



CITY OF MENIFEE

SUBJECT: 2025 Citywide User Fee and Development Impact Fee Annual Adjustments

MEETING DATE: June 18, 2025

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Travis Hickey, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Waive the automatic annual adjustment on certain deposit-based fees and/or Community Services fees, retaining at 2022 amounts, and
2. Receive and file the 2025 updated Citywide User Fee Schedule and Development Impact Fee (DIF) Schedule based on 2025 automatic adjustments.

DISCUSSION

On October 5, 2022 the City Council adopted the 2022 Comprehensive Cost of Services/User Fee Study and accompanying fee schedule with an effective date of January 1, 2023. The new fee schedule reflected a comprehensive review and analysis to determine the full cost of providing services accurately, fairly, and reasonably to the individuals, residents, and businesses within the community. Ultimately, the amount of revenue generated (fee amount) may not exceed the estimated reasonable cost of providing the services, and with the goal of making the city “whole” as to costs.

In addition to the new fee schedule, effective January 1, 2023, the approval of the Fee Study included authorization for the City Manager to implement an annual Consumer Price Index (CPI) adjustment (increase or decrease) not-to-exceed 4% and effective July 1 each fiscal year, based on January to January of the previous year, with the first adjustment effective July 15, 2024.

Around the same time the City completed the 2022 Citywide User Fee, a comprehensive update was also completed for the existing Development Impact Fee (DIF) Study of 2019. DIF is designed to support and fund improvements to public facilities and the purchase of equipment related to the provision of essential services based on the demands created by new growth and development. Following the update, revised DIF fees were established to be effective beginning

July 1, 2023 with automatic annual adjustment consisting of the Construction Cost Index (CCI) for July 1st of each fiscal year beginning July 1, 2024. Additionally, the revised DIF Schedule included for a phase-in of fees for commercial/retail and office categories over the following five years.

Staff presented the proposed updated 2024 Citywide User Fee on May 15, 2024 introducing some new/updated fees across various departments, as well as revising the automatic annual adjustment from a December to December CPI to a January to January CPI based on the available CPI data. At that time, the City Council also requested an annual staff report summarizing the annual automatic adjustment for purposes of reporting and transparency.

2025 Citywide User Fee Annual Adjustment and Other Updates

The proposed 2025 User Fee automatic annual adjustment the City Manager has been authorized to implement will be a CPI adjustment of 2.94% based on the January CPI. Existing fees are proposed to be adjusted accordingly with the exception of the following:

1. **Statutory Based Fees:** Fees set by federal/state regulation, such as passport fees which cannot be modified.
2. **Deposit Based Fees:** Staff is recommending all deposit-based fees be maintained at the original 2022 base amounts without annual adjustments. As these are deposit based fees, in some instances for items like facility rentals, or in the case of deposit based fees for services, if additional payments are required, staff would coordinate collecting the balance from the respective applicant. By retaining the fees at the original 2022 amounts, it provides administrative streamlining of the initial amount collected.
3. **Community Services Department Fees:** As part of the 2022 study, Community Services related fees were implemented at a proposed market rate on feedback from the various workshops. Community Services related fees are in most cities established by policy more in line with market rates as opposed to full cost recovery. The Parks, Recreation and Trails Commission (PRTC) has requested the opportunity to review the City's existing Community Services user fees for potential updates. Based on PRTC feedback staff anticipates returning to Council with any fee update recommendations in the upcoming months. As this effort is underway, staff recommend the current Community Services related fees, including rental deposits, be retained at the original 2022 amounts, and forego the annual adjustment.

The updated Citywide User Fee Schedule is included as an attachment for reference and as a receive and file. This is also regularly available on the city website.

2025 Development Impact Fee (DIF) Annual Adjustment

The proposed 2025 DIF automatic annual adjustment the City Manager has been authorized to implement will be a CCI adjustment of 2.30% based on the most recent CCI. The commercial/retail and office categories reflect year three of the phased-in adjustment increases.

The updated DIF Schedule is included as an attachment for reference and as a receive and file. This is also regularly available on the city website.

STRATEGIC PLAN OBJECTIVE

Thriving Economy

FISCAL IMPACT

The fiscal impact of the automatic adjustments to fees is a revenue increase of 2.94% for user fees and a 2.30% revenue increase for DIF collected. The annual adjustments to both the Citywide User Fee Schedule and DIF Schedule provide continued revenue support to the City's costs in delivery of services and/or capital investments. The adjustments help mitigate the impact of increased costs over time. No budget adjustment and/or appropriation action(s) is required.

ATTACHMENTS

1. 2025 Citywide User Fee Schedule
2. 2025 DIF Schedule