

RESOLUTION NO. 2004-197

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
ADOPTING A TECHNOLOGY FEE**

WHEREAS, the City of Elk Grove has acquired and is implementing new technology, the HTE system and the Geographic Information System (the "technology systems"), that it will use in the administration of the development process, as well as in the administration of other City functions; and

WHEREAS, to the extent that the technology systems serve new development, it is appropriate that a portion of the cost of the technology systems be funded by new development; and

WHEREAS, MuniFinancial has submitted to the City an analysis of the costs of the technology systems and a recommendation for the amount of the fees to be charged to new development for its share of those costs; and

WHEREAS, the adoption of the technology fee is not a "project" subject to the California Environmental Quality Act, because it is a funding mechanism having no physical effect on the environment; and

WHEREAS, because the technology fee is a fee (or functionally a component of fees) described in Government Code section 66014, (i) notice of the time and place of this meeting as well as a general description of the matter to be considered was mailed at least 14 days prior to the date of this meeting to those parties (if any) who have filed requests for such notification, (ii) data indicating the amount of the estimated cost required to acquire and implement the technology systems and the resources anticipated to fund those costs were made available to the public at least 10 days prior to the date of this meeting, (iii) this meeting was held as part of a regularly scheduled meeting, and (iv) interested parties had the opportunity to make oral and written presentations, all in accordance with Government Code section 66016(a); and

WHEREAS, the amount of the fee does not exceed the estimated reasonable cost of acquiring and implementing the technology systems.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Elk Grove:

Section 1. Recitals. The foregoing recitals are true and correct and the City Council so finds and determines.

Section 2. Establishment of City of Elk Grove Technology Fee. A fee is hereby established in the amount of \$0.40 per \$1,000 of valuation of new construction, for the purpose of funding the cost of the technology systems. No fee will be charged to projects for remodeling, adding to, or making tenant improvements to existing structures.


Section 3. Collection of the Technology Fee. The fees levied pursuant to this resolution shall be paid by the property owner to the City at the time of the issuance of a building permit.

Section 4. Effective Date. This resolution shall take effect on Monday, October 4, 2004.

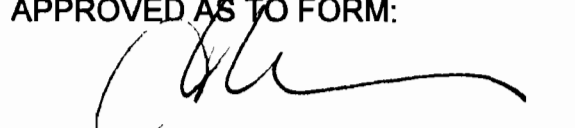
PASSED AND ADOPTED by the City Council of the City of Elk Grove this 4th day of August 2004.


SOPHIA SCHERMAN, MAYOR of the
CITY OF ELK GROVE

ATTEST:


PEGGY E. JACKSON, CITY CLERK

APPROVED AS TO FORM:


ANTHONY B. MANZANETTI,
CITY ATTORNEY

CITY OF ELK GROVE TECHNOLOGY FEE

JULY 14, 2004



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ELK GROVE TECHNOLOGY FEE ANALYSIS

Introduction

The City has recently acquired and is implementing new technology designed to provide higher service levels to the community. This new technology is the HTE system and Geographic Information System (GIS). The HTE system is an enterprise software system with specific applications for finance and administration, utilities, community development, and public works. GIS is a collection of map-based data stored in a digital format that can be layered on top of other map-based data. GIS utilizes many different levels of software to manage and distribute data. These new technology costs are not recovered through user fees, nor have development application or permit fees been adjusted to fund them. Because this new technology directly benefits new development, a fee levied against new development is appropriate.

MuniFinancial was engaged to calculate a fee sufficient to offset new development's fair share of the new technology costs. The methodology employed by MuniFinancial ensures that only the estimated reasonable costs are recovered through the imposition of the fee in accordance with Government Code 66014. The scope of the engagement is detailed below:

Scope of Project

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|--------|--|
| Task 1 | Develop a fee to fund new development's fair share of the new technology costs. |
| Task 2 | Identify the fee's fiscal impact on different sized developments. |
| Task 3 | Compare the resultant proposed fee to those charged by other California jurisdictions. |

Methodology and Assumptions

Calculation of a Technology fee requires obtaining four factors: 1) actual cost of recently added technology, 2) estimated costs of soon-to-be-added technology, 3) the estimated useful life of each technology component, and 4) annual new construction valuation.

The City provided the estimated annualized cost of \$556,907 for new technology expenses. This cost includes \$389,000 annually for GIS expenses, and \$167,907 annually for HTE system start-up and upgrades. The useful life of the GIS and HTE systems is estimated at ten years. The HTE software expense consists of a one time start-up cost of

\$86,545, or \$8,655 annually amortized over ten years, and \$159,252 per year for system maintenance.

Although a majority of the benefits of technology upgrades relate to new development, to be conservative, we recognize that the existing community also benefits from up-to-date technology and should fund a portion of the cost. The total annual GIS budget is \$389,000. We estimate that 50% of the new GIS system will benefit the existing community, and 50% will benefit new development. For this reason, 50% of the annual GIS budget, or \$194,500, will be funded by the existing community and used for tasks involving drainage infrastructure analysis, mapping of customer locations for waste removal, and mapping economic opportunity sites. The remaining 50%, or \$194,500, of the total cost of \$389,000 will be funded by new development and used for tasks such as looking up new property, street, city facility, zoning, development activity, and other map-based information as well as viewing aerial photography.

The HTE system also benefits both new and existing development. Some HTE modules primarily benefit existing development, including Asset Management, Purchasing and Inventory, and Code Enforcement. But, most modules benefit both existing and new development to varying degrees, including Cash Receipts, Work Orders and Facility Maintenance, and Fleet Management. On average, we have determined that, of the \$167,907 total annual cost, new development's share of HTE benefit is approximately 60%, or \$100,744. Therefore, \$194,500 or 50% of the annualized GIS expense, and \$100,744 or 60% of the annualized HTE expense is the responsibility of new development.

The Technology fee will vary based on the value of each individual construction project. This is because the benefit of being able to develop is proportional to the cost of the project being developed. To calculate the fee based on building valuation, we asked the City for historical new construction valuation figures. The City's Building Department provided eighteen months of new construction valuation (July 2002 through December 2003) and MuniFinancial extrapolated the partial year FY 2003-04 new construction valuation data to arrive at an "annualized" figure for FY 2003-04. MuniFinancial then took an average of the two years valuation data to arrive at an average annual new construction valuation figure of \$876,814,453.

The Technology fee is calculated by dividing new development's share of the estimated annualized new technology cost (\$348,122, including both direct and indirect costs) by the average annual new construction valuation (\$876,814,453), resulting in the fee per \$1 of project valuation. The resulting fee is then multiplied by 1,000 to yield a fee of "\$0.40 per \$1,000 of project valuation".

Results

The fee necessary to fund new development's fair share of the periodic cost of acquiring and implementing new technology and other related elements is \$0.40 per \$1,000 of new construction. This fee should be applied to all new construction building permits.

Fee Calculations

Elk Grove Technology Fee Calculations July 14, 2004

Description	Total Annual Cost	Percent Funded by New Development	Annual New Development Related Costs
Recently Added or Future Software Systems:			
HTE Software			
Start-Up Cost (\$86,545 amortized over ten years)	\$8,655	60%	\$5,193
Annual Maintenance Cost	\$159,252	60%	\$95,551
HTE Software	\$167,907		\$100,744
2004-05 Annual GIS Budget	\$389,000	50%	\$194,500
TOTAL	\$556,907		\$295,244
Citywide Indirect Cost¹ (@ 17.91% rate)			\$52,878
Annual Development-Related New Technology Cost			\$348,122
Avg Annual New Const. Valuation, 2002-04²			\$876,814,453
Fee / \$1,000 valuation³:			\$0.40

1) This rate is calculated in a separate analysis and is designed to recover an appropriate portion of the City's administrative departments, such as City Council, City Attorney, City Manager, City Clerk, Human Resources, Finance, City Hall, etc.

2) Annual New Construction Valuation figures do not include remodels or tenant improvements.

2002-03 New Const. Valuation	\$770,767,690
2003-04 New Const. Valuation (First 6 months)	\$491,430,608
2003-04 Annualized New Const. Valuation	\$982,861,216
Average Annual New Const. Valuation	\$876,814,453

3) Annual cost of \$348,122 divided by average annual construction valuation of \$876,814,453 multiplied by \$1,000 = \$0.40 (forty cents) per thousand dollars of construction valuation. This fee is to be added to all new construction building permits to fund the City's development-related new technology needs. This fee should not be applied to remodels or tenant improvements.

Fiscal Impact on Various Sized Projects

<u>Sample Projects:</u>	<u>Construction Valuation:</u>	<u>Technology Fee:</u>
Single Family Dwelling	\$200,000	\$80
Commercial	\$10,000,000	\$4,000

Comparable Fees Charged by other Jurisdictions

Elk Grove	\$0.40 per \$1,000 valuation (proposed)
Berkeley	5% of building permit revenue
Irvine	5% of building permit revenue
Palm Springs	\$0.75 per \$1,000 valuation
Pleasant Hill	7% of building permit revenue
Rohnert Park	7.5% of building permit revenue
Sacramento	4% of building permit revenue
San Rafael	5% of building permit revenue

CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2004-197

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

I, Peggy E. Jackson, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on the 4th day of August 2004 by the following vote:

AYES 4: COUNCILMEMBERS: Scherman, Soares, Briggs, Cooper

NOES 0: COUNCILMEMBERS:

ABSTAIN 0: COUNCILMEMBERS:

ABSENT 1: COUNCILMEMBERS: Leary



A handwritten signature in cursive script, appearing to read "Peggy E. Jackson", written over a horizontal line.

**Peggy E. Jackson, City Clerk
City of Elk Grove, California**