



August 8, 2019

Ms. Gillian Lofrano
District Manager
Newcastle Fire Protection District
9211 Cypress Street
Newcastle, California 95658

Re: Proposal to Prepare an Updated Fire Facilities Impact Fee Study for the Newcastle Fire Protection District

Dear Ms. Lofrano:

Willdan Financial Services ("Willdan") is pleased to present this proposal to update the Newcastle Fire Protection District's ("District") Fire Facilities Impact Fee Study. We are confident that you will find our proposal responsive to the District's objectives for the following reasons: Explained below are our primary advantages:

Unmatched experience defending and implementing fee programs. Willdan's impact fee staff has assisted more than 100 California government agencies with the development and/or update of all fee types and is fortunate to be in a position that will provide a tremendous benefit to the District. Each project has required defensible documentation and thorough coordination of fee program changes for different agency departments and stakeholders within the business community. In some cases, Willdan has been required to negotiate fees with stakeholders and, on occasion, defend them in meetings and public forums.

We are particularly strong in advising our clients on the advantages and disadvantages of different fee schedule structures (Districtwide versus multiple-fee districts/zones; more versus fewer land-use categories; etc.) and methods of fee calculation that are based on the District's and stakeholder priorities.

Successful project completion. Willdan has successfully completed many impact fee studies, including the *Placer Hills Fire Protection District, the Nevada County Consolidated Fire Protection District, the Contra Costa County Fire Protection District, the Rodeo-Hercules Fire Protection District, Cities of Morgan Hill, Carpinteria, Garden Grove, Hollister, Murrieta, Rialto and Santa Clara*, as well as the *Counties of Sacramento, Stanislaus, Riverside and San Benito*. These fee programs were approved by their respective Boards and Councils.

Best-in-class impact fee team that can work immediately to prepare an impact fee program. The Willdan team begins a project by evaluating the agency's existing fee program, if available, and current capital planning policies and funding programs. Not all capital projects are amenable to funding from impact fee programs, and we identify sources that complement fee revenues to fully fund the capital improvement program. The team's Principal-in-Charge James Edison and Project Manager Carlos Villarreal are well respected by our clients for their skill in proactively organizing a clear, consensus-based project approach. Willdan will not require the assistance of a subconsultant to update the District's impact fees.

Project Dedication. The project team and resources included herein will be dedicated to the District project throughout the engagement. Please be assured that Willdan has the workforce availability and resources to begin the project immediately upon selection, and that the current workload will not detract from providing timely, high-quality services consistent with both industry standards and those required by the District.

We are excited about this opportunity to use our skills and expertise to serve the Newcastle Fire Protection District. To discuss any aspect of this submittal, please contact Project Manager Carlos Villarreal directly at (415) 786-0295, or via email at CVillarreal@willdan.com.

Sincerely,

WILLDAN FINANCIAL SERVICES

A handwritten signature in blue ink, appearing to read 'Chris Fisher', is written over a light gray rectangular background.

Chris Fisher
Vice President - Group Manager

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Qualifications and Experience

Willdan Firm Profile

Willdan Financial Services is an operating division within Willdan Group, Inc. (WGI), which was founded in 1964 as an engineering firm working with local governments. Today, WGI is a publicly-traded company on NASDAQ (ticker: WLDN). WGI, through its subsidiaries, provides professional technical and consulting services that ensure the quality, value and security of our nation's infrastructure, systems, facilities, and environment. The firm has pursued two primary service objectives since its inception—ensuring the success of its clients and enhancing its surrounding communities.

In doing so, Willdan has gained a notable reputation for technical excellence, cost-effectiveness, and client responsiveness in providing superior consulting services. The company's service offerings span a broad set of complementary disciplines that include engineering and planning, energy efficiency and sustainability, and financial and economic consulting. Willdan has crafted this set of integrated services so that, in the face of an evolving environment—whether economic, natural, or built—Willdan can continue to extend the reach and resources of its clients.

Currently, WGI has nearly 1,300 employees operating from offices in **Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Florida, Illinois, Kansas, Kentucky, Maryland, Nevada, New Jersey, New York, Ohio, Oregon, Utah, Texas, and Washington.**



Willdan Financial Services

Established on June 24, 1988, Willdan Financial Services, a California Corporation, is a national firm, and is one of the largest public sector financial consulting firms in the United States. Willdan assists local public agencies by providing the following services:

- User fee studies;
- Cost allocation studies;
- Real estate economic analysis;
- Economic development plans and strategies;
- Tax increment finance district formation and amendment;
- Housing development and implementation strategies;
- Financial consulting;
- Development impact fee establishment and analysis;
- Utility rate and cost of service studies;
- Feasibility studies;
- Real estate acquisition;
- Debt issuance support;
- Long-term financial plans and cash flow modeling; and
- Property tax audits.

With a staff of 80 people, and office locations in **Aurora, CO; Oakland, CA; Orlando, FL; Phoenix, AZ; Plano, TX; Temecula, CA; and, Washington, DC;** we have helped over 1,200 public agencies successfully address a broad range of financial challenges, such as financing the costs of growth and generating revenues to fund desired services.

Professional Staff

Our management and supervision philosophy for the project team is very simple: staff every position in sufficient numbers with experienced personnel to deliver a superior product and convey results to decision makers in meetings, on time and on budget. With that philosophy in mind, we have selected experienced professionals for the District's engagement. We are confident that our team possesses the depth of experience that will successfully fulfill the desired work performance.

Mr. **Carlos Villarreal** will serve as **project manager** for the District's engagement. Mr. Villarreal will be the District's day-to-day contact. He will be responsible for data gathering and report writing, leading tasks, and coordinating with District staff to ensure that data gathering proceeds smoothly and minimizes the burden on client staff. He has been selected to serve in this capacity due to his prior experience developing and updating the District's current impact fee program.

Managing Principal Mr. **James Edison** will serve as the **principal-in-charge/technical advisor**. His responsibilities will include overseeing consultant tasks, the quality of work products and assuring timely completion of the project. He has been selected for this role because of his familiarity with innovative approaches to funding public facilities and recent legislative and case law changes that alter how cities can use the *Mitigation Fee Act*. Mr. Edison is a former bond attorney, and an active member of the California State BAR. With this knowledge and expertise overseeing the District's project, he can be of assistance in advising, and addressing matters that are related to the review and/or preparation of an impact fee.

Able to Provide Services in a Timely Manner

At Willdan, we utilize a project management process that ensures projects are completed on time, within budget and most importantly yield results that match our clients' expectations. Our complete project management process has four primary principles common to successful projects:

1. **Define** the project to be completed. Mr. Edison will identify the project scope, set objectives, list potential constraints, document assumptions, choose a course of action and develop an effective communication plan.
2. **Plan** the project schedule. Mr. Edison, in collaboration with District staff, will draft an agreed upon timeline to meet the District's estimated project timeline. He will assign workload functions to appropriately qualified staff to ensure all milestones are met, on time.
3. **Manage** the execution of the project. Mr. Edison has been selected as principal-in-charge for this project due to his strong project management skills. He will be responsible for controlling the work in progress, providing feedback to project team members and District staff, and will be accountable to the District for meeting the schedule, budget and technical requirements of the project. Most importantly, Mr. Edison will ensure constant collaboration and communication between District staff and the project team through frequent progress memorandums, conference calls and in-person meetings.
4. **Review** each work product and deliverable through a structured quality assurance process involving up to three levels of review at the peer level, project manager level, and if necessary executive officer level. We have designed a formal and structured quality assurance system that Mr. Edison will utilize throughout the course of the project. This review process ensures the District is not burdened with unnecessary review, data confirmation or revisions.

We have utilized these guiding principles for each of our firm's projects. The District can be assured that in utilizing these principles, Mr. Edison will implement active project management skills throughout the course of a project. He will also ensure the deliverables developed in conjunction with this engagement will be of the highest quality and will be delivered on time and within the agreed upon budget.

Resumes

On the following pages are resumes for our project team.

Carlos Villarreal

Project Manager

Education

Master of Public Policy,
Richard and Rhoda
Goldman School of Public
Policy, University of
California, Berkeley

Bachelor of Arts,
Geography, University of
California, Los Angeles;
Minor in Public Policy and
Urban Planning

Areas of Expertise

Fiscal Impact Analyses
Development Impact Fees

Public Facilities
Financing Plans

GIS Analysis

13 Years' Experience

Mr. Carlos Villarreal is proposed to serve in the role of project manager due to his experience documenting nexus findings for development impact fees, preparing capital improvement plans, facilitating stakeholder involvement, and analyzing the economic impacts of fee programs. He has supported adoption of fee programs funding a variety of facility types, including, but not limited to transportation, parks, library, fire, law enforcement and utilities.

Related Experience

Newcastle Fire Protection District, CA – Fire Impact Fee Update: In 2014, Mr. Villarreal updated the District's impact fee program to reflect the latest available demographic data and facility planning assumptions. The updated fee program was adopted by the Board of Supervisors in 2014.

Placer Hills Fire Protection District, CA – Fire Impact Fee Update: MuniFinancial (now Willdan Financial Services) first calculated impact fees for the Placer Hills Fire Protection District in 2008. In 2014, Mr. Villarreal updated the original fee study to incorporate the latest available demographic data and facility assumptions. The updated fee program was adopted by the Board of Supervisors in 2014.

Contra Costa County Consolidated Fire Protection District, CA – Fire Impact Fee Update: Mr. Villarreal served as project manager for the District's impact fee update. The study updated the District's fees based on funding new development's share of over \$66 million worth of expanded fire protection facilities. The fees were adopted by the Contra Costa County Board of Supervisors in 2017.

Nevada County Consolidated Fire Protection District, CA – Fire Impact Fee Update: Mr. Villarreal served as project manager for the District's impact fee update. The study updated the District's fees based on the existing standard of fire protection facilities. The fees also featured a surcharge to fund additional facilities in areas of the District not served by fire hydrants. The fees were adopted by the Nevada County Board of Supervisors in October 2016.

Rodeo-Hercules Fire Protection District, CA – Fire Impact Fee Update: Mr. Villarreal served as project manager for the District's fire impact fee update. The fee will be charged in two jurisdictions, the City of Hercules and the unincorporated community of Rodeo. The fees were adopted by the City Council in September 2009 and were presented to the Board of Supervisors in December 2009. The fees were revised and updated again recently in 2019.

County of San Benito, CA – Comprehensive Impact Fee Study: In the role of project manager, Mr. Villarreal assisted the County of San Benito with the preparation of an updated and expanded impact fee program. The fee programs included: 1) Capital Improvements Impact Fee; 2) Road Equipment Impact Fee; 3) Fire Mitigation Impact Fee; and 4) Park and Recreation Impact Fee.

City of Morgan Hill, CA – Development Impact Fee Update: Mr. Villarreal served as project manager for a study to update the City's existing nexus study, including general government, fire, police, parks and recreation, library and storm drain fee categories. The project scope included stakeholder outreach. The City has once again engaged Willdan and Mr. Villarreal is serving as the project manager on the project.

City of Santa Clara, CA – Parks Fee Update: As assistant project manager to Mr. Edison, Mr. Villarreal collected the necessary data to update the City's park impact fee. This project included a demographic analysis and estimation of the cost of acquiring and improving public park land.

City of Upland, CA – Impact Fee Study Update: Conducted a study to update the City's impact fee program, including general government, regional transportation, water, sewer, storm drain and park fees. Traffic fees were established within the San Bernardino Associated Governments' (SANBAG) guidelines to provide a local funding source for improvements of regional significance.

C. Villarreal*Resume Continued*

County of Stanislaus, CA – Impact Fee Study Update: Mr. Villarreal served in the role of project manager for a study updating the County's existing impact fee program. The program includes a range of facilities, like public protection, library, and parks. The study also included a transportation facilities impact fee, with different fees calculated for two zones in the County. Considerable stakeholder outreach was an integral component of this project.

City of Soledad, CA – Development Impact Fee Study Update: Mr. Villarreal managed the update of the City's impact fee program, specifically changes in demographics, growth projections, project costs, and facility standards. In particular, the City had to revise its capital facilities needs to accommodate a much lower amount of growth than what was projected before 2007. The resulting fees funded new development's share of planned facilities, while not overburdening development with unnecessary costs.

County of Los Angeles/City of Santa Clarita, CA – Law Enforcement Facilities Fee Study: Mr. Villarreal assisted with the development of an impact fee program to fund law enforcement facilities serving the City of Santa Clarita, and other Antelope Valley jurisdictions within the County of Los Angeles. The analysis involved the comparison of law enforcement facilities serving incorporated and unincorporated areas.

Kern Council of Governments, CA – Regional Alternative Funding Program: Mr. Villarreal served in the role of project manager for the establishment of this program, which consisted of a deficiency analysis and nexus study to fund transportation projects in Kern County.

City of Long Beach, CA – Park Impact Fee Update: Willdan assisted with an update to the City's existing park impact fees, with Mr. Villarreal serving in the role of project manager. The project included updating demographic data and facility planning to properly update park facility standards. He used this information to then calculate impact fees for single family and multi-family residential dwelling units and prepare a nexus study documenting the revised fees and the required legal findings under the Mitigation Fee Act.

City of Sierra Madre, CA – Public Facilities Fee Study: Willdan was retained to prepare impact fee documentation for the City of Sierra Madre. The impact fee documentation included several fee categories, including a park facilities fee and a Quimby In-Lieu Fee for parkland dedication. The analysis documented two separate park-related fees; one based on the Quimby Act and the other based on the Mitigation Fee Act. The City would collect the fee based on a standard of 3.0 acres per 1,000 residents if the development was subject to the Quimby Act land dedication requirement. For all other development, the City would collect based on the existing standard through the Mitigation Fee Act. The City would only collect one of the two fees depending on which fee was appropriate.

James Edison

Principal-in-Charge

Education

*Juris Doctorate, Boalt
Hall School of Law,
University of California,
Berkeley*

*Master of Public Policy,
Richard and Rhoda
Goldman School of Public
Policy, University of
California, Berkeley*

*Bachelor of Arts, magna
cum laude, Harvard
University*

Professional Registrations

*Member of State Bar,
California*

*Licensed Real Estate
Broker, California*

Affiliations

*Council of Development
Finance Agencies*

*CFA Society of
San Francisco*

*Congress for the
New Urbanism*

Urban Land Institute

Seaside Institute

*International Economic
Development Council*

20 Years' Experience

Mr. James Edison specializes in the nexus between public and private, with expertise in public-private partnerships, and the benefits of economic development to municipalities and state, provincial, regional and national governments. He possesses deep expertise in land use economics, with a specialty in finance and implementation, including fiscal impact and the public and private financing of infrastructure and development projects, both in the U.S. and internationally. Mr. Edison's public-sector experience includes local and regional economic impact studies; fiscal impact evaluations; new government formation strategies; and the creation of impact fees, assessments, and special taxes to fund infrastructure and public facilities. He has conducted numerous evaluations of the economic and fiscal impact of specific plans and consulted on a wide variety of land use planning topics related to community revitalization and the economic and fiscal impacts of development.

As a former bond attorney, Mr. Edison understands the legal underpinnings and technical requirements of public financing instruments and has advised both public and private clients on the use of individual instruments, and the interaction between those instruments and the needs of developers and project finance.

Related Experience

County of San Benito, CA – Comprehensive Impact Fee Study: Mr. Edison served as the Principal-in-Charge for the County of San Benito's impact fee study. The project included updating current fees and preparation of an expanded impact fee program.

City of Morgan Hill, CA – Development Impact Fee Update: Mr. Edison managed the update of the City's existing nexus study, which included general government, fire, police, parks and recreation, library and storm drain fee categories. The project scope included stakeholder outreach. The City has once again engaged Willdan to update their impact fees.

City of Santa Clara, CA – Parks Fee Update: Mr. Edison served as principal-in-charge of the City's park impact fee update. This project included a demographic analysis and estimation of the cost of acquiring and improving public park land.

City of Alameda, CA – Comprehensive Impact Fee Update: Mr. Edison led the Willdan team updating the impact fee programs of the City of Alameda and creating a separate impact fee program for Alameda Point, the former Alameda Naval Air Station.

County of Tulare, CA – Countywide Impact Fees: Mr. Edison served as project manager for a study that involved the creation of an impact fee program for the County. The study includes a range of facilities including public protection, library and parks, as well as a transportation facilities impact fee, with different fees calculated for two zones in the County.

City of Fremont, CA – Comprehensive Impact Fee Update: Mr. Edison led the Willdan team in the successful update of the impact fee programs for the City of Fremont. The effort included an update of the City's transportation impact fee program and capital improvement program.

County of Riverside, CA – Comprehensive Impact Fee Update: Mr. Edison led the effort to establish a comprehensive fee program for the County, including facilities fees for fire, police, parks, criminal justice, libraries and traffic. He prepared the technical and analytical documents necessary to calculate the fee and establish the necessary nexus to collect it, as well as presented the fees during public hearings to the County Board of Supervisors.

City of Manteca, CA – Fire Impact Fee Update: Mr. Edison served in the capacity of project manager for the update of the City's fire services impact fee program.

City of Pacifica, CA – Park Fee Update: Mr. Edison served as the City's project manager to update their park fee to include new costs and to impose fees for home expansion/remodels, in addition to new development.

J. Edison*Resume Continued*

County of Imperial, CA – Solar Farm Fiscal and Economic Analysis: Mr. Edison was engaged by the County of Imperial to evaluate the fiscal and economic impacts of a series of proposed solar-voltaic facilities (or “solar farms”) on land near the Town of Calipatria, which is within the County. For each, Mr. Edison calculated the tax revenues and service expenditures accruing to the County from development of the project. He also estimated the economic impacts of the project using IMPLAN, including the impact of the construction and ongoing operation of the solar farm, along with the negative impact of the removal of the project site from agricultural production.

Stanislaus County Council of Governments, CA – Regional Transportation Fee Update: Mr. Edison worked on an update of the County’s transportation impact fee program. Key tasks included a revised capital improvement program and fee model, along with a public participation process that ensures buy in from the communities of Stanislaus County and the County government itself.

City of Foster City, CA – Gilead, Chess Drive, and Mirabella Fiscal Impact Studies: The City of Foster City hired Mr. Edison to provide an evaluation of the fiscal impact of three specific plans in the City. He evaluated the impact on services of each plan, the anticipated new revenues and expenditures, and the necessity for new public facilities to serve the projects.

City of Vallejo, CA – Costco Expansion Urban Decay, Economic and Fiscal Impact Analysis: In response to the City of Vallejo’s request, Mr. Edison examined the economic impact of a proposed expansion of an existing Costco. The analysis included projections of the impact on sales tax, employment, property tax and the net impact to the City’s budget. Based on the analysis, the City Planning Commission approved the Costco expansion.

City of Vallejo, CA – Service Island Annexation Fiscal Impact Analysis: The City of Vallejo engaged Mr. Edison to provide an analysis of the fiscal impact of the annexation of three unincorporated areas within the boundaries of the City of Vallejo, areas commonly called “service islands.” Solano County LAFCO requested the City examine the impact of annexation as part of a larger annexation proposal by the City. He provided an examination of the fiscal implications of the annexation of each area, including population, business activity, and the likely revenues and costs associated with adding each area to the City.

County of Placer, CA – Bohemia Lumber Site, Fiscal Impact and Urban Decay Analysis: The County of Placer engaged Mr. Edison to examine the fiscal impact and potential urban decay effects from the development of the former Bohemia Lumber site into a retail center. Mr. Edison prepared the analysis and presented the results to the County Board of Supervisors.

City of Redding, CA – Oasis Towne Centre Financing and Fiscal/Economic Impact Analysis: Hired by the Levenson Development Company (LDC) to assist with an economic/fiscal impact study and a financing plan for the Oasis Towne Center, a retail development of approximately one million square feet in Redding, California. Mr. Edison advised LDC on how to structure the financing of the development to provide public benefits for the project and minimize the need for public resources. He prepared an economic and fiscal analysis and negotiated a series of service plans and fiscal mitigation measures with the City of Redding. Mr. Edison also prepared a financing plan for infrastructure needed not only for the immediate project but also for development within the entire Oasis Road Specific Plan area.

Scope of Services

This section outlines Willdan Financial Services' ("Willdan") understanding of the situation surrounding the Newcastle Fire Protection District ("District") need to update fees, as well as identifies the project objectives and discusses the background regarding public facilities financing in California. Also outlined is an overview of our impact fee project approach.

Project Understanding

The Newcastle Fire Protection District is located in Placer County. The District desires an updated Fire Facilities Impact Fee Nexus Analysis, to meeting the requirements of the California *Mitigation Fee Act* (*California Government Code 66000 to 66025*). The resulting fees will fund new development's share of planned facilities, while not overburdening development with unnecessary costs.

Project Objectives

The objective of this project is to update specific impact fees pursuant to State law, which requires an update every five years. To accomplish this objective, this study will:

- Develop a technically defensible fee justification, based on the reasonable relationship and deferential review standards;
- Review and update facility standards, capital facilities plans and costs, and development and growth assumptions;
- Provide a schedule of maximum-justified fees by land use category; and
- Provide comprehensive documentation of assumptions, methodologies, and results, including findings required by the *Mitigation Fee Act*.

Public Facilities Financing in California

The changing fiscal landscape in California during the past 40 years has steadily undercut the financial capacity of local governments to fund infrastructure. Four dominant trends stand out:

1. The passage of a string of tax limitation measures starting with Proposition 13 in 1978 and continuing through the passage of Proposition 218 in 1996;
2. Declining popular support for bond measures to finance infrastructure for the next generation of residents and businesses;
3. Steep reductions in Federal and State assistance; and
4. Permanent shifting by the State of local tax resources to the State General Fund to offset deficit spending brought on by recessions.

Faced with these trends, many cities and counties have had to adopt a policy of "growth pays its own way." This policy shifts the burden of funding infrastructure expansion from existing rate and taxpayers onto new development. This funding shift has been accomplished primarily through the imposition of assessments, special taxes, and development impact fees, also known as public facilities fees. Assessments and special taxes require approval of property owners or registered voters and are appropriate when the funded facilities are directly related to the developing property. Development fees, on the other hand, are an appropriate funding source for facilities that benefit development jurisdiction-wide. Development fees need only a majority vote of the legislative body for adoption.

Summary of Approach

Willdan's methodology for calculating public facilities fees is both simple and flexible. Simplicity is important so that the development community and the public can easily understand the justification for the fee program. At the same time, we use our expertise to reasonably ensure that the program is technically defensible.

Flexibility is important, so we can tailor our approach to the available data, and the agency's policy objectives. Our understanding of the technical standards established by statutes and case law suggests that a range of approaches are technically defensible. Consequently, we can address policy objectives related to the fee program, such as economic development and affordable housing. Flexibility also enables us to avoid excessive engineering costs

associated with detailed facility planning. We calculate the maximum justifiable impact fee and provide flexibility for the agency to adopt fees up to that amount.

Development impact fees are calculated to fund the cost of facilities required to accommodate growth. The four steps followed in an impact fee study include:

- **Estimate existing development and future growth:** Identify a base year for existing development and a growth forecast that reflects increased demand for public facilities;
- **Identify facility standards:** Determine the facility standards used to plan for new and expanded facilities;
- **Determine facilities required to serve new development and their costs:** Estimate the total amount and cost of planned facilities, and identify the share required to accommodate new development; and
- **Calculate fee schedule:** Allocate facilities costs per unit of new development to calculate the public facilities fee schedule.

We discuss key aspects of our approach to each of these steps in the subsections that follow.

Growth Projections

In most cases, we recommend use of long-range market-based projections of new development. By “long-range” we suggest 20 to 30 years to: capture the total demand often associated with major public facility investments; and support analysis of debt financing, if needed. In contrast to build out projections, market-based projections provide a more realistic estimate of development across all land uses. Build out projections typically overestimate commercial and industrial development because of the oversupply of these land uses relative to residential development.

Facility Standards

The key public policy issue in development impact fee studies is the identification of facility standards (step #2, above). Facility standards document a reasonable relationship between new development and the need for new facilities. Standards ensure that new development does not fund deficiencies associated with existing development.

Our approach recognizes three separate components of facility standards:

1. **Demand standards** determine the amount of facilities required to accommodate growth. Examples include park acres per thousand residents, square feet of library space per capita, or gallons of water per day. Demand standards may also reflect a level of service such as the vehicles-to-capacity (V/C) ratio used in traffic planning;
2. **Design standards** determine how a facility should be designed to meet expected demand, for example park improvement requirements and technology infrastructure for office space. Design standards are typically not explicitly evaluated as part of an impact fee analysis but can have a significant impact on the cost of facilities. Our approach incorporates current facility design standards into the fee program to reflect the increasing construction cost of public facilities; and
3. **Cost standards** are an alternate method for determining the amount of facilities required to accommodate growth based on facility costs per unit of demand. Cost standards are useful when demand standards were not explicitly developed for the facility planning process. Cost standards also enable different types of facilities to be analyzed based on a single measure (cost or value), useful when disparate facilities are funded by a single fee program. Examples include facility costs per capita, per vehicle trip, or cost per gallon of water per day.

Identifying New Development Facility Needs and Costs

We can take several different approaches to identify facility needs and costs to serve new development. Typically, this is a two-step process: 1) identify total facility needs; and 2) allocate to new development its fair share of those needs. Total facility needs are often identified through a master facility planning process that typically takes place concurrent with or prior to conducting the fee study. Engineered facility plans are particularly important in the areas of traffic, water, sewer, and storm drain due to the specialized technical analysis required to identify facility needs.

There are three common methods for determining new development’s fair share of planned facilities costs: 1) the existing inventory method; 2) the planned facilities method; and 3) the system plan method. Often the method selected depends on the degree to which the community has engaged in comprehensive facility master planning to identify facility needs.

The formula used by each approach and the advantages and disadvantages of each method is summarized below:

Existing Inventory Method

The existing inventory method allocates costs based on the ratio of existing facilities to demand from existing development as follows:

$$\frac{\text{Current Value of Existing Facilities}}{\text{Existing Development Demand}} = \$/\text{unit of demand}$$

Under this method new development funds the expansion of facilities at the same standard currently serving existing development. By definition, the existing inventory method results in no facility deficiencies attributable to existing development. This method is often used when a long-range plan for new facilities is not available. Only the initial facilities to be funded with fees are identified in the fee study. Future facilities to serve growth are identified through an annual Capital Improvement Plan (CIP) and budget process, possibly after completion of a new facility master plan.

Planned Facilities Method

The planned facilities method allocates costs based on the ratio of planned facility costs to demand from new development as follows:

$$\frac{\text{Cost of Planned Facilities}}{\text{New Development Demand}} = \$/\text{unit of demand}$$

This method is appropriate when specific planned facilities can be identified that only benefit new development. Examples include street improvements to avoid deficient levels of service or a sewer trunk line extension to a previously undeveloped area. This method is appropriate when planned facilities would not serve existing development. Under this method new development funds the expansion of facilities at the standards used for the master facility plan.

System Plan Method

This method calculates the fee based on the ratio of the value of existing facilities plus the cost of planned facilities divided by demand from existing plus new development:

$$\frac{\text{Value of Existing Facilities} + \text{Cost of Planned Facilities}}{\text{Existing} + \text{New Development Demand}} = \$/\text{unit of demand}$$

This method is useful when planned facilities need to be analyzed as part of a system that benefits both existing and new development. It is difficult, for example, to allocate a new fire station solely to new development when that station will operate as part of an integrated system of fire stations that work together to achieve the desired level of service. Police substations, civic centers, and regional parks are examples of similar facilities.

The system plan method ensures that new development does not pay for existing deficiencies. Often, facility standards based on policies such as those found in General Plans are higher than existing facility standards. This method enables the calculation of the existing deficiency required to bring existing development up to the policy-based standard. The local agency must secure non-fee funding for that portion of planned facilities, required to correct the deficiency, to ensure that new development receives the level of service funded by the impact fee.

Calculating the Fee Schedule

The fee schedule uses the cost per unit of demand discussed in the last subsection to generate the fee schedule. This unit cost is multiplied by the demand associated with a new development project to calculate the fee for that project. The fee schedule uses different demand measures by land use category to provide a reasonable relationship between the type of development and the amount of the fee. We are familiar with a wide range of methods for identifying appropriate land use categories and demand measures depending on the particular study.

Related Approach Issues

Funding and Financing Strategies

In our experience, one of the most common problems with impact fee programs and with many CIPs is that the program or plan is not financially constrained to anticipated revenues. The result is a “wish list” of projects that generate community expectations that often cannot be fulfilled. Our approach is to integrate the impact fee program into the local agency’s existing CIPs while encouraging those plans to be financially constrained to available resources. We clearly state the cost of correcting existing deficiencies, if any, to document the relationship between the fee program and the need for additional non-fee funding.

We can also address one of the most significant drawbacks of an impact fee program – the inability to support conventional public debt financing, so projects can be built before all fee revenues have been received. In collaboration with financial advisors and underwriters, we have developed specific underwriting criteria so that fees can be used to pay back borrowing if another source of credit exists. Typically, this approach involves the use of Certificates of Participation or revenue bonds that are calibrated so that they can be fully repaid using impact fee revenues.

Economic Development Concerns

The development community often is concerned that fees and other exactions will become too high for development to be financially feasible under current market conditions. Local agencies have a number of strategies to address this concern, including:

- Conducting an analysis of the total burden placed on development, by exactions, to see if feasibility may be compromised by the proposed fees;
- Gathering similar data on the total fee burden imposed by neighboring or competing jurisdictions;
- Developing a plan for phasing in the fees over several years to enable the real estate market to adjust;
- Providing options for developers to finance impact fees through assessment and other types of financing districts; and
- Imposing less than the maximum justified fee.

If less than the maximum justified fee is imposed, we will work with staff to identify alternative revenues sources for the CIP. The CIP should remain financially feasible to maintain realistic expectations among developers, policy-makers, and the public.

Stakeholder Participation

Stakeholder participation throughout the study supports a successful adoption process. Our approach is to create consensus first, around the need for facilities based on agreed upon facility standards. Second, we seek consensus around a feasible funding strategy for these needs, leading to an appropriate role for impact fees.

Gaining consensus among various groups requires a balanced discussion of both economic development and community service objectives. Often, our approach includes formation of an advisory committee to promote outreach to and input from the development community and other stakeholders. We have extensive experience facilitating meetings to explain the program and gain input.

Program Implementation

Fee programs require a certain level of administrative support for successful implementation. Our final report will include recommendations for appropriate procedures, such as:

- Regularly updating development forecasts;
- Regularly updating fees for capital project cost inflation;
- Regularly updating capital facility needs based on changing demands;
- Developing procedures for developer credits and reimbursements; and
- Including an administrative charge in the fee program.

Scope of Work

Below is our proposed scope described in detail by task. We explain how we will accomplish each task and deliverables. Immediately following is a description of our expectations of support from District staff.

We want to ensure that our scope of services is responsive to the District's needs and specific local circumstances. We will work with the District to revise our proposed scope based on input prior to approval of a contract, and as needed during the course of the study.

Task 1: Identify and Resolve Any Policy Issues

Objective: Identify and resolve policy issues raised since the prior study.

Description: Review agency documents related to existing capital planning policies, funding programs including existing impact fees, and the District's most recent evaluation of its existing facility inventory and future facility needs. Bring policy issues to District staff's attention, as appropriate, during the project and seek guidance prior to proceeding.

Meetings: One (1) conference call with District staff to initiate the project, discuss data needs, and examination of applicable policy issues

Deliverables: (1) Information requests; and (2) revised project scope and schedule (if needed).

Task 2: Update Land Uses and Growth Forecasts

Objective: (1) Identify estimates of existing levels of development; (2) identify a projection of future growth consistent with the prior study and current planning policy; and (3) determine whether an update to land use types used in the fee program is necessary.

Description: Identify base year for estimating existing levels of development and for calculating facility standards based on existing facility inventories (see Task 4). Include entitled development that would be exempt from fee program. Consult with District staff to identify growth projections to a defined long-range planning horizon (10 to 30 years). Projections provide a basis for determining the facilities needed to accommodate growth (see Task 4).

Identify population and employment density factors to convert population and employment estimates to dwelling units and building square footage. Determine the most appropriate land use categories for the fire facilities impact fee program. Consider the land use categories in the current Fire Facilities Fee Schedule as well as the land use categories as requested by the District.

Changes to estimates and projections during subsequent tasks could cause unanticipated effort and require an amendment to the scope of services and budget. Obtain approval of estimates and projections from District staff prior to proceeding.

Task 3: Update Cost Allocation

Objective: Update the total cost of fire facility improvements needed through the study's planning horizon. Of the total facility costs, determine the portion of facility costs required to accommodate growth and the portion of costs attributable to existing deficiencies, if any.

Description: Update the cost of fire protection facilities needed to accommodate existing and new development in the District.

Distinguish between: (1) facilities needed to serve growth (that can be funded by impact fees); and (2) facilities needed to correct existing deficiencies (that cannot be funded by impact fees). Use one of three cost allocation methods (existing inventory, system plan, or planned facilities). Determine which method is most appropriate for the District's situation.

Task 4: Verify Nexus and Calculate Impact Fees

Objective: Using the cost allocation approach determined in Task 4, calculate a schedule of fire facilities impact fees by land use.

Description: Generate fee schedule to apportion facility costs to individual development projects. Use facility costs per unit of demand multiplied by demand by land use category based on data developed in prior tasks.

The cost allocation approach determined in Task 4 will ensure that there is a nexus between the improvement costs to be funded with impact fee revenue and the development that will pay the fees.

If impact fees will only partially fund a capital project, the *Mitigation Fee Act* requires the agency report on the anticipated source and timing of the additional funding every five years. There are two types of alternative funding sources that we will identify:

1. Funding from non-impact fee sources to correct existing deficiencies; and
2. Funding from new development other than impact fees that must be credited against new development's impact fee contributions, possibly including taxes paid to finance facilities.

Identify anticipated alternative funding based on information from District staff, or note that funds are still to be identified based on a list of probable funding alternatives. If fees will fund debt service, include financing costs in the total cost of facilities.

Task 5: Prepare Report and Present Findings

Objective: Provide technically defensible fee report that comprehensively documents updates to project assumptions, methodologies, and results.

Description: Prepare draft report tables that document each step of the analysis, including schedule of maximum justified fees by land use category.

Following one (1) round of comments from District staff on the draft fee tables, prepare administrative draft report describing fee calculation methodology and the nexus between the unfunded improvement costs and the new development that will be subject to the fees.

Following one (1) round of comments on administrative draft, prepare public draft for presentation to interested parties, the public and elected officials. Prepare final report if necessary based on one (1) round of comments received on the public draft report. Submit up to ten (10) bound copies of each report. If requested, post report on corporate Web site for public access.

Deliverables: Draft report tables, administrative draft report, public draft report, final report, and slide presentation for Board meeting (if needed).

Meetings

No in-person meetings are included in this scope of work. Phone conferences are not considered meetings for the purposes of this scope. In person meetings may be requested for an additional fee based on our hourly billing rates.

Staff Support

To complete our tasks, we will need the cooperation of District staff. We suggest that the District assign a key individual to represent the District as the project manager who can function as our primary contact. We anticipate that the District's project manager will:

- Coordinate responses to requests for information;
- Coordinate review of work products; and
- Help resolve policy issues.

Willdan will rely on the validity and accuracy of the District's data and documentation to complete the analysis. Willdan will rely on the data as being accurate without performing an independent verification of accuracy and will not be responsible for any errors that result from inaccurate data provided by the client or a third party. District shall reimburse Willdan for any costs Willdan incurs, including without limitation, copying costs, digitizing costs, travel expenses, employee time and attorneys' fees, to respond to the legal process of any governmental agency relating to District or relating to the project. Reimbursement shall be at Willdan's rates in effect at the time of such response.

Fee for Services

Based upon the scope of work identified herein, Willdan proposes a **fixed fee of \$9,000** to update the District's Updated and Fire Facilities Impact Fee Study.

Notes

- Our fees stated in the Study do not include attendance at any in-person meetings. Attendance at in-person meetings can be requested and shall be billed at our current hourly rates, provided below.
- Comprehensive written responses to resolve conflicts or preparation of more than one set of major revisions to the draft report, will be classified as Additional Services, and may require additional billing at hourly rates stated in the hourly rate schedule listed below. These additional fees shall only take effect once the fixed fee stated above has been exceeded.
- Our fixed fee includes all direct expenses associated with the project.
- We will invoice the District monthly based on percentage of project completed.
- Additional services may be authorized by the District and will be billed at our then-current hourly overhead consulting rates.

Hourly Fee Schedule

Provided below is Willdan's hourly rate table identifying current hourly rates.

Willdan Financial Services Hourly Rate Schedule	
Position	Hourly Rate
Group Manager	\$250
Managing Principal	\$240
Principal Consultant	\$210
Senior Project Manager	\$185
Project Manager	\$165
Senior Project Analyst	\$135
Senior Analyst	\$125
Analyst II	\$110
Analyst I	\$100