



**AGENDA**  
**Town of Atherton**  
**CITY COUNCIL/ATHERTON CHANNEL**  
**DRAINAGE DISTRICT**  
**June 1, 2009**  
**9:00 A.M.**  
**Town Council Chambers**  
91 Ashfield Road  
Atherton, California  
**Special Meeting**

**9:00 A.M.    ROLL CALL            Lewis, Dobbie, Marsala, McKeithen, Carlson**

**9:02 A.M.    PUBLIC COMMENTS**

**9:05 A.M.    REGULAR AGENDA**

- 1.    REVIEW AND CONSIDERATION OF ACCEPTANCE OF NBS  
COST ALLOCATION PLAN AND MUNICIPAL FEE STUDY  
Report: City Manager Jerry Gruber**

**11:45 A.M.    PUBLIC COMMENT**

**12:00 P.M.    ADJOURN**

Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the City Clerk's Office at (650) 752-0500. Notification of 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (29 CRF 35.104 ADA Title II)

# Town of Atherton

## Cost Allocation, Cost Recovery, and Fee Study

Policy Discussion:

Draft Master Fee Schedule at Maximum Cost Recovery Levels

City Council Study Session

June 1, 2009

*All figures cited in this packet are preliminary and subject to material revision.*

*Refer also to separate draft working version of a maximum Master Fee Schedule and other supporting documents.*

Jeanette Hahn, Director of Financial Consulting

Terry Madsen, Senior Consultant

Tel: 800.676.7516 Web: [www.nbsgov.com](http://www.nbsgov.com)

# Study Session Topics and Objectives

## Topics:

- Review of cost of service methods
- Draft cost of service results
- Current cost recovery levels
- Master Fee Schedule at maximum cost recovery levels
- Description of next steps

## Objectives of the Study Session:

- Provide opportunity for City Council review, questions, commentary at the line-item level
- Generate City Council feedback to aid departmental recommendations on a final proposed Master Fee Schedule for Council consideration mid-June

# Project Process

Allow departments to make fee and cost recovery recommendations using cost of service outcomes and preliminary Council feedback

Initiate project and collect published financial / process data

*Meet with City Council to review maximum cost recovery levels*

Meet with City Council to discuss cost of service approach and initial observations

Issue proposed master fee schedule

Report on past Building fee collection



City Council review of proposed master fee schedule

Develop deliverable cost allocation and cost of service models

Acquire labor time estimates at the activity level from participating departments

Work with departments to refine cost of service and cost allocation assumptions

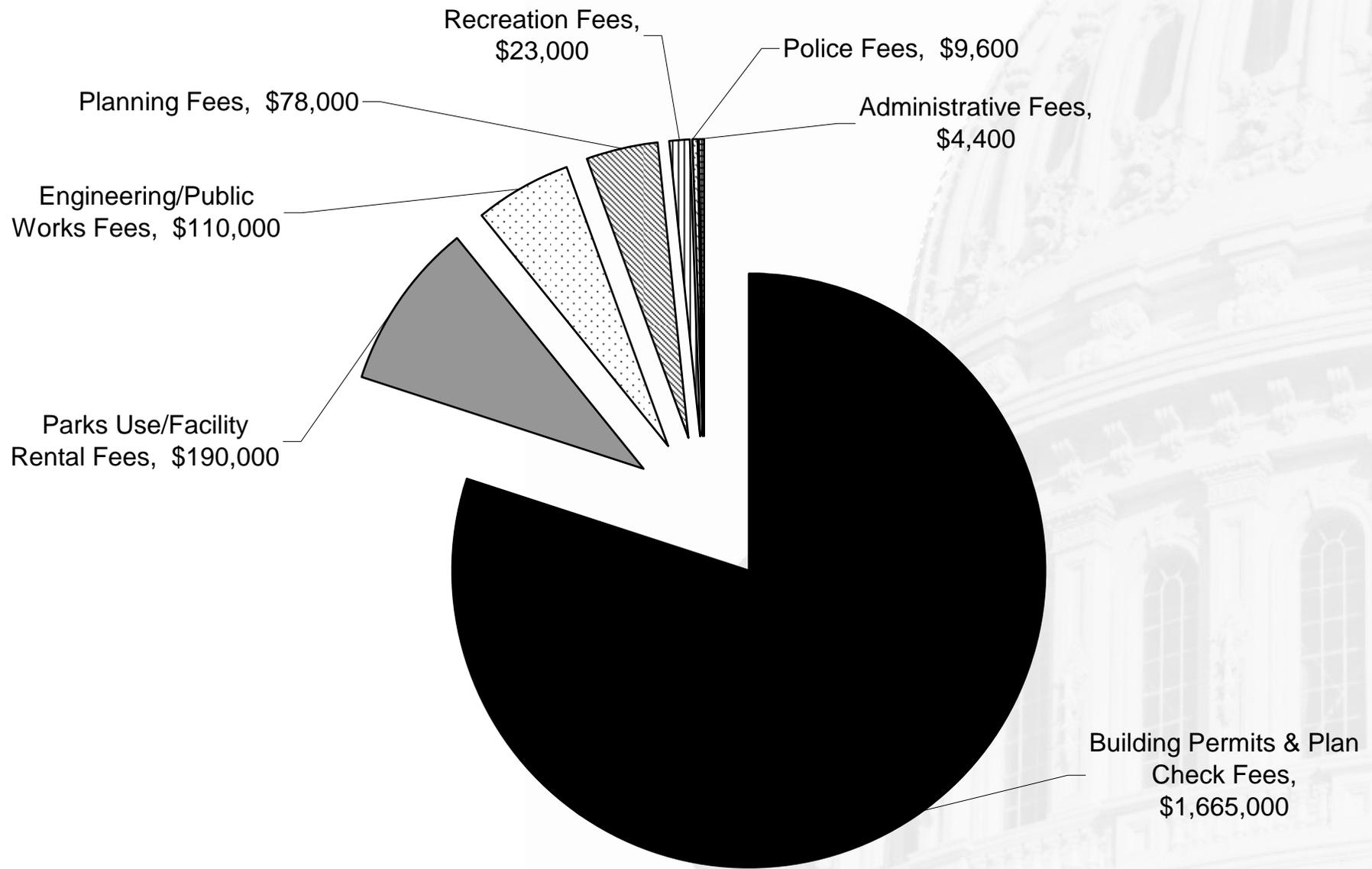
Finalize costs of service and define maximum fee levels

Issue draft master fee schedule at full cost of service levels

Issue market comparison

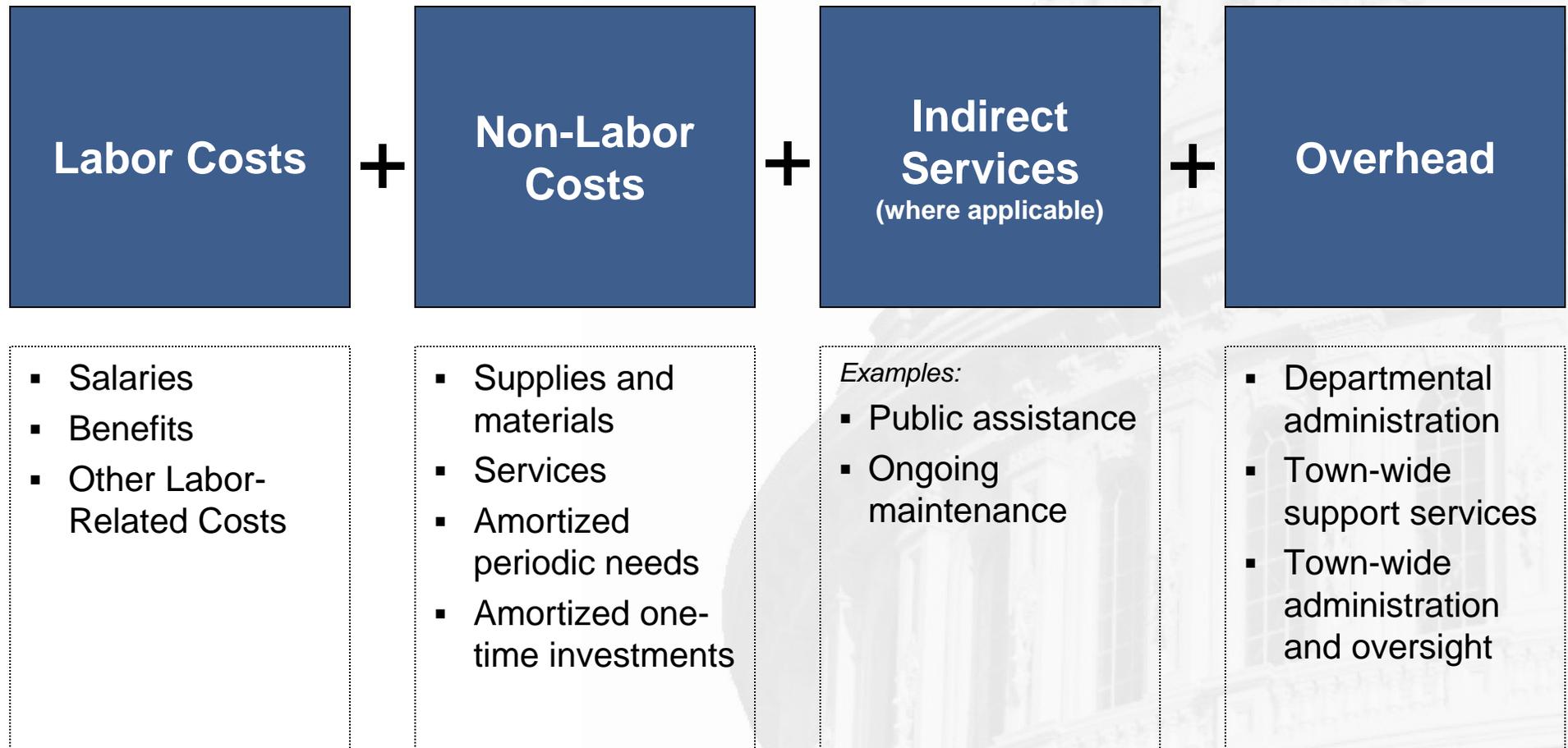
Issue final master fee schedule for City Council approval

Deliver technical models for future in-house use

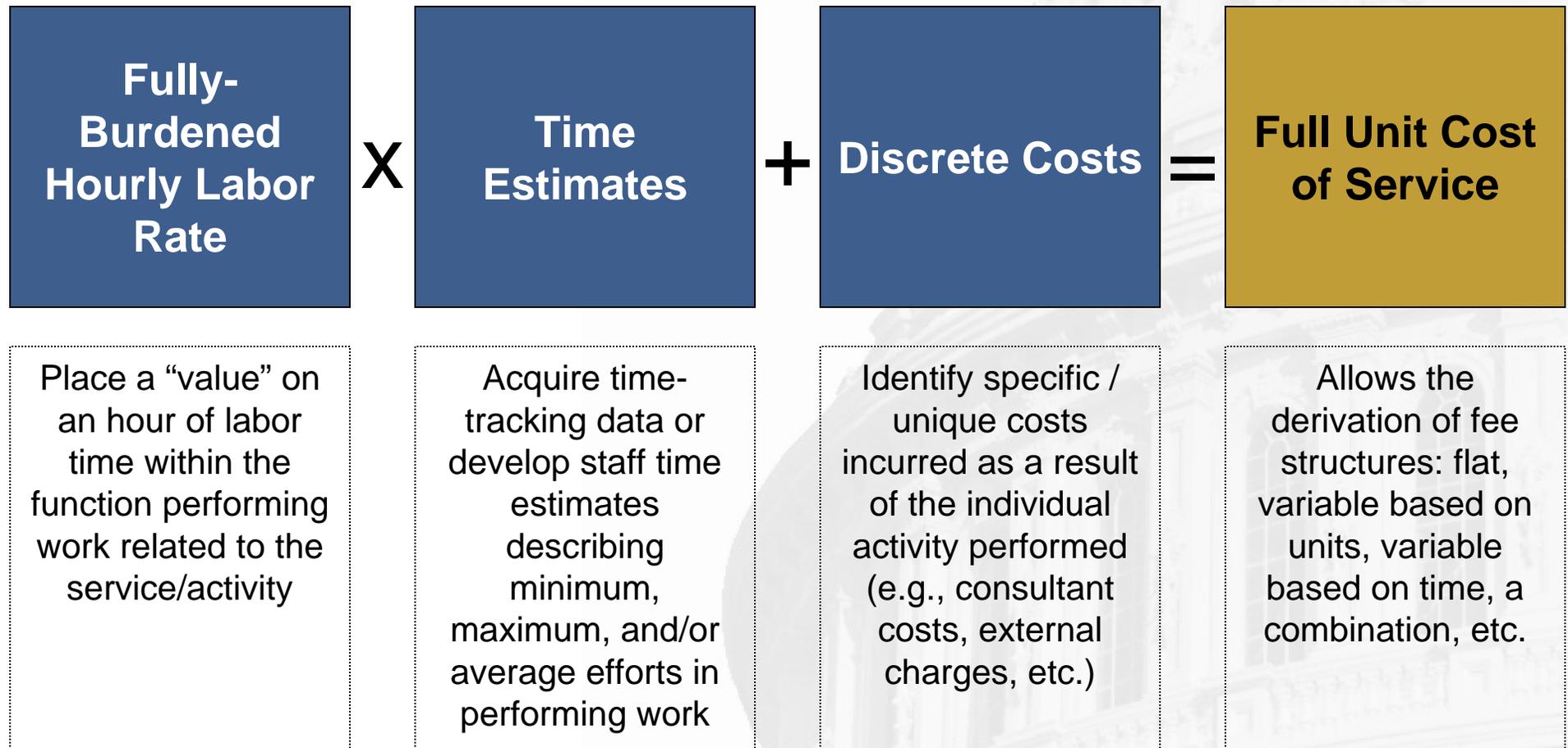


***Distribution of User/Regulatory Fee Revenues***

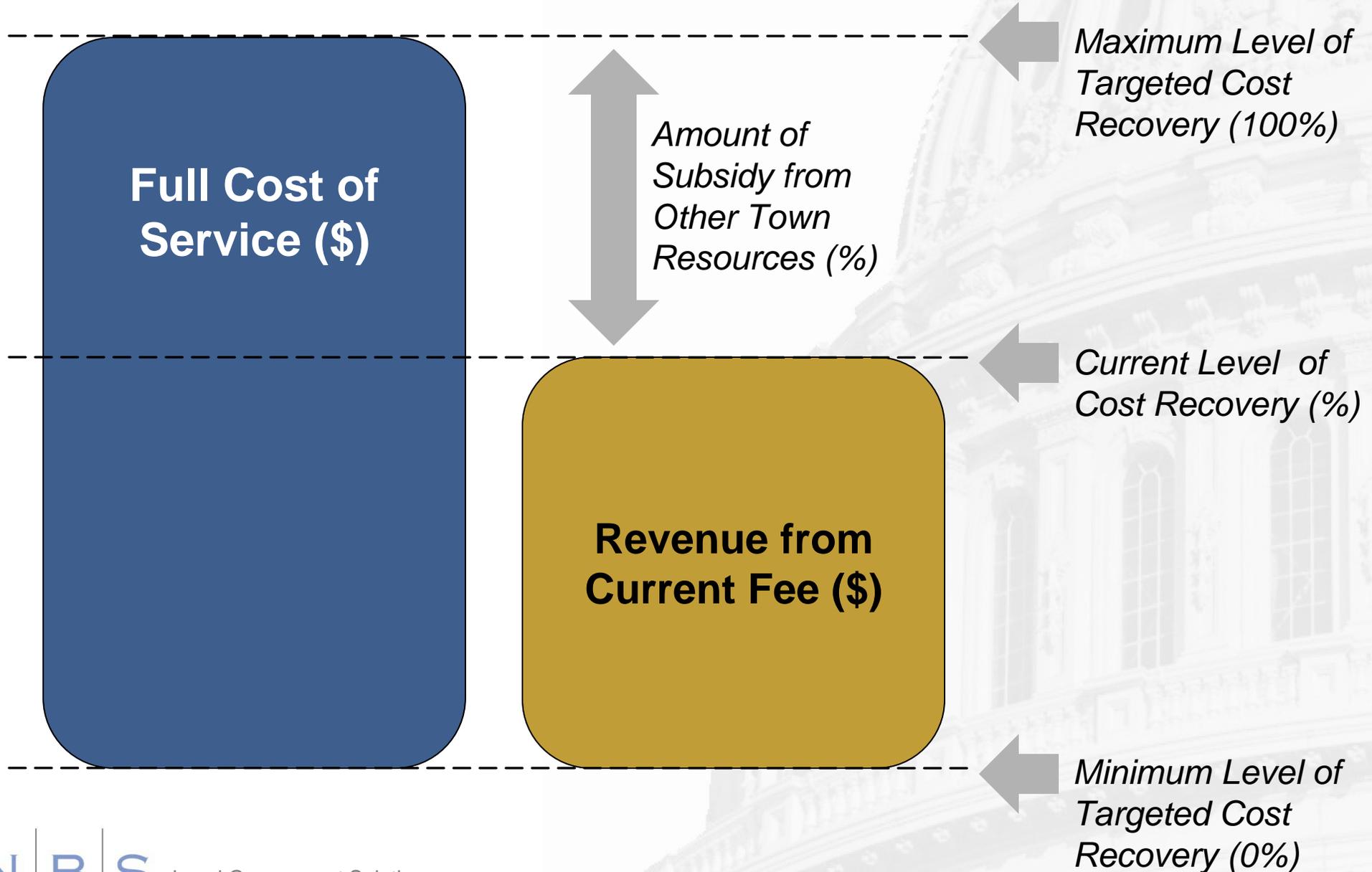
# What Makes Up the Full Cost of Service?

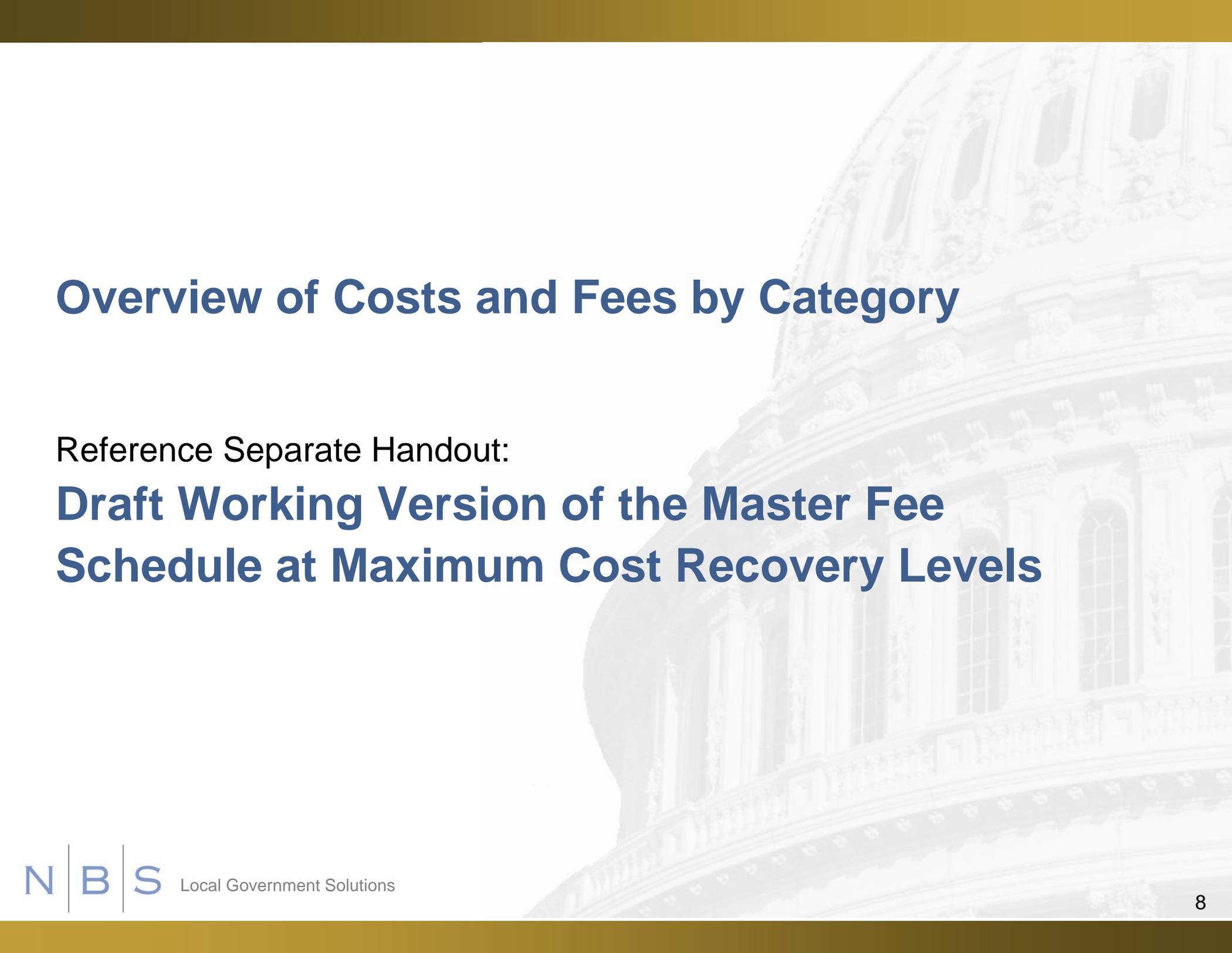


# How Do We Express the Full Cost of Service?



# Cost of Service Limits & Cost Recovery Decisions





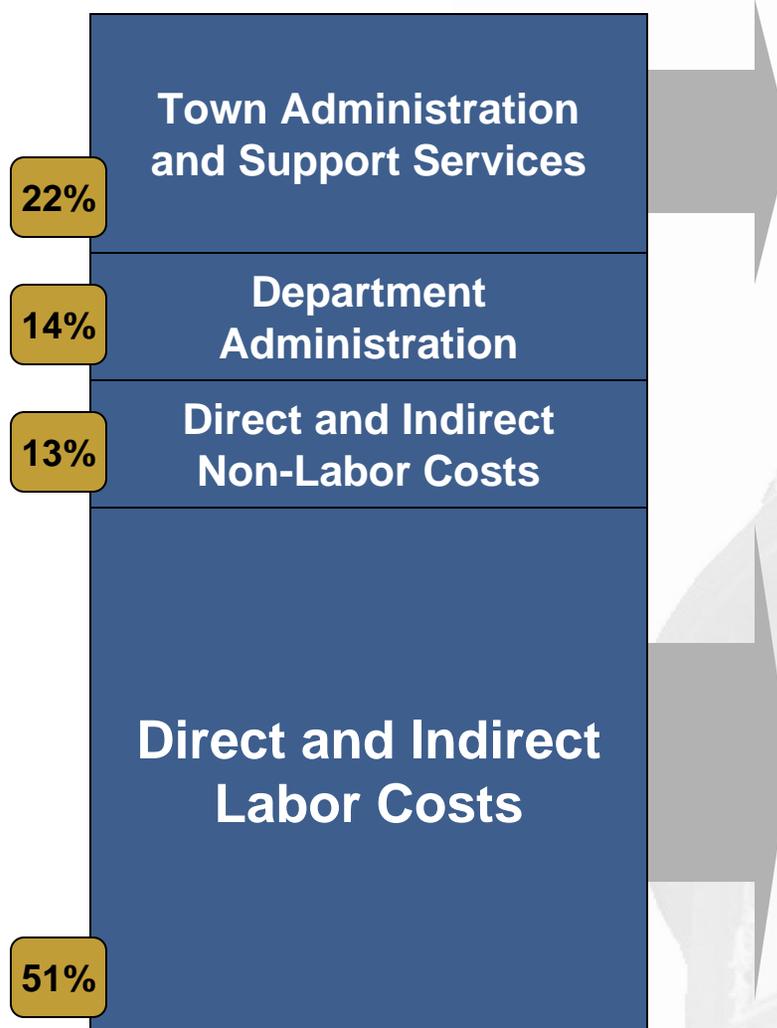
# Overview of Costs and Fees by Category

Reference Separate Handout:

## **Draft Working Version of the Master Fee Schedule at Maximum Cost Recovery Levels**

# Components of the Costs of Service: Building

Draft



- Cost allocation plan results:
  - City Council
  - Administration
  - City Attorney
  - Finance
  - Information Technology
  - Building Maintenance
  - Other indirect expenses
- Departmental salaries and benefits
- Estimated GASB 45 funding

# Functional Components of the Fully-Burdened Hourly Rate: Building

Draft

Function of Service	Rate per Direct (Billable) Hour		
	All Departmental Costs	Maximum Amount Eligible for Cost Recovery	
Administration and Management	\$38.25	95.1%	\$36.36
General Town Activities	\$3.26	0.0%	\$0.00
Certification and Training	\$10.21	100.0%	\$10.21
Long-Range Planning	\$2.23	0.0%	\$0.00
Code & Policy Development	\$11.08	100.0%	\$11.08
Code Enforcement and Compliance	\$4.16	0.0%	\$0.00
Public Information and Assistance	\$40.81	100.0%	\$40.81
Direct Activities and Services	\$123.75	100.0%	\$123.75
<b>Fully-Burdened Hourly Rate</b>	<b>\$233.74</b>		<b>\$222.21</b>

## Fee Amounts at Maximum Cost Recovery Levels: Building

### Building Permit fee structure:

- Fees are tiered
- Tiers are scaled based on valuation
  - Eight current valuation tiers
- Base fee at minimum tier threshold plus fee per unit of value above minimum tier threshold
- Tier scaling attempts to link size of project with the appropriate level of effort expended by the Town to review and inspect the project
- Valuation metrics vary by jurisdiction
  - Not intended to represent the actual market value of the project
  - Set to link projects within the proper scale so that the fee paid is proportionate to the effort and costs incurred by the jurisdiction
  - Valuation references could actually be eliminated and replaced with tiers scaled by square footage

# Fee Amounts at Maximum Cost Recovery Levels: Building

Draft

Implied project size in current fee tiers:

Valuation Tier	Habitable Project Size		Non-Habitable Project Size	
	Minimum Square Feet	Maximum Square Feet	Minimum Square Feet	Maximum Square Feet
\$1 - \$500	0.0	1.4	0.0	2.0
\$501 - \$2,000	1.4	5.7	2.0	8.0
\$2,001 - \$25,000	5.7	71.4	8.0	100.0
\$25,001 - \$50,000	71.4	142.9	100.0	200.0
\$50,001 - \$100,000	142.9	285.7	200.0	400.0
\$100,001 - \$500,000	285.7	1,428.6	400.0	2,000.0
\$500,001 - \$1,000,000	1,428.6	2,857.1	2,000.0	4,000.0
\$1,000,001 and greater	2,857.1	--	4,000.0	--

# Fee Amounts at Maximum Cost Recovery Levels: Building

Draft

Workload within valuation ranges:

<b>Valuation Range</b> (Ranges Do Not Match Fee Structure Tiers)	<b>Percent of Workload in Sample Set</b>
\$1 - \$39,999	not counted
\$40,000 - \$50,000	16%
\$50,001 - \$100,000	25%
\$100,001 - \$500,000	38%
\$500,001 - \$1,000,000	6%
\$1,000,001 - \$2,999,999	12%
\$3,000,000 and greater	3%

*Data from FY 2003-04 through 2008.*

## Fee Amounts at Maximum Cost Recovery Levels: Building

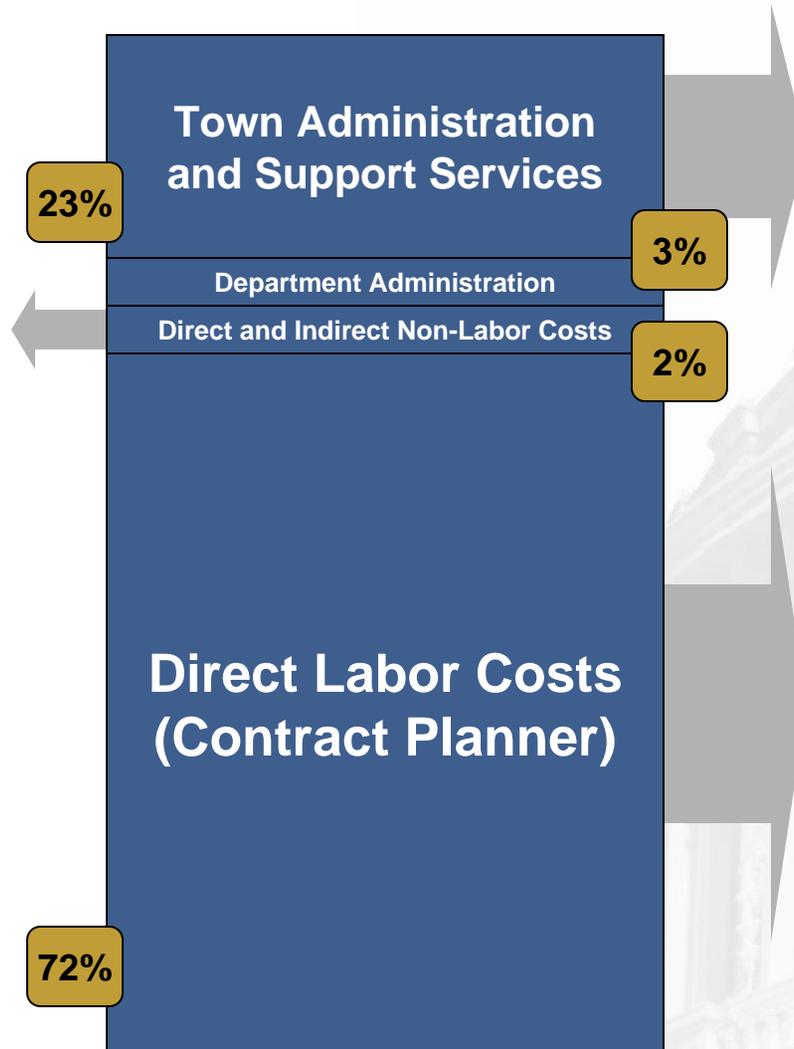
### Observations from the Master Fee Schedule:

- New and remodeled habitable residential construction
  - Current measurable cost recovery achievement across all thresholds varies, but remains consistently beneath the maximum cost of service justified
  - Maximum measurable current cost recovery achievement is 57% for new construction and 68% for remodeled construction
- New and remodeled non-habitable residential construction
  - Up to \$100,000: maximum measurable current cost recovery is 43% for new construction and 47% for remodeled construction
  - Above \$100,000 for both new and remodeled construction: cost recovery is near/at 100%, and in some cases, current fees could be recalibrated to match 100%
- Costs associated with Plan Review vary depending on threshold and construction type and do not exactly and universally match the current fee of 65% of the Building Permit fee
- Current cost recovery for miscellaneous Building fees shows substantial room for increased cost recovery

# Components of the Costs of Service: Planning

Draft

- Could include amortized cost for facility replacement (adds 7% to costs shown in maximum fee schedule)



- Cost allocation plan results:
  - City Council
  - Administration
  - City Attorney
  - Finance
  - Information Technology
  - Building Maintenance
  - Other indirect expenses
- Contract Planner

# Functional Components of the Fully-Burdened Hourly Rate: Planning

*Draft*

<b>Cost Component</b>	<b>Rate per Direct (Billable) Hour</b>
Contract Planner (Composite)	\$121.67
Other Town Costs	\$46.69
<b>Fully-Burdened Hourly Rate</b>	<b>\$168.36</b>

*Excludes General Plan and ancillary costs.*

## Fee Amounts at Maximum Cost Recovery Levels: Planning

### Planning fee structure:

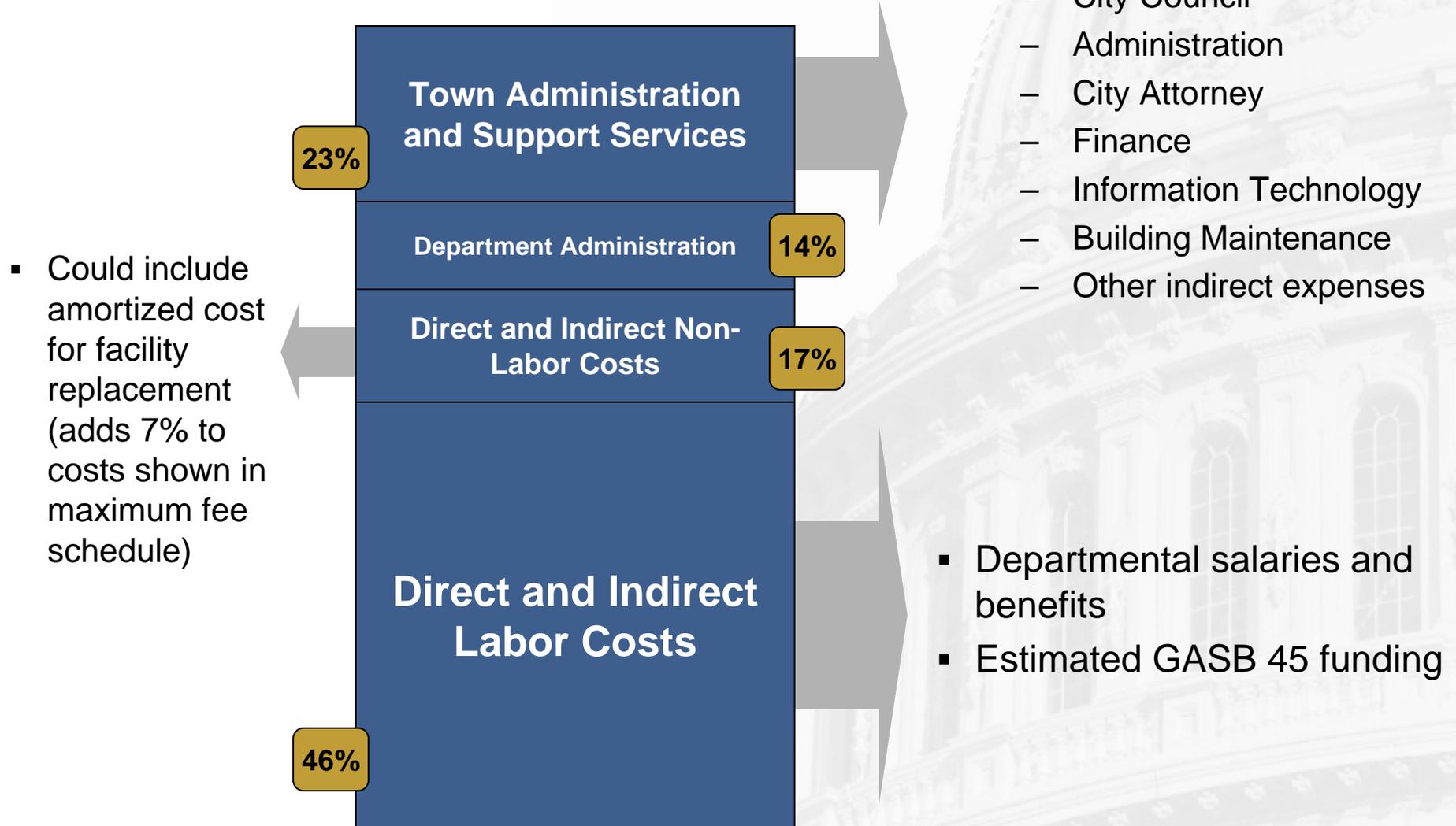
- Nearly all fees are structured to recover full calculated costs
  - Minimum fee collected, regardless of project
  - Deposit collected
  - Fully-burdened hourly rates, including Contract Planner's billable rates, are charged to the applicant using actual time recorded to each project
    - Unused deposit monies are refunded
    - Additional deposit is collected if original deposit is exhausted

### Observations from the Master Fee Schedule:

- Most minimum fees could be increased to recover Town overhead and match minimum Planner efforts
- Several fees could be recalibrated to 100% of cost
- Several activities for which new fees could be considered

# Functional Components of the Fully-Burdened Hourly Rate: Public Works/Engineering

Draft



# Functional Components of the Fully-Burdened Hourly Rate: Public Works/Engineering

*Draft*

<b>Cost Component</b>	<b>Rate per Direct (Billable) Hour</b>
Labor Costs	\$92.11
Non-Labor Costs	\$33.02
Department Administration	\$27.54
Town Administration & Support Services	\$45.57
<b>Fully-Burdened Hourly Rate</b>	<b>\$198.23</b>

## Fee Amounts at Maximum Cost Recovery Levels: Public Works/Engineering

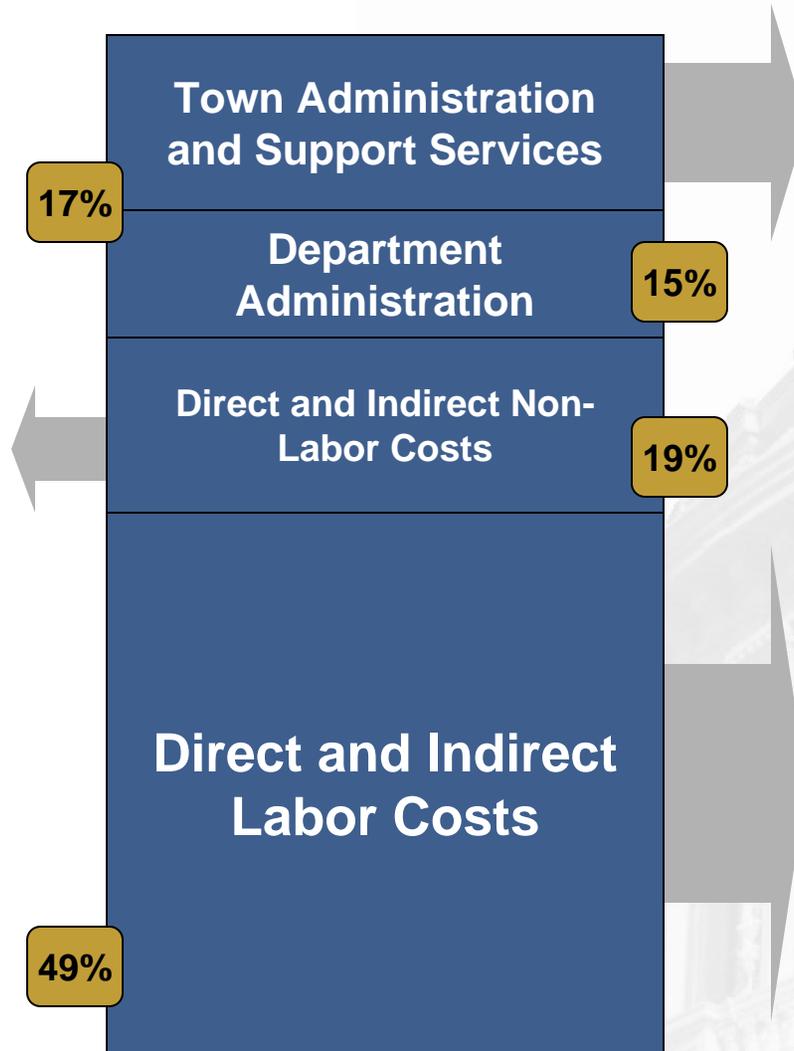
### Observations from the Master Fee Schedule:

- Activity categories are proposed to be restructured to better correlate to different levels of effort actually required
  - Separate fee categories by project type and defining characteristics
  - Set fees based on a metric to account for size
  - Bill for actual time where appropriate
- Fee structure is proposed to improve opportunities for cost recovery when excessive plan review and inspections are caused by the applicant
- With the exception of one category, current cost recovery achievement is substantively below maximum recovery levels justified

# Functional Components of the Fully-Burdened Hourly Rate: Parks

Draft

- Could include amortized cost for facility replacement (adds 7% to costs shown in maximum fee schedule)



- Cost allocation plan results:
  - City Council
  - Administration
  - City Attorney
  - Finance
  - Information Technology
  - Building Maintenance
  - Other indirect expenses

- Departmental salaries and benefits
- Estimated GASB 45 funding

# Functional Components of the Fully-Burdened Hourly Rate: Parks

Draft

Cost Component	Rate per Productive Hour		
	Facility Management	Facility Maintenance	Part-Time Facility Maintenance
Labor Costs	\$72.71	\$56.25	\$20.54
Non-Labor Costs	\$25.42	\$25.42	\$25.42
Indirect Facility Management and Maintenance	\$77.18	\$77.18	--
Department Administration	\$19.50	\$19.50	\$19.50
Town Administration & Support Services	\$22.60	\$22.60	\$22.60
<b>Fully-Burdened Hourly Rate</b>	<b>\$217.42</b>	<b>\$200.96</b>	<b>\$88.07</b>

## Fee Amounts at Maximum Cost Recovery Levels: Parks

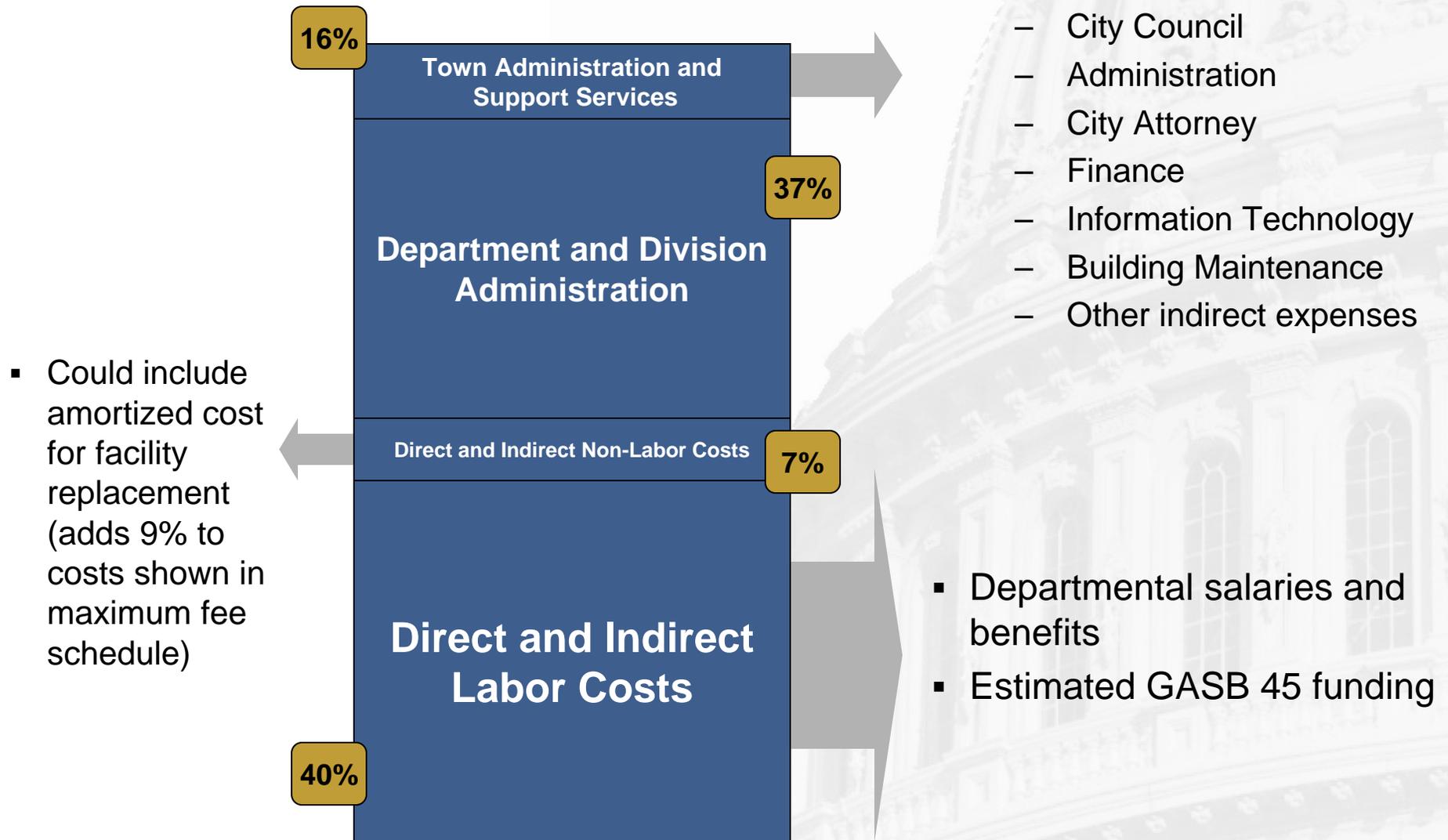
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### Observations from the Master Fee Schedule:

- Current cost recovery for weddings/social events differs:
  - One-building rental currently under-recovers costs of service
  - Two-building rental, which is required during peak periods, may require linkage to market rates to sustain current fee levels
- Current cost recovery for meetings significantly under-recovers full costs of service

# Functional Components of the Fully-Burdened Hourly Rate: Police

Draft



# Functional Components of the Fully-Burdened Hourly Rate: Police

*Draft*

Cost Component	Rate per Productive Hour	
	Records / Communications	Patrol / Investigation
Labor Costs	\$56.46	\$80.97
Non-Labor Costs	\$9.19	\$14.21
Department and Division Administration	\$59.17	\$72.37
Town Administration & Support Services	\$29.49	\$29.57
<b>Fully-Burdened Hourly Rate</b>	<b>\$154.31</b>	<b>\$197.12</b>

## Fee Amounts at Maximum Cost Recovery Levels: Police

*Draft*

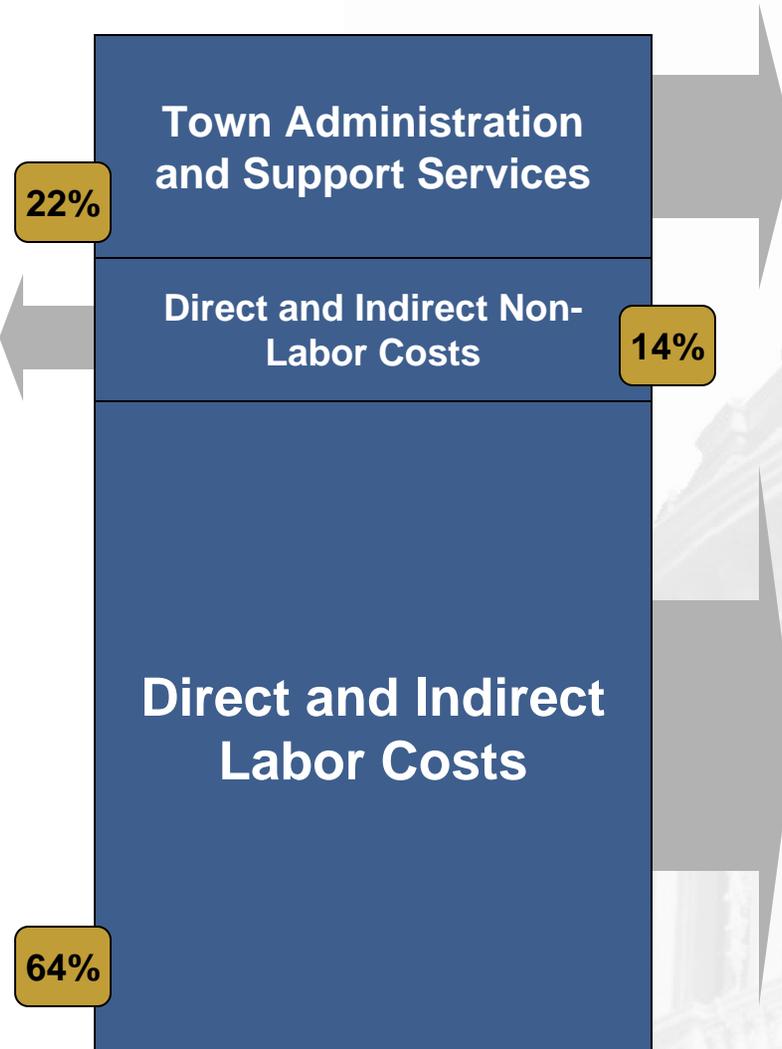
### Observations from the Master Fee Schedule:

- Current cost recovery achievement varies across the board
  - Some activities have opportunities for improved cost recovery
  - Updated hourly rates provide an opportunity for improved cost recovery, particularly for Special Service Requests
  - Some fees need to be recalibrated to the costs of service
  - Several activities with no current fee may provide minor cost recovery improvement

# Functional Components of the Fully-Burdened Hourly Rate: Administration

Draft

- Could include amortized cost for facility replacement (adds 15% to costs shown in maximum fee schedule)



- Cost allocation plan results:
  - City Council
  - Administration
  - City Attorney
  - Finance
  - Information Technology
  - Building Maintenance
  - Other indirect expenses
- Departmental salaries and benefits
- Estimated GASB 45 funding

# Functional Components of the Fully-Burdened Hourly Rate: Administration

Draft

Cost Component	Rate per Productive Hour	
	Finance	Administration
Labor Costs	\$101.50	\$97.93
Non-Labor Costs	\$23.29	\$19.09
Town Administration & Support Services	\$37.46	\$30.61
<b>Fully-Burdened Hourly Rate</b>	<b>\$162.24</b>	<b>\$147.63</b>

## Fee Amounts at Maximum Cost Recovery Levels: Administration/Other

*Draft*

### Observations from the Master Fee Schedule:

- Current cost recovery achievement varies across the board
  - Opportunities exist for improved cost recovery
  - Some recalibration of fees to estimated costs may be necessary
- Draft Master Fee Schedule represents modernization of activities, directing users to free, paperless sources of information

## Next Steps

- Respond to any issues raised by the City Council that affect analytical methods and/or cost bases
- Apply cost allocation plan results in the City's proposed budget for Fiscal Year 2009-2010 (early- to mid-June)
- Use City Council direction in preparation of proposed Master Fee Schedule, to be brought forward mid-June
- Notify the public of potential fee adjustments (late June)
- Issue final Master Fee Schedule for City Council adoption (July)