



**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
STAFF REPORT**

Agenda Item No. 6B
April 16, 2026

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

FROM: Administrative Services Department
Jason Al-Imam, Administrative Services Director / Treasurer
949-644-3126, jalimam@newportbeachca.gov

SUBJECT: FISCAL YEAR 2025-2026 FEE STUDY UPDATE

SUMMARY:

Fees are regularly studied and updated by departments to ensure the proper recovery for cost of services in accordance with the cost recovery rates established by the City Council. Departments are reviewed on a rotating basis such that each department's fees are comprehensively studied and updated every 3-5 years. This year, staff have comprehensively reviewed the fees for the following departments:

- Community Development
- Fire
- Police

Specific recommendations related to the fees attributed to the departments referenced above are discussed in detail later in this report. The net fiscal impact of the proposed fee changes is projected to increase the City's revenue by \$937,000 as summarized in the following table.

EXHIBIT 1 - FISCAL IMPACT OF PROPOSED FEE CHANGES

Fee Related Services	Fund	Current Fee Revenue	Proposed Fee Revenue	Fiscal Impact	Note
Development: Building Fees	General Fund	\$8,893,000	\$9,160,000	\$267,000	[a]
Development: Planning Fees	General Fund	\$981,000	\$1,030,000	\$49,000	[a],[b]
Fire Prevention Fees	General Fund	\$560,000	\$588,000	\$28,000	[a]
Fire Emergency Med Svcs (EMS)	General Fund	\$5,269,000	\$5,310,000	\$41,000	[a]
Fire Junior Lifeguard	General Fund	\$1,228,000	\$1,302,000	\$74,000	[a]
Police - Animal Regulation	General Fund	\$136,000	\$146,000	\$10,000	[a]
Police - Records and Services	General Fund	\$498,000	\$523,000	\$25,000	[a]
Admin Svcs - Short-Term Rental Permits	General Fund	\$534,000	\$977,000	\$443,000	[c]
Total		\$18,099,000	\$19,036,000	\$937,000	

[a] Source: Current fee revenue based on average of FY 22/23 and FY 23/24 actual revenues.

[b] Planning fees include General Plan Maintenance Fee.

[c] Based on current volume of annual initial and renewal permit applications.

Staff has also identified necessary administrative fee updates in the various departments which will be reflected in the redlined version of the Schedule of Fees, Fines, and Rents (SRFF) that will be included in the fee resolution presented to the City Council. Subject to City Council approval, staff recommend that the fee schedule updates, with the exceptions noted in this report, become effective July 1, 2026.

RECOMMENDED ACTION:

Review and discuss the proposed fee updates discussed in this report and provide any recommendations for consideration to the City Manager and City Council.

DISCUSSION:

NBMC Section 3.36, and Council Policy F-4 (Revenue Measures) provide staff and the City Council with policy guidance related to setting cost recovery targets and updating user fees. User fees are charged to a citizen or group for services performed or provided by a government agency on their behalf. If the service primarily benefits an individual or group of people, then the burden of that cost should be borne by the person receiving that benefit. NBMC Section 3.36.030 sets the cost recovery for user fees at 100%, apart

from the subsidized fees listed in Exhibit “A” of that same section, as well as those limited by California or Federal statutes. A recommendation for less than a 100% cost recovery rate may occur when a service is beneficial to the community at large along with specific individuals or groups, and/or when there is an economic incentive, or disincentive, to do so. In these cases, another City revenue source – in most cases, the General Fund - subsidizes the service. Any newly proposed fee or fee increase that is not approved by the City Council will by default be subsidized by the General Fund.

The SRFF primarily includes cost-of-services fees, which are designed to recover the City’s cost to provide the related service. To establish fees based on full cost recovery, it is necessary to determine the cost of services. Using well-established cost accounting methodologies, the City’s consultant, ClearSource Financial Consulting (ClearSource), conducts a comprehensive review and update of the Citywide cost allocation plan, and direct user fee calculations for each department on a rotating basis every three years. This year, ClearSource studied the following departments at staff’s direction:

- Community Development Department
- Fire Department
- Police Department

As part of this study, ClearSource met with City staff from each studied department to discuss the services provided, the annual volume for those services, and the staff resources and time estimates for delivering the related services. To factor in both direct and indirect costs, ClearSource then calculated the department staff’s fully burdened hourly rate, which includes both internal administrative costs as well as citywide overhead costs. The fully burdened hourly rates are applied to the time estimates provided by staff and the fee is calculated. Based on the results of the fee study, it is common for some fees to increase while others decrease. The most common reasons for these changes are:

- 1) changes in costs, which most often increase over time;
- 2) changes in the staff performing the service; and/or
- 3) changes in the time required to perform the service.

Once the calculations are confirmed, department staff recommends either full cost recovery or a subsidy for the fee.

The remainder of this report focuses on how the fees studied are changing. Before and after illustration of each department’s studied fees can be found in Attachment A.

Community Development Department

The Community Development Department (CDD) administers the City’s General Plan, as well as the City’s zoning, building, subdivision, and environmental regulations, to ensure orderly physical growth of the community. Program activities include advance and current planning, building, plan review, permit issuance, and inspection; among other things not

related to cost-of-service fees. This department was last studied in FY 2022-23.

- **Building** – Fees in this division are collected to recover the costs associated with plan review, permitting, and construction inspection for new and remodeled buildings and other structures. In this division, the following changes are proposed:
 1. The Record Management – Per Sheet has been renamed to the Development Technology Fee - % of Permit Fee and the fee has changed from a dollar amount to percentage-based recovery that will be determined through the referenced permit fee; this fee will be applied to all permit fees except solar permits and will not be subject to CPI.
 2. Across various categorizations of fees where there is a Plan Review, the fee has been split into two sections for the building and planning components of the Plan Review check. This includes but is not limited to: Building Permit: Additions of Residential Garges/Carports, Patios/Decks/Trellis, Pool/Spa, One/Two Family Structures, etc.
 3. Non-Residential, Residential Alterations, Misc. Fences/Retaining Walls – Various fees have adjusted the note section including adding clarifications for fees or moving over the note into the description section to show the incremental fee for each additional \$1,000 or fraction of.
 4. One/Two Family Addition and One/Two Family Structure– Across various fees in these sections, the building fees for various square footages have established a Base fee for first increment of square feet and included an incremental fee for each additional 100 SF or fraction of, with some fees clarifying additional square footages which are included.
 5. Grading: Grading Permit Fee - Calculated based on cut or fill whichever is greater – Clarifying notes for the fee were moved to the description section for those fees that were greater than 1,000 cubic yards.

It should be noted that a clarifying note has been included in the Building section to indicate that any permits that require a project valuation shall have the valuation determined according to the policy established by the Building Official.

- **Planning** – The Planning Division oversees current and advanced planning. In current planning, permit applications are reviewed for consistency with zoning regulations and land use requirements, and environmental review. Advance planning focuses on regional and long-range planning programs for the community. In this Division, the following changes are proposed:
 1. Affordable Housing Implementation Plan (AHIP): This fee is broken out from a previous deposit-based structure for clarification to account for the staff time involved in reviewing and processing affordable housing applications and ensuring

compliance with State law requirements.

2. In the Amendment and the Development Agreement/Plan sections, various fees have been separated to distinguish between the Stand-Alone Application Filing and Application as Part of Concurrent Multiple Filing. It is proposed that the charge basis for these fees change from per hour to a fixed fee that continues to be subject to CPI. The cost of service for these amendment fees is based on the average service time it takes to process each of the components of the fees, which is considered the per hour component.
3. The Appeal of Division to Harbor Commission and Appeal of Harbor Commission Decision to City Council fees are being removed from the Planning Fees section as they are already reflected in the Harbor Section of the fee schedule.
4. Certificate of Compliance – Subdivision Code: This fee has separated the City Fee and County Recording Fee to clarify that the County recording fee is a pass-through fee.
5. Site Development Review – Housing Project: This is a new subset to the standard Site Development Review fee to more accurately account for the additional staff time involved in processing larger housing development projects.
6. Additional Plan Review/Additional Hearing Fee – This is a new fee being introduced to account for the significant staff time that is involved in additional plan review and hearings and would be a 10% fee of all application fees. The clarifying note states that fixed fees include up to three rounds of review and initial Commission and Council meetings anticipated for application type. Any additional review or hearing after this would prompt the City to bill 10% of the application fees based on the application fees that are shown on the City's fee schedule.

A clarifying note will be placed in this section of the fee schedule that will be applicable to all fees, indicating that as an alternative to the fixed fee amount shown, staff may bill on a time and materials basis (determined by the planning hourly rate), when project costs are likely to vary significantly from the adopted fee amount. Additionally, a deposit may be requested to bill against in these instances.

- **Code Enforcement** – The Code Enforcement Division works in partnership with residents and businesses to promote compliance with the City's municipal codes. In July of 2024, the Code Enforcement Division took over the oversight of the Construction and Demolition fees in the Municipal Operations Department; this fee is being moved to be reflected in the Code Enforcement section, and the Waste Management Administration Fee has been renamed. When the demolition deposit tasks transitioned to Code Enforcement, a major portion of the work became automated therefore the portion of manual time involvement has decreased and reflects the proposed decrease from \$312 to \$170.

Fire Department

The Fire Department's mission is to provide risk services to the community by protecting life, property, and the environment through prevention, training, education, and response. The department is comprised of the following divisions: Emergency Medical Services, Fire Operations, Junior Lifeguards, Fire Prevention, Lifeguard Operations, Fire Administration, and the Community Emergency Response Team (CERT). This department was last studied in FY 2022-23.

In the Fire Department & Lifeguards – Emergency Medical Services section of the fee schedule, the following changes are proposed:

1. Care Facility/Hospital Lift Assist – This new fee is proposed to provide some cost recovery for lift assist services provided to private care facilities. Lift assist calls typically involve non-injury assistance for a patient who has fallen or requires repositioning when the care facilities are unable to lift patients themselves. These incidents are generally non-emergent but still rely on critical public safety resources. This fee would be charged to the facility who initiates the request for service.
2. Hazardous Materials Response – This proposed new fee is calculated at a 100% fully loaded hourly rate to ensure full cost recovery for personnel, specialized equipment, and operational resources required to safely respond to hazardous materials incidents.
3. Emergency Ambulance Transportation – This fee has been removed as a standalone fee and has been incorporated into the fee rates for the Advanced Life Support (ALS) and Basic Life Support (BLS) per transport fees.
4. Advanced Life Support Non-Transport, Basic Life Support Non-Transport, ALS First Responder Fee, BLS First Responder Fee – These fees are all currently subsidized pursuant to NBMC 3.36.030 Exhibit A. Staff recommends increasing the recoverable amount for these services from \$400 to \$450. The full cost of providing these services exceeds the proposed fee; however, as these are critical, life-saving interventions, the fees are intentionally structured to avoid creating barriers to access. The proposed adjustment reflects increased service delivery costs while maintaining consideration for the financial impact on patients experiencing emergency medical situations.

In the Fire Department & Lifeguards – Fire Prevention section of the fee schedule, the following changes are proposed:

1. Plan Revisions – This new fee is intended to account for staff time involvement in reviewing plan revisions and would be charged in 15-minute increments.

2. General Inspection Fee – This is a new fee being proposed that would apply to Fire Prevention inspections that are not otherwise categorized under established inspection programs or permits, including compliant-based inspections, follow-up re-inspections, and other non-routine fire and life safety evaluations. This fee is intended to recover a portion of staff time and resource costs associated with these services, which are typically driven by specific circumstances and not subsidized through existing fee structures.
3. Operational Permit Level 1 (New or Renewal – Annual) includes activities such as cutting and welding operations, dry cleaning plants (one to two machines), liquefied petroleum gas use, and tents, while Operational Permit Level 2 (New or Renewal – Annual) applies to all other operations pursuant to California Fire Code Section 105.6. The proposed fee structure establishes a tiered rate system to better reflect the number of permits requested, with costs increasing incrementally for one permit, two to five permits, six to ten permits, and more than ten permits, and is consistent with the additional staff time and resources required for review and processing.
4. Special Event Permit – The Special Event Permits have been combined under the Special Event Permit based on categories of Single Event Permit, Level III as defined by the Recreation Department, Public Display – Fireworks – ground display only, and Public Display – Fireworks – aerial display >10 minutes. The fee structure for each category now distinguishes between the standard permit fee and a Late Filing fee to account for the additional staff time required to process permits submitted after the established deadlines.
5. Multi-Family Apartment/Condos – Under the Fire Prevention – State Mandated Inspection category, this new fee is proposed to recover costs associated with inspecting multi-family residential buildings. The fee is tiered based on the number of units inspected: 1–10 units, 11–100 units, and 101+ units, reflecting the increased staff time and resources required for larger properties while supporting compliance with state-mandated fire safety requirements.

In the Fire Department & Lifeguards – Lifeguard Operations & Junior Lifeguards section, the Junior Lifeguard Program fee is proposed to be phased in over four years with a 6% annual increase to align with the full cost of service, currently calculated at \$1,063 per participant. The proposed FY 26/27 fee is \$907. The program is tentatively scheduled for a comprehensive fee study in three years, and the fee will likely be revisited prior to the fourth year of the planned phase-in.

Police Department

The Police Department provides high quality police services to our community to maintain the quality of life valued by those who live, work, and recreate in Newport Beach. The department is comprised of the following divisions: Emergency Preparedness, Police IT, Support Services, Patrol, Traffic, Detectives, Fleet Maintenance, and Police Chief. The fees in this department were last studied in FY2022-23.

In the Police section of the fee schedule, the following changes are proposed:

1. Concealed Weapon Permit Initial and Renewal – The initial permit fee is proposed to be eliminated, while the renewal fee remains \$25, with any external or pass-through costs (such as background checks or state processing fees) noted separately. This approach simplifies administration, provides predictability for permit holders, and ensures transparency by clearly distinguishing City-administered fees from external costs, without the need to calculate a full cost-of-service for a routine administrative process.
2. Secondhand Dealer Permit – The fee has been revised to consolidate all components into a single permit fee. The previous Renewal + DOJ fingerprint processing and Secondhand/Pawn dealer tag check portions have been removed and are now included within the unified fee, simplifying administration and providing clarity for permit holders. Additionally, as the Secondhand/Pawn Dealer Tag Check is currently reflected as one of the fees with 0% cost recovery in NBMC 3.36.030 Exhibit A, a recommendation will be made to remove this reference fee from the exhibit.
3. Alarms – Fees throughout the schedule have been grouped together under this category; the fees are not new to the schedule, just reorganized.
4. Police Reports – This fee consolidates the previous Arrest Reports, Missing Persons Reports, Crime Reports, and Traffic Collision Reports under a single Police Reports fee to cover the broader range of information provided. Domestic Violence Reports have been removed from the fee schedule, as no fee has ever been charged for these reports and they will continue to be provided at no cost in accordance with California Family Code Section 6228.
5. Dispatch Audio Cassette – This fee removes the evidence portion of the fee that was previously attached to the Audio Cassette fee.
6. Photographs – The fee is now for Digital Link and Hardcopy as photographs are not provided in CD format any longer.
7. Bike Licenses – This fee is being removed from the City's fee schedule because the City of Newport Beach no longer actively issues or processes bicycle licenses. The service is no longer provided, and the associated fee is therefore obsolete. It is also recommended that reference to Bike Licenses be removed from NBMC 3.36.030 Exhibit A for this reason.
8. E-Bike Impound Release Fee – This fee is being introduced as there has been an increasing number of E-Bike impounds and will allow for reimbursement for the staff time involved in processing the release.

9. The Taxicab Permitting fees are proposed to be moved to the Administrative Services Department section of the fee schedule, as this department is responsible for the primary issuance and administration of these permits.

Additionally, it is proposed that the Impound Fee – Dogs, Cats, Other Similar Size Animals recoverable fee be adjusted to \$70 in NBMC 3.36.030 Exhibit A. While the actual cost of service is \$138, the adjustment allows for approximately 51% cost recovery, balancing cost recovery with affordability for the public.

Other Updates

Even when a department is not scheduled for a comprehensive fee study, occasionally, operations will change enough that the non-studied departments will request one or two fee study changes for consideration and adoption. As part of this study and to present a comprehensive and thorough update on the City's fees and current operations, staff considered the following additional updates outside of the departments scheduled to be studied.

With recent departmental reorganizations, fees that were previously listed under the Finance Department are now reflected in the Administrative Services Division, and fees that were formerly categorized as Municipal Operation fees under the Public Works Department have been reassigned to their respective departments. This ensures that the fee schedule accurately aligns with current departmental responsibilities and administration.

The Administrative Services Department is proposing updates to the following:

1. As discussed with the Finance Committee on March 13, 2025, the Short-Term Lodging Permit Fees are being reviewed outside of their standard cycle for further evaluation. This fee analysis incorporates updated estimates of service times and annual volumes across all fee subsections and proposes increases to each component of the fee.
2. Parking Penalties – 22500(N) CVC Parked Near Crosswalk – California Vehicle Code Section 22500(n) was added through Assembly Bill 413, introduced on February 2, 2023, and signed into law in October 2023, creating a new prohibition on stopping, standing, or parking within defined distances of marked or unmarked crosswalks to improve pedestrian safety; the provision became effective January 1, 2025. This penalty is being included in the fee schedule.

Additionally, clarifying notations have been included in the Parking Penalties area to identify which portion of fee attributed to a state surcharge is not applicable to CPI.

CPI Updates – Fees listed in the SRFF that are subject to CPI adjustments under prior resolutions are scheduled to increase by 3.16% effective July 1, 2026, unless otherwise noted for a different CPI reference. The City currently calculates CPI changes by

comparing the U.S. Bureau of Labor Statistics (BLS) February CPI from the prior year to the February CPI of the current year. Because the BLS releases CPI data approximately one month after the identified month (e.g., February 2026 data is released in March 2026), it is proposed that the City revise its methodology to use annual CPI data rather than a single-month comparison. This change would streamline administrative calculations and better align with the timing of fee presentations to the City Council.

After July 1, 2026, annual CPI adjustments shall apply to these fees, as well as to the cost-of-service fees for each of the departments that were studied as part of this fee update.

California Government Code Section 66017 provides that building and development fees may not take effect until at least 60 days following adoption of the resolution or ordinance establishing or increasing the fees. Accordingly, the earliest effective date for applicable fees is July 25, 2026. This date will be reflected in the proposed resolution presented to the City Council.

The proposed increases will be included in the redline version of the SRFF that will be attached to the fee resolution when the fee study update is considered by the City Council.

CONCLUSION:

Subject to City Council approval of the fees as recommended, it is estimated that approximately \$937,000 of additional revenues will be generated for the City. However, this projection does not account for any fees where volume statistics are unavailable. The City Council's policy of ensuring regular review of the City's cost-of-service fees and adequate cost recovery will continue to ensure adequate cost recovery from users of the City's fee-related services. This facilitates the redirection of general tax revenues currently subsidizing fee-supported services to maintaining and enhancing non-fee supported services and programs.

Staff will present the proposed fee recommendations to the City Council for formal consideration in May and will incorporate any feedback received from the Finance Committee into staff's final recommendations.

Prepared and Submitted by:

/s/ Abigail Marin

Abigail Marin
Senior Budget Analyst

Attachments:

- A. FY 2025-26 Studied Department Changes – Illustration of Proposed Fee Changes
- B. Newport Beach Municipal Code Section 3.36.030