

**CITY OF CAPITOLA
PROFESSIONAL SERVICES AGREEMENT
Comprehensive User Fee Study and Overhead Cost Allocation Plan
Willdan Financial Services**

THIS AGREEMENT is entered into on August 25, 2023, by and between the City of Capitola, a Municipal Corporation, hereinafter called "City" and Willdan Financial Services, hereinafter called "Consultant".

WHEREAS, City desires certain services described in Appendix One and Consultant is capable of providing and desires to provide these services;

NOW, THEREFORE, City and Consultant for the consideration and upon the terms and conditions hereinafter specified agree as follows:

**SECTION 1
Scope of Services**

The services to be performed under this Agreement are for completion of a Comprehensive User Fee Study and Overhead Cost Allocation Plan and further detailed in Appendix One.

**SECTION 2
Duties of Consultant**

All work performed by Consultant, or under its direction, shall be sufficient to satisfy the City's objectives for entering into this Agreement and shall be rendered in accordance with the generally accepted practices, and to the standards of, Consultant's profession.

Consultant shall not undertake any work beyond the scope of work set forth in Appendix One unless such additional work is approved in advance and in writing by City. The cost of such additional work shall be reimbursed to Consultant by City on the same basis as provided for in Section 4.

If, in the prosecution of the work, it is necessary to conduct field operations, security and safety of the job site will be the Consultant's responsibility excluding, nevertheless, the security and safety of any facility of City within the job site which is not under the Consultant's control.

Consultant shall meet with Jim Malberg, Finance Director, called "Director," or other City personnel, or third parties as necessary, on all matters connected with carrying out of Consultant's services described in Appendix One. Such meetings shall be held at the request of either party hereto. Review and City approval of completed work shall be obtained monthly, or at such intervals as may be mutually agreed upon, during the course of this work.

**SECTION 3
Duties of the City**

City shall make available to Consultant all data and information in the City's possession which City deems necessary to the preparation and execution of the work, and City shall actively aid and assist Consultant in obtaining such information from other agencies and individuals as necessary.

The Director may authorize a staff person to serve as his or her representative for conferring with Consultant relative to Consultant's services. The work in progress hereunder shall be reviewed from time to time by City at the discretion of City or upon the request of Consultant. If the work is satisfactory, it will be approved. If the work is not satisfactory, City will inform Consultant of the changes or revisions necessary to secure approval.

SECTION 4 **Fees and Payment**

Payment for the Consultant's services shall be made upon a schedule and within the limit, or limits shown, upon Appendix Two. Such payment shall be considered the full compensation for all personnel, materials, supplies, and equipment used by Consultant in carrying out the work. If Consultant is compensated on an hourly basis, Consultant shall track the number of hours Consultant, and each of Consultant's employees, has worked under this Agreement during each fiscal year (July 1 through June 30) and Consultant shall immediately notify City if the number of hours worked during any fiscal year by any of Consultant's employees reaches 900 hours. In addition, each invoice submitted by the Consultant to City shall specify the number of hours to date Consultant, and each of Consultant's employees, has worked under this Agreement during the current fiscal year.

SECTION 5 **Changes in Work**

City may order major changes in scope or character of the work, either decreasing or increasing the scope of Consultant's services. No changes in the Scope of Work as described in Appendix One shall be made without the City's written approval. Any change requiring compensation in excess of the sum specified in Appendix Two shall be approved in advance in writing by the City.

SECTION 6 **Time of Beginning and Schedule for Completion**

This Agreement will become effective when signed by both parties and will terminate on the earlier of:

- The date Consultant completes the services required by this Agreement, as agreed by the City; or
- The date either party terminates the Agreement as provided below.

Work shall begin on or about September 1, 2023.

In the event that major changes are ordered, or Consultant is delayed in performance of its services by circumstances beyond its control, the City will grant Consultant a reasonable adjustment in the schedule for completion provided that to do so would not frustrate the City's objective for entering into this Agreement. Consultant must submit all claims for adjustments to City within thirty calendar days of the time of occurrence of circumstances necessitating the adjustment.

SECTION 7 **Termination**

City shall have the right to terminate this Agreement at any time upon giving ten days written notice to Consultant. Consultant may terminate this Agreement upon written notice to City should the City fail to fulfill its duties as set forth in this Agreement. In the event of termination, City shall pay the Consultant for all services performed and accepted under this Agreement up to the date of termination.

SECTION 8

Insurance

Consultant shall procure and maintain for the duration of the contract, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Consultant, his agents, representatives, or employees.

Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 0001).
2. Insurance Services office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto).
3. Workers' Compensation insurance as required by the State of California, and Employer's Liability Insurance.
4. Professional (Errors and Omissions) Liability insurance appropriate to the consultant's profession. Architects' and engineers' coverage shall include contractual liability.

Minimum Limits of Insurance

Consultant shall maintain limits no less than:

- | | |
|--|---|
| 1. General Liability:
(including operations,
products and completed
operations) | \$1,000,000 per occurrence and \$2,000,000 in
aggregate (including operations, for bodily injury,
personal and property damage. |
| 2. Automobile Liability: | \$1,000,000 per accident for bodily injury and
property damage. |
| 3. Employer's Liability Insurance | \$1,000,000 per accident for bodily injury and
property damage. |
| 4. Errors and Omissions
Liability:
Limits | \$1,000,000 per claim and \$2,000,000 in the
aggregate. |

Other Insurance Provisions

The commercial general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The City of Capitola, its officers, officials, employees and volunteers are to be covered as additional insured's as respects: liability arising out of work or operations performed by or on behalf of the Consultant or automobiles owned, leased, hired or borrowed by the Consultant.
2. For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled except after prior written notice has been given to the City.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.

Waiver of Subrogation

Contractor hereby agrees to waive rights of subrogation which any insurer of Contractor may acquire from Contractor by virtue of the payment of any loss. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation. **The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City of Capitola** for all work performed by the Contractor, its employees, agents and subcontractors.

Verification of Coverage

Consultant shall furnish the City with original certificates and amendatory endorsements affecting coverage by this clause. The endorsements should be on forms provided by the City or on other than the City's forms provided those endorsements conform to City requirements. All certificates and endorsements are to be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

SECTION 9 Indemnification

For General Services: To the fullest extent permitted by law, Consultant agrees to indemnify, defend, and hold harmless the City, its directors, officers, employees from and against any and all claims, demands, actions, liabilities, damages, judgments, or expenses (including attorneys' fees and costs) arising from the acts or omissions of Consultant's employees or agents in any way related to the obligations or in the performance of services under this Agreement, except for design professional services as defined in Civil Code § 2782.8, and except where caused by the sole or active negligence, or willful misconduct of the City.

For Design Professional Services under Civil Code §2782.8: To the fullest extent permitted by law, Consultant agrees to indemnify, defend, and hold harmless the City, its directors, officers, and employees from and against any and all claims, demands, actions, liabilities, damages, or expenses (including attorneys' fees and costs) arising from the negligence, recklessness, or willful misconduct of the Consultant, Consultant's employees, or agents in any way related to the obligations or in the performance of design professional services under this Agreement as defined in Civil Code §2782.8, except where caused by the sole or active negligence, or willful misconduct of the City. The costs to defend charged to the Consultant relating to design professional services shall not exceed the Consultant's proportionate percentage of fault per Civil Code §2782.8 and against all claims, damages, losses, and expenses including attorney fees arising out of the performance of the work described herein, caused in whole or in part by any negligent act or omission of the Consultant, Consultant's employees, agents or subcontractors, except where caused by the active negligence, sole negligence, or willful misconduct of the City.

SECTION 10 **Civil Rights Compliance/Equal Opportunity Assurance**

Every supplier of materials and services and all consultants doing business with the City of Capitola shall be in compliance with the applicable provisions of the Americans with Disabilities Act of 1990 and shall be an equal opportunity employer as defined by Title VII of the Civil Rights Act of 1964 and including the California Fair Employment and Housing Act of 1980. As such, consultant shall not discriminate against any person on the basis of race, religious creed, color, national origin, ancestry, disability, medical condition, marital status, age, or sex with respect to hiring, application for employment, tenure or terms and conditions of employment. Consultant agrees to abide by all of the foregoing statutes and regulations.

SECTION 11 **Legal Action/Attorneys' Fees**

If any action at law or in equity is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees in addition to any other relief to which he or she may be entitled. The laws of the State of California shall govern all matters relating to the validity, interpretation, and effect of this Agreement and any authorized or alleged changes, the performance of any of its terms, as well as the rights and obligations of Consultant and the City.

SECTION 12 **Assignment**

This Agreement shall not be assigned without first obtaining the express written consent of the Director after approval of the City Council.

SECTION 13 **Amendments**

This Agreement may not be amended in any respect except by way of a written instrument which expressly references and identifies this particular Agreement, which expressly states that its purpose is to amend this particular Agreement, and which is duly executed by the City and Consultant. Consultant acknowledges that no such amendment shall be effective until approved and authorized by the City Council, or an officer of the City when the City Council may from time to time empower an officer of the City to approve and authorize such amendments. No representative of the City is authorized to obligate the City to pay the cost or value of services beyond the scope of services set forth in Appendix Two. Such authority is retained solely by the City Council. Unless expressly authorized by the City Council, Consultant's compensation shall be limited to that set forth in Appendix Two.

SECTION 14
Miscellaneous Provisions

1. *Project Manager.* Director reserves the right to approve the project manager assigned by Consultant to said work. No change in assignment may occur without prior written approval of the City.
2. *Consultant Service.* Consultant is employed to render professional services only and any payments made to Consultant are compensation solely for such professional services.
3. *Licensure.* Consultant warrants that he or she has complied with any and all applicable governmental licensing requirements.
4. *Other Agreements.* This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter, and no other agreement, statement or promise related to the subject matter of this Agreement which is not contained in this Agreement shall be valid or binding.
5. *City Property.* Upon payment for the work performed, or portion thereof, all drawings, specifications, records, or other documents generated by Consultant pursuant to this Agreement are, and shall remain, the property of the City whether the project for which they are made is executed or not. The Consultant shall be permitted to retain copies, including reproducible copies, of drawings and specifications for information and reference in connection with the City's use and/or occupancy of the project. The drawings, specifications, records, documents, and Consultant's other work product shall not be used by the Consultant on other projects, except by agreement in writing and with appropriate compensation to the City.
6. *Consultant's Records.* Consultant shall maintain accurate accounting records and other written documentation pertaining to the costs incurred for this project. Such records and documentation shall be kept available at Consultant's office during the period of this Agreement, and after the term of this Agreement for a period of three years from the date of the final City payment for Consultant's services.
7. *Independent Contractor.* In the performance of its work, it is expressly understood that Consultant, including Consultant's agents, servants, employees, and subcontractors, is an independent contractor solely responsible for its acts and omissions, and Consultant shall not be considered an employee of the City for any purpose.
8. *Conflicts of Interest.* Consultant stipulates that corporately or individually, its firm, its employees and subcontractors have no financial interest in either the success or failure of any project which is, or may be, dependent on the results of the Consultant's work product prepared pursuant to this Agreement.
9. *Notices.* All notices herein provided to be given, or which may be given by either party to the other, shall be deemed to have been fully given and fully received when made in writing and deposited in the United States mail, certified and postage prepaid, and addressed to the respective parties as follows:

CITY

CITY OF CAPITOLA
420 Capitola Avenue
Capitola, CA 95010
831-475-7300

CONSULTANT

WILLDAN FINANCIAL SERVICES
27368 Via Industria, Ste 200
Temecula, CA 92590
(800) 755-6864

By: _____
Benjamin Goldstein, City Manager

By:  _____
Chris Fisher, Vice President

Dated: _____

Dated: August 9, 2023

Approved as to Form:

Samantha Zutler, City Attorney

APPENDIX ONE Scope of Services

Overhead Cost Allocation Plan Work Plan

This scope of services addresses the completion of both the overhead 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 in order to enhance our understanding of the City's current cost allocation plan and internal structure of the agency. 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;
- Prior year's financial data, salary, position, and staffing data;
- Organizational structure;
- Prior cost allocation plan and/or user fee documentation and models; and
- Data related to various allocation bases that may be 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.

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 / Confirm Project Strategy / Refine Scope

Objective: Confirm project goals and objectives and develop overall project strategy. Identify and discuss policy considerations related to the study and determine appropriate fee categories.

Description: Willdan will identify and discuss policy matters typically associated 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, and conduct discussions with City staff to verify the scope, purposes, and objectives for the CAP.

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.

We will obtain and review the current cost allocation methodology and discuss with City staff. The objective of this review is to determine specific areas of focus as they relate to the City's objectives, and to discuss and evaluate current and potential allocation factors.

Meetings: One (1) project kick-off meeting or call to initiate the project, discuss data needs and methodologies, and to address policy issues. We would propose to conduct the user fee

study kick-off during this same meeting, to maximize efficiency and cost effectiveness of City 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: Gather Staffing Information and Develop Cost Allocation Plan Model

Description: This task involves the gathering of specific information, directly from City staff, through interviews and discussion, related to the functions served by indirect staff and the departments served by their activities. This task also focuses on the development 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.

The model will be developed to incorporate any recent changes in the provision of City services, identify the total cost of providing indirect overhead support services, fully allocate central service costs to operating groups such as Development Services, and will include provision for appropriate inflationary adjustments going forward.

The model will also be developed to allocate only those costs eligible under 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.

We will utilize budget and organizational information, and other required information gathered from City staff to complete the work in this task. Specific discussions will be held to discuss allocation bases, services provided by indirect groups, how central overhead services are provided to and utilized by other departments, cost categories and allocation criteria, and how these will factor into the overall cost allocation methodology.

The model and methodology will produce indirect cost rates and overhead percentages which support the development of fully-burdened hourly City staff rates. These hourly rates can be used for a variety of purposes including incorporation into the User Fee Study's fully burdened personnel rates, billing to Capital Improvement projects work orders, recovery of costs for services provided to City customers working with various City departments, 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 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.

Task 4: Test and Review Cost Allocation Methodology

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.

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

Task 5: Prepare and Present Draft Report

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) online meeting to present the draft report to City staff.

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

Task 6: Discuss and Revise Report

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 overhead 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 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

Objective: Prepare and present the final report to City Council. Educate City staff on the operation and use of the model for future modifications.

Description: 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 City Council.

Meetings: One (1) meeting with the City Council to present the final plan if necessary. This meeting would be held in conjunction with the presentation of the user fee study results.

We will also provide staff training on the operation and use of the model.

Deliverables: **Willdan:** Provide one (1) electronic PDF file copy of the final report and models (full and OMB Super Circular compliant), and five (5) bound copies, and one (1) unbound copy to the City. Using Microsoft Word and Excel, an updateable electronic copy of the study and models, as well as related schedules, will be provided on CD.

Comprehensive User Fee Study Work Plan

Task 1: Initial Document Request

Objective: Initial due diligence; obtain study-related data.

Description: 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 on-site interviews described in Task 5.

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.

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

City: 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.

Task 2: Compile Inventory of Current and Potential Fees

Objective: Willdan will identify a schedule of fees and methodology for calculating the fees.

Description: 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.

Meetings: 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.

Deliverables: **Willdan:** One (1) draft list of current fees based on initial data provided (to be discussed and finalized during the kick-off call).

City: Review completed fee schedule with comments/revisions to be discussed during the kick-off meeting.

Task 3: Kick-off Conference Call / Refine Scope

Objective: Confirm goals and objectives for the User Fee Study. Identify and discuss policy considerations typically associated with a User Fee Study, address gaps in data, and refine appropriate existing or new fee categories (based on Task 2).

Description: 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.

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.

Meetings: One (1) project kick-off call to initiate the entire project, discuss data needs, and address policy objectives. 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.

Task 4: Develop User Fee Model

Objective: Develop and test model.

Description: This task involves the development of the model ultimately used to calculate the departmental fees, based on data and information gathered in previous tasks and in the Time Survey Interviews described in Task 5.

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.

Task 5: Staff Interviews and On-site Information Gathering

Objective: Meet with City staff to complete Time Surveys and understand service delivery processes.

Description: In order to assist staff with the completion of the survey worksheets, we will schedule two (2) days 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 interviews with supervisors/managers, as well as other staff, as deemed appropriate and/or necessary, from each department involved in the user fee study to determine 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: Two (2) business days 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. Over the past three years, since the beginning of the pandemic, we have used these tools very successfully and found them to be highly effective and efficient, particularly for follow-up questions and/or discussions.

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

Task 6: Data Analysis and Final User Fee Schedule

Objective: Incorporate information obtained from on-site surveys to fully develop model.

Description: We will update the model, based on information received during the on-site surveys, to generate a comprehensive user fee schedule. In addition, it is very common that a supplemental data request may be necessary, based on new fees identified that the City is not currently collecting.

Where appropriate, we will suggest and discuss with staff alternate approaches to existing fee programs (i.e., building fees) and suggest potential areas where fees could be collected where they are not currently.

We will calculate and present the full cost recovery level for fees, both current and projected under the new 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 schedules for each division, we will make recommendations for new fees where appropriate, based on our experience with other cities. Some areas for new fees may be due to changes in law (legalized cannabis), or for activities that the City finds itself performing regularly, but for which no fee is collected.

Where possible, we will incorporate discussion of the City's economic development policies, and where these may intersect with fee programs, for instance setting fees in a manner that encourages certain activities.

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.

Task 7: Common Fees Comparison

Objective: Examine selected user fees charged by up to five (5) comparable cities in Santa Cruz County or other jurisdictions that are close in proximity or similar to the City of Capitola.

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

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, Willdan takes 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 Capitola; 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.

Task 8: Prepare and Present Draft Report

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;
- The full cost of each service at lowest reasonable activity level and current cost recovery levels;
- Costs broken down graphically into indirect and direct components, with a graphic display of the level of cost recovery;
- Fee recommendations with associate levels of cost recovery;
- Projections of potential fee revenue;
- Assessment of reasonableness of each City's costs;
- Review of reasonableness of current consultant cost structure (for Building Division services);

- As appropriate, recommend alternative methodologies for building permit fee calculation; 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) conference call with City staff, 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.

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

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 and changes as a result of previous discussions, and arrive at an optimum fee structure.

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;
- Appropriate levels of 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 from City staff on the draft report and feedback from City staff, 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.

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

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 with City Council to present the results and adopt the updated fee schedule. We will also provide staff training on the operation and use of the model on the same day, during regular business hours.

Deliverables: Provide one (1) electronic PDF file copy of the final report and models; and, if requested, provide five (5) bound copies, and one (1) unbound copy 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.

City Staff Support

To complete our tasks, we will need the cooperation of City staff. We suggest that the City of Capitola 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.

APPENDIX TWO Fees and Payments

For the services performed, City will pay consultant on a not-to-exceed, lump sum basis upon satisfactory completion of the services and delivery of work products. Payments will be issued monthly as charges accrue, the sum of consultant's salary expenses and non-salary expenses.

Consultant hereby represents and warrants, based upon Consultant's independent determination of the time and labor, including overtime, which will be required to perform said services, that Consultant will provide all said services at a cost which will not exceed the maximum price set forth in this agreement for Consultant's services. Consultant hereby assumes the risk that Consultant will perform said services within this maximum price constraint and Consultant acknowledges that its inability to do so shall not excuse completion of the services and shall not provide a basis for additional compensation.

Salary expenses include the actual direct pay of personnel assigned to the project (except for routine secretarial and account services) plus payroll taxes, insurance, sick leave, holidays, vacation, and other fringe benefits. The percentage of compensation attributable to salary expenses includes all of Consultant's indirect overhead costs and fees. For purposes of this Agreement, Consultant's salary expenses and non-salary expenses will be compensated at the rates set forth in the fee schedule attached to this appendix and in accordance with the terms set forth therein. Non-salary expenses include travel, meals and lodging while traveling, materials other than normal office supplies, reproduction and printing costs, equipment rental, computer services, service of subconsultants or subcontractors, and other identifiable job expenses. The use of Consultant's vehicles for travel shall be paid at the current Internal Revenue Service published mileage rate.

Salary payment for personnel time will be made at the rates set forth in the attached fee schedule for all time charged to the project. Normal payroll rates are for 40 hours per week. Consultant shall not charge the City for personnel overtime salary at rates higher than those set forth in the attached fee schedule without the City's prior written authorization.

In no event shall the total fee charged for the scope of work set forth in Appendix One exceed the total budget of \$ 34,910 (Thirty-four Thousand Nine Hundred Ten Dollars and Zero Cents), without specific, written advance authorization from the City.

Payments shall be made monthly by the City, based on itemized invoices from the Consultant which list actual costs and expenses. Such payments shall be for the invoice amount. The monthly statements shall contain the following affidavit signed by a principal of the Consultant's firm:

"I hereby certify as principal of the firm of Willdan Financial Services, that the charge of \$34,910 as summarized above and shown in detail on the attachments is fair and reasonable, is in accordance with the terms of the Agreement dated August 25, 2023, and has not been previously paid."