STAFF REPORT – CITY COUNCIL MEETING

TO: Honorable Mayor and City Council Members

FROM: Tabatha Miller, Assistant City Manager/Finance Director

PREPARER: Tabatha Miller, Assistant City Manager/Finance Director

DATE: November 18, 2026

TITLE: **Hold Public Hearing on Updates to the Master Fee Schedule; and Adopt Resolution No. 267-33, A Resolution of the City Council of the City of Arcata Adopting Changes to the City's Master Fee Schedule.**

RECOMMENDATION:

It is recommended that the Council:

1) Open the Public Hearing.
2) Receive a staff report and review questions with staff.
3) Open public comment.
4) Close public comment/the public hearing.
5) Motion to adopt Resolution No. 267-33, adopting changes to the City's Master Fee Schedule.

INTRODUCTION:

The City reviews and updates the City's fees, consistent with the goal of ensuring, with only a few exceptions, that fees for City services are sufficient to recover the cost of providing those services.

The attached update for selected fee reduction, additions, and increases was prepared to meet this strategic objective. The California Government Code requires that increases and new fees be presented to the City Council at a public hearing in accordance with Section 66016 and 6062(a).

BACKGROUND:

Typically, as part of the budget preparation process, staff review current fees to determine whether such fees and charges are sufficient to recoup costs associated with providing services to the public. However, if and when needed, fees may be updated outside that cycle to ensure that the charges recoup the reasonable cost of the service provided but no more than that.

The Master Fee Schedule (Schedule) consolidates all City fees and charges into one schedule. Therefore, the Schedule includes already adopted rates. When fees and charges are newly implemented or increased, a public hearing is required by California Government Code Section 66018. The public hearing notice was published on August 5th and 12th in the Mad River Union and posted at City Hall in accordance with California Government Code Sections 66016 and 6062(a).

DISCUSSION:

Staff time and other costs incurred in conducting City business (such as processing of development and other applications, inspections, providing classes, renting facilities, and most other services) are

generally measurable and are provided for the benefit of individuals as opposed to the benefit of the community as a whole. Hence, fees for these activities are not taxes, but rather, they are fees for services. Cities have the general authority to impose fees (as charges and rates) under the cities' police powers granted by the state Constitution (Article XI, Sections 7 and 9).

Miscellaneous fees and charges are limited to the amount necessary to cover the cost of providing the service. If fees in excess of cost are collected, they must be used to reduce the service charge cost. Excess fees cannot become a source of revenue for the General Fund.

The proposed update to selected fees within Schedule A, was initiated based on a discrepancy in how water connection fees have been listed in the Master Fee Schedule for several years. The charge was not consistent with the original connection fee study or assessments nor the current wastewater connection fee charges. This change to fee No. 147 on the fee schedule is highlighted in yellow and noted with a red header "REVISED", so the change is easily identified.

ENVIRONMENTAL REVIEW (CEQA):

The adoption of this Resolution is exempt from the California Environmental Quality Act ("CEQA," Public Resources Code Sections 21000 et seq.), because it approves and sets forth a procedure for determining fees for the purpose of meeting the operating expenses of City departments, as set forth in Public Resources Code Section 21080(b)(8)(A) and Section 15273 of the California Environmental Quality Act Guidelines.

BUDGET/FISCAL IMPACT:

The revision will ensure that projects with greater than eighteen (18) water fixtures, which connect to the City's Water System, pay their fair share consistent with the water and wastewater connection fees. The impact to revenue will vary from year to year depending on the amount and size of the new construction. Because this fee involves development fees, there is a 60-day waiting period for it to be effective, which will be January 17, 2027.

Additionally, the Master Fee Schedule reflects the water rate increases adopted by City Council per Resolution 256-52 on April 15, 2026, to take effect on January 1, 2027. The water rate adjustments are projected to increase water revenue by eighteen percent.

RECOMMENDED COUNCIL ACTION:

1. Open the Public Hearing.
2. Receive a staff report and review questions with staff.
3. Open public comment.
4. Close public comment/the public hearing.
5. Motion to adopt Resolution No. 267-33, adopting changes to the City's Mater Fee Schedule.

ATTACHMENTS:

A. Resolution No. 267-33, Adopting Changes to the City's Master Fee Schedule
B. Attachment A to Resolution No. 267-33