

TIM FEE Working Group Meeting Record
February 21, 2008, 6:30-8:30pm
Main Library, 345 Fair Lane, Placerville

I. Upcoming Meetings

- A. Thursday, March 13, 2008, 6:30 – 8:30pm in Building C, upstairs in Conference Room 248.
 - 1. This is an extra meeting to discuss the items we did not have time to discuss during our 2/21 meeting (i.e., Cost Estimating Process and the 84% Residential, 16% Commercial split)
- B. Thursday, March 20, 2008, 6:30 – 8:30pm in the Main Library, 345 Fair Lane, Placerville
 - 1. This meeting will be to review DOT's draft recommendation for the TIM Fee Update to the Board of Supervisors.

II. Homework

- A. DOT will develop more info for the cost estimating for discussion
- B. DOT will develop proposal to take to the Board early April

III. Discussion

- A. *NOTE: THIS IS A RECORD OF WHAT WAS DISCUSSED. THE USE OF "WE" DOES NOT IMPLY CONSENSUS BUT, RATHER, IS JUST A STATEMENT BY THE SPEAKER. ALSO, THE COMMENTS REFLECT WHAT THE SPEAKER SAID AND MAY NOT REFLECT OTHERS' THOUGHTS OR OPINIONS.*
- B. The choice of the cost index(s) used for inflation adjustments
 - 1. On the handout labeled, "2008 TIM Fee Inflation Adjustment – Cost Indices Comparison" the graph starts 3rd qtr 06 – we normalized the indices back to this point for easier comparison.
 - 2. Question: We would like to know how the other indices (other than Caltrans) are normalized showing "smoothed" increases over time instead of any dips because prices are clearly going down. Are they using a moving average or what?
 - 3. Question: Why is Caltrans showing drop from '06 to '07 of 6.9% and TIM fees went up 40%?
 - a. Answer: The new fee program was based on General Plan requirements, not an inflation adjustment – we included more projects and some got more expensive; part of this was due to refined cost estimating; the only inflator we've had on the TIM Fees was the 14% we did last year.
 - 4. Suggestion: Somebody should contact Caltrans and come up with explanation of why Caltrans fluctuates vs. other indices. Caltrans costs are not going to drop forever. We're not going to lower the TIM fees 20% based on Caltrans most recent data.
 - 5. Observation: Looking at all the indices, over a long period of time they all have doubled over about the same period of time. The cost of oil is the current wildcard making it difficult to predict what will happen in the future.
 - a. Caltrans has tripled between 1987 and today; CPI conversely

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- has gone up by 85% in that time. That's a big difference; is Caltrans reflective of what is actually happening with costs?
- b. Remember that CPI does not include energy (oil) which has gone up a lot.
 - c. We have seen oil sit around \$90/barrel for awhile but now Caltrans is starting to go down.
6. Suggestion: DOT should get more projects out to bid this year to take advantage of the downturn; DOT should get more projects shelf ready.
- a. Answer: DOT is trying to get projects out on the ground soon now for cost as well as we would like to help out contractors who need the work
7. Question: Is the Caltrans index skewed to one-off situations like bridge collapse in Oakland, widening highways that have to be done at night, building the Carquinez bridge where men are swinging on trapeze? Is what DOT does really reflective of what Caltrans does?
- a. Answer (Richard): Materials used are the same between DOT and Caltrans. Not everything Caltrans does is these oddball things. Almost all the projects in the CIP are things that are currently carrying live loads also (e.g., Missouri Flat interchange, widening Durock Road), not brand new roads where there is nothing now. Like Caltrans, DOT is doing a lot of night work too.
 - b. We don't have enough data to create our own index. Our trends are similar on a relative basis to Caltrans.
8. Question: I can't ever remember anything ever said about Caltrans except the inefficiency about Caltrans. So is the Caltrans index the best one?
- a. Answer (Richard): The inefficiencies of Caltrans are not reflected in bid prices because the construction is done by outside contractors--the same as at DOT.
 - b. However, anyone who works with Caltrans has to reflect in their bid, the inefficiencies of having to work with Caltrans.
 - c. The difference between Caltrans and DOT is, even though we're both hiring the same contractor, Caltrans puts it down under different parameters, however their scale versus DOT's stays the same over time (Caltrans may be at \$120/ton for putting down asphalt vs. \$100 for DOT).
 - d. I would say the index is not really sensitive to the underlying absolute numbers; it's the relative change that is important.
9. Question: What is the intention of DOT in taking forward a recommendation to the Board on an inflation index?
- a. Answer (Richard): We're tentatively looking at taking forward the recommendation of shifting the timeframe on the Caltrans

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- index to Jan 1st to Jan 1st and incorporating the last 2 quarters of downturn in the Caltrans index.
- b. Comment: DOT's proposal is unacceptable because I think this group is supposed to come to a proposal together. I would like a proposal from DOT of what you want to take forward so this group can comment on it. The Board is going to have a real hard time increasing the fees in this environment. There needs to be some explanation of why Caltrans is all over the place and how the other indices are smoothed.
 - c. Richard: I have been charged to come back with a proposal to the Board with whatever input this group wants to have. We can stay on the inflation index and continue to debate them or we can stop and take the information forward to the Board for a decision.
10. Question: I don't see anything in this stuff that is a proposal. What is the % increase DOT is proposing? And what is DOT basing it on? I would like to see an articulation of what the # would be.
- a. The schedule DOT is supposed to meet is that we have to have the agenda item ready to go the 1st week of April so we have to have all the fees in solid draft form no later than the next time we meet on 3/20.
11. Comment: I don't see anything wrong with picking the ENR index. I don't see anything wrong with picking the Caltrans index if we could figure out the smoothing. CPI does not look appropriate. We need to be consistent - Let's pick one and stick with it. Concern: we are arguing about the index based upon the known outcome as opposed to the policy. Over 10 years, it doesn't make a hell of beans (which index we choose).
12. Comment: An additional concern I have is coming up with a number without discussion of the policy changes that need to be put in place to use whatever indices the staff will take forward to the Board and what are the future implications of them?
13. Question: How do we have a \$44,000 fee? The question isn't the index to me. I think the unit costs need to be looked at because they're just too high.
14. Question: Why from '03 to '04 did the Caltrans go from 148 to 216?
- a. Answer (Richard): The demand from 2 hurricanes (e.g., Katrina) and China coming in sent prices up. In that timeframe in the public sector, we had 2 bidders. Now we're seeing 5+ bidders on jobs.
15. Question: If everyone in this group agreed that the Caltrans index was unacceptable, would it be difficult for DOT to go to the Board with something other than ENR?
16. Richard asked for a show of hands of how many people here think

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that if we pick an index, we should stick to it? All but 2 participants raised their hands.

- a. Suggestion: You could stick with an index for 5 years and then re-look at whether or not it was really reflective of your costs and change if it wasn't and something better could be developed.
 - b. Would the proposal on ENR include adoption of a 2.7% increase? I would not support we adopt any index without looking at it again in 18 months or so to ensure the index is still working for us. I don't support just dropping 6.9% because that's what the Caltrans index did. There is no index that has gone down and stays down; they all eventually go up.
17. Question: Where would we be if we went back and applied the ENR index? Where would Zone 8 be today if we backed up a few years and applied the ENR?
- a. Answer: Over the past 4 yrs, ENR index has increased 12.5%, 14% for Means, 15% for the CPI, 21% for Caltrans (including the 7% drop)
18. Question: Could we do the ENR and re-look at it in 5 yrs or if it starts to look out of whack?
- a. Answer (Richard): We could do this.
 - b. We are already doing a major look at the program every 5 years. We could do the re-look at the index at the time we do the 5 year review of the TIM program.
 - c. We should re-look at the index compared to DOT unit prices, not the index as compared to other indices.
19. Comment: We're all in agreement the fees are high.
20. Comment: Part of the purpose of these indices is not to just respond to the last job. The advantage of the longer term indices vs. Caltrans is that you don't have gigantic fluctuations that drive people crazy.
21. Comment: What we do with the policies is the key e.g., getting the base fees down.
22. Comment: I think a fee increase is really tough to swallow even if it's relatively miniscule. There is some real distress in the industry right now. I would like to see no increase.
23. Comment: If we want to have credibility at the Board, to handle some of the more important issues, it seems to me it makes sense to swallow and come to some consensus because I don't see the Board having lot of faith in this group if we can't decide on a cost of living index. I would be OK with 0% increase. However, I'm not sure how this group gets to 0 but the Board I could see getting to 0 by accepting the Caltrans index and saying they're not going to drop the fees per the index.
24. Proposal: No increase this year and from this point forward calculate

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off ENR and the index gets looked at every 5 yrs.

- a. Rationale: Caltrans is too spikey both ways. Let Staff do what they need to do but we as a group come forward together to support no increase in the fees in front of the Board (this year).
 - b. Comment (Richard): Staff needs to articulate what the implications are of not raising the fees (if the analysis shows that they should be raised) but yes, our recommendation would include this group's support to not increase the fees this year.
 - c. Possible justification for our recommendation: we are changing indices and coming off an upswing which we took and not including the downswing because we're switching indices.
 - d. It doesn't seem appropriate in the current climate to raise fees.
 - e. The people in this room at this time support this proposal.
 - f. If the (overall) calculations actually show the fees would go down, then this group would support a decrease in the fees.
 - g. Part of the charge of DOT is to collect enough money to build the program. Somewhere we need to keep track and catch up in future years if need be and DOT will do this.
25. Comment: I'm not ready to settle on the index until we talk about CIP assumptions, 84/16 split, and cost estimates.
- a. We do need to work on these other issues but this issue needs to get to the Board real soon.

C. DOT's unit prices compared to the cost indices

1. Graph shows that in '05, all the bids DOT saw were above the Caltrans index and in '07 (i.e., more recently), all DOT bids are below Caltrans index. Some of the problem with our data is that we have few data points so there is inherently more volatility and in some cases, we have very small jobs where bids are quite high and in some instances, in '05, we couldn't get more than 1 bidder so the contractors may have bid whatever they wanted. Bottom line is that DOT is kind of in the same state as Caltrans
2. Question: What % of revenue is coming out of Zone 8?
 - a. Answer: DOT will have to research and come back to this group to answer this question.
3. Question: What does the CIP look like if the Zone 8 fee is \$20K? What would we get for it? If I only have so much money in my pocket, what would I get for it? What does the rest of the program look like? We're having the same conversation with EID (as their fees are high also). If we dropped the fees by 1/3 across the board, what does this imply from a land use standpoint?
 - a. This is also a specific plan question because the roads are a

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- requirement.
 - b. Workforce housing and affordable housing can't afford \$40K. Does that mean we don't build any affordable housing?
 - c. We're going to have to get a whole lot smarter about how we do affordable housing and workforce housing in this County.
- D. Cost Estimating Process (including estimating project delivery costs)
- 1. Defer to next meeting
- E. The 84% Residential, 16% Commercial split
- 1. Defer to Next Meeting
- F. Parking Lot
- 1. The Variable Highway 50 Fee Program had three different levels of TIM fees for single family residential houses. Smaller houses paid a lower fee."
 - 2. Note: if the program becomes a 30 year program instead of a 20 year program, what does this imply for federal and state matching \$? Can we count on more coming in and thus, reduce the fees?

IV. Topics for Discussion at Future Meetings

- A. Additional sources of funding
 - 1. The Casino – What funds will be available, what additional projects need to be included and how will this impact the fee rates? (first check anticipated Fall 09)
 - 2. Federal and State "matching dollar" opportunities – using TIM fee money to leverage other sources
 - 3. Are we getting any kind of priority for \$ from state and federal because of our TIM fee program? What have we gotten to match the \$ we have contributed to TIM fees?
 - 4. Inclusion of Safety and Intelligent Transportation System (ITS) "local match share" items into project list along with other potential grant funding opportunities
- B. Impacts from the slow-down in residential development (e.g., growth in the county affects the road plan)
- C. Format/Style to be used for annual Government Code compliance report
- D. Can we discuss the "uniqueness" that affects the El Dorado County TIM FEE Program? Do we spend more or less for example because of the # of Highway 50 improvements than other counties do? Do others have other funding sources that we don't have?
- E. We need to have a discussion on the timing of the program i.e., if the 20 year program turns into a 27 yr program then we need to think about including appropriate federal/state matching \$. (It's not just about fixed time

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and fixed number of units being built.)

V. Attendees:

- A. Kathye Russell, El Dorado Business Alliance
- B. Bill Center, Measure Y Committee
- C. Chad Brown, EDBE
- D. Don Barnett, Lennar
- E. Kirk Bone, Serrano Associates, LLC
- F. John Costa, Building Industry Association
- G. Brian Allen, Cooper, Thorne & Associates
- H. Michael Whipple, Development Planning & Financing Group, Inc.
- I. Barry Wasserman, Measure Y Committee
- J. Art Marinaccio, Taxpayers Association of El Dorado County
- K. Jim Miller, AKT Development
- L. Mike McDougall, AKT Development/MJM Consulting
- M. Dolly Wager, El Dorado Chamber of Commerce
- N. Craig McKibbin, DOT
- O. Richard Shepard, DOT
- P. Jim Ware, DOT
- Q. Val Akana, DOT