GCP

CHANDLER arizona
Community of Innovation

CITY OF CHANDLER, ARIZONA

Comprehensive User Fee Study



City Council Work Session

November 12, 2026 | Policy direction on user fees

Why We Did This Study

Fee Change History

- Adjusted as determined by each department, separately
- Reviews based mostly on comparisons with other cities

Council Direction

- Base fees on a systematic review of actual cost
- Evaluate how annual adjustments should be made
- Create and follow a best-practice policy

Comprehensive study

RFP issued September 2025; Government Consulting Partners (GCP) selected to analyze service costs and current fees

Study Kickoff

GCP began work in January 2026 on General Fund user fees in 12 fee areas



A citywide review gives every department the same yardstick for comparison of cost recovery.

What We Are Asking Council Tonight



Two decisions tonight:

1. **Cost recovery (CR) policy**
   How much of a service's cost should the user pay? Do we continue to treat Quality of Life and Economic Growth fees differently?

2. **How to keep fees current going forward**
   Annual adjustments, monitoring, and future studies.

THE BOTTOM LINE

12 areas reviewed*

- 3 – at full CR
- 3 - above 80% CR
- 5 - below 80% CR

$13.7M Fee-related service costs covered by other city revenues today

> No fees are adopted tonight. Staff will return with a fee schedule that reflects Council direction.

** Administration is not estimated: no volume data.*

How to Decide Who Pays: Two Questions

ASK OF ANY FEE

1 Who benefits?

The whole community (taxes), or one person or business (fees)?

2 Does it take something from the public?

Shared access (taxes), or exclusive use of public space, time, or staff (fees)?

	SHARED Others can still use it	**EXCLUSIVE** Others are shut out
Benefits the community	**MOSTLY TAXES** • Library access • Street access • Park amenities	**COUNCIL MAY SUBSIDIZE** • Swim lessons (life safety) • Temporary extension of premises • School field trip • Non-profit use
Benefits one user	**USER PAYS A SHARE** • Aqua Fit classes • Lap Swim • Historic preservation • Community Special Events	**USER PAYS COST OR MARKET RATE** • Swim team and pool rentals • Pavilion and facility rentals • Permit applications • Rezonings

When one group reserves a public space, everyone else loses access for that time. Who should pay for that time: the group using it, or every taxpayer, including the residents who were turned away?

Study Objectives and Scope

Assess cost recovery

Compare current fees with underlying service costs to give a clear, defensible picture of recovery.

Support policy decisions

Align fees with cost recovery goals, equity considerations, and desired levels of public subsidy.

Evaluate competitiveness

Survey comparable Arizona agencies to give context for the City's fee structure.

Sustainable framework

Give staff transparent tools and a process to maintain fees over time.

12 General Fund fee areas reviewed

- Administration
- Community Services: Recreation and Aquatics
- Community Services: Library
- Cultural Development
- Development Services: Building
- Development Services: Engineering
- Development Services: Planning
- Neighborhood Resources
- Fire
- Management Services
- Police
- Public Works

Arizona context: A.R.S. § 9-463.05 governs system development fees and is distinct from the user and regulatory fees in this study.

How the Study Measured Cost

1 STEP 1

Define the fees

Work with staff to set the universe of fees: existing, new, obsolete, and restructured.

2 STEP 2

Estimate staff time

Department experts identify the tasks and average staff time behind each service.

3 STEP 3

Build hourly rates

Fully burdened rates from salaries, benefits, operating costs, and overhead.

4 STEP 4

Compare to current fee & peer cities

Cost per unit against today's fee shows recovery and separates policy subsidy from cost.

5 STEP 5

Project fiscal impact

Apply fees to historical workload; reasonable assumptions for new fees; deposits at actual time.

Recreation and Aquatics were reviewed by program category against the Community Services Department Fee Policy.

Two Purposes, One Foundation

Economic Growth

· Building/Planning/Engineering
· Permits related to public safety or businesses

Starting point: fees move toward full cost

Most of the proposed increase lands here, because these fees start at full cost where no policy applies.

73% → 91%
of cost recovered by fees, today to proposed

$6.8M → $2.2M
of cost covered by other City revenues

Quality of Life

Recreation · Aquatics · Library · Cultural Development

Starting point: fees follow Council-set targets

Public support stays largely in place, and each subsidy is made explicit.

36% → 40%
of cost recovered by fees, today to proposed

$6.9M → $6.4M
of cost covered by other City revenues

One foundation

Know the full cost
Direct + departmental support + citywide overhead

Make every subsidy explicit
Purpose · amount · funding source

Council sets the recovery level
The study shows the cost; policy is the City's choice

Preserve General Fund capacity for essential services and community priorities.

Recreation on Fee Policy basis; Administration not estimated.
Source: Government Consulting Partners, Inc.

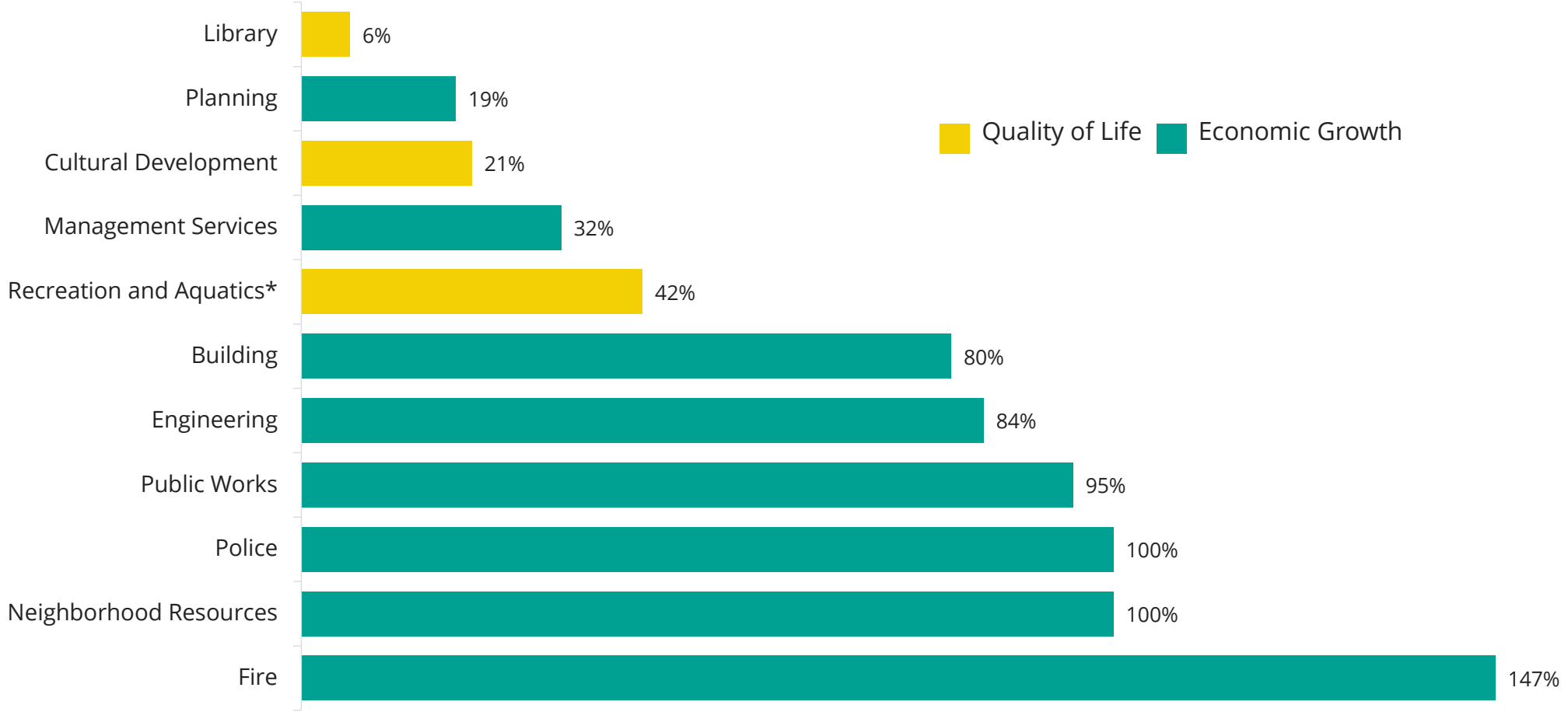
Cost Recovery Policy



- **Economic Growth** fees currently do not have a cost recovery policy; the starting point is full recovery of reasonable cost
  - Some do have reasoning behind lower cost recovery (i.e., business registrations, specialty licenses and hearings, historic preservation)
- **Quality of Life** fees do have related cost recovery targets:
  - 0%-15% Community programs promoting public good (i.e., library, lap swim, fishing clinic, social events, leaders in training)
  - 16%-49% Beginner level services (i.e., swim lessons, public swim, Aqua Fit, special events)
  - 50%-65% Intermediate services and group participation (i.e., interpretive programs, school tours)
  - 66%-85% Intergovernmental agreements and affiliations (i.e., group swim)
  - 86%-100% Exclusive use & special interest classes (i.e., Tumbleweed Rec Center classes, indoor sport clinics)

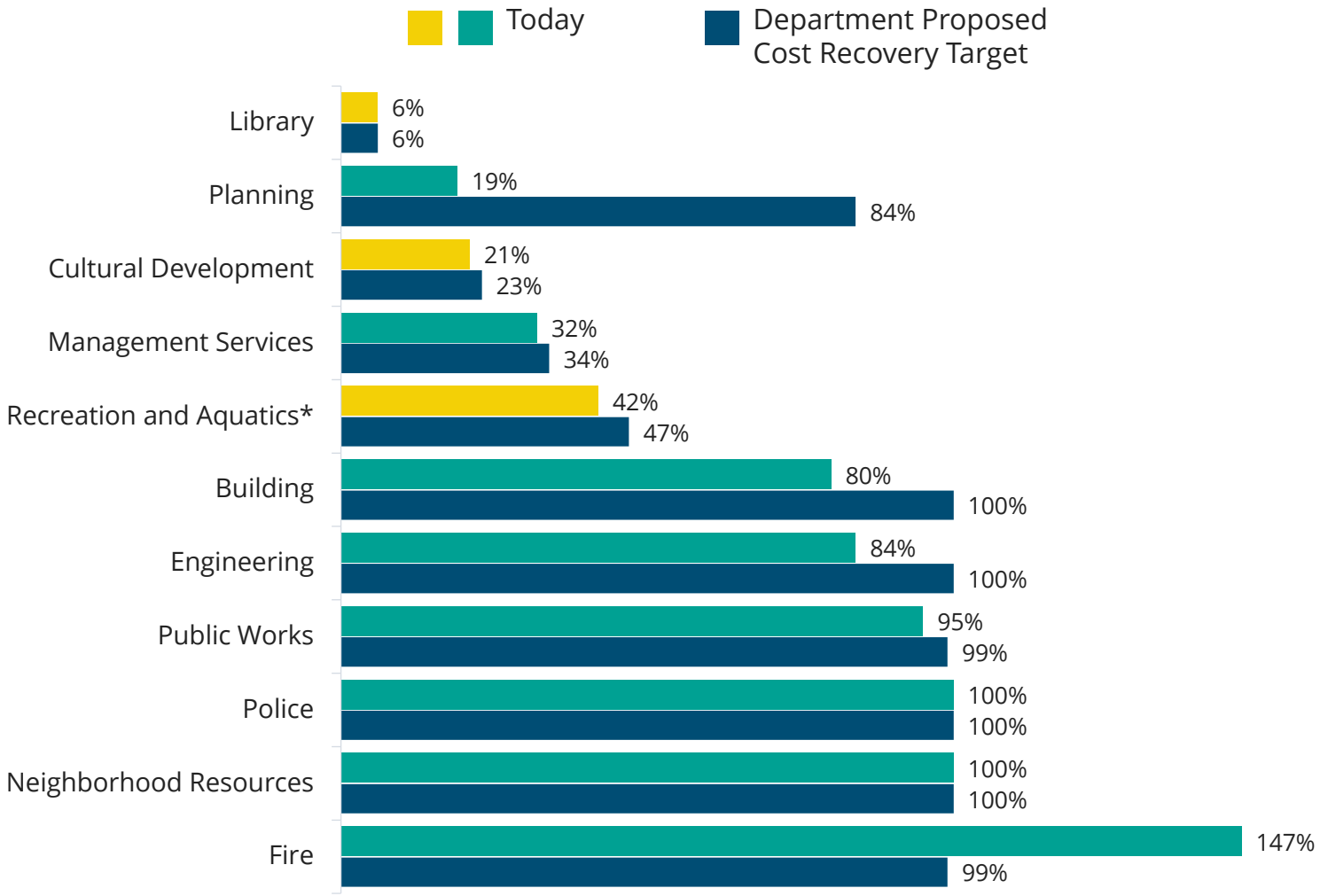
Cost Recovery Varies Widely by Fee Area Today

WHAT THIS SHOWS: Fees today recover anywhere from 6% to 147% of cost.



** Recreation is measured on the Community Services Department Fee Policy and Procedure basis. Library staff time mainly supports free public access. Administration is not shown: no volume data. Counting facility costs, Recreation fees recover about 15% of full cost.*

Cost Recovery Using Existing Cost Recovery Philosophy



WHAT THIS SHOWS

- Today, fees recover anywhere from 6% to 147% of cost.
- Planning has the biggest shift: from 19% to 84%.
- Development Services (Building, Engineering, Planning) drives about 90% of any revenue created by the adjustments.
- Fire would come down to actual cost as it is currently charging above cost.

** Recreation is measured on the Community Services Department Fee Policy and Procedure basis. Library staff time mainly supports free public access. Administration is not shown: no volume data. Counting facility costs, Recreation fees recover about 15% of full cost.*

Department Proposed Cost Recovery Updates by Area

Potential Department Cost Recovery Recommendations:

Quality of Life Related

Fee area	Cost recovery	Revenue change	What changes
Building	80% → 100%*	+$3,293,298	Rebuilt valuation schedule; hourly rates at cost; obsolete fees removed
Engineering	84% → 100%	+$648,397	Daily lane closure fees; nine encroachment fees become one
Planning	19% → 84%	+$547,846	Entitlement fees move toward cost; several new fees added
Recreation and Aquatics	42% → 47%	+$467,130	Pool party fee; swim team lane rates; updated class formulas
Management Services	32% → 34%	+$36,195	Licensing fees raised, still below cost by policy
Public Works	95% → 99%	+$16,800	One $2,400 fee for right-of-way vacations and easements
Cultural Development	21% → 23%	+$4,841	Special event fees updated, first increase since FY 2007-08
Police	100% → 100%	($62)	Extra-duty vehicle rate increased; $85 false alarm fee from 3rd call
Neighborhood Resources	100% → 100%	$0	Unused report copy fee removed
Library	6% → 6%	$0	No changes
Fire	147% → 99%	($22,150)	Stand-by, permit, and training fees set to cost
Administration	Not estimated	Not estimated	Records fees updated; Shared Mobility fees move here, remain unchanged
Total	**62% → 76%**	**+$4,992,295**	**($471,971 (9%) Quality-of-Life related, and $4,520,324 (91%) Economic Growth & Compliance)**

** Building may be slightly above cost (about $101,000) as plan review stays at the industry standard of 65% of the permit fee compared to a calculated cost of about 63%, and Temporary Certificate of Occupancy fees are set above cost by policy.*

Exceptions to Cost Recovery Policy

Fee	What is proposed	Why
HELD BELOW COST RECOVERY POLICY		
Group swim lessons	Recovery target lowered from 85% to 16%–49%	Life safety: more children learn to swim
Lap swim	Target lowered from 16%–49% to 0%–15%	Shared use of a few lanes in an open pool
Aqua Fit	Target lowered from 100% to 16%–49%	Stay price-competitive with private gyms
Special event permit application	$50 → $100 (recovers 2%)	Keep small events affordable
Historic preservation applications	$100 → $500 and $50 → $250 (recovers 8-10%)	Keep small developments affordable
Single-family use permit extensions	$315 → $2,000 (recovers 48%)	Keep small developments affordable
Annexation, home on 2 acres or less	No charge (remains the same); all other annexations pay $3,585	Keep small developments affordable
Six business licensing fees	Increased, but still only recover 20%–48% of cost	Keep business services affordable
SET ABOVE COST RECOVERY POLICY		
Temporary Certificate of Occupancy	$250 initial, $1,000 renewal	To encourage timely final certificates

Annual inflation adjustments would hold these fees at their policy levels; changing a subsidy would stay a Council decision. Recreation targets come from the Community Services Department Fee Policy, last revised January 2020.

Why Do Planning Fees Rise So Sharply?



Fees haven't kept pace

Most Planning fees have stayed the same for several years while staff, hearing, and noticing costs have kept rising.

Costly work, small fees

Rezonings, plan amendments, and variances need public hearings, reports, and notices. Most fees recover only 2%–19% of that cost.

Some services had no fee

Annexation, reasonable accommodation, and historic preservation design review are provided today without a specific charge.

Result

- Today these fees recover a fraction of actual costs, as low as 2%.
- Feedback from the development community will be an important element in the process
- Recouping costs through fees would allow for investment in more efficient development processes, and free up funding for other essential services.
- Phasing could be considered in this area.

What Residents and Businesses Would Pay



HOMEOWNER

A $100,000 home addition

Current Proposed

$893 → $1,096

Up $203

Building permit fee only. Plan review adds 65% of the permit fee. Peer average at $75k is $1,285



BUSINESS OWNER

Zoning verification letter

Current Proposed

$275 → $335

Up $60

Confirms a property's zoning. Set at the calculated cost. No comparison data available.



DEVELOPER / ENGINEER

Improvement plan review

Current Proposed

$440 → $530

Up $90

Per sheet, including grading and drainage plans. Peer average is $378



EVENT PARTICIPANT

A large event tent (801+ sq. ft.)

Current Proposed

$170 → $40

Down $130

Fire permit. Some fees go down where they were above cost. Peer average is $43

About 90% of the increase is in development related fees, while a few fees go down to match calculated cost.

What Homeowners and Families Would Pay



HOMEOWNER

Building a backyard pool

Current → Proposed

$1,886 → $2,223

Up $337

Permit and plan review for a $150,000 pool. Peer average is $2,124.



HOMEOWNER

Adding a backyard guest house

Current → Proposed

$2,793 → $3,134

Up $341

Permit and plan review for a 1,600 sq. ft. guest house. Peer average is $3,139.



FAMILY

Annual family pool pass

Current → Proposed

$112 → $112

No price change, and the pass now covers a family of 6, up from 4.



FAMILY

Birthday party at the park

Current → Proposed

$10 → $15

Up $5

Small pavilion, resident rate, per hour. Peer average is $18 per hour.

These everyday fees rise modestly or stay the same, and most are at or below the peer average.

What Businesses and Builders Would Pay



SMALL BUSINESS

A new 2,500 sq. ft. commercial building

Current Proposed

$4,740 → $4,857

Up $117

Permit and plan review. About 2.5% more; peer average is $6,298.



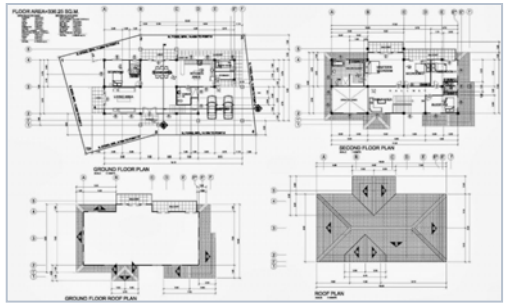
BUSINESS OWNER

Banner application

Current Proposed

$100 → $100

No change to the application fee.



HOME BUILDER

Permit from approved standard plans

Current Proposed

$75 → $100

Up $25

Administrative fee on permits issued from approved standard plans.



BUSINESS OR EVENT

Open burn permit

Current Proposed

$85 → $70

Down $15

Fire permit. Combined with the open flame permit and set at a lower fee.

Business and builder fees here are flat or modestly higher, and the open burn permit goes down.

Peer Comparison Survey: Not always apples to apples

Service costs vary

Staffing, operations, facilities, and overhead differ across agencies.

Policy choices matter

Agencies may intentionally subsidize services for access or economic development.

Services may differ

Similar fee names can represent different service levels or requirements.

Cost recovery comes first

Peer fees should not set the City's fee; cost and policy requirements should.

Market positioning

Comparisons show where Chandler sits and where fees may warrant a closer look.

Timing

Some peers have not updated fees in over a decade; others just updated fees or will in the near future.

Common Fees Sample: Chandler At or Below Peer Average

Fee	Chandler today	Chandler proposed	Peer average	Chandler vs. peers
Medium pavilion rental, resident, per hour Recreation & Aquatics	$20	**$25**	$33.33	**25% below**
Library meeting room, resident, per hour Library (no change proposed)	$40	**$40**	$43	**7% below**
New single-family home: permit + plan review Building (4,803 sq. ft. prototype)	$5,678	**$6,354**	$7,187	**12% below**
Non-residential addition: permit + plan review Building (5,979 sq. ft. prototype)	$2,868	**$3,208**	$4,034	**20% below**
Site development review, major Planning	$2,395	**$2,920**	$3,810	**23% below**
Liquor license application (Series 1) Management Services (no change proposed)	$200	**$200**	$582	**66% below**

Peer averages are from GCP's comparison survey (Appendix B); the peer group varies by service. Building figures are total permit plus plan review for the study's prototype projects. Major site development today also adds $105 per acre. These are a sample of fee changes; fee recommendations could be at, under or above the peer average as shown on the Building and Planning peer comparisons in the study.

Decision 1: How Much Should Users Pay?

DECISION POINT 1 OF 2

WHY IT MATTERS

- Chandler has not created a citywide cost recovery policy; each department sets fees its own way.
- Fees cover 62% of the cost of fee-related services. Other City revenues cover $13.7M a year.
- Some fees have drifted far below cost: most Planning entitlement fees recover 2% to 19%.
- Economic Growth fees move from 73% to 91% of cost; Quality of Life fees from 36% to 40%.

A

Economic Growth at full cost, Quality of Life at Council targets, exceptions documented

STUDY PROPOSAL

The study's proposed schedule: recovery rises from 62% to 76% (+$5.0M a year).

Trade-off: *the largest increases reach development applicants at once.*

B

Set a different target for selected fees (for example, below full cost for Economic Growth)

Any subsidy documented with purpose, amount and funding source.

Trade-off: *keeps selected fees lower; the General Fund covers the difference.*

C

Keep the current approach

Departments keep setting fees separately, guided mainly by peer cities.

Trade-off: *Increases would not be data driven; the $13.7M recovery gap and the inconsistency could remain.*

Direction requested: Which principle should guide fees: full cost with documented exceptions, or a different target for some fees? (Exceptions are listed on the Exceptions to Cost Recovery Policy slide.)

Decision 2: How Should Fees Stay Current?

DECISION POINT 2 OF 2

WHY IT MATTERS

- Some fees went unchanged for many years (special event applications since FY 2007-08), which is why some increases are so large.
- Small, regular adjustments avoid the next big jump.
- The study also recommends checking results at 6 months and 1 year, and a full study update every 3 to 5 years.

A — Annual inflation index (such as CPI)

STUDY PROPOSAL

Council adopts the index; applied between studies and reported/adopted annually; subsidies keep policy levels; statutory fees excluded.

Trade-off: *predictable and low-effort; increases happen annually.*

B — Annual adjustment brought to Council

Staff proposes updates each year if target recovery slips by a certain factor, brings to Council for approval based on updated cost information.

Trade-off: *more evaluation of actual data; more staff and Council time needed.*

C — Update only with each comprehensive study

Fees stay fixed between studies, every 3 to 5 years.

Trade-off: *simplest; fees drift below cost and jump at each study.*

Direction requested: How should fees be kept current, and when should new fees take effect? Should the largest increases (e.g., Planning) be phased in over two or three years? Current timeline: February/March.

Decision Summary and Next Steps

Path forward

Nov 12, 2026

Work session: policy direction

December/January

Bring Notice of Intent (NOI) to Council and gather feedback from effected user groups

January/February

New fee recommendations come forward to council with gathered feedback

February/March

New fees in effect

6 months after

First check of actual revenue and activity

1 year after

Second review of fiscal and service impacts and recommended adjustments

Questions and discussion

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