

Memorandum

City of Lawrence

Planning & Development Services

TO: David L. Corliss, City Manager

FROM: Kurt Schroeder, Asst. Director of Planning & Development Services

CC: Scott McCullough, Planning & Development Services Director
Barry Walthall, Building Official

Date: February 17, 2015

RE: 2014 Year End Revenue and Expenditure Report for the Regulation of Building Permit and Contractor Licensing Activities

The purpose of this memorandum is to report calendar year 2014 permit and license fee revenues and expenditures for the Development Services Division of the Planning and Development Services Department, (hereinafter "DSD"), related to the regulation of building activity during 2014. This report is required pursuant to Section 5-174 of the City Code. The Policy Statement adopted concurrently with the passage of Ordinance 8008 (hereinafter "the Policy Statement") provides specific criteria to determine the costs of regulating building activity. A detailed list of revenues and expenditures reasonably related to the regulation of building activity within the City is included as part of this report.

In 2007, the Neighborhood Resources Department merged with the Planning Department. The Planning and Development Services Department now regulates building activity within the City. Although some of the employee positions referenced in the Policy Statement have changed, this report is guided by the definitions in Section 5-174 of the City Code and by the Policy Statement.

Revenues

Building permit fees are collected for all new construction, remodeling, electrical, mechanical, plumbing and miscellaneous building permits. Building permit fee revenue for 2014 was \$702,937.

Additionally, DSD administers the contractor licensing program, for which licensing fees are collected. Administration of this program includes issuing new and renewal licenses, collecting and monitoring certificates of liability and workers' compensation insurance, and monitoring contractor continuing education. Contractor license fees were received for both the 2013 and the 2014 license years at \$65. Trades licenses are also issued by DSD for mechanical, electrical and plumbing trades workers at \$20 for new licenses and \$10 for renewals. Revenue collected from licenses during 2014 was \$79,311.

Total 2014 revenues collected from building permit fees and license fees were \$782,248.

Type of Fee	Amount
Building permit fees	\$ 702,937
License fees	\$ 79,311
Total Revenue	\$ 782,248

Expenses Reasonably Related to the Regulation of Building Activity

Section 5-174 of the City Code requires the Department, in determining whether a cost is related to regulating building activity, to be guided by the definitions in Section 5-174 and the Policy Statement adopted concurrent with the code provisions. To account for the 2007 merger of the Neighborhood Resources Department with the Planning Department, the following table is provided setting forth the requirements of the Policy Statement and the employee positions and calculations used in the 2014 Year End Report.

2006 Policy Statement Neighborhood Resources Dept.	2014 Year End Report Planning & Development Services Dept.	2014 Year End Report
100% salaries, benefits, including health insurance, taxes and retirement contributions paid by the City for the following positions:	100% salaries, benefits, including health insurance, taxes and retirement contributions paid by the City for the following positions:	
Plumbing Inspector	Building Inspector II¹	\$ 95,631
Mechanical Inspector	Building Inspector II¹	\$ 93,938
Structural Inspector	Plans Examiner²	\$ 68,102
Electrical Inspector	Building Inspector II^{1,3}	\$ 102,365
Inspections Supervisor	Senior Plans Examiner⁴	\$ 101,998
Codes Enforcement Manager	Building Codes Manager	\$ 107,941
One Secretary/Receptionist	One Admin Support III⁵	\$ 40,336
50% salaries, benefits, including health insurance, taxes and retirement contributions paid by the City:	Partial salaries, benefits, including health insurance, taxes and retirement contributions paid by the City:	
Neighborhood Resources Director	40% Assistant Director of Planning & Development Services⁶	\$ 42,346
	20% Planning & Development Services Director	\$ 33,215
One additional secretary/receptionist	One additional Admin Support III	\$ 19,079

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 Building Inspector II retired on 9/20/14 and was replaced by a new Building Inspector II effective 9/22/14. The retired Building Inspector II received a significant lump-sum payout for unused vacation leave and 25% of accumulated sick leave.

⁴ A new Senior Plans Examiner position was created and hired during 2008 to replace the previous Inspections Supervisor position.

⁵ This position was vacant for approximately 2.5 months during 2014 due to BSD personnel changes.

⁶ Assistant Director Schroeder salary and benefits are calculated at 40% to reflect percent of time spent in regulation of building activity.

65% salaries, benefits, including health insurance, taxes & retirement contributions paid by the City:	65% salaries, benefits, including health insurance, taxes and retirement contributions paid by the City:	
Zoning Enforcement Officer (site plan review)	25% Code Enforcement Manager (site plan review position is vacant; the Code Enforcement Manager is performing essential functions of the vacant position)	\$ 28,189
Budgeted Costs (utilities, supplies, janitorial, phone, parking expenses, uniforms, travel, continuing education, etc.)	Same	\$ 70,337 ⁷
Capital Expenditures (in direct support of the regulation of building activity)	Same	\$ 0
Shared Rent – Neighborhood Resources Dept./ Fire Dept. allocated at 27.5% to reflect amount of space used in regulation of building activity	Same (except Neighborhood Resources Dept. is now Development Services Division)	\$ 18,001
Fire Department:	Same	
10% of salary & benefits of Fire Marshall	Same	\$ 14,194
25% of salary & benefits of 1 Fire Inspection Officer	Same	\$ 33,563
5% of salary & benefits of 1 Fire Prevention Inspector	Same	\$ 6,327
Fire Administration	Same	\$ 9,000
Overhead Costs reasonably attributed to the regulation of building activity, allocated at a ratio of 9.05 (FTE employees engaged in the regulation of building activity) to the total number of FTE employees engaged by the City	<i>The ratio is adjusted with 2012 FTE employees #s (per Policy Statement) 2014 ratio = 8.75/816.67</i>	
City Commission	Same	\$ 750
City Manager’s Office	Same	\$ 9,227
Administrative Services Dept.	City Clerk, Human Resources, Risk Mgmt⁸	\$ 12,430
Finance Department	Same	\$ 3,215
Legal Department (including Municipal Court)	City Attorney’s Office	\$ 21,507
Information Systems Dept.	Information Technology Department	\$ 10,035
Total Expenses		\$ 941,727

⁷ See the Table at the end of the Year End Report for a breakdown of these Budgeted Costs.

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

Annual Building Permit Fee Revenue Excess or Shortfall

Section 5-174 of the City Code requires the Year End Report to include a calculation of the total amount by which building permit and contractor licensing fee revenue exceeds, or is exceeded by, total expenditures reasonably related to the regulation of building activity. The 2014 annual revenue of \$782,248 fell short of 2014 expenditures of \$941,727 by \$159,479, or by approximately 16.9%.

2014 Total Revenue:	\$782,248
2014 Total Expenditures:	\$941,727

Section 5-174 also requires 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 revenue excess or shortfall for the previous calendar year (as reflected in the Year End Report for that calendar year) and the building permit fee revenue excess or shortfall from all previously prepared year end reports. Per Section 5-174 of the City Code, the CPOA can never be less than zero, and amounts from years previous to 2006 are not to be considered.

The CPOA for 2014 is:

2013 Cumulative Past Overage	\$0
Less 2014 Expenditures Exceeding Revenues	(\$159,479)
2014 Cumulative Past Overage Amount	\$0

The percent CPOA for 2014 as described in Section 5-174 is 0%.

2014 Revenue Short Fall

The 2009 reporting year was the first year since reporting began in 2006 that total cumulative revenues did not exceed expenditures. This trend continued in years 2010 through 2014. For purposes of reporting 2014 annual building permit fee revenue excess or short fall, the CPOA and percent CPOA will be carried forward as zero. However, staff will also track the cumulative total of actual short fall or overage annually. The actual amount that expenditures have exceeded revenues since reporting began in 2006 is \$539,903:

2013 Cumulative Expenditures Exceeding Revenues	\$ 380,424
Plus 2014 Expenditures Exceeding Revenues	\$ 159,479
2006 through 2014 Cumulative Expenditures Exceeding Revenues	\$ 539,903

Unrealized Revenue

Waived fees for affordable housing activities and City public projects⁹ do not satisfy the definition of a building permit fee in Section 5-174 and are not included in the report as revenues received. There were 5 permits issued for affordable housing projects for which the City waived fees to provide for a

⁹ City 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 Lawrence Memorial Hospital, 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).

“Matching Contribution” for grant funds received under the Home Investment Partnerships Program (HOME). The total amount of fees waived during 2014 for these projects was \$4,689.

Additionally, there were 141 City public project permits issued during 2014, for which permit fees were not assessed. If permit fees were charged, the total amount of fees collected would have been \$19,051. Of the 141 City public project permits, 103 were plumbing and electrical permits for correction of private property sewer connection/discharge problems found as a result of the Utilities Department sewer inflow and infiltration reduction program (corrections were contracted and paid for by the City). The other permits (38) were for construction or repair work on City-owned buildings, on buildings/units owned by the Lawrence-Douglas County Housing Authority or on Lawrence Memorial Hospital facilities (the largest of the 38 project valuations was for a remodeling project at LMH - project valuation of \$290,000).

For 2014, there was also unrealized revenue from one permit issued for a USD 497 remodeling project (Free State High School gymnasium). This permit had been reviewed and issued, and a number of inspections performed by DSD staff, prior to the May 6, 2014 action of the Lawrence City Commission to NOT require City building permits for certain USD 497 construction projects. Staff refunded the \$2,002 permit fee to USD 497 shortly after the City Commission action.

Unrealized Revenue	Number of Permits	Amount
Matching Contributions for HOME grant funds	5	\$ 4,689
City Public Projects	141	\$19,051
USD 497 School Bond Projects	1	\$ 2,002
Total	147	\$25,742

During previous reporting cycles DSD has received public comment suggesting that this unrealized revenue be included in the calculation of the Cumulative Past Overage. If the unrealized revenue for Matching Contributions, City Public Projects and the Free State High School project would have been collected, total 2014 revenues would have been \$807,990 instead of \$782,248; this would have resulted in a 2014 revenue shortfall of \$133,737 instead of a revenue shortfall of \$159,479.

If 2014 unrealized revenue were included, the percent CPOA for 2014, per the Policy Statement would still be 0%.

Total Unrealized Revenue since 2006 is \$544,462.

2013 Cumulative Unrealized Revenues	\$ 518,720
Plus 2014 Unrealized Revenues	\$ 25,742
2006 through 2014 Cumulative Unrealized Revenues	\$ 544,462

Taking into account cumulative unrealized revenue since 2006, revenues have exceeded 2014 expenditures by \$4,559, or by 0.48% ($\$4,559 \div \$941,727$).

2006 through 2014 Cumulative Unrealized Revenues	\$ 544,462
Less 2006 through 2014 Cumulative Expenditures Exceeding Revenues	\$ (539,903)
Total Cumulative Realized and Unrealized Revenues Exceeding 2013 Expenditures	\$ 4,559

Conclusion and Recommendation

Pursuant to Section 5-174 of the City Code, if the overage exceeds 20%, the Department shall recommend to the City Commission a reduced building permit fee schedule. The Cumulative Past Overage Amount for 2014 did not exceed 20% (CPOA remained at 0% for 2014 and prior years). Because the Cumulative Past Overage Amount does not exceed 20%, and because 2014 annual expenditures did not exceed 2014 annual revenues by more than 20% (16.9%), it is recommended that no action be taken to decrease or increase the building permits fee schedule.

Detailed 2014 Expenditures (per Footnote⁷ of Table)

Other Budgeted Costs 2014

Recruitment	430
Utilities	2,665
Office Supplies	1,982
Books	9,965
Other Supplies	3,419
Training	3,840
Vehicle Allowance	506
Equipment & Vehicle Repairs	4,543
Gasoline	6,418
Janitorial	1,181
Service Contracts Other	254
Telephone	5,618
Printing	65
Uniforms	514
Innoprise software annual contract	9,682
IVR software annual contract	14,390
Computer equipment replacement	<u>4,864</u>
	70,337