

City of Manteca, CA



Public Works Department – Park Planning and Development Division Fee Study

TABLE OF CONTENTS

TABLE OF CONTENTS	i
Executive Summary	1
User Fee Background	2
Background	2
California User Fee History	2
Additional Policy Considerations	3
Study Objective	4
Scope of the Study	4
Aim of the Report	4
Project Approach and Methodology	5
Conceptual Approach	5
Fully Burdened Hourly Rates	5
Summary Steps of the Study	6
Allowable Costs	6
Methodology	7
Quality Control/Quality Assurance	7
Reasons for cost increases/decreases over current fees	7
City Staff Contributions	7
Manteca User Fees	9
Cost Recovery	9
Subsidization	9
Impact on Demand (Elasticity)	10
Summary	10
Public Works – Park Planning and Development Division	11
Analysis	11
Appendix A – Total Allowable Cost to be Recovered	12
Appendix B – Fully Burdened Hourly Rates	13
Appendix C – Cost Recovery Analysis	14

Executive Summary

The City of Manteca engaged Willdan Financial Services (Willdan) to determine the full costs incurred by the City to support the various activities for which the City charges user fees. Due to the complexity and the breadth of performing a comprehensive review of fees, Willdan employed a variety of fee methodologies to identify the full costs of individual fee and program activities. This report and the appendices herein identifies 100% full cost recovery for City services and the recommended level of recovery as determined through discussion with departmental staff.

The reality of the local government fee environment is that significant increases to achieve 100% cost recovery can often not be feasible, desirable, or appropriate depending on policy direction —particularly in a single year. The recommended fees identified herein are either at or less than full cost recovery.

User Fee Background

Background

As part of a general cost recovery strategy, local governments adopt user fees to fund programs and services that provide limited or no direct benefit to the community as a whole. As cities struggle to maintain levels of service and variability of demand, they have become increasingly aware of subsidies provided by the General Fund and have implemented cost-recovery targets. To the extent that governments use general tax monies to provide individuals with private benefits, and not require them to pay the full cost of the service (and, therefore, receive a subsidy), the government is limiting funds that may be available to provide other community-wide benefits. In effect, the government is using community funds to pay for private benefit. Unlike most revenue sources, cities have more control over the level of user fees they charge to recover costs, or the subsidies they can institute.

Fees in California are required to conform to the statutory requirements of the California Constitution, Proposition 218, and the California Code of Regulations. The Code also requires that the City Council adopt fees by either ordinance or resolution, and that any fees in excess of the estimated total cost of rendering the related services must be approved by a popular vote of two-thirds of those electors voting because the charge would be considered a tax and not a fee.

California User Fee History

Before Proposition 13, California cities were less concerned with potential subsidies and recovering the cost of their services from individual fee payers. In times of fiscal shortages, cities simply raised property taxes, which funded everything from police and recreation to development-related services. However, this situation changed with the passage of Proposition 13 in 1978.

Proposition 13 established the era of revenue limitation in California local government. In subsequent years, the state saw a series of additional limitations to local government revenues. Proposition 4 (1979) defined the difference between a tax and a fee: a fee can be no greater than the cost of providing the service; and Proposition 218 (1996) further limited the imposition of taxes for certain classes of fees. As a result, cities were required to secure a supermajority vote in order to enact or increase taxes. Since the public continues to resist efforts to raise local government taxes, cities have little control and very few successful options for new revenues. Compounding this limitation, the State of California took a series of actions in the 1990's and 2000's to improve the State's fiscal situation—at the expense of local governments. As an example, in 2004-05, the Educational Revenue Augmentation Funds (“ERAF”) take-away of property taxes and the reduction of Vehicle License Fees have severely reduced local tax revenues.

In addition, on November 2, 2010, California voters approved Proposition 26, the “Stop Hidden Taxes Initiative”, which is aimed at defining “regulatory fees” as a special tax rather than a fee, thus requiring approval by two-thirds vote of local voters. These regulatory fees are typically intended to mitigate the societal and environmental impacts of a business or person's activities. Proposition 26 contains seven categories of exceptions. The vast majority of fees that cities would seek to adopt will most likely fall into one or more of these exemptions.

Additional Policy Considerations

The recent trend for municipalities is to update their fee schedules to reflect the actual costs of certain public services primarily benefitting users. User Fees recover costs associated with the provision of specific services benefiting the user, thereby reducing the use of General Fund monies for such purposes.

In addition to collecting the direct cost of labor and materials associated with processing and administering user services, it is common for local governments to recover support costs. Support costs are those costs relating to a local government's central service departments that are properly allocable to the local government's operating departments. Central services support cost allocations were incorporated using the resulting indirect overhead percentages determined through the Cost Allocation Plan. This plan was developed prior to the User Fee study to determine the burden placed upon central services by the operating departments in order to allocate a proportionate share of central service cost.

As labor effort and costs associated with the provision of services fluctuate over time, a significant element in the development of any fee schedule is that it has the flexibility to remain current. Therefore, it is recommended that the City include an inflationary factor in the resolution adopting the fee schedule to allow the City Council, by resolution, to annually increase or decrease the fees.

The City may employ many different inflationary factors. The most commonly used inflator is some form of the Consumer Price Index (CPI) as it is widely well known and accepted. A similar inflator is the implicit price deflator for GDP, which is much like the CPI except that while the CPI is based on the same "basket" of goods and services every year, the price deflators' "basket" can change year to year. Since the primary factor for the cost of a City's services is usually the costs of the personnel involved, tying an inflationary factor that connects more directly to the personnel costs can be suitable if there is a clear method, or current practice of obtaining said factor.

Each City should use an inflator that they believe works the best for their specific situation and needs. It is also recommended that the City perform this internal review annually with a comprehensive review of services and fees performed every three to five years, which would include adding or removing fees for any new or eliminated programs/services.

Study Objective

As the City of Manteca seeks to efficiently manage limited resources and adequately respond to increased service demands, it needs a variety of tools. These tools provide assurance that the City has the best information and the best resources available to make sound decisions, fairly and legitimately set fees, maintain compliance with state law and local policies, and meet the needs of the City administration and its constituency. Given the limitations on raising revenue in local government, the City recognizes that a User Fee Study is a very cost-effective way to understand the total cost of services and identify potential fee deficiencies. Essentially, a User Fee is a payment for a requested service provided by a local government that primarily benefits an individual or group.

The total cost of each service included in this analysis is based on the full cost of providing City services, including direct salaries and benefits of City staff, direct departmental costs, and indirect costs from central service support. This study determines the full cost recovery fee for the City to provide each service; however, each fee is set at the City's discretion, up to 100% of the total cost, as specified in this report.

The principle goal of the study was to help the City determine the full cost of the services that the City provides. In addition, Willdan established a series of additional objectives including:

- Developing a rational basis for setting fees
- Identifying subsidy amount, if applicable, of each fee in the model
- Ensuring compliance with State law
- Developing an updatable and comprehensive list of fees
- Maintaining accordance with City policies and goals

The study results will help the City better understand its true costs of providing services and may serve as a basis for making informed policy decisions regarding the most appropriate fees, if any, to collect from individuals and organizations that require individualized services from the City.

Scope of the Study

The scope of this study encompasses a review and calculation of user fees charged by the Public Works Department – Park Planning and Development Division. The study involved the identification of existing and potential new fees, fee schedule restructuring, data collection and analysis, orientation and consultation, quality control, communication and presentations, and calculation of individual service costs (fees) or program cost recovery levels.

Aim of the Report

The User Fee Study focused on the cost of City services, as City staff currently provides them at existing, known, or reasonably anticipated service and staff levels. This report provides a summary of the study results, and a general description of the approach and methods Willdan and City staff used to determine the recommended fee schedule. The report is not intended to document all of the numerous discussions throughout the process, nor is it intended to provide influential dissertation on the qualities of the utilized tools, techniques, or other approaches.

Project Approach and Methodology

Conceptual Approach

The basic concept of a User Fee Study is to determine the “reasonable cost” of each service provided by the City for which it charges a user fee. The full cost of providing a service may not necessarily become the City’s fee, but it serves as the objective basis as to the maximum amount that may be collected.

The standard fee limitation established in California law for property-related (non-discretionary) fees is the “estimated, reasonable cost” principle. In order to maintain compliance with the letter and spirit of this standard, every component of the fee study process included a related review. The use of budget figures, time estimates, and improvement valuation clearly indicates reliance upon estimates for some data.

Fully Burdened Hourly Rates

The total cost of each service included in this analysis is primarily based on the Fully Burdened Hourly Rates (FBHRs) that were determined for City personnel directly involved in providing services. The FBHRs include not only personnel salary and benefits, but also any costs that are reasonably ascribable to personnel. The cost elements that are included in the calculation of fully burdened rates are:

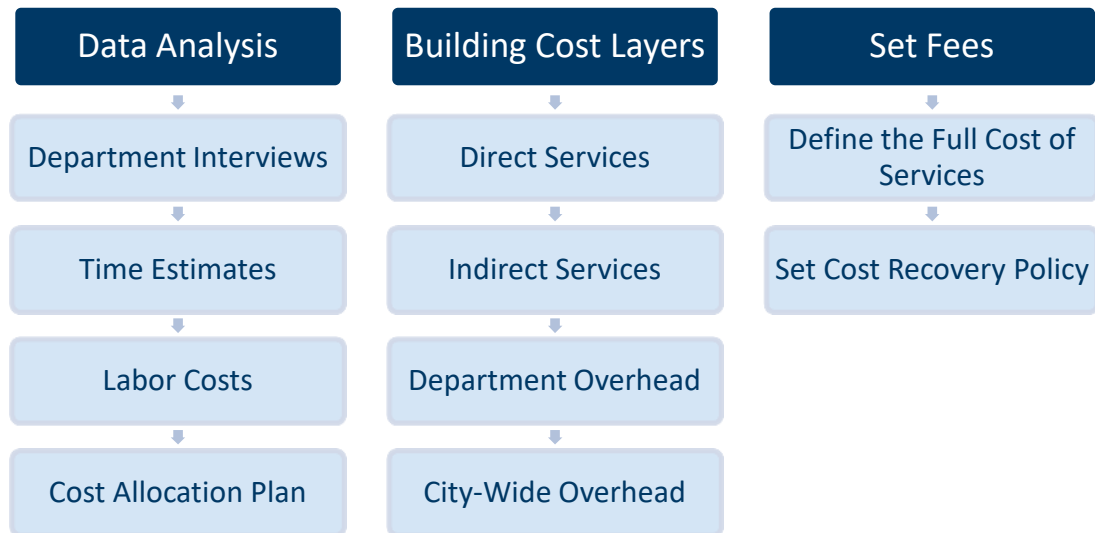
- Salaries & benefits of personnel involved
- Operating costs applicable to fee operations
- Departmental support, supervision, and administration overhead
- Indirect City-wide overhead costs calculated through the Cost Allocation Plan

An important factor in determining the fully burdened rate is in the calculation of productive hours for personnel. This calculation takes the available workable hours in a year of 2,080 and adjusts this figure to account for calculated or anticipated hours’ employees are involved in non-billable activities such as paid vacation, sick leave, emergency leave, holidays, and other considerations as necessary. Dividing the full cost by the number of productive hours provides the FBHR.

The FBHRs are then used in conjunction with time estimates, when appropriate, to calculate a fees' cost based on the personnel and the amount of their time that is involved in providing each service.

Summary Steps of the Study

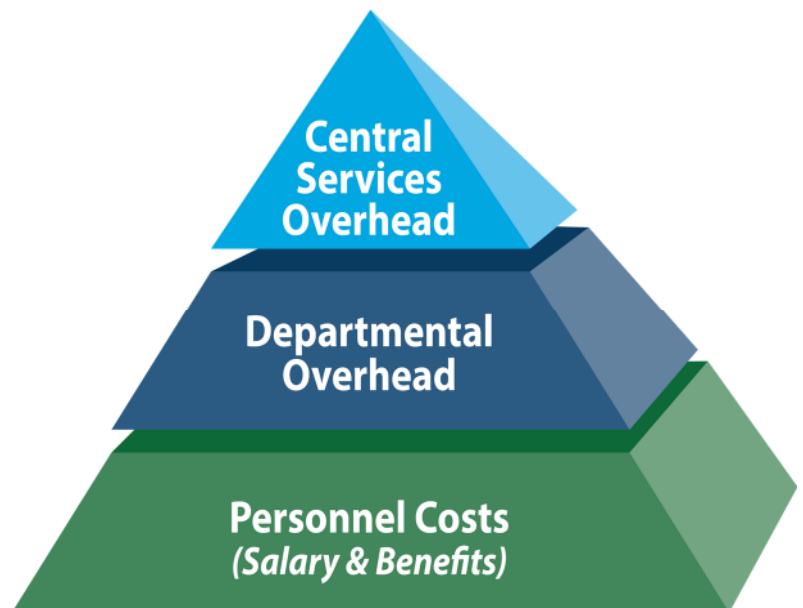
The methodology to evaluate most User Fee levels is straightforward and simple in concept. The following list provides a summary of the study process steps:



Allowable Costs

This report identifies three types of costs that, when combined, constitute the fully burdened cost of a service (**Appendix A**). Costs are defined as direct labor, including salary and benefits, departmental overhead costs, and the City's central services overhead, where departmental and central service overhead costs constitute support costs. These cost types are defined as follows:

- **Direct Labor (Personnel Costs):** The costs related to staff salaries for time spent directly on fee-related services.
- **Departmental Overhead:** A proportional allocation of departmental overhead costs, including operation costs such as supplies and materials that are necessary for the department to function.
- **Central Services Overhead:** These costs, detailed in the City's Cost Allocation Plan, represent services provided by those Central Services Departments whose primary function is to support other City departments.



Methodology

The method of analysis for calculating fees used in this report is the case study method (standard unit cost build-up approach). This approach estimates the actual labor and material costs associated with providing a unit of service to a single user. This analysis is suitable when City staff time requirements do not vary dramatically for a service, or for special projects where the time and cost requirements are easy to identify at the project's outset. Further, the method is effective in instances when a staff member from one department assists on an application, service or permit for another department on an as-needed basis. Costs are estimated based upon interviews with City staff regarding the time typically spent on tasks, a review of available records, and a time and materials analysis.

Quality Control/Quality Assurance

All study components are interrelated, thus flawed data at any step in the process will cause the ultimate results to be inconsistent and unsound. The elements of our Quality Control process for User Fee calculations include:

- Involvement of knowledgeable City staff
- Clear instructions and guidance to City staff
- Reasonableness tests and validation
- Internal and external reviews
- Cross-checking

Reasons for cost increases/decreases over current fees

Within the fee tables in **Appendix C**, the differences identified between the full costs calculated through the study and the fee levels currently in effect. The reasons for differences between the two can arise from a number of possible factors including:

- Previous fee levels may have been set at levels less than full cost intentionally, based on policy decisions
- Position staffing levels, seniority, and the positions that complete fee and service activity may vary from when the previous costs were calculated
- Personnel and materials costs could have increased at levels that differed from any inflationary factors used to increase fees since the last study
- Changes in processes and procedures within a department, or the City as a whole
- Changes in the demand for services in a City may have also changed the staffing or cost structure of departments over time

City Staff Contributions

As part of the study process, Willdan received tremendous support and cooperation from City staff, which contributed and reviewed a variety of components to the study, including:

- Budget and other cost data

- Staffing structures
- Fee and service structures, organization, and descriptions
- Direct work hours (billable/non-billable)
- Time estimates to complete work tasks
- Review of draft results and other documentation

A User Fee Study requires significant involvement of the managers and line staff from the departments—on top of their existing workloads and competing priorities. The contributions from City staff were critical to this study. We would like to express our appreciation to the City and its staff for their assistance, professionalism, positive attitudes, helpful suggestions, responsiveness, and overall cooperation.

Manteca User Fees

Cost Recovery

The cost recovery models, by department/division fee type, are presented in detail in [Appendix C](#). Full cost recovery is predominantly determined by summing the estimated amount of time each position (in increments of minutes or hours) spends to render a service. Time estimates for each service rendered were predominately determined by Willdan and City Staff through a time and materials survey conducted for each department/division fee included in the study. The resulting cost recovery amount represents the total cost of providing each service. The City's current fee being charged for each service, if applicable, is provided in this section, as well, for reference.

It is important to note that the time and materials survey used to determine the amount of time each employee spends assisting in the provision of the services listed on the fee schedule is an essential working document in identifying the total cost of providing each service. Specifically, in providing services, a number of employees are often involved in various aspects of the process, spending anywhere from a few minutes to several hours on the service.

The principle goal of this study was to identify the cost of City services, to provide information to help the City make informed decisions regarding the actual fee levels and charges. The responsibility to determine the final fee levels is a complicated task. City staff must consider many issues in formulating recommendations, and the City Council must consider those same issues and more in making the final decisions.

City staff assumes the responsibility to develop specific fee level recommendations to present to the City Council. Unfortunately, there are no hard and fast rules to guide the City, since many of the considerations are based on the unique characteristics of the City of Manteca, and administrative and political discretion. However, in setting the level of full cost recovery for each fee, one should consider whether the service solely benefits one end user or the general community.

Subsidization

Recalling the definition of a user fee helps guide decisions regarding subsidization. The general standard is that individuals (or groups) whom receive a wholly private benefit should pay 100% of the full cost of the services. In contrast, services that are simply public benefit should be funded entirely by the general fund's tax dollars. Unfortunately, for the decision makers, many services fall into the range between these two extremes.

Further complicating the decision, opponents of fees often assert that the activities subject to the fees provide economic, cultural, "quality of life," or other community benefits that exceed the costs to the City.

It is recommended the City consider such factors during its deliberations regarding appropriate fee levels.

Of course, subsidization can be an effective public policy tool, since it can be used to reduce fees to encourage certain activities (such as compliance inspections to ensure public safety) or allow some people to be able to afford to receive services they otherwise could not at the full cost. In addition, subsidies can

be an appropriate and justifiable action, such as to allow citizens to rightfully access services, without burdensome costs.

Despite the intent, it is important for the City and public to understand that subsidies must be covered by another revenue source, such as the General Fund. Therefore, the general taxpayer will potentially help to fund private benefits, and/or other City services will not receive funds that are otherwise directed to cover subsidies.

Impact on Demand (Elasticity)

Economic principles of elasticity suggest that increased costs for services (higher fees) will eventually curtail the demand for the services; whereas lower fees may spark an incentive to utilize the services and encourage certain actions. Either of these conditions may be a desirable effect to the City. However, the level of the fees that would cause demand changes is largely unknown. The Cost of Service Study did not attempt to evaluate the economic or behavioral impacts of higher or lower fees; nevertheless, the City should consider the potential impacts of these issues when deciding on fee levels.

Summary

If the City's principal goal of this study were to maximize revenues from user fees, Willdan would recommend setting user fees at 100% of the full cost identified in this study. City and departmental goals, City Council priorities, policy initiatives, past performance, implementation issues, and other internal and external factors should influence staff recommendations and City Council decisions. In this case, the proper identification of additional services (new or existing services) and the update to a consistent and comprehensive fee schedule were the primary objectives of this study. City staff has reviewed the full costs and identified the recommended fee levels for consideration by City Council.

The following section provide background for the Public Work Department – Park Planning and Development Division and the results of this study's analysis of their fees. For the full list of each fee's analysis, refer to **Appendix C** of this report.

Public Works – Park Planning and Development Division

The Public Works Department is comprised of many different divisions; Facilities Maintenance, Fleet Maintenance, Parks/Urban Forest, Park Planning and Development, Solid Waste, Streets, Storm, Transit, LMD/CFD, Wastewater, and Water. Each division strives to provide expert, quality services to our customers and work proactively to respond to the needs and concerns of our community.

Analysis

Willdan individually reviewed the services and programs associated with the Public Works Department – Park Planning and Development Division. The review also consisted of an evaluation of existing services in an effort to update the fee schedule.

The analysis of Park Planning and Development Services cost of service relied upon a standard unit cost build-up approach, whereby we determined the reasonable cost of each fee occurrence using staff provided time data for direct staff involvement and positional fully burdened hourly rates to determine the cost of staff and the pro-rata share of departmental costs, including indirect costs for City Central Services. Willdan then compared the calculated full cost against the current fee amount to determine, if charged, whether the current fee is recovering the costs associated with the requested service. The analysis found that most services' current fees are currently set below full cost. Services are being subsidized, and staff has provided suggested fee levels to increase cost recovery near to 100% cost recovery as detailed in [Appendix C](#). As a result, there would be:

- an increase to 24 fees;
- 1 fees would remain as currently set, and;
- the average estimated fee increase would be around 226%.

Appendix A – Total Allowable Cost to be Recovered

Below are the total allowable costs that may be recovered through User Fees; however, only a percentage of the total allowable cost is realized as staff not only works on services related to User Fees, but also works on an array of other City functions during the operational hours of the City. The amounts listed below will not reconcile to City budgets as costs that should not be included in overhead for personnel in the application of determining fully burdened hourly rates were excluded. Examples of these costs are capital, debt, monetary transfers, contract costs, and any other costs that is charged directly to the service requestor.

City of Manteca - Park Planning and Development Fee Study Overhead Rate Calculations

Department	Total Salaries & Benefits	Department Operations & Administration	Direct Overhead %	Indirect Allocation %
100: Parks	3,926,001	1,491,537	38%	16%

Appendix B – Fully Burdened Hourly Rates

Below are fully burdened hourly rates of staff positions that provide for the services detailed in **Appendix C**. The FBHRs were used to determine the full cost of each service. They include the salary and benefit costs for each position as well as all applicable overhead amounts for each position. For any user fee service request that is outside the scope of the fees detailed in **Appendix C**, or for services for which there is no fee currently set, the City can charge up to the full cost of the FBHR for personnel involved.

City of Manteca - Park Planning and Development Fee Study Fully Burdened Hourly Rate Calculation

Department	Position	Fully Burdened Hourly Rate
100: Parks	Parks - Deputy Director of Maintenance and Operations	\$284.45
100: Parks	Parks - Landscape Maintenance Supervisor	\$154.06
100: Parks	Parks - Park Project Coordinator	\$176.02
100: Parks	Parks - Parks Planning & Development Manager	\$196.48
100: Parks	Parks - Parks/Golf Maintenance Manager	\$196.48
100: Parks	Parks - Senior Landscape Technician	\$141.38
Part-Time Positions		
100: Parks	Parks Project Coordinator (Part Time)	\$61.97

Appendix C – Cost Recovery Analysis

The following tables provide the results of the analysis, resulting full cost recovery amount, and recommended fees. For fees in which the full cost, existing fee and suggested fee is listed as “NA”, the amount or percentage was not calculable based on cost data or variable fee structure. This is most common when either the current or the suggested fee includes a variable component that is not comparable on a one to one basis, a full cost was not calculated (for penalties and fines), or when there is not a current fee amount to compare against.

ATTACHMENT 1

Public Works Department – Park Planning and Development Division

#	Description	Current Fee/Charge	Unit	Notes
1	PLAN CHECK:			
2	Plan Check 0 - \$500,000 Eng Cost Est	1,138.00	per set of plans	Plan check assumes 3 submittals, additional submittals will be charged hourly
3	Plan Check \$500,001 - \$1,000,000 Eng Cost Est	2,065.00	per set of plans	Plan check assumes 3 submittals, additional submittals will be charged hourly
4	Plan Check \$1,000,001 and greater Eng Cost Est	3,969.00	per set of plans	Plan check assumes 3 submittals, additional submittals will be charged hourly
5	CONSTRUCTION INSPECTION: STREETScape			
6	Inspection 0 - \$500,000 Eng Cost Est	669.00		
7	Inspection \$500,001 - \$1,000,000 Eng Cost Est	1,072.00		
8	Inspection \$1,000,001 and greater Eng Cost Est	1,774.00		
9	CONSTRUCTION INSPECTION: PARKS			
10	Inspection 0 - \$500,000 Eng Cost Est	669.00		
11	Inspection \$500,001 - \$1,000,000 Eng Cost Est	1,072.00		
12	Inspection \$1,000,001 and greater Eng Cost Est	1,774.00		
13	SITE PLAN REVIEW:			
14	Preliminary Site Plan Review	370.00		
15	Site Plan Review - Res. 2 - 4 units	300.00		
16	Site Plan Review - Res. 5 - 15 units	300.00		
17	Site Plan Review - Res. 16 or more units	300.00		
18	Site Plan Review - Comm./Ind. One acre or less	300.00		
19	Site Plan Review - Comm./Ind. 1.1 - 12 acres	300.00		
20	Site Plan Review - Comm./Ind. 12.1 acres or more	300.00		
21	Minor Plan Modification	300.00		
22	SUBDIVISIONS:			
23	Tentative Parcel Map	499.00		
24	Tentative Map 5 - 50 lots	499.00		
25	Tentative Map 51 - 100 lots	499.00		
26	Tentative Map 101 lots or more	499.00		
27	Community District Facilities			
28	CFD - Unanimous Approval Form	8,500.00		

Full Cost	Full Cost %	Subsidy %	Suggested Fee	Unit	Fee Δ
\$10,659.27	2.1%	0%	\$10,655.00	per set of plans	\$9,517
\$18,758.08	1.9%	0%	\$18,755.00	per set of plans	\$16,690
\$27,270.40	1.8%	0%	\$27,270.00	per set of plans	\$23,301
\$7,579.31	1.5%	0%	\$7,575.00		\$6,906
\$14,538.96	1.5%	0%	\$14,535.00		\$13,463
\$20,902.93	1.4%	0%	\$20,900.00		\$19,126
\$10,036.10	2.0%	0%	\$10,035.00		\$9,366
\$19,350.26	1.9%	0%	\$19,350.00		\$18,278
\$27,108.74	1.8%	0%	\$27,105.00		\$25,331
\$604.86		1%	\$600.00		\$230
\$302.43		1%	\$300.00		\$0
\$462.64		1%	\$460.00		\$160
\$765.07		0%	\$765.00		\$465
\$524.60		1%	\$520.00		\$220
\$765.07		0%	\$765.00		\$465
\$1,289.67		0%	\$1,285.00		\$985
\$524.60		1%	\$520.00		\$220
\$765.07		0%	\$765.00		\$266
\$1,067.49		0%	\$1,065.00		\$566
\$1,530.13		0%	\$1,530.00		\$1,031
\$2,258.92		0%	\$2,255.00		\$1,756
\$9,580.67		0%	\$9,575.00		\$1,075

ATTACHMENT 1

Public Works Department – Park Planning and Development Division

#	Description	Current Fee/Charge	Unit	Notes
29	CFD - Formation	15,000.00		
30	CFD - Standard Annexation	15,000.00		
31	CFD - Map Expansion	15,000.00		

Full Cost	Full Cost %	Subsidy %	Suggested Fee	Unit	Fee Δ
\$19,560.33		0%	\$19,550.00		\$4,550
\$19,560.33		0%	\$19,550.00		\$4,550
\$19,560.33		0%	\$19,550.00		\$4,550



27368 Via Industria, Suite 200
Temecula, California 92590-4856
800.755.6864 | Fax: 888.326.6864
951.587.3500 | Fax: 951.587.3510

www.willdan.com