



AGENDA REPORT

Department: Finance
Prepared by: Sean W. Pfeifer, Management Analyst
Meeting Date: Tuesday, June 3, 2025
Approved by: Scott W. Huth, Interim City Manager

SUBJECT:

Public Hearing: 2025 Comprehensive User Fees and Full Cost Allocation Plan

RECOMMENDATION:

Hold a Public Hearing and Adopt the Resolution Entitled: "Resolution of the City Council of the City of National City, California, Adopting the 2025 Master Fee Schedule."

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

Not Applicable.

EXPLANATION:

In 2018, the City hired Willdan Financial Services to develop a cost allocation plan and perform a comprehensive user fee study. The resulting 2018 user fee study prepared by Willdan Financial Services was used to set the fee schedule that has been in place from January 1, 2019 through April 19, 2022. In 2022, City staff updated the 2018 model to account for changes to hourly rates for staff time, add a new fee for e-check convenience charges, and update the fees charged for lost or damaged library items to reflect the true cost of purchasing a replacement item. The update also listed fees that were previously adopted by the City Council in separate actions over the years into one Master Fee Schedule document for clarity and transparency.

It is best practice to update the fee study at least once every five years, as staffing and services change over time. Periodic fee studies are important for the City's cost recovery, but also to ensure that the City is not charging more than the reasonable cost of providing the service, as that would be a violation of state law. In late 2024, City staff issued a request for proposals (RFP) to qualified consulting firms for a Comprehensive User Fee Study and Full Cost Allocation Plan. After a thorough review process, the contract for a Comprehensive User Fee Study and Full Cost Allocation Plan was awarded to Willdan Financial Services.

The purpose of the Cost Allocation Plan is to establish rates that capture the overhead costs associated with activities that incur fees such as administration, Information Technology, and department management. Similarly, the User Fee Study was initiated to calculate the "full" (100%) cost of services provided to the public to ensure that the City charges an appropriate amount that captures the costs associated with providing those services.

Willdan used a "standard unit cost build-up methodology" that included staff interviews, a review of available records and a time and materials analysis to determine the resource requirements for each service. The consultants calculated the full cost of the service by applying "fully burdened hourly rates" for staff that provided the service to the estimated amount of time required to provide the service. Fully burdened hourly rates incorporate the salaries and benefits of staff providing

the service, departmental overhead costs, and indirect City-wide overhead costs calculated through the cost allocation plan.

The table below summarizes the number of fees by department with (1) recommended increases, (2) recommended decreases, (3) fees with no change, and (4) newly added fees.

Department	Recommended Increases	Recommended Decreases	Fees with No Change	New Fees
Building	162	6	4	0
City Clerk	2	0	1	5
Community Services	2	0	66	0
PW & Eng	0	0	16	20
Fire	46	23	13	23
Finance	13	0	19	0
Neighborhood Services	41	0	14	8
Planning	33	1	5	1
Police	16	0	7	0
Housing	5	0	0	20
Parks	0	0	6	0
Total	320	30	151	79

Changes to City fees require a public hearing, and upon approval, do not become effective for at least sixty (60) days. If adopted at the June 3 meeting, the Updated Master Fee Schedule as presented in Exhibit B would be effective on August 4, 2025.

Wildan also recommends that the City perform an internal review annually to make adjustments to the fee schedule to reflect the impact of inflation on the costs to provide services. Staff recommends that the City Council authorize staff to annually perform this review and present recommendations for changes to the fee schedule based on the Consumer Price Index ("CPI") or other relevant data that may be available.

FINANCIAL STATEMENT:

While the amount of revenue attributable to fees for services is dependent upon the mix and quantity of services requested, staff expects an overall moderate increase in fee revenues should the updated fees be adopted.

RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:

Balanced Budget and Economic Development

ENVIRONMENTAL REVIEW:

This is not a project under CEQA, and is therefore, not subject to environmental review. CCR15378; PRC 21065.

PUBLIC NOTIFICATION:

The Agenda Report was posted at least 72 hours before the Regular Meeting date and time, and 24 hours before a Special Meeting in accordance with the Ralph M. Brown Act

ORDINANCE:

Not Applicable

EXHIBITS:

Exhibit A -- Resolution

Exhibit B – 2025 User Fee Study Report

Exhibit C – 2025 Full Cost Allocation Plan Report

Exhibit D – 2025 Master Fee Schedule