

# Report on the Development Cost of Services (User Fee) Study

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CITY OF SAN MATEO, CA



**January 2021**

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# 1. Introduction and Executive Summary

The report, which follows, presents the results of the Development-Related Cost of Services (User Fee) Study conducted by the Matrix Consulting Group for the City of San Mateo.

## 1 PROJECT BACKGROUND AND SCOPE OF WORK

The City of San Mateo provides development-related services through the Community Development Department (Planning and Building), the Public Works Department, and the Parks and Recreation Department. Over the last five-six years the City has conducted separate cost of services analyses for each of these areas to ensure that it is achieving cost recovery. However, the City has not cohesively or comprehensively analyzed all development-related services. The goal of this study was to evaluate all development-related fees through a comprehensive analysis.

The Matrix Consulting Group analyzed the cost of service relationships that exist between development-related activities in the following departments / divisions: Building, Planning, and Parks and Recreation. The results for the Public Works (Engineering) analysis have been provided under separate cover due to the comprehensive nature of that analysis. The results of this Study provide a tool for understanding current service levels, the cost and demand for those services, and what fees for service can and should be charged.

## 2 GENERAL PROJECT APPROACH AND METHODOLOGY

The methodology employed by the Matrix Consulting Group is a widely accepted “bottom up” approach to cost analysis, where time spent per unit of fee activity is determined for each position within a Department or Program. Once time spent for a fee activity is determined, all applicable City costs are then considered in the calculation of the “full” cost of providing each service. The following table provides an overview of types of costs applied in establishing the “full” cost of services provided by the City:

**Table 1: Cost Components Overview**

Cost Component	Description
<b>Direct</b>	Fiscal Year 2020/21 Budgeted salaries, benefits and allowable expenditures.
<b>Indirect</b>	Division, departmental, and Citywide administration / management and clerical support.

Together, the cost components in the table above comprise the calculation of the total “full” cost of providing any particular service, regardless of whether a fee for that service is charged.

The work accomplished by the Matrix Consulting Group in the analysis of the proposed fees for service involved the following steps:

- **Departmental Staff Interviews:** The project team interviewed Departmental staff regarding their needs for clarification to the structure of existing fee items, or for addition of new fee items.
- **Data Collection:** Data was collected for each permit / service, including time estimates. In addition, all budgeted costs and staffing levels for Fiscal Year 20/21 were entered into the Matrix Consulting Group’s analytical software model.
- **Cost Analysis:** The full cost of providing each service included in the analysis was established.
- **Review and Approval of Results with City Staff:** Department management has reviewed and approved these documented results.

A more detailed description of user fee methodology, as well as legal and policy considerations are provided in subsequent chapters of this report.

### 3 SUMMARY OF RESULTS

When comparing Fiscal Year 20/21 development fee-related budgeted expenditures with development fee-related revenue generated in Fiscal Year 19/20 the development services function is providing a subsidy of approximately \$54,000, or in other words is at 99% cost recovery. The following table outlines these results on a divisional basis:

**Table 2: Annual Cost Recovery Analysis**

Division	Revenue at Current Fee	Total Annual Cost	Annual Surplus / (Deficit)	Cost Recovery %
Building	\$6,298,124	\$6,084,757	\$213,367	104%
Planning	\$1,197,204	\$1,464,211	(\$267,007)	82%
<b>TOTAL</b>	<b>\$7,495,328</b>	<b>\$7,548,968</b>	<b>(\$53,640)</b>	<b>99%</b>

Building shows a slight surplus of approximately \$213,000, which is likely due to the collection of multi-year project revenue in a singular fiscal year. Planning shows an under-recovery of approximately \$270,000, which relates to low burdened hourly rates which are used to bill against PA Trust Accounts. While the detailed documentation of the Study will show an over-collection for some fees (on a per unit basis), and an undercharge for

most others, overall, the Department is providing an annual subsidy to fee payers for all services included in the analysis.

The display of the cost recovery figures shown in this report are meant to provide a basis for policy development discussions among Council members and City staff, and do not represent a recommendation for where or how the Council should act. The setting of the “rate” or “price” for services, whether at 100 percent full cost recovery or lower, is a policy decision to be made only by the Council, with input from City staff and the community.

## **4 CONSIDERATIONS FOR COST RECOVERY POLICY AND UPDATES**

The Matrix Consulting Group recommends that the City use the information contained in this report to discuss, adopt, and implement a formal Cost Recovery Policy, and a mechanism for the annual update of fees for service.

### **1 Adopt a Formal Cost Recovery Policy**

The Matrix Consulting Group strongly recommends that the Council adopt a formalized, individual cost recovery policy for each service area included in this Study. Whenever a cost recovery policy is established at less than 100% of the full cost of providing services, a known gap in funding is recognized and may then potentially be recovered through other revenue sources. The Matrix Consulting Group considers a formalized cost recovery policy for various fees for service an industry Best Management Practice.

### **2 Adopt an Annual Fee Update / Increase Mechanism**

The purpose of a comprehensive update is to completely revisit the analytical structure, service level estimates and assumptions applied in the previous study, and to account for any major shifts in cost components or organizational structures. The Matrix Consulting Group believes it is a best management practice to perform a complete update of a Fee Assessment every 3 to 5 years.

In between comprehensive updates, the City could utilize published industry economic factors such as Consumer Price Index (CPI) or other regional factors to update the cost calculations established in the Study on an annual basis. Alternatively, the City could also consider the use of its own anticipated labor cost increases such as step increases, benefit enhancements, or cost of living raises. Utilizing an annual increase mechanism would ensure that the City receives appropriate fee and revenue increases that reflect growth in costs.

## 2. Legal Framework and Policy Considerations

A “user fee” is a charge for service provided by a governmental agency to a public citizen or group. In California, several constitutional laws such as Propositions 13, 4, and 218, State Government Codes 66014 and 66016, and more recently Prop 26 and the Attorney General’s Opinion 92-506 set the parameters under which the user fees typically administered by local government are established and administered. Specifically, California State Law, Government Code 66014(a), stipulates that user fees charged by local agencies “...may not exceed the estimated reasonable cost of providing the service for which the fee is charged”.

### 1 GENERAL PRINCIPLES AND PHILOSOPHIES REGARDING USER FEES

Local governments are providers of many types of general services to their communities. While all services provided by local government are beneficial to constituents, some services can be classified as globally beneficial to all citizens, while others provide more of a direct benefit to a specific group or individual. The following table provides examples of services provided by local government within a continuum of the degree of community benefit received:

**Table 3: Services in Relation to Benefit Received**

“Global” Community Benefit	“Global” Benefit and an Individual or Group Benefit	Individual or Group Benefit
<ul style="list-style-type: none"> <li>• Police</li> <li>• Park Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Recreation / Community Services</li> <li>• Fire Suppression / Prevention</li> </ul>	<ul style="list-style-type: none"> <li>• Building Permits</li> <li>• Planning and Zoning Approval</li> <li>• Site Plan Review</li> <li>• CUPA</li> <li>• Facility Rentals</li> </ul>

Funding for local government is obtained from a myriad of revenue sources such as taxes, fines, grants, special charges, user fees, etc. In recent years, alternative tax revenues, which typically offset subsidies for services provided to the community, have become increasingly limited. These limitations have caused increased attention on user fee activities as a revenue source that can offset costs otherwise subsidized (usually) by the general fund. In Table 3, services in the “global benefit” section tend to be funded primarily through voter approved tax revenues. In the middle of the table, one typically finds a mixture of taxes, user fee, and other funding sources. Finally, in the “individual / group benefit” section of the table, lie the services provided by local government that are typically funded almost entirely by user fee revenue.

The following are two central concepts regarding the establishment of user fees:

- **Fees should be assessed according to the degree of individual or private benefit gained from services.** For example, the processing and approval of a land use or building permit will generally result in monetary gain to the applicant, whereas Police services and Fire Suppression are examples of services that are essential to the safety of the community at large.
- **A profit-making objective should not be included in the assessment of user fees.** In fact, California laws require that the charges for service be in direct proportion to the costs associated with providing those services. Once a charge for service is assessed at a level higher than the actual cost of providing a service, the term “user fee” no longer applies. The charge then becomes a tax subject to voter approval.

Therefore, it is commonly accepted that user fees are established at a level that will recover up to, and not more than, the cost of providing a particular service.

## 2 GENERAL POLICY CONSIDERATIONS REGARDING USER FEES

Undoubtedly, there are programs, circumstances, and services that justify a subsidy from a tax based or alternative revenue source. However, it is essential that jurisdictions prioritize the use of revenue sources for the provision of services based on the continuum of benefit received.

Within the services that are typically funded by user fees, the Matrix Consulting Group recognizes several reasons why City staff or the Council may not advocate the full cost recovery of services. The following factors are key policy considerations in setting fees at less than 100 percent of cost recovery:

- **Limitations posed by an external agency.** The State or an outside agency will occasionally set a maximum, minimum, or limit the jurisdiction’s ability to charge a fee at all. An example includes time spent copying and retrieving public documents.
- **Encouragement of desired behaviors.** Keeping fees for certain services below full cost recovery may provide better compliance from the community. For example, if the cost of a permit for charging a water heater in residential home is higher than the cost of the water heater itself, many citizens will avoid pulling the permit.
- **Effect on demand for a particular service.** Sometimes raising the “price” charged for services might reduce the number of participants in a program. This is largely the case in Recreation programs such as camps or enrichment classes,

where participants may compare the City's fees to surrounding jurisdictions or other options for support activities.

- **Benefit received by user of the service and the community at large is mutual.** Many services that directly benefit a group or individual equally benefit the community as a whole. Examples include Recreation programs, Planning Design Review, historical dedications and certain types of special events.

The Matrix Consulting Group recognizes the need for policies that intentionally subsidize certain activities. The primary goals of a User Fee Study are to provide a fair and equitable basis for determining the costs of providing services and assure that the City complies with State law.

Once the full cost of providing services is known, the next step is to determine the "rate" or "price" for services at a level which is up to, and not more than the full cost amount. The Council is responsible for this decision, which often becomes a question of balancing service levels and funding sources. The placement of a service or activity within the continuum of benefit received may require extensive discussion and at times fall into a "grey area". However, with the resulting cost of services information from a User Fee Study, the Council can be assured that the adopted fee for service is reasonable, fair, and legal.

### 3. User Fee Study Methodology

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The Matrix Consulting Group utilizes a cost allocation methodology commonly known and accepted as the “bottom-up” approach to establishing User Fees. The term means that several cost components are calculated for each fee or service. These components then build upon each other to comprise the total cost for providing the service. The following chart describes the components of a full cost calculation:



The general steps utilized by the project team to determine allocations of cost components to a particular fee or service are:

- Calculate fully burdened hourly rates by position, including direct & indirect costs;
- Develop time estimates for each service included in the study;
- Distribute the appropriate amount of the other cost components to each fee or service based on the staff time allocation basis, or another reasonable basis.

The results of these allocations provide detailed documentation for the reasonable estimate of the actual cost of providing each service.

One of the key study assumptions utilized in the “bottom up” approach is the use of time estimates for the provision of each fee related service. Utilization of time estimates is a reasonable and defensible approach, especially since experienced staff members who understand service levels and processes unique to the City developed these estimates.

The project team worked closely with City staff in developing time estimates with the following criteria:

- Estimates are representative of average times for providing services. Estimates for extremely difficult or abnormally simple projects are not factored into this analysis.
- Estimates reflect the time associated with the position or positions that typically perform a service.

- Estimates provided by staff are reviewed and approved by the division / department, and often involve multiple iterations before a Study is finalized.
- Estimates are reviewed by the project team for “reasonableness” against their experience with other agencies.
- Estimates were not based on time in motion studies<sup>1</sup>, as they are not practical for the scope of services and time frame for this project.

The Matrix Consulting Group agrees that while the use of time estimates is not perfect, it is the best alternative available for setting a standard level of service for which to base a jurisdiction’s fees for service and meets the requirements of California law.

The alternative to time estimating is actual time tracking, often referred to billing on a “time and materials” basis. Except in the case of anomalous or sometimes very large and complex projects, the Matrix Consulting Group believes this approach to not be cost effective or reasonable for the following reasons:

- Accuracy in time tracking is compromised by the additional administrative burden required to track, bill, and collect for services in this manner.
- Additional costs are associated with administrative staff’s billing, refunding, and monitoring deposit accounts.
- Customers often prefer to know the fees for services in advance of applying for permits or participating in programs.
- Applicants may request assignment of less expensive personnel to their project.
- Departments can better predict revenue streams and staff needs using standardized time estimates and anticipated permit volumes.

Situations arise where the size and complexity of a given project warrants time tracking and billing on a “time and materials” basis. The Matrix Consulting Group has recommended taking a deposit and charging Actual Costs for such fees as appropriate and itemized within the current fee schedule.

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<sup>1</sup> Time in Motion studies refers to a type of process in which staff time is measured utilizing a stopwatch and each task is timed separately through the course of the project. This is typically unfeasible for development-related projects due to the timeline.

## 4. Results Overview

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The motivation behind a cost of services (User Fee) analysis is for the City Council and Departmental staff to maintain services at a level that is both accepted and effective for the community, and also to maintain control over the policy and management of these services.

It should be noted that the results presented in this report are not a precise measurement. In general, a cost of service analysis takes a “snapshot in time”, where a fiscal year of adopted budgeted cost information is compared to the same fiscal year of revenue, and workload data available. Changes to the structure of fee names, along with the use of time estimates allow only for a reasonable projection of subsidies and revenue. Consequently, the Council and Department staff should rely conservatively upon these estimates to gauge the impact of implementation going forward.

Discussion of results in the following chapters is intended as a summary of extensive and voluminous cost allocation documentation produced during the Study. Each chapter will include detailed cost calculation results for each major permit category including the following:

- **Modifications or Issues:** discussions regarding any revisions to the current fee schedule, including elimination or addition of fees.
- **“Per Unit” Results:** comparison of the full cost of providing each unit of service to the current fee for each unit of service (where applicable).
- **Annualized Results:** utilizing volume of activity estimates annual subsidies and revenue impacts were projected.

The full analytical results were provided to Department staff under separate cover from this summary report.

## 5. Building

The Building Division, which is part of the Community Development Department, is responsible for reviewing and inspecting all residential and commercial construction projects to ensure quality and compliance with the California Building Code and its rules and regulations. The following subsections discuss modifications made to the Building fee structure, the detailed per unit analysis results for flat fees, valuation-based fees, cross-departmental / divisional support, and annual revenue impacts.

### 1 FEE SCHEDULE MODIFICATIONS

The Building fee schedule consists of both flat fees and valuation-based fees. The project team worked with the Building Division to streamline the current fee schedule by modifying structures and removing unnecessary fees. The following points highlight some of these changes:

- Cost of Black and White Copies and Cost of Color Copies will be removed from the schedule as the Division does not print basic 8.5" x 11" copies. These will be replaced with a Plan Reproduction – Per plan fee for when applicants would like a copy of plans.
- Plan Check Fees will be converted from valuation tables to a percentage of the building permit fee to help streamline the fee schedule and simplify the plan check fee calculation process.
- Combination Building, Plumbing, Electrical, and Mechanical Permits for Minor Residential Remodels, Bathroom Remodels and Kitchen remodels are currently two separate permits that are charged the same fee. The Division will combine these permits into one as they take approximately the same amount of time to review and inspect. It is important to note that these permits are being clarified to explain that these remodels do not involve any wall alterations.
- Mechanical, Electrical, and Plumbing (MEP) fees will be converted from a per unit fee schedule down to Flat Residential Fees, Flat Commercial Fees, and Per Square Foot Commercial Tenant Improvement Fees. This allows the Division to streamline the fee schedule and simplify the MEP process.
- Multi-Family/Commercial Reroofs has been added to the schedule as a flat fee with two categories: 0-5,000 square feet and Over 5,000 square feet.
- HVAC Installations was expanded out into two separate categories: replacements at the same location and relocations and new installations.

- Categories for Electrical Vehicle Charging Stations for Multi-Family / Commercial was condensed into two categories: 1-6 and 7+ stations.
- Converting sign fees from a per sq. ft. category to be based upon the valuation of the sign, as that will help capture the complexity of the sign including it being mounted, electrical, etc.
- Creation of separate valuation-based fees for Single-Family / Duplex, Commercial, and Multi-Family projects to more accurately reflect the amount of time it takes to plan check and inspect those projects.

Identifying and implementing these changes to the Building fee structure will help to clarify the fee schedule, increase consistency in application of fees, and reduce the complexity in relation to staff and applicants determining the full fees associated with their development projects.

## 2 DETAILED RESULTS – FLAT FEES

The Building Division currently assesses a variety of permits for accessory dwelling units, reroofs, electrical vehicle charging stations, and bathroom and kitchen remodels. The total cost calculated for each service includes direct staff costs, Departmental and Citywide overhead. The following table details the title / name, current fee, total cost, and surplus or deficit associated with each service.

**Table 4: Building Flat Fees – Per Unit**

Fee Name	Unit	Current Fee	Total Cost Per Unit	Surplus / (Deficit) per Unit
<b>MISC. INSPECTIONS AND FEES - Applicable to building, plumbing, electrical and mechanical permits</b>				
Inspections Outside of Normal Business Hours	Per hr (min 2 hrs)	\$156	\$257	(\$101)
Reinspection Fee	Per hr (min 1 hr)	\$156	\$257	(\$101)
Plan Review Required by Changes, Additions or Revision to Approved Plans, or More Than Two Rechecks	Per hr (min 1 hr)	\$156	\$268	(\$112)
Reactivation Fee for Expired Permits	Per Reactivation	\$358	\$160	\$198
Application for Demolition of Residential Units Which Been Declared a Public Nuisance of Which are Being Demolished on Approval of the Building Official Under Section 23.06.100	Hourly Rate	\$169	\$222	(\$53)
Building / Property Research and Inquiry Fee (1st hour is free)	Per hr	\$161	\$222	(\$61)
Hardship Waiver for Disabled Access Requirements	Flat fee	\$637	\$586	\$51
Research Re: Alternate Materials and Code Interpretations Requiring Consultation with Outside Agencies	Flat fee	\$637	\$825	(\$188)
Permits for Small Animal & Fowl	Flat fee	\$72	\$198	(\$126)

Fee Name	Unit	Current Fee	Total Cost Per Unit	Surplus / (Deficit) per Unit
<b>Re-Roofs</b>				
Single Family Dwellings/Duplex's	Flat fee	\$382	\$490	(\$108)
<u>Multi-Family, Mixed Use/Commercial</u>				
0-5,000 Sq Ft	Flat fee	\$0	\$490	(\$490)
Over 5,000 Sq Ft	Flat fee	\$0	\$875	(\$875)
<b>Combination Building, Plumbing, Electrical, and Mechanical Permits for Minor Residential Remodels (No wall alterations):</b>				
Bathroom or Kitchen Remodels	Per Remodel	\$539	\$910	(\$371)
<b>Window Replacements for Single Family and Duplex (same location and size)</b>				
Up to 5	Flat fee	\$153	\$391	(\$238)
More than 5	Flat fee	\$333	\$584	(\$251)
California's Earthquake Brace and Bolt Earthquake Retrofit Program	Flat fee	\$410	\$589	(\$179)
Energy Storage Systems for SFR and Duplex	Flat fee	\$333	\$461	(\$128)
Accessory Dwelling Units - New Construction	Flat fee	\$2,734	\$5,147	(\$2,413)
Accessory Dwelling Units - Remodel	Flat fee	\$2,734	\$3,692	(\$958)
Junior Accessory Dwelling Units	Flat fee	\$1,237	\$2,643	(\$1,406)
<b>Rooftop Solar Energy Systems</b>				
Single Family Dwellings	Flat fee	\$450	\$500	(\$50)
<u>Multi-Family Buildings</u>				
Up to 15 kW	Flat fee	\$450	\$500	(\$50)
Each Additional kW Over 15kW	Each add KW	\$15	\$15	\$0
<u>Commercial Buildings</u>				
Up to 50 kW	Flat fee	\$1,000	\$1,000	\$0
Each Additional kW up to 250 kW	Each add KW	\$7	\$7	\$0
251 kW and up	Flat fee	\$2,400	\$2,610	(\$210)
Each Additional kW over 250 kW	Each add KW	\$5	\$5	\$0
<b>Solar Thermal Systems</b>				
Single Family Dwellings	Flat fee	\$450	\$500	(\$50)
<u>Multi-Family Buildings</u>				
Up to 15 kW	Flat fee	\$450	\$500	(\$50)
16 kW and up	Flat fee	\$450	\$500	(\$50)
Each Additional kW	Each add KW	\$15	\$15	\$0
<u>Commercial Buildings</u>				
Up to 30 kWth	Flat fee	\$1,000	\$1,000	\$0
31 kWth to 260 kWth	Flat fee	\$1,000	\$1,000	\$0
Each Additional kWth up to 260 kWth	Each add KW	\$7	\$7	\$0
261 kWth and up	Flat fee	\$2,400	\$2,610	(\$210)
Each Additional kWth over 260 kWth	Each add KW	\$5	\$5	\$0
<b>Electrical Vehicle Charging Stations</b>				
Single Family Dwellings & Duplexes	Flat fee	\$190	\$589	(\$399)
<u>Multi-Family / Commercial (Level I/II)</u>				
1-6 Stations	Flat fee	\$465	\$1,655	(\$1,190)
7+ Stations	Flat fee	\$899	\$3,111	(\$2,212)
<u>Multi-Family / Commercial (Level III)</u>				
1-6 Stations	Flat fee	\$581	\$2,704	(\$2,123)
7+ Stations	Flat fee	\$1,373	\$4,032	(\$2,659)
<b>ELECTRICAL PERMIT FEES</b>				
Residential Electrical Permit Fee	Flat fee	\$151	\$263	(\$112)

Fee Name	Unit	Current Fee	Total Cost Per Unit	Surplus / (Deficit) per Unit
Commercial Electrical Permit Fee	Flat fee	Varies	\$1,132	N / A
Commercial Tenant Improvements	Per Sq Ft	\$0.10	\$0.22	(\$0.12)
Electrical Rewiring for SFR and Duplex	Flat fee	\$307	\$840	(\$533)
<b>MECHANICAL PERMIT FEES</b>				
Residential Mechanical Permit Fee	Flat fee	\$151	\$263	(\$112)
Commercial Mechanical Permit Fee	Flat fee	Varies	\$875	N / A
Commercial Tenant Improvements	Per Sq Ft	\$0.10	\$0.22	(\$0.12)
HVAC Installations (Replacement at same location for SFR and Duplex)	Flat fee	\$151	\$362	(\$211)
HVAC Installations (Relocations and new Installations for SFR and Duplex)	Flat fee	\$151	\$753	(\$602)
<b>PLUMBING PERMIT FEES</b>				
Residential Plumbing Permit Fee	Flat fee	\$151	\$263	(\$112)
Commercial Plumbing Permit Fee	Flat fee	Varies	\$875	N / A
Commercial Tenant Improvements	Per Sq Ft	\$0.10	\$0.22	(\$0.12)
Tankless Water Heater	Flat fee	\$308	\$461	(\$153)
Re-pipe for Water Supply Systems for SFR and Duplex	Flat fee	\$228	\$840	(\$612)
<b>SIGN PERMIT FEES</b>				
Temporary Banner (30-day)	Flat fee	\$78	\$198	(\$120)
<b>NEW</b>				
Temporary Certificate of Occupancy	Flat fee	\$0	\$438	(\$438)

A majority of the flat fees charged by the City show a subsidy, which ranges from a low of \$0.12 per square foot for Electrical, Mechanical, and Plumbing Commercial Tenant Improvements, to a high of \$2,659 for 7+ Multi-Family / Commercial (Level III) Electrical Vehicle Charging Stations.

Only two flat fees showed an over-recovery: Reactivation Fee for Expired Permits (\$198) and Hardship Waiver for Disabled Access Requirements (\$51). While the reduction in cost is likely due to changes in how these permits are processed and approved, the current fees will need to be reduced in order to comply with state rules and regulations.

### 3 DETAILED RESULTS – VALUATION-BASED FEES

The City of San Mateo currently uses a valuation tables to establish plan check and inspection (permit) fees that are based on the value of construction costs. In order to ensure the strongest nexus that exists between the valuation of the project and the level of effort that exists to plan check and inspect it, separate valuation tables were created for Single Family Residential, Commercial, and Multi-Family. By creating separate valuation tables, a different time estimate was associated with each type of project and valuation range to ensure that the valuation of the project ties to the reasonable time it takes to conduct inspections and issue a permit for those types of projects. As such a multi-family \$5 million project is not the same as a Commercial \$5 million project. This

level of detailed analysis ensures that the City and the department is able to meet the strongest nexus criteria for establishing fees based upon valuation.

Furthermore, it was determined that while the permit fee structure needed to be expanded, the plan check fee structure could be simplified from the valuation fee structure to a percentage of the building permit. This simplification was done based upon evaluating the time it takes to conduct a complete plan review relative to the permitting process. The following subsections outline the results of the fee structure modifications, as well as the calculated full cost to provide plan check and inspection services.

## 1 Single Family Residential

A separate valuation structure was developed for Single Family Residential and Duplex construction projects in order to better account for the services that are provided to applicants. While the current fee structure included valuation ranges that went up to \$64 million, the proposed structure goes up to \$1 million, which better reflects the project valuations seen in the City as it relates to single-family and duplex projects. The following table shows the current fee, the total cost per unit, and the associated surplus / deficit per unit for inspection (permit) services.

**Table 5: Total Cost Per Unit Results – Single Family Residential Valuation**

Project Valuation Sliding Scale Category	Current Permit Fee	Total Cost Permit Fee	Surplus / (Deficit)
<b>Project Valuation \$1 to \$500</b>	\$117.01	\$262.61	(\$145.60)
<b>Project Valuation \$501 to \$2,000</b>			
First \$500	\$117.01	\$262.61	(\$145.60)
Each Additional \$100 or fraction thereof	\$7.80	\$12.84	(\$5.04)
<b>Project Valuation \$2,001 to \$25,000</b>			
First \$2,000	\$234.03	\$455.21	(\$221.18)
Each Additional \$1,000 or fraction thereof	\$30.53	\$22.33	\$8.20
<b>Project Valuation \$25,001 to \$50,000</b>			
First \$25,000	\$936.12	\$968.82	(\$32.70)
Each Additional \$1,000 or fraction thereof	\$23.41	\$28.48	(\$5.07)
<b>Project Valuation \$50,001 to \$100,000</b>			
First \$50,000	\$1,521.18	\$1,680.83	(\$159.65)
Each Additional \$1,000 or fraction thereof	\$16.38	\$21.94	(\$5.56)
<b>Project Valuation \$100,001 to \$250,000</b>			
First \$100,000	\$2,340.28	\$2,778.05	(\$437.77)
Each Additional \$1,000 or fraction thereof	\$12.19	\$14.16	(\$1.97)
<b>Project Valuation \$250,001 to \$500,000</b>			
First \$250,000	\$4,168.78	\$4,902.48	(\$733.70)
Each Additional \$1,000 or fraction thereof	\$12.19	\$7.75	\$4.44
<b>Project Valuation \$500,001 to \$1,000,000</b>			
First \$500,000	\$7,215.88	\$6,840.11	\$375.77
Each Additional \$1,000 or fraction thereof	\$10.84	\$6.96	\$3.88
<b>Project Valuation \$1,000,001 +</b>			
First \$1,000,000	\$12,637.54	\$10,318.56	\$2,318.98
Each Additional \$1,000 or fraction thereof	\$8.66	\$3.48	\$5.18

The City is currently under-recovering for inspection (permit) services relating to Single Family Residential construction valued up to \$250,000. The subsidies range from a low of \$32 to a high of \$733. The last two ranges show surpluses of \$376 and \$2,319 for projects valued above \$500,000 and \$1 million.

Along with determining costs associated with inspection services, the project team also worked with Building staff to determine appropriate plan check costs. Through this analysis it was determined that rather than creating a separate plan check valuation table, plan check costs could be expressed as a percentage of the permit. Based upon a detailed review of time estimates it takes to review plans for each valuation range and different project type this analysis showed that Single Family Residential Plan Check should be **70% of the permit fee**.

## 2 Commercial / Industrial

A separate valuation structure was developed for Commercial / Industrial construction projects in order to better account for the services that are provided to applicants. While the current fee structure included valuation ranges that went up to \$64 million, the proposed structure goes up to \$75 million, which better reflects the project valuations being seen in the City. The following table shows the current fee, the total cost per unit, and the associated surplus / deficit per unit for commercial inspection (permit) services.

**Table 6: Total Cost Per Unit Results – Commercial Valuation**

Project Valuation Sliding Scale Category	Current Permit Fee	Total Cost Permit Fee	Surplus / (Deficit)
<b>Project Valuation \$1 to \$500</b>	\$117.01	\$262.61	(\$145.60)
<b>Project Valuation \$501 to \$2,000</b>			
First \$500	\$117.01	\$262.61	(\$145.60)
Each Additional \$100 or fraction thereof	\$7.80	\$12.84	(\$5.04)
<b>Project Valuation \$2,001 to \$25,000</b>			
First \$2,000	\$234.03	\$455.21	(\$221.18)
Each Additional \$1,000 or fraction thereof	\$30.53	\$30.96	(\$0.43)
<b>Project Valuation \$25,001 to \$50,000</b>			
First \$25,000	\$936.12	\$1,167.23	(\$231.11)
Each Additional \$1,000 or fraction thereof	\$23.41	\$25.68	(\$2.27)
<b>Project Valuation \$50,001 to \$100,000</b>			
First \$50,000	\$1,521.18	\$1,809.23	(\$288.05)
Each Additional \$1,000 or fraction thereof	\$16.38	\$29.65	(\$13.27)
<b>Project Valuation \$100,001 to \$500,000</b>			
First \$100,000	\$2,340.28	\$3,291.66	(\$951.38)
Each Additional \$1,000 or fraction thereof	\$12.19	\$8.87	\$3.32
<b>Project Valuation \$500,001 to \$1,000,000</b>			
First \$500,000	\$7,215.88	\$6,840.11	\$375.77
Each Additional \$1,000 or fraction thereof	\$10.84	\$10.55	\$0.29
<b>Project Valuation \$1,000,001 to \$5,000,000</b>			
First \$1,000,000	\$12,637.54	\$12,116.17	\$521.37
Each Additional \$1,000 or fraction thereof	\$8.66	\$1.64	\$7.02
<b>Project Valuation \$5,000,001 to \$10,000,000</b>			

Project Valuation Sliding Scale Category	Current Permit Fee	Total Cost Permit Fee	Surplus / (Deficit)
First \$5,000,000	\$27,388.96	\$18,676.23	\$8,712.73
Each Additional \$1,000 or fraction thereof	\$2.84	\$2.60	\$0.24
<b>Project Valuation \$10,000,001 to \$25,000,000</b>			
First \$10,000,000	\$41,588.44	\$31,656.34	\$9,932.10
Each Additional \$1,000 or fraction thereof	\$1.67	\$1.39	\$0.28
<b>Project Valuation \$25,000,001 to \$50,000,000</b>			
First \$25,000,000	\$66,588.92	\$52,480.51	\$14,108.41
Each Additional \$1,000 or fraction thereof	\$1.97	\$1.04	\$0.93
<b>Project Valuation \$50,000,001 to \$75,000,000</b>			
First \$50,000,000	\$115,900.22	\$78,440.72	\$37,459.50
Each Additional \$1,000 or fraction thereof	\$1.74	\$1.04	\$0.70
<b>Project Valuation \$75,000,001 +</b>			
First \$75,000,000	\$159,281.60	\$104,400.93	\$54,880.67
Each Additional \$1,000 or fraction thereof	\$1.15	\$0.52	\$0.63

The City is currently under-recovering for commercial inspection (permit) services for construction valued up to \$100,000, with subsidies ranging from a low of \$146 to a high of \$951. The ranges above \$500,000 show surpluses between \$376 and \$54,881.

Along with determining costs associated with commercial inspection services, the project team also worked with Building staff to determine appropriate plan check costs. Through this analysis it was determined that rather than creating a separate plan check valuation table for commercial plan check, costs could be expressed as a percentage of the permit. Based upon a detailed review of time estimates it takes to review plans for each valuation range and different project type this analysis showed that Commercial Plan Check should be **75% of the permit fee**.

### 3 Multi-Family

A separate valuation structure was developed for Multi-Family construction projects in order to better account for the services that are provided to applicants. While the current fee structure included valuation ranges that went up to \$64 million, the proposed structure goes up to \$75 million, which better reflects the project valuations being seen in the City. The following table shows the current fee, the total cost per unit, and the associated surplus / deficit per unit for multi-family inspection (permit) services.

**Table 7: Total Cost Per Unit Results – Multi-Family Valuation**

Project Valuation Sliding Scale Category	Current Permit Fee	Total Cost Permit Fee	Surplus / (Deficit)
<b>Project Valuation \$1 to \$500</b>	\$117.01	\$262.61	(\$145.60)
<b>Project Valuation \$501 to \$2,000</b>			
First \$500	\$117.01	\$262.61	(\$145.60)
Each Additional \$100 or fraction thereof	\$7.80	\$12.84	(\$5.04)
<b>Project Valuation \$2,001 to \$25,000</b>			
First \$2,000	\$234.03	\$455.21	(\$221.18)
Each Additional \$1,000 or fraction thereof	\$30.53	\$30.96	(\$0.43)

Project Valuation Sliding Scale Category	Current Permit Fee	Total Cost Permit Fee	Surplus / (Deficit)
<b>Project Valuation \$25,001 to \$50,000</b>			
First \$25,000	\$936.12	\$1,167.23	(\$231.11)
Each Additional \$1,000 or fraction thereof	\$23.41	\$25.68	(\$2.27)
<b>Project Valuation \$50,001 to \$100,000</b>			
First \$50,000	\$1,521.18	\$1,809.23	(\$288.05)
Each Additional \$1,000 or fraction thereof	\$16.38	\$29.65	(\$13.27)
<b>Project Valuation \$100,001 to \$500,000</b>			
First \$100,000	\$2,340.28	\$3,291.66	(\$951.38)
Each Additional \$1,000 or fraction thereof	\$12.19	\$8.87	\$3.32
<b>Project Valuation \$500,001 to \$1,000,000</b>			
First \$500,000	\$7,215.88	\$6,840.11	\$375.77
Each Additional \$1,000 or fraction thereof	\$10.84	\$10.55	\$0.29
<b>Project Valuation \$1,000,001 to \$5,000,000</b>			
First \$1,000,000	\$12,637.54	\$12,116.17	\$521.37
Each Additional \$1,000 or fraction thereof	\$8.66	\$3.57	\$5.09
<b>Project Valuation \$5,000,001 to \$10,000,000</b>			
First \$5,000,000	\$27,388.96	\$26,380.28	\$1,008.68
Each Additional \$1,000 or fraction thereof	\$2.84	\$5.16	(\$2.32)
<b>Project Valuation \$10,000,001 to \$25,000,000</b>			
First \$10,000,000	\$41,588.44	\$52,200.46	(\$10,612.02)
Each Additional \$1,000 or fraction thereof	\$1.67	\$1.73	(\$0.06)
<b>Project Valuation \$25,000,001 to \$50,000,000</b>			
First \$25,000,000	\$66,588.92	\$78,160.67	(\$11,571.75)
Each Additional \$1,000 or fraction thereof	\$1.97	\$1.55	\$0.42
<b>Project Valuation \$50,000,001 to \$75,000,000</b>			
First \$50,000,000	\$115,900.22	\$116,960.96	(\$1,060.74)
Each Additional \$1,000 or fraction thereof	\$1.74	\$1.04	\$0.70
<b>Project Valuation \$75,000,001 +</b>			
First \$75,000,000	\$159,281.60	\$142,921.17	\$16,360.43
Each Additional \$1,000 or fraction thereof	\$1.15	\$0.52	\$0.63

The City is currently under-recovering for multi-family inspection (permit) services for construction valued up to \$100,000, with subsidies ranging from a low of \$146 to a high of \$951. Additionally, projects that are valued between \$10 and \$50 million also show subsidies, ranging between \$1,060 and \$11,572. The ranges between \$500,000 and \$5 million show surpluses between \$376 and \$1,009, while projects valued at \$75 million show a surplus of \$16,360.

Along with determining costs associated with multi-family inspection services, the project team also worked with Building staff to determine appropriate plan check costs. Through this analysis it was determined that rather than creating a separate plan check valuation table for multi-family plan check, costs could be expressed as a percentage of the permit. Based upon a detailed review of time estimates it takes to review plans for each valuation range and different project type this analysis showed that Multi-Family Plan Check should be **65% of the permit fee**.

## 4 DETAILED RESULTS – CROSS-DIVISIONAL & OTHER SUPPORT FEES

The City currently has fees for Planning and Parks and Recreation support related to building plan check and inspection services, with fees charged based on the project's construction valuation. The project team worked with these departments to update the service and cost assumptions associated with their support. It is important to note that for both current fees the fee is meant to account for plan check and inspection support services. Additionally, the project team also worked with staff in Public Works to develop a similar fee in order to account for their support during the building plan check and inspection process. The following table shows by each support service area, the current percentage and new calculated percentage.

**Table 8: Per Unit Results – Building Support Services**

Support Department	Current Fee	Total Cost
Planning	0.33%	0.34%
Parks and Recreation	0.07%	0.05%
Public Works	-	0.56%

As the table above shows, the Planning support fees shows a minimal increase, while the Parks and Recreation support fee shows a minor decrease. The new fee calculated for Public Works is 0.56% of construction valuation. A separate study conducted for the Public Works Department provides details of the analysis of the 0.56% support fee. The change in Planning and Parks and Recreation is likely due to a change in the average construction valuation seen by the City, as minor changes in staff costs have occurred. Should the City wish to recover for Public Works staff time related to Building plan check and inspection, it should implement a support fee up to, but not greater than, 0.56%.

## 5 VALUATION DETERMINATION

As discussed in the preceding sections, building staff calculate permit fees based on the construction value of a project. Currently, staff rely on applicants to provide project valuations, however, the original value submitted when the project begins is often less than the actual cost once a project is complete. Furthermore, staff have no means to determine the accuracy of the costs being submitted by applicants. Therefore, the project team worked with staff to develop a process by which they can calculate project costs in order to ensure that fees are assessed appropriately.

The International Code Council (ICC) issues a table twice a year (February and August) that details construction costs per square foot based on occupancy and construction type. While the table reflects a national average, jurisdictions can develop area specific modifiers to be applied to the table allowing for locally specific construction costs.

The project team worked with City staff to determine the average cost per square foot for projects based on the average cost per square foot to build in the Bay Area. The following table shows the average cost per square foot identified by the ICC table, the average cost per square foot to build in the Bay Area, and the resulting modifier.

**Table 9: City Modifier Calculation**

	<b>Residential</b>
Average ICC Cost per Sqft.	\$142 <sup>1</sup>
Average Bay Area Cost per Sqft.	\$417 <sup>2</sup>
<b>City Modifier</b>	<b>2.93</b>

The City of San Mateo should adopt in their fee schedule language stating that the project valuation is determined based upon the most recent ICC table and city adopted modifier of 2.93. This language and methodology will ensure that there is consistency in how the valuation is calculated and that the plan check, and permit fees are appropriate based upon the correct valuation for the project. The regional modifiers, similar to all other cost assumptions should be reevaluated every three to five years to ensure that they are reflective of the current economic climate within the jurisdiction.

## 6 ANNUAL RESULTS

In order to understand how the per unit results presented in the previous sections could impact Building revenue on an annual basis, workload for FY 19/20 was collected. The project team compared annual revenue based on current fees to projected revenue based on the full cost of providing Building services. This study showed that building related services has a surplus of approximately \$213,000. The following table shows by major category, projected revenue at current fee, total cost to provide Building services, and the associated annual surplus / deficit.

**Table 10: Annual Cost Recovery Analysis – Building**

Fee Name	Revenue at Current Fee	Building Total Cost	Total Surplus / (Deficit)
Flat Fees	\$930,248	\$1,391,827	(\$461,578)
Residential Valuation	\$1,602,498	\$1,685,148	(\$82,650)
Commercial Valuation	\$2,764,005	\$2,085,128	\$678,877
Multi-Family Valuation	\$1,001,373	\$922,655	\$78,718
<b>TOTAL</b>	<b>\$6,298,124</b>	<b>\$6,084,757</b>	<b>\$213,366</b>

Fees for which a flat fee is charged currently show a subsidy of approximately \$442,000, while fees that are charged based on valuation have a combined surplus of approximately \$675,000. The surplus shown above for Commercial and Multi-Family valuation based

<sup>1</sup> Based on average cost per square foot for R-3 Residential, One and two-family VA and VB construction.

<sup>2</sup> Based on April 2019 estimates.

projects is likely due to the multi-year nature of these projects, whereby the City collects fees in one fiscal year, and provides services over multiple fiscal years. The separation of the City's permit fees into separate valuation tables, will also ensure that residential projects are paying their fair share and so are commercial and multi-family projects. The Department's annual cost recovery of 104% is in-line with typical cost recovery levels seen for building divisions based upon multi-year projects.

## 6. Planning

The Planning Division is part of the Community Development Department and divided between Current Planning and Advanced Planning. The Advanced Planning division focuses on updating the City's General Plan, Specific Plans, Zoning Ordinances, and other codes, while the Current Planning division reviews private development projects to ensure that development is consistent with the long-range planning of the community and complies with development laws and statues. The majority of the services provided by Planning staff are recovered through deposit-based fees, whereby staff charge actual time to each application or project. The following subsections discuss fee schedule modifications, detailed per unit results, and fully burdened hourly rates.

### 1 FEE SCHEDULE MODIFICATIONS

Nearly all of the fees charged by the Planning division are deposit-based, with only three applications having flat fees. The flat fees charged by the division are for processes that are standard with little variation in staff effort, while the deposit-based fees account for services that can vary greatly in the services required by staff. There were no modifications proposed to the flat fees.

The project team did review information collected for deposit-based fees to ensure that current deposit amounts assessed by the City are sufficient to recover the costs associated with city staff review. The results of that analysis reveal the need to increase certain deposit amounts to better capture the minimum costs associated with those services. This has been discussed in detail in the deposit-based fees section of this chapter.

### 2 DETAILED RESULTS – FLAT FEES

The Planning Department collects flat fees for Special Use Permit – Day Care Facilities, Informational Neighborhood Meeting Public Notice List Preparation, and Retrieval of Off-Site Planning Applications. The total cost calculated for each service includes direct staff costs, Departmental and Citywide overhead. The following table details the title / name, current fee, the total full cost associated with Planning to provide these services, and the surplus or deficit associated with each service.

**Table 11: Total Cost Per Unit Results – Planning Flat Fees**

Fee Name	Current Fee / Deposit	Total Cost Per Unit	Surplus / (Deficit) per Unit
<b>Planning Applications</b>			
Special Use Permit - Day Care Facilities	\$2,000	\$6,321	(\$4,321)

Fee Name	Current Fee / Deposit	Total Cost Per Unit	Surplus / (Deficit) per Unit
Informational Neighborhood Meeting (Pre-Application) Public Notice List Preparation - Informal	\$300	\$480	(\$180)
<b>Research Fee</b>			
Retrieval of off-site planning application	\$53	\$170	(\$117)

All of the flat fees being charged by Planning show an under-recovery. The Informational Neighborhood Meeting (Pre-Application) Public Notice List Preparation – Informal and Retrieval of Off-Site Planning Application fees shown minimal subsidies of \$180 and \$117 respectively. The Special Use Permit – Day Care Facilities shows the greatest subsidy of \$4,321; however, this fee has historically been subsidized through Council direction.

### 3 DEPOSIT-BASED FEES

The majority of Planning’s fees are deposit based as they can span several months and can be very complex in nature. Since these types of applications can vary to widely in the time that staff are required to spend on them, a deposit is generally recommended to ensure that the full cost of the service is recovered. The project team reviewed the City’s past three years of deposit information to review total amounts billed to applicants for the different types of applications. Based upon that detailed analysis, the following table shows the current deposit-based fees for planning and the proposed deposit amount:

**Table 12: Deposit-Based Fees – Planning**

Fee Name	Current Deposit	Recommended Deposit
Planning Applications – Zoning Administration Decision (Single Family or PCNs)	\$4,000	\$4,000
Planning Applications – Zoning Administration Decision (Other than Single Family or PCNs)	\$6,000	\$6,000
Planning Applications – Planning Commission – No Preapplication	\$10,000	\$10,000
Planning Applications – Planning Commission – With Preapplication	\$10,000	\$50,000
Planning Applications – Planning Commission & City Council Decision	\$20,000	\$100,000
Fence Exception SPAR Planning Application	\$2,000	\$5,500
Annual Review of Development Agreement	\$4,000	\$4,500
Large Project Pre-Application	\$15,000	\$25,000

As the table indicates the majority of the City’s initial deposits are sufficient to recover its costs. However, certain deposits are recommended to increase significantly – most notably those that require Planning Commission and City Council approval. These applications are large projects with multiple entitlements and can last over a year before they are fully entitled.

## 4 FULLY BURDENED HOURLY RATES

As noted earlier, nearly all of Planning’s fees are deposit-based. For example, the Division currently collects a deposit of \$6,000 for a Planning Application – Zoning Administrator Decision (other than Single Family or PCN’s). As Planning staff, or other City staff work on reviewing and approving the application, staff track and bill their time to the project. If the application is approved prior to expending the \$6,000 deposit, the applicant is refunded the remaining balance. Alternatively, if the account balance reaches \$0, then staff ask the applicant for additional funds. Ultimately, deposit-based fees are known as cost recovery fees, as City staff recover all of their time and material costs associated with reviewing those applications.

Through this study, the project team worked with City staff to develop fully burdened hourly rates for use when billing against cost-recovery deposits. These fully burdened hourly rates will ensure that staff are not only recovering the direct costs associated with their positions, but also any indirect overhead. The following points list the components of a fully burdened hourly rate:

- **Direct Cost:** Represents costs associated with direct salary and benefits for each position that directly work on an application or project.
- **Divisional Overhead:** Represents costs associated with divisional services and supplies. Expenditures associated with non-fee related services are not included.
- **Citywide Overhead:** Represents costs associated with citywide indirect support that is calculated through the Citywide Cost Allocation Plan.

The following subsections outline the fully burdened hourly rates developed for the Planning division, as well as other City departments / divisions who bill against Planning deposit accounts.

### 1 Planning

Planning staff currently use a blended departmental rate to charge against deposit-based applications regardless of the Planner (Associate, Senior, Principal, or Manager) who works on the project. In order to update the division’s blended rate, the project team first developed fully burdened hourly rates for each Planning position. The following table details the fully burdened hourly rates developed for each Planning division position.

**Table 13: Fully Burdened Hourly Rates – All Planning Staff**

Position	Fully Burdened Rate
Planning Manager	\$249.22
Principal Planner	\$219.61

Position	Fully Burdened Rate
Associate Planner	\$181.05
Senior Planner <sup>3</sup>	\$182.98

The fully burdened rates developed for Planning staff range from a low of \$181.05 for the Associate Planner, to a high of \$249.22 for the Planning Manager. As noted previously, the Division uses a singular rate to bill for Planning staff time. Therefore, the project team worked with Planning staff to determine an appropriate weighting of Planning positions, in order to develop a singular rate. The following table outlines the percentages used, and cost calculation for developing the Planning blended hourly rate.

**Table 14: Blended Fully Burdened Hourly Rate Calculation – Blended Planning Rate**

Position	Fully Burdened Rate	Blend %	Base Blended Rate
Planning Manager	\$249.22	12.50%	\$31.15
Principal Planner	\$219.61	12.50%	\$27.45
Associate Planner	\$181.05	62.50%	\$113.15
Senior Planner	\$182.98	12.50%	\$22.87
<b>Total Base Blended Rate</b>			<b>\$194.63</b>
Administrative Overhead			\$81.11
<b>Blended Planning Rate</b>			<b>\$275.74</b>

The percentages used to determine the base blended rate were derived from the number of staff at each position compared to the total number of Planning staff. There is one (1) Planning Manager, and eight (8) total Planning staff, therefore the Planning Manager received a blend percentage of approximately 13%. After developing the base blended rate, administrative overhead associated with the CDD Director, Administrative Assistants, and Management Analysts were added (\$81.11) to arrive at the fully burdened blended rate of \$276. This administrative overhead was added, as these staff do not and should not directly bill to planning applications but provide support to planning applications in either technical review and oversight, administrative processing of bills, or managing the invoices.

The current blended rate used by Planning staff is \$167, which results in an hourly subsidy of approximately \$109. As the purpose of deposit-based fees is to ensure full cost recovery, the Division should increase its blended hourly rate to \$276.

## 2 Other City Departments

Currently, staff associated with Building, Public Works, Police, Parks and Recreation, and the City Manager's office track and bill time to deposit-based Planning Fees. The following table details the fully burdened hourly rates developed for key positions within each City department.

<sup>3</sup> Due to actual staff allocation to the positions, there is minimal step differences between the Associate and Senior Planner position.

**Table 15: Fully Burdened Hourly Rates – Building, Public Works, Police, Parks, and City Manager**

Position	Fully Burdened Rate
<b>BUILDING</b>	
Plan Checker (I / II, Engineer, and Supervisor)	\$267.77
Building Official	\$280.65
<b>PUBLIC WORKS</b>	
Assistant / Associate Engineer	\$162.93
Sr. Engineer	\$193.94
Engineering Manager	\$227.74
Principal Transportation Planner	\$217.26
Trash / Recycling	\$145.01
<b>POLICE</b>	
Police Officer	\$164.62
<b>PARKS AND RECREATION</b>	
Park Planning Administrator / Consultant	\$172.11
Managing Arborist	\$169.61
Arborist Consultant	\$160.00
Part-Time Arborist	\$79.82
<b>CITY MANAGER</b>	
Sustainability Analyst	\$122.98
Economic Development	\$221.62

Fully burdened hourly rates were developed for key staff within each Department for the purpose of billing against Planning applications and projects. As the support provided by each department and staff can vary significantly, rates were developed by key position, rather than a blended departmental rate.

The City currently has a practice of using the same rate of \$167 for Planning Staff and Non-Planning staff. Based upon this analysis it is recommended that Planning staff utilized the \$276 blended rate, and all other city staff that bill time to an application should be charged based upon their specific fully burdened rate so appropriate costs are being attributed to each application.

## 5 ANNUAL RESULTS

The majority of the revenue generated by Planning relates to deposit accounts, where staff time spent is billed for using blended hourly rates. In order to understand how the hourly rate results presented in the previous sections could impact Planning Revenue on an annual basis, the project team compared the total PA Trust Account deposits collected for FY19/20 to the total cost associated with supporting PA Trust Accounts for FY20/21. This analysis showed that Planning deposit account services have an annual subsidy of approximately \$267,000. The following table outlines the annual deposits collected, projected expenditures, and surplus / deficit for FY20/21.

**Table 16: Annual Cost Recovery Analysis – Planning**

<b>Fee Type</b>	<b>Revenue at Current Fee</b>	<b>Planning Annual Cost</b>	<b>Annual Surplus / (Deficit)</b>
PA Trust Account Deposits	\$1,197,204	\$1,464,211	(\$267,007)

Planning's annual cost recovery is 82% when looking at collected deposits compared to projected costs. As deposit accounts are meant to be full cost recovery, the subsidy is likely due to the difference between the current blended hourly rate, and the full cost blended hourly rate. The subsidy could be higher, but this information reflects deposits collected for outside studies and not just staff time.

## 7. Development Services Surcharges

There are two typical surcharges assessed as part of the development review process – General Plan Maintenance and Technology fee. The City of San Mateo currently charges a General Plan Maintenance fee and Technology Fee as part of the building phase. The following subsections discuss the calculation of the General Plan Maintenance and Technology Fees.

### 1 GENERAL PLAN MAINTENANCE FEE

The City of San Mateo currently assesses a General Plan Maintenance Fee as part of its building permit process. The fee is meant to account for updates to the general plan, zoning ordinance, specific plans, transit action plans, housing elements, and other long-range planning activities that are part of the larger General Plan. This is a fairly typical fee charged by many jurisdictions and it is generally calculated as either a percentage of the building permit fee or percentage of the building / project valuation at the time of permit submittal and calculation. The City of San Mateo currently charges this fee as a percentage of the construction valuation at the time of the building permit submittal. The concept behind charging it during the building permit phase, is that any development project, which gets to that phase, makes enough of an impact in the jurisdiction to require the potential for the need for an update to the Zoning Code or the General Plan.

The City currently budgets and tracks costs associated development and updates to the City's General Plan in the Advance Planning Fund (Fund 25). Costs identified in this fund account for annual City staff oversight and support, contracted services, and other materials and supplies. The following table outlines by major cost category, the FY 21 budgeted costs associated with the Advance Planning Fund.

**Table 17: General Plan Maintenance Fee Cost Breakdown**

Cost Category	FY21 Budget	Life (Yrs)	Total Annual Cost
Personnel Costs	\$629,796	1	\$629,796
Material Costs	\$1,202,000	1	\$1,202,000
Citywide Overhead	\$134,323	1	\$134,323
<b>TOTAL GENERAL PLAN MAINTENANCE ANNUAL COST</b>			<b>\$1,966,119</b>

The total annual costs associated with maintaining and updating the General Plan is approximately \$2 million, with the bulk of the costs related to contract and professional services.

In order to assess this fee as a percentage of building construction valuation, the project team took the annual cost associated with general plan upkeep and divided it by the

average total construction valuation for FY18-19 and FY19-20. The following table shows this calculation:

**Table 18: General Plan Maintenance Fee Calculation**

Category	Amount
Total General Plan Annual Maintenance Cost	\$1,966,119
Average Annual Building Project Valuation	\$333,001,586
<b>General Plan Maintenance Fee</b>	<b>0.59%</b>

As the table indicates, the calculated General Plan Maintenance Fee is 0.59% of building construction valuation. The City's current fee is 0.39% of building construction valuation. Therefore, the full cost fee would result in an increase of the city's current fee from 0.39% to 0.59%.

As part of this analysis, the project team conducted a comparative survey of other local jurisdictions and their assessment of the General Plan Maintenance Fee. The following table shows the results of this comparative analysis:

**Table 19: General Plan Maintenance Fee – Comparative Survey**

Jurisdiction	Fee Amount
Mountain View	0.26% of Valuation
Redwood City	0.20% of Valuation
San Bruno	10% of Building Permit Fee
San Carlos	0.3% of Valuation
Santa Clara	12.39% of Building Permit Fee
South San Francisco	0.16% of Valuation

The majority of the jurisdictions charge the General Plan Fee as a percentage of the construction valuation similar to San Mateo, while San Bruno and Santa Clara charge the fee as a percentage of the Building Permit Fee. The city's current fee of 0.39% of valuation and its full cost calculated at 0.59% of construction valuation is greater than all jurisdictions surveyed who assess their fee similarly.

## 2 TECHNOLOGY SURCHARGE FEE

The City currently collects a technology fee, which similar to the general plan maintenance fee, is assessed on the building construction valuation. The technology fee allows the City to support the costs associated with the City's permitting system, replacing the system, records management, staff time for supporting the permit systems, and field inspections and cloud services. The following table shows by cost category, the total cost, the life for the cost, and the resulting annual cost:

**Table 20: Technology Surcharge Fee Cost Components**

<b>Cost Category</b>	<b>Cost</b>	<b>Life (Yrs)</b>	<b>Total Annual Cost</b>
EnerGov Replacement	\$1,000,000	10	\$100,000
EnerGov Annual Maint. Costs	\$95,000	1	\$95,000
Annual Hardware Costs	\$5,000	1	\$5,000
Software Maintenance <sup>4</sup>	\$46,800	1	\$46,800
GIS & IT Staff Support <sup>5</sup>	\$134,764	1	\$134,764
Records Management	\$40,200	1	\$40,200
Cloud Permitting	\$89,000	1	\$89,000
<b>TOTAL TECHNOLOGY ANNUAL COST</b>			<b>\$511,764</b>

As the table indicates, it costs the city approximately \$512,000 annually to provide and maintain electronic permitting services. The majority of the costs the city incurs are annually, with the highest cost categories associated with staff support in regard to implementation, management, and maintenance of the system, followed by generating a replacement fund for replacing the permitting system annually.

Based upon the \$511,764 annual cost, the project team calculated the technology fee. While this fee is generally applicable to all users of EnerGov permitting – Building, Fire, Engineering, and Planning, it is only applied on the building construction valuation. The following table shows the calculation of the technology fee based upon the average total annual building construction valuation for FY18-19 and FY19-20:

**Table 21: Technology Fee Calculation**

<b>Category</b>	<b>Amount</b>
Total Technology Annual Cost	\$511,764
Average Annual Building Project Valuation	\$333,001,586
<b>Technology Fee - % of Bldg Valuation</b>	<b>0.15%</b>

As the table indicates, the calculated Technology Surcharge Fee is 0.15% of building construction valuation. The City's current fee is 0.10% of building construction valuation. Therefore, the full cost fee would result in an increase of the city's current fee from 0.10% to 0.15%.

It is important to note that while the Technology fee is based upon the different cost components above, the Department has the ability to utilize the funds from this fee to help support operational and infrastructure / capitalized costs related to technology specific to development services. Therefore, if in the future, the department allows virtual inspections, it may be able to purchase that module through this fee.

<sup>4</sup> The software maintenance costs include Qless, Symbium, Blue Beam, and Blitz.

<sup>5</sup> This includes 0.5 IT Systems Analyst II position and 0.25 of GIS Analyst position.

As part of this analysis, the project team conducted a comparative survey of other local jurisdictions and their assessment of a Technology Fee. The following table shows the results of this comparative analysis:

**Table 22: Technology Fee – Comparative Survey**

<b>Jurisdiction</b>	<b>Fee Amount</b>
Mountain View	4% of Permit Fee
Redwood City	5% of Permit Fee
San Bruno	9% of Permit Fee
San Carlos	1.8% of Permit Fee
Santa Clara	3.37% of Permit Fee
South San Francisco	\$27 per Permit

The majority of jurisdictions surveyed charge a technology fee based upon a proportion of the permit fee rather than building construction valuation, as such it is hard to compare the City of San Mateo's current and full cost fee. If the project team were to calculate San Mateo's technology fee as a percentage of its permit fee its fee would be approximately 2.6% of the permit fee, which would be on the low end of the comparable spectrum other than the City of San Carlos.

### **3 SURCHARGE FUNDS**

The City already follows best management practices by collecting and accounting for General Plan Maintenance fee in a separate fund. While the Technology Fee is not collected in a separate fund, it is collected in a separate sub account. This is generally acceptable; however, it should be noted that to ensure compliance with funding requirements and to enable appropriate allocation of funds to technology-related activities, the Community Development Department and Finance might consider a separate fund to allow for greater transparency of funding sources.

## 8. Parks and Recreation

The Parks & Recreation Department provides a variety of services associated with recreation and field rentals; however, the fees included in this analysis are in relation to Park and Landscape Resources and Development Project Reviews. The following subsections discuss fee schedule modifications and detailed per unit results for the development fee-related services provided by the Parks & Recreation Department.

### 1 FEE SCHEDULE MODIFICATIONS

The current fee structure for Parks & Recreation consists of two tree-related fees. These fees clearly outline the services offered by the City, and therefore no modifications are being proposed.

### 2 DETAILED RESULTS

The development related services that Parks & Recreation collects fees for Heritage Tree Permit and Right-of-Way Tree Removal. The total cost calculated for each service includes direct staff and material costs, Departmental and Citywide overhead. The following table details the title / name, current fee, total cost, and surplus or deficit associated with each service.

**Table 23: Total Cost Per Unit Results – Parks & Recreation Department**

<b>Fee Name</b>	<b>Unit</b>	<b>Current Fee / Deposit</b>	<b>Total Cost Per Unit</b>	<b>Surplus / (Deficit) per Unit</b>
Heritage Tree Permit	Flat	\$80	\$189	(\$109)
Right of Way Tree Removal	Per Hour	Actual cost of private tree care company		

As shown in the table above, the City is currently under-recovering for Park and Landscape Resources associated with heritage tree permits. The Heritage Tree Permit shows a subsidy of \$109. There was no change to the Right of Way Tree Removal permit, as this is based on the actual cost charged by private tree care companies.

## 9. Comparative Survey

As part of the Cost of Services (User Fee) study for the City of San Mateo, the Matrix Consulting Group conducted a comparative survey of user fees. The City identified six jurisdictions to be included in the comparative survey: Mountain View, Redwood City, San Bruno, San Carlos, Santa Clara, and South San Francisco.

While this report will provide the City with a reasonable estimate and understanding of the true costs of providing services, many jurisdictions also wish to consider the local “market rates” for services as a means for assessing what types of changes in fee levels their community can bear. However, a comparative survey does not provide adequate information regarding the relationship of a jurisdiction’s cost to its fees.

The following sections detail various factors to consider when reviewing comparative survey results, as well as graphical comparisons of current fees and total calculated costs for various permits issued or services provided by the City.

### 1 ECONOMIC FACTORS

In order to provide additional context to the comparative survey information, the project team collected economic factors for the jurisdictions included. Three important economic factors to consider when comparing fees across multiple jurisdictions are: population, budget, and workforce size. The following tables rank each jurisdiction from smallest to largest for each of these economic factors:

**Table 24: Ranking of Jurisdictions by Population**

Jurisdiction	2019 Population
San Carlos	30,364
San Bruno	45,000
South San Francisco	67,078
Mountain View	82,272
Redwood City	85,217
<b>San Mateo</b>	<b>103,000</b>
Santa Clara	128,717

**Table 25: Ranking of Jurisdictions by Budget**

Jurisdiction	FY20/21 Budget
San Bruno	\$ 88,796,319
South San Francisco	\$ 117,921,876
Mountain View	\$ 144,052,000
<b>San Mateo</b>	<b>\$ 194,933,136</b>
San Carlos	\$ 282,850,054
Redwood City	\$ 292,624,942

Jurisdiction	FY20/21 Budget
Santa Clara	\$ 1,049,058,554

**Table 26: Ranking of Jurisdictions by Workforce Size**

Jurisdiction	FY20/21 FTE
San Bruno	265.00
San Carlos	469.00
Redwood City	567.66
South San Francisco	578.29
<b>San Mateo</b>	<b>611.25</b>
Mountain View	637.75
Santa Clara	1,132.75

Based on the data shown in the previous tables, the City of San Mateo falls in the middle in terms of population, budget, and size of workforce when compared to the surveyed jurisdictions.

## 2 REGENCY FACTOR

While the above comparative information can provide some perspective when comparing San Mateo's fees with surveyed jurisdictions, other key factors to consider are when a jurisdiction's fee schedule was last updated and when the last comprehensive analysis was completed. The following tables detail when each surveyed jurisdiction last conducted a fee analysis and when they last updated their fee schedule.

**Table 27: Last Fee Study Conducted**

Jurisdiction	Response
Mountain View	2019
Redwood City	2017
San Bruno	2019
San Carlos	2017
Santa Clara	2019
South San Francisco	Ongoing

**Table 28: Last Fee Schedule Update**

Jurisdiction	Response
Mountain View	2019
Redwood City	2020
San Bruno	2019
San Carlos	2020
Santa Clara	2020
South San Francisco	Ongoing

All six surveyed jurisdictions have conducted or are conducting a fee study within the last three years. All surveyed jurisdictions have also updated their fee schedules within the last year.

It is important to note that even though jurisdictions may have conducted fee studies, fees are not always adopted at full cost recovery. The comparative results will only show the adopted fees for the surveyed jurisdictions, not necessarily the full cost associated with the comparable service.

### 3 ADDITIONAL FACTORS

Along with keeping the statistics outlined in the previous sections in mind, the following issues should also be noted regarding the use of market surveys in the setting of fees for service:

- Each jurisdiction and its fees are different, and many are not based on the actual cost of providing services.
- The same “fee” with the same name may include more or less tasks or sub-activities. In addition, jurisdictions provide varying levels of service and have varying levels of costs associated with services provided such as staffing levels, salary levels, indirect overhead costs, etc.

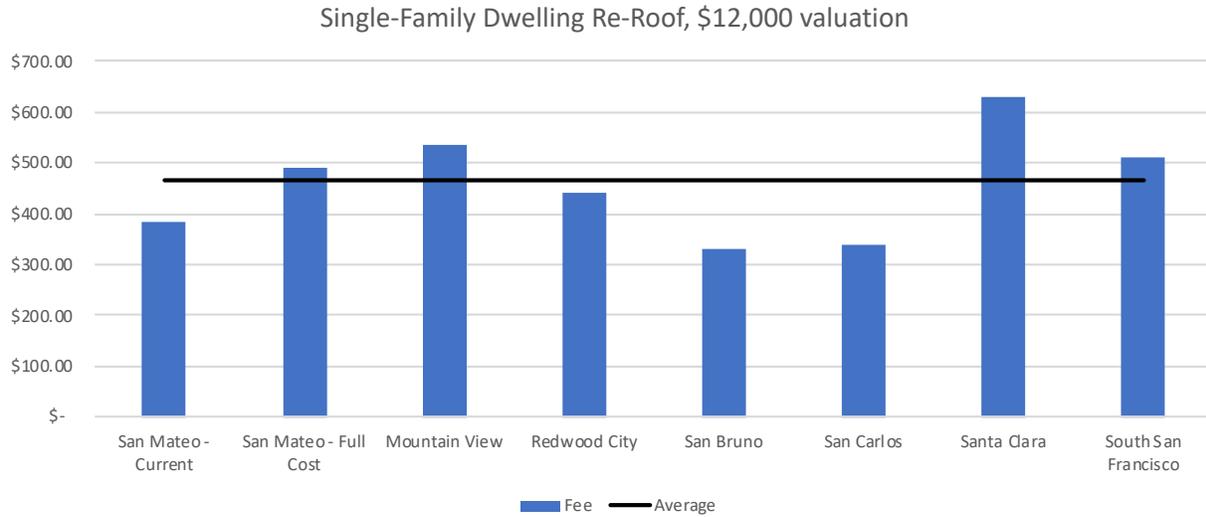
In addition to the issues noted, market surveys can also run the risk of creating a confusing excess of data that will obscure rather than clarify policy issues. Because each jurisdiction is different, the Matrix Consulting Group recommends that the information contained in the market comparison of fees be used as a secondary decision-making tool, rather than a tool for establishing an acceptable price point for services.

### 4 COMPARATIVE SURVEY RESULTS

As part of this study, the project team conducted a survey of how the City’s current user fees and calculated full cost compare to other similarly sized and regionally located jurisdictions. The following subsections provide a comparative look at several fee-related services provided by the City.

#### 1 Single Family Re-Roof

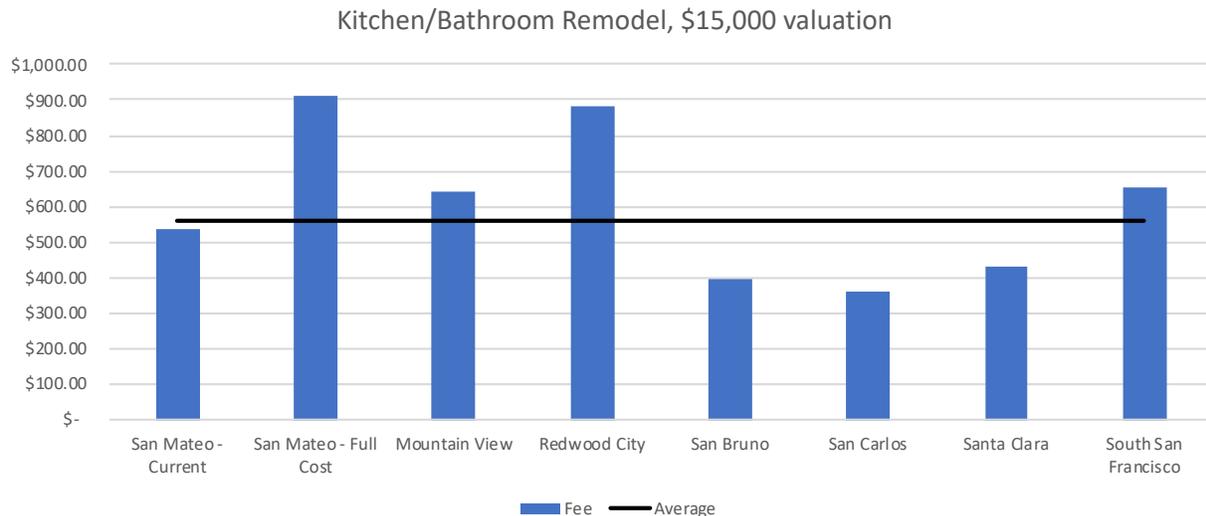
The Building department currently charges a fee of \$382 to permit a single family re-roof with a construction value of \$12,000. As part of this study, the project team calculated the full cost for this service to be \$490. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



The City’s current fee is below the jurisdictional average of \$464 for a Single Family Re-Roof. The full cost is slightly above the average, and lower than the fees charged by Mountain View, Santa Clara, and South San Francisco.

## 2 Kitchen / Bathroom Remodel

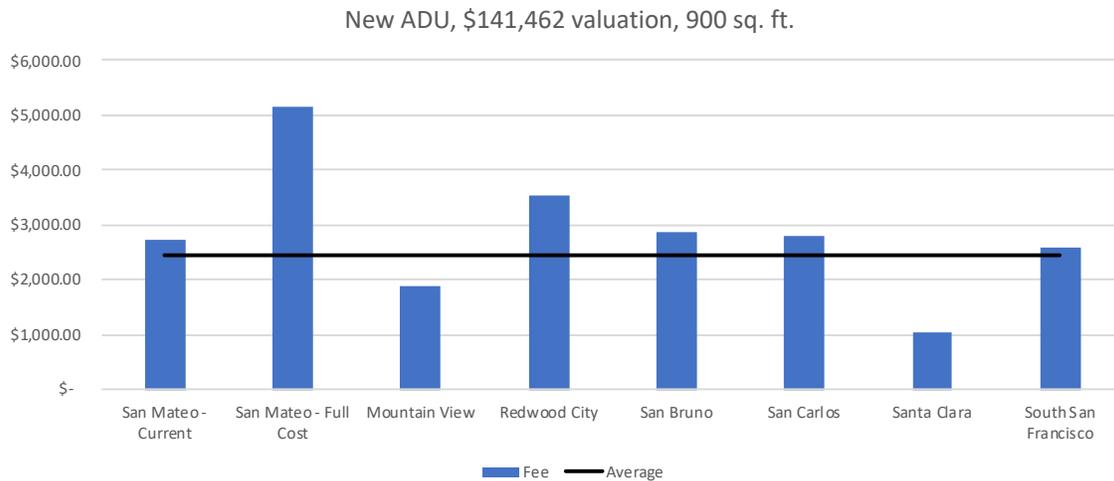
The Building department currently charges a fee of \$539 to plan check and permit a kitchen or bathroom remodel valued at \$15,000. As part of this study, the project team calculated the full cost for this service to be \$910. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



The City’s current fee is just below the jurisdictional average of \$562, and above the fees charged by San Bruno, San Carlos, and Santa Clara. The full cost calculated is higher than every jurisdiction surveyed, with Redwood City having the next closest fee. Mountain View, San Bruno, and San Carlos’s fees are valuation based, while Redwood City, Santa Clara, and South San Francisco charge a flat fee for kitchen / bathroom remodels.

### 3 Additional Dwelling Unit (ADU)

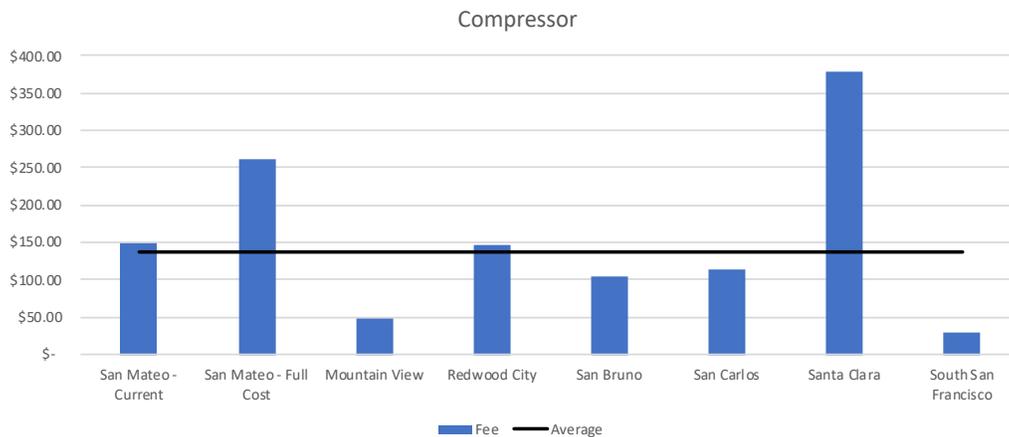
The Building department currently charges a fee of \$2,734 to plan check and permit a 900 square foot ADU with a construction value of \$141,462. As part of this study, the project team calculated the full cost for this service to be \$5,147. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



The City’s current fee is just higher than the jurisdictional average of \$2,451, and above the fees charged by Mountain View and Santa Clara. The full cost calculated is higher than every jurisdiction surveyed, with Redwood City having the next closest fee.

### 4 Compressor

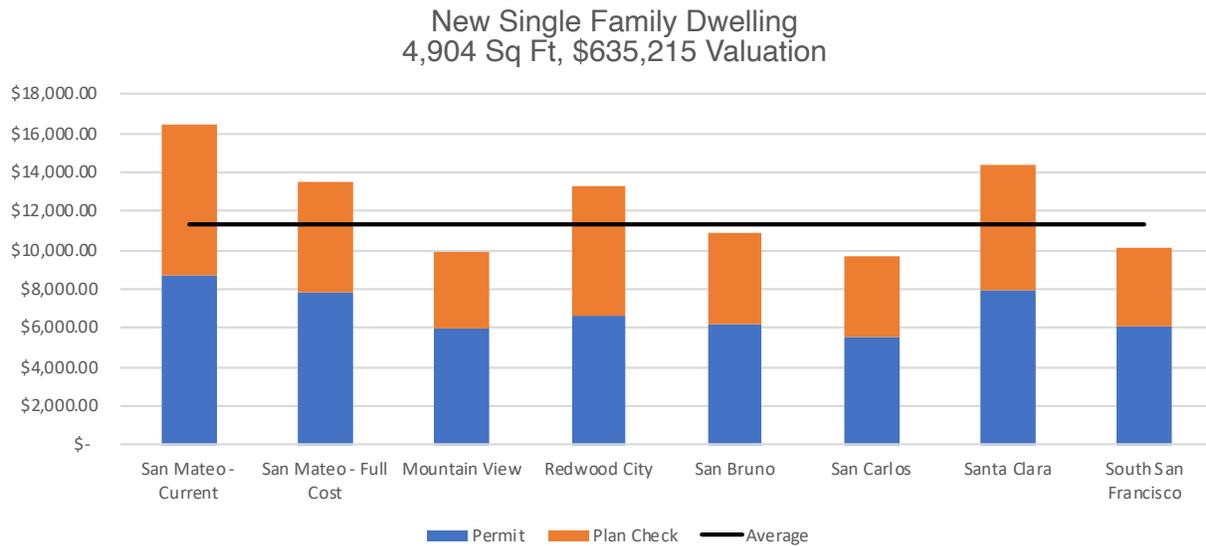
The Building department currently charges a fee of \$150 to plan check and permit a compressor. As part of this study, the project team calculated the full cost for this service to be \$263. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



The City’s current fee just higher than the jurisdictional average of \$137, while the full cost is higher than all other jurisdictions except Santa Clara.

### 5 New Single Family Dwelling

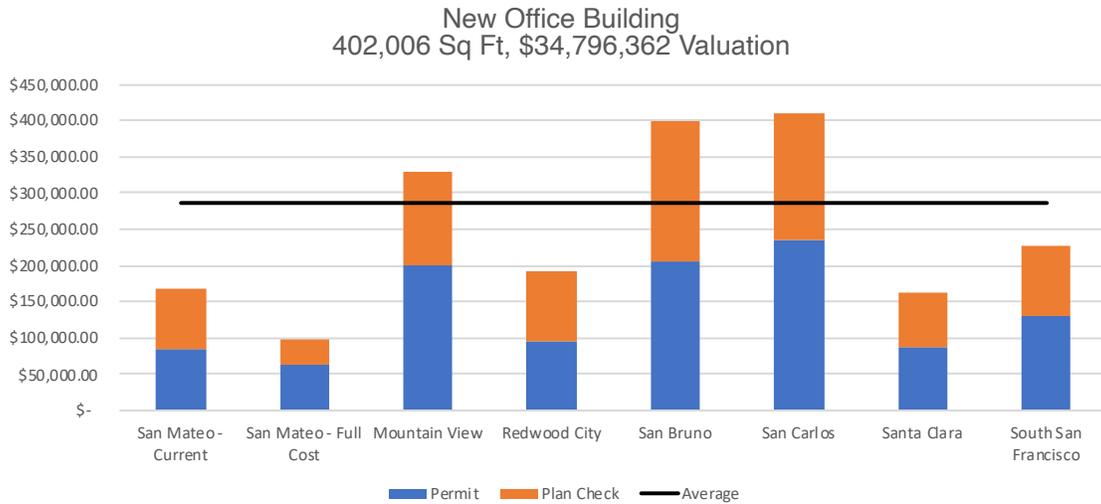
The Building department currently charges a fee of \$8,682 to plan check and permit a 4,904 square foot New Single Family Dwelling with a construction valuation of \$635,215. As part of this study, the project team calculated the full cost for this service to be \$7,781. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



The City’s current fee is above the jurisdictional average of \$11,348, and the highest fee of all surveyed jurisdictions. The full cost calculated is also above the average, but in line with Redwood City, and just below Santa Clara.

### 6 New Office Building

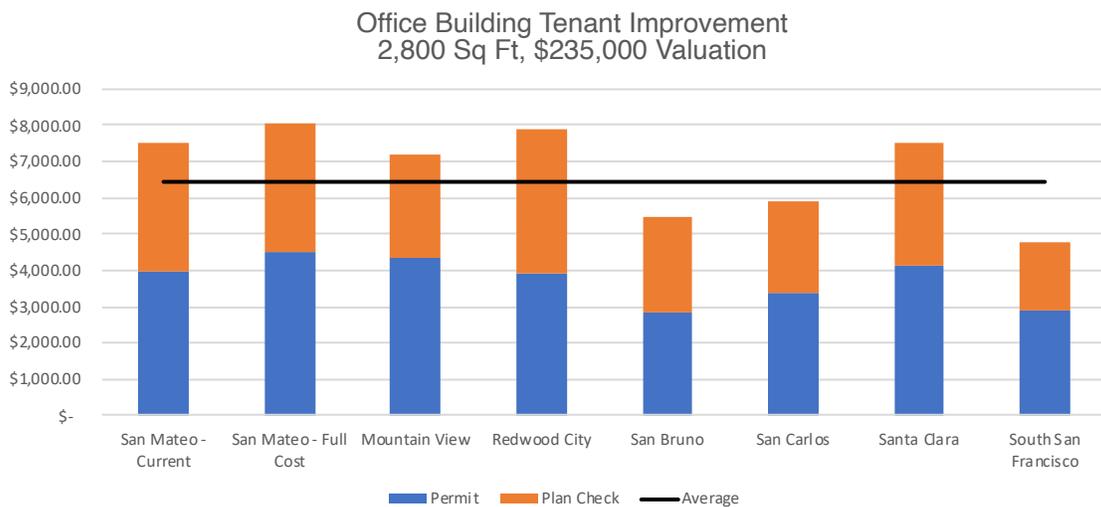
The Building department currently charges a fee of \$167,566 to plan check and permit a 402,006 square foot New Office Building with a construction valuation of \$34,796,362. As part of this study, the project team calculated the full cost for this service to be \$98,982. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



Both the City’s current fee and calculated full cost are below the jurisdictional average of \$287,000. San Bruno and San Carlos have the highest fees surveyed, while Santa Clara’s fee is in-line with the City’s current fee. It is important to note that jurisdictions such as Mountain View, San Bruno, and San Carlos have a valuation table, which increases permit and plan check fees exponentially beyond the \$1 million range. As such, permit fees in those jurisdictions are significantly higher compared to other jurisdictions with a more expanded valuation table.

## 7 Office Building Tenant Improvement

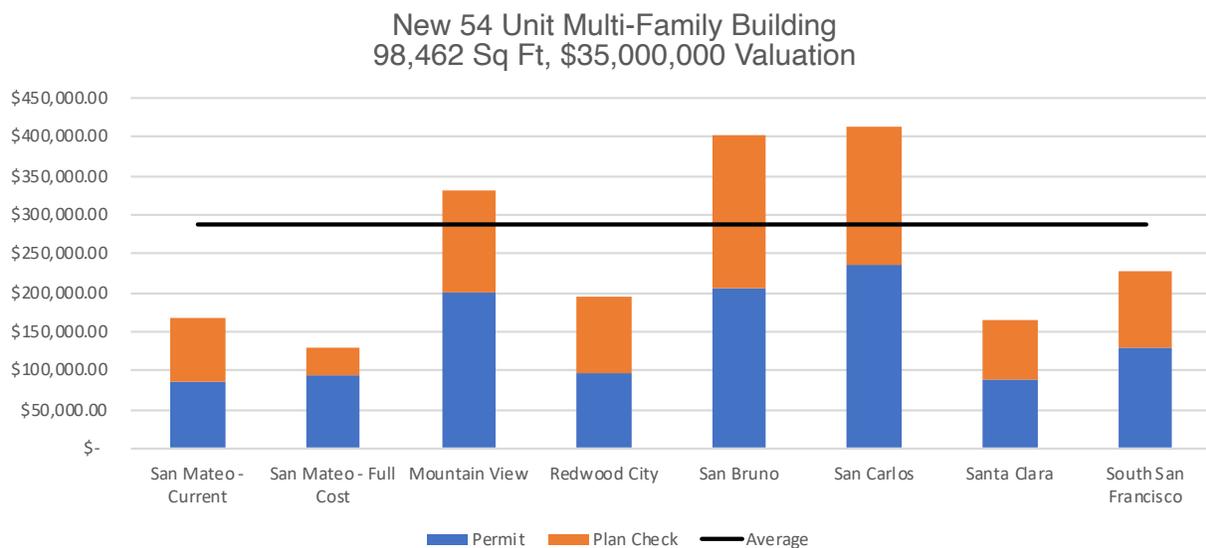
The Building department currently charges a fee of \$7,506 to plan check and permit a 2,800 square foot Office Building tenant improvement with a construction valuation of \$235,000. As part of this study, the project team calculated the full cost for this service to be \$8,071. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



The City’s current fee is in-line with the fees charged by Santa Clara and are above the jurisdictional average of \$6,462. The full cost calculated is just above the fees charged by Redwood City, and higher than all other surveyed jurisdictions.

### 8 New Multi-Family Building

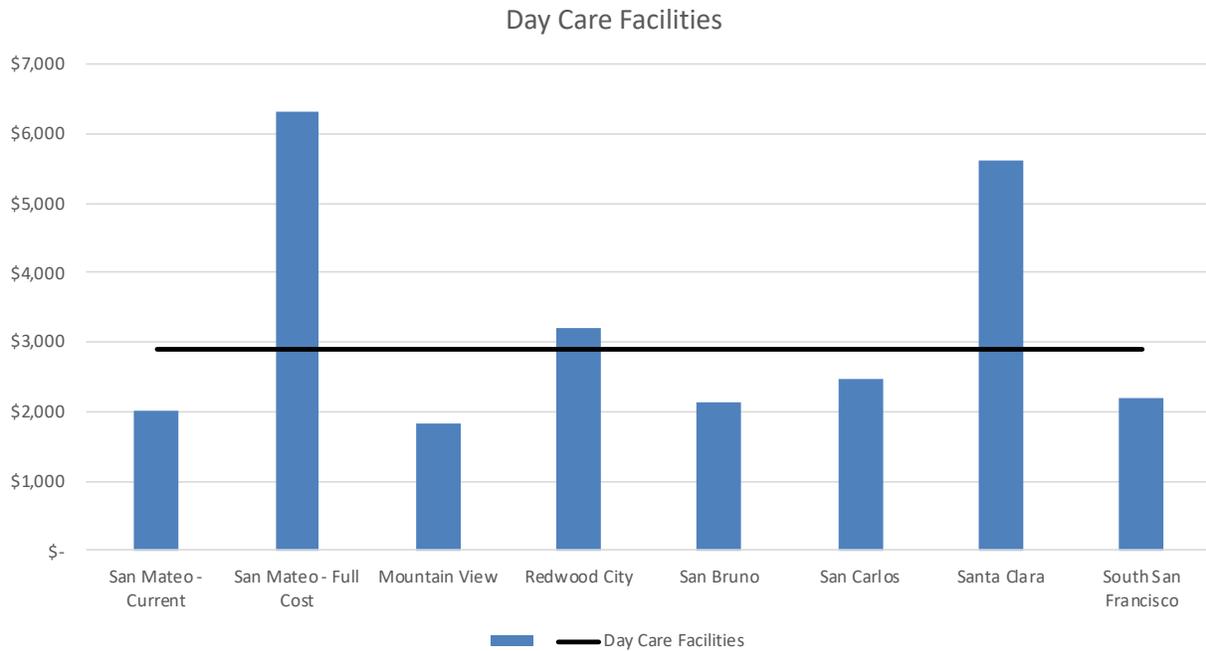
The Building department currently charges a fee of \$168,343 to plan check and permit a 98,462 square foot, New 54 Unit Multi-Family Building with a construction valuation of \$35 million. As part of this study, the project team calculated the full cost for this service to be \$130,097. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



Both the City’s current fee and calculated full cost are well below the jurisdictional average of \$288,475. The current fee is in-line with the fees charged by the City of Santa Clara; however, the full cost is lower than all surveyed jurisdictions. Similar to the New office, the reasoning for the large fees in Mountain View, San Bruno, and San Carlos is due to their valuation tables stopping at \$1 million and permit and plan check fees being calculated at an exponential rate. This means that a project of this large valuation is almost paying 30x the fee based upon the \$1 million permit fee.

### 9 Day Care Facilities – Special Use Permit

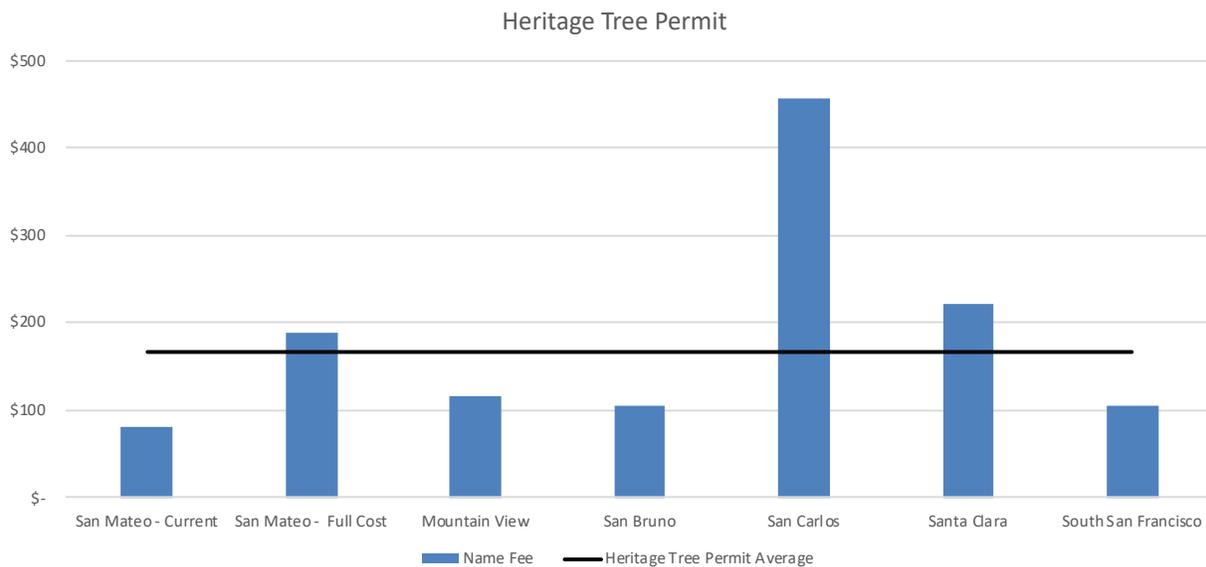
The Planning department currently charges a fee of \$2,000 to approve Day Care Facility Special Use Permits. As part of this study, the project team calculated the full cost for this service to be \$6,321. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



The City’s current fee is below the jurisdictional average of \$2,900, and in-line with the fees charged by San Bruno and South San Francisco. The total cost calculated is above the average and closest to the fee charged by Santa Clara (\$5,628).

### 10 Heritage Tree Permit

The Parks and Recreation department currently charges a fee of \$80 to approve a Heritage Tree Permit. As part of this study, the project team calculated the full cost for this service to be \$189. The following graph shows how the department’s current fee and full cost compare to the surveyed jurisdictions.



The City's current fee is the lowest of surveyed jurisdictions, with the full cost being slightly higher than the jurisdictional average of \$167. Redwood City does not charge a fee for this service and has not been included in the above graph.

## 5 SUMMARY

Based upon the comparative survey, San Mateo's full cost is generally higher than current fees charged by the surveyed jurisdictions, other than for new construction projects. However, the results of this survey only show the fees adopted by council, not the cost recovery policy decisions for departments or a jurisdiction. Additionally, the City of San Mateo has its development services in an enterprise fund ensuring that there must be cost recovery compared to other jurisdictions such as Santa Clara or Redwood City where development services is part of the General Fund and therefore services are easier to subsidize. As such, the results of this survey should be used as a secondary decision-making tool.

## 10. Cost Recovery Considerations

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The following sections provide guidance regarding how and where to increase fees, determining annual update factors, and developing cost recovery policies and procedures.

### 1 FEE ADJUSTMENTS

This study has documented and outlined on a fee-by-fee basis where the City is under and over collecting for its fee-related services. City and Department management will now need to review the results of the study and adjust fees in accordance with Departmental and City philosophies and policies. The following dot points outline the major options the City has in adjusting its fees.

- **Over-Collection:** Upon review of the fees that were shown to be over-collecting for costs of services provided, the City should reduce the current fee to be in line with the full cost of providing the service.
- **Full Cost Recovery:** For fees that show an under-collection for costs of services provided, the City may decide to increase the fee to full cost recovery immediately.
- **Phased Increase:** For fees with significantly low cost recovery levels, or which would have a significant impact on the community, the City could choose to increase fees gradually over a set period of time.

The City will need to review the results of the fee study and associated cost recovery levels and determine how best to adjust fees. While decisions regarding fees that currently show an over-recovery are fairly straight forward, the following subsections, provide further detail on why and how the City should consider either implementing Full Cost Recovery or a Phased Increase approach to adjusting its fees.

#### 1 Full Cost Recovery

Based on the permit or review type, the City may wish to increase the fee to cover the full cost of providing services. Certain permits may be close to cost recovery already, and an increase to full cost may not be significant. Other permits may have a more significant increase associated with full cost recovery.

Increasing fees associated with permits and services that are already close to full cost recovery can potentially bring a Department's overall cost recovery level higher. Often, these minimal increases can provide necessary revenue to counterbalance fees which are unable to be increased.

The City should consider increasing fees for permits for which services are rarely engaged to full cost recovery. These services often require specific expertise and can involve more complex research and review due to their infrequent nature. As such, setting these fees at full cost recovery will ensure that when the permit or review is requested, the City is recovering the full cost of its services.

## **2 Phased Increases**

Depending on current cost recovery levels some current fees may need to be increased significantly in order to comply with established or proposed cost recovery policies. Due to the type of permit or review, or the amount by which a fee needs to be increased, it may be best for the City to use a phased approach to reaching their cost recovery goals.

As an example, you may have a current fee of \$200 with a full cost of \$1,000, representing 20% cost recovery. If the current policy is 80% cost recovery, the current fee would need to increase by \$600, bringing the fee to \$800, in order to be in compliance. Assuming this particular service is something the City provides quite often, and affects various members of the community, an instant increase of \$600 may not be feasible. Therefore, the City could take a phased approach, whereby it increases the fee annually over a set period until cost recovery is achieved.

Raising fees over a set period of time not only allows the City to monitor and control the impact to applicants, but also ensure that applicants have time to adjust to significant increases. Continuing with the example laid out above, the City could increase the fee by \$150 for the next four years, spreading out the increase. Depending on the desired overall increase, and the impact to applicants, the City could choose to vary the number of years by which it chooses to increase fees. However, the project team recommends that the City not phase increases for periods greater than five years, as that is the maximum window for which a comprehensive fee assessment should be completed.

## **2 ANNUAL ADJUSTMENTS**

Conducting a comprehensive analysis of fee-related services and costs annually would be quite cumbersome and costly. The general rule of thumb for comprehensive fee analyses is between three and five years. This allows for jurisdictions to ensure they account for organizational changes such as staffing levels and merit increases, as well as process efficiencies, code or rule changes, or technology improvements.

Developing annual update mechanisms allow jurisdictions to maintain current levels of cost recovery, while accounting for increases in staffing or expenditures related to permit services. The two most common types of update mechanisms are Consumer Price Index

(CPI) and Cost of Living Adjustment (COLA) factors. The following points provide further detail on each of these mechanisms.

- **COLA / Personnel Cost Factor:** Jurisdictions often provide their staff with annual salary adjustments to account for increases in local cost of living. These increases are not tied to merit or seniority, but rather meant to offset rising costs associated with housing, gas, and other livability factors. Sometimes these factors vary depending on the bargaining group of a specific employee. Generally speaking, these factors are around two or three percent annually.
- **CPI Factor:** A common method of increasing fees or cost is to look at regional cost indicators, such as the Consumer Price Index. These factors are calculated by the Bureau of Labor Statistics, put out at various intervals within a year, and are specific to states and regions.

The City should review its current options internally (COLA) as well as externally (CPI) to determine which option better reflects the goals of departments and the City. If choosing a CPI factor, the City should outline which particular CPI should be used, including specific region, and adoption date. If choosing an internal factor, again, the City should be sure to specify which factor if multiple exist.

### 3 POLICIES AND PROCEDURES

This study has identified the permit areas where the City is under-collecting the cost associated with providing services. This known funding gap is therefore being subsidized by other City revenue sources. Based on the information provided in this report, at a global or per unit level, the City may not have any issues with using non-fee related revenue to account for the current deficit.

Development of cost recovery policies and procedures will serve to ensure that current and future decision makers understand how and why fees were determined and set, as well as provide a road map for ensuring consistency when moving forward. The following subsections outline typical cost recovery levels and discuss the benefits associated with developing target cost recovery goals and procedures for achieving and increasing cost recovery.

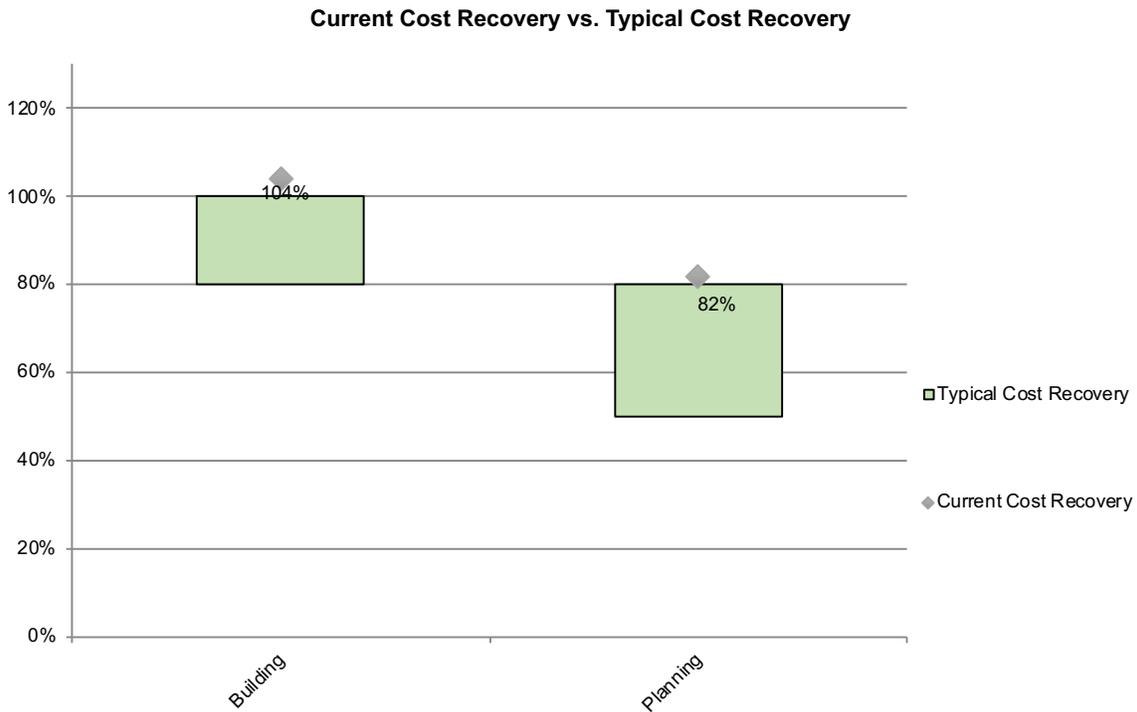
#### 1 Typical Cost Recovery

The Matrix Consulting Group has extensive experience in analyzing local government operations across the United States and has calculated typical cost recovery levels. The table on the following page outlines these cost recovery levels by major department.

**Table 29: Typical Cost Recovery Levels by Department**

Department	Typical Cost Recovery
Building	80 – 100%
Planning	50 – 80%

Information presented in the table above is based on the Matrix Consulting Group’s experience in analyzing local government’s operations across the United States and in California and reflects *typical* cost recovery levels observed by local adopting authorities. The following graph depicts how the City of San Mateo compares to industry cost recovery standards.



Both Planning and Building’s cost recovery is just above the level that is typically seen in other jurisdictions.

## 2 Development of Cost Recovery Policies and Procedures

The City should review the current cost recovery levels and adopt a formal policy regarding cost recovery. This policy can be general in nature and can apply broadly to the City as a whole, or to each department and division specifically. A department specific cost recovery policy would allow the City to better control the cost recovery associated with different types of services being provided and the community benefit received.