



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: May 6, 2025

Subject

Fiscal Year (FY) 2025-26 Fee Schedule Update

Recommended Action

Adopt Resolution No. 25-XXX approving FY 2025-26 Fee Schedules A, B, C, and D. If adopted, new fees will be effective by July 6, 2025.

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 2025-26 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 2024-25 rates: Consumer Price Index (CPI) increase of 2.689%, the Bay Area Construction Cost Index (CCI) decrease of .790%, and/or budgeted labor costs increase of 9.690%, excluding state regulated fees.

The adjusted schedules ensure alignment with the Council-approved cost recovery policy (Attachment J) while maintaining fairness, clarity, and fiscal transparency. The proposed fee increases are estimated to generate approximately \$785,483 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.

No new fees are being proposed

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*.

No new fees are being proposed

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.

No new fees are being proposed

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

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 2025-26, the CPI increase is 2.69%

per the Bureau of Labor Statistics, the CCI decrease is -0.79% per the Engineering News Record, and the labor cost increase is 9.69%, as shown in the table below.

	February 2024	February 2025	Index Increase	Percent Increase
Consumer Price Index for All Urban Consumers (CPI-U)	345.151	354.432	9.281	2.69%
Construction Cost Index (CCI)	15,527.50	15,404.88	-122.62	-0.79%
Budgeted Labor Costs	\$ 41,606,027 ¹	\$ 45,637,000 ²	\$4,030,973	9.69%

¹ Base Salary and Benefits (FY 2024-25 Estimated Budget)

² Base Salary and Benefits (FY 2025-26 Estimated Budget)

The net 9.7% 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
2025-26	2.7% CPI	-0.79% CCI, 9.7% Estimated Labor Cost increase	2.7% CPI 9.7% Estimated Labor Cost increase	9.7% Estimated Labor Cost increase
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

2021-22	1.6% CPI	2.5% CCI, 5.7% Estimated Labor Cost increase	1.6% CPI 5.7% Estimated Labor Cost increase	5.7% Estimated Labor Cost increase
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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 6th, 2025, the proposed fee schedule adjustments are anticipated to generate additional revenues totaling \$785,483 for Fiscal Year 2025-26. 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	\$971	2.7% CPI
Schedule B – Engineering	\$136,082	-0.79% CCI, 9.7% Labor Costs
Schedule C – Planning	\$106,255	2.7% CPI, 9.7% Labor Costs
Schedule D – Building	\$542,175	9.7% Labor Costs

City Work Program (CWP) Item/Description

None.

Council Goal

None.

California Environmental Quality Act

Not applicable.

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Reviewed by: Kristina Alfaro, Director of Administrative Services

Tina Kapoor, Deputy City Manager

Approved for Submission by: Pamela Wu, City Manager

Attachments:

A – FY 2025-26 Proposed Fee Schedule A – General (Redline)

B – FY 2025-26 Proposed Fee Schedule B – Engineering (Redline)

C – FY 2025-26 Proposed Fee Schedule C – Planning (Redline)

D – FY 2025-26 Proposed Fee Schedule D – Building (Redline)

E – FY 2025-26 Proposed Fee Schedule A – General (Clean)

F – FY 2025-26 Proposed Fee Schedule B – Engineering (Clean)

G – FY 2025-26 Proposed Fee Schedule C – Planning (Clean)

H – FY 2025-26 Proposed Fee Schedule D – Building (Clean)

I – Draft Resolution No. 25-XXX approving FY 2025-26 Fee Schedules A, B, C, and D

J – User Fee Cost Recovery Policy