



## ADMINISTRATIVE SERVICES DEPARTMENT

CITY HALL  
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255  
TELEPHONE: (408) 777-3220 • FAX: (408) 777-3109  
CUPERTINO.ORG

### CITY COUNCIL STAFF REPORT

Meeting: April 21, 2026

#### Subject

Fiscal Year (FY) 2026-27 Fee Schedule Update

#### Recommended Action

Adopt Resolution No. 26-XXX approving FY 2026-27 Fee Schedules A, B, C, and D. If adopted, new fees will be effective by July 1, 2026.

#### Reasons for Recommendation

On February 6, 2024, City Council received the results of a comprehensive 2023 Cost Allocation Plan (CAP) and User Fee Study. The City historically conducts fee studies in conjunction with a Cost Allocation Plan (CAP) approximately every seven years. The study evaluated the full cost (both direct and indirect) of providing City services and informed a more accurate and equitable fee structure. Fee updates based on that study along with the newly developed User Fee Cost Recovery policy were adopted on May 14, 2024.

The FY 2026-27 proposed fee schedules continue to use the full cost recovery methodology developed in the 2023 study and apply the latest inflationary adjustments to the FY 2025-26 rates: Consumer Price Index (CPI) increase of 2.477%, the Bay Area Construction Cost Index (CCI) decrease of .121%, and/or budgeted labor costs increase of 3.847%, excluding state regulated fees.

The adjusted schedules ensure alignment with the Council-approved User Fee Cost Recovery Policy (Attachment J) while maintaining fairness, clarity, and fiscal transparency. The proposed fee increases are estimated to generate approximately \$874,296 in additional annual revenue, primarily benefiting the General Fund.

#### Fee Schedules and Notable Changes

**Schedule A – General:** This schedule includes fees not specific to a department or division that would require a dedicated schedule, such as code enforcement permits, City Clerk services, database requests, business license applications and related fees, and other fees for service.

A CPI adjustment is also proposed for all relevant fees using the full cost recovery rate included in the fee study. The adjustments to these fees are primarily influenced by changes in the cost of materials or external factors beyond the City's control.

*Schedule A has been updated to align the dangerous dog sign fee with actual costs and to reflect staff time associated with massage business-related services. Additionally, three community festival fees have been removed, as they are now included in the Parks and Recreation – Schedule D.*

**Schedule B – Engineering:** Utilized by the Development Services Division within the Public Works Department, this schedule covers fees necessary for the division to review plans and applications for private developments (onsite grading and drainage operations), issuance of encroachment permits, inspections of work performed within the Public Right of Way, along with other permits, and services. Engineering fees are typically adjusted annually by CCI and Budgeted Labor Costs.

The schedule continues the practice of not charging for *Block Party* services and *Bi-Annual Parking Permit*.

*Schedule B has been updated to clarify the “Environmental Programs” plan review fee to reflect its expanded scope, which now includes both stormwater and waste-related review activities. Additionally, a commercial category has been added to the plan review fee structure to provide greater specificity, supplementing the existing single-family and multi-family classifications in place of the previous general fee.*

**Schedule C – Planning:** This schedule is utilized by the Planning Division, which administers all required review and evaluation processes for proposed land use projects and maintains the goals and objectives of the City's General Plan and Zoning Ordinance. Planning fees are typically adjusted annually by CPI and Budgeted Labor Costs.

*Schedule C has been updated to include clarifying language and the addition of a new fee for “Required Mailing Postage,” to be charged at actual costs plus an administrative fee for required noticing activities. Additionally, the “Two-Story Permit without Design Review” fee has been removed, as it is no longer applicable.*

**Schedule D – Building:** Utilized by the Building Division of the Community Development Department, this schedule includes fees for providing the following services: plan review and permit issuance of all proposed construction; code, ordinance, requirements, and regulation explanations; building inspection services; and other building and development-related services. Building fees are typically adjusted annually by Budgeted Labor Costs.

The proposed schedule includes Year 2 of a 3-year phase-in of full cost recovery for *Additions Plan Check and Inspection Fees*. As a result, these fees will increase by approximately 50–75% compared to last year’s rates, continuing the planned adjustment initiated in FY 2024-25.

*No new fees are being proposed in Schedule D.*

Index-Based Adjustments

Depending on the user fee, the CPI, CCI, or change in budget cost adjustment is applied based on the user fee’s underlying cost driver. For FY 2026-27, the CPI increase is 2.5% per the Bureau of Labor Statistics, the CCI decrease is -0.1% per the Engineering News Record, and the labor cost increase is 3.8%, as shown in the table below.

	February 2025	February 2026	Index Increase	Percent Increase
<b>Consumer Price Index for All Urban Consumers (CPI-U)</b>	354.432	363.211	8.779	2.477%
<b>Construction Cost Index (CCI)</b>	15,404.88	15,386.20	-18.68	-0.121%
<b>Budgeted Labor Costs</b>	\$ 45,637,000 <sup>1</sup>	\$ 47,392,474 <sup>2</sup>	\$1,755,474	3.847%

<sup>1</sup> Base Salary and Benefits (FY 2025-26 Estimated Budget)

<sup>2</sup> Base Salary and Benefits (FY 2026-27 Estimated Budget)

The net 3.8% increase in estimated Budget Labor Costs is primarily comprised of the inclusion of total pension costs, including mandatory annual payments towards the Unfunded Accrued Liability (UAL), as well as increases for employees progressing to higher salary steps and negotiated benefits.

The following table summarizes the current year’s application of indexes to Schedules A-D, along with the rate increases for the previous four years.

Fiscal Year	Schedule A – General Fees	Schedule B – Engineering Fees	Schedule C – Planning Fees	Schedule D – Building Fees
<b>2026-27</b>	2.5% CPI	-.12% CCI, 3.8% Estimated Labor Cost increase	2.5% CPI 3.8% Estimated Labor Cost increase	3.8% Estimated Labor Cost increase
<b>2025-26</b>	2.7% CPI	-.79% CCI, 9.7% Estimated Labor Cost increase	2.7% CPI 9.7% Estimated Labor Cost increase	9.7% Estimated Labor Cost increase

Fiscal Year	Schedule A – General Fees	Schedule B – Engineering Fees	Schedule C – Planning Fees	Schedule D – Building Fees
2024-25	FY 2023-24 cost-recovery plus 2.4% CPI	FY 2023-24 cost-recovery plus 0.7% CCI, 1.0% Estimated Labor Cost increase	FY 2023-24 cost - recovery plus 2.4% CPI 1.0% Estimated Labor Cost increase	FY 2023-24 cost - recovery plus 1.0% Estimated Labor Cost increase
2023-24	5.3% CPI	7.1% CCI, 9.0% Estimated Labor Cost increase	5.3% CPI 9.0% Estimated Labor Cost increase	9.0% Estimated Labor Cost increase
2022-23	5.2% CPI	9.8% CCI, 1.0% Estimated Labor Cost increase	5.2% CPI 1.0% Estimated Labor Cost increase	1.0% Estimated Labor Cost increase

Parks and Recreation fees (Schedule E) are not part of the proposed fee increase because they are set by current market rates per Resolutions No. 04-350.

Sustainability Impact

No sustainability impact.

Fiscal Impact

If Council approves the proposed fee updates with an effective date of July 1, 2026, the proposed fee schedule adjustments are anticipated to generate additional revenues totaling \$874,296 for Fiscal Year 2026-27. The fiscal impact of approving these fees have been updated to approximately ten of twelve months of the fiscal year, as the effective date had been delayed. A decision to forego implementing these increases would result in the General Fund absorbing a greater share of service costs, placing additional financial strain on the City’s primary operating fund. Over time, this subsidization could limit the City’s ability to fund other essential services and programs that benefit the broader community.

The recommended increase in fees and estimated revenue are summarized as follows:

Fee Schedule	Additional Revenue	Factor and Basis
Schedule A – General	\$722	2.5% CPI
Schedule B – Engineering	\$139,769	-0.12% CCI, 3.8% Labor Costs

<b>Schedule C – Planning</b>	\$144,799	2.5% CPI, 3.8% Labor Costs
<b>Schedule D – Building</b>	\$589,005	3.8% Labor Costs

City Work Program (CWP) Item/Description

None.

Council Goal

Fiscal Strategy.

California Environmental Quality Act

Not applicable.

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Prepared by: Jonathan Orozco, Acting Director of Administrative Services

Reviewed by: Kirsten Squarcia, Deputy City Manager

Approved for Submission by: Tina Kapoor, City Manager

Attachments:

A – FY 2026-27 Proposed Fee Schedule A – General (Redline)

B – FY 2026-27 Proposed Fee Schedule B – Engineering (Redline)

C – FY 2026-27 Proposed Fee Schedule C – Planning (Redline)

D – FY 2026-27 Proposed Fee Schedule D – Building (Redline)

E – FY 2026-27 Proposed Fee Schedule A – General (Clean)

F – FY 2026-27 Proposed Fee Schedule B – Engineering (Clean)

G – FY 2026-27 Proposed Fee Schedule C – Planning (Clean)

H – FY 2026-27 Proposed Fee Schedule D – Building (Clean)

I – Draft Resolution No. 26-XXX approving FY 2026-27 Fee Schedules A, B, C, and D

J – User Fee Cost Recovery Policy