



## MEMORANDUM

**TO:** City Council

**FROM:** Brian Pedrotti, Director of Community Development  
Nicole Valentine, Director of Administrative Services

**BY:** Natalie Riddering, Planning/Engineering Permit Technician

**SUBJECT:** Update to User Fees Related to Solar Permits, Transportation Permits, and the Consumer Price Index as Set Forth in the Comprehensive Fee Schedule

**DATE:** March 25, 2025

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### **RECOMMENDATION:**

- 1) Adopt a Resolution updating user fees related to solar permits, transportation permits, and the Consumer Price Index as set forth in the Comprehensive Fee Schedule included as Exhibit "A"; and
- 2) Determine that the update to user fees related to solar permits, transportation permits, and the Consumer Price Index is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378).

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

Increasing user fees by the Consumer Price Index (CPI) percentage calculated by the Director of Administrative Services will have an impact on the City General Fund revenues by ensuring City costs in providing various programs and services are recovered by those who create such costs. Many of these fees are customer driven and fluctuate over the course of the year. The decrease in fees required by the State for Solar and Transportation Permits will impact City General Fund revenues by not recovering full City costs for providing services from those who create such cost. Staff responsible for processing these two permit types have updated the City's procedure for processing said permits to mitigate full cost recovery shortages as a result of the permit fees being reduced. Additional Revenue will be incorporated into the future FY 2025-26 Budget process.

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#### **BACKGROUND:**

Historically, cities have relied on revenue generated by property and other taxes to provide services to the community. In addition, local governments rely upon user fees to fund programs and services that provide limited or no direct benefit to the community as a whole. In order to determine the cost of providing user-specific services to individuals or businesses, a fee study is required. The City contracted with Willdan Financial Services to conduct the updated User Fee Study. On [November 14, 2023](#)<sup>1</sup>, the City Council adopted Resolution 5333 updating user fees set forth in the [Comprehensive Fee Schedule](#)<sup>2</sup> with an effective date of January 16, 2024. [Resolution 5333](#)<sup>3</sup> dictates that fees shall be administratively adjusted annually by modifying the adopted value up or down in conformance with the annual change in the Consumer Price Index (CPI) for the Los Angeles region. The CPI increase shall be calculated based on the reported CPI change as of the immediately preceding January, for Fee adjustment implementation in July of each year.

#### **ANALYSIS OF ISSUES:**

##### **Consumer Price Index**

The Director of Administrative Services has calculated that the user fees adopted as part of the Comprehensive Fee Schedule increase 3.3% based on the CPI for the Los Angeles region in January 2025. A minimum 60-day waiting period is required between the approval of certain new fees and their effective date, in addition to Resolution 5333, which permits CPI increases to take place in July of each year. Therefore, it is recommended that the updated Comprehensive Fee Schedule take effect on Tuesday, July 1, 2025.

##### **Transportation Fees**

The City Comprehensive Fee Schedule includes an Engineering Fee for a Transportation Permit per occurrence at the cost of \$74. This fee does not align with [Vehicle Code 35795\(b\)\(1\)](#)<sup>4</sup> which states, “the fee shall be calculated to produce a total estimated revenue that is not more than the estimated total cost incurred by the local authority in administering its authority under this article and shall not exceed the fee developed by the Department of Transportation.” Pursuant to The Department of Transportation, [Transportation Permits Manual](#)<sup>5</sup> Section 109, the City is limited to charging \$16.00 for a single trip permit or \$90.00 for an annual permit or a repetitive permit.

Once staff discovered the discrepancy, the fee was administratively reduced and it was determined that 52 permits had been issued in excess of the Department of

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<sup>1</sup> <https://pub-arroyogrande.escribemeetings.com/filestream.ashx?DocumentId=9082>

<sup>2</sup> <https://www.arroyogrande.org/DocumentCenter/View/3914/Citywide-Master-Fee-Schedule-PDF?bidId=>

<sup>3</sup> <https://pub-arroyogrande.escribemeetings.com/filestream.ashx?DocumentId=9083>

<sup>4</sup> [https://leginfo.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=VEH&sectionNum=35795](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=VEH&sectionNum=35795)

<sup>5</sup> <https://dot.ca.gov/-/media/dot-media/programs/traffic-operations/documents/transportation-permits/tpm/2023-cvo-transportation-permits-manual-chapter-1-a11y.pdf>

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Transportation's maximum fee since the update to the Comprehensive Fee Schedule. As a result, \$3,848 in refunds were provided to the 52 applicants.

#### **Photovoltaic Systems (Solar) System Permit Fees**

The City Comprehensive Fee Schedule includes two fees related to solar permits. One fee is for a solar plan check fee (\$221), and the second separate fee is a solar inspection fee (\$272), which when combined total \$493. Pursuant to [Government Code section 66015\(a\)\(1\)](#)<sup>6</sup> the City is limited to charging \$450 (in total) for photovoltaic ("solar") system permit fees plus \$15 per kilowatt for each kilowatt above 15kW. This Government Code currently has a sunset date of January 1, 2034.

Once the discrepancy was discovered, staff identified a substantial number of permits that were issued above the \$450 maximum dated back to January 2021. The fee was lowered and refunds totaling \$46,950 were issued to 453 applicants.

#### **ALTERNATIVES:**

The following alternatives are provided for the Council's consideration:

1. Adopt the Resolution updating user fees related to solar permits, transportation permits, and the Consumer Price Index as set forth in the Comprehensive Fee Schedule;
2. Modify and adopt the Resolution updating user fees related to solar permits, transportation permits, and the Consumer Price Index set forth in the Comprehensive Fee Schedule; or
3. Provide other direction to staff.

#### **ADVANTAGES:**

Adoption of fees that are based on the cost of services, are fair and equitable, consistent with City goals and objectives, compliant with state law, and responsive to changing circumstances is considered a best practice. The established fees will provide appropriate General Fund revenues to cover the City's costs of providing its programs and services available, maximizing the use of available revenues for the community while remaining compliant with state regulations.

#### **DISADVANTAGES:**

Some City services may become more expensive to certain applicants. Recovering less than full costs may require funding from unrestricted revenue sources in some instances, thus reducing the ability to use those general tax revenues for other community needs.

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<sup>6</sup>[https://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?sectionNum=66015.&nodeTreePath=12.1.25&lawCode=GOV](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=66015.&nodeTreePath=12.1.25&lawCode=GOV)

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**ENVIRONMENTAL REVIEW:**

The Hearing Notice to update user fees set forth in the Comprehensive Fee Schedule and Solar Ordinance Introduction is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060 (c)(2) and (3), 15378.)

**PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

**ATTACHMENTS:**

1. Proposed Resolution