



# City of Sanibel

## Building Department Fee Study

November 12, 2024

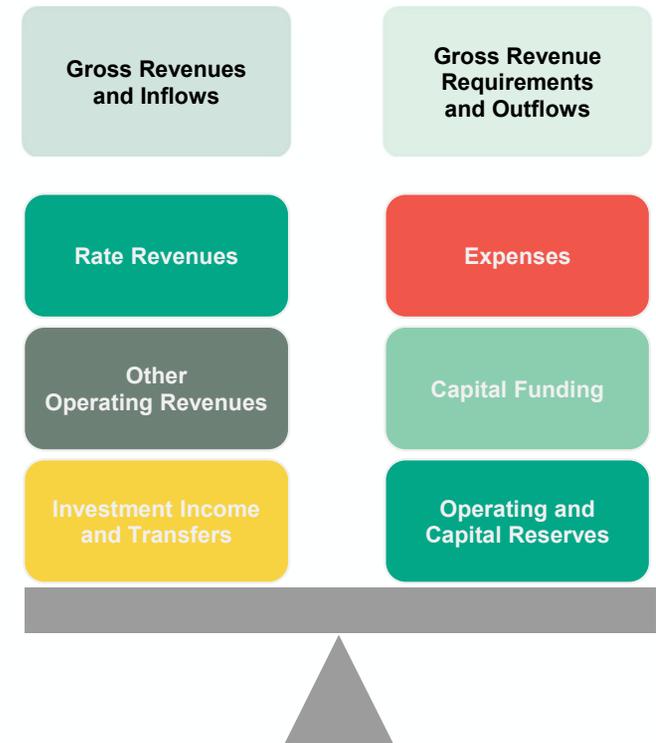
# Agenda

- 1. Study Objectives**
- 2. Methodology - Fee Evaluation Process**
- 3. Results / Findings**
- 4. Financial Projections**
- 5. Observation and Recommendation Summary**

# Study Objectives

- Identify the cost of providing service (“revenue requirements”)
- Evaluate the ability of building fees to fund revenue requirements
- Update the schedule of fees and charges
- Ensure compliance with Florida Statutes:
  - › Chapters 553.791 and 553.80(7)
    - Level of Operating Reserves
    - Private Provider Credits

## Revenue Sufficiency



# Building Department Overview

- Building Department operates as an Enterprise Fund
- According to the GASB:
  - “Enterprise Funds should be used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges*
  - › Revenues derived solely from fees for services
    - No General Fund support
- Permits processed (Realized Revenues) each year varies by construction activity
  - › Not predicable – immediately affected by economy / weather events / capital expenditure frequency
  - › Competition of Services – Private Providers
    - Must maintain base service level (employees / ability to serve)
- Rates were last adjusted – Nov 7<sup>th</sup> 2022 – 50% Reduction (Hurricane Emergency Repair Permits)

Summary of Historical Permit Activity Three Fiscal Years Ended September 30,		
Fiscal Year	Permits Issued	Permit Fee Revenue
2022	2,632	1,650,351
2023	6,211	4,279,150
2024 [1]	3,800	3,029,897

[1] Amounts shown are estimated values based on YTD numbers from the City.

# Fee Evaluation Process – Permit & Planning Fees

- Step 1 – Identify total operating costs allocated to Building Department
  - › Recognized the Department’s operating budget
  - › Projected for Five Fiscal Year Period for Fund Balance strategy analysis
- Step 2 – Identify “Target Revenues” based on projected building planning and permit service activity
  - › Analyzed four years of historical building permit activity
  - › Average activity from fiscal years 2022, 2023 and YTD 2024 assumed representative of future annual development activity (next 3 to 5 years)

# Fee Evaluation Process – Permit & Planning Fees (cont'd.)

- Step 3 – Develop revenue requirements (amount to be funded from rate revenues)
  - Estimated total operating expenses
  - Developed capital funding plan (computers and vehicles)
  - Evaluated sufficiency of revenues to fully fund revenue requirement
  - Evaluated operating reserve requirements
    - Considered F.S. requirements for fund maintenance
- Step 4 – Design proposed permit and planning fees to fund revenue requirements
  - Evaluated “Miscellaneous / Specific” fees (offset to primary fees)
  - Developed permit and plan review fees (based on square footage)

# Fee Evaluation Process – Permit & Planning Fees (cont'd.)

- Step 5 – Rate comparison
  - › Prepared rate comparison of neighboring jurisdictions to evaluate market relationships
- Step 6 – Prepare and adopt rate resolution to implement rate recommendations

# Results / Findings – Revenue Requirements

- Key Assumptions / Findings:
  - › Based on fiscal year 2024 actuals and adopted 2025 budget
  - › Includes funding of capital reserves
- **Observation: Rate Deficiency due to**
  - › **Increased Operating Costs**
    - Additional Personnel
    - Professional / Contractual Services
    - Annual Software Costs
  - › **Reduced Permit Activity**
  - › **Competition from Private Providers**
  - › **Need to Maintain Operating Reserves – Provides Readiness to Serve based on Market**
- **Rate increases anticipated in 2025**
  - › City should update forecast each year:
    - Potential large variations in construction/permit activity

Revenue Requirements – Fiscal Year 2025	
	2025 (Test Year)
Total Operating Expenses	\$4,357,423
Other Revenue Requirements (capital funding)	18,014
Less Income from Other Sources	(271,350)
Less Use of Operating Reserves	<u>0</u>
Net Revenue Requirements Funded from Plan Review and Permit Fees	\$4,104,087
Plan Review and Permit Fees – Existing Fees	<u>2,421,875</u>
Rate Revenue Surplus / (Deficiency)	(1,686,512)
Adjustment to Existing Fees Recognized:	
Amount of Revenue Increase / (Reduction)	\$847,656
Percent of Revenue Increase / (Reduction) Recognized	35.00%
Rate Revenue Surplus / (Deficiency) – With Proposed Rates	<u>(\$834,855)</u>

# Results / Findings – Miscellaneous Permit Fees

- Represents plan review / permits for specific activities
  - › Specific Construction activities – single events or inspections
    - e.g., - New Roofs, Boat Dock, Screen Enclosures, Swimming Pools
- Prepared cost recovery analysis for each specific miscellaneous fee
  - › Conducted staff interviews to identify tasks / time / employee to perform services
  - › Included indirect cost allocations to promote full cost recovery
    - Includes management / vehicles / IT-related costs / supervision
- Proposed miscellaneous fees based on cost recovery analysis and identification of the fiscal position of fund

Permit	Existing	Proposed
Roof Permit	1% of Project Costs (Min of \$80)	\$8 per Square (Minimum of \$125)
Electrical Permit	1% of Project Costs (Min of \$37.50)	\$0.20 per Sq. Ft (Minimum of \$125)
Plumbing Permit	\$37.50 Plus \$5.35 per Fixture	\$0.20 per Sq. Ft (Minimum of \$125)
Lawn Irrigation System	\$53.25	\$125.00
Swimming Pool	\$80	\$0.30 per Sq. Ft (Minimum of \$125)
Boat Dock	\$80	\$125.00

# Results / Findings – Primary Permit Fees

- Represents plan review / inspection services for major development
  - › New Home and Commercial Building Construction
  - › Additions to Existing Structures
  - › Tear down and Rebuilds
  - › Requires Numerous Inspections as Construction progresses
- Designed to Recover Remainder of Department Funding Needs (revenue requirements)
  - › Most uncertain revenue due to volatility of Services provided
    - frequency of permits (number of construction projects)
    - value of construction (scope of services provided)
    - Competition for Services (private provider – reduced revenue realized)

# Results / Findings – Plan Review & Inspection

- Rate Recommendation:

- › Adjustments to:

- Permit Minimums:
    - Price Per S.F.:
    - Plan Review

Proposed Plan Review and Permit Fees (New Construction)		
Permit Fees:	Existing Rates	Fiscal Year 2025 (Proposed)
Building Fee per S.F.	1% of Cost of Materials 2.75 per Sq. Ft – Habitable \$1.38 per Sq. Ft. – Non-Habitable (Minimum \$80.00)	\$1.75 (Minimum \$150.00)
Plan Review Fee - Residential	10% of Permit Fee (Minimum of \$80)	20% of Permit Fee (Minimum of \$80)
Plan Review – Commercial	25% of Permit Fee (Minimum of \$80)	30% of Permit Fee (Minimum of \$100)

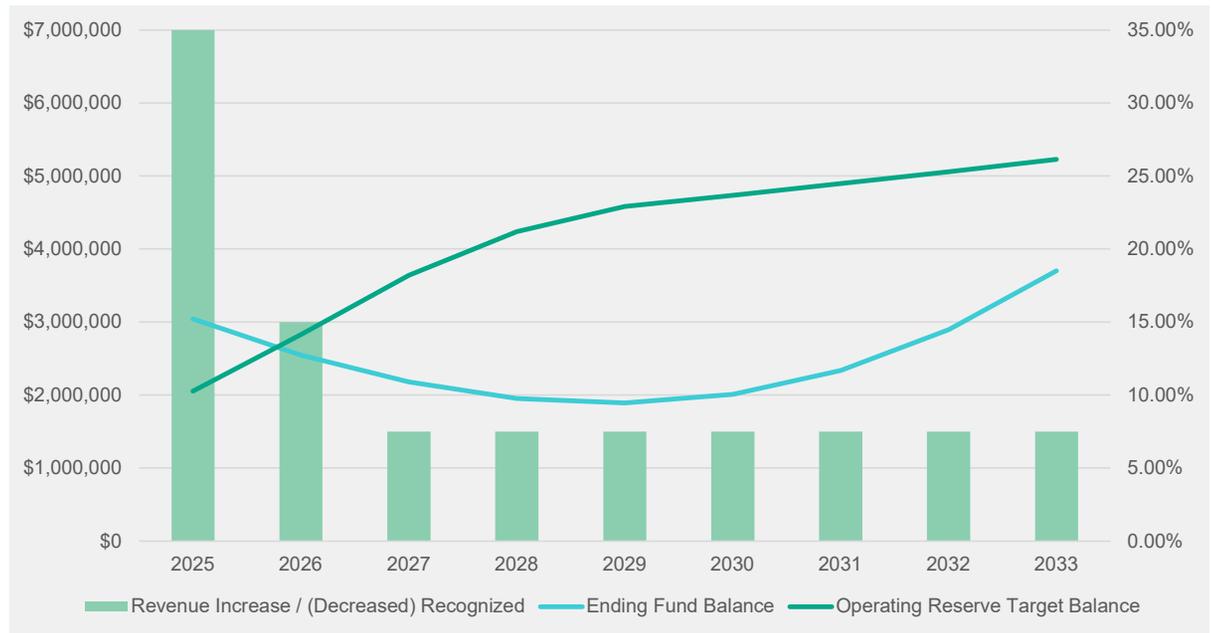
# Results / Findings – Cash Reserves

- Pursuant to Florida Statutes, Chapter 553.80
  - › Operating reserves cannot be greater than average operating budget for the last 4 fiscal years
  - › Capital reserves are not considered a component of operating reserves

	Operating	Capital
Estimated Cash Balance End FY 2024	\$3,874,966	\$147,282
Operating Reserve Target (FS)	<u>2,052,068</u>	
Amount for Under F.S. Target	<b>\$1,822,898</b>	

# Financial Projections– Operating Reserve

- Key Assumptions / Findings:
  - › Rate increases to recover rate (Cash Flow) deficiency in fiscal year 2025
  - › Total Revenue Adjustments
    - 35% in FY 2025
  - › Need to monitor rates / reserves and adjust accordingly



# Proposed Charges Comparable to Other Jurisdictions

Comparison of Plan Review and Permit (Inspection) Fees – With Other Local Governments (Without Surcharges)								
	Residential Development				Commercial Development			
Assumed Permit Construction Value	695,000	973,000	1,251,000	1,529,000	695,000	973,000	1,251,000	1,529,000
Square Footage	2,500	3,500	4,500	5,500	2,500	3,500	4,500	5,500
City of Sanibel:								
Existing Rates	\$7,645.00	\$10,703.00	\$13,761.00	\$16,819.00	\$7,645.00	\$10,703.00	\$13,761.00	\$16,819.00
Proposed Rates	\$5,250.00	\$7,350.00	\$9,450.00	\$11,550.00	\$5,687.50	\$7,962.50	\$10,237.50	\$12,512.50
Other Local Governments:								
Charlotte County	\$2,830.00	\$3,942.00	\$5,054.00	\$6,166.00	\$3,540.00	\$4,930.00	\$6,320.00	\$7,710.00
Collier County	\$550.00	\$820.00	\$1,040.00	\$1,260.00	\$600.00	\$820.00	\$1,040.00	\$1,260.00
Lee County	\$450.00	\$600.00	\$750.00	\$900.00	\$625.00	\$875.00	\$1,125.00	\$1,375.00
Cape Coral	\$2,260.00	\$2,324.50	\$2,389.00	\$2,453.50	\$5,347.40	\$5,461.00	\$5,574.60	\$5,688.20
City of Marco Island	\$2,070.00	\$2,898.00	\$3,726.00	\$4,554.00	\$2,070.00	\$2,898.00	\$3,726.00	\$4,554.00
City of Ft. Myers Beach	\$1,860.00	\$2,580.00	\$3,300.00	\$4,020.00	\$2,362.50	\$3,307.50	\$4,252.50	\$5,197.50
City of Fort Myers	\$4,743.75	\$6,620.25	\$8,496.75	\$10,373.25	\$4,781.25	\$6,657.75	\$8,534.25	\$10,410.75
Average of Local Governments	\$2,109.11	\$2,826.39	\$3,536.54	\$4,246.68	\$2,760.88	\$3,564.18	\$4,367.48	\$5,170.78

# Observation and Recommendation Summary

- Building Department revenues do not appear to recover total allocated costs
  - › Rate Adjustments Recommended for FY 2025
- Current and Projected Operating Reserve balance in an under-funded position
  - › FY 2025 deficiencies anticipated to lower operating reserve towards the target
  - › Net of capital reserves – capital reserves set aside for vehicle replacement and capital projects
    - City should establish a separate capital reserve for annual transfers
    - Funds set aside for major capital projects
- Consider for adoption the proposed plan review fees, permit fees, and the miscellaneous fees
- Review the cost recovery analysis and operating reserve annually in budget process

# Q&A