staff will work with a fee consultant in 2016-17 to analyze the cost the full non-operating costs associated with the General Plan update and return to the Council in 2017 with those findings plus a recommendation to adjust the surcharge, if necessary.

Community Services

In accordance with the Council-approved Cost Recovery Policy, staff suggests the greatest fee increases for programs that are of special benefit to individuals or groups, where the goal is to set fees to a level sufficient to support direct program costs, plus up to 100% of City overhead associated with the activity. These programs provide individual benefit foremost and minimal community benefit and so have been identified as “high cost recovery”. Activities promoting the full utilization of parks and recreation facilities are also included in those recommended for the greatest fee increases.

Several programs delineated in the policy are included in the medium cost recovery category, with recovery of a majority of direct (budgeted) costs incurred in the delivery of the service. However, administrative and other overhead costs of the Community Services Department are not being recovered. Both the community and individuals benefit from these services.

The schedule below summarizes the proposed changes to Community Service fees. If approved by the City Council, it is estimated that changes and new fees will recover an additional \$17,158 annually in general tax dollar subsidies assuming current and estimated participation levels.

Proposed Changes to Community Service Fees			
Fee Title	Current Fee	Proposed Fee	Percentage Change
Belle Haven Child Development Center			
Belle Haven CDC (non-certified full-day) monthly fee Resident	\$899	\$959	7%
Belle Haven CDC (non-certified full-day) monthly fee Non-Resident	\$1,213	\$1,295	7%
Belle Haven CDC (non-certified part-day) monthly fee Resident	\$449	\$479	7%
Belle Haven CDC (non-certified part-day) monthly fee Non-Resident	\$606	\$647	7%
Onetta Harris Community Center			
Multi-Purpose Room Rental Fee Per Hour - Resident	\$70	\$75	7%
Multi-Purpose Room Rental Fee Per Hour -Non-Resident	\$95	\$101	6%
Gymnasium Rental Fee Per Hour - Resident	\$50	\$60	20%

Gymnasium Rental Fee Per Hour - Non-Resident	\$68	\$81	19%
Belle Haven School Age Child Care – After School Program			
Kindergarten – standard start (non-subsidized) - Resident	\$483	\$109	(78%)
Kindergarten – standard start (non-subsidized) – Non-Resident	\$652	\$147	(77%)
Kindergarten – standard start (subsidized) – Resident	\$109	\$109	0%
Kindergarten – standard start (subsidized) – Non-Resident	\$ -0-	\$147	New
Kindergarten – early start (non-subsidized) - Resident	\$704	\$129	(82%)
Kindergarten – early start (non-subsidized) – Non-Resident	\$950	\$174	(82%)
Kindergarten – early start (subsidized) – Resident	\$129	\$129	0%
Kindergarten – early start (subsidized) – Non-Resident	\$ -0-	\$174	New
1 st -6 th Grade – standard start (non-subsidized) – Resident	\$446	\$99	(78%)
1 st -6 th Grade – standard start (non-subsidized) – Non-Resident	\$602	\$134	(78%)
1 st -6 th Grade – standard start (subsidized) – Resident	\$99	\$99	0%
1 st -6 th Grade – standard start (subsidized) – Non-Resident	\$ -0-	\$134	New
Belle Haven School Age Child Care – Camp Programs (Camp Menlo)			
Kindergarten (non-subsidized) Resident	\$550	\$159	(71%)
Kindergarten (non-subsidized) Non-Resident	\$743	\$215	(71%)
Kindergarten (subsidized) Resident	\$159	\$159	0%
Kindergarten (subsidized) Non-Resident	\$ -0-	\$215	New
1 st -6 th Grade (non-subsidized) Resident	\$425	\$139	(67%)
1 st -6 th Grade (non-subsidized) Non-Resident	\$574	\$188	(67%)
1 st -6 th Grade (subsidized) Resident	\$139	\$139	0%
1 st -6 th Grade (subsidized) Non-Resident	\$ -0-	\$188	New
Special Event Permit			
Cancellation Fee	\$ -0-	\$25	New

Belle Haven Child Development Center

Belle Haven CDC Preschool (non-certified full-day) – per month fee

This increase is required to keep pace with the increased reimbursement rate from the State of California for California State Preschool programs. The current fee is \$38.98 per day per child and has been

increased to \$41.60 per day per child for certified families. Per the City's grant contract with the State, BHDCDC needs to increase the non-certified fee to ensure the City receives the same amount from non-certified families.

Belle Haven CDC (non-certified part-time) – per month fee

This increase is required to keep pace with the increased reimbursement rate from the State of California for California State Preschool programs. The current fee is \$38.98 per day per child and has been increased to \$41.60 per day per child for certified families. Per the City's contract with the State, BHDCDC needs to increase the non-certified fee to ensure the City receives the same amount from non-certified part-day families. This new program started after Master Fee approval time frame when the City received additional grant money from the State following approval of the Master Fee Schedule. This program is open only half time and therefore the fee is half the full-day fee. There has also been an increased need in the community for this type of programming.

The net fiscal impact of these changes is estimated at \$4,612.

Onetta Harris Community Center

Multi-Purpose Room Rental Fee – per hour

It has been 2 years since the last increase to this fee despite increases in staff and maintenance costs. The increase will help maintain the facility's cost-recovery goals while generating the necessary revenue to off-set increased facility operation costs. The proposed fee increase remains below market rate for similar rental facilities and is still the least expensive facility to rent that the Community Services Department operates. The facility is booked regularly on weekends and the demand is expected to continue to rise. The net fiscal impact of these changes is estimated at \$2,960.

Gym Rental Fee

The increase will help maintain the facility's cost-recovery goals while generating the necessary revenue to off-set increased facility operation costs. Over the past two years, additional custodial and maintenance services have been required with the increase in demand and use of the facility. The proposed fee increase is below market rate for similar gym rental facilities and remains below the rate charged at the Arrillaga Family Gymnasium. The net fiscal impact of this change is estimated at \$4,500.

Belle Haven School Age Child Care – After School Program and Camp Menlo

Over the years families participating in the Belle Haven After School and Camp Menlo programs have been eligible to receive subsidized rates based on income, including those that, by San Mateo County Department of Housing (SMCDH) standards, meet the "extremely low" rate. Since so few people qualify for this rate, the Community Services Department eliminated un-used rate categories from the Master Fee Schedule over the past few years. What remains appears to be the current "market rate" for the program. A similar model also exists at the Onetta Harris Community Center where a highly subsidized flat fee for all classes encourages maximum participation by both residents and non-residents. The proposed change establishes this simpler market rate fee structure for the program.

As a result of the proposed fee changes, fiscal impacts are expected to be minimal with modest increases to revenue in the first year of implementation. Enrollment is expected to increase slightly in the first year with higher numbers in subsequent years following increased marketing of the new fee structure. As the interest and popularity of the program increases, reflected by higher enrollment numbers, we anticipate that the current proposed fees will increase as the market dictates. Staff will continue to monitor participation and cost-recovery for the program and make further recommendations for the program's long-term sustainability. The net fiscal impact of these changes is estimated at \$5,086.

Previously, staff received City Council feedback on April 7, 2015 when Council approved the current Master Fee Schedule and later on May 5, 2015 when they received an information item on the Non-Resident Fee topic, indicating support for reducing and/or eliminating non-resident fees to encourage participation in programs where there is capacity. On January 5, 2016, staff recommended that the City Manager suspend the higher non-subsidized rates for the BHAS and Camp Menlo Programs for FY 15-16 and recommend modifications to the current Master Fee Schedule to reflect these changes.

Special Event Permits

The proposed cancellation fee of \$25 is recommended for all special event permit applications. Currently, if an applicant needs to withdraw their permit application for any reason there is no procedure in place for refunding fees. This fee would not apply to permits that were denied as a result of an application not meeting deadlines or requirements established by the City. It is recommended that a fee is charged to the applicant to account for staff time processing and administering the permit application which may require the involvement of a number of City staff and departments.

Police

The schedule below summarizes the current fees, proposed fees, and percentage change in Vehicle Release Fees and Civil Subpoena Appearance Fees Deposit charged by the Police Department. If approved by the City Council, it is estimated that the changes will result in a decrease in revenue of approximately \$50,000 annually, with the balance paid for by general tax dollars.

Proposed Changes to Police Department Fees			
Fee Title	Current Fee	Proposed Fee	Percentage Change
Vehicle Releases			
Vehicle Code Infraction	\$200	\$125	(38%)
Misdemeanor or Felony Incidents	\$300	\$125	(58%)
Early Release of Impounded Vehicle	\$100	\$ -0-	(100%)
Civil Subpoena Appearance			
Non-sworn employees - deposit	\$150	\$275	83%
Technology Surcharge False Alarm Program	\$ -0-	3% of False Alarm Registration and Response fees	New
Technology Surcharge Overnight Parking Permits	\$ -0-	3% of Overnight Parking Permit fees	New

Vehicle Releases

As background information, the current charges for vehicle releases were established in 2008 when an independent consultant conducted a work study of the full cost to the City of officers, dispatchers, and clerks time to process a tow and vehicle release. The current fee is bifurcated into “infraction tows” and “criminal tows”, with different fees related to each resulting in full cost recover. Recently, a survey was conducted on fees for vehicle releases due to media and public concern on the cost of vehicle release fee rates in the City of Menlo Park. This survey of all San Mateo County and some Santa Clara County agencies indicated that

Menlo Park had one of the highest cost recovery fee schedules for vehicle releases. The below recommended changes will result in an estimated annual reduction in revenue of approximately \$50,000:

- Charge one uniform fee for any vehicle release, regardless of the reason for the tow:
- Lower fee to \$125 per releases, which is the median fee for ALL agencies surveyed; and
- Eliminate the added \$100 fee for “early” releases after a tow hearing

Civil Subpoena Appearance (non-sworn)

Currently the City collects a deposit of \$150 when non-sworn employees are served with a civil subpoena. A recent change in California Government Code section 68093-68097.2 increased the allowable deposit to \$275 (the same allowable deposit amount collected for sworn employees). There is no estimated impact on revenues as non-sworn employees are rarely subpoenaed for civil cases (zero in the past decade).

Technology Surcharges – False Alarm & Overnight Parking Permit Fees

These new surcharges will provide a dedicated revenue stream for the acquisition, update, and regular maintenance of modern false alarm and overnight parking technology systems. To provide for these upcoming and on ongoing costs to the City, the recommended surcharge is 3% on false alarm and overnight parking fees charged by the police department. The surcharge is estimated to generate \$8,500 in 2016-17 based on current revenue estimates. These funds will be held in a capital replacement account in the Information Technology Internal Service Fund. Staff will work with a fee consultant in 2016-17 to analyze the cost the full non-operating costs associated with technology in the police department and return to the Council in 2017 with those findings plus a recommendation to adjust the surcharge, if necessary.

Public Works

The schedule below summarizes the current fees, proposed fees, and percentage change in fees charged by the Public Works Department. If approved by the City Council, it is estimated that the changes will result in an increase in revenue of approximately \$18,662 annually.

Proposed Changes to Public Works Department Fees			
Fee Title	Current Fee	Proposed Fee	Percentage Change
Maps			
Additional Plan Review – per sheet	\$ -0-	\$100	New
Covenants, Conditions & Restrictions (CC&R’s) Engineering Review Fee	\$ -0-	\$1,390	New
Water Efficient Landscape Plan Check Fee			
Commercial/Multi-family Residential	\$300	\$900	200%
Flood Study – CLOMR - LOMR Fee	\$ -0-	\$1,946	New
Technology Surcharge Encroachment Permits	\$ -0-	3% of Encroachment Permit fees	New
Transportation Impact Fee Child Care Facilities	\$3,107.87 per P.M. Peak Hour Trip	\$4.63 per square foot	Varies
Tie-Back Fee	\$ -0-	\$200 per Tie-back	New



Maps

Currently, the City collects base fees for Final Parcel Map, Amended Parcel Map, Final Map, Amended Final Map, Certificate of Corrections, Lot Line Adjustment, and Lot Merger. Experience has shown that it takes multiple times to review these plans. The recommended Additional Plan Review Fee will result in greater cost recovery for the Map review process. Annual revenue is estimated to increase by \$2,000.

Covenants, Conditions, & Restrictions (CC&R's) Engineering Review Fee

This new fee is recommended to recover costs associated with the review of CC&R's by Engineering staff. Typically, this review takes 10 hours. Annual revenue is estimated to increase by \$4,170.

Water Efficient Landscape Plan Check Fee (WELPC)

The current fee of \$300 is charged for all property types. It is recommended that a higher separate fee be established for Commercial and Multi-family residential properties. Experience has shown that it takes 6.5 hours of staff time to review these more complex documents. This new fee will result in greater cost recovery for the WELPC process. Annual revenue is estimated to increase by \$3,600.

Flood Study-CLOMR-LOMR Fee

This new fee is recommended to recover costs associated with the review of Flood studies (surface elevation modifications to reduce the damage and economic impact of flooding), Conditional Letter of Map Revision (CLOMR) and Letter of Map Revision (LOMR). Experience has shown that it takes 14 hours of staff time to review these documents. Annual revenue is estimated to increase by \$3,892.

Technology Surcharge – Encroachment Permit Fees

This new surcharge provides a dedicated revenue stream for the acquisition, update, and regular maintenance of a modern public works technology system. To provide for this upcoming and on ongoing costs to the City, the recommended surcharge is 3% on all encroachment permit fees charged by the public works department. The surcharge is estimated to generate \$7,500 in 2016-17 based on current revenue estimates. These funds will be held in a capital replacement account in the Information Technology Internal Service Fund. Staff will work with a fee consultant in 2016-17 to analyze the cost the full non-operating costs associated with technology in the public works department and return to the Council in 2017 with those findings plus a recommendation to adjust the surcharge, if necessary.

Transportation Impact Fee (TIF) – Child Care Facilities

The current TIF for Child Care Facilities is calculated based on the rate of \$3,107.87 per evening Peak Hour Trip under the “all other land uses” classification. To encourage the development of child care facilities, the City Council has directed staff to develop a land-use specific rate for Child Care Facilities. Staff reviewed potential rates and developed a fee classification rate of \$4.63 per square foot which is equal to the rate currently applied to “Office, Restaurant, and Retail” developments. The proposed Master Fee Schedule would incorporate this change for FY 2016-17.

Tie-Back Fee

Tie-backs are commonly used in subterranean construction to anchor shoring to adjacent earth during installation of foundation walls. These tie-backs are usually placed in the public right-of-way and remain in the right-of-way after construction has been completed. There will be Engineering staff time to prepare tie-back-agreements, design review and referencing and recordkeeping of the tie-back locations and depths on City plans. Experience has shown that it takes 1.4 hours of staff time per tie-back. Annual revenue is estimated to increase by \$5,000.

Menlo Park Municipal Water District

The schedule below summarizes the current fees, proposed fees, and percentage change in fees charged by the Menlo Park Municipal Water District. Changes to these fees do not impact the General Fund. Non-consumption water fees are established through the annual Master Fee Schedule process.

Proposed Changes to Menlo Park Municipal Water District Fees			
Fee Title	Current Fee	Proposed Fee	Percentage Change
Disconnect Door Tag Fee	\$ -0-	\$25	New
Reconnection Fee	\$25	\$108	332%
Reconnection Fee – After hours	\$65	\$270	285%
Restricted Access to Water Meter (for meter reading or maintenance)	\$ -0-	\$100	New
Service Requests – per hour (customer requested)	\$ -0-	\$108	New
Service Requests – per hour (After hours per customer request)	\$ -0-	\$162	New
Meter Tampering Fee (*plus staff time and materials)	\$ -0-	\$100*	New
Unauthorized Connections to Fire Hydrants (*plus staff time, materials, and water quality testing)	\$50	\$1,000*	1,900%
New Account Deposit	\$25	\$100	300%
Backflow Preventer Tags	\$10	\$ -0-	(100%)
Conserve-A-Scape Landscape Design Assistance Program	\$50	\$85	70%

Disconnect Door Tag Fee

When a water service customer is delinquent the customer receives a mailed notice. If payment is not made within 10 days, the customer receives a final notice door tag at the service address and daily telephone calls to the phone number on file that the payment is due. With this notice the customer is given 15 additional days to pay in full or make payment arrangements. If the customer takes no action, water service is disconnected. Staff recommends a new fee of \$25 for greater cost recovery.

Reconnection Fee

The fee of \$25 to reconnect service was established in 1996. In the 2008-09 Cost of Services Study the hourly billing rate for a Water Maintenance Worker was determined to be \$108. Increasing the reconnection fee to \$108 will result in greater cost recovery.

Reconnection Fee – After hours

Outside of regular business hours, which includes evenings, weekends, and holidays, it takes approximately three hours, at overtime rates, for water maintenance staff to report to the maintenance yard, pick up a maintenance vehicle and equipment reconnect the water meter, return the maintenance vehicle and equipment to the maintenance yard, and return home. The recommended fee of \$270 will result in greater cost recovery.



Restricted Access to Water Meter

Monthly the water meter reader needs physical access to each water meter in order to record meter readings for billing, and water maintenance staff periodically need access to inspect and maintain meters. When access is restricted by locked gates, vehicles, vegetation, pets, or other obstacles staff advises the customer to remove the restriction. If, after notification the customer has not taken corrective action to insure access, the penalty fee would be applied to the water bill monthly until access is restored.

Service Requests

As requested by customers, water maintenance staff will visit customer homes or businesses to provide assistance (i.e. locate water meters, detect water leaks, temporary meter turn-offs, etc.). Typically, issues are resolved in one or two visits. However, there are instances when customers repeatedly request services on a reoccurring issue. Staff recommends that the first two visits, per issue, per fiscal year, be complimentary. Thereafter, the customer would be subject to the recommended fee of \$108 per hour if the issue was determined not to be a failure in the water system.

Service Requests – After hours

As requested by customers, water maintenance staff will visit customer homes or businesses to provide assistance (i.e. locate water meters, detect water leaks, temporary meter turn-offs, etc.) outside of normal business hours to not interfere with customers' normal day activities or business hours of operation. As detailed in the above Reconnection Fee – After hours narrative, the fee for service provided outside of normal business hours must be higher for greater cost recovery. Staff recommends a fee of \$162 per hour if the issue is determined not to be a failure in the water system.

Meter Tampering Fee

Rather than making a service request, some customers turn on/off the water meter or otherwise tamper with the water meter. Sometimes the customer's actions result in damage to the meter or connecting pipes. Staff recommends a penalty fee of \$100 plus recovery of staff time and materials for greater cost recovery.

Unauthorized Connections to Fire Hydrants

Temporary water meters are provided, primarily for construction purposes, to allow for connection to our water system through fire hydrants. Customers are billed monthly for the meter rental and for recorded water consumption. When an unauthorized connection is located the Police are contacted. Of course without the temporary meter, water consumption cannot be measured and billed. Additionally, water maintenance staff must research the connection to determine for what purpose the water was used. Also, unauthorized equipment installed directly to the fire hydrant can contaminate the water distribution system resulting in a water quality issue. In these cases, water maintenance staff may need to take water samples and also repair any damage to the hydrant connections. Staff recommends a penalty fee of \$1,000 plus recovery of staff time and materials used for greater cost recovery.

New Account Deposit

Staff recommends increasing the deposit that may be collected to establish water service from \$25 to \$100. The increase to \$100 represents two months billing for a typical single-family water service. The deposit is refunded when the account is closed and final payment has been received. The deposit amount has not been increased since 1996.

Backflow Preventer Tags

Staff recommends eliminating this fee. In January 2016 San Mateo County Environmental Health began managing the MPWD cross-connection program. The City is no longer distributing backflow tags.

Conserve-A-Scape

Due to a renegotiation of fees with Vallier Design Associates (program consultants), staff recommends the fee be increased from \$50 to \$85 to recover a larger portion of the true cost of the program. Beginning in FY 16-17 the program consultant’s fee will increase from \$400 to \$535. Currently the program is subsidized \$350 per customer. If the recommended fee increase is approved, the subsidy will be \$450.

Impact on City Resources

The estimated annual net increase in General Fund revenue from the revisions discussed in this report is \$115,820.

User fees provide a significant source of cost recovery for the City. The recommended revisions to the Master Fee Schedule will be built into the 2016-17 budget recommendations and will help in maintaining service levels in the current fiscal year.

Environmental Review

Adoption of a Master Fee Schedule is categorically exempt under current California Environmental Quality Act guidelines.

Public Notice

Published legal notice on April 22, 2016 in the local newspaper.

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

- A. Resolution Amending City Fees and Charges
- B. User Fee Cost Recovery – Fiscal Policy

Report prepared by:

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RESOLUTION NO.**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK
AMENDING CITY FEES AND CITY CHARGES**

WHEREAS, under the provisions of the City of Menlo Park Municipal Code Section 1.25.010, fees and charges assessed by the City of Menlo Park may be amended or modified upon the adoption of a Resolution by the City Council; and

WHEREAS, the City Council of the City of Menlo Park considers that said amended fees, as per Staff Report #16-066 dated May 3, 2016 are appropriate and should be adopted.

The City Council of the City of Menlo Park makes the following findings:

1. User fee services are those performed by the City on behalf of a private citizen or group with the assumption that the costs of services benefiting individuals, and not society as a whole, should be borne by the individual receiving the benefit. However, in some circumstances, it is reasonable to set fees at a level that does not reflect the full cost of providing service but to subsidize the service.
2. A listing of the fee changes proposed for City services was available to the public for at least ten days preceding the Public Hearing on May 3, 2016, at which time the fees were adopted.

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED that the Master Fee Schedule last amended April 7, 2015, is hereby amended to take effect on the date this resolution is passed and adopted; and

BE IT FURTHER RESOLVED that the City Manager is authorized to waive, modify or amend fees on any matter in his/her reasonable discretion, provided that said fees may not be increased and if he/she does so, he/she shall so advise the City Council.

I, Pamela Aguilar, City Clerk of the City of Menlo Park, do hereby certify that the above and foregoing Resolution was duly and regularly passed and adopted at a meeting by said Council on this third day of May, 2016, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said City on this third day of May, 2016.

Pamela Aguilar
City Clerk

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City of Menlo Park

Fiscal Policy

Department City Council	Page 1 of 11	Effective Date 03/09/10
Subject User Fee Cost Recovery	Approved by Minute Order March 9, 2010	Procedure # CC-10-0001

Purpose:

A clear User Fee Cost Recovery Policy will allow the City of Menlo Park to provide an ongoing, sound basis for setting fees that allows charges and fees to be periodically reviewed and updated based on predetermined, researched and supportable criteria that can be made available to the public.

Background:

In 2005 the *Your City/Your Decision* community driven budget process provided community direction and initial information on approaches to cost recovery of services. In 2007, the Cost Allocation Plan provided further basis for development of a standardized allocation system by providing a methodology for data-based distribution of administrative and other overhead charges to programs and services. The Cost of Services Study completed in 2008 allowed the determination of the full cost of providing each service for which a fee is charged and laid the final groundwork needed for development of a values-based and data-driven User Fee Cost Recovery Policy. A draft User Fee Cost Recovery Policy was presented for consideration by the Council at a Study Session on February 10, 2009. Comments and direction from the Study Session were used to prepare this Fiscal Policy.

Policy:

The policy has three main components:

- Provision for ongoing review
- Process of establishing cost recovery levels
 - Factors to be Considered
- Target Cost Recovery Levels
 - Social Services and Recreation Programs
 - Development Review Programs
 - Public Works
 - Police
 - Library
 - Administrative Services

Provision for ongoing review

Fees will be reviewed at least annually in order to keep pace with changes in the cost of living and methods or levels of service delivery. In order to facilitate a fact-based approach to this review, a comprehensive analysis of the city's costs and fees should be made at least every five years. In the interim, fees will be adjusted by annual cost factors reflected in the appropriate program's operating budget.

Process of establishing service fee cost recovery levels

The following factors will be considered when setting service fees and cost recovery levels:

1. Community-wide vs. special benefit
 - The use of general purpose revenue is appropriate for community-wide services while user fees are appropriate for services that are of special benefit to individuals or groups. Full cost recovery is not always appropriate.
2. Service Recipient Versus Service Driver
 - Particularly for services associated with regulated activities (development review, code enforcement), from which the community primarily benefits, cost recovery from the "driver" of the need for the service (applicant, violator) is appropriate.
3. Consistency with City public policies and objectives
 - City policies and Council goals focused on long term improvements to community quality of life may also impact desired fee levels as fees can be used to change community behaviors, promote certain activities or provide funding for pursuit of specific community goals, for example: health and wellness, environmental stewardship.

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4. Impact on demand (elasticity)
 - Pricing of services can significantly impact demand. At full cost recovery, for example, the City is providing services for which there is a genuine market not over-stimulated by artificially low prices. Conversely, high cost recovery may negatively impact lower income groups and this can work against public policy outcomes if the services are specifically designed to serve particular groups.
5. Discounted Rates and Surcharges
 - Rates may be discounted to accommodate lower income groups or groups who are the target of the service, such as senior citizens or residents.
 - Higher rates are considered appropriate for non-residents to further reduce general fund subsidization of services.
6. Feasibility of Collection
 - It may be impractical or too costly to establish a system to appropriately identify and charge each user for the specific services received. The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.

Target cost recovery levels

1. Low cost recovery levels (0% – 30%) are appropriate if:
 - There is no intended relationship between the amount paid and the benefit received
 - Collecting fees is not cost-effective
 - There is no intent to limit use of the service
 - The service is non-recurring
 - Collecting fees would discourage compliance with regulatory requirements
 - The public at large benefits even if they are not the direct users of the service
2. High cost recovery levels (70% – 100%) are appropriate if:
 - The individual user or participant receives the benefit of the service
 - Other private or public sector alternatives could or do provide the service
 - For equity or demand management purposes, it is intended that there be a direct relationship between the amount paid and the level and cost of the service received
 - The use of the service is specifically discouraged
 - The service is regulatory in nature
3. Services having factors associated with both cost recovery levels would be subsidized at a mid-level of cost recovery (30% - 70%).

General categories of services tend to fall logically into the three levels of cost recovery above and can be classified according to the factors favoring those classifications for consistent and appropriate fees. Primary categories of services include:

- Social Services and Recreation Programs
- Development Review Programs – Planning, and Building
- Public Works Department – Engineering, Transportation, and Maintenance
- Public Safety

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Social Services and Recreation Programs

Master Fee Schedule Page #'s	General categorization of programs, Services, Activity, and facilities	Low cost recovery (0-30%)	Mid cost recovery (30-70%)	High cost recovery (70-100%)
9	<u>Parks</u>			
	Dog Park	X		
	Skate Parks	X		
	Open Space/Parks Playgrounds	X X		
7 11 10 11 11 7 7 11	<u>Social Services</u>			
	Senior Transportation	X		
	Senior Classes/Events	X		
	Belle Haven School Age – Title 22		X	
	Menlo Children’s Center – Title 22			X
	Preschool - Title 22			X
	Preschool – Title 5		X	
	Second Harvest	X		
Congregate Nutrition		X		
Belle Haven Community School		X		
	<u>Events/Celebrations</u>			
	City Sponsored	X		
	City-Wide	X		
	Youth & Teen Targeted	X		
	Cultural Concerts	X X		
5, 6, 7 9 9 9 10 5,6,7 9 5,6,7,8,9,10	<u>Facility Usage</u>			
	City Functions (e.g. commissions)	X		
	Co-Sponsored Organizations	X		
	Non-Profit	X		
	Fields - Youth (non-profit)		X	
	Fields - Adult (non-profit)		X	
	Tennis Courts		X	
	Picnic Rentals - Private Party			X
	Private Rentals			X
	Fields - For-profit			X
Contracted Venues – for profit			X	
8 8 8 7 11	<u>Fee Assisted Programs</u>			
	Recreational Swim	X		
	Swimming Classes	X		
	Lap Swimming	X		
	Recreation Classes	X		
Open Gym Activities	X			

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Social Services and Recreation Programs - continued

Master Fee Schedule Page #'s	General categorization of programs, Services, Activity, and facilities	Low cost recovery (0-30%)	Mid cost recovery (30-70%)	High cost recovery (70-100%)
	<u>Recreation Programs</u>			
11	Drop-In Activities		X	
10,11	Camps & Clinics			X
9	Youth Leagues			X
10	Youth Special Interest			X
10	Adult Special Interest			X
12	Gymnastics			X
6,12	Birthday Parties			X
11	Adult League			X

Low Recovery Expectations: Low to zero recovery is expected for programs in this category as the community benefits from the service. Non-resident fees if allowed may provide medium cost recovery.

In general, low cost programs or activities in this group provide a community wide benefit. These programs and activities are generally youth programs or activities enhancing the health, safety and livability of the community and therefore require the removal of a cost barrier for optimum participation. Recreation programming geared toward the needs of teens, youth, seniors, persons with disabilities, and/or those with limited opportunities for recreation are included. For example:

- Parks – As long as collecting fees at City parks is not cost-effective, there should be no fees collected for general use of parks and playgrounds. Costs associated with maintaining the City’s parks represent a large cost for which there is no significant opportunity for recovery – these facilities are public domains and are an essential service of City government.
- Social Services – There is no intended relationship between the amount paid and the benefit received for social service programs. Some programs are designed and delivered in coordination/partnership with other providers in Menlo Park.
- Senior Transportation – Transportation is classified as a low cost recovery program because there is no fee charged for the program and the majority of the seniors served cannot afford the actual cost of the service. Donations are solicited, but they are minimal. No fee should be established for this service, as it would threaten ridership and County reimbursements would be withdrawn.
- Senior Classes/Events – The primary purpose of senior classes and events is to encourage participation. The seniors served in these classes do not have the means of paying for the classes and are classified as “scholarship” recipients due to their low income levels. The classes should continue to be offered in collaboration with outside agencies which can offer them for free through state subsidies.
- Second Harvest – Monthly food distributions provide free food to needy families and so contribute a broad community benefit. The coordination and operation of the program is through the Onetta Harris Center staff with volunteers assisting with the distribution of food, to keep costs as low as possible.
- Events/Celebrations – Community Services events provide opportunities for neighborhoods to come together as a community and integrate people of various ages, economic and cultural backgrounds. Events also foster pride in the community and provide opportunities for volunteers to give back. As such, the benefits are community-wide. In addition, collection of fees are not always cost effective.

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- Facility Usage – Safe and secure facilities for neighborhood problem-solving and provision of other general services support an engaged community and should be encouraged with low or no fees.
- Fee Assisted Recreation Programs – Activities with fee assistance or sliding scales make the programs affordable to all economic levels in the community. Organized activities, classes, and drop-in programs are designed to encourage active living, teach essential life and safety skills and promote life-long learning for broad community benefit.

Medium Recovery Expectation – recovery of most program costs incurred in the delivery of the service, but without recovery of any of the costs which would have been incurred by the department without the service. Both community and individuals benefit from these services. Non-resident fees if allowed may provide high cost recovery.

- Belle Haven School Age – Title 22 - Licensed Child Care Program – Services to participants in this program are not readily available elsewhere in the community at low cost. The program provides broad community benefit in the form of a safety net for children in the community. Organized activities and programs teach basic skills, constructive use of time, boundaries and expectations, commitment to learning and social competency. Resident fees charged based on San Mateo County Pilot program for full day care that sets fees at no more than 10% of the family's gross income.
- Preschool Title 5 – The Preschool Program is supported primarily by reimbursement of federal and state grants for low income children. Tuition and reimbursement rates are regulatory.
- Senior Lunches – Congregate Nutrition is classified as a medium cost recovery fee as it asks a donation coupled with a per meal reimbursement from OAA & State funds.
- Belle Haven School Community School – The Community School partners with various non-profit and community-based agencies to provide much needed services to the community – high quality instruction, youth enrichment services, after-school programs, early learning and a family center. Services are open to Belle Haven students, their families and residents of the surrounding neighborhood.
- Field Rentals and Tennis Courts – Costs should be kept low for local non-profit organizations providing sports leagues open to residents and children in the Menlo Park Schools that encourage healthy lifestyles and lifelong fitness. Opportunities exist to collect a reasonable fee for use to defray citywide expenses for tennis facilities and fields.
- Programs – Drop-in programs can be accessed by the widest cross section of the population and therefore have the potential for broad-base participation. Recreation drop-in programs have minimal supervision while providing healthy outlets for youth, teens and adults

High Recovery Expectations – present when user fees charged are sufficient to support direct program costs plus up to 100% of department administration and city overhead associated with the activity. Individual benefit foremost and minimal community benefit exists. Activities promote the full utilization of parks and recreation facilities.

- Menlo Children's Center School Age and Pre-school – Title 22 – Participation benefits the individual user.
- Picnic Areas – Picnic rental reservations benefit the individual but help defray the cost of maintaining parks benefiting the entire community.
- Facility Usage – Facility use is set at a higher rate for the private use of the public facility for meetings, parties, and programs charging fees for services and celebrations.

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- Programs – Activities in this area benefit the individual user. Programs, classes, and sports leagues are often offered to keep pace with current recreational trends and provide the opportunity to learn new skills, improve health, and develop social competency. The services are made available to maximize the use of the facilities, increase the variety of offerings to the community as a whole and spread department administration and city-wide overhead costs to many activities. In some instances offering these activities helps defray expenses of services with no viable means of collecting revenue e.g. parks, playgrounds, etc.
- Contracted Venues – (for profit) – Long term arrangements where a facility is rented or contracted out to reduce general funding expense in order to provide specialized services to residents.

Development Review Services

1. Planning (planned development permits, tentative tract and parcel maps, re-zonings, general plan amendments, variances, use permits)
2. Building and safety (building permits, structural plan checks, inspections)

Master Fee Schedule Page #'s	General categorization of programs, Services, Activity, and facilities	Low cost recovery (0-30%)	Mid cost recovery (30-70%)	High cost recovery (70-100%)
	1. Planning			
24	Appeals of Staff Decisions	X		
24	Appeals of Planning Commission Decisions by Residents	X		
	Subsequent Appeals			X
24	Temporary Sign Permits	X		
23	Use Permits – Non-Profits	X		
24	Administrative Reviews – Fences		X	
	Appeals of Planning Commission Decisions by			X
24	Non-Residents			X
23	Administrative Reviews – Other			X
23	Architectural Control			X
23	Development Permits			X
23	Environmental Reviews			X
23	General Plan Amendments			X
24	Tentative Maps			X
24	Miscellaneous – not listed elsewhere			X
	Reviews by Community Development			X
24	Director or Planning Commission			X
23	Special Events Permitting			X
23	Study Sessions			X
24	Zoning Compliance Letters			X
23	Signs and Awnings			X
23	Use Permits – other			X
23	Variances			X
23	Zoning Map			X
	Ordinance Amendments			X

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Master Fee Schedule Page #'s	General categorization of programs, Services, Activity, and facilities	Low cost recovery (0-30%)	Mid cost recovery (30-70%)	High cost recovery (70-100%)
28-48	<u>2. Building and safety</u> Solar installations Building Permits Mechanical Permits Electrical Permits Plumbing Permit Consultant Review	X		X X X X X

Low Recovery Expectations: Low to zero recovery is expected for services in this category to maintain open and accessible government processes for the public, encourage environmental sustainability and encourage compliance with regulatory requirements. Example of Low Recovery items:

- Planning – The fees for applicants who wish to appeal a Staff Decision or for a Menlo Park resident or neighbor from an immediately adjacent jurisdiction who wishes to appeal a decision of the Planning Commission is purposefully low to allow for accessibility to government processes.
- Planning – Temporary sign permit fees are low so as to encourage compliance.
- Building – The elimination or reduction of building permits for solar array installations is consistent with California Government Code Section 65850.5, which calls on local agencies to encourage the installation of solar energy systems by removing obstacles to, and minimizing costs of, permitting for such systems.

Mid-level Recovery Expectations: Recovery in the range of 30% to 70% of the costs incurred in the delivery of the service reflects the private benefit that is received while not discouraging compliance with the regulation requirements.

- Planning – Administrative permits for fences that exceed the height requirements along Santa Cruz Avenue are set at mid-level to encourage compliance.

High Recovery Expectations: Cost recovery for most development review services should generally be high. In most instances, the City's cost recovery goal should be 100%.

- Planning – Subsequent Appeals - The fees for applicants who are dissatisfied with the results of a previous appeal of an administrative permit or a decision of the Planning Commission should be at 100% cost recovery.
- Planning – Most of the Planning fees charged are based on a "time and materials" basis, with the applicant/customer being billed for staff time (at a rate that includes overhead cost allocations) and the cost of actual materials or external services utilized in the delivery of the service.
- Building – Building fees use a cost-basis, not a valuation basis, and are flat fees based on the size and quantities of the project.

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Public Works Department - Engineering, Transportation, and Maintenance

1. Engineering and Transportation (public improvement plan checks, inspections, subdivision requirements, encroachments)
2. Transportation (red curb installation, truck route permits, traffic signal repairs from accidents)
3. Maintenance (street barricades, banners, trees, special event set-up, damaged city property)

Master Fee Schedule Page #'s	General categorization of programs, Services, Activity, and facilities	Low cost recovery (0-30%)	Mid cost recovery (30-70%)	High cost recovery (70-100%)
	<u>1. Engineering</u>			
25	Heritage Tree	X		
25	Appeals to Environmental Quality Commission and City Council	X		
	Bid Packages	X		
19	Plotter Prints		X	
19	Encroachment Permits for			
19	City-mandated repair work (non-temporary)		X	
25	Heritage Tree		X	
	Tree Removal Permits 1 – 3 trees			
19	City Standard Details		X	
20	Improvement Plan Review			X
20	Plan revisions			X
21	Construction Inspection			X
20	Maps / Subdivisions			X
	Real Property			X
19	Abandonments			X
19	Annexations			X
21	Certificates of Compliance			X
20	Easement Dedications			X
20	Lot Line Adjust/Merger			X
19	Encroachment Permits			X
19	Completion Bond			X
	Processing Fee			X
25	Heritage Tree Permits			X
	After first 3 trees			X
16	Downtown Parking Permits			X
	<u>2. Transportation</u>			
22	Red Curb Installation	X		
22	Truck Route Permits	X		
22	Traffic Signal Accident			X
22	Aerial Photos			X

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Master Fee Schedule Page #'s	General categorization of programs, Services, Activity, and facilities	Low cost recovery (0-30%)	Mid cost recovery (30-70%)	High cost recovery (70-100%)
	<u>3. Maintenance</u>			
22	Tree Planting	X		
22	Banners – Santa Cruz Ave			X
22	Barricade replacement			X
22	Weed Abatement			X
22	Special Event set-up – for profit use			X
22	Special Event set-up- for non-profits use		X	
22	Damaged City property			X

Low Recovery Expectations: Low to zero recovery is expected for services in this category as the community benefits from the service. In general, low cost services in this group provide a community-wide benefit. These services generally are intended to enhance or maintain the livability of the community and therefore require the removal of a cost barrier to encourage use. However, in some instances the maximum fee that can be charged is regulated at the State or Federal level and therefore the City fee is not determined by City costs (truck route permits, copies of documents). Examples of Low Recovery items:

- Maintenance – Tree Plantings is classified as a low cost recovery fee to replacement of trees removed due to poor health and to encourage new tree plantings.
- Transportation – Red Curb Installation is classified as a low cost recovery fee for support traffic/parking mitigation requests to address safety concerns of residents and businesses.
- Transportation – Truck Route Permits Fees – maximum fee set by State Law.
- Engineering – Heritage Tree Appeals is classified as a low cost recovery fee to insure that legitimate grievances are not suppressed by high fees.
- Engineering – Bid Packages are provided at a low cost to encourage bid submissions thereby insuring that the City receives sufficient bids to obtain the best value for the project to be undertaken.

Medium Recovery Expectations: Recovery in the range of 30% to 70% of the costs incurred in the delivery of the service. Typically both the community and individuals benefit from these services.

- Engineering – Encroachment Permits for City-mandated repairs are classified as a medium cost recovery. Since the property owner is paying for the cost of construction but is required by ordinance to perform it promptly, a discounted fee for the permit is appropriate.

High Recovery Expectations: Recovery in the range of 70% to 100% when user fees charged are sufficient to fully recover costs of providing the service. Individual benefit is foremost and minimal community benefit exists. Most services provided by the Public Works Department fall in this area.

- Engineering – Encroachment Permits where the public right of way is used or impacted on a temporary or permanent basis for the benefit of the permittee. Debris Boxes are such an example.
- Transportation – Traffic Signal Accident repair cost is the responsibility of the driver/insurer.
- Maintenance – Weed Abatement performed by Public Works staff to address ongoing code violation.
- Maintenance – Banners on Santa Cruz Avenue and El Camino Real.

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Public Safety – Police Services (Case Copies, False Alarms, Parking Permits, Abatements, Emergency Response, Background Investigations, Tow Contract)

Master Fee Schedule Page #'s	General categorization of programs, Services, Activity, and facilities	Low cost recovery (0-30%)	Mid cost recovery (30-70%)	High cost recovery (70-100%)
14	Case Copies	X		
15	Citation Sign Off - Residents	X		
1, 15	Document Copies	X		
14	Bicycle Licenses	X		
16	Overnight Parking Permits			X
16	Residential Parking Permits	X		
15	Property Inspection – Code Enforcement	X		
15	Real Estate Sign Retrieval	X		
14	False Alarm – Low Risk		X	
15	Rotation Tow Service Contract		X	
15	Repossession Fee		X	
14	False Alarm – High Risk			X
14	Good Conduct Letter			X
14	Preparation Fees			X
14	Research Fee			X
14	Civil Subpoena Appearance			X
14	Finger Printing Documents			X
15	Background Investigations			X
14	Notary Services			X
14	Vehicle Releases			X
14	DUI - Emergency Response			X
15	Intoximeter Rental			X
15	Street Closure			X
15	Unruly Gatherings			X
18	Abatements			X

Low Recovery Expectations: Low to zero recovery is expected for services in this category as the community generally benefits from the regulation of the activity. The regulation of these activities is intended to enhance or maintain the livability of the community. However, in some instances the maximum fee that can be charged is regulated at the State or Federal level and therefore the City fee is not determined by City costs (copies of documents).

Medium Recovery Expectation: Recovery in the range of 30% to 70% of the costs of providing the service. Both community and individuals benefit from these services.

- False Alarm – primarily residential and low cash volume retail. Alarm response provide a disincentive to crime activity. However excessive false alarms negatively impact the ability of prompt police response to legitimate alarms.

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Public Safety – Police Services - continued

High Recovery Expectations: Recovery in the range of 70% to 100% when user fees charged are sufficient to recover costs of the service provided. Individual benefit is foremost and minimal community benefit exists. Items such as False Alarm, DUI Emergency Response, Vehicle Releases, Unruly Gathering, and Abatements are punitive in nature and the costs should not be funded by the community. Items such as Good Conduct Letter, Preparation Fees, Research Fee, Finger Printing, Background Investigations, and Notary Service primarily benefit the individual. 100% of the cost for services in these areas is typical.

- Overnight Parking Permits – the fee charged for One Night Parking Permits fall into Low Cost Recovery, however when combined with the fees collected from the issuance of Annual Permits the result is the program should achieve High Cost Recovery.
- Street Closure – primarily residential for activities within a defined area. This service is provide for public safety and therefore is provided at a rate below 100% cost recovery.

Library (Library Cards, Overdue Fines, etc.) – fees are primarily established by the Peninsula Library Service.

Administrative Services (Copying Charges, Postage, etc.) – fees are primarily set by regulations and are generally high cost recovery of pass-thru charges.

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