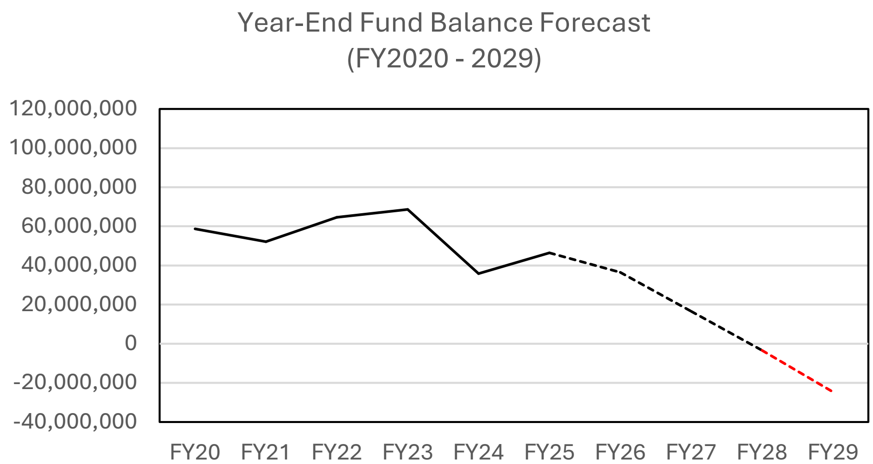
City of Phoenix
PLANNING & DEVELOPMENT DEPARTMENT

**DRAFT 10/17/2025**

**FINANCIAL SERVICES SECTION**
**PROPOSED USER FEE UPDATE – HOURLY RATE INCREASE**

## OVERVIEW

The City of Phoenix Planning and Development Department (PDD) operates one of the few remaining self-funded development services divisions in the country. PDD has experienced an increase in the volume and complexity of work as well as high inflation in recent years, resulting in significant increases in the cost to provide plan review, permitting and inspections services. In 2024, the first full year following Council approval of a major employee compensation package, development fund operating expenses exceeded revenue for the first time since the Great Recession, signifying the beginning of a structural deficit. To ensure PDD can continue to operate as a full cost-recovery department, without reducing service levels or drawing from the city's general fund, an increase to PDD User Fees may be considered by City Council on or after December 17, 2025.



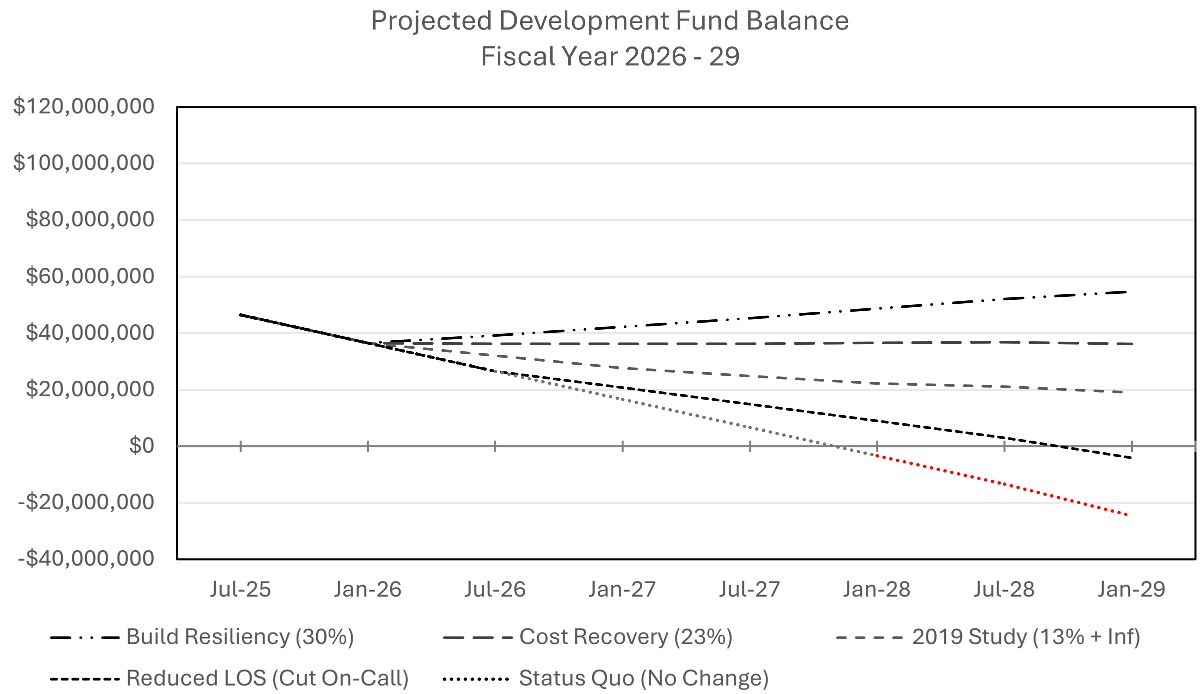

## BACKGROUND

The last comprehensive update to Planning and Development User Fees took effect March 1, 2010. A fee study completed by MGT Consulting Group in 2020 recommended increasing the hourly rate used to calculate PDD User Fees from rate that was set in 2010 of $150 per hour to $170 per hour. The MGT recommendation was deferred due to uncertainty about development activity and PDD business process changes stemming from the COVID-19 pandemic, as well as the launching of a major technology project to replace the city's legacy permitting system. Since the MGT Study, the Consumer Price Index rose 25.2%, and PDD development fund operating expenses increased 42.7% from $60,352,607 in Fiscal Year (FY) 2020 to $86,147,607 in FY 2025.

## FINANCIAL STABILITY POLICY

In response to observed and anticipated development fund financial challenges, PDD prepared a Financial Stability Policy in 2024 that is guided by three core principles: *Stay Current, Contain Costs, and Cost Recovery*. The first phase of implementation was highlighted by updating the Building Valuation Tables for the first time since 2010 and adopting a policy for annual updates going forward, auditing on-call contract usage for consistency with staffing and activity levels, and revisiting credit card policies to reduce processing fees. The second phase of the Financial Stability Plan targets cost recovery by updating hourly rates commensurate with inflation and retaining a professional firm to perform a comprehensive fee study. The fee study is slated to launch spring 2026, with initial findings anticipated mid- to late 2027.

**POTENTIAL STRATEGIES**
The following chart illustrates a range of potential strategies to cope with the structural deficit facing the Development Fund. The options detailed below range from cutting services to increasing fees at varying levels. In the event the Development Fund were to run a deficit, the city would be obligated to restore a positive balance using general fund or other available sources of revenue.




1. Service Level Reductions – No Fee Increase
   - Defer cost recovery
   - Mandatory budget reductions e.g. eliminate on-call contracts
   - Risk of on-going budget cuts
   - Worsen financial vulnerability (more costly recovery)

2. Slow Trend - Adopt 2020 MGT Recommendation
   - 13% hourly rate adjustment, followed by 3% per year.
   - Deferred fee increases or service level reductions
   - Continued fund balance depletion and vulnerability
   - Marginally improve position to implement future fee study recommendations

3. Cost Recovery – Full Cost Recovery Only
   - 23% hourly rate adjustment.
   - Maintain fund balance
   - Reduced risk of service cuts
   - Limits impact of implementing future fee study recommendations

4. Build Resiliency – Cost Recovery and Fund Balance Restoration
   - 30% hourly rate adjustment.
   - Low risk of service cuts and possible ongoing investment
   - Strong position for future fee study outcomes

**PROPOSED FEE INCREASE**
A 30% increase to the hourly rate from $150 per hour, up to and including but not exceeding $195 per hour is proposed for consideration with an effective date of January 18, 2026.

| | Current Rate | Proposed Rate | Pct Increase |
|---|---|---|---|
| Hourly Rate | $150 | Up to $195 | Up to 30% |

**REVENUE IMPACTS**
Based on projected development activity levels, the proposed 30% hourly rate increase is estimated to generate an additional $26,836,200 in average annual development fund revenue over the next three fiscal years. Development fund revenue projections under the current hourly rate and the proposed hourly rate of $195 per hour is provided by half-fiscal year in the table below.

| Fiscal Year | Base Revenue | Rate Adj. Factor | Proposed Rate | Percent Increase | Projected Revenue |
|---|---|---|---|---|---|
| *FY26 Q1 & Q2* | *$42,016,240.50* | *1.0000* | *150.00* | 0.0% | $42,016,240.50 |
| FY26 Q3 & Q4 | $42,016,240.50 | 1.3000 | 195.00 | 30.0% | $54,621,112.65 |
| FY27 Q1 & Q2 | $43,411,500.00 | 1.3000 | 195.00 | 30.0% | $56,434,950.00 |
| FY27 Q3 & Q4 | $43,411,500.00 | 1.3000 | 195.00 | 30.0% | $56,434,950.00 |
| FY28 Q1 & Q2 | $44,714,000.00 | 1.3000 | 195.00 | 30.0% | $58,128,200.00 |
| FY28 Q3 & Q4 | $44,714,000.00 | 1.3000 | 195.00 | 30.0% | $58,128,200.00 |
| FY29 Q1 & Q2 | $46,055,500.00 | 1.3000 | 195.00 | 30.0% | $59,872,150.00 |
| FY29 Q3 & Q4 | $46,055,500.00 | 1.3000 | 195.00 | 30.0% | $59,872,150.00 |

**SUMMARY**
The complete proposed amendment to Chapter 9, Appendix A.2 of the Phoenix City Code is available at the Planning and Development, *Fees, Valuations and Assurances* webpage at:
*www.phoenix.gov/administration/departments/pdd/tools-resources/fees*

Increasing the hourly rate to $195 per hour is estimated to be sufficient to maintain PDD service levels and begin to restore the development fund for long-term stability.