



201 San Antonio Circle, Suite 148  
Mountain View, CA 94040  
v.650.858.0507 f.650.917.2310

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**To: Bruce Moe, Finance Director  
Marisa Lundstedt, Community Development Director**

**From: Courtney Ramos, Manager, Matrix Consulting Group**

**SUBJECT: CITYWIDE FEE STUDY UPDATE RESULTS**

The City of Manhattan Beach completed its previous Cost Allocation Plan & Citywide User Fee Study in 2010, and contracted with the Matrix Consulting Group to prepare an updated plan to ensure that it reflects current services and costs. The following memo provides a brief overview of the differences between the City's previous plan and the current plan, including: costs allocated, allocation methodology, and potential cost recoveries.

## **1. BACKGROUND**

In July of 2014, the City of Manhattan Beach contracted with the Matrix Consulting Group to update their Cost Allocation Plan and conduct a Citywide User Fee study. These studies were completed and presented for adoption to Council in April 2015. Since the Council adoption of these studies new MOU's have been adopted, which affect the cost drivers associated with the User Fee study.

The City reached out to the Matrix Consulting Group in March of 2016 to update the Citywide User Fee study and incorporate updated personnel costs, so that Citywide fees would better reflect the full cost of providing services. Additionally, during this update, the City also requested that time estimates associated with valuation based Building Permits and Plan Check fees be adjusted to better reflect the services being provided.

The following sections provide an overview of the methodology used to update the Citywide Fee Schedule, and projected revenue impacts.

## **2. METHDOLOGY**

The following subsections outline the updates to the various components of the user fee study.

## **(2.1) MOU Updates**

In 2016 the City of Manhattan Beach negotiated MOU increases relating to personnel salaries and benefits for six bargaining units. The table on the following page outlines the percentage increase by bargaining unit for three years.

Bargaining Unit	FY 2016	FY 2017	FY 2018
MISC	2.00%	2.23%	3.00%
PSWN	2.00%	2.00%	2.85%
FIRE	2.00%	2.00%	2.75%
PMA	3.75%	3.75%	0.00%
MCNF	2.00%	2.23%	3.00%
MCSW	2.00%	2.23%	3.00%

The project team identified the bargaining unit for each classification within the City, and applied the corresponding percentage increase to FY 15 salary and benefit costs to develop new fully burdened rates for FY 16. The FY 17 percentage increases were then applied to the new FY 16 rates to develop fully burdened rates for FY 17, and so forth. The percentage increases were not applied to indirect costs (departmental and citywide overhead).

## **(2.2) Time Estimate Updates (Plan Check and Building Permits)**

In addition to cost increases, the City requested that time estimates for valuation based Building permit (includes inspections) and plan check fees be reviewed and revised. The Building division provided updated time estimates, and revised the fee structure to better reflect the services being provided by the City. The following table shows by valuation range, the previous fee study time estimates, and the proposed time estimates.

Project Value Sliding Scale Category	Plan Check		Building Permits	
	Previous Fee Study Hours	Current Hours	Previous Fee Study Hours	Current Hours
<b>Project Valuation - \$500.00 to \$2,000</b>				
First \$500	0.50	0.50	0.50	0.50
Each Additional \$100 or fraction thereof				
<b>Project Valuation - \$2,001 to \$25,000</b>				
First \$2,000	1.50	1.50	2.00	2.00
Each Additional \$1,000 or fraction thereof				
<b>Project Valuation - \$25,001 to \$50,000</b>				
First \$25,000	5.00	4.50	6.75	6.75
Each Additional \$1,000 or fraction thereof				
<b>Project Valuation \$50,001 to \$100,000</b>				
First \$50,000	11.00	10.00	11.75	12.00
Each Additional \$1,000 or fraction thereof				
<b>Project Valuation \$100,001 to \$500,000</b>				
First \$100,000	14.00	13.50	22.00	21.00
Each Additional \$1,000 or fraction thereof				

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Project Value Sliding Scale Category	Plan Check		Building Permits	
	Previous Fee Study Hours	Current Hours	Previous Fee Study Hours	Current Hours
<b>Project Valuation \$500,001 to \$1,500,000</b>				
First \$500,000	18.00	34.00	54.00	51.00
Each Additional \$1,000 or fraction thereof				
<b>Project Valuation - \$1,500,001 to \$3,500,000</b>				
First \$1,500,000	24.50	83.00	124.00	125.00
Each Additional \$1,000 or fraction thereof				
<b>Project Valuation - \$3,500,001 to \$7,500,000</b>				
First \$3,500,000		162.00		280.00
Each Additional \$1,000 or fraction thereof				
<b>Project Valuation - \$7,500,000 and Over</b>				
First \$7,500,000		263.00		412.00
Each Additional \$1,000 or fraction thereof				

As shown in the table above, time estimates were altered for both Plan Check and Building Permits, which include Inspection services. For some ranges, there were no changes to estimates, while in others there were either increases or decreases. Additionally, the Department elected to add two additional valuation ranges for projects valued between \$3.5 and \$7.5 million, as well as projects valued at greater than \$7.5 million.

### **(2.3) Workload / Volume Updates**

In order to provide revenue projections, the project team utilized FY 14-15 workload statistics. However, where there was significant variation in workload between the previous year (FY 14-15) and the current year (FY15-16), City staff provided updated workload statistics to ensure more realistic revenue projections.

### **3. UPDATED COST RECOVERY PROJECTIONS (ALL SERVICES)**

The following table outlines the projected cost recovery by division / department based on MOU increases, time estimate changes, and updated workload statistics.

Department	Estimated Current Revenue	FY 16-17 Revenue	FY 17-18 Revenue	FY 18-19 Revenue
City Clerk	\$2,217	\$2,143	\$2,171	\$2,209
Finance	\$29,586	\$29,782	\$30,196	\$30,769
Parks & Recreation	\$57,310	\$58,014	\$58,769	\$59,822
Police	\$11,640	\$11,808	\$11,970	\$12,043
Technical Support Services	\$12,349	\$12,533	\$12,630	\$12,749
Community Affairs	\$68,624	\$67,996	\$68,273	\$68,653
Parking	\$70,452	\$71,160	\$72,002	\$73,168
Animal Services	\$67,026	\$66,949	\$67,653	\$68,621

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Department	Estimated Current Revenue	FY 16-17 Revenue	FY 17-18 Revenue	FY 18-19 Revenue
Fire	\$671,574	\$678,355	\$685,649	\$695,869
Planning	\$416,675	\$421,265	\$426,493	\$433,642
Building Valuation - Plan Check	\$1,074,006	\$1,573,467	\$1,595,158	\$1,625,144
Building Valuation - Permit	\$1,741,418	\$1,787,572	\$1,808,729	\$1,839,115
Building - Flat	\$237,889	\$240,750	\$243,673	\$247,696
Traffic Engineering	\$37,058	\$37,424	\$37,843	\$38,423
Public Works	\$1,570	\$1,574	\$1,584	\$1,599
Civil Engineering	\$97,833	\$99,026	\$100,350	\$102,171
Maintenance	\$4,525	\$4,603	\$4,679	\$4,784
Utilities	\$182,072	\$182,962	\$184,296	\$186,132
<b>TOTAL</b>	<b>\$4,783,824</b>	<b>\$5,347,382</b>	<b>\$5,412,119</b>	<b>\$5,502,609</b>

As the table above shows, the City's projected cost recovery is expected to increase significantly between FY 15 and FY 16, which is primarily due to the changes in time estimates associated with valuation based Building Permits (includes inspections) and Plan Check fees.