Memorandum

City of Lawrence

Planning & Development Services

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| **TO:** | **Diane Stoddard, Assistant City Manager** |
| **FROM:** | **Barry Walthall, Building Official** |
| **CC:** | **Scott McCullough, Planning & Development Services Director**  **Amy Miller, Planning & Development Services Asst. Director** |
| **Date:** | **February 5, 2019** |
| **RE:** | **Planning & Development Services - 2018 Year End Revenue and Expenditure Report for the Regulation of Building Permit Activity** |

**Overview and Summary of Findings and Recommendations**

The purpose of this Planning & Development Services Department/Development Services Division 2018 Year End Revenue and Expenditure Report (“Report”) is threefold: (1) to report revenue received in 2018 for regulation of Lawrence building activity (includes building permit, plan review and inspection fees, and building contractor/tradesperson licensing fees); (2) to identify 2018 expenditures that were reasonably related to the regulation of building activity, and; (3) to recommend building permit fee adjustments, if appropriate. This Report is required by Chapter 5, Article 5-174 of the City Code. The Policy Statement adopted concurrently with passage of Ordinance No. 8008 in May 2006 provides specific criteria for determining costs of regulating building activity.

In 2007, the Neighborhood Resources Department merged with the Planning Department to form the Planning & Development Services Department, which now regulates building activity in the City. Although some employee positions referenced in the Policy Statement have changed, this Report is guided by Chapter V, Article 5-174 of the City Code and the Policy Statement.

Pursuant to Chapter V, Article 5-174 of the City Code and Ordinance No. 8008, if the Cumulative Past Overage Amount (CPOA) exceeds 20% of current year expenditures, the Department shall recommend to the City Commission a reduced building permit fee schedule. The 2018 CPOA, as demonstrated in the below table, is the sum of 2016 CPOA, 2017 Revenue Shortfall and 2018 Revenue Surplus, divided by 2018 Expenditures, or 1.2%. *Because 2018 CPOA of 1.2% is significantly less than 20% of 2018 expenditures, it is recommended that no action be taken in 2019 to modify building permit fees11.*

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| 2016 CPOA | $ 84,727 |
| 2017 Revenue Shortfall | $ (109,102) |
| 2018 Revenue Surplus | $ 43,374 |
| 2018 CPOA | $ 18,999 or 1.2% of 2018 Expenditures |

Details of revenues and expenditures reasonably related to the regulation of City building activity during 2018 are provided in the narratives and tables below.

**2018 Revenues**

Building permit fees are collected by the Development Services Division (DSD) for all construction, remodeling, electrical, mechanical, plumbing and miscellaneous building permits. Building permit fee revenue received in 2018 was $1,347,571. Beginning in 2017, DSD assessed a new multifamily and commercial building permit project “plan review fee” (as approved and authorized in the 2017 Adopted City of Lawrence Operating Budget). Plan review fee revenue received during 2018 was $154,768.

Additionally, DSD administers the City’s construction contractor and tradesperson licensing program, for which license fees are collected. Administration of this program includes issuing new and annual renewal licenses, monitoring required certificates of liability and workers’ compensation insurance, and annually reviewing required contractor and tradesperson continuing education. During 2018, contractor license fees were received for both the 2018 and the 2019 license years at $65 for each license. Trades licenses are also issued by DSD for mechanical, electrical and plumbing trades workers at $20 for new licenses and $10 for renewals. Total revenue collected for licenses during 2018 was $79,175.

**Total building permit and license fee revenue collected in 2018 was $1,581,514.**

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| **Type of Fee** | **Amount** |
| Building permit fees | $ 1,347,571 |
| Plan review fees | $ 154,768 |
| License fees | $ 79,175 |
| **Total 2018 Revenue** | **$ 1,581,514** |

**Expenditures Reasonably Related to the Regulation of Building Activity**

Chapter V, Article 5-174 of the City Code requires DSD, in determining whether a cost is related to regulating building activity, to be guided by the definitions in Article 5-174 and the Policy Statement (adopted in 2006 concurrent with Ordinance No. 8008 and the City Code provisions). To account for the 2007 merger of the Neighborhood Resources Department with the Planning Department, and position changes since 2006, the below table sets forth requirements of the Policy Statement and employee positions and calculations used in the 2018 Year End Report.

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| **2006 Policy Statement Neighborhood Resources Dept.** | **2018 Year End Report**  **Planning & Dev. Services Dept.** | | **2018 Expenses** |
| **100%** **salaries & benefits**, incl. health insurance, taxes & retirement contributions paid by City: | **100%** **salaries and benefits**, incl. health insurance, taxes & retirement contributions paid by City: | |  |
| Plumbing Inspector | Building Inspector II1 | | $ 90,530 |
| Mechanical Inspector | Building Inspector II1 | | $ 96,988 |
| Structural Inspector | Plans Examiner2 | | $ 78,241 |
| Electrical Inspector | Building Inspector II1 | | $ 71,118 |
| Inspections Supervisor | Senior Plans Examiner3 | | $ 105,261 |
| Codes Enforcement Manager | Building Codes Manager | | $ 113,345 |
| 1 Secretary/Receptionist | 1 Admin Support III | | $ 53,096 |
|  | Building Permit Project Specialist4 | | $ 67,118 |
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| **50%** **salaries & benefits**, incl. health insurance, taxes and retirement contributions paid by City: | **Partial** **salaries & benefits**, incl. health insurance, taxes and retirement contributions paid by the City: | |  |
| 50% Neighborhood Resources Dir. | 50% Assistant Dir. of PDS5**[[1]](#footnote-1)** | | $ 59,209 |
| 100% for one secretary-receptionist | 75% of one Admin Support III | | $ 43,040 |
|  | 20% PDS Director | | $ 36,707 |
|  |  | |  |
| **65% Zoning Enforcement Officer for site plan review/inspection** (salaries & benefits incl. health insurance, taxes & retirement contributions paid by City). | **15%** **Code Enforcement Manager** - site plan review and inspection (salary and benefits incl. health insurance, taxes & retirement contributions paid by City). Zoning Enf. Officer no longer exists. | | $ 17,784 |
|  | | | |
| **Other Budgeted Costs:** | **Same** | |  |
| **Support Costs** (utilities, supplies, janitorial, phone, uniforms, vehicle maintenance and fuel, travel, continuing ed., etc.) | **Same** | | $ 71,2526 |
| **Capital Expenditures** (supporting regulation of building activity) | **Same** | | $ 153,1489 |
| **Shared Rent – Neighborhood Resources Dept./Fire Dept.** allocated at 27.5% to reflect space used in regulation of building activity | **Same** (except Neighborhood Resources Dept. is now Development Services Division) | | $ 44,429 |
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| **Fire Department:** | **Lawrence-Douglas Co. Fire & Medical:** | |  |
| 10% of salary/benefits of Fire Marshal | 50% of salary/benefits of Fire Marshal7 | | $ 97,967 |
| 25% of salary/benefits of one Fire Inspection Officer | 75% of salary/benefits of one Fire Captain Inspection Officer7 | | $ 97,482 |
| 5% of salary & benefits of one Fire Prevention Inspector | 75% of salary & benefits of one Fire Lt. Prevention Inspector7 | | $ 133,200 |
| Fire Administration | Same | | $ 9,000 |
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| **Overhead Costs** reasonably attributed to regulation of building activity, allocated at ratio of 9.05 (FTE employees engaged in regulation of building activity to the total number of City FTE employees). | **Same**, but the ratio is adjusted with 2018 FTE employee numbers: 11.6 Building Regulation FTEs; 848.9 Total City FTEs.  2018 ratio: 11.6/848.9 = 0.01381. |  | |
| City Commission | Same | $ 1,663 | |
| City Manager’s Office | Same | $ 13,225 | |
| Administrative Services Dept. | City Clerk, HR, Risk Mgmt8 | $ 20,708 | |
| Finance Dept. | Same | $ 8,157 | |
| Legal Dept. (including Municipal Ct.) | City Attorney’s Office | $ 38,262 | |
| Information Systems Dept. | Information Technology Dept. | $ 17,211 | |
| **Total 2018 Costs** |  | **$ 1,538,141** | |

1 Plumbing, Mechanical and Electrical Inspector positions were reclassified to Building Inspector II positions during 2007.

2 Plans Examiner position replaced one Building Inspector II position, beginning August 2008.

3 A new Senior Plans Examiner position was created and hired during 2008 to replace the previous Inspections Supervisor position.

4 A new Building Permit Project Specialist position was authorized in the 2018 Adopted City of Lawrence Budget to support multifamily and commercial permitting and inspection, with costs of the new position to be offset primarily from a new multifamily and commercial building permit “plan review fee”.

5 Assistant Director salary and benefits are calculated at 50% to reflect time spent in regulation of building activity.

6 See the Table at the end of the Year End Report for a breakdown of these Budgeted Costs.

7 Fire Dept. Staff resources dedicated to building permitting, plan review and inspection have significantly increased due to a Fire Prevention Division reorganization in 2010.

8 The Administrative Services Dept. was dissolved and consolidated into the City Manager’s Office in 2010.

9 See the Table at the end of the Year End Report for a breakdown of 2018 Capital Expenditures. Capital expenditures include construction, equipment and fit out costs for the City Hall Riverfront offices at 1 Riverfront Plaza Suite 320 that will house the Planning & Development Services Department beginning in 2019. Construction, equipment and fit out costs are prorated at 9.18 FTE for Building Safety Division staff out of 37.1 FTE for all Planning & Development Services Division staff.

**Annual Building Permit Fee Revenue Surplus or Shortfall**

Chapter 5, Article 5-174 of the City Code and Ordinance No. 8008 require the Year End Report to include a calculation of the total amount by which fee revenue exceeds or is exceeded by total expenditures reasonably related to the regulation of building activity. Total 2018 revenue of $1,581,514 was $43,374 more than total 2018 expenditures of $1,538,141 (a revenue surplus of 2.8%).

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| 2018 Total Revenue | $1,581,514 |
| 2018 Total Expenditures | $1,538,141 |
| 2018 Revenue Surplus | $ 43,374 |

Article 5-174 and Ordinance No. 8008 also require that each successive Year End Report include a calculation of the Cumulative Past Overage Amount (CPOA). The CPOA is the cumulative total of the building permit fee and licensing fee revenue surplus or shortfall for the previous calendar year (as reflected in the Year End Report for that calendar year) and the building permit fee and licensing fee revenue surplus or shortfall from all previously prepared Year End Reports. Per Chapter 5, Article 5-174 of the City Code and Ordinance No. 8008, the CPOA can never be less than zero, and amounts from years prior to 2006 are not to be considered.

The CPOA for 2018 is $18,999 or 1.2%, calculated as follows:

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| --- | --- |
| 2016 CPOA | $ 84,727 |
| 2017 Revenue Shortfall | $ (109,102) (8.4% of 2017 Expenditures) |
| 2018 Revenue Surplus | $ 43,374 |
| 2018 CPOA | $ 18,999 (1.2% of 2018 Expenditures) |

*Because the CPOA for 2018 is less than 20% of 2018 expenditures (per Article 5-174 and Ordinance No. 8008), no modifications to building permit fees will be recommended for 201911.*

**Cumulative Revenue Shortfall, 2006 through 2018**

The 2009 reporting year was the first year since reporting began in 2006 that total expenditures exceeded total revenues, a trend that continued in years 2010 through 2015. Since 2015 revenues and expenditures have fluctuated, resulting in revenue surplus in 2016, a shortfall in 2017 and a surplus in 2018 of $43,374. For purposes of reporting 2018 annual building permit fee revenue surplus or shortfall, the CPOA and percent CPOA will be carried forward as 1.2%. However, staff has also tracked the cumulative total of actual surplus or shortfall annually. The total amount of revenue shortfall since reporting began in 2006 is ($520,904), as reflected in the table below:

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| 2017 Cumulative Revenue Shortfall | ($564,278) |
| 2018 Revenue Surplus | $43,374 |
| 2006 through 2018 Cumulative Revenue Shortfall | ($520,904) |

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**Unrealized Revenue**

Waived fees for affordable housing activities and City projects12[[2]](#footnote-2)do not satisfy the definition of a building permit fee per Article 5-174 and are not included in the report as revenues received. During 2018, there were eight (8) permits issued for affordable housing projects, for which fees totaling $6,125 were not assessed (providing “Matching Contributions” for grant funds received under the Home Investment Partnerships Program - HOME).

Additionally, there were 303 City project permits issued during 2018, for which permit fees totaling $71,188 were not assessed. Of these 303 City project permits, 264 were plumbing and electrical permits for correction of private property sewer connection/discharge problems found because of the Utilities Department sewer inflow and infiltration reduction program (corrections were contracted and paid for by the City). The other 39 City project permits were for construction or repair work on City-owned buildings, or projects for other City agencies such as the Lawrence-Douglas County Housing Authority. The largest City projects permitted include the Lawrence Memorial Hospital Chilled Water Plant13 ($2,482,081 valuation), the Santa Fe Station renovation, ($1,795,584 valuation), Lawrence Memorial Hospital Cath Lab renovation13 ($1,200,000 valuation), Fire Department Training Tower ($784,881 valuation), and City Hall Riverfront renovations ($762,700 valuation).

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| **2018 Unrealized Revenue** | **Number of Permits** | **Amount** |
| Matching Contributions for HOME Permit Projects | 8 | $ 6,125 |
| City Public Building Permit Projects | 303 | $ 71,188 |
| **Total 2018 Unrealized Revenue** | **311** | **$ 77,313** |

During previous reporting cycles DSD has received public comment suggesting that unrealized revenue be included in the calculation of the Cumulative Past Overage Amount (CPOA). If the 2018 unrealized revenue for Matching Contributions and City Public Projects had been collected, total 2018 revenues would have been $1,658,827 instead of $1,581,514. This would have resulted in a 2018 revenue surplus of $120,687 instead of $43,374. If 2018 unrealized revenue were included, the percent CPOA for 2018, per City Code Chapter V, Article 5-174 and Ordinance No. 8008, would have been reported as 6.3% rather than 1.2%.

Total cumulative unrealized revenue from 2006 through 2018 is $927,833.

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| 2017 Cumulative Unrealized Revenues (2006 through 2017) | $ 927,833 |
| Plus 2018 Unrealized Revenues | $ 77,313 |
| 2006 through 2018 Cumulative Unrealized Revenues | $1,005,146 |

If cumulative unrealized revenue for 2006 through 2018 were considered, cumulative revenues, through 2018, would have exceeded cumulative expenditures by $484,242.

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| 2006 through 2018 Cumulative Unrealized Revenues | $1,005,146 |
| Less 2006 through 2018 Cumulative Revenue Shortfall | ($ 520,904) |
| Total of Cumulative Realized and Unrealized Revenue Surplus | $ 484,242 |

**Conclusion and Recommendation**

Pursuant to Chapter V, Article 5-174 of the City Code and Ordinance No. 8008, if the Cumulative Past Overage Amount (CPOA) exceeds 20% of current year expenditures, the Department shall recommend to the City Commission a reduced building permit fee schedule. The CPOA for 2018 is 1.2%. *Because 2018 CPOA is 1.2%, significantly less than 20% of 2018 expenditures, it is recommended that no action be taken in 2019 to modify building permit fees11.*

**Detailed 2018 Support Cost Expenditures**

**(Per Footnote6 of 2018 Year End Report Table)**

|  |  |
| --- | --- |
| Recruitment | $400.00 |
| Utilities | $2,174.46 |
| Office Supplies | $3,729.57 |
| Books/Subscriptions | $11,563.44 |
| Printing | $449.50 |
| Travel/Training/Conferences | $4,564.73 |
| Equipment & Vehicle Repairs | $5,931.79 |
| Gasoline | $4,045.70 |
| Janitorial | $1,588.80 |
| Service & Maintenance Contracts - Other | $653.26 |
| Telephone (Land Lines & Mobile Phones) | $4,834.68 |
| Uniforms/Wearing Apparel | $528.61 |
| Innoprise software annual contract | $11,730.00 |
| IVR software annual contract | $10,230.55 |
| Other software/software supplies | $2,637.08 |
| Computer equipment replacement | $8,239.93 |
|  | **$73,302.10** |

**Detailed 2018 Capital Expenditures**

**(Per Footnote9 of 2018 Year End Report Table)**

|  |  |
| --- | --- |
| Vehicles Replacement | $ 39,398 |
| Construction – City Hall Riverfront | $ 78,750 |
| Equipment – City Hall Riverfront | $ 10,000 |
| Furniture – City Hall Riverfront | $ 25,000 |
|  | **$153,148** |

1. [↑](#footnote-ref-1)
2. 11 PDS staff is working with advisory boards and stakeholders on review of 2018 International Codes for possible adoption by the City in 2019. As part of this code review PDS may recommend adjusting permit fees for residential construction projects that would assign permit fees based on project square footage rather than valuation, potentially reducing permit fees for most residential construction projects.

   12City public projects for which permit fees are waived include permits for City owned facilities or properties and agencies under the direct purview of the City of Lawrence, including the Lawrence Public Library and the Lawrence-Douglas County Housing Authority. Permit fees are not waived for permits for county or state projects (including projects for Douglas County, USD 497, and University of Kansas projects under City of Lawrence jurisdiction).

   13 Fee waivers for Lawrence Memorial Hospital were discontinued in August 2018. [↑](#footnote-ref-2)