

# INDIAN WELLS CITY COUNCIL

## July 6, 2023



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To: City Council  
From: Public Works Department  
Prepared by: Jill Moon, Management Analyst  
**Subject: Comprehensive User Fee Study Resolution**

### RECOMMENDED ACTIONS:

Council **OPENS** the public hearing, takes any public testimony, **CLOSES** the public hearing; and

**FINDS** the project to be exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Code Section 21080(b)(8) and CEQA Guidelines section 15273(a)(1).

**ADOPTS** Resolution establishing certain new user fees and increasing certain existing user fees for various services provided by the City.

### DISCUSSION:

A comprehensive user fee study was previously conducted and adopted by the City Council in 2017. A user fee study assesses the user fees necessary to cover the costs of City services that benefit specific individuals or groups. It further reduces the reliance on the General Fund and ensures a fair distribution of costs among users. Due to changes in the economic environment and the passage of time, an update to the fees was necessary. To perform the update, the City enlisted the expertise of Willdan Financial Services. Willdan used a variety of fee methodologies to analyze the costs associated with individual fees and programs, as the review process was complex and extensive.

The goal of the updated user fee study is to ensure that the City's limited resources are managed efficiently and that service demands are met adequately. By accurately identifying the full costs of individual fees and programs, the study will help the City maintain a sustainable financial model while continuing to provide essential services to its residents.

#### Methodologies:

Willdan used three methods of analysis for calculating fees:

### Cost Study Method (Standard Unit Cost Build-up Approach)

This technique is for estimating the costs associated with providing a service to a single user. It works well when staff time requirements don't vary much, or when staff from different departments collaborate. The process involves interviews with staff, record reviews, and a detailed analysis of time and materials. This leads to a precise cost estimate based on a comprehensive understanding of the inputs needed to deliver the service.

### Programmatic Approach:

In situations where standard cost analysis is impractical, a programmatic approach is more appropriate. This approach is tailored to fit the specific goals and needs of a program, such as determining facility use fees, penalties, or dividing program costs over the user base to obtain a per-applicant cost for shared cost services.

### Valuation Based Fees:

Valuation-based fees are used when the value of an improvement can be used to estimate the amount of effort required by City staff to complete a service. This approach is often used for user fees in the Building Division, where project size and cost are directly related to the amount of effort needed for review and inspection. This approach ensures that fees can adjust as project sizes increase. Please note, land is not included in the valuation.

### Objective:

A user fee study determines "reasonable" costs of providing services and identifies appropriate fee amounts. Willdan worked with staff to establish the following fee study objectives:

- Developing a rational basis for setting fees
- Seeking 100% cost recovery when possible
- Identifying subsidy amount, if applicable, of each fee in the model
- Enhancing fairness and equity
- Ensuring compliance with State law
- Developing an updatable and comprehensive list of fees
- Maintaining accordance with City policies and goals

The total cost of each service in this analysis is based on the full cost of providing the City services, including direct salaries and benefits of staff, direct departmental costs, and indirect costs of central services support.

### Developing a rational basis for setting fees:

The total cost of each service is primarily based on the Fully Burdened Hourly Rates (FBHRs) for City personnel directly involved in providing the services. The FBHRs include not only employee salary and benefits, direct departmental

costs, and indirect costs of central services support.

The cost elements included in the calculation of fully burdened rates are:

- Salaries & benefits of employee involved
- Operating costs applicable to fee operations
- Departmental support, supervision, and administration overhead
- Internal Service Costs charged to each department
- Indirect City-wide overhead costs applied based on the City's Cost Allocation Plan (between 2-3% overhead)

An important part of determining the fully burdened rate is the calculation of productive hours for personnel. This calculation takes the available workable hours in a year, 2,080 for each employee and adjusts this figure to account for anticipated hours' employees are involved in non-billable activities such as paid vacation, sick leave, holidays, training and conferences. Dividing the full cost by the number of productive hours (industry standard of 1,650 productive hours) provides the FBHR. The FBHRs are then used in conjunction with time estimates, when appropriate, to calculate a fees' cost.

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 the City's central service departments which include City Manager, City Clerk, Finance, Human Resources, Information Technology, and Legal Services. Central services support cost allocations in this study were incorporated using the City's Cost Allocation plan that resulted in overhead rates between 2 and 3%.

#### Proposed Modifications to the Existing Fee Schedule:

Willdan prepared a comprehensive analysis of the City's current fee schedule related to administrative services, building, planning, and public works. Willdan determined the estimated cost of administering development related services by conducting a time and materials survey, inclusive of the following City-burdened related expenses: Direct Labor (salaries and benefits), Departmental Overhead (operating costs and supplies/materials), and Central Services Overhead (Central City support costs).

Staff worked closely with Willdan to review existing fees, make recommendations to remove unused fees, and create new fees based upon the services provided by the City as well as costs reasonable and required to provide services. One such fee addition is the Technology fee, which is an add-on fee to building, business license, planning, and public works fees for directly recovering the cost of

technology needs involved with providing services to the public, including software costs and equipment costs depreciated over 3 years. Willdan then made recommendations and findings for adjusting the existing fees and proposing new fees based on services currently being provided by the City. Over 225 user fees were evaluated during the study. Willdan recommends the City set all fees at or near full cost recovery. On an individual fee basis, there are increases to some fees and decreases to others.

To develop a better understanding of Willdan’s recommendation, the proposed fee adjustments were averaged by category. The table below shows the averages necessary for the fees to be at or near full cost recovery.

Full Cost Recovery by Fee Category	Average Fee Adjustment by Fee Category
Administrative Fees	0%
Building Fees	5%
Planning Fees	9%
Public Works Fees	1%

As labor and associated costs fluctuate over time, the fee schedule will be adjusted annually at the beginning of each fiscal year. The most used inflator is the Consumer Price Index (CPI) as it is widely known and accepted. The City has chosen the Consumer Price Index for all Urban Areas Los Angeles-Riverside-Orange Counties.

Comparison Survey:

Willdan conducted a fee comparison with local cities of Rancho Mirage, Palm Desert, La Quinta, Indio, and Palm Springs. This comparison is not an extensive survey of all fees but is meant to compare a select number of common fees as indicators for a broader comparison with surrounding communities. Comparisons are often used as a tool to measure a city’s fees against others. Below is a fee comparison for a selection of major fees. Positive dollar amounts in the Difference column signify Indian Wells suggested fees are higher than its comp set, negative dollar amounts signify Indian Wells suggested fees are lower than its comp set. Rancho Mirages fees were updated in 2020, Palm Desert in 2014/2016, La Quinta in 2016/2022, Indio in 2022 and Palm Springs in 2022. Palm Desert and La Quinta have separate years because the updated fees vary by department.

Staff met with a representative from the Desert Valley Builders Association (DVBA) to discuss the changes proposed to the current development fee

structure. DVBA requested additional information at that meeting which they were in the process of reviewing at the time this report was created. Comments received by the DVBA will be shared with the Council during Staff Presentation.

### COMPARISON SURVEY

Fee#	Dept	Fee	Current Indian Wells	Suggested Indian Wells	Average Comp	Difference	Rancho Mirage	Palm Desert	La Quinta	Indio	Palm Springs
3.a	Building	Permit Issuance - Electrical	\$25.83	\$51.00	\$111.87	-\$60.87	\$120.00	\$159.00	\$110.88	\$74.00	\$95.48
2.e	Building	Water Heater Permit	\$11.74	\$23.00	\$85.96	-\$62.96	\$120.00	\$80.00	\$23.34	\$111.00	\$95.48
1.c	Building	SFR 2,500 sq ft home (R-3 VB)	\$1,351.28	\$1,183.64	\$2,452.15	-\$1,268.51	\$1,156.68	\$3,400.00	\$1,899.23	\$1,590.07	\$4,214.77
1.d	Building	COM 3,500 sq ft (MVB)	\$1,022.79	\$896.05	\$1,607.35	-\$711.30	\$881.05	\$1,225.00	\$2,153.03	\$1,503.78	\$2,273.91
1.a	Planning	General Plan Amendment	\$6,890.73	\$9,615.00	\$8,104.20	\$1,510.80	\$4,555.00	\$2,007.00	\$11,409.00	\$7,526.00	\$15,024.00
1.d	Planning	Conditional Use Permit	\$7,698.65	\$10,691.00	\$5,711.40	\$4,979.60	\$6,780.00	\$2,894.00	\$7,004.00	\$6,021.00	\$5,858.00
2.a.1	Planning	Tentative Tract Map	\$6,390.49	\$8,832.00	\$6,056.40	\$2,775.60	\$5,286.00	\$3,308.00	\$9,134.00	\$8,000.00	\$4,554.00
1.j	Planning	Variance - Residential	\$2,262.86	\$6,000.00	\$2,813.00	\$3,187.00	\$530.00	\$2,924.00	\$2,656.00	\$3,011.00	\$4,944.00
1.k	Planning	Variance - Commerical	\$5,354.76	\$7,230.00	\$4,270.00	\$2,960.00	\$5,826.00	\$2,924.00	\$2,656.00	\$5,000.00	\$4,944.00
1.c	Engineering	Lot Line Adjustment	\$1,130.84	\$1,701.00	\$2,422.21	-\$721.21	\$1,513.00	NA	\$1,520.00	\$2,258.00	\$4,397.83
1.g	Engineering	Grading Permit (1,000 c.y.)	\$123.30	\$927.00	\$1,149.86	-\$222.86	\$1,261.00	\$698.00	\$988.00	\$2,300.00	\$502.32
3.b	Engineering	Encroachment	\$285.00	\$798.00	\$531.16	\$266.84	\$121.00	\$318.00	\$988.00	\$494.00	\$734.81

### FISCAL IMPACT:

If the new fee structure is approved, the City will see an increase in general fund revenues.

### CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):

This project has been assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State and local CEQA Guidelines, and the environmental regulations of the City. The City acting as Lead Agency, has determined the Comprehensive User Fee Study qualifies as Categorical Exempt from CEQA pursuant to Code Section 21080(b)(8) and CEQA Guidelines section 15273(a)(1).

### ATTACHMENTS:

1. Resolution
2. User Fee Study