

Newcastle Fire Protection District

Development Impact Fee Study Update
Proposal

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Prepared by:



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FIRM DESCRIPTION

Capitol Public Finance Group, LLC, ("Capitol PFG") is a public finance consulting firm based in Roseville. We provide comprehensive financial consulting services to public agencies located in California to help them achieve the best financial solutions for their community.

Our staff has assisted numerous local government agencies with financial planning services including bond measure preparation, facilities and financial planning, Mello-Roos and assessment district formation, construction project delivery methods, development mitigation, development impact fee studies and site acquisitions.

To implement the financial plan, transactional services are often needed. Our transactional services include advice with respect to the structure, timing, terms, method of sale, preparation of disclosure documents, and other similar matters concerning the issuance of tax-exempt bonds.

Our staff has assisted dozens of local government agencies in the issuance of various forms of tax-exempt bonds. We have extensive experience assisting local government agencies with the issuance of tax and revenue anticipation notes, grant anticipation notes, USDA rural development loans, lease-purchase agreements, qualified zone academy bonds, certificates of participation, general obligation bonds, special tax bonds, and assessment district bonds.

Capitol PFG staff acts as independent, financial consultants. Our consulting fees are not contingent on whether a particular strategy or project is selected. Our only source of revenue is consulting fees paid by local government agencies. Thus, Capitol PFG does not have a financial interest in recommending the project or the selection of other project participants.

Our goal is to provide clients with quality financial analysis and sound financial advice. We enable our clients to make optimal decisions based on complete information. Capitol PFG provides expertise by identifying critical decision points and their associated cost/benefits, which enables our clients to make appropriate financial decisions. Capitol PFG will recommend the most cost-effective financial strategy considering the need for flexibility, given the current financial, legal and political environment.

At Capitol PFG, we have a sincere belief in providing ethical and long lasting financial solutions in a cost effective and friendly manner. We believe that our work is all about providing clients with the best possible service.

SERVICES PROVIDED BY CAPITOL PFG

Capitol PFG provides comprehensive financial consulting services for our clients to help them achieve the best solutions for their community.

Our services include:

- ◆ Development mitigation
- ◆ Development Impact Fee Study preparation
- ◆ Bond measure preparation
- ◆ Facilities and financial planning
- ◆ Mello-Roos and assessment district formation
- ◆ State School Facility Program consultation
- ◆ Debt/bond issuance committee formation and support
- ◆ Construction project delivery method consultation
- ◆ Site acquisitions
- ◆ Cash flow financing (including tax and revenue anticipation notes, grant anticipation notes, etc.)
- ◆ Capital facilities and equipment financing (including general obligation bonds, certificates of participation, special tax and assessment bonds, lease-purchases, qualified zone academy bonds, etc.)
- ◆ Debt administration
- ◆ Financial communication strategies

Over the years, our staff has assisted numerous California public agencies in achieving their goals. We are happy to provide references at your request.

SCOPE OF SERVICES FOR NEWCASTLE FIRE PROTECTION DISTRICT

It is our understanding that the Newcastle Fire Protection District ("District") has a need for an updated Development Impact Fee Study for Fire and Rescue Services. In order to do so, Capitol PFG will evaluate the District's existing mitigation program and consider the changes that have occurred in the development community since the last study was completed. The fees generated by this program will serve to offset the impact of residential and commercial development on the District's fire protection service level, specifically the capital resources that support those services.

In 1987, the California Legislature adopted Assembly Bill 1600 which established a uniform process for formulating, adopting, imposing, collecting, accounting for, and protesting certain fees. In order to impose an impact fee, a local agency must go through a process to establish a reasonable relationship between a development project and the public improvement for which the development impact fee is charged.

The most important part of AB 1600 is the requirement for findings that connect any impact stemming from a development project to the type and amount of the fee imposed. Government Code Section 66001 states that after January 1, 1989, in any action "establishing, increasing, or imposing a fee as a condition of approval of a development project," the local agency shall do all of the following:

- 1) Identify the purpose of the fee.
- 2) Identify how the fee is to be used. If the use is for financing public facilities, the facilities shall be identified.
- 3) Determine how a reasonable relationship exists between the fee's use and the type of development project on which the fee is imposed.
- 4) Determine how a reasonable relationship exists between the need for the public facility and the type of development project on which the fee is imposed.

In addition to these four steps, AB 1600 also requires that the local agency demonstrate a reasonable relationship between the amount of the fee and the cost of the public facility attributable to the development on which the fee is imposed. In order to meet this reasonable relationship requirement, there are three relationships that need to be proven: (1) benefit relationship, (2) impact relationship, and (3) proportionality relationship.

Benefit Relationship

The benefit relationship will show the tie between the use of the fee and the type of development on which the fee is imposed. A reasonable benefit relationship is present as long as the fees are expended to construct the facilities for which they are collected, and those facilities are available to satisfy the needs of new development for that type of facility. In some cases, the location of a facility relative to the development paying the fees has brought the benefit relationship into question.

Impact Relationship

The impact relationship will show the tie between the need for a facility and the type of development on which the fee for that facility is imposed. All new development in a community affects some or all of the public facilities and services provided by increasing the demand for those facilities or services. If the supply of services is not increased to meet that new demand, the quality of service for the existing community declines. The improvements necessary to mitigate the impacts of new development and to maintain an adequate level of service need to be quantified in the report.

Proportionality Relationship

The proportionality relationship will show the tie between the amount of the fee and the facility cost attributable to the project on which the fee is imposed. A reasonable proportionality relationship must be established through the procedures used in calculating impact fees for various types of development. The first step is to identify the facility costs attributable to future development. The second step is to establish fee rates that allocate those costs in proportion to the demands created by each type of development project.

The methodology for allocating the facility costs to each type of development project varies based on the type of public service provided. For a fire district, there are many approaches we can take with regards to determining this measurement standard. Some of these approaches include:

- 1) Allocate fire facility costs between land uses based on actual calls for service. In order to do this, if the information is available, we would analyze the calls for fire service originating within the District's boundaries over the past few years. This would be considered on a per unit basis for the types of units within the District's boundaries (single family, multi-family, commercial, etc.). The District's capital costs, including land, buildings, fire apparatus and vehicles, would then be allocated on a per unit basis depending on the services needed per type of unit.
- 2) Use the capacity-based approach, and distribute the costs between existing and future users based on capacity utilization. We would analyze the capacity of facilities to determine how much is needed by existing users, and how much is available for new users. Fee rates are defined in terms of cost per unit of capacity. That definition ensures that costs are allocated in proportion to demand because the fee applied to a project depends on the particular capacity utilization characteristics of that project.
- 3) Use the Insurance Services Office (ISO) standards for the evaluation and rating of fire protection capabilities. These standards are used to determine fire insurance rates for many areas of the country. The fee would then be based on maintaining the same level of fire protection capabilities as new units are constructed within the District's boundaries. The cost of providing these fire services would be allocated on a per unit basis and would result in the impact fee.
- 4) Apply the "functional population" methodology to equate the demand for public safety services with the presence of people. The more people present at the site of a land use during the course of a day, the higher the expected demand for public safety services. While this approach has some merit, it may be quite difficult to classify some of the non-residential categories.

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- 5) Measure the cost of existing facilities and determine the pro rata value per capita. This value will then be used as the standard for setting fees designed for similar facilities to serve new growth.

Capitol PFG will work with District staff to determine the best methodology for the impact fee based on availability of information and the comfort level of the community.

Capitol PFG will provide the District with a study that addresses each of the required items. We will:

- 1) Project the future population to be served, both residential and non-residential, within the District's service area.
 - a) This projection will be for a 10 – 15 year period.
- 2) Identify existing and appropriate future service levels for each needed facility.
- 3) Determine the additional facilities needed to serve the projected future population at the appropriate level and then identify the costs of these projects.
- 4) Apportion these costs between the existing population and new residents and businesses in a manner proportional to their contribution of the need for the facility.

Additionally, on an annual basis, the District's Board shall make findings which identify the purpose to which the fee is to be put and to demonstrate a reasonable relationship between the fee and the purpose for which it was charged.

Capitol PFG will complete all of these steps on behalf of the District and prepare a comprehensive report.

It may be of note that Capitol PFG works with other local agencies within Placer County which adds to our understanding of the issues facing the District and the politics of the region. Specifically, we work with the County of Placer, South Placer Fire Protection District and the several school districts. Capitol PFG's experience coordinating with local land use agencies will benefit the District by providing for an efficient process through the use of our existing contacts and knowledge of the County's specific requirements.

FEE STRUCTURE

For work on a Development Impact Fee Study for the Newcastle Fire Protection District, Capitol PFG proposes to work on a project fee basis in the amount of \$4,500, plus expenses not to exceed \$500, payable at completion of the study. This project fee will include: coordination with the District on facilities needs and costs, coordination with the County of Placer planning department to obtain development information, drafting of the study, Board presentations, coordination on legal timelines and documents, and implementation of the fee through the local land use agencies.