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DATE: June 16, 2026

TO: Honorable Mayor and Members of the City Council

FROM: Travis Sanborn, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Adopt Resolution 1669-2026 Approving Revised Billable Rates for Staff Time for Fiscal Year 2026-27 and Amending the Master Fee Schedule to reflect the new fees

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**IT IS RECOMMENDED THAT THE CITY COUNCIL:**

Adopt Resolution 1669-2026 Approving Revised Billable Rates for Staff Time for Fiscal Year 2026-27, Rescinding Resolution 1635-2025, and Amending the Master Fee Schedule to Incorporate the New Fees.

**BACKGROUND AND DISCUSSION**

To ensure the City recovers the full cost of providing services, the Finance Department updates billable rates annually to reflect current compensation, benefits, and overhead. Rates are used when City staff time is charged to capital projects, grants, enterprise fund operations, or other reimbursable programs. Under California Government Code § 66000, user fees are limited to the actual cost of providing services. These rates are computed to recover cost only and include no profit margin.

An updated billable rate for each position has been calculated using the following formula:

$$\text{Billable Rate} = \text{Hourly Rate} \times (1 + \text{Benefits \%} + \text{Leave \%} + \text{Overhead \%})$$

**Hourly Rate:** The base hourly rate for each position per the applicable MOU or employment agreement, as reflected in the FY 2026-27 Salary Projection Workbook finalized by the Finance Director prior to this meeting.

**Benefits %:**  $(\text{Total Salaries \& Benefits} - \text{Annual Base Salary}) \div \text{Annual Base Salary}$ . Includes all employer-paid costs: 457(b) deferred compensation contributions, health, dental, vision, and life insurance, FICA, workers' compensation, unemployment insurance, clothing allowances, retention stipends, and executive leave cash payouts per applicable employment agreements. Executive leave for management positions is budgeted and paid as a cash compensation element; it is included in the benefits pool and is not separately loaded in leave hours, preventing double-counting.

**Leave %:** Annual Leave Hours ÷ Annual Work Hours. Leave hours reflect 14 city holidays (112 hours) plus vacation accrual per applicable MOU. The standard is 192 hours for all positions (112 holiday + 80 vacation).

**Overhead %:** Total overhead-eligible O&M expenditures ÷ Total Salaries & Benefits, averaged across four representative departments from the FY 2026-27 Adopted Operating Budget. Per 2 CFR Part 200 §§ 200.412–200.414, only indirect costs are included in the overhead pool. Direct program costs — such as treatment plant chemicals and utilities, laboratory testing, equipment rental, and animal control contracted services — are excluded. The four departments cover central service (City Manager, Finance) and representative operational departments by fund type (Police — General Fund; Sewer — Enterprise), consistent with the simplified allocation methodology permitted under 2 CFR Part 200 Appendix VII.

### **Overhead Rate Computation — FY 2026-27**

The computed average of 30.74% is applied as 30%, consistent with the prior-year rounding convention (FY 2025-26: 26.30% computed, 26% applied). The increase from 26% to 30% reflects documented FY 2026-27 budget increases: Police technology maintenance (+\$11,500), operating supplies (+\$17,500), insurance (+\$7,500), and training (+\$8,000); Sewer contract professional services (+\$20,000 including a rate study). All figures are from the FY 2026-27 Adopted Operating Budget.

### **High Benefits % — Positions Exceeding 100%**

Benefits percentages exceeding 100% of base salary appear for several positions across Police and Public Works and are an expected mathematical outcome, not an anomaly. They do not reflect any error in the calculation.

The primary driver is health insurance. The City's family health plan costs \$31,392 per year — a fixed amount applied equally regardless of an employee's base salary. For a position with an annual base salary of approximately \$50,000–\$90,000, that single benefit represents between 35% and 63% of base salary before any other benefit is added. When combined with 457(b) deferred compensation contributions, FICA, workers' compensation, unemployment insurance, clothing allowances, and — where applicable — retention stipends, standby and holiday pay, and executive leave cash payouts, total benefits costs exceed base salary for these positions.

Benefits % is higher for lower-wage positions not because their benefits are more generous, but because the same flat-dollar benefit costs represent a larger percentage of a smaller base. Positions with higher base salaries carry the same benefit amounts at a lower percentage.

All benefit components are employer obligations established by applicable MOUs, employment agreements, and state and federal law, and are allowable costs under 2 CFR 200.430. A component-level breakdown for each position is documented in the rate computation workbook on file with the Finance Director and is available for grantor review.

### **Retention Stipends**

Four positions carry retention stipends in FY 2026-27 per executed employment agreements: Police Chief (\$16,000), Police Sergeant (\$7,500), Police Corporal (\$7,500), and one Community Service Officer (\$6,000). These are actual FY 2026-27 compensation costs included in the benefits pool consistent with FY 2025-26 methodology. Retention stipends are allowable costs per 2 CFR 200.430 as compensation paid under formally established written agreements.

**Proposed FY 2026-27 Billable Rates**

<b>TITLE</b>	<b>HOURLY RATE</b>	<b>OH COST %</b>	<b>BENEFITS %<sup>3</sup></b>	<b>BILLABLE RATE</b>
<b>ADMINISTRATION</b>				
City Manager	\$65.17	30%	50%	<b>\$123.10</b>
City Clerk	\$30.82	30%	80%	<b>\$67.59</b>
Community Development Director	\$52.98	30%	59%	<b>\$106.38</b>
<b>FINANCE</b>				
Finance Director	\$62.06	30%	35%	<b>\$107.94</b>
Accountant II	\$37.24	30%	36%	<b>\$66.08</b>
Senior Fiscal Assistant	\$27.68	30%	61%	<b>\$55.30</b>
Senior Fiscal Assistant	\$26.88	30%	62%	<b>\$53.98</b>
<b>POLICE</b>				
Police Chief	\$59.09	30%	95%	<b>\$138.47</b>
Police Sergeant	\$42.25	30%	115%	<b>\$107.57</b>
Police Corporal	\$37.38	30%	118%	<b>\$96.19</b>
Police Officer	\$30.93	30%	89%	<b>\$70.56</b>
Police Officer	\$28.23	30%	92%	<b>\$65.28</b>
Police Officer	\$27.90	30%	114%	<b>\$70.50</b>
Community Service Officer	\$28.33	30%	109%	<b>\$70.36</b>
Community Service Officer	\$24.03	30%	113%	<b>\$60.57</b>
<b>PUBLIC WORKS</b>				
Water/Streets Superintendent	\$64.26	30%	58%	<b>\$126.60</b>
Wastewater Superintendent	\$41.53	30%	90%	<b>\$94.99</b>
Water Operator II	\$28.33	30%	76%	<b>\$61.10</b>
Wastewater Operator II	\$27.78	30%	98%	<b>\$66.01</b>
Wastewater Operator I	\$27.15	30%	114%	<b>\$68.71</b>
Utility Worker III	\$26.09	30%	78%	<b>\$56.60</b>
Utility Worker II	\$22.82	30%	83%	<b>\$50.78</b>
Utility Worker I	\$21.64	30%	86%	<b>\$48.69</b>

**Time Records and Grant Billing**

Grant billing at the adopted rates shall be supported by time records per OMB 2 CFR Part 200.430, reflecting the actual time each employee devoted to the applicable program on a daily or weekly basis. Where multiple positions share a classification title, the applicable rate is

determined by reference to the Finance Director's rate computation workbook on file with the City. The Finance Director is responsible for ensuring the correct rate is applied to each reimbursement claim.

### **FISCAL IMPACT**

Adoption of these rates has no direct General Fund impact. Rates ensure the City recovers its full cost of staff time from grants, enterprise funds, and capital project accounts. Under-recovery would represent a subsidy from the General Fund or enterprise fund to the applicable program.

### **ATTACHMENTS**

Resolution 1669-2026 Approving Revised Billable Rates for Staff Time for Fiscal Year 2026-27