



City Council Agenda Report
April 1, 2025

TO: Honorable City Council

FROM: Jesus M. Gomez, City Manager

BY: Jana Stuard, Director of Finance/City Treasurer
Jennifer Hernandez, Senior Management Analyst

SUBJECT: RESOLUTION NO. 25-12 - UPDATING AND ESTABLISHING USER AND REGULATORY FEES FOR FISCAL YEAR 2025/26

Background:

Comprehensive Fee Studies are generally completed every three to five years with the purpose of establishing fees, rates and charges for services, provided that such fees, rates and charges do not exceed the cost of providing said services. The City's last User and Regulatory Fee Study ("Study") was completed in May of 2007.

In an effort to accurately, fairly, and reasonably determine the full cost of providing services to the community, the City began the development of an updated Study, which was completed and presented to City Council in March of 2025 for review. The completed Study resulted in an updated User and Regulatory Fee Schedule which accurately identifies fees and charges for services provided at the request of, or on behalf of, a single party as opposed to the public at large.

The Study provides an up-to-date analysis of the City's current costs of providing fee-related services. This information can be used by City Council to consider potential updates to fees. User and regulatory fees are set at the direction of City Council at the conclusion of a public hearing to consider adoption of any new fees or adjustments to existing fees.

Analysis

Industry best practices and California statutes are in harmony: User and regulatory fees should be set according to the estimated reasonable cost of service and should bear a fair and reasonable relationship to the payer's burdens on, or benefits received from the activities and/or services provided by the City. Additionally, ongoing review and adjustment of fees provides multiple benefits, including:

- Increasing the availability of General Fund revenues to be used for services and activities available to all residents and businesses, such as public safety and parks services.
- Keeping pace with general cost inflation.
- Avoiding fee spikes that are more likely to occur when municipalities leave fees unchanged for a multi-year period.
- Providing fee payers, City Staff, and City policymakers with a pattern of consistency that provides information for forecasting and decision-making purposes.
- Helping to meet fee-payer service level expectations by collecting fees to fund the existing level of services provided.
- Encouraging generational equity among fee payers by avoiding long-term stagnation of fees followed by significant fee increases.

Exhibit A to the resolution includes the fee schedule proposed for adoption.

Attachment No. 2 of this report provides an illustration of current and proposed fees.

Attachment No. 3 of this report includes the user and regulatory fee study.

The following are primary outcomes and proposals that may be of particular interest to the City Council as it considers fee adjustments:

Building Fees

- Building plan review, permit processing and field inspection fees have been restructured to enhance the correlation between services provided and fees collected. The proposed fee methodology scales to allow for lower fees for less complex projects and higher fees for more complex projects.
- Establish fixed, consolidated fees for the City's most common minor permits. This will allow applicants to easily estimate permit fees and allow staff to efficiently administer the fee calculation and collection process.
- Full cost recovery is targeted from proposed fees.

Planning Fees

- Due to the nature of development within California, many projects take a significant amount of resources over a multi-month and potentially multi-year timeframe, depending on project complexity and magnitude.
- Full cost recovery is targeted from most proposed fees due to the regulatory nature of the fees and the high level of direct benefit resulting from construction activities including

enjoyment of property enhancements, increased property values, and the desire to avoid having other residents and businesses subsidize an individual's private construction activities.

- Current cost recovery varies widely depending on the fee examined (10% - 90%).

Engineering Fees

- Engineering and encroachment permit fees are collected to recover the costs associated with improvement plan review, permitting, and construction inspection along with review and inspection of work conducted within the City right-of-way.
- Full cost recovery is targeted from proposed fees.

Recreation and Social Services Fees

- Minor, inflationary, adjustments are proposed for recreation and social services fees. The City's costs of providing recreation and social services will continue to be largely supported by the City's General Fund.
- Staff have proposed restructuring reserved facility use fees to allow for differing rental rates for the following user groups: residential; non-residential; non-profit; commercial.

Fee Comparison

- Similar fees are collected by communities throughout the region and the State.
- The proposed fee amounts do not exceed the City's cost of service and will remain within the range of amounts charged by other jurisdictions in the area.
- The City, consistent with other cities throughout the State, has an existing fee schedule that contemplates hundreds of potential unique requests for service. This can result in thousands of fee scenarios when comparing among multiple agencies. Consequently, an exhaustive comparison of the hundreds, and potentially thousands of scenarios is unrealistic. Instead, comparison information for several targeted fee categories (e.g., high volume categories, fee categories of particular interest to community, etc.) are provided in order to provide City Council with a reasonable sense of changes expected.
- For Norwalk, depending on the fee examined, outcomes will show that new fees may range from lower, to mid, to upper end of regional fee spectrum depending on the service provided. This is common among municipalities due to differing levels of service and review included among various fee categories.

It is anticipated that costs will fluctuate over time, a significant element in the development of any fee schedule is that it has the flexibility to remain current. Therefore, it is recommended that once updated fees are established, they are updated annually, in accordance with Norwalk Municipal Code Chapter 3.40. A most commonly used factor to determine updated fees annually

is the Consumer Price Index, which is a well-known and accepted methodology to reflect changes in costs.

If adopted, updated User and Regulatory Fees will take effect July 1, 2025.

Fiscal Impact:

The anticipated General Fund fiscal impact of the proposed fee changes is approximately \$1,410,000 in additional cost recovery for fee-related services.

Description	Current Fees				Proposed Fees		
	Annual Cost of Service	Annual Fee Revenue	General Fund Subsidy	Overall Current Cost Recovery	Annual Fee Revenue	New Revenue to General Fund	Targeted Cost Recovery
Building	\$2,631,000	\$1,652,000	\$979,000	63%	\$2,631,000	\$979,000	100%
Engineering	\$687,000	\$231,000	\$456,000	34%	\$439,000	\$208,000	64%
Planning	\$768,000	\$223,000	\$545,000	29%	\$446,000	\$223,000	58%
Total	\$4,086,000	\$2,106,000	\$1,980,000	52%	\$3,516,000	\$1,410,000	86%

Although the changes are anticipated to provide additional revenue, the revenue is not intended to be used to fund new services, rather the revenue is intended to offset the costs of providing existing services that are recoverable from fees.

Citizens Advised:

Notice of Public Hearing regarding the establishment and/or adjustment of fees and service charges was published in the Norwalk Patriot on March 14, 2025 and March 21, 2025. Additionally, notice was posted at the City's three designated places.

Strategic Plan 2023 Implementation:

The recommended actions will further the City's 2023 Strategic Plan Goal 3 Create and Sustain a Resilient and Economically Prosperous City.

Recommended Action:

Staff recommends City Council adopt RESOLUTION NO. 25-12, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NORWALK UPDATING AND ESTABLISHING USER AND REGULATORY FEES FOR FISCAL YEAR 2025-2026.

Attachments:

1. Resolution No. 25-12, including Exhibit A – Proposed Fee Schedule
2. Illustration of current and proposed fees
3. User and Regulatory Fee Study