



Sustainable Development Fee Study Project



Project Report

June 17, 2021

Final Version

Prepared for:
City of Gainesville
200 East University Ave.
Gainesville, FL 32601



City of Gainesville

Sustainable Development Fee Study Project

Final Report

Table of Contents

Section	Page
1 Introduction.....	1
1.1 Project Background	1
1.2 Abbreviations and Terms.....	2
2 Approach and Work Performed.....	3
2.1 Work Performed	3
2.2 Taxes versus Fees	4
2.3 Position Specific Hourly Rate Calculations.....	4
2.4 Indirect Costs.....	5
3 Fee Study Findings and Recommendations	6
3.1 Departmental Overview	6
3.2 Fund Balance/Reserves	7
3.3 Summary of Technical Findings	8
3.4 Building Division	9
3.5 Planning Division	10
3.6 Cost versus Price	11
3.7 Formal Fee Updates.....	11
3.8 Summary of Recommendations	11
4 Cost Model Overview	14
4.1 Department Fees and Charges Cost Model Framework	14
4.2 Updates to the Cost Model	16
Appendix A: Cost Model	17

Table i: Version History of the Report

Version	Delivered Date	Update Reason
V1.0	April 9, 2021	BerryDunn delivered the first draft of the project report to the City PMT for review and acceptance.



Version	Delivered Date	Update Reason
V2.0	April 28, 2021	BerryDunn delivered the second draft of the project report to the City PMT for review and acceptance, incorporated V1.0 feedback, also reviewed with the City Manager.
V3.0	May 7, 2021	BerryDunn delivered the third draft of the project report to the City PMT for review and acceptance, this draft includes all City PMT, stakeholders, and City Manager feedback.
Final	June 4, 2021	BerryDunn delivered the final report to the City PMT to be presented to the City Commission on June 17, 2021.



1 Introduction

This section of the report provides a high-level background of the project, as well as key terms and their definitions.

1.1 Project Background

The City of Gainesville (City) retained Berry Dunn McNeil & Parker, LLC (BerryDunn) to conduct a Building Permit Fee Study project. The focus of the project is reviewing all fees for services provided by the Department of Sustainable Development's Building and Planning Divisions, which will allow the City to make informed policy decisions at the aggregate level as well as on each individual service. The last major master fee schedule study was conducted in 2013, and the majority of fees have remained unchanged for several years. The City has become increasingly aware that the cost of providing fee-related services has been outpacing the revenue generated by providing those services. For these reasons, the City is interested in understanding the full cost of providing fee-related services and considering recommendations that might better align fee levels to reflect these costs.

This report provides the City with an overview of current Building and Planning Division fees and charges and associated revenues and expenses for each service listed on the master fee schedule. The report also documents the estimated percentage of full costs recovered delivering specific services at current fee levels, which will allow City officials to make informed policy decisions regarding adjustments to fees and charges. Finally, this report also describes BerryDunn's approach to the analysis and understanding of the City's organizational structure and services provided, findings, and recommendations.



1.2 Abbreviations and Terms

For purposes of clarity when discussing this project, BerryDunn will use the following terms and related definitions.

Table 1.2: Project Terms and Definitions

Term	Definition
BerryDunn	Berry Dunn McNeil & Parker, LLC
City	City of Gainesville
Department	Department of Sustainable Development
CPI	Consumer Price Index
FTE	Full-Time Equivalent
MS	Microsoft
OPEB	Other Post-Employment Benefits
FY	Fiscal Year
IT	Information Technology
PDF	Portable Document Format (Adobe)
PMT	Project Management Team
PTO	Paid Time Off
SME	Subject Matter Expert
State	State of Florida



2 Approach and Work Performed

This section of the report outlines how BerryDunn approached the project; summarizes the major tasks that were performed within each phase of the project, provides an overview of how the cost model was developed; and provides a high-level synopsis of the project deliverables.

2.1 Work Performed

BerryDunn's approach to complete this study involved three phases: Phase 1 – Project Management and Initial Planning; Phase 2 – Full Cost Analysis and Modeling; and Phase 3 – Final Report and Recommendations. Central to the approach was the use of BerryDunn's Microsoft (MS) Excel-based cost model, which was used to calculate the City's full cost of providing each service by service category, and in some cases, by specific fee type. Furthermore, the cost model was used to perform forecasting scenarios to assess the fiscal impact of implementing new fees or changes to current fee levels.

After an initial project planning call with the City to clarify goals and objectives, identify known project constraints, and refine dates and/or tasks as appropriate, BerryDunn requested and reviewed documentation and data to get a better understanding of the current services environment.

BerryDunn conducted a project kickoff meeting and scheduled a series of follow-up meetings with City subject matter experts (SMEs) involved in the user fee study. BerryDunn also followed up with City staff on multiple occasions throughout the course of the project to confirm BerryDunn's understanding of the data and information provided. The aim of these meetings and conversations was to discuss the level of effort required to deliver select City services to customers, and to discuss the revenue generated and the associated expenses incurred to provide those services.

BerryDunn reviewed the Department of Sustainable Development's (Department's) current master fee schedule and guided City staff through discussions to consider adjustments to the fee schedule that might better reflect the services the City most commonly provides and the way in which those services are delivered. This included identifying services currently being provided for which there are no associated fees in the current fee schedule. BerryDunn reviewed the fees for services provided by the Department, which were analyzed on a time-per-staff activity basis. Other charges, such as penalties, fines, and State of Florida (State)-mandated fees, were excluded from the analysis.

BerryDunn employed an activity-based costing methodology that analyzes the major process steps required to provide services (e.g., application intake, plan review, and inspection) and the staff time required to provide each service. This methodology relies on time estimates provided by City SMEs, which are then validated through checkpoints built into the cost model. Also included in the analysis are the identified and assigned revenues and expenses associated with providing City services reflected on the Department's master fee schedule, which City SMEs also verified.



BerryDunn prepared a cost model for the City's fees analyzed for this project, based on the City's fiscal year (FY) 2021 adopted expenditure budget and FY 2019 reported actual revenue, key staff input and institutional knowledge, and the data reviewed during fact-finding sessions. BerryDunn reviewed the study findings with the City on multiple occasions, identifying any needed revisions and allowing the opportunity for the City to give feedback and request additions and deletions before approving final deliverables.

2.2 Taxes versus Fees

The City collects taxes to satisfy its general revenue requirements. The level of service funded from tax levies is defined by the local jurisdictions and generally benefits all City residents, which is different than fees collected by providing specific services to non-residents, services benefitting smaller groups, or services benefitting only individuals. Fees paid relieve citizens of the burden of paying for discretionary services they do not use; therefore, fee levels should reflect the reasonable, identified costs of the work City Staff performs to deliver those services. To that end, in this fee study, BerryDunn analyzed financial data at both the department level and the individual service level.

Two important distinctions were made regarding the fees analyzed: those fees that can be characterized as user fees, and those that are regulatory fees. User fees are generally categorized as charges applied for individual use of services. Regulatory fees, mainly building permit fees and fees related to inspection services in this study, are generally categorized as charges applied to offset the cost of providing the regulatory activity. For both categories of fees analyzed for this project, special care was taken to help ensure that current fee levels do not reflect charges that exceed the cost of providing the regulatory service or the estimated benefit received by the individual payee. In doing so, BerryDunn identified the delta between the current charges being levied and revenue generated and the full cost of providing service to allow for local policy decisions to be made regarding increased cost recovery, if so desired.

2.3 Position Specific Hourly Rate Calculations

The cost model captures the personnel costs associated with providing services for which fees are assessed based on fully burdened (loaded) hourly rates calculated for specific City staff positions. The loaded hourly rate captures all full-cost personnel components, which typically include direct salary expenses, benefits expenses, and other post-employment benefits (OPEB) costs per position. The calculated loaded rate also includes applicable and allowable portions of other City departments' operating expenses and capital costs, considered indirect costs for supporting City service provision. The citywide indirect portion is explained in greater detail in Section 2.4.

Staff receive paid leave for vacation, sick time, holidays, and occasionally, other authorized uses. Some also receive overtime assignments. To reflect the true cost of fee services, the cost model follows the federal cost accounting rules and estimates total annual assignable or productive hours, and allows for adjustment of annual assignable hours where necessary, to more accurately reflect the amount of time actually spent providing fee-related services.



2.4 Indirect Costs

In addition to personnel-related costs, City departments providing outward-facing, fee-applicable services to external customers often receive internal support from other City departments, such as the City Clerk, City Manager, Finance, Information Technology (IT), Human Resources, Legal, and Facilities Maintenance. Applicable portions of the cost of this support are considered an indirect cost to the individual receiving a fee-applicable service.

BerryDunn determined indirect costs by developing an indirect cost-rate proposal for the City and calculating an indirect cost rate. The indirect cost rate is calculated using personnel costs, services and supplies expenditure data, cost principles, and City SME knowledge and assumptions. The calculated indirect cost rate allows the City another option, in addition to methods already used, to assess and analyze the impact of indirect costs on the Department's annual operating budget.

The approach to develop the indirect cost rate was as follows:

- BerryDunn identified all applicable City staff and calculated the direct salary and direct benefit hourly rates per specific position.
- BerryDunn met with City SMEs and estimated the amount of direct and indirect staff time spent annually supporting fee-related services.
- BerryDunn met with City SMEs and calculated the cost of the indirect department pool, which provides internal, indirect support to those City departments providing fee-related services.
- BerryDunn calculated the indirect hourly rate per specific position using the data analyzed above.

This approach allows the City to generate forecasting scenarios using the cost model based on any or all of the developed rates: salary rate only, salary and benefit rate, or salary and benefit and indirect rates (the loaded rate).



3 Fee Study Findings and Recommendations

This section of the report provides a general overview of the Department's organizational structure; the major technical findings BerryDunn identified; and BerryDunn's recommendations based on those findings.

3.1 Departmental Overview

The Department is responsible for providing a wide range of building and planning services to ensure compliance with federal, State, and local municipal code sections, health and safety provisions, building inspections, some right-of-way inspections, and site inspections; and confirming that projects are being undertaken and constructed in accordance with approved plans and other applicable and approved City specifications. Table 3.1 summarizes BerryDunn's understanding of departmental structure and operations as they are currently organized.

Table 3.1: Departmental Overview

Name/Role	Role Description
Department of Sustainable Development	The Department has broad responsibilities, including providing long-range planning services, reviewing applications for new development, and ensuring a quality-built environment and healthy neighborhoods that contribute to a strong economic base in the City. The Department strives to be responsive to the community and to provide outstanding customer service. Three divisions work together to accomplish these goals: Building, Neighborhood Enhancement, and Planning, which Department administrative staff all support. The Department provides staff support and services to the Development Review Committee, Historic Preservation Board, and Tree Advisory Committee.
Building Division	The division manages programs and services related to building permit plan review and inspection of buildings and structures to ensure a safe, accessible, sustainable, and energy-efficient environment throughout the City. The division regulates local and State laws related to building construction, maintenance, use, repair, and habitation and provides a full range of plan-checking services, construction permitting, and field verification inspection services for all new construction, room additions, area renovations, interior and exterior alterations, and/or remodeling construction activities within the City. This includes the enforcement of the established building codes and standards.
Neighborhood Enhancement Division	The division enforces the City's municipal codes related to property maintenance, zoning, and nuisances on private properties to promote, preserve, and maintain attractive and safe neighborhoods and commercial areas.



Name/Role	Role Description
Planning Division	The Planning Division, in conjunction with the Building Division, plans for the physical, social, and economic development of the City and ensures compliance with all local and State laws, for both public and private projects.
Technology	The Department uses Harris Innoprise to monitor and track permits throughout the application, review, and approval process. The Department is planning a migration to Citizenserve permitting technology in the summer of 2021.
Technology	The Department uses Avolve's ProjectDox to review plans submitted/resubmitted electronically.
Funding Structure – Building Division	The Florida Building Code Enforcement Fund is used to account for revenues and expenses related to the enforcement of the Florida Building Code as defined in Florida Statute § 553.80. This fund was established October 1, 2006, pursuant to changes in State law requirements. The major funding source for this fund is from user fees generated from building permits.
Funding Structure – Planning Division	All revenues and expenses for the division were identified in the City's General Fund.

3.2 Fund Balance/Reserves

The City needs a fund balance sufficient to help ensure business and service continuity if a downturn in the economy, or some other unforeseen event or circumstance, occurs. The use of the reserve balance funds for specific expenditures and the maximum allowable fund balance (fund balance ceiling) is determined by State legislative statute. Specific to this study, the State has set a fund balance ceiling for the Building Division to not exceed the average of the previous four fiscal years of allowable expenditures and has restricted the use of any fund balance to be used for expenditures that relate to providing building inspection services only, per Florida Building Code as defined in Florida Statute 553.80.

At the start of FY 2021 the Building Division maintained compliance with the State defined ceiling carrying a fund balance of \$2,813,860 compared to the four prior fiscal year's average expenditures of \$3,100,617. For this reason, BerryDunn does not recommend any immediate fee adjustments based on division fund balance, but does recommend that the City monitor the fund balance periodically to ensure compliance with State Statute and that funds are being expended in a lawful, consistent manner. Furthermore, it is important to note that fund balances can fluctuate daily and actual balance amounts reflect the point in time when calculated. For this reason, BerryDunn does also recommend monitoring the fund balance to identify any large fluctuations should they be evident as dramatic changes may be indicative of longer term trends pertaining to revenue or expenditure increases or decreases.



3.3 Summary of Technical Findings

Table 3.3 provides a summary of the key technical findings of BerryDunn's analysis of the City's fees and charges.

Table 3.3: Summary of Technical Findings

Summary of Findings	
Category	Findings
Current Overall Cost Recovery	BerryDunn identified and assigned \$3,227,507 of revenue and \$5,833,570 of estimated costs to the fee-related services analyzed for this study. The department's current cost-recovery rate for all services analyzed in this study is 55.3%. BerryDunn's definition of "cost" is one that is fully burdened (loaded), which might make the net cost recovery look lower than expected if "cost" was not defined inclusively.
Division-Specific Cost Recovery	This study encompassed two divisions that provide the fee-related services offered by the Department; after identifying and assigning revenue and expense, their specific cost-recovery rates are as follows: Building Division – 73.1%, and Planning Division – 9.9%.
Cost Recovery Increase – Building Division	BerryDunn estimates that the division might realize a 4% to 6% increase in the overall divisional cost-recovery rate for each additional \$250,000 of revenue received.
Cost Recovery Increase – Planning Division	BerryDunn estimates that the division might realize a 4% to 6% increase in the overall divisional cost-recovery rate for each additional \$90,000 of revenue received.
Charging Methodology – Building Division	The division uses a mix of multipliers and flat fees to calculate charges for services.
Charging Methodology – Planning Division	The division uses a variety of flat fees that best fit each application and/or service type.
Calculated Hourly Rates	BerryDunn calculated salary rates, benefits rates, and overhead rates for each full-time position budgeted in FY 2021. The City may choose to use loaded hourly rates for budgeted full-time positions to assess the full cost of providing fee-related services. The model allows for any combination of the three calculated rates to be used for forecasting purposes.
Annual Productive Hours	Full-time employees are paid for approximately 2,080 hours in a year; this includes Paid Time Off (PTO), holidays, training, internal and external meetings, etc. Taking those pay items into consideration, BerryDunn assumed 1,800 annual productive hours and assigned applicable expenses related to those hours to various elements of fee-related service provision throughout the model.



Summary of Findings	
Category	Findings
Division-Specific Indirect Cost Rates	In conjunction with City SMEs, BerryDunn developed an indirect cost rate proposal for the Building Division and the Planning Division to calculate loaded hourly rates for full-time staff and to account for indirect internal services provided by other City departments that support fee-related service provision. The indirect cost rates are as follows: Building Division – 13.04%, and Planning – 17.14%. These rates are slightly lower than the 20% – 30% indirect rates typically calculated for projects of this type; however, the full impact of applicable indirect costs have been captured in the non-personnel expense portion of this study.
Updates to the Cost Model	The City should maintain the cost model to update fees annually. Those fees should be indexed to the Consumer Price Index (CPI) for inflation. The City should undertake a comprehensive review and update every two to three years, or when major personnel or budgetary adjustments are made.

3.4 Building Division

BerryDunn reviewed all Building Division fees and charges and estimated the full cost to provide those services to be \$4,196,856. The identified and assigned revenue is estimated to be \$3,066,266. BerryDunn calculated the percentage of costs recovered by way of current fees and charges, finding that the division is recovering an estimated 73.1% of the costs of providing services. While this overall cost-recovery percentage may seem low when compared to peer cities that strive to recover closer to 100% of the costs associated with providing building-related services, a number of factors should be considered when assessing the current cost-recovery percentage compared to current fee levels. Several major building projects over the last few years have generated significant revenue growth for the division. Furthermore, because of the unique nature of services provided by the division, revenues are cyclical, tend to fluctuate widely on an annual basis, and are often recognized in advance of the related cost of providing building services for specific projects. For these reasons, BerryDunn does not believe that immediate increases to all fees and charges would result in significant revenue gains, but does recommend that the City begin to assess and discuss an approach to adjust specific fees in the near-term.

The City should develop a cost-recovery percentage policy, specific to the division, which would guide staff in setting fee levels in alignment with desired cost-recovery levels. Division staff should take care to monitor local indicators related to building permit activity, initially focusing primarily on land use changes, development applications, and first-step meetings. Staff should track in detail the number of permits issued and inspections conducted for the most common services provided and assess fee adjustments for those specific services on a FY basis to determine the level of impact any adjustments might have on revenue generation.



It is evident from the analysis that, despite large gains in revenues in recent years, expenditures are continuing to outpace revenues year-over-year with the most common financial indicators pointing to the continuation of this trend. Left unchecked, these trends might have consequential effects on fund balance levels and, ultimately, the ability for the division to continue delivering services at current levels.

3.5 Planning Division

BerryDunn reviewed all Planning Division fees and charges and estimated the full cost to provide those services to be \$1,636,714. The identified and assigned revenue is estimated to be \$161,241. BerryDunn calculated the percentage of costs recovered by way of current fees and charges, finding that the division is recovering an estimated 9.9% of the costs of providing services. While this overall cost-recovery percentage is very low when compared to municipal planning divisions of similar size providing similar services, a number of factors should be considered when assessing the current cost-recovery percentage compared to current fee levels. Planning-related services, in general, typically recover a much lower percentage than those services delivered by the building division. Furthermore, planning services are generally delivered in the conceptual or design phases of project development, and for this reason, significant expense is often incurred by the City. Should the project never be initiated, there is no opportunity to assess fees and recover a portion of expenses already incurred. For these reasons, BerryDunn does not believe that immediate increases to all fees and charges would result in significant revenue gains, but does recommend that the City begin to assess and discuss an approach to adjust specific fees in the near-term.

BerryDunn, in conjunction with City staff, did identify a number of services that the division was providing but for which no fee was being collected. The services identified include administrative services provided supporting advisory boards and hearings, certain Certificates of Appropriateness issued, construction drawing reviews related to subdivision development, various petitions and zoning letters, sign face design reviews and permit issuance, lien searches, and general development reports. BerryDunn recommends that the City consider adopting fees for the services outlined above as peer organizations in the State have adopted fees for similar services. The specific services that warrant fees are considered to be beyond general government services provided.

The City should develop a cost-recovery percentage policy specific to the division, which would guide staff in setting fee levels in alignment with desired cost-recovery levels. Division staff should take care to monitor local indicators related to development activity. Staff should track in detail the number of projects reviewed and never built versus those that move forward into the development and construction stages. Reviewing this information on a FY basis will help to determine which specific fees, if adjusted, would have the most significant impact on revenue generation. Fee adjustments specific to this division should be considered for the highest volume services; those related to land use and zoning changes, for example.



3.6 Cost versus Price

Cost is generally defined as the aggregate of expenses incurred by the City for issuing a permit or providing a service. BerryDunn estimated the full cost of issuing all permits and providing all services analyzed in this study. After determining the cost of providing fee-related services, BerryDunn facilitated discussions with City leadership to discuss possible approaches should the City desire to adjust current fee levels, to determine the price, and to set the new fee levels based on recommendations.

Furthermore, the cost model allows City staff to enter proposed fee recommendations on a per-fee basis and analyze the impact that the new fee level would have on an annual expenditures and revenues. This provides City leadership with the insight it needs to understand the implications of potential fee adjustments on the department's or division's budget overall.

3.7 Formal Fee Updates

BerryDunn recommends the City conduct a formal fee study every three to five years; when the City experiences a significant change in demand for services, organizational structure, or key business processes; or when it identifies budgetary issues. In the meantime, the City is encouraged to make adjustments and updates to the cost model on an annual or ongoing basis using detailed data and information as it becomes available, especially utilizing detailed data collected via the City's electronic permitting and plan review systems. Furthermore, the City should develop and adopt divisional cost-recovery percentage level policies. These policies should outline the cost-recovery percentage the City desires to recover through all fees, across all departments and divisions. BerryDunn recommends keeping fees at current levels, with the exception of adopting the new fees for services currently being provided, until the City has decided what the new, increased target cost-recovery level for all division services should be.

3.8 Summary of Recommendations

Table 3.8: Summary of Recommendations

Summary of Recommendations		
Category		Recommendation
1	City	The City should develop a cost-recovery percentage policy, which would guide staff to setting fee levels in alignment with desired cost-recovery levels. Once a formal policy is established and adopted, the City should outline an approach to increase the desired cost-recovery level year-over-year for both the Planning and Building Divisions.
2	City	The City should utilize its electronic permitting and plan review systems to the greatest extent possible to allow for detailed tracking and analysis of revenues and annual volumes per service type. Capturing this detail and incorporating it into the cost model will allow for a more nuanced and accurate analysis of cost-



Summary of Recommendations		
Category		Recommendation
		recovery level per service type and will allow staff to assess the impact of specific fee adjustments on revenues and expenditures in greater detail.
3	City	The City should consider a technology fee to be assessed on all permits issued and services provided by the Building and Planning Divisions. A technology fee is generally assessed a percent equal to the total cost of the permit issued or service provided. Generally, for a percent level fee, levels are set between 1% and 3% and are monitored for the first 12 months in effect, and adjusted if necessary. The City may also consider setting a technology fee to be assessed at a flat dollar amount regardless of the cost of the permit or service provided. The amount of this fee would be determined at the local level. By estimating annual permit and service volumes, and by setting a target of revenue to be generated through a technology fee assessment, the City could forecast the revenue amount generated for budget development, and adjust if necessary after the 12-month assessment period. BerryDunn recommends that a designated revenue line be created specifically to track revenue generated through assessment of a technology fee, should the City choose to adopt one. Furthermore, it is best practice to develop policy guidelines outlining what general types of costs the funds are designated to cover or offset.
4	Building Division	Using guidance from the cost recovery policy staff should consider annual adjustments to fee levels that would have the greatest impact in increasing the division's overall cost recovery percentage. Using the current 73.1% cost recovery level as a baseline, staff should consider making fee adjustments to get the division's overall cost recovery in the 85% to 95% range in three to five fiscal years.
5	Planning Division	Using guidance from the cost recovery policy staff should consider annual adjustments to fee levels that would have the greatest impact in increasing the division's overall cost recovery percentage. Using the current 9.9% cost recovery level as a baseline, staff should consider making fee adjustments to get the division's overall cost recovery in the 40% to 50% range in three to five fiscal years.
6	Planning Division	The City should consider tracking and assessing fees based on the total hourly commitment of all full-time staff involved in supporting all applicable advisory board hearings, certain issuances of Certificate of Appropriateness, lien searches, and general development reports.



Summary of Recommendations		
Category		Recommendation
7	Planning Division	The City should consider a flat fee, based on a two-hour staff time limit for administrative staff, to address zoning letters and verify the land use/zoning on a property with links to the development code for development standards. Any request above a zoning verification letter would be considered a research project, and an hourly fee should be considered to do the research.
8	Planning Division	The City should adopt a subdivision review fee, which would encompass all necessary plan reviews, construction drawing reviews, and recording services. The fee level should be set initially based on the staff level of effort required to deliver the service, inclusive of Planners and Customer Experience staff, specifically.
9	Planning Division	The City should adopt a food truck zoning verification fee which would encompass all necessary application reviews, plan reviews and permit issuance associated with food truck locations and services. The fee level should be set initially based on the staff level effort required to review and approve applications, inclusive of Planners, Permit Expeditors and Customer Experience staff, specifically.
10	Planning Division	The City should adopt a sign enhancement or change fee which would encompass all necessary plan reviews and permit issuance for minor façade changes, minor accessory structure changes, and minor changes to building exterior signage. The fee level should be set initially based on the staff level effort required to review and approve applications, inclusive of Planners and Customer Experience staff, specifically.
11	City	All fee levels, once adopted, should be reviewed annually and adjusted in accordance with staff effort and service and permit volume. Reinstating annual Departmental fee adjustments to follow the City's Appendix A schedule should be reviewed.



4 Cost Model Overview

This section of the report outlines the technical sections BerryDunn constructed to develop the cost model used for this study.

4.1 Department Fees and Charges Cost Model Framework

Table 4.1 summarizes the format, technical construct, and content of the cost model. This includes a summary description of each tab in the cost model.

Table 4.1: Cost Model Framework

Cost Model Framework		
Model Section/Tab		Description
1	Cover	Contains the title of the study, City project contact information, and BerryDunn contact information.
2	Sections	Consists of two cost-of-service sections: building and planning. The model also contains a personnel services analysis section, an indirect cost-rate proposal section, and a peer city comparisons section, described in detail below.
3	Summary Tabs (cost-of-service section)	Contains a high-level overview of all services with a comparison of assigned revenue and assigned expenses, as well as current percentage cost recovery.
4	Service Listing Tabs (cost-of-service section)	Contains all services and associated fees and revenues and, where possible, percentage cost recovery by individual service type and annual volume.
5	Personnel Expense Tabs (cost-of-service section)	Contains personnel expense forecasting functionality as well as personnel expense by service type.
6	Department Expense Tabs (cost-of-service section)	Contains non-personnel expense by service type as well as assigned citywide indirect expense by service type.
7	Worksheet Tabs (cost-of-service section)	Contains all revenue and expense data as well as cost-recovery percent by service type. Also contains functionality to create forecast scenarios and adjust cost-recovery goals by service type.
8	City Full-Time Personnel Tab	Contains the list of all full-time personnel assigned to the study, annual salary by position, annual benefit expense by position, and various hourly rates calculated by position.
9	Personnel Analysis Tabs	Contains all FTE personnel assigned to the study, number of current funded positions, salary by position, and direct and indirect expense assumptions.
10	Indirect Cost Rate Proposal Tabs	Is developed in conjunction with City SMEs, and contains assumptions pertaining to direct and indirect full-time staff involvement with fee-related services as well as internal citywide



Cost Model Framework		
Model Section/Tab		Description
		support assumptions.
11	Revenues	Reflects the actual reported revenue for FY 2019.
12	Expenses	Reflects the adopted budget expenditures for FY 2021, including personnel and operating costs.
13	Indirect Allocations	Reflects calculation of an indirect personnel support and citywide support to the departments and divisions providing fee-related services, such as the City Council, City Manager/City Clerk, Finance Office, City Attorney, and internal Administrative Services allocation.
14	Assignable Productive Hours	Reflects the assumed productive personnel hours for this study. This metric can be adjusted as needed.
15	Peer City Comparisons Tab	City service delivery structures vary a great deal from agency to agency. Therefore, it should be noted that there are practical limitations to be considered when conducting a peer agency comparative analysis for both financial comparisons, and fees and charges comparisons. Great care should be taken to understand that every municipal department is unique with regard to its service offerings and annual service volumes. While peer comparisons can be useful to understand broadly, fees and charges decisions need to be made at the local level, taking into consideration the values and priorities of the community and the available resources and organizational construct of the departments delivering the services.



4.2 Updates to the Cost Model

Some cities choose to update their fees on an annual basis. The cost model has the built-in capability for City staff to make changes to fees in order to assess the impact in future years, even after the fee study is complete, based on changes to budgeted expenditures or the CPI.

Table 4.2 describes how the City can maintain the cost most model if it chooses to update fees and charges on an annual basis in future years.

Table 4.2: Cost Model – Items to Update

Category	Description
Revenues	Budgeted or actual revenues related to fees and charges for services.
Direct Expenses	Budgeted or actual personnel and operating expenses related to directly providing City services.
Indirect Expenses	Budgeted or actual personnel and operating expenses related to the internal support of providing City services.
Specific Fee Levels	Specific dollar amounts to be charged for individual services provided.
Annual Service Volumes	Annual total counts for the number of permits issued, inspections conducted, or services provided per fee category.



Appendix A: Cost Model

The fees and charges cost model developed for the City is attached as an MS Excel file.