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October 1, 2018

James Caro, Building & Code Enforcement Manager  
Rindy Mendez, Administrative Assistant  
Development Services Department  
City of Rialto  
150 S. Palm Avenue  
Rialto, CA 92376

**Subject: Proposal for Fee Consulting Services**

Dear James Caro and Rindy Mendez,

NBS thanks you for the opportunity to assist the City in updating its building and planning fees and provide a development impact fee analysis. For this engagement, NBS and Colgan Consulting Corporation ("Colgan") will partner to form a cohesive team. We at NBS collectively have decades of fee setting experience and specialize in fees for building departments. By uniting with Colgan, our project team possesses more than 30 years of impact fee consulting experience; we are well-qualified and pleased to submit this proposal. We can begin this project in the near future should the City wish to proceed.

**WORK PLAN 1 – BUILDING AND PLANNING FEE STUDY**

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The goal of this effort is to establish fees for service in accordance with the City's building plan check and permitting processes, as well as planning entitlement review and approval. The Study will identify the full cost of service required for these activities and facilitate the development of strategies/policy for recovery of those costs in user/regulatory fees.

In general, the Scope of Services includes fees for service that can be analyzed on a staff-time estimate per activity or service basis. Taxes, penalties, fines, equipment rental, facility rental, and fees regulated or set by the State would be excluded from this analysis.

The key deliverables for this project include:

- A written report detailing the justification of fees to be considered for adoption
- Technical appendices displaying the analytical support for findings and action items
- Sufficient onsite events and/or meetings with staff during the analytical phases of the project to develop Study outcomes
- Future access to NBS experts as the need arises

The outline below describes the step-by-step Work Plan to be followed by NBS in completion of the Scope of Services:

#### **Task 1. Conduct Administrative Kick-Off Meeting**

Acquire published or accessible data from the City, centering on adopted budgets, recent financial performance (revenues and expenditures), overhead cost allocation plan information, current labor cost detail and classifications, organizational structures, existing relevant policies, existing time-tracking and volumetric data, and other items of a more global nature. Consultants will gather information independently as accessible through online resources, and issue a consolidated data request to the City. As data is acquired, consultants will catalog necessary financial, procedural, and organizational information and will extract or input data into electronic form for use in analytical models and narrative documentation.

Conduct one onsite or commencement meeting with City staff members, including those who will manage the progress, completion, and implementation of the Study's findings. This meeting will include a discussion of expectations and an overview of the process for conducting the analysis, including: methodology, coordination for onsite and remote interactions with City personnel, timeline for project completion, global data needs, established policies and procedures, and other topics.

#### **Task 2. Design Fee Structure**

Conduct one onsite and/or remotely conducted project commencement event with the divisions and staff known to provide the fee-related services under review in this Study. Applying industry expertise, NBS consultants will suggest changes and/or discuss the City's desired additions or deletions to the existing fee schedule. Facilitate one iterative review and confirmation of the updated fee schedule format with City staff. Note: the scope of work and project budget proposed by NBS assumes the City wishes to continue primarily with its current fee structure/method, which is construction valuation-based fee tables.

#### **Task 3. Conduct Time Study**

NBS will develop an approach and tools for acquiring and/or developing the organizational, performance, and time-estimate information necessary for justifying fees, and conduct one round of onsite events to initiate data collection efforts. Acquire workload information from the last complete Fiscal Year and assimilate data into the NBS fee model. The primary focus of this task is on the City's Building and Planning divisions. For supporting departments such as Public Works, Fire, etc. that participate in review of planning applications, the City would be responsible for facilitating any necessary collection and submittal of data to NBS.

#### **Task 4. Prepare Iterations and Time Study Module**

Determine any necessary secondary course of action to continue and/or refine organizational, performance, and time data. Up to two iterations of the time study module are included to ensure that the cost of service analysis is defensible and reasonable. The product of this sub-task will be a model of the complete organizational, performance, and time requirements for the services under review in this Study.

#### **Task 5. Develop Time/Cost Module**

Determine the full annual cost of service through integration of available City financial data, as follows:

- Define the direct costs of services review under this study. Direct costs reflect those specifically related to the provision of service embodied by the activities reflected in the fee schedule, as well as any potential additions to that list.
- Define the indirect costs of services under review in this study. Indirect costs are those incurred to support the provision of direct service. Examples of indirect functions include administrative support, customer service/public information, code/policy/standards maintenance, training, and management. Outside of discrete functions, indirect costs may also include tangible items, such as materials and supplies.
- Determine applicable City-wide indirect costs, such as those defined by an overhead cost allocation plan or other analysis maintained by the City to determine appropriate shares of administrative, support services, and/or governance costs.<sup>1</sup>

Calculate fully-burdened hourly rates related to the provision of the services under review in this study. Consider the applicability of productive hours or direct-billed hours as the basis for the rate calculation, depending on the department, division or function in question.

The primary focus of this task is on the City's Building and Planning divisions. For supporting departments such as Public Works, Fire, etc. that participate in review of planning applications, the City would be responsible for provision of hourly rate information to NBS.

#### **Task 6. Determine Full Cost of Services**

Establish the full cost of service for each individual activity under review in this study. The full cost of service defined by NBS serves as the analytically-justified maximum amount that may be recovered through a user/regulatory fee adopted by the City Council. Apply performance/time estimates at the activity level to the fully-burdened hourly rates developed to determine the full cost of service for each fee-related service. Add any discrete materials/services costs not reflected in the time valuation for specific activities, such as substantial equipment and incremental contract services. Provide a comparison between the City's current fees and full cost recovery fee amount. Include a percentage of cost recovery conclusion for each fee item studied.

#### **Task 7. Conduct Divisional Meetings / Revisions**

Conduct one round of review events, either on-site or by teleconference, to review the draft results of the Study. Based on review with City staff, revise core analytical modules and finalize the activity costs of service. Calculate the final unit costs of service that will serve as the foundation for any revised fee amounts and/or fee structure. This task represents one planned iteration of the analytical work products. Obtain final approval of analytical fee models from the City's project manager.

Discuss pricing objectives from the City's perspective, i.e., comfort with full cost recovery or some alternative level of cost recovery. Consultants will facilitate this conversation by discussing public/private benefits or causation of each activity, potential market sensitivity, interaction with established City goals or policies, behavior modification influence, and other considerations. Collect one round of input related to recommendations for implementation of each fee at, or below, the full cost recovery fee amount.

Obtain final sign off on the numerical analysis portion of the Study and proceed to documentation of the results.

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<sup>1</sup> The City is responsible for providing this information.

### Task 8. Issue Study Documentation

Prepare a written report describing the complete work and findings of the project. Include an executive summary and detailed narrative sections that present current fees, recommended fees, percentage change, cost recovery percentage, revenue impacts, etc. Issue the draft report in electronic form to staff and management for review. Include one round of iterative changes to the draft final report to reflect management group input. Delivery of NBS Excel based fee model is not included.

### Task 9. Assist with Implementation

NBS will actively support the City's process to legislatively review, approve, and implement any changes to fees stemming from this Study. In anticipation of community stakeholder, City Council or Council subcommittee review, NBS will prepare foundational presentation materials for use in one public meeting, and prepare for and attend the meeting to present study findings and respond to questions on behalf of or in support of City staff.

## WORK PLAN 2 – DEVELOPMENT IMPACT FEE STUDY

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In general, the scope of services covered by this proposal involves the work necessary to prepare a Development Impact Fee Study that complies with the requirements of the California Mitigation Fee Act (Government Code Sections 66000 et seq.)

The specific scope of services offered in this proposal is defined by the tasks described in the work plan that follows. That scope excludes legal, engineering, architectural, cost estimating and appraisal services.

### Impact Fee Calculation Methods

Laws governing impact fees, including both court decisions and the California Mitigation Fee Act (Govt. Code Sections 66000 et seq.) require that local agencies imposing fees as a condition of development approval demonstrate that there is a reasonable relationship or “nexus” between those fees and the impact of a development project on facilities to be funded by the fees.

The required nexus for impact fees, as set forth in relevant court decisions, can be thought of as having three elements:

- **Need.** The City must show that development creates a need for the improvements funded by impact fees;
- **Benefit.** The City must show that development derives a benefit from the provision of improvements funded by impact fees, and;
- **Proportionality.** The City must show that the fees charged to a development project are proportional to the impact of that project on facilities funded by the impact fees.

The “reasonable relationship” requirements contained in Section 66001 of the California Mitigation Fee Act address the same elements in less straightforward language.

Any one of several methods may be used to calculate impact fees for a particular type of facility. The choice of an appropriate method may depend on the availability of information and how the impact of development is to be measured.

## Impact Fees Covered by this Proposal

Impact fees for the following types of facilities will be addressed in this study:

- General Facilities
- Law Enforcement
- Fire Protection
- Park Development
- Open Space
- Library Facilities
- Regional Traffic Fees
- Street Medians
- Storm Drain

A fee component to cover the cost of impact fee program administration and updates will be calculated as part of this study.

## Information to be Provided by the City

Much of the work to be performed by NBS-Colgan on this impact fee study will depend on information to be provided by the City. Among the types of information that may be needed by NBS-Colgan for this study are:

- The current General Plan, and any specific plans or other relevant planning studies
- Data on the amount of existing development and planned future development in the study area, by land use type
- The Capital Improvement Program, level of service policies, facility master plans and other facility planning data, plus inventories of existing facilities, vehicles and equipment of types to be funded by impact fees
- Cost estimates for land, capital improvements, vehicles, and/or equipment to be funded by impact fees
- Information on capital improvement funding sources and financing plans and any outstanding debt related to existing capital facilities

This proposal assumes that all information needed to perform the work covered by the scope of this proposal will be provided by the City or is readily available from other sources such as the U.S. Census Bureau or the California Department of Finance.

## Detailed Work Plan

The following tasks comprise the detailed work plan for this impact fee study. These tasks represent the typical requirements of an impact fee study and may be adjusted to meet the needs of this project.

### Task 1. Kickoff Meeting/Project Initiation

To kickoff this study, we will attend a kickoff meeting with key City staff and carry out other activities required to initiate the study, including:

- Discuss the goals, work plan and schedule for the project
- Establish coordination, communication and reporting procedures
- Conduct initial interviews with key City staff members
- Evaluate available information resources
- Review the existing impact fee program and identify any issues of concern to the staff, City Council or stakeholders
- Assess the City's current development patterns and growth potential

## **Task 2. Compile Data on Existing and Future Development**

In this task, we will collect, review, organize and analyze data on existing and future development in the City and compile it in a form useful for this study. Steps in that process may include:

- Establish boundaries of the study area to be used in the analysis (e.g., existing City vs. sphere of influence)
- Define the breakdown of land use types to be used in the study
- Analyze land use data provided by the City to establish a baseline of existing development and a forecast of future development by land use type
- Identify demand variables and specify demand factors that will be used to represent the impact of development in the impact fee calculations
- Prepare development data tables to incorporate into the fee calculation model and the study report

## **Task 3. Facility Needs Analysis**

Using forecasts of future development from Task 2, we will review the Capital Improvement Program and facility master plans and work with staff to identify new facilities, facility expansions, vehicles and equipment needed to serve future development. Steps in that process will include the following:

- Review adopted level-of-service standards and actual service levels for relevant facility types
- Work with City staff to identify the operative level-of-service standard to be used in the impact fee analysis for each facility type
- Identify any existing deficiencies or available capacity relative to the selected level of service standard
- Project the additional service demand that will be created by new development, based on selected service levels
- Translate service demand into facility needs by facility type
- Compile cost estimates for relevant facilities and other assets
- Identify costs eligible for impact fee funding

## **Task 4. Impact Fee Analysis**

Using the information developed in Tasks 2 and 3, we will conduct the impact fee analysis and calculate impact fees by land use type for each type of facility addressed in the study. That process typically includes these steps:

- Review the methods used to calculate existing impact fees and consider alternative methods where appropriate
- Construct a spreadsheet fee calculation model incorporating data on existing and future development, demand factors and eligible facility costs
- Specify formulas in the model to allocate facility costs in proportion to the impact of new development by land use type
- Calculate a cost per unit of service for each facility type
- Convert the cost per unit of service into a schedule of impact fees per unit of development by development type
- Project potential revenue from the proposed fees.

## **Task 5. Draft and Final Study Reports**

The impact fee study report will explain the data, methodology and formulas used in the fee calculations and document the nexus between the proposed fees and the impacts of development for each type of impact fee calculated in the study. The report will also propose findings to satisfy the requirements of the Mitigation Fee Act regarding the purpose of the fees, the use of the fees, and the reasonable relationship between the fees and development.

As the study progresses, we will submit preliminary drafts of portions of the study report for review and comment by City staff. Once all sections are in draft form, an administrative draft of the entire study report, incorporating any previous staff comments, will be submitted for review. Then a final draft document will be prepared for the City Council and public review. If necessary, additional changes will be incorporated into the final study report.

The study report will include the following components:

- An Executive Summary including summary impact fee tables
- A chapter discussing the legal requirements for impact fees and methods used to calculate the fees
- A chapter presenting data on existing and future development in the study area and the factors used to measure the impacts of development on individual facility types.
- A separate chapter for each type of fee presenting the data and methodology used in the analysis, a detailed explanation the impact fee calculations, and documentation of the nexus
- A chapter on implementation recommendations, covering steps needed to comply with the Mitigation Fee Act through proper administration of the impact fees, including but not limited to:
  - Findings and enactment of fees
  - Collection and expenditure of fees
  - Accounting and reporting requirements
  - Administrative appeals, waivers, and exemptions
  - Updating and indexing the fees
  - Recovery of administrative costs for the impact fee program

Deliverables include: (1) Preliminary chapter drafts; (2) a complete draft report for staff review; (3) a final draft report for City Council and public review; (4) the final report. All drafts and the final report will be submitted electronically in .pdf format. All original Microsoft Word and Excel files will be provided to the City at completion of the work.

## **Task 6. Meetings**

This proposal includes the cost of two on-site meetings in the course of the impact fee study, plus one public meeting to present the results of the study. If requested by the City, additional meetings would be charged on a time and expenses basis.

## OPTIONAL SERVICES

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The City may wish to include the following optional services that could enhance either Scope of Work's results.

### 1. LEGISLATIVE PROCESS ASSISTANCE

Additional meetings or presentation of results to community stakeholders or City Council are available on a "per meeting" basis.

### 2. COMPARATIVE FEE SURVEY

Policy makers often desire a comparison of current, full-cost recovery, and recommended fee amounts to neighboring jurisdictions. Although an "apples-to-apples" comparison of cost recovery policy and fee structures between agencies is challenging, presence of a comparison may ensure a smoother implementation process and a sense of the "market" rate for various services.

## PROJECT TIMELINE

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**Work Plan 1 - Building and Planning Fee Study** – A Study of this nature typically requires a minimum of 90 days to complete, not including public meetings and adoption hearings. This is a reasonable timeline allowing for quality data submittals to be accomplished by City staff amongst competing priorities.

**Work Plan 2 - Development Impact Fee Study** - A study of this nature typically requires four to six months to complete the numerical analysis and issue a final report. The timeline for adoption would be determined by the City following acceptance of the final report.

We are available to initiate these projects as soon as November of 2018. Upon project commencement, a schedule and task plan will be developed for mutual acceptance by the City and consultants. During the data collection tasks of the proposed work plan, we will proactively remind of agreed-upon submittal dates and strive to process submittals quickly to keep the project moving forward.

## PROJECT TEAM

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The following provides an overview of NBS professional staff that would be assigned to this project, as well as their roles and responsibilities.

***Full-length resumes for the key project team staff are provided as an attachment to this proposal letter. Client reference information are available upon request.***

### NICOLE KISSAM, DIRECTOR

Nicole Kissam is a Director in NBS' Financial Consulting practice. She will continue to serve the City in the capacity of Project Manager. She will provide technical direction and quality control review of the City's deliverables, and participate in the presentation of drafts and outcomes to the City's staff, management, and Council as needed.

### GRETA DAVIS, ASSOCIATE DIRECTOR

Greta Davis is an Associate Director in NBS' Financial Consulting Group with over 25 years of experience in cost allocation and user fee analysis for local governments. She will lead data acquisition, including managing the coordination of collecting data and lead validation efforts with City's staff, direct specific



areas of model design, and prepare technical analysis supporting the determination and justification of cost allocations, at the direction of our Project Manager.

#### JOE COLGAN, IMPACT FEE PROJECT MANAGER | SUBCONSULTANT

Working closely with the NBS Project Director and City Staff, Joe Colgan, President of Colgan Consulting, will complete the Impact Fee Study. He is a professional planner with almost 30 years of experience as an impact fee consultant. His background also includes 10 years of direct experience in local government as a planner and planning director.

#### KEVIN GARDNER, FINANCIAL ANALYST

Kevin Gardner will perform large-scale data analysis and validation, design and implement cost allocation and rate models, and prepare technical outcomes at the direction of the Project Director and Project Manager.

#### TIM SEUFERT, CLIENT SERVICES DIRECTOR

Tim Seufert will ensure NBS' study team delivers the high-quality work products and service standards that differentiate NBS from other firms. Tim is Managing Director with NBS, with 20 years of experience in public finance working for cities, counties, and special districts. Tim has an in-depth knowledge of many efforts with the City of Rancho Cucamonga over the past decade.

## FEES

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Our professional fees are based on our understanding of the City's needs and the effort we believe is necessary to complete the scope of services/task plan described. We express this honestly and transparently through our price proposal. **Should the proposed project cost noted here fall outside of the City's expectations, please let us know so we can discuss a scope and project fee that are mutually agreeable.**

The following hourly rates are applied to derive the overall not-to-exceed pricing for the requested scope of services. Hourly rates for NBS are inclusive costs associated with professional time and incidentals. Travel expenses for the Development Impact Fee Study, however, are billed separately as noted in the Detailed Project Budget below. The following hourly rates will apply for the duration of our contract:

#### HOURLY RATES

Title	Hourly Rate
Director / Associate Director	\$205
Joe Colgan - Subcontractor	\$150
Analyst	\$120

## DETAILED PROJECT BUDGET

**WORK PLAN 1 | Building and Planning Fee Study.** We would complete the Building and Planning Fee Study as described in this document for a fixed fee amount of **\$23,290**. A detailed budget estimate by task is included below for the City's review:

PROJECT COST DETAIL City of Rialto Task Plan	NBS Consultant Labor (Hours)		Grand Totals	
	Director	Financial Analyst	Consultant Labor (Hours)	Consultant Costs (\$)
<b>BUILDING AND PLANNING FEE STUDY</b>				
<i>Hourly Rate</i>	<i>\$205</i>	<i>\$120</i>		
Task 1. Conduct Administrative Kickoff Meeting	6.0	2.0	8.0	1,470
Task 2. Design Fee Structure	8.0	8.0	16.0	2,600
Task 3. Time Study	8.0	16.0	24.0	3,560
Task 4. Prepare Iterations and Time Study Module	8.0	16.0	24.0	3,560
Task 5. Develop Time/Cost Module	6.0	12.0	18.0	2,670
Task 6. Determine Full Cost of Services	4.0	12.0	16.0	2,260
Task 7. Conduct Divisional Meetings / Revisions	8.0	8.0	16.0	2,600
Task 8. Issue Study Documentation	8.0	12.0	20.0	3,080
Task 9. Assist with Implementation	8.0	4.0	12.0	2,120
<b>GRAND TOTAL NOT TO EXCEED</b>	<b>64.0</b>	<b>90.0</b>	<b>154.0</b>	<b>\$ 23,920</b>

**WORK PLAN 2 | Development Impact Fee Study.** We would complete the Development Impact Fee Study as described in this document for a fixed fee amount of **\$45,950**. A detailed budget estimate by task is included below for the City's review:

PROJECT COST DETAIL City of Rialto Task Plan	NBS Consultant Labor (Hours)		Grand Totals	
	Director	Financial Analyst	Consultant Labor (Hours)	Consultant Costs (\$)
<b>DEVELOPMENT IMPACT FEE STUDY</b>				
<i>Hourly Rate</i>	<i>\$205</i>	<i>\$150</i>		
Task 1. Project Initiation	6.0	12.0	18.0	3,030
Task 2. Compile Development Data	3.0	48.0	51.0	7,815
Task 3. Facility Needs Analysis	8.0	48.0	56.0	8,840
Task 4. Impact Fee Analysis	12.0	64.0	76.0	12,060
Task 5. Study Report	6.0	48.0	54.0	8,430
Task 6. Public Meetings	6.0	16.0	22.0	3,630
<b>Subtotal Tasks 1-6</b>	<b>41.0</b>	<b>236.0</b>	<b>277.0</b>	<b>43,805</b>
Travel Expenses				2,145
<b>GRAND TOTAL NOT TO EXCEED</b>	<b>41.0</b>	<b>236.0</b>	<b>277.0</b>	<b>\$ 45,950</b>

### Optional Services

**Legislative Assistance.** Should the City wish to retain NBS or Colgan Consulting for Legislative Assistance in addition to the number of meetings included in our Work Plans for this purpose, a fee of **\$1,200** per meeting would apply.

**Comparative Survey.** Should the City wish to retain NBS for a comparison of fees, a fee **\$3,000** would apply.

If interested in Optional Services, we recommend the City add the desired budget to the base contract approval amount, and/or include a contingency budget for the number of public meetings anticipated to support the project.

### Terms

At no time will we invoice for charges in excess of the fee to which the City of Rialto and NBS mutually agree. Should the City specifically request additional services beyond those described in this document, we will discuss those requests and associated costs at that later time, and only invoice for additional fees upon separate written authorization from the City. NBS proposes to invoice the City on a monthly basis following recorded consultant time on the project and paralleling our completion of the work. If payment is not received within 90 days, simple interest will begin to accrue at the rate of 1.5% per month. Either party can cancel contracts with 30 days' written notice.

### City's Responsibilities

The City shall furnish NBS with any pertinent information that is available to City and applicable to the Services. The City shall designate a person to act with authority on its behalf in respect to the Services. The City shall promptly respond to NBS' requests for reviews and approvals of its work, and to its requests for decisions related to the Services. The Client shall notify NBS of the occurrence of any events listed in the Continuing Disclosure Certificate. City understands and agrees that NBS is entitled to rely on all

information, data and documents (collectively, "Information") supplied to NBS by City or any of its agents, contractors or proxies or obtained by NBS from other usual and customary sources including other government sources or proxies, as being accurate and correct, and NBS will have no obligation to confirm that such Information is correct and that NBS will have no liability to City or any third party if such Information is not correct.

## CLOSING

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NBS deeply values the opportunity to serve the City of Rialto in this capacity, and our well-established relationship with Colgan Consulting brings the best the industry has to offer in providing impact fee study solutions. Please contact me at 800.676.7516 or via email at [nkissam@nbsgov.com](mailto:nkissam@nbsgov.com) if you have any questions or concerns. We would genuinely like to work on this project and help the City move forward. If awarded this project, NBS will provide an excellent service. Please feel free to me at any time if with questions or needs for additional information.

Sincerely,



Nicole Kissam  
Director



Michael Rentner  
President