

City of Hesperia

STAFF REPORT



DATE: September 16, 2025

TO: Mayor and Council Members
Chair and Board Members, Hesperia Water District

FROM: Rachel Molina, City Manager

BY: Casey Brooksher, Assistant City Manager
Keith Cheong, Senior Accountant

SUBJECT: User Fee Study Update

RECOMMENDED ACTION

It is recommended that the City Council and the Board of Directors of the Hesperia Water District consider an amendment to the City-wide fee schedule based upon the change in the Consumer Price Index (CPI) by adopting Joint Resolution No. 2025-34 and Resolution HWD 2025-09.

BACKGROUND

The City charges user fees for the various services provided. Services such as these are requested of the City's departments but involve limited or no direct benefit to the community as a whole. Without recovering the cost to provide these services, the City would have to use general tax monies to provide these individualized benefits, in effect subsidizing the cost of providing the service, which would impact the limited funds that might otherwise be available for community-wide benefits.

Proposition 4 (1979) determined the difference between a tax and a fee, wherein a fee must be no greater than the cost of providing the service. As such, the City may only set fees at a level to recover the full estimated cost of providing the service (user fee).

In FY 2022-23, the City engaged a consultant (Willdan Financial Services) to prepare a comprehensive User Fee Study and rate model to determine the full cost of the services provided by the City. The study's goal was to identify the fee amounts that would allow the City to recoup up to, but no more than 100% of the cost to provide the service to the individuals or companies that benefit from the services being provided. The resulting fee study and model were presented and adopted by the City Council at the December 19, 2023, council meeting, with the changes to the fees effective March 1, 2024.

On September 17, 2024, the City Council approved a revision to the User Fee Schedule, which corrected the inadvertent omission of benefit costs related to City staff time, which should have been included in the prior version presented by the consultant.

ISSUES/ANALYSIS

As part of the 2024 Strategic Plan, the City Council identified eleven (11) strategies to be completed over the next five (5) years. As part of that Strategic Plan, City Council identified the Top 11 Priorities. One of those top priorities is to: *Conduct a regular assessment of the approved City fee schedule to ensure City-related costs are recovered.*

Since the City Council's December 19, 2023, approval of the FY 2023-24 User Fee Study, there have been changes in the Consumer Price Index (CPI), which have impacted the City's costs to provide services. Using the January-to-January annual change for Riverside-San Bernardino-Ontario, the CPI has increased 4.0% and 2.7% in 2024 and 2025, respectively. The current fee schedule does not reflect these most recent increases in CPI. As such, consistent with the City Council's Strategic Plan to conduct a regular assessment of the approved City fee schedule to ensure City-related costs are recovered, an update to the City's Fee Schedule is presented for the City Council's consideration, to ensure that the City recovers the fully burdened costs to provide services.

Of the 540 different types of fees, 195 are being recommended to increase, 4 would decrease due to staffing changes, and there would be no change to the remaining 341 fees. The following table details the changes by area.

Department/Fee Category	No. of Fees Added	No. of Fees Increased	No. of Fees Decreased	No. of Fees with No Changes	Avg. Estimated Fee Increase
Animal Control	0	0	0	123	0.0%
Miscellaneous Fees	0	13	0	42	1.3%
Building & Safety	0	84	2	57	6.0%
Planning	0	58	0	6	6.8%
Engineering	0	21	2	44	3.4%
Business License	0	7	0	30	0.4%
Public Safety	0	2	0	14	0.4%
Water District (Non-Utility Rate)	0	10	0	25	2.5%

The departments with the largest average estimated fee increases are Planning (6.8%), Building & Safety (6.0%), and Engineering (3.4%), as they are the departments with the greatest number of fees that depend on City staff labor to provide the service, and the City has previously elected to recoup the full costs.

Note that the Business License Administration Fees to process new licenses and license renewals are recommended to increase to \$14 and \$7, respectively, in order to match the City's cost. The Business License Fee to monitor the program is recommended to remain fixed at \$50 (a \$60 fee subsidy).

Building fees, not including Developer Impact Fees, charged for new single-family residential homes consist of multiple items, such as plan review, inspection, automation, and various administrative fees. Of these building fees, the largest recommended fee increase involves plan review fees, which is recommended to increase \$82 from \$1,182 to \$1,264 for the first 1,000 square feet (sq ft). The \$0.21 per square foot fee for plan reviews over 1,000 sq ft. would remain unchanged. Administrative fees and automation fees are recommended to increase by \$19 and \$8, respectively. In total, building fees on a 2,000 sq ft house would increase \$109 from \$4,197 to \$4,306.

Attached to this staff report is the FY 2025-26 User Fee Study report, which provides details for the fee changes based on the change in CPI. If approved, the fee changes would become effective December 01, 2025.

CITY GOAL SUPPORTED BY THIS ITEM

Financial Health - Maintain a balanced budget and adequate reserves.

FISCAL IMPACT

Based upon the FY 2025-26 Revenue Budget, the annualized General Fund revenues are projected to increase by approximately \$223,000. The largest General Fund revenue increases would derive from Building Fees (\$121,000), Business License Administrative Fees (\$49,000), Planning, Architectural Inspections, Conditional Use Permit Fees, and Site Plan Review (\$29,000), and Engineering Permit and Plan Check Fees (\$24,000).

The annualized Water District revenues are projected to increase by approximately \$1,900 annually, based upon the FY 2025-26 Revenue Budget. This is largely due to anticipated increases to Construction Meter Set-up Fees (\$1,000) and Fire Flow Test Fees (\$900).

ALTERNATIVES

1. Provide alternative direction to staff.

ATTACHMENTS

1. Joint Resolution No. 2025-34 and Resolution HWD No. 2025-09
2. User Fee Study Report – FY 2025-26