

City Council Agenda Report

Meeting Date: April 1, 2025
From: Joaquin Leon, Deputy City Treasurer
Department: Finance
Submitted by: Joaquin Leon, Deputy City Treasurer

Subject

General Fee Schedule for Fiscal Year 2025-26

Recommendation

A. Conduct a Public Hearing; and
B. Adopt Resolution No. 2025-007 authorizing and adopting the General Fee Schedule for Fiscal Year 2025-26.

Background

The City provides services to individuals or businesses for a fee. Fees that do not cover the full cost of service result in a subsidy that may impact the City's ability to fund programs and services that the community depends on. Some examples of City services for which customers incur fees include the issuance of building, development, and health and environmental control permits.

As part of the annual budget process, the City's General Fee Schedule is reviewed to ensure that the fees are set in accordance with applicable federal and state laws and accurately reflect the scope of services provided by the City. A draft fee schedule is then prepared for presentation to the Business and Industry Commission (BIC) and the City Council.

Staff last presented a fee study and accompanying recommended fees to the Council on May 19, 2020. However, due to the economic upheaval accompanying the COVID-19 pandemic, Council deferred increasing rates. While a small number of new fees have been added to the General Fee Schedule since then, the majority of the fees have not been updated to reflect the cost of service since FY 2017-18. To update the City's fees, a new fee study would be necessary.

In accordance with Vernon Municipal Code (VMC) Section 3.32.080, on June 28, 2023, staff issued a Request for Proposals (RFP) for a Cost Allocation Plan, Fully-Burdened Staff Hourly Rate, and Master Fee Schedule. An internal panel selected Willdan Financial Services (Willdan) based on their expertise, experience, and proposed fees. Subsequently, Willdan conducted a User Fee Study to determine the full costs incurred by the City to support the various activities for which the City charges user fees (Attachment 2). The proposed General Fee Schedule for FY 2025-26 included as Exhibit A to Resolution No. 2025-007 (Attachment 1) is based on the results of the User Fee Study, dated March 13, 2025, conducted by Willdan.

User Fee Study

The User Fee Study calculated the full cost of activities and developed fee schedules for services in the Building, Engineering, Health and Environmental Control, Police and administrative areas. Fees for Fire Prevention Services conducted by the Los Angeles County Fire Department and approved by Los Angeles County were not included in the review.

The User Fee Study included the following:

- Meetings with front line staff to accurately measure and capture the time required for fee-based activities such as processing permits and applications
- Review and analysis of the non-labor related expenses required to provide the service

- Calculation of administrative overhead costs accrued by central service departments, including City Administration, Finance, City Attorney and Human Resources
- The use of various methodologies to calculate fees based on the characteristics of each service

The User Fee Study calculated full cost recovery for every fee with some exceptions. Small subsidies are proposed for Police services, administrative fees, and certain Certificate of Occupancy fees to keep them within the range of fees charged by other cities (see below). The study identified 12 existing fees that should be lowered based on current costs of providing the service, 24 fees that should be increased, and 1 new fee, with 65 fees remaining unchanged.

The Health and Environmental Control fees required a full restructuring to reflect the services provided by the Health Department. The 61 existing Health and Environmental Control fees were replaced by 134 new fees that capture all the activities that the Health Department may perform for individual businesses or persons and to better reflect the level of effort required for each application. A redline of the proposed changes is attached to this report for reference (Attachment 3).

Fees across cities may differ depending on the services required by a particular community and the organizational structure and jurisdiction of each city. For this reason, it is difficult to compare all fees with those of other cities. Where possible, the City's proposed fees were compared with those of similar cities to ensure that costs were reasonable and in keeping with the type and level of service provided.

To ensure that the public has access to the most updated Fire Prevention Service fees, which are administered and controlled by the Los Angeles County Fire Department, the proposed Fee Schedule includes a link to the LA County Fire Prevention Fee website rather than a listing of fees.

Annual reviews and fee adjustments will ensure that the City is reimbursed for increasing labor-related costs. The proposed Fiscal Year 2025-26 General Fee Schedule will be presented to the City Council as a Resolution at a public hearing on April 1, 2025 prior to adoption.

Business and Industry Commission (BIC)

On February 27, 2025, a draft of the proposed General Fee Schedule for FY 2025-26 was presented to the Business and Industry Commission (BIC). Among the items discussed was maintaining a tiered structure for Certificate of Occupancy inspection fees and providing a subsidy to smaller businesses to support their opening. In addition, the BIC made a motion to recommend that Temporary Certificate of Occupancy fees be fully subsidized by the City. These proposed changes have been incorporated in the attached proposed fee schedule and in the table below. The changes do not impact the projected fee revenues. The BIC was supportive of the proposed General Fee Schedule for FY 2025-26.

Certificate of Occupancy	Current Fee	Suggested Fee	Full Cost	% Cost Recovery
5,000 square feet or less	\$385.00	\$400.00	\$666.30	60%
5,001 to 50,000 square feet	\$885.00	\$600.00	\$865.47	69%
50,001 to 100,000 square feet	\$1,046.00	\$865.00	\$865.47	100%
Over 100,000 square feet	\$1,207.00	\$1,065.00	\$1,065.00	100%
Temporary Certificate of Occupancy				
5,000 square feet or less	\$385.00	\$0	\$666.30	0%

5,001 to 50,000 square feet	\$885.00	\$0	\$666.30	0%
50,001 to 100,000 square feet	\$1,046.00	\$0	\$666.30	0%
Over 100,000 square feet	\$1,207.00	\$0	\$666.30	0%

Public Hearing

As required by California Government Code Sections 6062(a) and 66016, a notice of public hearing for the proposed General Fee Schedule for FY 2025-26 was published in the Huntington Park Bulletin on March 20, 2025, and March 27, 2025. The notice included the date, time, and location of the public hearing scheduled for April 1, 2025, information on how to access relevant documents prior to the hearing, and instructions for providing written comments. The publication schedule complied with Government Code requirements that the notice be published twice in a newspaper of general circulation, with at least five days intervening between publications. A copy of the published notice has been included (Attachment 4) to this staff report.

Fiscal Impact

It is estimated that the implementation of the proposed fees will increase General Fund annual fee revenues by approximately \$872,000. If approved, these increases will be included in the City's Proposed Budget for FY 2025-26.

Attachments

1. Resolution No. 2025-007
2. User Fee Study Report
3. Proposed General Fee Schedule FY 2025-26 – Redline
4. Proof of Publication - Notice of Public Hearing – FY2025-26 General Fee Schedule