



## MEMORANDUM

**Date:** December 9, 2011

**To:** Rui Cunha, Placer County Office of Emergency Services

**From:** Sally Nielsen

**Subject:** **Placer County Fire Facility Impact Fee: 2011 Inflation Update**

---

### Overview

This memorandum presents the 2011 inflation update for the Placer County Fire Facility Impact Fee. The last update, adopted in November 2010, covered the period from February 2009 through December 2009, adjusting the impact fee based on an inflation factor applied to costs estimated in the June 2009 *Placer County Fire Facility Impact Fee Study Update* (the *2009 Fee Study*), the last time a full-blown cost assessment was completed. This 2011 update covers a longer period: almost two years from December 2009 through October 2011.

The 2011 inflation update applies a cost inflation factor derived from the Consumer Price Index for All Urban Consumers for the San Francisco-Oakland-San Jose Metropolitan area to the existing inventory value and planned building, apparatus, and equipment costs estimated in the 2010 annual update. As in the 2010 update, no increase is assumed for land costs.

**Table 1** summarizes the 2011 fire facilities impact fee schedule estimated for the 2011 update and compares the updated fee schedule to the existing fee schedule. The increase of just under five percent translates to an additional \$79.50 per residential unit (based on an average unit size of 2,650 square feet) and to an additional \$30 per 1,000 square feet of non-residential development. This represents the updated fee that could be adopted for application to new development in the Placer County Fire service area outside of major Western Placer development projects.

The balance of this memorandum documents the assumptions and methodology used in the update. An updated appendix summarizes development projections, updated estimates of impact fee revenue and updates of the Placer County Fire Capital Improvement Program.

**TABLE 1**  
**Fire Facility Impact Fee Comparison (fee per square foot)**

<b>Land Use</b>	<b>2010 Fee Schedule</b>	<b>2011 Adjusted Fee Schedule</b>
Residential	\$0.65	\$0.68
Non-residential	\$0.48	\$0.50

### **Inflation Factor**

The *2009 Fee Study* recommended using the Bureau of Labor Statistics Consumer Price Index for all Urban Consumers (CPI-U) for the San Francisco-Oakland-San Jose metropolitan area as the more conservative basis for annual adjustments to insure that impact fee revenues generally keep up with the costs of acquiring new public facilities and equipment. (The CPI-U was determined to be more conservative than the *Engineering News Record* Building Cost Index.) As noted above, the CPI-U for the February 2009 through December 2009 period was applied in the 2010 impact fee inflation adjustment update.

This update, prepared at the end of 2011, covers the intervening period from December 2009 through October 2011. To minimize any volatility associated with using index values associated with only the beginning and ending months of the period, this update calculates the inflation factor based on the annual average index. The calculated inflation factor for the 2009 – 2011 period is 4.07 percent. **Table 2** shows the bi-monthly index values for 2009 through October 2011 as well as the annual averages that are the basis for the calculated adjustment factor.

**TABLE 2**  
**Consumer Price Index: All Urban Consumers, San Francisco-  
 Oakland-San Jose metropolitan area**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
February	222.166	226.145	229.981
April	223.854	227.697	234.121
June	225.692	228.110	233.646
August	225.801	227.954	234.608
October	226.051	228.107	235.331
December	224.239	227.658	N/A
<b>Annual average<sup>1</sup></b>	<b>224.395</b>	<b>227.469</b>	<b>233.537</b>
<b>Percent change 2009 - 2011</b>			<b>4.07%</b>
(based on annual average index)			

<sup>1</sup> Annual average based on bi-monthly indices. Only five indices are included in the 2011 average.

Source: U.S. Department of Labor, Bureau of Labor Statistics

### **Adjusted Facility Costs**

The 2011 impact fee adjustment is based on applying the 2011 inflation factor to the most recent estimate of facility inventory value and planned facility costs included in the basis for the fire facility impact fee. As was the case in the 2010 update, land value is not inflated; the land values used in this 2011 update are the same as those used in the *2009 Fee Study*, in recognition of the persistent unsettled conditions in the real estate market during this period.

There are two components of the fire facilities covered by the fire facility impact fee: the existing facility inventory consisting of stations, apparatus, and other equipment, and the planned facility inventory consisting of facilities planned to serve growth outside of major Western Placer development projects.<sup>1</sup>

**Table 3** presents the 2011 inflation adjusted values for the existing facility inventory and the non-inflated land values. The inflation adjustment factor (4.07 percent) is applied to the most

<sup>1</sup> For the purposes of the annual inflation update, both the existing inventory and the planned inventory are as established in the *2009 Fee Study*. Since adoption of the 2009 Fire Facility Impact Fee, Placer County Fire has made expenditures that incrementally implement the Capital Improvement Plan. For example, during the 2009/10 and 2010/11 fiscal years, Placer County Fire spent about \$1.3 million on facilities and equipment that are identified in the planned facilities inventory, including upgrades to Station 180, additional apparatus and vehicles for Stations 77 and 100, and regional communications equipment (the latter largely grant-funded). A future full-blown update of the impact fee study will re-assess current assets and facility plans and make the necessary adjustments to the inventories.

recent existing inventory values from the September 29, 2010 memorandum, “Impact Fee Update for Inflation, 2010” prepared by Willdan Financial Services for Placer County. Note that the inflation adjusted values are rounded, so the increase calculated using the values in the table may not be exactly 4.07 percent. With no inflation increase applied to land value, the total value of the existing inventory increases by about 3.7 percent.

**TABLE 3**  
**Estimated Total Value of Existing Facility Inventory**

<b>Facility Category</b>	<b>2010 Fee Update Value</b>	<b>2011 Inflation Adjusted Value</b>
Stations – land	\$1,782,800	\$1,782,800
Stations – buildings	9,441,900	9,826,600
Apparatus	6,017,000	6,262,100
Equipment	<u>822,100</u>	<u>855,600</u>
<b>Total</b>	<b>\$18,063,800</b>	<b>\$18,727,100</b>

Source: “Impact Fee Update for Inflation, 2010,” Willdan Financial Services memorandum to Placer County, September 29, 2010; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers; Hausrath Economics Group.

**Table 4** presents the 2011 inflation adjusted values for the planned facility inventory to be funded with impact fees. The land value is shown separately, because no inflation factor is applied. The inflation adjustment factor of 4.07 percent is applied to the most recent planned facility values from the “Impact Fee Update for Inflation, 2010” cited above. As in Table 3, because the inflation adjusted values are rounded, the increase calculated using the values in Table 4 may not be exactly 4.07 percent. With no inflation increase applied to land value, the total value of the planned facilities funded with impact fees increases by just under four percent.

**TABLE 4**  
**Value of Planned Facilities Funded with Impact Fees**

<b>Facility Category</b>	<b>2010 Fee Update Value</b>	<b>2011 Inflation Adjusted Value</b>
Stations – land	\$690,000	\$690,000
Stations – buildings	11,598,000	12,070,500
Apparatus	4,267,600	4,441,500
Other Equipment	778,000	809,700
Share of System-wide Facilities	<u>10,705,000</u>	<u>11,141,100</u>
<b>Total</b>	<b>\$28,038,600</b>	<b>\$29,152,800</b>

Source: *Placer County Fire: Fire Facility Impact Fee Study Update*, Willdan Financial Services, June 26, 2009; “Impact Fee Update for Inflation, 2010,” Willdan Financial Services memorandum to Placer County, September 29, 2010; U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers; Hausrath Economics Group.

### **Adjusted Facility Standard**

The inflation-adjusted 2011 values for existing and planned facilities are used to calculate the updated facilities standard (expressed as a per capita cost) and the updated impact fee that could be applied to new development outside major Western Placer development areas. **Table 5** replicates the calculation in the *2009 Fee Study* showing the adjusted values, the future 2030 service population, and the update of the calculated per capita standard.

**TABLE 5  
 Fire Facilities Standard - Outside of Major Western Placer Development Projects**

<b>2011 Inflation Adjusted Value</b>	
Existing Fire Facilities	\$18,727,100
Planned Fire Facilities	\$29,152,800
<b>Total Fire Facilities [A]</b>	<b>\$47,879,900</b>
Existing Development Service Population	53,600
New Service Population, excluding Western Placer Major Projects	<u>14,100</u>
<b>Total Future Service Population [B]</b>	<b>67,700</b>
<b>Facility Standard Per Capita [A ÷ B]</b>	<b>\$707</b>
	<b>Cost per Resident</b>
	<b>\$707</b>
	<b>Cost per Worker<sup>1</sup></b>
	<b>\$488</b>

<sup>1</sup> Cost per resident multiplied by the 0.69 worker weighting factor.  
 Source: Willdan Financial Services, *Placer County Fire: Fire Facility Impact Fee Study Update*, June 26, 2009.

**Fire Facility Impact Fee Schedule – 2011 Adjustment**

The updated cost-per-resident and cost-per-worker factors are converted to fees per square foot of residential and non-residential development using factors documented in the *2009 Fee Study*. **Table 6** presents the factors and the resultant updated fee amounts per square foot of development. Using the 2011 adjusted facility costs, the updated impact fees are \$0.68 per square foot for residential use and \$0.50 per square foot for non-residential use.

**TABLE 6**  
**Fire Facility Impact Fee Schedule, 2011 adjustment**

Land Use	Cost per capita <sup>1</sup>	Density <sup>2</sup>	Cost per DU or Cost per 1,000 sq. ft.	Conversion To Cost per sq. ft. <sup>3</sup>	Cost per sq. ft.	Admin. Cost <sup>4</sup>	Fee per sq. ft.
	A	B	C = A × B	D	E = C ÷ D	F = E × .02	G = E + F
Residential	\$707	2.50	\$1,768	2,650	\$0.67	\$0.01	<b>\$0.68</b>
Non-residential	\$488	1.01	\$493	1,000	\$0.49	\$0.01	<b>\$0.50</b>

<sup>1</sup> From Table 5.

<sup>2</sup> Persons per dwelling unit for residential land uses and employees per 1,000 sq. ft. for non-residential land uses. Residential density assumes an average of 2.5 persons per unit. Non-residential density factor as estimated in the 2009 Fee Study. This reflects an average of Natelson survey density factors for “developing suburban regions”, weighted by projected non-residential land use by type in the Placer County Fire impact fee area based on Placer County Planning Department and Placer County Fire projections.

<sup>3</sup> Converts cost per residential unit to cost per 1,000 sq. ft. assuming an average unit size of 2,650 sq. ft. for new dwelling units, based on information from the Placer County Planning Department.

<sup>4</sup> Two percent of the total fee. Covers the following types of allowable costs: fee collection, accounting, annual reports required by California Government Code Section 66000, et seq. and fee update studies.

Source: Willdan Financial Services, *Placer County Fire: Fire Facility Impact Fee Study Update*, June 26, 2009; U.S. Census, Census 2000; The Natelson Company, *Employment Density Study Summary Report*, October 31, 2001, prepared for the Southern California Association of Governments; and Placer County Planning Department.

## UPDATED APPENDIX AND CAPITAL IMPROVEMENT PROGRAM

**Table A.1** summarizes the development projections used to estimate future demand for Placer County Fire services. These are the projections developed for the *2009 Fee Study*. They do not include the following major Western Placer development projects: Placer Vineyards, Regional University, Riolo Vineyard, and Curry Creek.

**Table A.1**  
**Development Projection 2008 - 2030**  
**(excluding major Western Placer development projects)**

Number of years, 2009 - 2030	22	
		<b>Annual Average</b>
New Fee Area Residents	7,885	358
New Fee Area Workers	9,077	413

Source: Table 1, Placer County Fire: Fire Facility Impact Fee Study Update, June 26, 2009, Willdan Financial Services for Placer County Fire.

**Table A.2** shows an updated five-year projection of impact fee revenue through 2014/15. The 2010/11 revenue estimates assume application of the current (2010) fee schedule. The 2011/12 – 2014/15 estimates assume the higher fee schedule supported by this 2011 annual update. As in the 2010 annual update, the growth projection is reduced from the annual average calculated in Table A.1 to reflect the slower pace of new development attributable to the prolonged recession. The projections for this update reflect even slower recovery than forecast in the 2010 update, based on analysis of short-term statewide forecasts prepared by the Construction Industry Research Board, the California Department of Finance, and the UCLA Business Forecasting Project.

According to this forecast, annual revenue amounts to about \$230,000 for the next couple of years, in line with current revenue levels but reflecting the fee inflation adjustment documented in this memorandum. Residential development generates 55 percent of impact fee revenue and non-residential development generates 45 percent. When the pace of development reaches 100 percent of the annual average for the long-term forecast period, annual revenue assuming the 2011 inflation-adjusted fee schedule would total \$470,000 per year. Eventually, if the forecast level of new development were to be achieved within the 2030 time horizon, the pace of development would exceed the annual average at some point.

**TABLE A.2**  
**Estimated Impact Fee Revenue, FY 2011 – FY 2015**

	2010/11	2011/12	2012/13	2013/14	2014/15
<i>Residential</i>					
Annual average new residents ( <i>Table A.1</i> )	358	358	358	358	358
<i>Estimated percent of average</i>	50%	50%	50%	75%	100%
Estimated new residents	179	179	179	269	358
New units at 2.5 persons per unit	72	72	72	108	143
Impact fee per unit <sup>1,2</sup>	\$1,723	\$1,803	\$1,803	\$1,803	\$1,803
Impact fee revenue	<b>\$123,472</b>	<b>\$129,275</b>	<b>\$129,275</b>	<b>\$193,912</b>	<b>\$258,550</b>
<i>Non-residential</i>					
Annual average new workers ( <i>Table A.1</i> )	413	413	413	413	413
<i>Estimated percent of average</i>	50%	50%	50%	75%	100%
Estimated new workers	206	206	206	309	413
New sq. ft. (1,000's) at 1.01 workers per 1,000 sq. ft.	208.36	208.36	208.36	312.54	416.72
Impact fee per 1,000 sq. ft. <sup>2</sup>	\$480	\$503	\$503	\$503	\$503
Impact fee revenue	<b>\$100,012</b>	<b>\$104,748</b>	<b>\$104,748</b>	<b>\$157,122</b>	<b>\$209,496</b>
<b>Total estimated revenue</b>	<b>\$223,484</b>	<b>\$234,023</b>	<b>\$234,023</b>	<b>\$351,034</b>	<b>\$468,046</b>
Actual revenue	\$209,494	n/a	n/a	n/a	n/a
<b>Difference</b>	<b>(\$13,990)</b>	n/a	n/a	n/a	n/a

<sup>1</sup> Equivalent to the fee per square foot, assuming average unit sizes of 2,650 sq. ft. Includes the 2 percent administrative charge.

<sup>2</sup> For 2010/11 the impact fee amount is the adopted updated amount per the November 2, 2010 resolution of the Placer County Board of Supervisors.

Source: Table A.1, Placer County Fire, Willdan Financial Services, and Hausrath Economics Group.

**Table A.3** presents the updated 2011 Capital Improvement Program (CIP) for Placer County Fire. The updated CIP shows actual spending through 2010/11 and planned spending from 2011/12 through 2014/15. Of the capital facilities included in the CIP, all but the Magra volunteer fire station are fully funded. The first funding installment on that volunteer fire station is planned for 2014/15. Note that the costs represented in the CIP are either actual costs, costs from the *2009 Fee Study*, or more current revised estimates when available, e.g., under system-wide support apparatus, the air unit / rehab unit replaces the line item for incident support trailer or equivalent.

Placer County Fire Facility Impact Fee: 2011 Inflation Update  
 Updated Appendix and Capital Improvement Program  
 December 9, 2011

**TABLE A.3**  
**Placer County Fire Capital Improvement Program through 2014/2015**

	Total Cost	Actual			Planned/Programmed Expenditures			
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Planned Land and Building Facilities</b>								
<u>Magra Volunteer Station</u>								
Building	\$1,536,000							\$100,000
<u>Additional Apparatus Bay Station 100</u>								
Building	\$852,437	\$350,000			\$502,437			
<u>Station 32</u>								
Station 32 Improvements Zone 150	\$50,000			\$8,748	\$10,000	\$31,252		
<u>Station 180 Atwood</u>								
Upgrade - modular building for living qtrs.	\$500,000			\$450,000	\$50,000			
<b>Planned Land and Facilities Subtotal</b>		<b>\$350,000</b>	<b>\$ --</b>	<b>\$458,748</b>	<b>\$562,437</b>	<b>\$31,252</b>	<b>\$ --</b>	<b>\$100,000</b>
<b>Planned Apparatus and Vehicles</b>								
<u>Sunset Station 77</u>								
Utility Vehicle 77U1 (Co. share) - Zone 97 <sup>1</sup>	\$52,309	\$17,400	\$8,754					
Exhaust System (Co. share) - Zone 97 <sup>1</sup>	\$82,465		\$41,233					
<u>Dry Creek Station 100</u>								
Type I Water Tender	\$308,875		\$308,875					
Reserve Type III Fire Engine (1/4)	\$72,500							\$72,500
<u>System Wide Support</u>								
Air Unit / Rehab. Unit	\$330,000					\$330,000		
Communications Grant Match <sup>2</sup>	\$65,433			\$65,839				
<b>Planned Apparatus and Vehicles Subtotal</b>		<b>\$17,400</b>	<b>\$358,862</b>	<b>\$65,839</b>	<b>\$ --</b>	<b>\$330,000</b>	<b>\$ --</b>	<b>\$72,500</b>
<b>Planned Special Equipment</b>								
<u>Magra Volunteer Station</u>								
Protective Clothing, Personal Supplies, etc.	\$50,000						\$50,000	
<u>Sunset Station 77</u>								
Protective Clothing, Personal Supplies, etc. <sup>3</sup>	\$40,000		\$40,000					
<u>System Wide</u>								
Mapping System and Hardware	\$75,000				\$50,000	\$25,000		
Maintenance Support Vehicle	\$127,347	\$125,925	\$1,422					
Thermal Imagers	\$24,990			\$24,990				
Protective Clothing, Personal Supplies, etc.	\$130,000						\$130,000	
<b>Planned Special Equipment Subtotal</b>		<b>\$125,925</b>	<b>\$41,422</b>	<b>\$24,990</b>	<b>\$50,000</b>	<b>\$25,000</b>	<b>\$180,000</b>	<b>\$ --</b>
<b>Annual CIP and Impact Fee Update Subtotal</b>			<b>\$240</b>	<b>\$3,958</b>	<b>\$12,000</b>	<b>\$12,000</b>	<b>\$12,000</b>	<b>\$12,000</b>
<b>Total Annual CIP Costs</b>		<b>\$493,325</b>	<b>\$400,524</b>	<b>\$553,534</b>	<b>\$624,437</b>	<b>\$398,252</b>	<b>\$192,000</b>	<b>\$184,500</b>

<sup>1</sup> The United Auburn Indian Community (UAIC) paid for 50 percent of these costs at the Sunset Station 77.

<sup>2</sup> Match for a \$329,000 grant towards the purchase of regional communications equipment.

<sup>3</sup> The UAIC provided another \$40,000 to fund costs for staff supplies and equipment at the Sunset Station 77.

Source: Placer County Fire

**Table A.4** presents the actual and estimated fund balance for the Placer County Fire impact fee fund from 2009/09 through 2014/15. The updated CIP (Table A.3) provides the estimate of expenditures through FY 2014/15, and Table A.2 is the source of the impact fee revenue estimates. Given the current spending plan and the reduced revenue collections, the impact fee fund net change is negative through 2012. The relatively low spending estimates for the rest of the five-year CIP are in line with reduced revenue expectations.

**TABLE A.4**  
**Impact Fee Fund Balance: Actual and Estimated through FY 2014/15**

	<b>Actual</b>				<b>Estimated</b>			
	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Beginning Impact Fee Fund Balance	\$3,445,684	\$3,872,138	\$3,841,237	\$3,755,037	\$3,485,152	\$3,164,452	\$3,063,452	\$3,283,752
Impact Fee Revenue	\$379,002	\$402,198	\$225,781	\$209,494	\$234,000	\$234,000	\$351,000	\$468,000
Interest <sup>1</sup>	168,916	140,362	88,543	74,154	69,700	63,300	61,300	65,700
Annual CIP Impact Fee Costs	(\$121,463)	(\$573,461)	(\$400,524)	(\$553,534)	(\$624,400)	(\$398,300)	(\$192,000)	(\$184,500)
<i>Impact Fee Fund Net Change</i>	<i>\$426,455</i>	<i>(\$30,901)</i>	<i>(\$86,200)</i>	<i>(\$269,886)</i>	<i>(\$320,700)</i>	<i>(\$101,000)</i>	<i>\$220,300</i>	<i>\$349,200</i>
Year End Impact Fee Fund Balance	\$3,872,138	\$3,841,237	\$3,755,037	\$3,485,152	\$3,164,452	\$3,063,452	\$3,283,752	\$3,632,952

<sup>1</sup> Interest estimate assumes an annualized rate of two percent per year applied to the beginning fund balance. This rate is consistent with the annualized rate achieved by the fund in the last two fiscal years.

Source: Table A.2, Table A.3, Placer County Fire, and Hausrath Economics Group.