

Town of Atherton

Cost Allocation, Cost Recovery, and Fee Study

Proposed Master Fee Schedule

Community Meeting
November 5, 2009

Jeanette Hahn, Director of Financial Consulting
Terry Madsen, Senior Consultant
Tel: 800.676.7516 Web: www.nbsgov.com

Topics and Objectives

Topics:

- Proposed Master Fee Schedule
 - Current recovery of maximum fee amounts justified by analysis
 - Proposed fee amounts based on staff recommendations and initial City Council direction
- Analytical methods and policy considerations (if necessary)

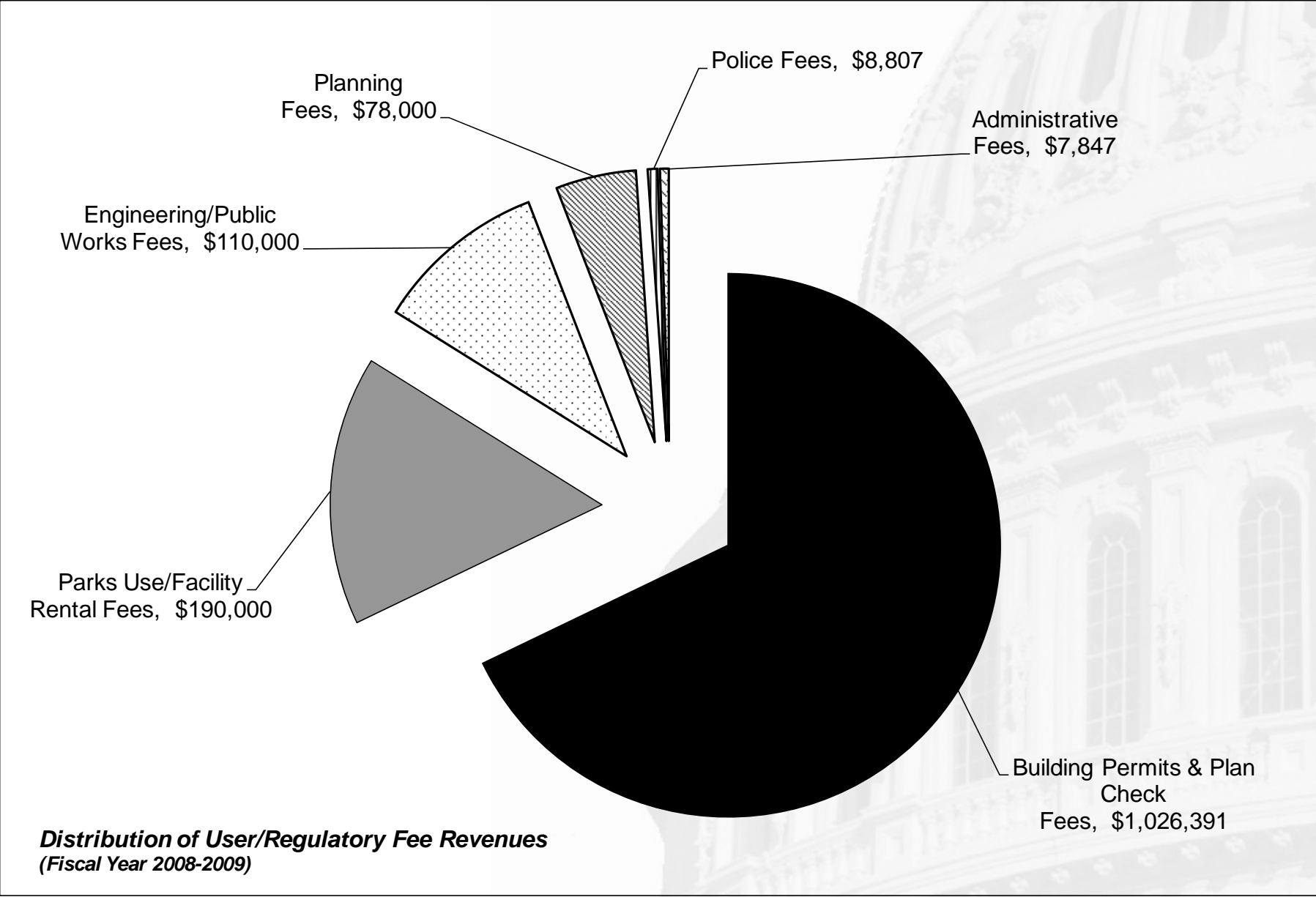
Objectives:

- Provide unrestricted opportunity for community questions and commentary
- Collect community input to deliver to the City Council during the upcoming and continued public hearing on proposed fees (initially opened on September 16, 2009)

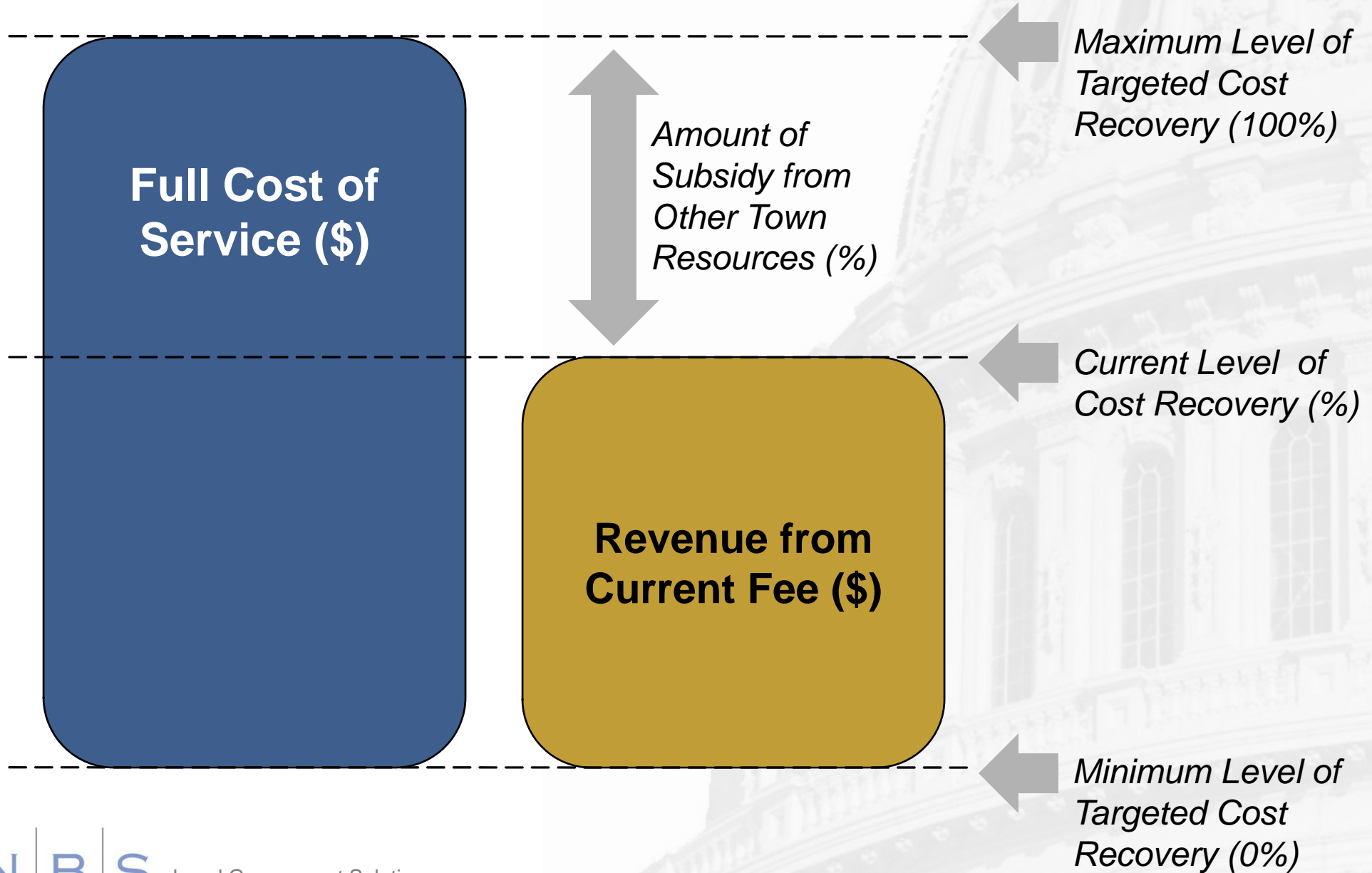
Introduction and Background

- Comprehensive Fee Study initiated early 2009
- Services/activities examined:
 - Development plan review, zoning, and other planning and engineering activities
 - Building plan check and inspection and related activities
 - Review and inspection of improvements within the public right-of-way
 - Various operational and maintenance related activities
 - Rental of Town facilities and use of parks
 - Police services and activities
 - Administrative services
- Study goal: provide information to assist decisions regarding best use of all revenue sources available to fund Town services and activities
 - Are fees recovering the appropriate amount of the costs of service?

Scope of Revenues Reviewed



Fee-Based Cost Recovery Limits and Decisions



Full Cost Recovery

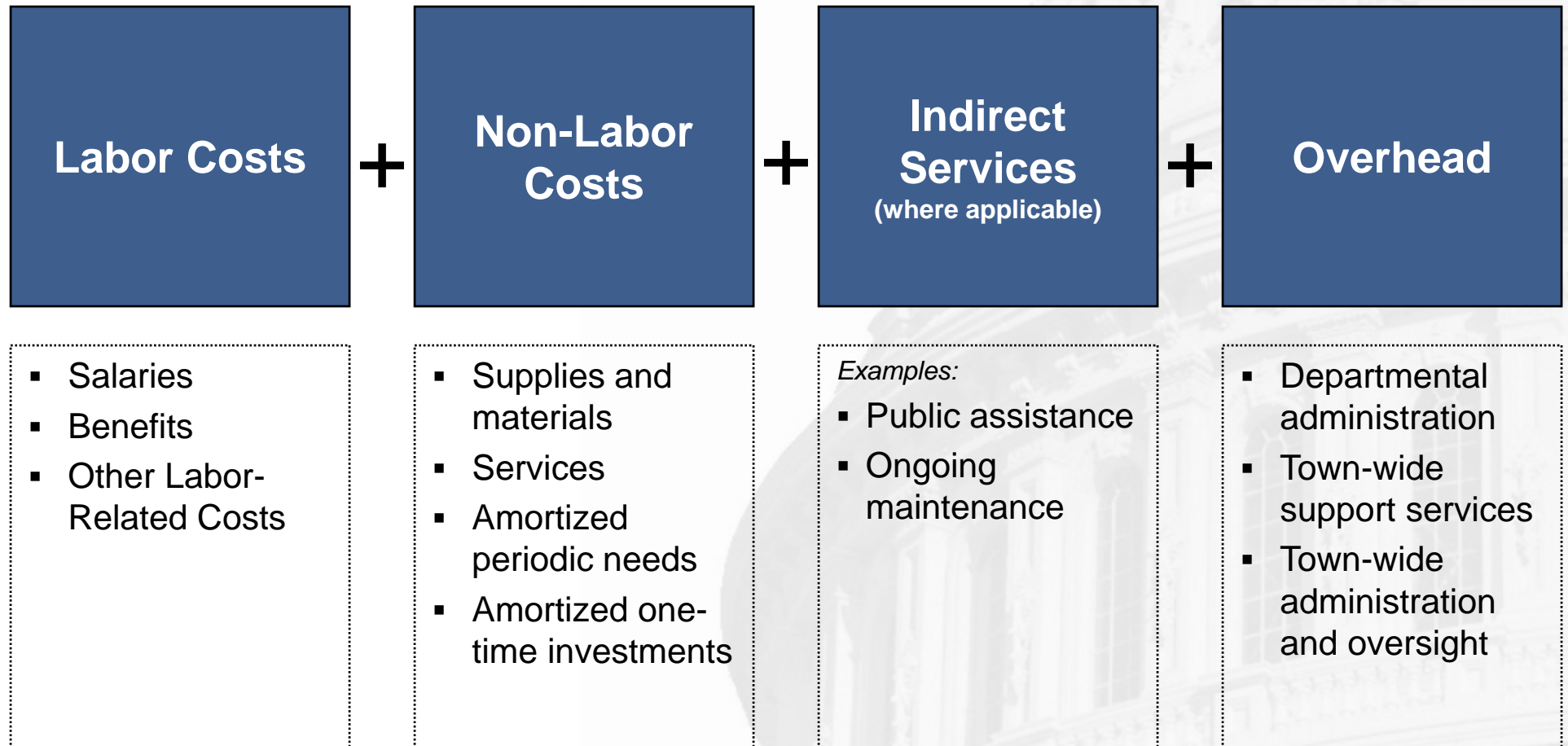
Full cost recovery from fees is achieved when:

- All estimated, eligible costs of the Town's direct efforts to provide a service are reflected in the fee
- All estimated, eligible indirect costs related to the Town's efforts are reflected in the fee
- Pass-through of discrete, external costs incurred on a service-by-service basis is part of the fee structure

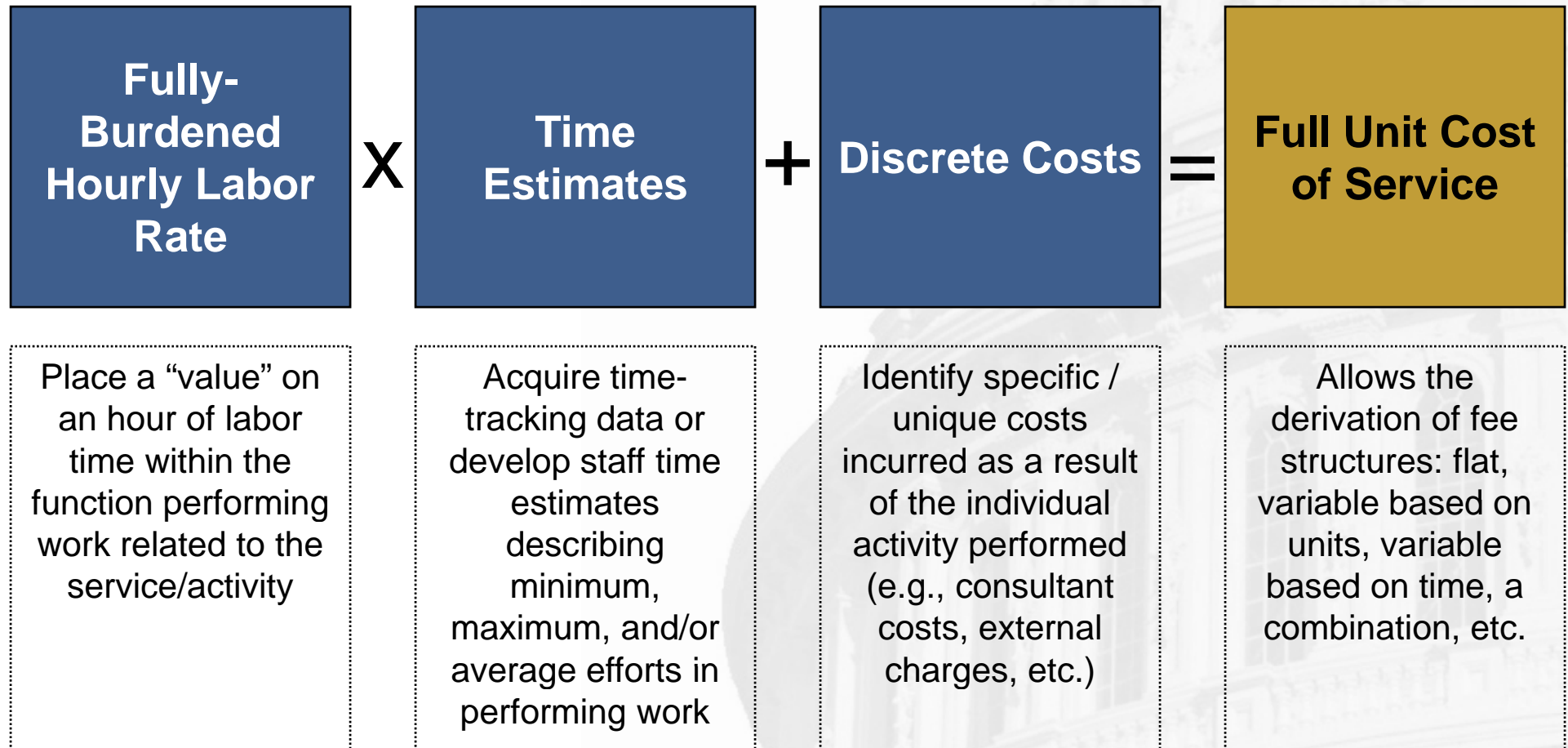
Full cost recovery achievement is greatly improved when:

- More variable and/or characteristically-specific fee structures are applied
- Fees are regularly updated to reflect current level of service and the Town's current cost structure

What Makes Up the Full Cost of Service?



How Do We Express the Full Cost of Service?



Cost Recovery Targets within the Proposed Master Fee Schedule

Full cost recovery is targeted as a general policy goal, except when:

- Limited by statute
- In conflict with established Town goals or priorities
- Negative impacts on compliance are considered likely
- Higher fees are considered likely to decrease desired demand
- In some service areas, higher fees would stand out in the local market
- Council direction clearly informs recovery of specific costs

Cost Recovery Policy Considerations

- If optimizing revenue potential from fees is a goal, is it even feasible to recover the full cost of service?
- Should pricing reflect the public and private benefits of individual services and activities?
- Will increasing fees result in non-compliance and/or public safety problems?
- Are there desired behaviors or modifications to behaviors of the service population that could be helped or hindered through the selected degree of pricing?
- Are there broader Town objectives that automatically merit less than full cost recovery, or could a fee increase adversely affect Town goals, priorities, or values?
- Would increased pricing have unintended consequences on the population served or current revenue levels?
- Is differential pricing desired (e.g., resident/non-resident, residential/commercial, non-profit/business)?

Outcomes

- Consolidated schedule of user fees and regulatory fees
- Estimates of the costs of individual service for each service/activity
- Proposed fees based on both Town Staff recommendation and City Council direction
- Potential net increase to the Town's funding resources based on all changes reflected in the Master Fee Schedule
- Analytical models useful in future cost of service analyses and/or fee-setting

Reference Handout:

Proposed Master Fee Schedule (Working Version from 9/16/2009 Public Hearing)

Observations from the Proposed Master Fee Schedule: Administration/Other

Current recovery of the full cost of service:

- Achievement level varies across the board, providing some opportunities for improved cost recovery

Proposed fee levels:

- Set fees to achieve full cost recovery with few exceptions:
 - Set check processing fees consistent with market
 - Retain notary fees at statutory limit
- Proposals represent a modernization of activities, directing users to free, paperless sources of information

Observations from the Proposed Master Fee Schedule: Police

Current recovery of the full cost of service:

- Some activities have opportunities for improved cost recovery
- Some fees need to be recalibrated to the costs of service
- Updated hourly rates provide an opportunity for improved cost recovery, particularly for special service requests
- Several activities with no current fee may provide minor cost recovery improvement

Proposed fee levels:

- Set fees to achieve full cost recovery with few exceptions:
 - No change to current alarm registration and alarm signs to encourage participation as part of the community's broader crime prevention program

Observations from the Proposed Master Fee Schedule: Parks

Current recovery of the full cost of service:

- Opportunities for increased revenue exist across all activities if consistent with Town policy regarding use of its public spaces

Proposed fee levels:

- Increase pricing for rentals associated with weddings and social functions consistent with market conditions for like facilities
- Eliminate discounted pricing for residents
- Increase pricing for most rentals associated with meetings but continue partial cost recovery due to marketing benefits attained through use
- Subject Town-related organizations to schedule of meeting rates but offer discounts depending on facility rented
- Increase day use permits but provide exclusive use of amenities

Observations from the Proposed Master Fee Schedule: Public Works/Engineering

Current recovery of the full cost of service:

- With the exception of one category, achievement is substantively below maximum recovery levels justified
- Opportunity exists for enhanced equity by restructuring fees

Proposed fee levels:

- Set all fees to achieve full cost recovery
- Activity categories are 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 of the project
 - Charge for excessive plan review and inspections caused by the applicant
 - Bill for actual time (staff or consultants) where appropriate

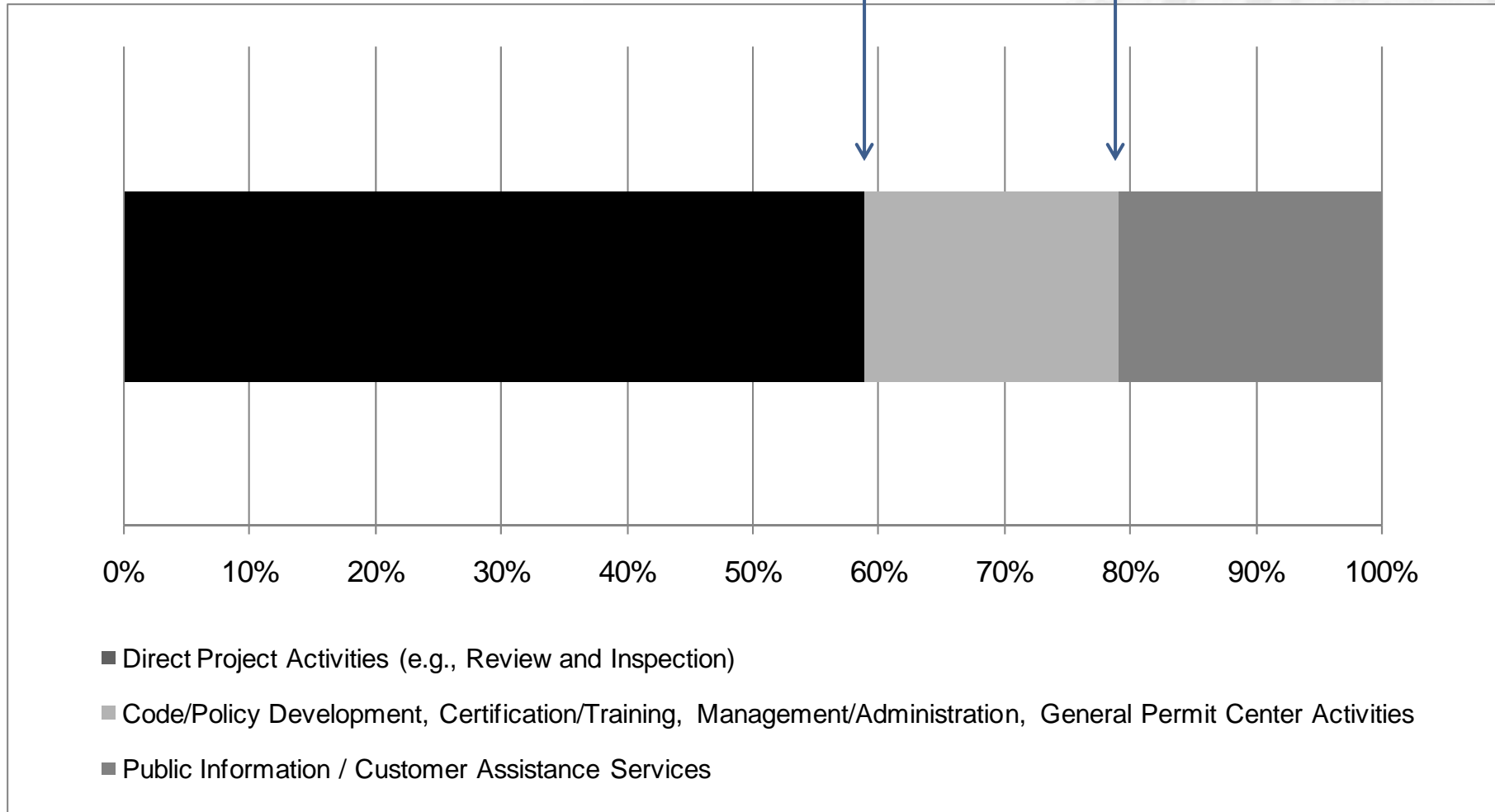
Observations from the Proposed Master Fee Schedule: Building and Planning

- Master Fee Schedule shows a calculated fee amount based on a “targeted cost recovery” level, as crafted through policy discussions with the City Council
 - 71% for Planning
 - 79% for Building
- Targeted cost recovery is set to recover all relevant costs of development and construction regulation except costs associated with providing public information and assistance

Components of the Full Cost of Service Building

Any activity recovering at least 59% of the cost of service is covering all of its direct project work.

79% cost recovery includes all but public information



Eligible costs of service exclude punitive forms of code enforcement, long-range planning, and general governmental activities not associated with private development performed by the Building Department

Observations from the Proposed Master Fee Schedule: Planning

Current recovery of the full cost of service:

- Current fee structure is intended to recover all costs, particularly those associated with contract planners
- Most activities provide room for increasing recovery of Town costs incurred outside of direct billings from contract planners
 - Recover indirect planning services, non-labor/non-contract expenses, and Town overhead not currently recovered in hourly rates
- Some minimum fees need to be recalibrated to the costs of service
- Evaluation provides opportunity to revisit deposit levels
- Several activities with no current fee may provide additional minor cost recovery but also improve application quality

Observations from the Proposed Master Fee Schedule: Planning (cont.)

Proposed fee levels:

- Sustain current practice of charging fees according to actual recorded time to each project but update hourly rates to account for the Town's full cost of service, excluding public assistance costs
- Sustain targeted full cost recovery ethic in fee structure with few exceptions:
 - Set appeals at less than cost recovery to avoid potential disenfranchisement
 - Set school master plans at less than cost recovery to encourage participation
 - Set home occupation reviews at less than cost recovery to encourage compliance
- Establish new fees for pre-application reviews, initial review, and revisions

Observations from the Proposed Master Fee Schedule: Building

Current recovery of the full cost of service:

- Opportunity for increased cost recovery within building permit and plan check fees exists to varying degrees depending on construction valuation threshold
- Miscellaneous permits/activities are substantively below maximum cost recovery thresholds justified
- Alternate fee structures among miscellaneous permits provide more equitable and complete cost recovery
- New fees in some areas may improve compliance with Town regulations and application/project execution quality
- Evaluation provides opportunity to revisit deposit levels

Observations from the Proposed Master Fee Schedule: Building (cont.)

Proposed fee levels:

- Most activities target less than full cost recovery, driven by perceived market conditions and/or prevailing policy
- Increase and restructure miscellaneous building fees to varying degrees
 - Introduce new fees for additional appliance/unit reviews in mechanical, plumbing, and electrical permits
 - Introduce new fees for re-inspections and special/consultation inspections
 - Introduce new penalties for unauthorized tree removal/damage, work without a permit, and reactivation of expired permits
 - Sustain current policy of minimal cost recovery for solar panel review
 - Update various deposits to improve compliance with conditions for refund, and introduce an administrative fee for processing deposits

(continued on next page)

Observations from the Proposed Master Fee Schedule: Building (cont.)

Proposed fee levels (cont.):

- Building Permits:
 - Sustain current practice of varying fees by an assigned project valuation consistent with predominant industry practice
 - Sustain current practice of one fee table, but increase the base fee amount to escalate cost recovery achievement to varying degrees across all tiers
 - Sustain current practice of a linear progression in the applicable fee amount derived from the fee table as valuation increases
 - Alter valuation basis to address differentiation in underlying costs of service for type of construction (new vs. remodel, habitable vs. non-habitable)
 - Eliminate current option of accepting a contract value for remodels
- Express plan check fee in two tiers, yielding a different ratio against the permit fee for different levels of project valuation

Implications of Change in Valuation Basis: Building

14% decrease in valuation basis

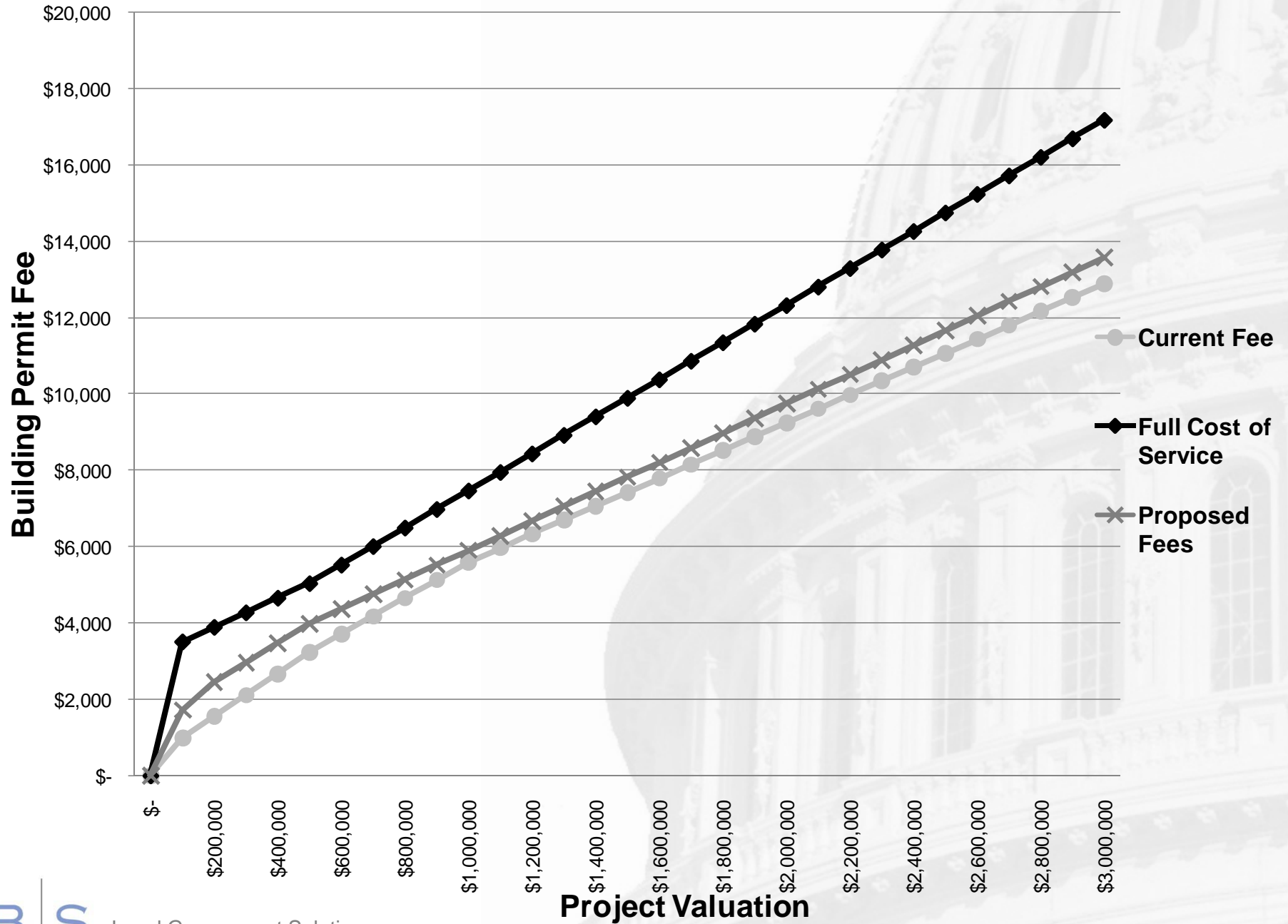
20% decrease in valuation basis

Maximum Project Size within Fee Table Tiers (Square Feet of Applicable Construction)						
Fee Table Upper Limit by Tier	New Habitable Construction		Remodeled Habitable Construction		New/Remodeled Non- Habitable Construction	
	CURRENT	PROPOSED	CURRENT	PROPOSED	CURRENT	PROPOSED
	\$ 350	\$ 350	\$ 350	\$ 300	\$ 250	\$ 200
\$ 500	1.4	1.4	1.4	1.7	2.0	2.5
\$ 2,000	5.7	5.7	5.7	6.7	8.0	10.0
\$ 25,000	71.4	71.4	71.4	83.3	100.0	125.0
\$ 50,000	142.9	142.9	142.9	166.7	200.0	250.0
\$ 100,000	285.7	285.7	285.7	333.3	400.0	500.0
\$ 500,000	1,428.6	1,428.6	1,428.6	1,666.7	2,000.0	2,500.0
\$ 1,000,000	2,857.1	2,857.1	2,857.1	3,333.3	4,000.0	5,000.0

17% increase in size within each tier

25% increase in size within each tier

Building Permit Cost Comparison

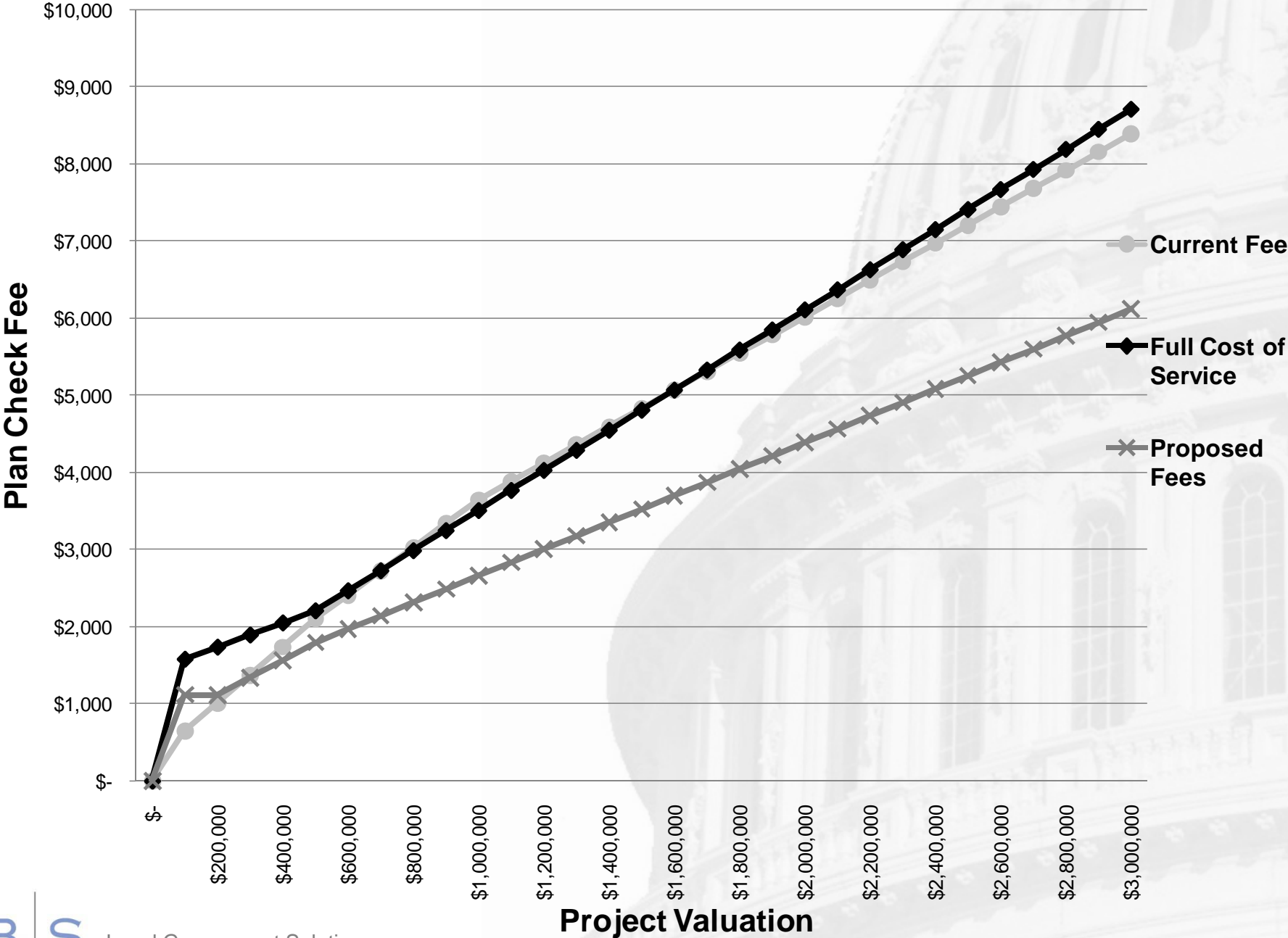


Building Permit Fee Performance

Building

Building Permit Fees Average Performance Statistics by Valuation Tier			
Fee Table Upper Limit by Tier	Cost Recovery under Current Fees	Targeted Cost Recovery	Change between Current and Targeted Cost Recovery
\$ 500	11%	79%	602%
\$ 2,000	14%	79%	475%
\$ 25,000	30%	79%	186%
\$ 50,000	43%	79%	85%
\$ 100,000	34%	79%	139%
\$ 500,000	48%	79%	78%
\$ 1,000,000	71%	79%	11%
\$ 3,000,000	75%	79%	5%

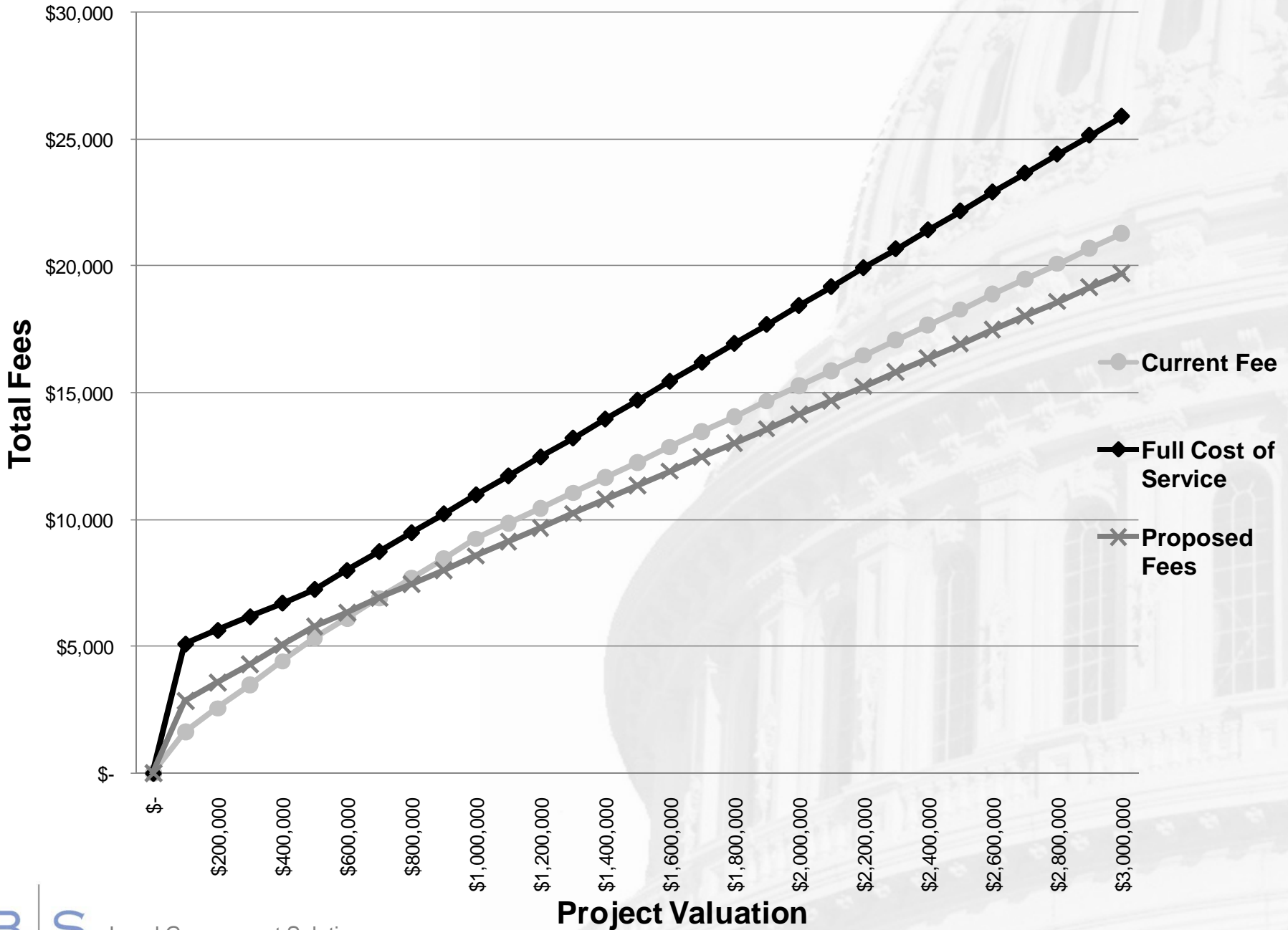
Plan Check Cost Comparison



Plan Check Fee Performance Building

Plan Check Fees Average Performance Statistics by Valuation Tier			
Fee Table Upper Limit by Tier	Cost Recovery under Current Fees	Targeted Cost Recovery	Change between Current and Targeted Cost Recovery
\$ 500	3%	79%	2159%
\$ 2,000	29%	79%	173%
\$ 25,000	25%	79%	281%
\$ 50,000	43%	79%	87%
\$ 100,000	43%	79%	85%
\$ 500,000	70%	79%	23%
\$ 1,000,000	101%	79%	-22%
\$ 3,000,000	99%	79%	-20%

Total Cost Comparison



Workload within Valuation Ranges (Recent 12 Months): Building

Fee Table Upper Limit by Tier	Volume Distribution	Revenue Distribution
\$1-\$25,000	49%	7%
\$25,001-\$50,000	14%	4%
\$50,001-\$100,000	13%	6%
\$100,001-\$500,000	17%	21%
\$500,001-\$1,000,000	2%	7%
\$1,000,001 and greater	5%	55%

Community Input

- [insert]
- [insert]