



## Council Agenda Report

From: Catherine Piatti, Finance Manager

Subject: Approval of a Resolution Updating and Establishing City User Fees for Various Regulatory Activities, Programs, and Services

CEQA Determination: The City finds that this action is exempt under the California Environmental Quality Act from environmental review under Public Resources Code Section 21080(b)(8), which provides an exemption for the establishment or modification of charges by public agencies which the public agency finds are for the purpose of meeting operating expenses.

Date: September 16, 2025

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### Facts

1. The City charges fees for certain services for which a particular individual or group is the primary beneficiary, as opposed to the public at large. In these instances, it is more equitable to charge for these services rather than subsidize them out of the General Fund.
2. For most fees, the City is not allowed to charge more than the reasonable cost of providing the service or performing the activity. For some (e.g., youth recreation), the City purposefully charges less than the cost of providing the service in an effort to maintain accessibility and affordability.
3. City staff annually review user and regulatory fees as part of the City's normal course of operations and on June 18, 2024 City Council approved inflationary adjustments with other minor refinements to fees for Fiscal Year 2024-25. There has not been an update to fees since then.
4. The last citywide user and regulatory fee study was completed in 2005. Comprehensive fee studies should be performed periodically to ensure the City's cost of providing services are accurate and appropriate.
5. In FY 2020-21, a citywide user fee study was a City Council goal and strategic priority. Due to various projects and events taking precedence (e.g., COVID-19 pandemic, January 2023 Storms, transparency software implementation), the project was delayed.
6. In March 2024, the City retained an independent consultant, ClearSource Financial Consulting (ClearSource), to facilitate the study.
7. The proposed fees for consideration are limited to fee-related services provided by the City's public safety departments and non-development services fees. Development-related fees, such as permits and licenses, will be presented to City Council in early 2026 and as such are not included in this proceeding.
8. If Council adopts the proposed Comprehensive Fee Schedule, the updated fees will be effective November 16, 2025, 60 days from adoption.
9. On an annual basis, fees will be adjusted based on the Consumer Price Index – All Urban Consumers for San Francisco-Oakland-San Jose, California, calculated by the 12-month changes as of April each year. This adjustment will be effective July 1, 2026, and each July thereafter for all fees except Recreation Division fees, which will increase effective October 1, 2026, and every October 1 thereafter to accommodate the recreation programming season.

## **Community Outreach**

Public noticing regarding the proposed fee changes has been provided as directed by the Mitigation Fee Act, codified pursuant to Government Code section 66000, et. seq. and more specifically the public meeting requirements of section 66016 and the public hearing requirements of section 66018. The City made publicly available the Study indicating the amount of cost, or estimated cost, required to provide the Services for which the user fees are to be imposed, and the revenue sources anticipated to provide such programs and services at least ten (10) days prior to the date of the public hearing. The City will hold a duly noticed public hearing at which all oral and written presentations are made as part of a regularly scheduled meeting and prior to holding said public hearing, the City published notice in a newspaper of general circulation at least ten (10) days prior to the date of the public hearing pursuant to Government Code section 6062a. City provided written notice to any interest party having requested such notice at least fourteen (14) days prior to the date of the public hearing and said notices provided the date, time, and location of this public hearing. Additionally, relevant advisory bodies were provided with the opportunity to review the proposed updates at regularly scheduled advisory body meetings.

## **Options**

1. Take no action, leaving fees unchanged;
2. Approve accompanying resolution updating and establishing various user and regulatory fees, based on the materials presented;
3. Approve any combination of partial implementations of the proposed changes;
4. Provide alternative direction to staff.

## **Analysis and Conclusions**

The Citywide User and Regulatory Fee Study can be reviewed entirely in Exhibit C. Cities regularly conduct these studies to justify fee amounts imposed, and to optimize the overall portfolio of revenues available to the municipality to fund its services. Industry practice and fiscal conditions in the state have led most cities to link cost recovery for services of individual action, cause, or benefit to that same individual through user fee revenue, relieving the agency's general revenues as much as possible for use toward services of broader community benefit.

User and regulatory fees are intended to cover all, or a portion of, the costs incurred by the City for providing fee-related services and activities that are not otherwise provided to those not paying the fee. California law provides restrictions regarding the amounts the City may charge for fee-related services and activities. Specifically, in order to avoid being considered taxes, the fees charged shall not exceed the estimated reasonable cost of providing the services, activities, or materials for which fees are charged.

The services for which the City imposes a user or regulatory fee typically derive from an individual person or entity's action, request, or behavior. Therefore, except in cases where there is an overwhelming public benefit generated by the City's involvement in the individual action, a fee for service ensures that the individual bears most, if not all, of the cost incurred by the City to provide that service. When a fee targets "100% or full cost recovery," the individual is bearing the entirety of the cost. When a fee targets less than full cost recovery, another City revenue source – in most cases, the General Fund – subsidizes the individualized activity.

Generally, fees for service are targeted to full cost recovery, inclusive of operating, direct, indirect, and capital costs, except in cases where the City Council cites a public interest in lower fees (e.g., parks and recreation fees). The City may also be influenced by market conditions or comparisons to municipalities of similar size and service profile.

During the course of study, information and analysis was generated and discussed substantively in the user and regulatory fee study included as an attachment to this report. Following, is a summary by broad fee category, of outcomes and proposals that may be of particular interest to the City Council.

It should be noted that the user and regulatory fee study will be completed and presented to the City Council in two phases:

- Phase One: Delivered to City Council in September 2025: Public Safety and Non-Development Services Fees – Fire Prevention Services Fees, Police Services Fees, Utilities Services Fees, Airport Fees, Library and Recreation Services Fees, Film and Commercial Photography Permit Fees, Administrative Fees.
- Phase Two: Delivered to City Council in early 2026: Development Services Fees – Building, Planning, and Engineering.

Exhibit B of Attachment 1 provides a before and after illustration of fees, and are summarized below:

#### Public Safety Fees

While most City public safety services such as emergency response and routine patrol services are tax funded services, the City's public safety departments provide certain discrete services that are typically recovered via fees and charges (e.g., fire prevention services for review of new construction and certain operations and vehicles impound and release and requests for special reports). Fees for these services are proposed to be adjusted to recover the City's costs of service.

#### Community Services Fees

Community services fees for services such as reserved use of City indoor facilities, sports fields, and courts are proposed for minor modification. The City's emphasis continues to be:

- Maintaining active, dynamic, use of public spaces.
- Prioritizing non-profit users.
- Providing multiple venue sizes and types with corresponding pricing to accommodate the needs of various users.

Additionally, staff recommends establishing a permit fee structure for recreation events outside of City Council-approved public events in the Downtown City Park.

Regardless, the City's Library and Recreation Services continue to be primarily supported by the General Fund (i.e., highly subsidized services), in that only 1% of library costs are recovered from fees and fines and 10% of parks and recreation costs are recovered from fees.

#### Utility Services Fees

While most of the costs of City Utility Services are recovered via routine service billings (i.e., utility bills charges for services), the costs of providing certain discrete, non-routine, services are typically recovered via fees and charges (e.g., new utility account activation fees, meter installation fees). Fees for these services are proposed to be adjusted to recover the City's costs of service.

### Airport Fees

No changes are proposed to fees and charges for Paso Robles Municipal Airport based aircraft. However, transient aircraft parking fees are proposed to be adjusted with a new structure based on aircraft weight. This is consistent with transient aircraft landing fees which are also based on aircraft weight. Additional new fees are proposed for short-term rental of unoccupied aircraft hangars.

### Film and Commercial Photography Permit Fees

Fees are proposed to be adjusted to the scale of activity requested to be conducted within City limits, with lower fees for smaller scale/shorter duration events and productions, and higher fees for larger scale/longer duration events and productions. Larger productions typically require closure of streets, alley's or other public spaces that create additional logistical and planning coordination requirements.

### Administrative Fees

Administrative fees have been recalibrated to reflect current costs of service and State limits for certain fee-related services.

### Regional 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 are in-range of amounts charged by other jurisdictions. Current and proposed fees were compared to amounts collected by other agencies. For sampling purposes, the fee comparison examined fees for:

- City of Atascadero
- City of Morro Bay
- City of San Luis Obispo
- County of San Luis Obispo

For the City, outcomes will show that new fees may range from low, 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. Scenarios considered range from smaller scale projects to larger scale projects.

### **Fiscal Impact**

The anticipated fiscal impact of the proposed fee adjustments is an additional \$142,000 in annual General Fund cost recovery.

Fee Related Services	Current Fee Revenue	Proposed Fee Revenue	Fiscal Impact
Fire Prevention Fees	\$258,000	\$300,000	\$42,000
Police Services Fees	\$186,000	\$235,000	\$49,000
Utilities Services Fees	\$44,000	\$48,000	\$4,000
Library	\$11,000	\$11,000	\$0
Recreation	\$469,000	\$516,000	\$47,000
<b>Total</b>	<b>\$968,000</b>	<b>\$1,110,000</b>	<b>\$142,000</b>

Additional revenues expected from proposed changes to fees and charges are intended to offset the cost of providing existing services associated with those fee-related functions. Additional fee revenue is not intended to fund new services.

Fairly allocating costs to the services provided and recovering some, or all, of these costs from service recipients creates value and predictability for City customers and reimburses the City for services provided to a single party, as compared to the public at large. Collecting fees for services:

- Increases the availability of General Fund revenues to be used for services and activities available to all residents and businesses, such as public safety and public works services.
- Helps meet fee-payer service level expectations by collecting fees to fund the existing level of services provided.

### **CEQA**

The City finds that this action is exempt under the California Environmental Quality Act from environmental review under Public Resources Code Section 21080(b)(8), which provides an exemption for the establishment or modification of charges by public agencies which the public agency finds are for the purpose of meeting operating expenses

### **Recommendation (Option 2)**

Approve Resolution 25-XXX, updating and establishing various user and regulatory fees for various City regulatory activities, programs, and services set forth in a comprehensive fee schedule.

### **Attachments**

1. Resolution 25-XXX – User Fee Study
  - Exhibit A - Publication Notice of Public Hearing
  - Exhibit B - Illustration of Current and Proposed Fees
  - Exhibit C - User and Regulatory Fee Study
  - Exhibit D - Schedule of User and Regulatory Fees and Charges