

IRONHOUSE SANITARY DISTRICT

Report for:

Permit Fee Study FY 2025-26

Final Report

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Ironhouse Sanitary District

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1. PERMIT FEE STUDY

NBS performed a Permit Fee Study FY 2025-26 (Study) for the Ironhouse Sanitary District. This report presents the findings and recommendations of the fee analysis and provides the District with the information needed to update and establish fees for services.

California cities, counties, and special districts may impose user and regulatory fees for services and activities they provide through provisions set forth in the State Constitution, Article XIII C § 1(e). Under this legal framework, a fee may not exceed the reasonable cost of providing the service or performing the activity. For a fee to qualify as such, it must relate to a service or activity performed at the request of an individual or entity upon which the fee is imposed, or their actions specifically cause the local government agency to perform additional activities. In this instance, the service or underlying action causing the local agency to perform the service is either discretionary and/or is subject to regulation. As a discretionary service or regulatory activity, the fees considered in this Study fall outside of the definition and statutory requirement to impose general taxes, special taxes, and fees as a result of property ownership.

The District's main reason for conducting this Study was twofold: (1) first, to ensure that existing fees do not exceed the costs of service, and (2) second, to provide an opportunity for the Board of Directors to realign fee amounts with localized cost recovery policies.

1.1 Report Format

The report is organized into the following sections:

- Section 1 - Outlines the general framework, approach, and methodology of the Study.
- Section 2 - Discusses the results of the cost of service analysis performed for the District. The analysis includes: (1) fully burdened hourly rate(s); and (2) calculation of the costs of providing service.
- Section 3 - Presents the conclusions of the analysis provided in the preceding sections.
- Appendix A to this report - Includes additional details of the analysis performed.

1.2 Scope of Study

The focus of this Study is fees charged by the District for various development services such as permitting, plan check and inspection:

- Permit Fee – Administrative fee for permit issuance. The fee is currently \$20 per permit issued.
- Plan Check Fee – The fee is currently equal to 2% of the Engineer's estimated construction cost for all sewer construction including, but not limited to, sewer lines, trunkline, pump station, manholes, trenching, dewatering, backfill, paving, and testing.
- Inspection Fee - The inspection fee for two or more equivalent units is currently equal to 4% of the construction cost as described in the above section or \$50 per single inspection.

The Study specifically excludes review of development impact fees (such as connection fees and/or capacity fees), utility rates, and any special tax assessments which fall under a separate set of statutory and procedural requirements from the body of user and regulatory fees analyzed in this Study. The Study

also excludes review of facility and equipment rental rates, as well as fines and penalties imposed by the District for violations of its requirements or codes.¹

1.3 Methods of Analysis

Three phases of analysis are completed to substantiate the District’s fees for services:



1.3.1 COST OF SERVICE ANALYSIS

Nearly all the fees reviewed in this Study require specific actions on the part of District staff to provide the service or conduct the activity. Since labor is the primary underlying factor in these activities, the Study expresses the full cost of service as a fully burdened cost per labor hour. This rate serves as the basis for further quantifying the average full cost of providing individual services and activities. The District supplied NBS with hourly rates, calculated by the Human Resources Department, as shown in Table 1, below:

Table 1. District Fully Burdened Labor Rates

Position	Hourly Rate with Benefits	Compensated Time Off (1.17x)	OT Rate w/Compensated Time off
District Engineer	\$ 211	\$ 247	\$ 324
Consultant Engineer	176	299	N/A
Collection System Superintendent	187	219	283
Construction & Inspection Specialist	128	149	191
HR/Finance Technician	88	103	141
Administrative Assistant	69	81	N/A

For purposes of analysis, these hourly rates are assumed to include all direct and indirect costs associated with each position. For more information about the District’s approach to calculating the fully burdened rates shown above, consult the District’s staff report.

NBS then assisted the District in estimating the staff time for the services and activities listed in the District’s fee schedule. Time tracking records for the fee programs studied as part of this analysis, when available, proved useful in identifying time spent providing general categories of service (e.g., division administration, plan review, inspection, public information assistance, etc.). However, the District does not systematically track the service time of activities for all departments or all individual fee-level services provided. Therefore, NBS also relied on interviews and questionnaires to develop the necessary data sets

¹ According to the California Constitution Article XIII C § 1 (e) (4) and (5), the District is not limited to the costs of service when charging for entrance to or use of government property, or when imposing fines and penalties.

of estimated labor time. In many cases, the District provided estimates of the average amount of time (in minutes and hours) it took to complete a typical service or activity considered on a per-occurrence basis. It should be noted that the development of these time estimates was not a one-step process but required careful review by both NBS and District staff to assess the reasonableness of such estimates. Based on the results of this review, the District reconsidered its time estimates until all parties were comfortable that the fee model reasonably reflected the average service level provided by the District. Finally, the fully burdened labor rate(s) provided by the District in Table 1 were applied to the individual fee level time estimates, yielding an average total cost of providing each fee for service or activity.

1.3.2 FEE ESTABLISHMENT

The fee establishment process includes a range of considerations, including the following:

- **Addition to and deletion of fees** – The Study provided the opportunity to propose additions and deletions to the current fee schedule, as well as re-name, re-organize, and clarify existing fee names and categories. Many of these revisions allow for better adherence to current practices, as well as improving the calculation, application, and collection of the fees owed by an individual. Some additions to the fee schedule were simply the identification of existing services or activities performed by District staff for which no fee is currently charged.
- **Revision to the structure of fees** – In most cases, the focus was to re-align the fee amount to match the costs of service and leave the current structure of fees unchanged. However, in several cases, fee categories and fee names had to be simplified, expanded or re-structured to increase the likelihood of full cost recovery or to enhance the fairness of how the fee is applied to the various types of fee payers.
- **Documentation of the tools used to calculate special cost recovery** – The District’s fee schedule should include the list of fully burdened rates. Documenting these rates in the fee schedule provides an opportunity for the Board of Directors to approve rates for cost recovery under a “time and materials” approach. It also provides clear publication of those rates so that all fee payers can readily reference the basis of any fee amounts. The fee schedule should provide language that supports special forms of cost recovery for activities and services not included in the adopted master fee schedule. In these rare instances, published rates are used to estimate a flat fee or bill on an hourly basis, which is at the department director’s discretion.

The District’s current method of charging fees utilizes an Engineer’s estimate as a basis for setting the fee amount ultimately charged. This method is dependent on accurate construction estimates from the applicant, and often times the correlation of effort required for staff to approve or regulate a project does not directly correlate to the cost of construction on a project. Additional discussions between the District and the applicant to agree on an appropriate construction cost and scope of services can also result in longer project timelines.

Therefore, significant fee structure changes are recommended to ensure that a series of fixed fees for typical services performed can be charged on a per project basis. Calculated full cost recovery fee amounts are based on the typical level of effort required for tasks needed to review and approve plan check and inspection requests on a per project basis, with the ability to charge on an hourly basis when

efforts exceed the typical level of effort. Discussion of a project's cost of construction will no longer be required, and the fee system will be easier for staff to administer.

The recommended changes to the District's fee program also include new fees for services provided but not charged for such as the Lateral Compliance Program, restarting the plan approval process for expired projects, commercial change of uses, and credit card/ACH transaction fees.

1.3.3 COST RECOVERY EVALUATION

Appendix A to this report shows the analysis of fees for each individual service studied. The "Cost of Service per Activity" column includes the calculated maximum fee for service, based on the level of effort required to provide the service, multiplied by the District's fully burdened hourly rate for each position involved.

The NBS fee model typically compares the existing fee for each service or activity to the average total cost of service quantified through this analysis. However, because the changes in fee system are extensive when moving from the current method of percentage of project construction cost to a fixed fee based on list of typical tasks and service requests, a comparison of the average current fee for service to the calculated full cost recovery outcomes are not available at the individual fee level. Please consult the District's staff report for several project examples that demonstrate the impact of the current fee system versus the recommended fee system.

In all cases, the cost recovery rate achieved by a fee should not be greater than 100%. Imposing a fee above this threshold could change the definition of the charge from a cost of service based fee to a tax which has other procedural requirements, such as ballot protest or voter approval.

The Board may adopt all fees at 100% of the Cost of Service per Activity shown in Appendix A, or less. Targets and recommendations reflect discretion on the part of the agency based on a variety of factors, such as existing District policies and agency-wide or departmental revenue objectives, economic goals, community values, market conditions, level of demand, and others.

A general method of selecting an appropriate cost recovery target is to consider the public and private benefits of the service or activity in question, such as:

- To what degree does the public benefit from the service at large?
- To what degree does the individual or entity requesting, requiring, or causing the service benefit?

When a service or activity benefits the public at large, there is generally little to no recommended fee amount (i.e., 0% cost recovery), reinforcing the fact that a service which truly benefits the public is best funded by general resources of the District, such as revenues from the General Fund (e.g., taxes).

Conversely, when a service or activity wholly benefits an individual or entity, the cost recovery is generally closer to or equal to 100% of cost recovery from fees collected from the individual or entity.

In some cases, a strict public-versus-private benefit judgment may not be sufficient to finalize a cost recovery target. Any of the following factors and considerations may influence or supplement the public-versus-private benefit perception of a service or activity:

- If optimizing revenue potential is an overriding goal, is it feasible to recover the full cost of service?
- Will increasing fees result in non-compliance or public safety problems?
- Are there desired behaviors or modifications to behaviors of the service population helped or hindered through the degree of pricing for the activities?
- Does current demand for services support a fee increase without adverse impact on the community served or current revenue levels? In other words, would fee increases have the unintended consequence of driving away the population served?
- Is there a good policy basis for differentiating between the type of user (e.g., residents vs. non-residents, residential vs. commercial, non-profit entities, and business entities)?
- Are there broader District objectives that merit a less than full cost recovery target from fees, such as economic development goals and local social values?

NBS provided the cost of service calculation based on 100% full cost recovery and the framework for the District's use to adjust the amount of cost recovery in accordance with its broader goals as they pertain to code compliance, cost recovery, economic development, and social values.

1.4 Data Sources

The following data sources were used to support the cost of service analysis and fee establishment phases of this Study:

- The District's list of calculated fully burdened hourly rates
- Prevailing fee schedules
- Estimated average labor effort per service/activity for which a fee is charged

The District's fully burdened hourly rate calculations are important source of information that affects the cost of service results. NBS did not audit or validate the District's calculation of these rates. This Study accepts the District's rates as describing the most appropriate and reasonable level of District spending.

2. CONCLUSION

Based on the outcomes of the Cost of Service Analysis, Fee Establishment, and Cost Recovery Evaluation presented in this Study, the proposed Fee Schedule has been prepared for implementation and included in the District's Staff Report.

As discussed throughout this report, the intent of the proposed fee schedule is to improve the District's recovery of costs incurred to provide individual services, as well as adjust fees where the fees charged exceed the average costs incurred. Predicting the amount to which any adopted fee increases will affect District revenues is difficult to quantify. Experience with the revised fee amounts should be gained first before revenue projections are revised. However, proposed fee amendments should enhance the District's cost recovery performance over time, providing it the ability to stretch other resources further for the benefit of the public at-large.

The District's Fee Schedule should become a living document, but managed with care:

- A fundamental purpose of the fee schedule is to provide clarity and transparency to the public and to staff regarding fees imposed by the District. Once adopted by the Board of Directors, the fee schedule is the final word on the amount and method in which fees should be charged. If it is discovered that the master document is missing certain fees, those fees will eventually need to be added to the fee schedule and should not exist outside the consolidated, master framework.
- The District should consider adjusting these user fees and regulatory fees on an annual basis to keep pace with cost inflation. For all fees and charges, for example, the District could use a Consumer Price Index adjustment that is applied to the new fee schedule. Conducting a comprehensive user fee study is not an annual requirement and only becomes worthwhile over time as shifts in organization, local practices, legislative values, or legal requirements result in significant change.

As a final note, it is worth mentioning the path that fees, in general, have taken in the State of California. In recent years, there has been more public demand for the precise and equitable accounting of the basis for governmental fees and a greater say in when and how they are charged. It is likely that in the future, user and regulatory fees will require an even greater level of analysis and supporting data to meet the public's growing expectations. An agency's ability to meet these new pressures will depend on the level of technology they invest in their current systems. Continuous improvement and refinement of time tracking abilities will enhance the District's ability to set fees for service and identify unfunded activities in years to come.

Disclaimer: In preparing this report and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, conditions and events that may occur in the future. This information and assumptions, including the District's budgets, time estimate data, and workload information from District staff, were provided by sources we believe to be reliable; however, NBS has not independently verified such information and assumptions. While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

APPENDIX A

Cost of Service Analysis – Permit Fees

Ironhouse Sanitary District
 Permit Fee Study FY 2025-26
 Cost of Service Estimate for Fee Related Services and Activities

APPENDIX A

Fee No.	Fee Name	Fee Type / Unit	Notes	Estimated Average Labor Time Per Activity (hours)							Mileage	Cost of Service Per Activity
				District Engineer	Consultant Engineer	Collection System Superintendent	Construction & Inspection Specialist	HR/Finance Technician	Administrative Assistant			
				REG	OT	REG	OT	REG	OT	REG		
I Application / Plan Review												
1	Single Family Residential & Accessory Dwelling Units											
	Application for new sewer service (includes up to 2 plan submittals)	Per Application		1.00	0.00	0.25	0.00	0.50	0.00	0.00	\$ 354	
	Additional Plan Review (minimum 1 hour)	Per Each Additional Hour		1.00	0.00	0.00	0.00	0.20	0.00	0.00	\$ 268	
2	Multi-Family/Mobile Home Park/RV Park											
	Application for new sewer service (includes up to 2 plan submittals)	Per Application		2.00	0.00	1.00	1.00	0.75	0.50	0.00	\$ 981	
	Additional Plan Review (minimum 1 hour)	Per Each Additional Hour		1.00	0.00	0.00	0.00	0.20	0.00	0.00	\$ 268	
3	Commercial/Industrial											
	Application for new sewer service (includes up to 2 plan submittals)	Per Application		3.00	0.00	1.50	1.50	4.00	2.00	0.00	\$ 1,869	
	Application for change in use or expansion of existing commercial facility (includes up to 2 plan submittals)	Per Application		2.50	0.00	1.00	1.00	1.00	0.50	0.00	\$ 1,130	
	Additional Plan Review (minimum 1 hour)	Per Each Additional Hour		1.00	0.00	0.00	0.00	0.20	0.00	0.00	\$ 268	
4	Sewer Mainline Infrastructure											
	New application for sewer mainline infrastructure (includes up to 2 plan submittals)	Per Application		4.00	4.00	8.00	6.00	6.00	0.00	0.00	\$ 5,453	
	Restart mainline application (includes up to 2 plan submittals)	Per Application	[1]	2.00	2.00	4.00	3.00	3.00	0.00	0.00	\$ 2,726	
	Additional Plan Review (minimum 1 hour)	Per Each Additional Hour		1.00	0.00	0.00	0.00	0.20	0.00	0.00	\$ 268	
II Inspections												
5	Single Family Residential & Accessory Dwelling Units											
	Initial Basic Permit/Inspection of Lateral Connection	Per Application		0.00	0.00	0.08	0.75	0.50	0.00	10.00	\$ 188	
	Lateral Compliance Certificate per Ordinance 65	Per Application		0.17	0.00	0.50	0.00	0.50	0.00	0.00	\$ 203	
	Each Additional Inspection/Reinspection of Failures	Per Each Additional Hour		0.00	0.00	0.08	1.00	0.00	0.00	10.00	\$ 174	
6	Multi-Family/Mobile Home Park/RV Park											
	Initial Basic Permit/Inspection of Lateral Connection	Per Application		0.00	0.00	0.08	0.75	0.50	0.00	10.00	\$ 188	
	Lateral Compliance Certificate per Ordinance 65	Per Application		0.17	0.00	0.50	0.00	0.50	0.00	0.00	\$ 203	
	Each Additional Inspection/Trash Enclosure Inspection/Reinspection of Failures	Per Each Additional Hour		0.00	0.00	0.08	1.00	0.00	0.00	10.00	\$ 174	
7	Commercial/Industrial											
	Initial Basic Permit/Inspection of Lateral Connection	Per Appertinent Structure or Lateral Connection		0.00	0.00	0.08	1.00	0.00	0.00	10.00	\$ 349	
	Each Additional Inspection/Reinspection of Failures	Per Each Additional Hour		0.00	0.00	0.08	1.00	0.00	0.00	10.00	\$ 175	
	After Hours Inspection - Weekdays	Per Hour	[4]	0.00	0.00	0.08	1.00	0.00	0.00	0.00	\$ 215	
	Weekend/Holidays Inspection - Base Fee (4 hour minimum)	Per Inspection	[4] [5]	0.00	0.00	0.33	4.00	0.00	0.00	10.00	\$ 867	
	Weekend/Holiday Inspection - Per Each Additional Hour after 4 Hours	Per Hour	[4]	0.00	0.00	0.08	1.00	0.00	0.00	0.00	\$ 215	

Fee No.	Fee Name	Fee Type / Unit	Notes	Estimated Average Labor Time Per Activity (hours)							Cost of Service Per Activity
				District Engineer	Consultant Engineer	Collection System Superintendent	Construction & Inspection Specialist	HR/Finance Technician	Administrative Assistant	Mileage	
				REG	OT	REG	OT	REG	OT	REG	
				\$ 247.22	\$ 299.00	\$ 219.06	\$ 149.41	\$ 103.17	\$ 81.02	\$ 0.70	
				\$ 324.10	N/A	\$ 283.19	\$ 191.41	\$ 140.66	N/A	\$ 0.70	
8	Sewer Mainline Infrastructure										
	Base Inspection	Per Application		0.00	0.00	2.00	2.00	0.00	0.00	40.00	\$ 765
	Mainline Inspection (Includes Structures and Lower Laterals)	Per Foot	[6]								\$ 15
	After Hours Inspection - Weekdays	Per Hour	[4]	0.00	0.00	0.08	1.00	0.00	0.00	0.00	\$ 215
	Weekend/Holidays Inspection - Base Fee (4 hour minimum)	Per Inspection	[4] [5]	0.00	0.00	0.33	4.00	0.00	0.00	10.00	\$ 867
	Weekend/Holiday Inspection - Per Each Additional Hour after 4 Hours	Per Each Additional Hour	[4]	0.00	0.00	0.08	1.00	0.00	0.00	0.00	\$ 215
9	Special Inspection										
	Special Inspection	Per Hour	[2]	0.00	0.00	0.08	1.00	0.00	0.00	10.00	\$ 175
III	General										
10	Transaction Fee										
	Checks	Per Transaction	[6]								No Charge
	eCheck/ACH transaction	Per Transaction	[6]								\$ 2.25
	Credit Card	Per Transaction	[3][6]								Actual Cost
11	Late Charges										
	Assessment of Late Charges: Shall be assessed on the overdue amount outstanding	Per Delinquency	[6][7]								10%
	Additional Late Charges: Shall be assessed for each 30 day period during which the overdue bill remains unpaid	Per Delinquency	[6]								1%
12	Charge for Returned Checks	Per Returned Check	[6]								\$ 25
IV	General Penalty										
13	Code Infraction										
	First violation	Per Violation	[6]								\$ 250
	Second violation of same provision or ordinance within one year	Per Violation	[6]								\$ 500
	Each additional violation of the same provision or ordinance within one year	Per Violation	[6]								\$ 1,000

- [Notes]**
- [1] Where design previously approved and compliance review is needed
 - [2] Includes lift stations and other special projects as determined by the District Engineer
 - [3] 2.99% + \$0.99 per our current vendor
 - [4] Overtime Rate is being used for calculation
 - [5] Additional charges for hours after 4
 - [6] NBS did not evaluate
 - [7] Per City Ordinance 63