

FOR BUDGET COMMITTEE MEETING OF: April 30, 2008
AGENDA ITEM NO: 6. d.

TO: BUDGET COMMITTEE MEMBERS
FROM: LINDA NORRIS, CITY MANAGER PRO TEM
SUBJECT: ERRATA SHEET 4

ISSUE:

To inform the Budget Committee about corrections and updated information regarding the FY 2008-09 Building and Safety Fund budget.

RECOMMENDATION:

1. Increase Building and Safety Fund beginning fund balance by \$400,000
2. Increase Building and Safety Fund revenues by \$1,414,450

BACKGROUND:

The Building and Safety Division is recommending a beginning fund balance adjustment and several fee increases as part of the FY 2008-09 Building and Safety Fund budget, which are not reflected in the City Manager's proposed budget.

Fund Beginning Balance

In FY 2008-09, the Building and Safety beginning fund balance is projected to be higher than budgeted. This is due to conservative spending and postponement of capital projects in FY 2007-08 resulting in an additional \$400,000 in savings.

Fund Revenues

Proposed changes to the Building and Safety Division's fee structure are driven by a variety of factors. In the past year, the State mandated that all jurisdictions implement a new fee methodology and structure required by legislation to enhance consistency throughout the State of Oregon. In FY 2006-07, the Building and Safety Division reduced building permit fees in order to achieve a six-month operating reserve. Currently, the division is approaching this goal, and market conditions have indicated it is best for the division to maintain a six to twelve month reserve. Without fee increases, in the upcoming fiscal year the division's reserve is projected to fall below the level of six months of the division's operating costs.

FACTS AND FINDINGS:

Fund Beginning Balance

The Building and Safety Fund beginning balance in the City Manager's proposed budget is \$4,736,640. With continued savings anticipated through the end of the year, the division projects an additional \$400,000 in beginning fund balance for a total of \$5,136,640.

Fund Revenues

The State is requiring that all jurisdictions adopt the same fee methodology in regard to the administration of the building code. The fees proposed for the City of Salem incorporate these methodologies. Additionally, the division recommends fee increases to ensure maintenance of service levels, responsiveness to pending projects and continuation of an adequate operating reserve.

The Building and Safety Division and Finance Division constructed a model based on average permit activity levels and actual program operating expenses to estimate the impact of permit fee changes. Factors affecting proposed fees are stakeholder concerns, compliance with the State fee methodology, other jurisdictional fee comparisons, and cost recovery for each program area in the Building and Safety Division. The new fees are subject to approval by the City Council and must be submitted to the Oregon Building Codes Division for public review.

Additional revenues are also anticipated from development project utilization of the Building and Safety Division's enhanced services. Second reading of an ordinance bill and a resolution to set fees related to enhanced development project services was included on the April 28 City Council agenda.

It is anticipated the proposed fee increases will affect Building and Safety Fund revenues as follows:

Building Permits

State required fee methodology changes, permit fee increases, and development project utilization of enhanced services are projected to add \$878,450 for a new total of \$2,778,450.

Electrical Permits

State required fee methodology changes and permit fee increases are projected to add \$303,470 for a new total of \$778,470.

Mechanical Permits

State required fee methodology changes and permit fee increases are projected to add \$105,140 for a new total of \$305,140.

Plumbing Permits

State required fee methodology changes and permit fee increases are projected to add \$127,390 for a new total of \$482,390.

Based on modeled data, the proposed fees do not fully recover costs for all Building and Safety Division program areas. This is in part due to ensuring the new fees reflect stakeholder concerns about balancing fee increases within the current economic environment. The effects of these fee changes and incorporation of the State required fee methodology will be best gauged over time. During the next year, the division will analyze the impact and effectiveness of the changes and will recommend adjustments if necessary. Additionally, the division recommends maintenance of current staffing levels to remain responsive to pending projects despite a recent decrease in permit activity in some areas. The division will continue to monitor permit activity and revenues and staffing levels through the end of the current fiscal year and during the next year to ensure appropriate service to the community and the financial well-being of the fund.

Recommendation:

1. Increase Building and Safety Fund beginning fund balance by \$400,000
2. Increase Building and Safety Fund revenues by \$1,414,450