

**City of Redlands**

**Cemetery Fee Study**

**Prepared by**



**December 6, 2016**

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APPENDIX – FEE MODEL

## **1. BACKGROUND, OBJECTIVES AND APPROACH**

### **1.1 Background**

The City of Redlands (City) has owned and operated Hillside Memorial Park (Cemetery) since 1918. The Cemetery includes approximately 41 developed acres, and 13 acres that are available for future development. The Cemetery contains approximately 31,000 interments.

In 2015, the City adopted a Business Plan to update and improve the Cemetery. The purpose of the Business Plan was to identify new products and services that would enable the Cemetery to more effectively compete with other cemeteries in the region. The major recommendations in the Business Plan include:

- Better equip the Cemetery to serve families who choose cremation.
- Enhance the marketing of services using a ‘good, better, best’ approach.
- Offer Saturday services for a premium fee to cover additional staff costs.
- Adopt a competitive pricing strategy that accurately reflects the market value of products and services.
- Adopt a financing plan that enhances revenue and builds the endowment fund such that the Cemetery will have adequate funds to maintain the facility in perpetuity after it is completely filled.

In addition to adopting the Business Plan, the City Council also approved a capital improvement plan for the Cemetery. The Council has authorized up to \$1.5 million from the Endowment Fund to be loaned to the Operating Fund to pay for those capital improvements. In July, 2015, the City Council approved updated pricing on products only as the updates to service fees required additional analysis.

Since the Business Plan was adopted, the City has moved forward in upgrading the Cemetery. The City hired a full time cemetery manager. The City has repaired and resurfaced the roads, repaired and improved the irrigation system, implemented operational improvements and has approved the development of Block 11 which will include exterior niches and semi-private estates.

### **1.2 Objectives**

In April 2016, the City hired our firm to prepare a comprehensive fee study for the Cemetery. The objectives of this study are to:

1. Design fees for the sale of property and provision of services for the Cemetery that:
  - Are competitive with other cemeteries in the region;

- Reflect the value to families according to a ‘good, better, best approach;’
  - Cover the City’s cost of service.
  - Generate adequate revenue that will restore the financial condition of the Cemetery and enable it to repay its debts to the Endowment Fund and to the Water Fund.
2. Propose modifications to the City’s existing ordinances to implement the new fee structure.
  3. Develop a rate model that will enable the City to evaluate alternate fee setting scenarios, and enable the City to retroactively compare its actual vs. projected revenue and expenses on an ongoing basis.

### 1.3 Approach

Our overall approach to accomplish these objectives was to consider the perspective of the consumer while at the same time assigning a fair value to the City’s property and services. In designing fees for the sale of property (plots, niches, etc.), we considered the fees charged by other nearby cemeteries for similar types of property. We designed competitive fees for the Cemetery using a ‘good, better and best’ approach. In considering the fees charged by other cemeteries, we reviewed the prices charged by the cemeteries listed below in Table 1.

**Table 1 – Cemeteries Used in Price Comparison**

Facility Name	Location
Desert Lawn Memorial Park	Calimesa
Desert View Memorial Park	Victorville
Hermosa Cemeterey	Colton
Live Oak Memorial Park	Monrovia
Montecito Memorial Park	Colton
Mt. View Memorial Park	San Bernardino
Oakdale Memorial Park	Glendora
Olivewood Memorial Park	Riverside
Pioneer Cemetery	San Bernardino
Rialto Park Cemetery	Rialto

For each of the services offered by the Cemetery, we estimated the City’s cost of providing service based on the average amount of worker hours spent for each service, multiplied by a standard hourly cost. For the provision of services (vault setting, burial, marker setting, etc.), we considered both the City’s cost of service, and the fees charged by nearby cemeteries for

similar services. For the sale of merchandise (urns, vaults, etc.), our approach was to recommend a dynamic pricing policy that covers the City's cost of goods sold, and provides for a reasonable margin to cover administrative costs and overhead.

Our recommended fees for property and services are included below in Sections 2 and 3, respectively. Our recommended pricing policy for merchandise is included below in Section 4. The financial impact of these recommended fees are discussed in Section 5.

#### **1.4 Work Performed**

In preparing this fee study, we performed the following tasks:

- Reviewed background documents including Council staff reports, the Business Plan, the municipal code, Cemetery sales spreadsheets and City financial information.
- Met with City staff, toured the Cemetery and obtained an inventory of available cemetery properties.
- Compiled and reviewed pricing information from other nearby cemeteries.
- Prepared a 15 year sales forecast of the Cemetery that organized the properties in the facility into good better and best categories.
- Prepared a fee model that mirrors the financial behavior of the Operating Fund and the Endowment Fund.
- Designed initial prices, and developed a plan to repay the Endowment Fund and Water Fund. Reviewed these with City staff, and incorporated their feedback.
- Prepared this report.

#### **1.5 Limitations**

Our fee study is subject to certain limitations. First, our review of the prices charged at other cemeteries was an important part of our study. However, it is also important to understand that such a comparison is necessarily subject to certain limitations. These limitations are due to each cemetery's unique characteristics that preclude a true 'apples to apples' price comparison. These characteristics include, but are not limited to, the size, age, location, condition, and mix of services offered at each facility. Second, our projected operating results for the Cemetery are based on certain assumptions regarding forecasted operating and capital expenditures as well as the future demand for property and services at the Cemetery. Due to unforeseen events and circumstances, there will likely be differences between the Cemetery's actual and projected operating results, and those differences may be material.

## 2. PROPOSED FEES - PROPERTY

In this section we discuss our recommended approach to endowment fees as well as our method for pricing property according to a good, better and best approach. We also discuss the basis for pricing double graves and additional rights of interment. In the end of this section, we have included our recommended fees for casket burial plots, cremation options and crypts.

### 2.1 Endowment Fees

The prices that we have proposed in this section include an endowment fee of \$240 for each property. Upon the sale of each property, this amount is credited to the Endowment Fund and held in trust for the future maintenance and upkeep of the Cemetery. In recommending this amount, we considered 1) endowment fees established at other cemeteries, 2) equity among users of the Cemetery, and, 3) the adequacy of the accumulated funds.

#### *Endowment Fees at Other Cemeteries*

Table 2 identifies the endowment fees charged by the cemeteries in our price comparison. Table 2 shows that all of the cemeteries in our comparison set a flat endowment fee, and none calculate the fee as a percent of the property price.

**Table 2 – Endowment Fees at Other Cemeteries**

Facility Name	Low	Typical	High
Desert Lawn Memorial Park	\$100	\$200	\$300
Desert View Memorial Park	\$75	\$162	\$330
Hermosa Cemetery	\$220	\$220	\$220
Live Oak Memorial Park	\$75	\$162	\$330
Montecito Memorial Park	\$75	\$162	\$330
Mt. View Memorial Park	\$70	\$220	\$2,826
Oakdale Memorial Park	\$75	\$162	\$330
Olivewood Memorial Park	\$175	\$175	\$175
Pioneer Cemetery	\$75	\$162	\$330
Rialto Park Cemetery	\$1,058	\$1,058	\$1,058

In Table 2, the endowment fee charged by Rialto Park Cemetery, and the highest endowment fee charged by Mt. View Memorial Park, are outliers. Of the remaining cemeteries, the \$240 amount we are recommending falls reasonably within the range of endowment fees.

## **Equity Among Users of the Cemetery**

Some cemeteries in our price comparison study charge a lower endowment fee for niches and other cremation spaces. We understand the rationale of this approach. For example, niches may require less maintenance over time than burial plots (i.e., a niche does not need to be watered and mowed, etc.).

However, we believe it is equitable to charge a single endowment fee amount for all types of property in the Cemetery. This is because future visitors to the Cemetery will enjoy the entire Cemetery in equal measure regardless of whether they come to visit a loved one in a niche or a grave. Visitors to niches will use the roads and enjoy the green lawns just as much as those who come to visit graves. Therefore, we have set a single endowment fee for all types of property in the Cemetery.

## **Adequacy of Accumulated Funds**

We estimate that the current balance in the Endowment Fund, combined with the future amount generated by an endowment fee of \$240 per unit, with interest earnings, will be adequate to fund the endowment care of the Cemetery at the time it is completely filled. Our calculations and assumptions are shown on the following page in Table 3.

All the amounts in Table 3 are presented in 2016 dollars.<sup>1</sup> Table 3 shows that the current Endowment Fund Balance, combined with future contributions at \$240 per unit, will generate enough revenue to earn interest of approximately \$345,000 per year in perpetuity (i.e., without depleting the principal balance of the Endowment Fund). Based on a review of the Cemetery's current operating expenses, we believe this \$345,000 amount would be more than adequate to maintain the Cemetery in perpetuity.

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<sup>1</sup> The assumed interest rate of 3% in Table 3 on the following page reflects only the intrinsic time value of money, and does not reflect the inflation component of future interest rates. The intrinsic time value of money is that rent paid to lenders to compensate them for only the temporary use of their money, and does not compensate them for any decline in true value of their money due to inflation. The nominal effect of inflation on both future interest rates, and future cemetery maintenance expenses, are assumed to be offsetting, and therefore excluded from this calculation. The assumed future interest rate is higher than current interest rates. However, today's interest rates are set artificially (and unsustainably) below a rate that truly reflects the true intrinsic time value of money. The interest rate of 3% used in the calculation in Table 3 assumes that interest rates over the next 25 years will normalize and more accurately reflect the true time value of money.

**Table 3 – Endowment Balance and Interest Earnings at End of Cemetery Life**

Current Amount in Endowment Fund	Future Value of Current Endowment Fund Balance at End of Cemetery's Active Life	Estimated Future Endowment Fund Contributions	Estimated Endowment Fund Balance at End of Cemetery's Active Life	Estimated Annual Interest Earnings Available for Maintenance at End of Cemetery's Active Life
\$2,000,000	\$7,945,000	\$3,567,000	\$11,512,000	\$345,000

**Key Assumptions:**

Annual interest rate:	3.0%
Estimated Remaining Number of Years	47
Estimated Remaining Units	7,000
Average Units per Year	150
Endowment Charge per Unit	\$240

Therefore, based on its reasonableness when compared to other cemeteries, its equity and its adequacy, we recommend the Cemetery charge a single endowment fee of \$240 per unit.

## 2.2 Good Better and Best

The 'good, better and best' pricing approach is a multi-tiered pricing structure that provides clarity and consistency when explaining the benefits of pricing changes to families. Pursuant to the Business Plan, each property in the Cemetery is organized into three categories according to its location. These categories are: Basic, Traditional and Premium (i.e., good, better and best). Each of these categories is described as follows:

**Basic** – located in an open area and is more likely to be located near an object (e.g., fence, drainage pipe, junction box, etc.) that makes the location less desirable to a family.

**Traditional** – common garden spaces that are closer to the trees, unremarkable, and found throughout the Cemetery.

**Premium** – more desirable locations due to their proximity to roads, walkways, features or views. They may also be graves located in an upright marker section.

Our method for designing prices according to the good, better, best approach entailed first establishing a price for the Traditional property. We established the price for the Traditional property based on our review of competitive market prices, and our discussions with City staff.

Once we had established the price for a Traditional property, we applied a standard set of Good Better Best Factors to calculate prices for the Basic and Premium locations. We applied these Good Better Best Factors to the price of the property net of the endowment fee. An example of how we used these Good Better Best Factors to calculate our proposed prices for a single grave are shown below in Table 4.



Table 4 shows that the price for a property in a Basic location will be 25% less than the price for a property in Traditional location (net of the endowment fee), and that a property in a Premium location will be 50% greater than the price for a property in a Traditional location (net of the endowment fee). We have used this same proportional relationship among good, better and best to design prices for casket burial plots, cremation options and crypts. Using the same proportional relationship ensures that the cemetery pricing structure will be internally consistent, and helps to avoid pricing anomalies.<sup>2</sup>

**Table 4 – Example of Good Better Best Pricing**

Description	Good Better Best Factor	Percent of Traditional Property Price	Property	Endowment Fee	Total Proposed Price
<b>Single Grave</b>					
Basic	0.75	75%	\$2,780	\$240	\$3,020
Traditional	1.00	100%	\$3,700	\$240	\$3,940
Premium	1.50	150%	\$5,550	\$240	\$5,790

All prices are rounded to \$10

### 2.3 Double Graves

Double graves are those plots in the Cemetery in which two caskets are placed one above the other. The price for a double grave must necessarily be less than the cost of two single side-by-side graves. The price must also be sufficiently greater than the cost of a single grave to reflect the added value provided to the consumer.

In our survey of other cemeteries, we found that the typical price of a double grave as a percent of the typical price for a single grave was approximately 130% (or a factor of 1.3). For the cemeteries in our comparison, this percentage ranged from 100% (double graves were the same price as single graves) to 200% (double graves were twice the price as single graves).

For the purpose of designing prices for double graves, we used a factor of 1.6. This factor sufficiently reflects the added value to the consumer and is within the range of factors use by

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<sup>2</sup> Not all types of properties have a Basic and a Premium location. For example, there are no 'Basic' locations for granite wall niches.

the cemeteries in our comparison. Table 5 below shows how these factors are applied to the price for single grave to derive the price for double graves.

**Table 5 – Example Calculations of Prices for Double Graves**

Description	Price for Single Grave (net of Endowment Fee)	Percent of Single Grave Property Price	Property Price for Double Grave	Endowment Fee	Total Proposed Price for Double Grave
Basic	\$2,780	160%	\$4,450	\$240	\$4,690
Traditional	3,700	160%	\$5,920	\$240	\$6,160
Premium	\$5,550	160%	\$8,880	\$240	\$9,120

All prices are rounded to \$10

## 2.4 Additional Right of Interment

For circumstances in which a family wishes to add a casket or an urn to a previously interred single grave, the family must purchase an additional right of interment. Most cemeteries charge one-half of the current price of the property for this right. However, we recommend that the price for this right be set at 60% of the current property price so that it will be in alignment with the incremental price for a double grave.

## 2.5 Proposed Fees – Casket Burial Plots

Our proposed fees for casket burial plots sold at the Cemetery are shown on the following page in Table 6. In Table 6 (and each of the following tables in this section), each type of property is described in the left column followed by its current price and our proposed price. For each type of property, we have also included the high, low and typical prices for similar properties based on our review of prices from nearby cemeteries. Each of the proposed prices in Table 6 includes the endowment fee of \$240 and reflects the pricing approaches described above.

**Table 6 – Proposed Fees for Casket Burial Plots**

Description	Current	Proposed	Change	Prices for Comparable Properties		
				Low	Typical	High
<b>Prices for Casket Burial Plot:</b>						
Babyland	\$570	\$590	\$20	\$350	\$780	\$2,055
Single Grave - Basic	\$1,840	\$3,020	\$1,180	\$1,200	\$4,030	\$12,700
Single Grave - Traditional	\$3,910	\$3,940	\$30			
Single Grave - Premium	\$7,475	\$5,790	(\$1,685)			
Double Grave - Basic	\$2,415	\$4,680	\$2,265	\$1,200	\$5,280	\$21,443
Double Grave - Traditional	\$5,290	\$6,160	\$870			
Double Grave - Premium	\$11,385	\$9,120	(\$2,265)			
Semi-private Estate (one double interment lot)	\$16,675	\$16,740	\$65	\$24,000	\$152,000	\$405,000
Semi-private Estate (two double interment lots)	\$31,280	\$31,830	\$550			
Semi-private Estate (three double interment lots)	\$46,920	\$47,750	\$830			
Semi-private Estate (four double interment lots)	\$62,560	\$63,510	\$950			
Semi-private Estate (five double interment lots)	\$78,200	\$79,390	\$1,190			
<b>Additional Right of Interment:</b>						
Basic		\$1,670		Typically 1/2 the price of the property excluding endowment		
Traditional		\$2,220				
Premium		\$3,330				

All prices include endowment fees except for prices for the additional right of interment.

**2.6 Relationship Between Prices for Casket Burial Plots and Cremation Options**

We designed prices for cremation options based on a proportional relationship to the price for single graves.

Table 7 below shows the proportional relationship between the price for a Traditional single grave and the three most common types of cremation options

**Table 7 – Example Calculations of Prices for Cremation Options**

Description	Price for Traditional Single Grave (net of Endowment Fee)	Percent of Single Grave Property Price	Property Price for Traditional Cremation Options	Endowment Fee	Total Proposed Price for Traditional Cremation Options
Cremation Ground Space	\$3,700	70%	\$2,590	\$240	\$2,830
Cremation Garden	\$3,700	60%	\$2,220	\$240	\$2,460
Exterior Niche - Granite Wall	\$3,700	120%	\$4,440	\$240	\$4,680

All prices are rounded to \$10

## 2.7 Proposed Fees - Cremation Properties

Our proposed fees for cremation properties at the Cemetery are shown below in Table 8. Each of the proposed prices in Table 8 includes the endowment fee of \$240. Here is a description of each of the cremation properties in Table 8:

**Cremation Ground Spaces** – These are various areas throughout the cemetery that would accommodate spaces for one or more urns.

**Cremation Garden** – These are ground spaces organized in a garden setting which can only accommodate two urns at most and are located near the (New) Hillside Mausoleum.

**Exterior Niches** – These are the niches in the walls and columbarium that are to be constructed in Block 11.

**Bench Estates and Niche Estates** – These are cremation estates that will accommodate multiple urn placements in a designated area for a family that wishes to be together.

**Table 8 – Proposed Fees for Cremation Properties**

Description	Current	Proposed	Change	Prices for Comparable Properties		
				Low	Typical	High
<b>Cremation Properties:</b>						
Cremation Ground Space - Basic		\$2,180		\$400	\$1,490	\$4,295
Cremation Ground Space - Traditional		\$2,830				
Cremation Ground Space - Premium		\$4,130				
Cremation Garden Basic (2 X 2)	\$1,553	\$1,910	\$357	\$400	\$1,490	\$4,295
Cremation Garden Traditional (3 X 2)	\$1,553	\$2,460	\$907			
Cremation Garden - Premium (3 X 2)	\$1,553	\$3,570	\$2,017			
Exterior Niche - Granite wall - traditional		\$4,680		\$1,095	\$3,400	\$7,795
Exterior Niche - Granite Front - Feature - premium		\$6,900				
Bench Estate - Traditional - 1-4	\$10,925	\$10,650	(\$275)	\$4,022	\$30,150	\$75,600
Bench Estate - Premium - 1-4	\$10,925	\$13,710	\$2,785			
Family Crem. Estate w/ Vase - 1 to 4	\$6,325	\$28,960	\$22,635	\$4,022	\$30,150	\$75,600
Pedestal Family Estates - Std. Exterior	\$13,513	\$12,230	(\$1,283)			
Pedestal Family Estates - Std. Interior	\$21,333	\$19,160	(\$2,173)			
<b>Additional Right of Interment for an Urn Burial:</b>						
Basic		\$1,160		Typically 1/2 the price of the property excluding the endowment fee		
Traditional		\$1,550				
Premium		\$2,330				

Fees for cremation properties include an endowment fee of \$240.00. Fees for additional right of interment do not include an endowment fee.

## 2.8 Property Prices – Granite and Glass Front Niches

Our proposed fees for granite and glass front niche properties at the Cemetery are shown below in Table 9. The Cemetery has a limited inventory (approximately 14) of existing granite and glass front niches.

**Table 9 – Proposed Fees for Granite and Glass Front Niches**

Description	Current	Proposed	Change	Prices for Comparable Properties		
				Low	Typical	High
<b>Exterior Granite Front Niches:</b>						
Level A	\$1,610	\$1,670	\$60	\$1,095	\$3,400	\$7,795
Level B	\$4,830	\$4,520	(\$310)			
Level C & G	\$6,440	\$5,950	(\$490)			
Level D & F	\$6,670	\$6,160	(\$510)			
Level E	\$7,015	\$6,460	(\$555)			
Level H & Up	\$5,405	\$5,030	(\$375)			
<b>Redlands Mausoleum - Glass Front Niches:</b>						
Level A (Single)	\$5,405	\$5,030	(\$375)	\$950	\$2,650	\$5,995
Level B (Single)	\$5,980	\$5,540	(\$440)			
Level C & G (Single)	\$6,440	\$5,950	(\$490)			
Level C & G (Double)	\$7,130	\$6,560	(\$570)			
Level D & F (Single)	\$10,465	\$9,520	(\$945)			
Level D & F (Double)	\$11,730	\$10,640	(\$1,090)			
Level D & F (Double)	\$13,915	\$11,360	(\$2,555)			
Level E,F,D (Three or Four)	\$19,435	\$17,480	(\$1,955)			

## 2.9 Crypt Spaces

Our proposed fees for single and double crypts are shown below in Table 10 and Table 11, respectively. The Cemetery has only one remaining single crypt, and approximately 27 remaining double crypts.

**Table 10 – Proposed Fees for Crypts (Singles)**

Description	Current	Proposed	Change	Prices for Comparable Properties		
				Low	Typical	High
<b>Crypts (Singles):</b>						
Level A		\$8,310	\$8,310	\$3,985	\$10,000	\$30,995
Level B		\$8,760	\$8,760			
Level C		\$8,760	\$8,760			
Level D		\$9,590	\$9,590			
Level E		\$10,730	\$10,730			
Level F		\$12,200	\$12,200			
Level F/G		\$12,330	\$12,330			

**Table 11 – Proposed Fees for Crypts (Doubles)**

Description	Current	Proposed	Change	Prices for Comparable Properties		
				Low	Typical	High
<b>Crypts (Doubles):</b>						
Level A	\$14,720	\$13,300	(\$1,420)	\$3,985	\$10,000	\$30,995
Level B	\$15,525	\$14,010	(\$1,515)			
Level C	\$17,020	\$14,010	(\$3,010)			
Level D	\$19,090	\$15,340	(\$3,750)			
Level E	\$21,735	\$17,170	(\$4,565)			
Level F	\$21,965	\$19,520	(\$2,445)			
Level F/G	\$29,325	\$19,720	(\$9,605)			

### 3. PROPOSED FEES - SERVICES

#### 3.1 Cemetery Services

Our proposed prices for the burial, marker setting and vault setting services at the Cemetery are shown below in Table 12. Each of proposed service fees is designed to: 1) cover the City's average cost of performing each service, and 2) be commensurate with the fees charged by other cemeteries for similar services.

For purposes of simplicity and competitiveness, we recommend that the City set the same fee for a service for a single or a double grave. Although it takes a little longer to excavate a double grave compared to a single, the difference is not significant, and it is covered by the proposed fee of \$1,195. Although the proposed fee for Saturday service is more than adequate to cover the City's incremental cost, it also accurately reflects the added value to the consumer and is competitive in relation to Saturday services at other cemeteries.

**Table 12 – Proposed Fees for Cemetery Services**

Description	Current	Proposed	Change	Prices for Comparable Services		
				Low	Typical	High
<b>Services:</b>						
Weekday interment - single	\$960	\$1,195	\$235	\$697	\$1,080	\$1,445
Weekday interment - double	\$1,260	\$1,195	(\$65)			
Additional fee for weekday service after 2:00 pm*	\$200	\$445	\$245	\$500	\$600	\$705
Additional fee for Saturday interment	None	\$900		\$505	\$710	\$930
Urn interment (in cremation ground space)	\$650	\$795	\$145	\$475	\$720	\$1,010
Babyland interment	\$270	\$495	\$225	\$150	\$590	\$1,010
Entombment (casket or urn in crypt)	\$785	\$895	\$110	\$895	\$1,210	\$1,445
Inurnment (urn in niche)	\$565	\$595	\$30	\$475	\$770	\$895
* Current fee is \$200 minimum plus \$85/hr. after two hours for services after 3:30 pm.						
<b>Marker setting:</b>						
Marker installation (smaller than 30" x 18")	\$240 to \$350	\$295	\$45 to \$55	\$95	\$360	\$595
Marker installation (equal or larger than 30" x 18")	\$350	\$395	\$45			
Upright marker installation (w/ approval of Cem. Mgr.)	None	\$595		\$695	\$760	\$795
Marker re-set	\$85 to \$130	\$250	\$165 to \$220	NA	NA	NA
Upright marker	None	\$595		\$695	\$760	\$795
Remove/replace crypt shutter - single	None	\$295				
Remove/replace crypt shutter - double	None	\$395				
<b>Vault setting:</b>						
Urn	\$150	\$75	(\$75)	\$142	\$280	\$500
Casket	\$150	\$195	\$45	\$142	\$280	\$500
Additional fee for setting 3rd party vaults	\$150	\$100	(\$50)			

(all vaults must be set by Hillside)

### 3.2 Disinterment and Other Services

Our proposed fees for disinterment and reinterment are shown below in Table 13. For simplicity, we recommend that the City charge the same charge for reinterment as it does for disinterment. This is a simpler approach and commensurate with the pricing approach at other cemeteries. The Cemetery performs these services less frequently than it does other services.

**Table 13 – Proposed Fees for Disinterment and Other Services**

Description	Current	Proposed	Change	Prices for Comparable Services		
				Low	Typical	High
<b>Disinterment and Reinterment:</b>						
Single and top double depth - disinter	\$1,500	\$1,995	\$495	\$2,495	\$2,995	\$4,995
Single and top double depth - reinter	\$960	\$1,995	\$1,035	\$2,495	\$2,995	\$4,995
Bottom double depth - disinter	\$2,250	\$2,295	\$45	\$2,495	\$2,995	\$4,995
Bottom double depth - reinter	\$1,260	\$2,295	\$1,035	\$2,495	\$2,995	\$4,995
Cremation ground space - disinter	\$1,035	\$1,295	\$260	\$2,495	\$2,995	\$4,995
Cremation ground space - reinter	None	\$1,295		\$2,495	\$2,995	\$4,995
Babyland - disinter	\$1,050	\$1,395	\$345	\$2,495	\$2,995	\$4,995
Babyland - reinter	None	\$1,395		\$2,495	\$2,995	\$4,995
Mausoleum Crypt - disinter	\$1,090	\$1,095	\$5	\$2,495	\$2,995	\$4,995
Mausoleum Crypt - reinter	\$785	\$1,095	\$310	\$2,495	\$2,995	\$4,995
Mausoleum Crypt- Double - disinter	\$1,190	\$1,395	\$205	\$2,495	\$2,995	\$4,995
Mausoleum Crypt- Double - reinter	\$885	\$1,395	\$510	\$2,495	\$2,995	\$4,995
Mausoleum Crypt (Westminster) - disinter	\$2,250	\$2,295	\$45	\$2,495	\$2,995	\$4,995
Mausoleum Crypt (Westminster) - reinter	None	\$2,295		\$2,495	\$2,995	\$4,995
Mausoleum Niche - disinter	\$885	\$895	\$10	\$1,495	\$1,795	\$1,995
Mausoleum Niche - reinter	\$565	\$895	\$330	\$1,495	\$1,795	\$1,995
<b>Miscellaneous Services:</b>						
Recording Fee	None	\$75		\$25	\$110	\$155
Transfer Fee	None	\$295		\$195	\$240	\$295
Geneological Research	None	\$25				
Pall bearers to pre-set casket	None	\$125				



## **4. MERCHANDISE PRICING**

### **4.1 Product Markup Percent and Pricing Policy**

The Cemetery offers various funeral products for sale to consumers including urns, vaults, and markers. The proceeds from the sale of merchandise at the Cemetery is a relatively small portion of its total revenue, typically between 8% and 10%. We recommend that the Cemetery Manager periodically prepare and update a price list of goods offered for sale at the Cemetery. This price list will be presented to the City Council for approval by resolution.

## 5. PROJECTED OPERATING RESULTS

### 5.1 Cremation Options in Block 11

The City plans to develop exterior niches and semi-private estates within the capital improvement project known as Block 11. The center feature of Block 11 will include a columbarium, granite front niches, bench estates and semi-private family estates. Table 14 below shows a pro forma of the capital investment and annual sales for Block 11.

The pro forma is based on our proposed prices for cremation properties presented above in Table 8. Table 14 shows that, based on the expected sales of these cremation properties, the City is projected to recoup its capital investment in Block 11 in approximately three years. We project that Block 11 will generate over \$1.5 million in revenue by 2030.

**Table 14 – Pro Forma of Cremation Options in Block 11**

Description	2017	2018	2019	2020	2021
<b>Inventory and Projected Sales:</b>					
Beginning Inventory	0	318	482	461	440
Units Constructed	329	185			
Projected Units Sold	11	21	21	21	19
Ending Inventory	318	482	461	440	421
Percent Remaining Capacity - Block 11		94%	90%	86%	82%
<b>Capital Investment:</b>					
Initial Capital Investment	\$162,000	\$140,000			
Cummulative Capital Investment	\$162,000	\$302,000	\$302,000	\$302,000	\$302,000
<b>Revenue:</b>					
Projected Annual Revenue	\$86,260	\$141,200	\$144,050	\$146,920	\$105,690
Cummulative Revenue (Payback Amount)	\$86,260	\$227,460	\$371,510	\$518,430	\$624,120
<b>Payback:</b>					
Cummulative (Shortfall)/Surplus	(\$75,740)	(\$74,540)	\$69,510	\$216,430	\$322,120
Payback Period (years)			2.5		

## 5.2 Projected Operating Results and Debt Repayment

We project that the Cemetery will be able to fully repay its loans to the Endowment Fund and to the Water Fund by 2030. The operating results for the Cemetery Operating Fund, as well as the loan amounts to the Endowment Fund and the Water Fund are shown below in Chart 1. The operating results and cash balances shown in Chart 1 reflect the amounts in the fee model included in the Appendix.

**Chart 1 – Operating Results and Cash Balances**

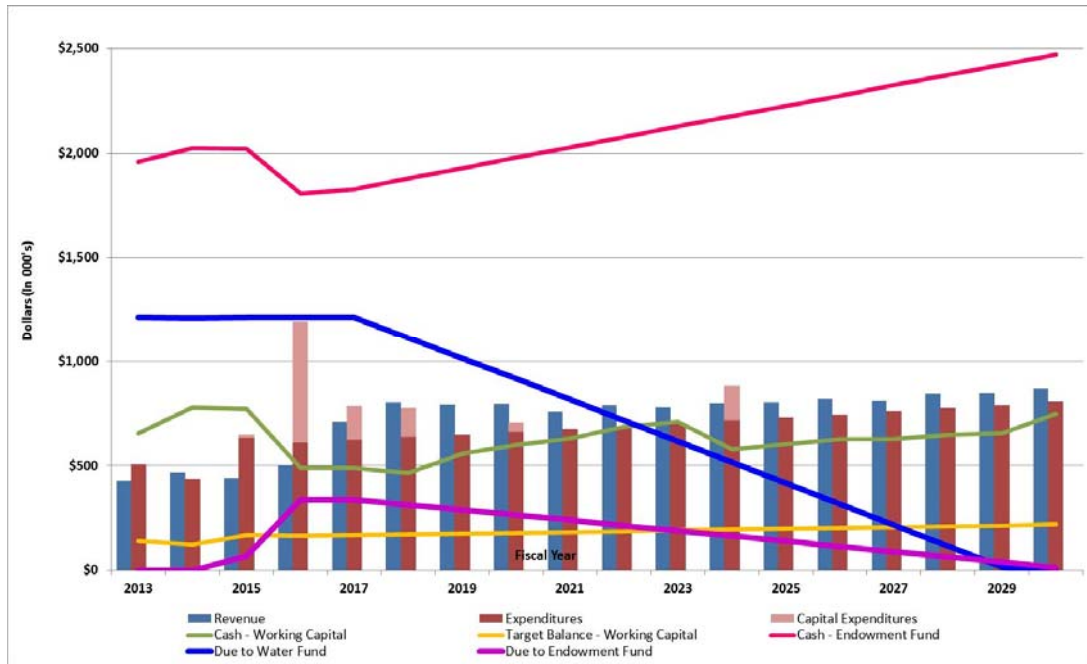


Chart 1 shows that the Cemetery’s revenue (the blue bars) will increase in FY 2017. This is primarily due to the sales of niches in the newly developed Block 11. As a result, the Cemetery will begin to earn an annual profit (blue bar is higher than the red bar) for the remainder of the planning period. This annual profit will enable the Cemetery to generate surplus cash to pay down its debt to the Endowment Fund (violet line) and its debt to the Water Fund (blue line), while at the same time maintaining an adequate amount of working capital (green line).

## 6. MODIFICATIONS TO EXISTING RESOLUTION

### 6.1 Cemetery Fees Should be Set Based on Cost and Market

The cemetery fees set by the City should be based on both the City's cost and the fees charged by other competing cemeteries. The City's current fee setting resolution states that the fees adopted by the City should not exceed the reasonable estimated cost for providing the services for which the fees are charged.<sup>3</sup> We agree that the fees charged by the City should cover its cost of service.

However, the City's cemetery competes in an open market, and undertakes a degree of business risk that is greater than any other enterprise in which the City is involved. There is no guarantee that consumers will continue to use the cemetery.

Moreover, the mix of property, services and products that the City offers to the cemetery marketplace may have a value that is greater than its cost. For example, the market value of the cremation niches the City is constructing in Block 11 will significantly exceed their capital cost.

Due to the market risk it undertakes, the City (and its citizens) should be fairly reimbursed for the value it delivers into the marketplace. Therefore, the City's cemetery fee resolution should not limit the fees to only cover the City's costs. The City's cemetery fees should be based on both cost and market.

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<sup>3</sup> The current resolution cites Prop 218. However, fees at the cemetery are not subject to Prop 218. Generally, taxes, fees and levies are subject to Prop 218 if they are for a property-related service that are imposed on a parcel or on a person as an incident of property ownership. However, the burial plots (and mausoleum spaces, crypts, etc.) are not 'parcels' as envisioned by Prop 218. In addition, the prices for plots, crypts, etc., and the charges for services are not 'imposed' on customers of the cemetery. The customers of the cemetery chose whether or not they want to purchase the property and/or use the service. Therefore, the prices and fees charged at Hillside are not subject to Prop 218.