

# Capitola City Council

## Agenda Report



**Meeting:** November 14, 2024  
**From:** Finance Department  
**Subject:** FY 2024-25 City Fee Schedule

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**Recommended Action:** Conduct the duly noticed public hearing on the proposed City Fee Schedule for Fiscal Year 2024-25 and adopt a resolution amending the current fee schedule.

**Background:** The City adopts a resolution that sets the City's Fee Schedule on an annual basis, generally as part of the annual budget process, to reflect current costs of providing services, bring fees closer to full cost recovery targets, add new fees when applicable for new City services, and/or eliminate fees for discontinued services. The Council adopted the most recent update in 2023. For the 2024 update, the City contracted with Willdan Financial Services to analyze and recommend fee adjustments for City services to ensure full cost recovery while maintaining compliance with state laws. The fee study was presented to the City Council during a public hearing on November 7, 2024, and the City Council directed staff to return with a resolution adopting the FY 2024-25 Fee Schedule.

**Discussion:** The purpose of the fee study is to determine the City's actual cost to provide services and recommend a cost recovery rate. The fee study recommends updated fees across various departments based on the actual costs to the City of delivering certain services. Since the last study in November 2015, costs to provide certain City services have increased due to inflation, salary increases, and changes in service delivery. Many current fees are outdated, and set below full cost recovery, leading to a higher dependence on the General Fund.

It is worth noting that different cities take different approaches to cost recovery based on local priorities. For example, some cities will only recover 25-30% of costs for recreation programs, while other cities will strive for 100% cost recovery for those same programs. While the Willdan study includes a recommended rate for all fees, the City Council may establish a lower cost recovery rate for any fee. Doing so would require the City to use general fund revenues to make up the difference between the fee and the City's cost of providing the service. California law, including Propositions 218 and 26, mandate that fees must not exceed the City's cost of providing the service. That means that State law prohibits the City from charging fees higher than those identified in the study.

Recommendations by Department:

- Public Works Department
  - Significant fee increases are recommended to cover the costs of traffic control plan reviews, construction parking permits, and stormwater development reviews required for development in the City.
  - Several new fees for inspection and permit services have been introduced.
- Police Department

- Staff proposes as 38% average fee increase, with new fees and adjustments to existing fees imposed to review and issue special event permits and amplified sound permits, and various other administrative fees.
- New fees for services like vehicle boot removal and tow hearings are introduced to align with full cost recovery.
- Planning Division
  - Adjustments reflect a 3% average decrease due to revised cost estimates for services like tree removal permits and accessory dwelling unit reviews.
  - The Planning Division recommends new fees for complex planning applications and environmental reviews to capture full-service costs.
  - During the November 7, 2024, special City Council meeting, City Council requested fees for Child Care facilities be set at zero. Staff has verified that Home Daycare are now exempt from a use permit by state law, therefore not subject to Planning fees. Based on that input, the fee schedule has been adjusted so that Planning use permits for “Day Care Centers” and “Residential Care Facilities for Children” have been set at zero. Planning fees for mixed use projects, that may include childcare facilities, would be set based on the use permits for the non-childcare uses.
  - In addition, at that same hearing staff recommended two additional changes in the Planning Division proposed fee schedule. Those changes included maintaining the Developer Agreement minimum deposit at \$10,000, which had erroneously been listed at \$1,000 in the draft fee schedule and maintaining the Information Technology Fee at 5% as established by Resolution No. 3786 adopted November 12, 2009. These changes have all been incorporated in the attached draft FY 2024-25 City Fee Schedule.
- Building Division
  - Proposed increase for building plan checks and inspection fees to reflect the additional staff time required for larger and more complex projects.
  - Staff also recommends new fees for permit extensions and reinstatements.
- Community Services and Recreation Department
  - Adjustments aim to keep programs affordable while improving cost recovery. The average recommended increase in fees for facility rentals and recreations programs is approximately 2%, however, there are no increases in registration fees for youth programs
- Historical Museum
  - No changes recommended; fees will remain at current levels.
- Miscellaneous
  - Increase outdoor dining space rent by 2023 CPI amount of 3.67%, increasing from \$1.50 per square foot to \$1.56 per square foot and from \$3,400 annually per parking space to \$3,524.78 annually per parking space, consistent with the existing outdoor dining agreements.

- This increase was not included in the initial User Fee Study Report and was subsequently added by staff.

Fiscal Impact: None at this time. Staff will be evaluating fee revenue during the mid-year budget review and make recommended budget amendments, if any, at that time.

Attachments:

1. Resolution (with Recommended FY 2024-25 Fee Schedule attached as Exhibit A)

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Reviewed By: Julia Gautho City Clerk; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager