City of Scotts Valley
User Fee Study

Final Report Presentation
City of Scotts Valley - City Council
June 6, 2018
## Presentation Outline

<table>
<thead>
<tr>
<th></th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project Scope</td>
</tr>
<tr>
<td>2</td>
<td>Methodology and Approach</td>
</tr>
<tr>
<td>3</td>
<td>Summary of Findings</td>
</tr>
<tr>
<td>4</td>
<td>Cost Recovery Policy / Next Steps</td>
</tr>
</tbody>
</table>
About NBS

Company Structure

Established: May 13, 1996
Structure: California S-Corporation

Legal Name: NBS Government Finance Group
DBA: NBS

Headquarters: Temecula, CA
Address: 32605 Temecula Pkwy., Suite 100
Temecula, CA 92592

Regional Office: San Francisco, CA

Employees: 39
Shareholders: 100% Employee Owned (ESOP)

Contact: Nicole Kissam
Telephone: 800.676.7516
Email: nkissam@nbsgov.com
Location: Temecula Office

Individual Authorized to Negotiate and Execute Agreement

Name: Michael Rentner
Title: President
Address: 32605 Temecula Pkwy., Suite 100 Temecula, CA 92592
Telephone: 800.676.7516
Email: mrentner@nbsgov.com
Scope: Cost Allocation Plan and User Fee Study

1. Cost Allocation Plan (CAP)
   - Fair and reasonable allocation of administrative and support services costs

2. User Fee Study
   - Determines the total estimated and reasonable cost of services for which a fee can be charged
**Cost Allocation Plan - Approach**

**Organizational Analysis**
- Identify indirect service departments
- Determine primary services within indirect departments
- Identify direct service departments
- Identify indirect services within direct service departments

**Cost Analysis**
- Compile departmental cost data
- Express departmental costs functionally
- Adjust costs where appropriate to derive allocable amounts

**Allocation**
- Assign a workload or benefit measure for each service center
- Allocate indirect services to all functions agency-wide
- Step all allocated costs to direct services only
- Derive total annual assigned overhead
- Derive overhead rates/tiered rates
- Adjust costs where appropriate to derive allocable amounts
- Identify any active interfund charges for budget purposes

**Outcomes**
- Derive total annual assigned overhead
- Derive overhead rates/tiered rates
- Identify any active interfund charges for budget purposes
Cost Allocation Plan - Summary Results

<table>
<thead>
<tr>
<th>FUND/ DEPT ACCOUNT NUMBER</th>
<th>NAME</th>
<th>001-51 - Police</th>
<th>001-61 - Community Development - Planning</th>
<th>001-62 - Community Development - Building</th>
<th>001-71 - Public Works - Engineering</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLDG</td>
<td>Building Use</td>
<td>$19,368</td>
<td>$3,228</td>
<td>$3,228</td>
<td>-</td>
<td>$62,666</td>
</tr>
<tr>
<td>EQUIP</td>
<td>Equipment Use ²</td>
<td>21,231</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,440</td>
</tr>
<tr>
<td>001-41</td>
<td>LEGISLATIVE</td>
<td>22,387</td>
<td>2,405</td>
<td>3,443</td>
<td>3,048</td>
<td>278,747</td>
</tr>
<tr>
<td>001-42</td>
<td>LEGAL</td>
<td>49,873</td>
<td>5,359</td>
<td>7,670</td>
<td>6,790</td>
<td>188,129</td>
</tr>
<tr>
<td>001-43</td>
<td>GENERAL GOVERNMENT</td>
<td>161,868</td>
<td>25,742</td>
<td>24,895</td>
<td>22,036</td>
<td>396,030</td>
</tr>
<tr>
<td>001-44</td>
<td>ADMINISTRATION</td>
<td>164,740</td>
<td>17,701</td>
<td>25,337</td>
<td>22,428</td>
<td>394,561</td>
</tr>
<tr>
<td>001-45</td>
<td>FINANCE DEPARTMENT</td>
<td>283,869</td>
<td>37,302</td>
<td>38,525</td>
<td>40,605</td>
<td>690,931</td>
</tr>
<tr>
<td>001-46</td>
<td>HUMAN RESOURCES DEPARTMENT</td>
<td>36,967</td>
<td>3,972</td>
<td>5,686</td>
<td>5,033</td>
<td>88,538</td>
</tr>
<tr>
<td>001-47</td>
<td>INFORMATION TECHNOLOGY DEPARTMENT</td>
<td>47,943</td>
<td>5,151</td>
<td>7,374</td>
<td>6,527</td>
<td>114,826</td>
</tr>
<tr>
<td>001-48</td>
<td>RISK MANAGEMENT DEPARTMENT</td>
<td>47,461</td>
<td>5,100</td>
<td>7,299</td>
<td>6,461</td>
<td>113,671</td>
</tr>
</tbody>
</table>

Allocated Costs $855,705 $105,960 $123,456 $112,928 $2,356,538
User Fee Study – Project Purpose

1. Understand Full Cost of Providing Services

2. Set Municipal Fees Accordingly
User Fees

YES Cost Recovery Opportunities

YES Revenues Implemented by City Council

NO Taxes, Fines, Development Impact Fees, Utility Rates, etc.
User Fee Guidance

- **Proposition 26**
  - Article XIIIIC§1(e)(3) Inspections and Regulatory Permits are exempt from the definition of a *TAX* …however are still limited to the local government’s reasonable costs.

- **CA Government Code §66014(a)**
  - “Those fees may not exceed the *estimated reasonable cost* of providing the service for which the fee is charged”

  - Must Pair Revenues to Costs –
    
    *What are the Costs?*
## Benefits of Realigning User Fees

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1</td>
<td>Reduce General Fund subsidy</td>
</tr>
<tr>
<td>2</td>
<td>Free up resources for community services</td>
</tr>
<tr>
<td>3</td>
<td>Fund departments efficiently</td>
</tr>
<tr>
<td>4</td>
<td>Set realistic and local expectations for cost recovery</td>
</tr>
</tbody>
</table>
User Fee Study

Departments Included:

- Administrative & Misc.
- Police
- Planning
- Engineering
- Building
1. Fee Structure Review
2. Data Collection
3. Define Total Costs
4. Annual Cost Analysis
5. Fully Burdened Hourly Rate (Cost Per Hour) Calculation
6. “Per Unit” Cost Analysis
7. Cost Recovery Outcome & Fee Setting Policy

City of Scotts Valley - User Fee Study
Fee Structure Review

- Flat Fees
- Variable Fees Based on Project Characteristics
- Variable Fees Based on Actual Time Tracked (with Deposits Managed as Needed)
# Data Collection

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FY 17/18 adopted budget and staffing</td>
</tr>
<tr>
<td>2</td>
<td>Workload from last complete FY</td>
</tr>
<tr>
<td>3</td>
<td>Time estimates per fee item</td>
</tr>
<tr>
<td>4</td>
<td>Current / recommended fees</td>
</tr>
</tbody>
</table>
Total Costs

Direct
- Salaries and benefits
- Services and supplies

Indirect
- Program, Division, Departmental and Agency wide

Support
- Review required from internal departments for approval

Systems and maintenance
- Technology needs, General Plan update/maintenance
# Annual Cost Analysis

<table>
<thead>
<tr>
<th>Direct Services</th>
<th>Indirect / Other Services</th>
<th>Support / Overhead</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intake and Processing</td>
<td>Public Information and Assistance</td>
<td>Training</td>
</tr>
<tr>
<td>Plan Review – Initial and Iterations</td>
<td>Code, Policy, and Procedure Improvement</td>
<td>Divisional Administration</td>
</tr>
<tr>
<td>Inspection – Initial and Re-inspections</td>
<td>Code Enforcement</td>
<td>Departmental Administration</td>
</tr>
<tr>
<td>Permit Issuance</td>
<td></td>
<td>Support / Indirect Services</td>
</tr>
<tr>
<td>Commission Review</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Close Out</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

City of Scotts Valley - User Fee Study
Fully Burdened Hourly Rate Calculation

Direct Case Work

Indirect Services

Support / Overhead

\[
\text{Outcomes} = \frac{\text{Admin.}\; \$109\; \text{Clerk;}}{\text{Hours}} + \frac{\$151\; \text{Finance}}{\text{Hours}} + \frac{\text{Police}\; \$196\; \text{Sworn;}}{\text{Hours}} + \frac{\$143\; \text{Non-sworn}}{\text{Hours}} + \frac{\text{Planning}\; \$224}{\text{Hours}} + \frac{\text{Engineering}\; \$256}{\text{Hours}} + \frac{\text{Building}\; \$154}{\text{Hours}}
\]

\[-\text{-per hour}\]
Per Unit Cost Analysis

Cost Calculation

Time to Complete

Fully-Burdened Hourly Rate
Fee Study Methodology - Cost vs. Price

- Full Cost of Service ($)
- Revenue from Current Fee ($)

Amount of Subsidy from Other City Resources (%)

Maximum Level of Targeted Cost Recovery (100%)

Current Level of Cost Recovery (%)

Minimum Level of Targeted Cost Recovery (0%)
## Cost Recovery Policy - Decision Matrix

**PUBLIC BENEFIT**
- Police Emergency Response
- Park Maintenance

**BLENDED BENEFIT**
- Library/Recreation / Community Services
- Fire Suppression/Prevention

**PRIVATE BENEFIT**
- Police citation sign-off
- Variance Application
- Engineering Plan Review

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TAX FUNDED  FEE FUNDED
## Industry Trends in Cost Recovery Policy

<table>
<thead>
<tr>
<th>Service</th>
<th>Planning</th>
<th>Building</th>
<th>Engineering</th>
<th>Recreation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>75%-100%</td>
<td>100%</td>
<td>100%</td>
<td>0%-75%</td>
</tr>
<tr>
<td>Fire</td>
<td>75% - 100%</td>
<td>75% - 100%</td>
<td>75% - 100%</td>
<td>75% - 100%</td>
</tr>
<tr>
<td>Police</td>
<td>75% - 100%</td>
<td>75% - 100%</td>
<td>75% - 100%</td>
<td>75% - 100%</td>
</tr>
</tbody>
</table>
## Fee Study Methodology - Summary Results

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Annual Estimated Revenues at Current Fee</th>
<th>Annual Estimated Revenues at Full Cost Recovery Fee</th>
<th>Annual Cost Recovery Surplus/Deficit</th>
<th>Existing Cost Recovery Percentage</th>
<th>Annual Estimated Revenues at Recommended Cost Recovery Fee</th>
<th>Recommended Cost Recovery Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative &amp; Miscellaneous</td>
<td>$584</td>
<td>$2,374</td>
<td>$(1,790)</td>
<td>25%</td>
<td>$1,504</td>
<td>63%</td>
</tr>
<tr>
<td>Police</td>
<td>$24,305</td>
<td>$67,884</td>
<td>$(43,579)</td>
<td>36%</td>
<td>$33,230</td>
<td>49%</td>
</tr>
<tr>
<td>Planning</td>
<td>$176,784</td>
<td>$499,526</td>
<td>$(322,742)</td>
<td>35%</td>
<td>$356,299</td>
<td>71%</td>
</tr>
<tr>
<td>Engineering</td>
<td>$409,202</td>
<td>$364,148</td>
<td>$45,054</td>
<td>112%</td>
<td>$357,594</td>
<td>98%</td>
</tr>
<tr>
<td>Building</td>
<td>$220,647</td>
<td>$400,011</td>
<td>$(179,364)</td>
<td>55%</td>
<td>$338,095</td>
<td>85%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$831,522</strong></td>
<td><strong>$1,333,942</strong></td>
<td><strong>$(502,420)</strong></td>
<td><strong>62%</strong></td>
<td><strong>$1,086,722</strong></td>
<td><strong>81%</strong></td>
</tr>
</tbody>
</table>
Fee Comparison

Agencies Compared:

1. City of Santa Cruz
2. County of Santa Cruz
3. City of Capitola
4. City of Watsonville
5. Town of Los Gatos
Comparison Methodology and Outcomes

- Scope = basic comparison of information available on the internet
- “Apples to Apples” comparison is very difficult
- Provides a sense of the “market” for services.

Where comparison was possible, Scotts Valley’s current fees are:
- Admin fees - low end
- Police fees - mid to high end except CCW permits (low end)
- Planning fees - low to mid range
- Engineering fees - low end for minor encroachment permits, mid to high end for major encroachment permits, many fee types not comparable
- Building permit and plan check fees - within the range of several comparable agencies; misc. permits – low to mid range
# Fee Study Best Management Practices

<table>
<thead>
<tr>
<th></th>
<th>Comprehensive fee study every 3 - 5 years</th>
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<tbody>
<tr>
<td>2</td>
<td>Annual Increase Mechanism</td>
</tr>
<tr>
<td>3</td>
<td>Combined Municipal Fee Schedule</td>
</tr>
<tr>
<td>4</td>
<td>Official Cost Recovery Policy</td>
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</tbody>
</table>
Questions and Comments

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