

5) **Agreement with Willdan Financial Services for an Updated Cost Allocation Plan and User Fee Study.**

Approve and authorize the City Manager to execute a Professional Services Agreement with Willdan Financial Services for a Cost Allocation Plan (CAP) and User Fee Study in an amount not to exceed \$29,875 plus ten percent contingency of \$2,988 as approved by the City Attorney.



## REPORT TO CITY COUNCIL

**To:** Honorable Mayor and Members of the City Council

**From:** Jason Simpson, City Manager

**Prepared by:** Shannon Buckley, Assistant City Manager

**Date:** June 11, 2024

**Subject:** Agreement with Willdan Financial Services for an Updated Cost Allocation Plan and User Fee Study.

### **Recommendation**

Approve and authorize the City Manager to execute a Professional Services Agreement with Willdan Financial Services for a Cost Allocation Plan (CAP) and User Fee Study in an amount not to exceed \$29,875 plus ten percent contingency of \$2,988 as approved by the City Attorney.

### **Background**

An updated CAP and User Fee Study and analysis is recommended every five years to address a growing city's evolving needs. On May 7, 2024, the City requested a proposal from Willdan Financial Services to provide an updated CAP and User Fee Study. The City engaged Willdan in 2015 to perform a CAP, User Fee Study, and Development Impact Fee Study, which was adopted in 2018.

### **Discussion**

A Cost Allocation Plan is a comprehensive study that determines the fair and equitable allocation of the cost of the City's central administrative functions: City Administration, Finance, Human Resources, City Clerk, and City Attorney. The study will analyze each function, determine its cost, and develop the appropriate allocation bases necessary to distribute costs to the receiving operating departments within the City. The City employs a Cost Allocation Plan to spread administrative costs, but needs updating. A User Fee Study is conducted to accurately, fairly, and reasonably determine the total cost for City departments to provide services to the individuals and businesses within the community, such as plan checks, inspection, permitting, and other development-related services. As part of a general cost recovery strategy, local governments adopt user fees to fund programs and services that provide limited or no direct benefit to the community. As cities struggle to maintain service levels and demand variability, they have become

increasingly aware of subsidies provided by the General Fund and have implemented cost-recovery targets.

Unlike most revenue sources, cities have more control over the user fees they charge to recover costs or the subsidies they can institute. The recent trend for municipalities is to update their fee schedules to reflect the actual costs of certain public services primarily benefitting users. User Fees recover costs associated with providing specific services benefitting the user, reducing the use of General Fund monies for such purposes. In addition to collecting the direct cost of labor and materials associated with processing and administering user services, it is common for local governments to recover support costs. Support costs relate to a local government's central service departments that are properly allocable to the local government's operating departments. Central services support cost allocations were derived from the City's Cost Allocation Plan. As labor effort and costs associated with the provision of services fluctuate over time, a significant element in the development of any fee schedule is its flexibility to remain current. Approval of the fee study will not constitute approval of any new fees. The City Council must separately approve any new or increased fees that the fee study may recommend following appropriate notice and hearing as requirements.

**Fiscal Impact**

Funds are budgeted in the FY23-24 Annual Operating Budget.

**Attachments**

Attachment 1 – Willdan Professional Services Agreement

Attachment 2 – Proposal LE Cap User Fee

## **AGREEMENT FOR PROFESSIONAL SERVICES**

### **WILLDAN FINANCIAL SERVICES**

#### ***COST ALLOCATION PLAN AND USER FEE STUDY UPDATE***

This Agreement for Professional Services (the "Agreement") is made and entered into as of May 28, 2024, by and between the City of Lake Elsinore, a municipal corporation ("City"), and Willdan Financial Services, a Corporation ("Consultant").

#### **RECITALS**

A. The City has determined that it requires the following professional services:

Update the Cost Allocation Plan and User Fee Study

B. Consultant has submitted to City a proposal, dated May 16, 2024, attached hereto as Exhibit A ("Consultant's Proposal") and incorporated herein, to provide professional services to City pursuant to the terms of this Agreement.

C. Consultant possesses the skill, experience, ability, background, certification, and knowledge to perform the services described in this Agreement on the terms and conditions described herein.

D. City desires to retain Consultant to perform the services as provided herein, and Consultant desires to provide such professional services as set forth in this Agreement.

#### **AGREEMENT**

1. Scope of Services. Consultant shall perform the services described in Consultant's Proposal (Exhibit A). Consultant shall provide such services at the time, place, and in the manner specified in Consultant's Proposal, subject to the direction of the City through its staff that it may provide from time to time.

2. Time of Performance.

a. Time of Essence. Time is of the essence in the performance of this Agreement. The time for completion of the professional services to be performed by the Consultant is an essential condition of this Agreement. Consultant shall prosecute regularly and diligently the professional services contemplated pursuant to this Agreement according to the agreed upon performance schedule in Consultant's Proposal (Exhibit A).

b. Performance Schedule. Consultant shall commence the services pursuant to this Agreement upon receipt of a written notice to proceed and shall perform all services within the time period(s) established in the Consultant's Proposal (Exhibit A). When requested by the Consultant, extensions to the time period(s) specified may be approved in writing by the City Manager.

c. Term. The term of this Agreement shall commence upon execution of this Agreement and shall continue until the services and related work are completed in accordance with the Consultant's Proposal (Exhibit A).

3. Compensation. Compensation to be paid to Consultant shall be in accordance with the fees set forth in Consultants' Proposal (Exhibit A), which is attached hereto and incorporated herein by reference. In no event shall Consultant's compensation exceed Twenty-Nine Thousand Eight Hundred Seventy-Five dollars (\$29,875.00) without additional written authorization from the City. Notwithstanding any provision of the Consultant's Proposal to the contrary, out-of-pocket expenses set forth in Exhibit A shall be reimbursed at cost without an inflator or administrative charge. Payment by the City under this Agreement shall not be deemed a waiver of defects, even if such defects were known to the City at the time of payment.

4. Method of Payment. Consultant shall promptly submit billings to the City describing the services and related work performed during the preceding month to the extent that such services and related work were performed. Consultant's bills shall be segregated by project task, if applicable, such that the City receives a separate accounting for work done on each individual task for which Consultant provides services. Consultant's bills shall include a brief description of the services performed, the date the services were performed, the number of hours spent and by whom, and a description of any reimbursable expenditures. City shall pay the Consultant no later than forty-five (45) days after receipt of the monthly invoice by City staff.

5. Background Checks. At any time during the term of this Agreement, the City reserves the right to make an independent investigation into the background of Consultant's personnel who perform work required by this Agreement, including but not limited to their references, character, address history, past employment, education, social security number validation, and criminal or police records, to confirm that such personnel are lawfully employed, qualified to provide the subject service or pose a risk to the safety of persons or property in and around the vicinity of where the services will be rendered or City Hall. If the City reasonably determines that any of Consultant's prospective or current personnel is deemed objectionable, then the City may notify the Consultant of the same. Consultant shall not use that personnel to perform work required by this Agreement and, if necessary, shall replace him or her with a suitable worker.

6. Suspension or Termination.

a. The City may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, by serving upon the Consultant at least ten (10) days prior written notice. Upon receipt of such notice, the Consultant shall immediately cease all work under this Agreement unless the notice provides otherwise. If the City suspends or terminates a portion of this Agreement, such suspension or termination shall not void or invalidate the remainder of this Agreement.

b. If this Agreement is terminated pursuant to this Section, the City shall pay the Consultant the actual value of the work performed up to the time of termination, provided that the work performed is of value to the City. Upon termination of the Agreement pursuant to this Section, the Consultant will submit an invoice to the City under Section entitled "Method of Payment" herein.

7. Plans, Studies, Documents.

a. Ownership of Documents. All plans, studies, documents, and other writings prepared by and for Consultant, its officers, employees, agents, and subcontractors in the course of implementing this Agreement, except working notepad internal documents, shall become the property of the City upon payment to Consultant for such work, and the City shall have the sole right to use such materials in its discretion without further compensation to Consultant or any other party. Consultant shall, at Consultant's expense, provide such reports, plans, studies, documents, and other writings to City upon written request. City shall have sole determination of the public's rights to documents under the Public Records Act, and any third-party requests of Consultant shall be immediately referred to City, without any other actions by Consultant.

b. Licensing of Intellectual Property. This Agreement creates a nonexclusive and perpetual license for City to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement ("Documents & Data"). Consultant shall require that all subcontractors agree in writing that the City is granted a nonexclusive and perpetual license for any Documents & Data the subcontractor prepares under this Agreement. Consultant represents and warrants that Consultant has the legal right to license any and all Documents & Data. Consultant makes no such representation or warranty regarding Documents & Data prepared by design professionals other than Consultant or provided to Consultant by the City. City shall not be limited in its use of the Documents & Data at any time, provided that any such use not within the purposes intended by this Agreement shall be at City's sole risk.

c. Confidentiality. All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other Documents & Data created by or provided to the Consultant in connection with the performance of this Agreement shall be held confidential by the Consultant. Without the City's prior written consent, Such materials shall not be used by the Consultant for any purposes other than the performance of the services under this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the services under this Agreement. Nothing furnished to Consultant which is otherwise known to Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use City's name or insignia, photographs relating to the project for which Consultant's services are rendered, or any publicity pertaining to the Consultant's services under this Agreement in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of City.

8. Consultant's Books and Records.

a. Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to City for a minimum period of three (3) years, or any more extended period required by law, from the date of final payment to Consultant to this Agreement.

b. Consultant shall maintain all documents and records which demonstrate performance under this Agreement for a minimum period of three (3) years, or any more extended period required by law, from the date of termination or completion of this Agreement.

c. Any records or documents required to be maintained according to this Agreement shall be made available for inspection or audit during regular business hours upon written request by the City Manager, City Attorney, City Auditor, or a designated representative of these officers. Copies of such documents shall be provided to the City for inspection at City Hall when it is practical to do so. Otherwise, unless an alternative is mutually agreed upon, the records shall be available at the Consultant's address indicated for receipt of notices in this Agreement.

d. Where City has reason to believe that such records or documents may be lost or discarded due to dissolution, disbandment, or termination of Consultant's business, City may, by written request by any of the above-named officers, require that custody of the records be given to the City and that the records and documents be maintained in City Hall. Access to such records and documents shall be granted to any party authorized by the Consultant, Consultant's representatives, or Consultant's successor-in-interest.

9. Independent Contractor.

a. Consultant is and shall at all times remain as to the City a wholly independent contractor pursuant to California Labor Code Section 3353. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City nor any of its officers, employees, or agents shall have control over the conduct of Consultant or any of Consultant's officers, employees, or agents, except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees, or agents are in any manner officers, employees, or agents of the City. Consultant shall not incur or have the power to incur any debt, obligation, or liability whatsoever against City, or bind City in any manner.

b. Notwithstanding any other federal, state and local laws, codes, ordinances and regulations to the contrary and except for the fees paid to Consultant as provided in the Agreement, Consultant and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

10. PERS Eligibility Indemnification. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

11. Interests of Consultant. Consultant (including principals, associates and professional employees) covenants and represents that it does not now have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the area covered

by this Agreement or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of Consultant's services hereunder. Consultant further covenants and represents that in the performance of its duties hereunder no person having any such interest shall perform any services under this Agreement.

Consultant is not a designated employee within the meaning of the Political Reform Act because Consultant:

a. will conduct research and arrive at conclusions with respect to his/her rendition of information, advice, recommendation or counsel independent of the control and direction of the City or of any City official, other than normal agreement monitoring; and

b. possesses no authority with respect to any City decision beyond rendition of information, advice, recommendation or counsel. (FPPC Reg. 18700(a)(2).)

12. Professional Ability of Consultant. City has relied upon the professional training and ability of Consultant to perform the services hereunder as a material inducement to enter into this Agreement. Consultant shall therefore provide properly skilled professional and technical personnel to perform all services under this Agreement. All work performed by Consultant under this Agreement shall be in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise.

13. Compliance with Laws.

a. Consultant shall comply with all local, state and federal laws and regulations applicable to the services required hereunder, including any rule, regulation or bylaw governing the conduct or performance of Consultant and/or its employees, officers, or board members.

b. Consultant represents that it has obtained and will maintain at all times during the term of this Agreement all professional and/or business licenses, certifications and/or permits necessary for performing the services described in this Agreement, including a City business license.

14. Licenses. Consultant represents and warrants to City that it has the licenses, permits, qualifications, insurance and approvals of whatsoever nature which are legally required of Consultant to practice its profession. Consultant represents and warrants to City that Consultant shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, insurance and approvals which are legally required of Consultant to practice its profession. Consultant shall maintain a City of Lake Elsinore business license.

15. Indemnity. Consultant shall indemnify, defend, and hold harmless the City and its officials, officers, employees, agents, and volunteers from and against any and all losses, liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to property, or any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct or negligent acts or omissions of Consultant or its employees, subcontractors, or agents, by acts for which they could be held strictly liable, or by the quality or character of their work. The foregoing obligation of Consultant shall not apply when (1) the injury, loss of life, damage to property, or violation of

law arises from the sole negligence or willful misconduct of the City or its officers, employees, agents, or volunteers and (2) the actions of Consultant or its employees, subcontractor, or agents have contributed in no part to the injury, loss of life, damage to property, or violation of law. It is understood that the duty of Consultant to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of insurance certificates and endorsements required under this Agreement does not relieve Consultant from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Consultant acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

16. Insurance Requirements.

a. Insurance. Consultant, at Consultant's own cost and expense, shall procure and maintain, for the duration of the contract, unless modified by the City's Risk Manager, the following insurance policies.

i. Workers' Compensation Coverage. Consultant shall maintain Workers' Compensation Insurance and Employer's Liability Insurance for his/her employees in accordance with the laws of the State of California. In addition, Consultant shall require each subcontractor to similarly maintain Workers' Compensation Insurance and Employer's Liability Insurance in accordance with the laws of the State of California for all of the subcontractor's employees. Any notice of cancellation or non-renewal of all Workers' Compensation policies must be received by the City at least thirty (30) days prior to such change. The insurer shall agree to waive all rights of subrogation against City, its officers, agents, employees and volunteers for losses arising from work performed by Consultant for City. In the event that Consultant is exempt from Worker's Compensation Insurance and Employer's Liability Insurance for his/her employees in accordance with the laws of the State of California, Consultant shall submit to the City a Certificate of Exemption from Workers Compensation Insurance in a form approved by the City Attorney.

ii. General Liability Coverage. Consultant shall maintain commercial general liability insurance in an amount not less than one million dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage. If a commercial general liability insurance form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit. Required commercial general liability coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 0001 (ed. 11/88) or Insurance Services Office form number GL 0002 (ed. 1/73) covering comprehensive General Liability and Insurance Services Office form number GL 0404 covering Broad Form Comprehensive General Liability. No endorsement may be attached limiting the coverage.

iii. Automobile Liability Coverage. Consultant shall maintain automobile liability insurance covering bodily injury and property damage for all activities of the Consultant arising out of or in connection with the work to be performed under this Agreement, including coverage for owned, hired and non-owned vehicles, in an amount of not less than one million dollars (\$1,000,000) combined single limit for each occurrence. Automobile liability coverage must be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (ed. 12/90) Code 1 ("any auto"). No endorsement may be attached limiting the coverage.

iv. Professional Liability Coverage. Consultant shall maintain professional errors and omissions liability insurance appropriate for Consultant's profession for protection against claims alleging negligent acts, errors or omissions which may arise from Consultant's services under this Agreement, whether such services are provided by the Consultant or by its employees, subcontractors, or sub consultants. The amount of this insurance shall not be less than one million dollars (\$1,000,000) on a claims-made annual aggregate basis, or a combined single limit per occurrence basis.

b. Endorsements. Each general liability and automobile liability insurance policy shall be with insurers possessing a Best's rating of no less than A:VII and shall be endorsed with the following specific language:

i. Notwithstanding any inconsistent statement in any required insurance policies or any subsequent endorsements attached thereto, the protection offered by all policies, except for Workers' Compensation and Professional Liability, shall bear an endorsement whereby it is provided that, the City and its officers, employees, servants, volunteers and agents and independent contractors, including without limitation, the City Manager and City Attorney, are named as additional insureds. Additional insureds shall be entitled to the full benefit of all insurance policies in the same manner and to the same extent as any other insureds and there shall be no limitation to the benefits conferred upon them other than policy limits to coverages.

ii. This policy shall be considered primary insurance as respects the City, its elected or appointed officers, officials, employees, agents and volunteers. Any insurance maintained by the City, including any self-insured retention the City may have, shall be considered excess insurance only and shall not contribute with it.

iii. This insurance shall act for each insured and additional insured as though a separate policy had been written for each, except with respect to the limits of liability of the insuring company.

iv. The insurer waives all rights of subrogation against the City, its elected or appointed officers, officials, employees or agents.

v. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its elected or appointed officers, officials, employees, agents or volunteers.

vi. The insurance provided by this Policy shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days written notice has been received by the City.

c. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. At the City's option, Consultant shall demonstrate financial capability for payment of such deductibles or self-insured retentions.

d. Certificates of Insurance. Consultant shall provide certificates of insurance with original endorsements to City as evidence of the insurance coverage required herein. Certificates of such insurance shall be filed with the City on or before commencement of performance of this Agreement. Current certification of insurance shall be kept on file with the City at all times during the term of this Agreement.

17. Notices. Any notice required to be given under this Agreement shall be in writing and either served personally or sent prepaid, first class mail. Any such notice shall be addressed to the other party at the address set forth below. Notice shall be deemed communicated within 48 hours from the time of mailing if mailed as provided in this section.

If to City: City of Lake Elsinore  
Attn: City Manager  
130 South Main Street  
Lake Elsinore, CA 92530

With a copy to: City of Lake Elsinore  
Attn: City Clerk  
130 South Main Street  
Lake Elsinore, CA 92530

If to Consultant: Willdan Financial Services  
Attn: Chris Fisher  
27368 Via Industria, Suite 200  
Temecula, CA 92590

18. Assignment and Subcontracting. The parties recognize that a substantial inducement to City for entering into this Agreement is the professional reputation, experience and competence of Consultant and the subcontractors listed in Exhibit B. Consultant shall be fully responsible to City for all acts or omissions of any subcontractors. Assignments of any or all rights, duties or obligations of the Consultant under this Agreement will be permitted only with the express consent of the City. Consultant shall not subcontract any portion of the work to be performed under this Agreement except as provided in Exhibit B without the written authorization of the City. If City consents to such subcontract, Consultant shall be fully responsible to City for all acts or omissions of those subcontractors. Nothing in this Agreement shall create any contractual relationship between City and any subcontractor nor shall it create any obligation on the part of the City to pay or to see to the payment of any monies due to any such subcontractor other than as otherwise is required by law.

19. Waiver. Waiver of a breach or default under this Agreement shall not constitute a continuing waiver of a subsequent breach of the same or any other provision under this Agreement.

20. Litigation Expenses and Attorneys' Fees. If either party to this Agreement commences any legal action against the other party arising out of this Agreement, the prevailing party shall be entitled to recover its reasonable litigation expenses, including court costs, expert witness fees, discovery expenses, and attorneys' fees.

21. Mediation. The parties agree to make a good faith attempt to resolve any disputes arising out of this Agreement through mediation prior to commencing litigation. The parties shall mutually agree upon the mediator and share the costs of mediation equally. If the parties are unable to agree upon a mediator, the dispute shall be submitted to JAMS or its successor in interest. JAMS shall provide the parties with the names of five qualified mediators. Each party shall have the option to strike two of the five mediators selected by JAMS and thereafter the mediator remaining shall hear the dispute. If the dispute remains unresolved after mediation, either party may commence litigation.

22. Prohibited Interests. Consultant warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

23. Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

24. Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq., ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. Consultant agrees to fully comply with all applicable federal and state labor laws (including, without limitation, if applicable, the Prevailing Wage Laws). It is agreed by the parties that, in connection with the Work or Services provided pursuant to this Agreement, Consultant shall bear all risks of payment or non-payment of prevailing wages under California law, and Consultant hereby agrees to defend, indemnify, and hold the City, and its officials, officers, employees, agents, and volunteers, free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. The foregoing indemnity shall survive termination of this Agreement.

25. Severability. If any term or portion of this Agreement is held to be invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

26. Controlling Law Venue. This Agreement and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this Agreement shall be held exclusively in a state court in the County of Riverside.

27. Authority to Enter Agreement. Consultant has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to

make this Agreement and to bind each respective party. The City Manager is authorized to enter into an amendment or otherwise take action on behalf of the City to make the following modifications to the Agreement: (a) a name change; (b) grant extensions of time; (c) non-monetary changes in the scope of services; and/or (d) suspend or terminate the Agreement.

28. Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one copy hereof shall have been signed by both parties hereto. In approving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

29. Entire Agreement; Incorporation; Conflict. This Agreement contains the entire understanding between the parties relating to the obligations described herein. All prior or contemporaneous understandings, agreements, representations and statements, oral or written, are superseded in total by this Agreement and shall be of no further force or effect. Consultant's Proposal is incorporated only for the description of the scope of services and/or the schedule of performance and no other terms and conditions from such proposal shall apply to this Agreement unless specifically agreed to in writing. In the event of conflict, this Agreement shall take precedence over those contained in the Consultant's Proposal.

30. Amendments. This Agreement may be modified or amended only by a written document executed by both Consultant and City and approved as to form by the City Attorney.

[Signatures on next page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first written above.

"CITY"

CITY OF LAKE ELSINORE, a municipal corporation

"CONSULTANT"

Willdan Financial Services, a Corporation

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
By: Chris Fisher  
Its: Vice President/Director

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

\_\_\_\_\_  
Assistant City Manager

Attachments: Exhibit A – Consultant's Proposal  
Exhibit B – List of Subcontractors

EXHIBIT A  
CONSULTANT'S PROPOSAL  
[ATTACHED]

EXHIBIT B  
LIST OF SUBCONTRACTORS  
[ATTACHED]

# City of Lake Elsinore



Proposal for

## Cost Allocation Plan & User Fee Study



May 16, 2024

Ms. Shannon Buckley  
Assistant City Manager  
City of Lake Elsinore  
130 South Main Street  
Lake Elsinore, California 92530

submitted via email: [SBuckley@Lake-Elsinore.org](mailto:SBuckley@Lake-Elsinore.org)

**Re: Proposal to Conduct a Comprehensive User Fee Study and Cost Allocation Plan for the City of Lake Elsinore**

Dear Shannon:

Municipalities throughout California are constantly challenged to do more with less. As cities are faced with limited financial resources to address competing priorities, they strive to maintain high standards of service to their communities. Processes and staffing often evolve as staff seek efficiencies and more cost-effective service models; or sometimes practices change out of necessity in response to events such as the recent pandemic.

Considering this, **it is critical for the City of Lake Elsinore (“City”) to ensure that fees for requested services reflect current practices, account for the true cost of providing City services, incorporate provision for overhead rates and costs related to indirect support, and ensure maximum appropriate cost recovery, so that the revenues generated by fees cover the cost of those services to the greatest extent possible.** City Staff, and ultimately the City Council, need a clear understanding of standards, service levels and the associated costs.

Recognizing this, the City has requested a proposal for a Comprehensive User Fee Study and Cost Allocation Plan.

**Collaborative Approach, Commitment to Support and User-friendly Models and Reports** — Willdan prides itself on working closely with City staff to develop and explain an approach that is targeted toward your specific objectives, **This is a distinct advantage we will bring in our approach with the City of Lake Elsinore. A collaborative approach and dedicated support ensures we clearly understand your goals and challenges, and just as importantly, you understand and are comfortable with the process, assumptions, key drivers, and the results.**

Our Cost Allocation methodologies and models have been reviewed and approved by Cognizant Agencies such as the US Army and recently, the US Department of Housing and Urban Development, providing evidence of our thorough and defensible approach to the development of Cost Allocation strategies.

We create user-friendly Excel-based models that the City can retain and conduct our analysis and develop the model collaboratively with City staff. Rather than using an inflexible proprietary software program, we construct our models from the ground up, mirroring the City’s budget format wherever possible. As a result, **the information contained in our models is easy for City staff to interpret, and the familiar software ensures ease of navigation.**

We are excited about this opportunity to once again serve the City of Lake Elsinore. To discuss any aspect of our proposal, please contact me at (951) 587-3500, or via email [CFisher@Willdan.com](mailto:CFisher@Willdan.com); or Tony Thrasher at (951) 587-3530 or via email at [TThrasher@Willdan.com](mailto:TThrasher@Willdan.com).

As a Vice President of Willdan Financial Services, I am authorized to bind the firm to the terms of this proposal, as well as the subsequent agreement.

Respectfully,

**WILLDAN FINANCIAL SERVICES**



Chris Fisher  
Vice President / Director

## Scope of Services Project Understanding

**As one of the only firms combining decades of experience in these three areas of expertise under one roof, without the need for subconsultants,** Willdan Financial Services (“Willdan”) is confident that we can meet the City of Lake Elsinore’s (“City”) request for services for a Cost Allocation Plan (“CAP”) and Comprehensive User Fee Study.

**The first objective of this project will be** to review, evaluate and update fees and charges for services, calculate the true cost of providing community services and programs supported by these fees, examine and verify the relationship between the cost of services and the fees, recommend fees to be charged and cost recovery strategies, and recommend additional fees where appropriate. These activities will support the goal of providing a well-documented and legally defensible cost of service plan, to help maximize the recovery of costs associated with providing these services.

**A second related objective** is to create a CAP that defensibly allocates the cost of indirect overhead support services to operating functions, to ensure the City has a basis for applying appropriate overhead rates to calculate the full cost of services, that fees include provision for overhead costs, and so the City has overhead rates that can be used for federal and state grants and reimbursements from other governmental agencies. The overhead allocations determined in this process will be a foundational step in calculating the full cost of services and establishing User Fees.

The end products will include user-friendly Excel-based models, which City staff will retain, and which can be easily updated to add or remove services and/or costs, update budgets in future years, determine the proper allocation of expenditures, and on-going full cost of services provided by the City. Most importantly, we will ensure that the results and recommendations are clear and understandable, defensible, and easily implementable.

For these studies, we will meet directly with departmental representatives at the City at the beginning of the project, to discuss the approach and process for the studies. Discussions will include ways to combine tasks and efforts among the cost allocation plan and user fee study components to maximize efficiencies and ensure adherence to specified timelines.

A key building block of the calculation of updated fees is the development of defensible indirect overhead rates that reflect the cost of support services provided by the City’s central service departments to the operating groups that provide end-user services to the public and customers of the City.

The completion of a CAP is a key component and first step in the analysis necessary to calculate the cost of providing services. **A well thought out CAP ensures that indirect costs associated with central overhead services, such as finance or city clerk, are appropriately allocated to operating departments, and ultimately included as a cost component of fees for services.** We will work collaboratively with City staff to review the City’s existing CAP, and evaluate and update existing cost categories, allocation bases and the overall methodology, and discuss with staff changes or modifications they may find valuable. We will identify the overhead support services that are provided to operating departments in Lake Elsinore and develop a fair and defensible means of allocating these costs. Our unique model allows us to provide a CAP that will also be compliant with 2 CFR Part 200 Federal regulations related to cost reimbursement and grant funding, formerly known as OMB A-87 and 2 CFR Part 225 guidelines, which have now been superseded by the Omni Circular. The new circular did not completely overhaul the guidelines, and the intent is still the same, but it did add new limitations to consider and incorporate into a compliant CAP.

**Rather than a costly and inflexible proprietary software, which can require expensive licensing fees, Willdan builds models utilizing Excel, from the ground up, employing the City’s budget as the gauge. This model, which is then the City’s to retain, gives City Staff the control to make on-the-fly adjustments and updates.**

Our objectives for the User Fee Study will be to **complete a comprehensive review of the City’s User Fees, calculate the full (100%) cost of providing services for which fees are charged, and recommend cost recovery strategies and fee levels that balance full cost recovery with local policies and community dynamics. The final goal will be to arrive at a well-documented and legally defensible fee schedule that complies with Prop 218, Prop 26, and the Mitigation Fee Act.** For the User Fee Study, we will work directly with personnel at the City who provide services and interact directly with residents and customers, to understand the personnel and procedures involved. By carefully examining these processes, we will be able to identify associated costs such as direct staff costs (salaries and benefits) and contract staff costs associated with personnel involved in the activities, and appropriate overhead allocations from both the department and city levels.

For a successful and effective engagement, it is important to have a thorough understanding of specific City policies and objectives, the structure and organization of the City, and the relationships between the central and operating departments. We bring years of successful experience working directly with hundreds of cities throughout California. Willdan possesses the resources, practical experience, creative thinking, and collaborative consulting skills necessary to complete this important project.

Key distinct advantages that Willdan brings to the City include the following:

## Public Engagement

Our models and project approach are geared toward delivering our work on schedule and presenting our analysis results at public meetings and Council workshops. While we understand that the City Council and local business community may be generally supportive of increasing fees where necessary, it will be important to present recommendations to them in a way that clearly demonstrates the rationale and supporting analysis.

## User-friendly Models and Reports

Willdan prides itself on creating user-friendly Excel-based models that the City can retain and **conducting our analysis and developing the models collaboratively with City staff**. With City staff's immediate input and collaboration, Willdan will design extremely flexible, intuitive Excel-based models. In the future, as the City assumes new responsibilities, modifies existing processes, and/or eliminates unnecessary services or programs, the models will be capable of adding or deleting funds, objects, departments, programs, staff positions, and activities.

The models will be developed to allow the City to run "what-if" scenarios to address possible changes in staffing levels, working hours, etc.

Willdan understands that issues facing the City are unique; consequently, we design our models to match your immediate and desired needs to ensure that end-results exceed staff expectations rather than using an inflexible proprietary software. **These models are then the City's to retain, after our services are completed, and allows for the creation of revenue projections, highlighting potential new revenues, and levels of subsidy.**

## Project Methodologies

The following describes our proposed approach, and work plan to conduct a Comprehensive User Fee Study and Cost Allocation Plan.

### Cost Allocation Plan Methodology

The purpose of this cost allocation plan engagement is to ensure that the City is maximizing the allowable recovery of indirect overhead costs from identified operating departments, as well as enterprise and other chargeable funds.

A sound cost allocation plan is also a foundational element in the development of internal hourly rates, including position billing rates. We will work closely with staff in identifying the proper balance of allocation factors appropriate for the City so that the City has a method of identifying and distributing administrative costs that is fair, comprehensive, well documented, and fully defensible.

We will work collaboratively with City Staff in the development of this model to verify that our assumptions are sound and accurate, given specific City characteristics. Further, we will ensure that appropriate allocation factors are selected for various City functions and enterprises to ensure that the overall allocation strategy is tailored for the City of Lake Elsinore. Cost allocation studies should be simple in concept and form.

Our plans are not over-complicated, can be easily understood by non-finance-oriented individuals, and are readily presentable to elected officials, appointed finance committees and the public.

We deliberately design our cost allocation models to quickly and easily transition from a simple model to a progressively more inclusive plan. The logical step-by-step presentation of our plans fosters confidence in their results and facilitates adoption and implementation.

The allocation models utilize an iterative method which is the most accurate allocation methodology. Unlike a direct or "step-down" methodology, an iterative method uses the chosen distribution bases and allocates central service costs iteratively until all allocable costs have been distributed. Using this method, the model can detail the allocation for each central function individually for complete transparency and accountability, while removing bias that might result from the order in which allocations occur in a step-down approach.

A direct methodology is essentially a one-iteration methodology, while a step-down method is typically only two iterations and is less precise and unable to accurately track the allocations from start to finish.

### Approach for Managing the Project

Willdan's "hands-on" supervision of Cost Allocation Plan studies, include the following methods:

- **Effective Project Management** — Principal-in-Charge Chris Fisher will manage the entire project with an eye toward high responsiveness, while ensuring that all stakeholders are "on board" with the direction of the project, as well as with the final results. Mr. Fisher will ensure that regular status updates are provided to City staff, conference calls are scheduled, and that in-person meetings are conducted (as necessary).

- **Adherence to Time Schedule** — Willdan recognizes that the use of “timelines” is highly effective in meeting all required deadlines. To keep the project on schedule, there are several tasks that must be completed in a timely manner. Therefore, we will present a project timeline at the kick-off meeting that should be closely followed.

## Approach in Communicating with the City

Willdan staff is accustomed to interfacing with local government councils, boards, staff, community organizations, and the public in general in a friendly and helpful manner; we are always mindful that we represent the public agency.

We are sensitive to the need of delivering a quality product, with the highest level of service and professionalism. Therefore, as the work on the project progresses, we understand that it will be necessary for our staff to work closely with you and City personnel. To accomplish this, we employ a variety of tools, including monitoring project status and budget costs; and ensuring effective communication through several options that are based on the City’s preferences.

## Experience with Development Service Processes

A unique aspect of our firm is our relationship with our Engineering Division. For many agencies throughout California and other Western states, this division provides contracted services in planning, engineering, and building and safety. When conducting cost recovery studies, we regularly consult with our engineering and land-development staff of experts on development-related issues. By working with our planners, engineers, and building officials, we understand development-related agency service procedures and workflow functions, which often make the entire user fee study process smoother for your staff.

## Comprehensive User Fee Study Methodology

To comprehensively update fees, the City should develop a comprehensive user fee schedule that accurately accounts for the true cost of providing services. Once the study is complete, the fee study model must be flexible so that the City can add, delete, and revise fees in the future. To meet this goal, we will bring our expertise and unique perspectives to your fee study by approaching the project with these three principles:

### 1) Defensibility

Our user fee projects have not been legally challenged since the inception of this practice area in our firm. We have accomplished this by closely working with legal counsel familiar with user fee studies, our engineering division and with agency staff. In this way, we can tailor the correct approach to ensure full cost recovery combined with a sound and reasonable basis for each user fee you implement.

While Proposition 218 does not directly apply to non-property-related fees, we employ principles from this important constitutional article to make certain that your user fee and rate schedule is developed with fairness, equity, and proportionate cost recovery principles in mind. With the addition of Proposition 26, Willdan will review each analyzed user fee for compliance and appropriateness to ensure continued defensibility.

### 2) Project and Staff Time

The City must have a sound and technically defensible fee schedule to ensure costs are appropriately recovered, as applicants approach the City for its services. Our standards and approaches serve to get to the issues of your fee study quickly.

Starting with the project kick-off, we will make certain that your staff understands the purpose and scope of the study and its corresponding departmental interview. As Willdan is able to communicate directly with the service providers, this face-to-face interaction provides valuable updates to the previous study’s time estimates.

### 3) Responsiveness

We take great pride in providing responsive service to our client agencies. Frequent communication is critical to a successful user fee study experience. We will provide a list of data requirements in advance of the project kick-off so that the introductory meeting can focus on the survey input process, answering questions, determining policy goals, and defining next steps in the project. We will follow up weekly with you at each step in the fee study process to make sure that staff “buys in” to the fee study approach and results.

## Approach

Our approach to preparing the user fee study and documentation for Lake Elsinore includes:

- Close coordination with your staff to devise a consensus approach. Different programs and/or different service delivery methods will necessitate different approaches. We will discuss specific pros and cons with City staff as we determine which methods work best for each fee category;
- Strict adherence to key legal and policy issues with regard to user fees, including the percent of cost recovery that the City seeks to achieve. A user fee shall not be set higher than the reasonable cost of providing a fee-generating service.

Our approach provides you with a fee schedule that achieves maximum legal cost recovery while ensuring that each fee is supported by technically defensible documentation; and

- Technical analysis necessary to ensure State compliance, and to anticipate and resolve potential policy issues using a combination of industry standards as well as City specific methods.

As described below, there are two basic approaches to calculating user fees:

### Approach 1: Case Study Method

This is also sometimes referred to as a cost build-up approach. Using a time and materials approach, the “Case Study Method” examines the tasks, steps and City staff involved in providing a particular ‘unit’ of service, such as a permit review, and then uses that information to develop estimates of the actual labor and material costs associated with providing a unit of service to a single user. It is often used when a service is provided on a regular basis, and staff and other costs associated with the service can be segregated from available budget data.

A typical case study fee model should comprise the following three general cost layers:

**1) Central Services Overhead:** This category may involve such costs as labor, services, and supplies that benefit more than one department, division, or project. The exact benefits to specific areas are impossible to ascribe to a single activity.

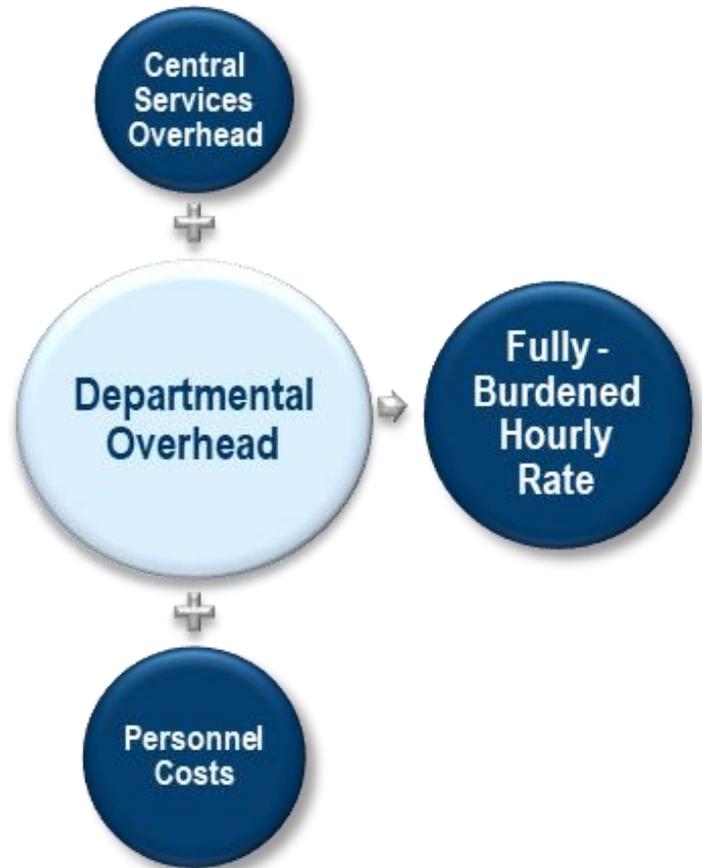
Examples are purchasing, human resources, and liability insurance. As part of the user fee study, these costs are calculated in the overhead cost review.

**2) Department Overhead:** This category may include expenses related to such items as office supplies, outside consultants, and membership dues. It may include management, supervision, and administrative support that are not provided to a direct fee-generating service. Typically, these items are charged, on an item-by-item basis, directly to the department, division, or project.

**3) Personnel Costs:** This category refers to direct salary and benefit costs of staff hours spent on providing a fee-generating service (e.g., on-site building inspector).

### Approach 2: Average Cost Method

This is also sometimes referred to as a programmatic approach, because it looks at costs at a program level, and then allocates them to participants on an occurrence basis. By taking total service costs across a substantial sample period (a year) and dividing by the total number of service units delivered over that same period, costs per unit of service is estimated. This approach is useful when services or programs are provided in a more aggregate manner, where it might be difficult to identify a specific sequence of steps associated with one user or participant; or where it is not feasible to cost-effectively segregate costs associated with specific activities.



## Work Plans

Our proposed work plans, described in detail by task, are provided below. We explain how each task will be accomplished and identify associated meetings and deliverables. We want to ensure our scopes of work provides quality and clarity and is responsive to the City's needs and specific local circumstances. We will work in concert with the City to adjust scopes as needed during the course of the studies.

### Cost Allocation Plan

This proposed scope of services addresses the completion of both the full and OMB compliant versions of the Cost Allocation Plan (CAP). We have noted where activities specific to the OMB compliant plan occur.

#### Task 1: Initial Document Request

**Objective:** Initial due diligence.

**Description:** Prior to the kick-off call, relevant documentation will be obtained and reviewed. As necessary, specific data may be requested to better understand any changes that have occurred within the City's internal structure since our completion of the previous CAP. A written request for specific data will be sent to the City. The data provided in this task will provide the building blocks for later model development.

Our request may include (but is not limited to):

- Detailed budget and accounting data;
- Data related to various allocation bases that may be used in the study and incorporated as part of the methodology, i.e., City Council agenda frequencies by department, AP/AR transactions by department, IT equipment distribution by department, etc.;
- Prior year's financial data, salary, position, and staffing data;

**Deliverables:** **Willdan:** Submit information request to City.

**City:** Provide requested data to Willdan (prior to Task 2, Kick-off Call/Refine Scope). We will follow up with the City to confirm in writing the data that we have received, or which is still outstanding.

#### Task 2: Kick-off Conference Call / Refine Scope

**Objective:** Confirm project goals and objectives. Identify and discuss policy matters related to the study and determine appropriate fee categories.

**Description:** Willdan will begin this portion of the project with a discussion of the City's existing Cost Allocation Plan or methodology. We will identify and discuss policy implications typically raised in conjunction with these studies and address data gaps in order to gain a full understanding of the City's goals for the cost allocation plan. We will establish effective lines of communication and processes for information gathering and review. We will also discuss costs that may not be allocable for OMB purposes, and the potential impact on the OMB version of the CAP.

During this call, we will ask that the City assign a project manager to serve as its primary contact. The selected City project manager will ensure that available data is provided to Willdan in a timely manner, thereby maintaining adherence to the project's schedule.

**Meetings:** One (1) project kick-off conference call to initiate the project, discuss data needs and methodologies and to address policy issues. We would propose conducting the user fee study kick-off during this same call, to maximize efficiency and cost effectiveness of staff and Willdan time.

**Deliverables:** **Willdan:** If needed, a revised project scope and schedule.

**City:** Provide further data requirements and select / introduce City's project manager.

#### Task 3: Update Staffing Information and Update Cost Allocation Plan Model

**Description:** This task involves the gathering of specific information, directly from City staff, through interviews and discussion, related to any change in the functions served by indirect staff and the departments served by their activities.

This task also focuses on the updating of, and/or adjustment of existing, allocation bases, and the development and testing of a model that will ultimately be used to calculate the proper cost allocations derived from data gathered in prior tasks. We will update the model that reflects current practices and service models and structures within the City and identifies the total costs of providing indirect overhead support services and allocates them to operating groups and functions.

The model will also be developed to allocate only those costs eligible under Title 2 CFR Part 200. This is accomplished by loading relevant data into the model, identifying which costs are not allocable under the OMB guidelines. The OMB Super Circular compliant model is valuable as the City may receive Federal or State grant funding that mandates compliance with Federal OMB regulations.

The model will include flexibility to add or delete support service and/or operating groups as changes occur and also the ability to adjust the model and the results annually for inflation, salary, and benefit increases, as well as contract rates.

The model and methodology will produce indirect cost rates and overhead percentages. These rates will be used to develop the full hourly cost of City Staff and will be suitable for a variety of uses, including incorporation into the User Fee Study's fully burdened personnel rates, billing to CIP projects, and in the OMB Super Circular compliant CAP, to Federal grants.

**Meetings:** Online meetings with staff to understand structure and operations as model and allocation bases are developed. Key staff will be interviewed, as necessary, to best understand central overhead staffing and functions and the departments served.

**Deliverables:** **Willdan:** One (1) user-friendly model in Microsoft Excel format that provides both a full cost allocation plan and an OMB Super Circular compliant cost allocation plan.

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## Task 4: Test and Review Cost Allocation Methodology

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**Objective:** Test and review model and results with City.

**Description:** The draft cost allocation plan model will be reviewed with City staff, and adjusted as necessary, to ensure that preliminary allocations provide an accurate depiction of how the central overhead costs should be borne by the operating programs and funds.

Over the past several years, we have successfully integrated online meetings by using WebEx™ as an element to our approach. This allows us to remotely guide staff through the model review and allows you the opportunity to interactively change inputs and test approaches.

**Meetings:** One (1) online meeting and demonstration with City Staff to review the model, and present to the City's management group for feedback.

**Deliverables:** **Willdan and City:** Draft cost allocation plan model review.

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## Task 5: Prepare and Present Draft Report

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**Objective:** Prepare the draft cost allocation report.

**Description:** This task involves the draft report preparation.

The cost allocation plan's background, model methodologies, and results will be discussed; calculations and supporting data will be presented textually and in easily understood tables and provided to the City.

**Meetings:** One (1) virtual meeting to present the draft report to City Staff and assist in presenting the results to the City's management group for review and feedback.

**Deliverables:** **Willdan:** Draft report for City review and input.  
**City:** Review of draft report, with comments, and edits.

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## Task 6: Discuss and Revise Report

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**Objective:** Review of draft report, cost distribution methods, and model.

**Description:** An in-depth review of the draft report and model will be conducted to arrive at an optimum allocation method for each expenditure type. Often, through the course of an engagement, comments usually revolve around issues of understandability; appropriate levels of enterprise funds' cost recovery, etc.; ease of calculation; and overhead costs' distribution methods.

Our reports are structured to include both the full and OMB compliant plan, but in the course of review if a separate report is desired for each or just one of the plans, they will be split.

Following a round of comments from City staff and Management concerning the draft report, the final report will be prepared for presentation to the Council.

**Meetings:** One (1) conference call with City staff to review the report with changes and revisions.

**Deliverables:** Draft report, and revised draft/final report.

Task 7: Prepare and Present Final Report and Model	
<b>Objective:</b>	Prepare and present the final report to City Council. Educate City staff on the operation and use of the model for future modifications.
<b>Description:</b>	This task is the culmination of the cost allocation plan project. Based on staff comments on the draft report, Willdan will prepare the final report for presentation to Finance Director, City Manager, City Staff, and City Council, if necessary.
<b>Meetings:</b>	One (1) meeting to assist the City's management group with the presentation of the results and plan to the City Council. This meeting would be held in conjunction with the presentation of the User Fee study results. We will also provide staff instruction on the operation and use of the model.
<b>Deliverables:</b>	<b>Willdan:</b> Provide one (1) electronic PDF file copy of the final report, on USB, and models and two (2) bound copies to the City. Using Microsoft Word and Excel, an updateable electronic copy of the study and models, as well as related schedules, will also be provided on CD-ROM.

## Comprehensive User Fee Study

Task 1: Initial Document Request	
<b>Objective:</b>	Initial due diligence; obtain study-related data.
<b>Description:</b>	<p>Prior to the kick-off meeting, we will obtain and review relevant documentation to further enhance our understanding of the services, fees, and rates to be studied. A written request for data will be sent to the City. Please note that Time Survey data is not part of this request and will be gathered during the interviews described in Task 5.</p> <p>We will request information and documentation on current fees and fee programs, activity levels, and budget and staffing information (to the extent not already available) related specifically to programs and activities which have associated fees, and for which the City has this level of detail.</p>
<b>Deliverables:</b>	<p><b>Willdan:</b> Submit information request to City.</p> <p><b>City:</b> Provide requested data to Willdan (prior to Task 3, Kick-off Meeting/Refine Scope). As with the cost allocation plan, we will follow up with the City to confirm receipt of requested data and information and highlight data elements that are outstanding.</p>
Task 2: Update Inventory of Current and Potential Fees	
<b>Objective:</b>	Willdan will identify a schedule of fees and methodology for calculating the fees based on the prior study.
<b>Description:</b>	Based on the results of the initial document request and independent research, incorporate into our model the existing fees, provided by the City, to comprise the parameters of the fee study.
<b>Meetings:</b>	It is possible that a conference call with the City may be necessary to discuss new fees to implement or existing fees that may no longer be required.
<b>Deliverables:</b>	<p><b>Willdan:</b> One (1) draft list of current fees based on initial data provided (to be discussed and finalized during the kick-off call).</p> <p><b>City:</b> Review completed fee schedule with comments/revisions to be discussed during the kick-off meeting.</p>
Task 3: Kick-off Conference Call / Refine Scope	
<b>Objective:</b>	Confirm goals and objectives for the User Fee Study. Identify and policy matters typically related to a User Fee Study, address gaps in data, and refine appropriate existing or new fee categories (based on Task 2).
<b>Description:</b>	<p>Verify our understanding of the City's goals, the City's cost-recovery policy for user fees, and to fill any gaps in data/information necessary for the project. It is important for the City and Willdan to identify and address any foreseeable problems and maintain open communication throughout the process.</p> <p>During this call, we will ask that the City identify a project manager who will serve as the primary contact for the project. The project manager shall have responsibility for ensuring that all available data is provided in a timely manner, thereby maintaining adherence to the project's schedule.</p>
<b>Meetings:</b>	One (1) project kick-off call to initiate the entire project, discuss data needs, and address policy implications. This will be held in conjunction with the kick-off for the cost allocation plan. As mentioned in the cost allocation plan work plan, we suggest combining the kick-off calls to increase efficiency.

**Deliverables:** **Willdan:** 1) Revised project scope and schedule (if needed); and 2) brief summary of policy decisions (if needed).

**City:** 1) Provide further data needs; and 2) determine/introduce City's project manager.

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## Task 4: Update User Fee Model

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**Objective:** Update and test model.

**Description:** This task involves the development of the model ultimately used to calculate the fees, based on data and information gathered in previous tasks and in the Time Survey Update Interviews described in Task 5. To ensure that City policies are met through the imposition of the calculated fees, the model will be formatted to include appropriate costs.

Key model inputs will include staff and allocated overhead costs per position, and relevant budget data on salaries and benefits. Most of this information will be developed during the cost allocation plan phase of this project and will be incorporated directly into the user fee model. We will request clarification and/or additional data if necessary.

The model will build upon the cost allocation plan results, to provide an allocation of administrative and overhead costs to fee related activities and departments providing services to customers, so that fees and billable rate schedules incorporate applicable costs. Furthermore, the fees and rates charged to customers will also reflect the cost of the services being provided, to the extent possible given policy and/or political considerations.

**Deliverables:** **Willdan:** One (1) user-friendly model in Microsoft Excel format, which, when finalized, City staff can use to calculate fee changes annually, or as often as deemed appropriate by the City Council.

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## Task 5: Time Survey Update Interviews and Information Gathering

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**Objective:** Meet with City staff to review prior time surveys, gather data and information necessary to understand service delivery processes.

**Description:** In order to assist staff with the completion of the review, we will schedule one (1) day of meetings with staff; however, the number of meetings needed may vary depending on the number of staff and departments involved.

The Willdan Team will conduct meetings with supervisors/managers, as well as other staff, as deemed appropriate and/or necessary, from each organization involved in the user fee study to update the average time required by City staff to provide each of the services for which a fee is collected.

The fee model is designed so that full cost recovery fees are calculated immediately upon input of staff time. These full costs are also compared to current cost recovery levels.

This will allow Willdan and City staff to conclude with a final meeting to review the draft full cost recovery fees and adjust any times as necessary once all information has been compiled and input into the fee model. We will schedule the interviews with staff to minimize any disruption to their normal workflow.

**Meetings:** One (1) business day of meetings/staff interviews. Depending upon circumstances and availability, we may discuss the option with City Staff of conducting these meetings via WebEx or Zoom. In recent years city staff have become familiar and comfortable with virtual meeting methods, and there are advantages to this approach. We can share our fee model during the meeting to review data inputs and needs, clarify questions, demonstrate results and make on-the-fly adjustments.

Virtual meetings also provide more flexibility in scheduling, and scheduling in much shorter term, as opposed to getting everyone available on a single day. In person meetings can have value, and are preferred by some cities, so we will discuss both options and proceed based on the City's preference.

**Deliverables:** **Willdan and City:** Time surveys and draft full cost recovery fees.

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## Task 6: Data Analysis and Final User Fee Schedule

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**Objective:** Incorporate information obtained from department meetings to fully develop model, calculate the full cost of service and compare full cost to current level of cost recovery.

**Description:** We will update the model, based on information received during the interviews, to generate a comprehensive user fee schedule.

Where appropriate, we will suggest and discuss with staff alternate approaches to existing fee programs (i.e., building fees).

We will calculate and present the full cost recovery level for fees, both current and projected under the new calculated fees, and revenue projections, given certain assumptions about the levels of subsidy for different fees.

Current levels of cost recovery will be compared to actual full costs calculated during the course of this study. Cost will be calculated at reasonable activity levels and include all appropriate direct and indirect costs and overhead. We will review fee programs for compliance with Propositions 218 and 26 in developing the fee schedule.

The model will include provision for inflationary adjustments for appropriate costs, i.e., personnel and/or contractor rates associated with fee-based activities.

We will also discuss deposit-based fees for recommended improvements, deposit levels, or other suitable structures.

The user fee data analysis and model development may take three (3) to four (4) weeks with frequent correspondence with City staff to discuss current cost recovery amounts, necessary to recover full cost and frequency activity.

**Meetings:** One (1) meeting, as necessary, to gather additional input, complete analysis and finalize fee schedule. Please see the note in Task 5 regarding in-person meetings.

**Deliverables:** Final user fee model for City Council presentation and discussion.

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## Task 7: Common Fees Comparison

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**Objective:** Examine selected user fees charged by up to five (5) comparable cities in Riverside County, or jurisdictions that are similar to the City of Lake Elsinore. Where practical, we will utilize the same comparisons from the previous study for continuity and consistency.

**Description:** We will access and use our knowledge of other jurisdictions to benchmark the City's five (5) most common fees or highest yielding fees with comparable jurisdictions agreed.

Fee schedules are rarely readily or directly comparable from agency to agency due to definitional and operational differences. For example, a grading permit in one jurisdiction may include the plan check service, while the same permit in another jurisdiction may not, resulting in similar sounding services with widely varying costs. For this reason, where possible, Willdan will develop comparisons for prototype projects that include applicable fees (i.e., compare the fee burden for a standard residential home, or a 5,000 sq. ft. commercial building) or take a selection of the City's most commonly used and/or highest yielding fees.

The survey will contain the following, a comparison of common or similar fees and charges used by the City and other jurisdictions; current and proposed fees and charges unique to the City of Lake Elsinore; fees and charges used by other public entities not currently used in the City; and If possible, identify characteristics and processes unique to the City that account for significant variances in fees and charges used by other jurisdictions.

**Deliverables:** **Willdan:** Recommendations provided in Task 8 will incorporate the data gathered during our examination.

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## Task 8: Prepare and Present Draft Report

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**Objective:** Prepare draft report.

**Description:** This task involves the preparation of the draft report that discusses the study's background, the methodologies utilized in the study, and the results and presentation to various stakeholder groups. As noted below, meetings may occur during this or the next task as appropriate. The calculations used to generate the user fee study will be included textually, as well as in easy-to-understand tables.

Individual fee summaries by department and a comprehensive fee schedule will be included.

The draft report will include the following:

- Key results and findings;
- Basic descriptions of each service;
- Projections of potential fee revenue, when available based on data;
- Calculation of full cost of services, with costs broken down graphically into indirect and direct components, with a graphic display of the level of cost recovery;
- Current fees, as well as fee recommendations with associate levels of cost recovery;
- The full cost of each service and current cost recovery levels, and;
- Summary and recommendations.

- The objective of the report is to communicate the recommendation of appropriate fees, which include the appropriate subsidy percentage for those fees where full cost recovery may be unrealistic.
- Meetings:** One (1) meeting with City staff and the City’s management group, to present draft results, address questions and receive feedback.
- Deliverables:** **Willdan:** Draft report for City review and comment.  
**City:** Review of draft report, with comments and edits.

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**Task 9: Revise Draft Report/Determine Cost Recovery Levels for Recommended Adoption**

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- Objective:** Review of draft report and fee model.
- Description:** The goal of this task is to conduct an in-depth review of the draft report and model, incorporate feedback from Task 8, and changes as a result of previous discussions, and arrive at an optimum fee structure. Appropriate fees and charges will be discussed and recommendations provided, based on the analysis conducted in Task 6, consideration of City policy objectives related to fee-setting, cost recovery and subsidies, and in discussion with City Staff.
- Often through the course of an engagement, City staff will volunteer insightful likes and dislikes regarding the existing fee structure. We listen to this feedback carefully because your staff members know the community best. Comments usually revolve around issues of:
- Understandability;
  - Fairness to applicants;
  - Ease of calculation;
  - Industry experience regarding levels of subsidy and cost recovery; and
  - Full cost recovery hourly rates.
- When adjusting fee recovery levels, we believe it is important to address these concerns.
- Following one (1) round of comments and feedback from City staff on the draft report, we will prepare the final report for presentation to the City Council.
- Meetings:** One (1) online demonstration (WebEx) to review the report and model, with any revisions.
- Deliverables:** Draft report, revised draft /final report.

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**Task 10: Prepare and Present Final Report/Instruct Staff on Model**

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- Objective:** Prepare and present final report to City Council. Instruct staff on the operation and use of the model for future modifications.
- Description:** This task is the culmination of the entire project. Based on staff comments received regarding the draft report, we will prepare the final report for presentation.
- Meetings:** One (1) meeting, if necessary, with external interested parties, up to two (2) meetings with the City Council to present the results and adopt the updated fee schedule. One (1) meeting with City Staff to provide instruction on the operation and use of the model on the same day, during regular business hours. We will also consult with the City as necessary to address questions related to the User Fee Study, or to defend the Study as the result of a challenge.
- Deliverables:** Provide one (1) electronic PDF file copy of the final report, on USB, and models and two (2) bound copies to the City, if requested. Using Microsoft Word and Excel, an updateable electronic copy of the study and models, as well as related schedules, will also be provided digitally.

## City Staff Support

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

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

Willdan will endeavor to minimize the impact on City staff in the completion of this project. We will ask for responses to initial information requests in a timely manner. If there are delays on the part of the City, we will contact the City’s project manager to steer the project back on track. We will keep the City’s project manager informed of data or feedback we need to keep the project on schedule.

## Project Disclaimer

The City of Lake Elsinore further represents, acknowledges, and agrees that:

- (i) The City uses, or may use, the services of one or more municipal advisors registered with the U.S. Securities and Exchange Commission (“SEC”) to advise it in connection with municipal financial products and the issuance of municipal securities;
- (ii) The City is not looking to Willdan to provide, and City shall not otherwise request or require Willdan to provide, any advice or recommendations with respect to municipal financial products or the issuance of municipal securities (including any advice or recommendations with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues);
- (iii) The provisions of this proposal and the services to be provided hereunder as outlined in the scope of services are not intended (and shall not be construed) to constitute or include any municipal advisory services within the meaning of Section 15B of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations adopted thereunder;
- (iv) For the avoidance of doubt and without limiting the foregoing, in connection with any revenue projections, cash-flow analyses, feasibility studies and/or other analyses Willdan may provide the City with respect to financial, economic or other matters relating to a prospective, new or existing issuance of municipal securities of the City, (A) any such projections, studies and analyses shall be based upon assumptions, opinions or views (including, without limitation, any assumptions related to revenue growth) established by the City, in conjunction with such of its municipal, financial, legal and other advisers as it deems appropriate; and (B) under no circumstances shall Willdan be asked to provide, nor shall it provide, any advice or recommendations or subjective assumptions, opinions or views with respect to the actual or proposed structure, terms, timing, pricing or other similar matters with respect to any municipal financial products or municipal securities issuances, including any revisions or amendments thereto; and
- (v) Notwithstanding all of the foregoing, the City recognizes that interpretive guidance regarding municipal advisory activities is currently quite limited and is likely to evolve and develop during the term of the potential engagement and, to that end, the City will work with Willdan throughout the term of the potential Agreement to ensure that the Agreement and the services to be provided by Willdan hereunder, is interpreted by the parties, and if necessary amended, in a manner intended to ensure that the City is not asking Willdan to provide, and Willdan is not in fact providing or required to provide, any municipal advisory services.

## Project Schedules

Willdan understands time is of the essence for the City of Lake Elsinore to begin this engagement. The schedules can only be met with the prompt cooperation of City staff. Delays in responding to our requests for data, policy guidance, clarifications, other information and review will likely result in corresponding delays to the project schedule. If that is the case, we will notify the City immediately of the possible impact on the schedule.

### Cost Allocation Plan

City of Lake Elsinore																	
Cost Allocation Plan																	
Project Schedule																	
Scope of Services	May				June				July				August				
	6	13	20	27	3	10	17	24	1	8	15	22	29	5	12	19	26
Task 1: Initial Document Request																	
Task 2: Kick-off / Refine Scope (conference call)																	
Task 3: Gather Staffing Information and Develop Model (conference call)																	
Task 4: Test and Review Cost Allocation Methodology (conference call)																	
Task 5: Prepare and Present Draft Report (meeting)																	
Task 6: Discuss and Revise Report (conference call)																	
Task 7: Prepare and Present Final Report/Instruct Staff on Model (meeting)																	

#### Deliverables:

- |  |   |
|--|---|
| ⌘1: Information Request                            | ⌘5: Draft Report                              |
| ⌘2: Revised Project Scope and Schedule (if needed) | ⌘6: Revised Draft Report/Final Report         |
| ⌘3: User-friendly Model in Microsoft Excel         | ⌘7: Final Report – Hard and Electronic Copies |
| ⌘4: Draft Cost Allocation Plan Model Review        |   |

### Comprehensive User Fee Study

City of Lake Elsinore																									
Comprehensive User Fee Study																									
Project Schedule																									
Scope of Services	May				June				July				August				September				October				
	6	13	20	27	3	10	17	24	1	8	15	22	29	5	12	19	26	2	9	16	23	30	7	14	21
Task 1: Initial Document Request																									
Task 2: Compile Inventory of Current and Potential Fees																									
Task 3: Kick-off / Refine Scope (web meeting/conference call)																									
Task 4: Develop User Fee Model																									
Task 5: Staff Interviews and Information Gathering (web meetings)																									
Task 6: Data Analysis and Final User Fee Schedule (Web mtgs/conf calls)																									
Task 7: Common Fees Comparison																									
Task 8: Prepare and Present Draft Report (conference call)																									
Task 9: Revise Draft Report/Determine Cost Recovery Levels (conference call)																									
Task 10: Prepare and Present Final Report/Instruct Staff on Model (web meeting)																									

#### Deliverables:

- |  |  |
|--|--|
| ⌘1: Information Request                            | ⌘6: Draft Fee and Rate Model Review            |
| ⌘2: Draft List of Current Fees                     | ⌘7: Common Fee Comparison                      |
| ⌘3: Revised Project Scope and Schedule (if needed) | ⌘8: Draft Report                               |
| ⌘4: User-friendly Model in Microsoft Excel         | ⌘9: Revised Draft Report/Final Report          |
| ⌘5: Time Surveys and Draft Full Cost Recovery Fees | ⌘10: Final Report – Hard and Electronic Copies |

## Fee Proposal Fixed Fee

Willdan Financial Services (“Willdan”) proposes a **fixed fee of \$29,875** for the Cost Allocation Plan and Comprehensive User Fee Study engagement.

### Cost Allocation Plan

Willdan Financial Services proposes a **fixed fee of \$9,995** for the Full Cost Allocation Plan.

City of Lake Elsinore							Cost Allocation Plan	
Fee Proposal								
	C. Fisher Principal-in- Charge	T. Thrasher Project Manager	P. Patel Senior Analyst	S. Labitan Analytical Support	R. Quaid QA/Tech Advisor		<u>Total</u>	
	\$ 250	\$ 210	\$ 135	\$ 125	\$ 210		Hours	Cost
<b>Scope of Services</b>								
<b>Task 1:</b> Initial Document Request	-	-	1.0	-	-		1.0	\$ 135
<b>Task 2:</b> Kick-off /Refine Scope	-	1.0	1.0	-	-		2.0	345
<b>Task 3:</b> Gather Staffing Information & Develop CAP Model	1.0	2.0	6.0	12.0	1.0		22.0	3,190
<b>Task 4:</b> Test and Review Cost Allocation Methodology	-	2.0	6.0	3.0	0.5		11.5	1,710
<b>Task 5:</b> Prepare and Present Draft Report	1.0	2.0	4.0	6.0	1.0		14.0	2,170
<b>Task 6:</b> Discuss and Revise Report	1.0	2.0	4.0	1.0	-		8.0	1,335
<b>Task 7:</b> Prepare and Present Final Report/Instruct Staff on Model	-	4.0	2.0	-	-		6.0	1,110
<b>Total – Cost Allocation Plan</b>	<b>3.0</b>	<b>13.0</b>	<b>24.0</b>	<b>22.0</b>	<b>2.5</b>		<b>64.5</b>	<b>\$ 9,995</b>

### Comprehensive User Fee Study

Willdan Financial Services proposes a **fixed fee of \$19,880** for the Comprehensive User Fee Study.

City of Lake Elsinore							Comprehensive User Fee Study	
Fee Proposal								
	C. Fisher Principal-in- Charge	T. Thrasher Project Manager	P. Patel Senior Analyst	S. Labitan Analytical Support	R. Quaid QA/Tech Advisor		<u>Total</u>	
	\$ 250	\$ 210	\$ 135	\$ 125	\$ 210		Hours	Cost
<b>Scope of Services</b>								
<b>Task 1:</b> Initial Document Request	-	-	1.0	-	-		1.0	\$ 135
<b>Task 2:</b> Compile Inventory of Current and Potential Fees	-	-	1.0	1.0	-		2.0	260
<b>Task 3:</b> Kick-off /Refine Scope	-	1.0	1.0	-	-		2.0	345
<b>Task 4:</b> Develop User Fee Model	1.0	4.0	8.0	8.0	1.0		22.0	3,380
<b>Task 5:</b> Staff Interviews and On-site Information Gathering	-	2.0	8.0	8.0	-		18.0	2,500
<b>Task 6:</b> Data Analysis and Final Fee and Rate Schedule	1.0	3.0	16.0	24.0	1.0		45.0	6,250
<b>Task 7:</b> Common Fees Comparison	-	1.0	4.0	6.0	-		11.0	1,500
<b>Task 8:</b> Prepare and Present Draft Report	1.0	2.0	6.0	8.0	1.0		18.0	2,690
<b>Task 9:</b> Revise Draft/Determine Cost Recovery Levels	1.0	2.0	2.0	4.0	-		9.0	1,440
<b>Task 10:</b> Prepare and Present Final Report/Train Staff on Model	-	4.0	4.0	-	-		8.0	1,380
<b>Total – Comprehensive User Fee Study</b>	<b>4.0</b>	<b>19.0</b>	<b>51.0</b>	<b>59.0</b>	<b>3.0</b>		<b>136.0</b>	<b>\$ 19,880</b>

## Notes

- Our fee includes all direct expenses associated with the project.
- We will invoice the City monthly based on percentage of project completed.
- Additional services may be authorized by the City and will be billed at our then-current hourly overhead consulting rates.
- City shall reimburse Willdan for any costs Willdan incurs, including without limitation, copying costs, digitizing costs, travel expenses, employee time and attorneys' fees, to respond to the legal process of any governmental agency relating to City or relating to the project. Reimbursement shall be at Willdan 's rates in effect at the time of such response.
- The cost of preparing the user fee study can be included in the resulting new user fee schedule. Therefore, over time, the City can recover the initial outlay of funds that was required to complete the studies.
- Willdan will rely on the validity and accuracy of the City's data and documentation to complete the analysis. Willdan will rely on the data as being accurate without performing an independent verification of accuracy and will not be responsible for any errors that result from inaccurate data provided by the client or a third party.

## Hourly Rates

Our current hourly rates are listed below.

Willdan Hourly Rate Schedule		
Position	Team Member	Hourly Rate
Director	Chris Fisher	\$250
Managing Principal		\$240
Principal Consultant	Tony Thrasher, & Bob Quaid	\$210
Senior Project Manager		\$185
Project Manager		\$165
Senior Project Analyst	Priti Patel	\$135
Senior Analyst	Samantha Labitan	\$125
Analyst II		\$110
Analyst I		\$100



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