

TO: James L. App, City Manager
FROM: Ron Whisenand, Community Development Director
SUBJECT: AB 1600 Development Impact Fee Update:
Public Facilities Proforma Analysis
DATE: May 19, 2009

Needs: For the City Council to consider an AB 1600 fee update contract supplement for facility depreciation and maintenance cost analysis.

- Facts:**
1. On February 17, 2009, the Council authorized a contract with David Taussig and Associates to update the AB 1600 Fee Justification Study.
 2. The Fee Justification Study lists needed public facilities in eight categories including transportation, storm drains, bike paths, emergency services, police, government facilities, parks-recreation and library facilities.
 3. The purpose of facility fees is to ensure that future residential, commercial and industrial development pays its proportionate share of public facilities needed to accommodate that development.
 4. The Fee Justification Study allocates costs of needed facilities between new development and the community.
 5. Placement of new infrastructure adds significant maintenance and depreciation costs that must be included in budget and financial planning.
 6. AB 1600 studies typically do not include analysis of facility maintenance and depreciation costs, but should to fully evaluate and consider full life-cycle costs of facilities. Consequently, the City asked David Taussig and Associates to prepare facility cash flow proformas (similar to the water rate proforma) for the purposes of identifying and linking facility planning, financing, maintenance and budgeting.

**Analysis &
Conclusion:**

In the process of updating the City's Development Impact Fees, each department will re-visit lists of infrastructure facilities needed to support development through general plan build-out. Further, it is important that long-range budgets and financial plans guide the timing of facility construction/replacement, determine the resources needed to maintain them, and establish community/development proportionate shares of costs.

The Taussig proposal (attached) includes two phases of work. The first phase of work establishes the framework for financial planning; it is presented for consideration tonight. The second phase inventories and values existing infrastructure; this work can be completed by staff.

The City will continue to engage the HBA in these efforts so that a demonstration of development's share of new infrastructure, and its share of the use of existing infrastructure, is clear.

Policy

Reference: 2003 General Plan.

Fiscal

Impact: When a fixed asset is constructed, its original value should be amortized over its useful economic life, and the resulting depreciation values recorded as current expenses.

This contract supplement will be funded from the same sources as the AB 1600 update.

- Options:**
- a. Authorize the City Manager to execute a contract supplement with David Taussig & Associates, not to exceed the amount of \$40,000, for development of facility depreciation and maintenance proformas and adopt Resolution No. 09-xxx appropriating these funds.
 - b. That the City Council amend, modify or reject the above option.

Attachments: (2)

1. Taussig Proposal Dated 4-8-09
2. Resolution

EXHIBIT A – SCOPE OF WORK

PUBLIC FACILITIES NEEDS LIST PROFORMA ANALYSIS FOR THE CITY OF EL PASO DE ROBLES

David Taussig and Associates, Inc. ("DTA") shall assist the City of El Paso de Robles (the "City") in the preparation of a cash flow proforma for each major infrastructure category of the City's Public Facilities Needs List (the "Needs List") for long term budget and financial planning purposes. The intent of this engagement will be to ensure that the financial goals and objectives of City are achieved in a manner that is consistent with the City's public financing policies.

DTA's specific objectives in undertaking this engagement shall be to (1) construct a baseline proforma model for each major infrastructure category on the Needs List to identify applicable revenue sources and expense factors, (2) consult with City department heads and/or engineering staff or equivalent to ascertain and understand in-house cost data for existing similar public infrastructure and equipment, (3) create an inventory list and assign values to the City's existing public infrastructure, (4) confirm the required public capital facilities costs and construction phasing for the public improvements within the appropriate City selected timeframe, (5) confirm the future population, dwelling unit, land use and employment projections within the appropriate City selected timeframe, and (6) incorporate the information obtained in items (2) thru (5) above into the applicable baseline proforma model to construct a comprehensive proforma for each major infrastructure category on the Needs List.

The following two phases of tasks will be undertaken by DTA to achieve the six objectives listed above.

PHASE 1

PROFORMA ANALYSIS MODEL BUILDING

Under Phase 1, DTA will develop a baseline proforma for each major infrastructure category on the Needs List. Each baseline proforma will serve as a model for later implementation in Phase 2 of the Scope or Work. The Phase 1 tasks to be undertaken by DTA shall include:

Task 1 Revenue Assumption Analysis

DTA shall determine potential revenue sources and develop multipliers for each major infrastructure category on the Needs List. Revenue sources will include, but are not limited to:

- User Fees
- General Fund Revenues
- Development Impact Fees

- Federal and State Grants and Loans

This task will involve an analysis of the City's current operating budget for selected revenue categories

Task 2 Costs Assumption Analysis

DTA shall determine expenses and develop multipliers for each major infrastructure category on the Needs List. Expenses will include, but are not limited to:

- Operating Costs (including depreciation and maintenance)
- General Administrative Costs
- City-wide Soft Costs

This task includes analysis of the City's current operating budget, as well as relevant City documents, such as service area studies prepared by the police and fire departments. When information from the City is insufficient and/or unavailable, DTA will quantify the proposed maintenance costs (e.g., maintenance costs per road lane mile, maintenance costs per park acre) utilizing comparable cost information from DTA's database of recently completed fiscal studies in order to determine the proposed public maintenance cost multipliers.

Task 3 Review and Confirm Revenue Sources and Cost Estimates

DTA will work closely with City staff and/or City consultants to review and discuss revenue sources and operation costs for each major infrastructure category on the Needs List. DTA will prepare general cost estimates for the public infrastructure for each major infrastructure category on the Needs List. In order to prepare the cost estimates, DTA's engineering and technical staff will:

- Examine major revenue sources available to fund existing City infrastructure as provided by City staff;
- Consult with City department head and/or engineering staff or equivalent to ascertain and understand in-house cost data for existing public infrastructure and equipment;
- Apply appropriate inflation and cost of living escalators to cost factors;
- Review and/or refine existing cost factors.

Task 4 Develop Baseline Proforma

This task involves the preparation of a baseline proforma for each major infrastructure category on the Needs List, incorporating the information obtained under Tasks 1 thru 3, above. Each proforma will contain the appropriate revenue and operating expense factors required for the comprehensive proforma analysis discussed in Phase 2, below.

Task 5 Meetings to Discuss Tasks 1 - 4

Attend up to two (2) meetings with City, City Council and staff, and various consultants,

as well as other parties, to present and/or discuss the tasks performed in Phase 1.

PHASE 2

PROFORMA ANALYSIS IMPLEMENTATION

Under Phase 2, DTA will create an inventory list and assign values to the City's existing public infrastructure and prepare a comprehensive proforma for each major infrastructure category on the Needs List to summarize the development costs and projected revenues associated with each major infrastructure category within the appropriate City selected timeframe. The Phase 2 tasks to be undertaken by DTA shall include:

Task 6 Evaluate Inventory of Existing Public Infrastructure

Research and evaluate the inventory of existing public infrastructure for each major infrastructure category on the Needs List. This will involve the following:

- Review applicable construction permit records provided by City staff regarding existing infrastructure improvement quantities and generate list of applicable public improvements;
- For each public improvement identify, based on construction permit records or similar documents available from City staff, i) construction cost, ii) date public improvement was first put into service, and iii) useful life of public improvement upon completion;
- Review maintenance records provided by City staff;
- Review and discuss adequacy of information with City staff and their consultants to determine if additional on-site research is necessary to evaluate public infrastructure.

Task 7 Summarize Public Infrastructure Inventory and Determine Valuation

Prepare a matrix table which provides an inventory of the public infrastructure for each major infrastructure category on the Needs List as determined under Task 6 above. Determine estimated value for all public infrastructure based on generally accepted accounting principles. Estimated values will incorporate depreciation factors and replacement costs assuming that applicable maintenance records are provided.

Task 8 Confirm Inventory and Costs of Future Public Infrastructure

Review the future public infrastructure requirements for each major infrastructure category on the Needs List. DTA shall base its analysis on data received from the City and shall not conduct any independent research to verify the accuracy of such data. This will involve the following:

- Review data provided by City regarding future population, dwelling unit, land use and employment projections within the appropriate City selected timeframe;

- Review data provided by City regarding recommended future infrastructure improvements to be funded for each major infrastructure category on the Needs List within the appropriate City selected timeframe;
- Review infrastructure phasing schedule provided by City staff;
- Review facilities cost information provided by City staff;
- Meet with City staff and consultants to discuss modifications to phasing and costs.

Task 9 Proforma Implementation

DTA shall prepare a comprehensive proforma for each major infrastructure category on the Needs List incorporating the information obtained in Tasks 6 thru 8 above. Each proforma will analyze the City's existing investment, estimated depreciation, maintenance, operational, and other costs to assist the City with long term budget and financial planning.

Task 10 Identify Funding Alternatives for Capital Costs and Operating Costs

DTA shall determine potential capital and operating costs financing shortfalls to the City and identify funding alternatives to address such financing shortfalls (if necessary). This will involve the following

- Present a list and description of various public financing mechanisms and fee programs potentially available to City (aside from the City's development impact fee program) to finance the public facilities capital and operating costs shortfall determined in proforma analyses prepared in Task 9 above;
- Review improvements and services proposed to be financed. For example, evaluate eligibility under the Mello-Roos Community Facilities Act of 1982, redevelopment and other public finance program regulations, as well as under the City's policy guidelines;
- Prepare a list of alternative federal and state funding sources potentially available to support the financing shortfalls.

Task 11 Federal and State Grants and Loans

Assist City with the preparation of applications to and coordination with federal and state agencies for any available grants and loans. Upon request, DTA can determine which programs promulgated under the American Recovery and Redevelopment Act best fit the City's funding needs, prepare funding applications, and work with DTA's partners in Sacramento to optimize the City's ability to obtain stimulus funding.

Task 12 Meeting to Discuss Tasks 6 - 11

Attend additional meetings with City, City Council and staff, and various consultants, as well as other parties, to present and/or discuss the tasks performed in Phase 2.

EXHIBIT B – PROPOSED COMPENSATION

PUBLIC FACILITIES NEEDS LIST PROFORMA ANALYSIS FOR THE CITY OF EL PASO DE ROBLES

PHASE 1

Fees for the preparation of a baseline proforma for each major infrastructure category on the Needs List would be charged on a time and materials basis according to the hourly fee schedule listed in the Rate Table below. For purposes of developing a budget for Phase 1, it is assumed that a baseline proforma will be prepared for the following eight major infrastructure categories:

- i) Transportation Facilities
- ii) Drainage Facilities
- iii) Bike and Pedestrian Path Facilities
- iv) Public Safety Facilities (Police)
- v) Public Safety Facilities (Fire)
- vi) General Government Facilities
- vii) Park and Recreation Facilities
- viii) Library Facilities

The maximum fee for performing the tasks identified in the Phase 1 Scope of Work shall not exceed a total of \$35,000, subject to the limitations identified below. The cost of having a DTA Vice President (Shayne Morgan or Steve Runk) attend two meetings in El Paso de Robles shall not exceed an additional \$5,000.

David Taussig & Associates, Inc. Year 2009 Rate Table*	
President	\$270/Hour
Vice President	\$230/Hour
Manager	\$200/Hour
Senior Associate	\$180/Hour
Associate	\$165/Hour
Senior Analyst	\$145/Hour
Financial Analyst	\$125/Hour
Research Assistant	\$105/Hour

** All hourly rates for services apply through December 31, 2009 and are subject to a cost-of-living increase at that time.*

PHASE 2

DTA's proposed compensation for Phase 2 services will be established at the time the City requests such services due to the magnitude of these services (mainly associated with creating an inventory list and establishing values for the existing City public infrastructure) and the uncertainty of what information regarding existing inventory is currently available and easy to access, as needed to accurately complete these services.

GENERAL

On or about the first two weeks of each month during which financial consulting services are rendered hereunder, DTA shall present to City an invoice covering the consulting services performed in the prior month and the reimbursable expenses incurred pursuant to the agreement and exhibits thereto. Such invoices shall be paid by City within thirty (30) days of the date of each invoice. A 1.2% charge may be imposed against accounts which are not paid within 30 days of the date of each invoice.

In addition to fees for services, City will reimburse DTA for travel, photocopying, database services or materials, facsimile and telephone calls, clerical services, and other out-of-pocket expenses, in an amount not to exceed \$2,000.

At City's request, services in addition to those identified in the Scope of Work may be provided if the total fee to complete the tasks selected is less than the maximum amounts stated above. Alternatively, if the selected tasks can be completed for less than the maximum amounts, only the hours actually expended will be billed.

LIMITATIONS

This budget covers only those tasks outlined in the Scope of Work. Additional consulting services beyond those included in the Scope of Work ("Additional Work") may be provided for additional fees if they cause the budget maximum to be exceeded.

For example, the following would be considered Additional Work:

- Work associated with the analysis of alternative capital and operating costs or significant changes in the land development assumptions during the preparation of the proforma analyses
- Additional analyses based on revised assumptions requested by the City
- Attendance at more than two meetings for Phase 1

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RESOLUTION NO. 09-xxx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROPRIATING FUNDS TO PAY FOR SUPPLEMENTAL CONTRACT SERVICES
RELATED TO THE DEVELOPMENT IMPACT FEE UPDATE

WHEREAS, on February 17, 2009, the Council authorized a contract with David Taussig and Associates to update the AB 1600 Fee Justification Study; and

WHEREAS, the updated Fee Justification Study will ensure that future residential, commercial and industrial development pays its proportionate share of public facilities needed to accommodate development; and

WHEREAS, placement of new infrastructure adds significant maintenance and depreciation costs that must be included in budget and financial planning; and

WHEREAS, Taussig and Associates has provided a proposal to prepare facility cash flow proformas for the purposes of incorporating maintenance and depreciation costs into budget and financial planning.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles that a one time appropriation in the amount of \$40,000, evenly distributed, from the Fire Protection Facilities Development Fund Budget Account No. 212-140-5224-125, the Public Facilities Development Fund Budget Account No. 224-140-5224-125 and the City Hall/General Government Facilities Development Fund Budget Account No. 231-140-5224-125 is hereby approved.

ADOPTED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 19th day of May 2009 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Duane Picanco, Mayor

ATTEST:

Cathy M. David, Deputy City Clerk