



Hernando County

Building Department Fee Study

September 24, 2024

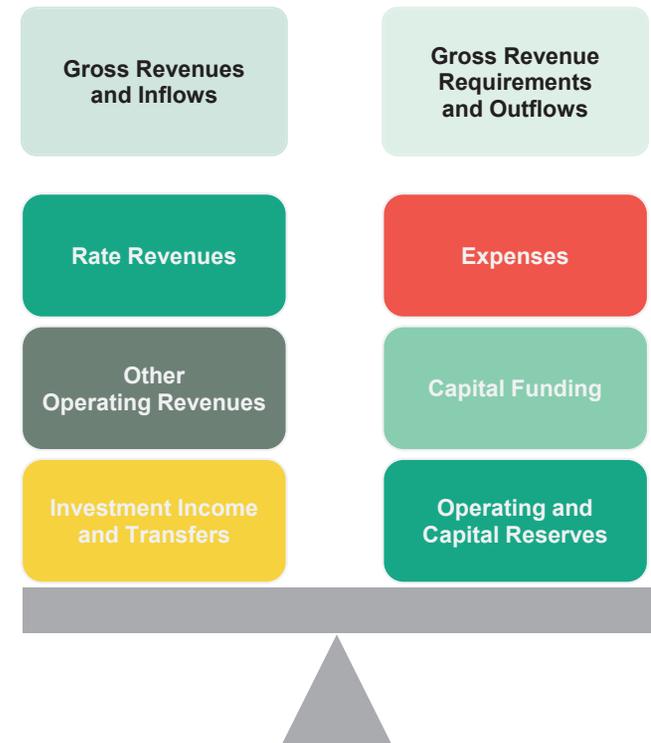
Agenda

- 1. Study Objectives**
- 2. Methodology**
- 3. Results / Findings**
- 4. Financial Projections**

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 – Fiscal Year 2023

Summary of Historical Permit Activity Four Fiscal Years Ended September 30, 2024			
Fiscal Year	Permits Issued	Permit Fee Revenue	Construction Value
2021	17,568	\$4,175,776	\$860,105,676
2022	17,507	4,567,371	725,571,619
2023	16,037	4,835,022	478,044,655
2024 [1]	15,200	5,050,000	453,100,623

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

Methodology



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 2021, 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 (buildings, software, 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)
 - Accounts for approximately 55% of revenues
 - Developed permit and plan review fees (based on square footage)
 - Accounts for approximately 45% of revenues

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

- Step 5 – Rate comparison and structure review
 - › 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 and proposed 2025 budget
 - › Includes funding of capital reserves
- Observation: Rate Deficiency due to
 - › Increased Operating Costs
 - Additional Personnel and Inflation
 - 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 and 2026
 - › County should update forecast each year:
 - Potential large variations in construction/permit activity
 - Large future building expenditure planned

Revenue Requirements – For the Fiscal Year 2025	
	Test Year 2025 Revenue Requirements
Total Operating Expenses	\$6,765,104
Other Revenue Requirements (capital funding)	179,928
Less Income from Other Sources	(538,200)
Less Use of Operating Reserves	<u>0</u>
Net Revenue Requirements Funded from Plan Review and Permit Fees	\$6,406,832
Plan Review and Permit Fees – Existing Fees	5,050,000
Adjustment to Existing Fees Recognized:	
Amount of Revenue Increase / (Reduction)	\$1,262,500
Percent of Rate Increase / (Reduction) Recognized	25.00%

Miscellaneous Permit Fees

- Represents plan review / permits for specific activities
 - › Specific Construction activities – single events or inspections
 - e.g., - New Roofs, Water Heater Replacement, A/C Change Outs, Demolitions
 - › Other activities – re-inspections, Contractor license administration, investment income, etc.
- 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

Primary Miscellaneous Fee Comparison

Permit	No. of Permits (Avg)	Existing	Proposed	Difference
Roof – Residential	3,293	\$181.94	\$190.00	\$8.06
A/C Change Out	3,262	126.56	140.00	13.44
Window / Door Replacement	1,435	126.56	140.00	13.44
Lawn Irrigation	608	126.56	140.00	13.44
Solar Panels – Residential	402	126.56	180.00	53.44
Garage Door	349	126.56	105.00	(21.56)

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)
 - › Approximately 45% of the Total Permit Fee Revenue
 - › 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	Fiscal Year 2026
Building Fee per S.F.	\$0.16 (Minimum \$62.50)	\$0.16 (Minimum \$80.00)	\$0.22 (Minimum \$90.00)
Electric Fee per S.F.	\$0.06 (Minimum \$62.50)	\$0.08 (Minimum \$80.00)	\$0.09 (Minimum \$90.00)
Plumbing Fee per S.F.	\$0.06 (Minimum \$62.50)	\$0.08 (Minimum \$80.00)	\$0.09 (Minimum \$90.00)
Mechanical Fee per S.F.	\$0.06 (Minimum \$62.50)	\$0.08 (Minimum \$80.00)	\$0.09 (Minimum \$90.00)
Plan Review Fee - Residential	\$79.10	\$100.00	\$110.00
Plan Review – Commercial	\$0.05 (Minimum \$62.50)	\$0.06 (Minimum \$80.00)	\$0.07 (Minimum \$90.00)

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

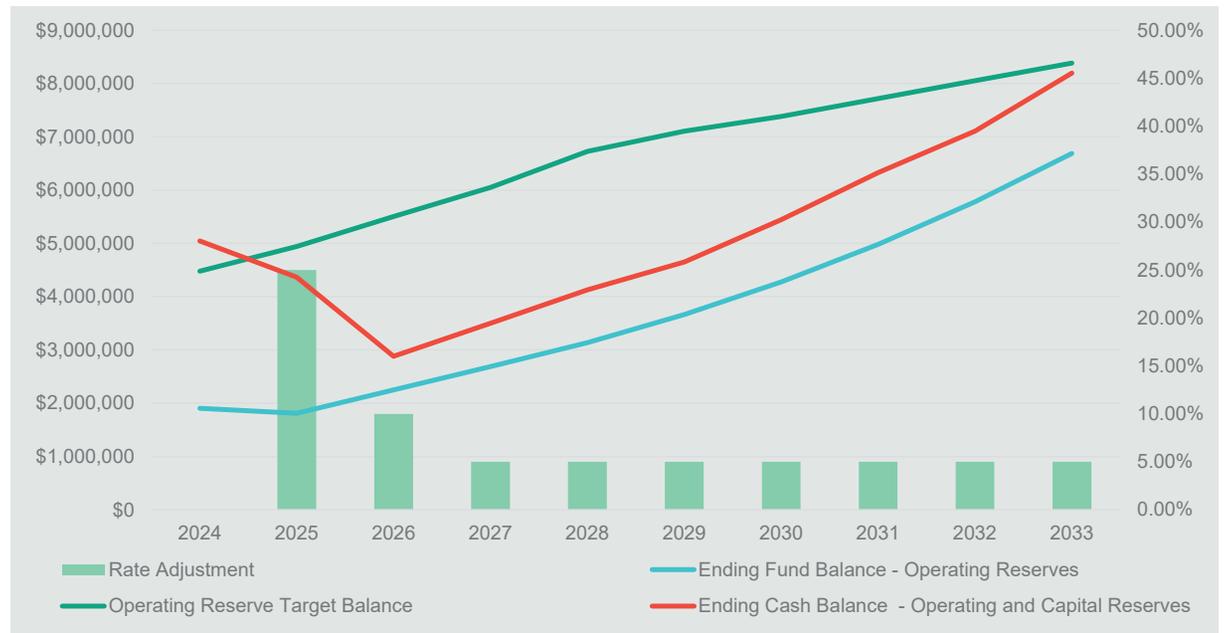
	Operating	Capital
Estimated Cash Balance end FY 2024	\$1,903,455	\$3,327,757
Operating Reserve Target (FS)	<u>4,478,700</u>	
Amount for Future reduction	(\$2,575,245)	

- Upcoming (Next 2 Years) Major Capital Fund Projects
 - › Garage Build Out - \$2,100,000
 - › Expand Parking Lot – \$600,000

Financial Projections– Operating Reserve

- Key Assumptions / Findings:

- › Rate increases to recover rate (Cash Flow) deficiency in fiscal years 2025 and 2026
- › Rate Revenue Adjustments
 - 25% in FY 2025
 - 10% in FY 2026
- › 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)

Permit Construction Value Assumed Sq. Ft	Residential Development					Commercial Development			
	\$10,000 50	\$75,000 375	\$150,000 750	\$300,000 1,500	\$300,000 2,500	\$50,000 250	\$250,000 1,250	\$500,000 2,500	\$750,000 3,750
Hernando County:									
Existing Rates	\$141.60	\$206.60	\$334.10	\$589.10	\$929.10	\$147.50	\$487.50	\$975.00	\$1,462.50
Proposed Rates	\$180.00	\$265.00	\$430.00	\$760.00	\$1,200.00	\$190.00	\$630.00	\$1,250.00	\$1,875.00
Other Local Governments:									
City of Brooksville	\$125.00	\$375.00	\$750.00	\$1,500.00	\$2,500.00	\$250.00	\$1,250.00	\$2,500.00	\$3,750.00
City of Lakeland	\$55.00	\$412.50	\$825.00	\$1,650.00	\$2,750.00	\$275.00	\$1,375.00	\$2,750.00	\$4,125.00
Citrus County	\$103.50	\$474.31	\$855.88	\$1,557.13	\$2,492.13	\$326.50	\$1,323.38	\$2,492.13	\$2,985.88
Hillsborough County	\$380.00	\$380.00	\$750.00	\$1,500.00	\$2,500.00	\$212.50	\$1,062.50	\$2,125.00	\$3,187.50
Marion County	\$238.00	\$322.50	\$420.00	\$615.00	\$875.00	\$347.50	\$1,397.50	\$2,710.00	\$4,022.50
Pasco County	\$162.50	\$243.75	\$337.50	\$525.00	\$825.00	\$397.50	\$787.50	\$1,275.00	\$1,762.50
Polk County	\$140.00	\$557.31	\$805.58	\$993.08	\$2,802.91	\$463.62	\$1,815.50	\$3,365.50	\$4,213.25
Average of Local Governments	\$172.00	\$395.05	\$677.71	\$1,191.46	\$2,106.43	\$324.66	\$1,287.34	\$2,459.66	\$3,435.23

Observation and Recommendation Summary

- Building Department revenues do not appear to recover total allocated costs
 - › Rate Adjustments Recommended for FY 2025 and 2026
- Current and Projected Operating Reserve balance in an under-funded position
 - › FY 2024 and 2025 deficiencies anticipated to lower operating reserve to less than half of the targeted amount
 - › Net of capital reserves – capital reserves set aside for vehicle replacement and construction of a garage build out and expanding parking lot
 - County 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