

CITY OF COOS BAY CITY COUNCIL
Agenda Staff Report

MEETING DATE February 2, 2016	AGENDA ITEM NUMBER
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TO: Mayor Shoji and City Councilors

FROM: Rodger Craddock

ISSUE: Building Department Fees

BACKGROUND:

In 2014, the city started reviewing its Building Department fees. These fees, other than some minor adjustments, have not had a fee increase since 2001. While the fees have been stagnant, the cost to provide the service has not. The Municipal Cost Index (MCI), developed exclusively by American City & County, is designed to show the effects of inflation on the cost of providing municipal services. According to the MCI the cost of providing municipal services has risen by over 39% over the last 15 years.

As you can be seen below, the cost to operate and administer the Building Codes Division (BCD) over the past twelve years has outstripped the revenue received:

Fiscal Year	Revenue	Expenses	Difference
FYE 04	\$204,524.00	\$177,355.00	\$27,169.00
FYE 05	\$445,973.00	\$180,346.00	\$265,627.00
FYE 06	\$316,819.00	\$246,638.00	\$70,181.00
FYE 07	\$300,721.00	\$256,780.00	\$43,941.00
FYE 08	\$229,523.00	\$294,268.00	(\$64,745.00)
FYE 09	\$187,788.00	\$295,529.00	(\$107,741.00)
FYE 10	\$190,015.00	\$333,302.00	(\$143,287.00)
FYE 11	\$374,384.00	\$333,163.00*	\$41,221.00
FYE 12	\$405,945.00	\$319,780.00*	\$86,165.00
FYE 13	\$152,412.00	\$319,181.00	(\$166,769.00)
FYE 14	\$198,283.89	\$224,684.63**	(\$26,400.74)
FYE 15	\$176,451.21	\$247,870.31**	(\$71,419.10)
Total	\$3,182,839.10	\$3,228,896.94	-\$46,057.84)

Average	\$265,239.59	\$269,074.75	(\$3,835.16)
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*FYE 11 & 12 revenue was abnormally high due to large public projects at the hospital and the Water Board.

**Does not reflect the true cost of administering the BCD as staff expense as allocations were reduced due to concerns on the decreasing BCD carryover balance.

In September 2014, staff met with the Council Finance Committee; and they discussed the need to increase the BCD fees by 30%. The City contracted with John Hitt to conduct an evaluation of the City's permitting process in late 2014 early 2015; and one of his recommendations to the Council was to consider increasing the BCD fees. A recommendation to increase fees was forwarded to the Council on March 3, 2015; and based on consensus from the Council, staff sent the proposed BCD fee increase to the State for the required 45-day notice period and for staff to bring the proposed fee modifications back to the Council to hold a public hearing and possible adoption of the proposed fee increase. It should be noted that the State did not receive any comments during their 45-day period.

On June 2, 2015, the Council held a public hearing to consider the adoption of a resolution to increase the BCD fees. During the public hearing, only two people testified; one of which was a contractor, and he suggested allowing the state to operate the Building Codes Department as they would do it at a lower cost. The Council delayed taking action on proposed fee increase to allow staff time to look into the advantages and disadvantages of allowing the State to take over the BCD services.

I contacted Michael Morter and Tom Phillips the Oregon Building Codes Regional Services Managers. They advised me that the State Building Codes Division could administer the building codes for the City. The State would perform the services and charge customers the City's established fees of which they would keep 90% of the fees. The State did advise that they would not perform all of the services the City currently provides, specifically inspections and enforcement of substandard and dangerous building codes.

Currently the BCD budget, at least partially, supports eleven positions within the City. All of the positions either provide direct or indirect support to the division. Most of those positions receive less than 3% of their salary from the fund. The Building Department administrator (our Building Official) (85%), code enforcement position (25%), and the City's two planning code specialists (50%) receive a much larger portion of their salary from the fund. The two planning code specialists assist customers with building code applications, as well as assistance with land use applications, engineering services, business licenses, and special event applications. They are also the answer point for Code Enforcement, and the Public Works, Community Development, and Engineering Departments.

Should the City decide to contract with the State to provide building code services, we would need to eliminate at least three full time positions. With the elimination of the Building Official's position, the City would not be able to investigate nor enforce substandard and/or dangerous building codes issues. The elimination of the code planning specialist will have an impact on customer service assistance with planning, business license administration, and processing special event applications.

In looking at the division history, I learned that this is not the first time the discussion of fees and/or the consideration of contracting out the building code work. Back in 1997, the Council was faced with funding constraints with both the General and the Building Codes funds. The constraints on the General Fund were further aggravated by the fact that the building code fees were being supplemented with General Fund resources. The Council ultimately decided, based on discussions with the local home builders association, to maintain control of the services. As to the fees, the

Council referred the matter to the voters who through their vote amended the City's Charter to say in part "...In each fiscal year, the building inspection program shall to be entirely funded by user fees; fees so charged shall be exclusively dedicated to funding the building inspection program, including capital costs, and shall be based on the actual cost necessary to administer and continue the program without contribution of any property tax revenue." (Coos Bay City Charter Section 9.13) As to the work load of the department, in 2015 staff processed over 731 permits ranging from new residential and commercial construction; residential and commercial remodels; mechanical; mobile home placements; plan checks; fire, life, safety checks; etc. In addition, staff performed over 2,400 related inspections. In short, this is a very active department!

ACTION REQUESTED:

It's my recommendation to continue to administering building codes services within the City and to take the necessary steps to increase the fees to ensure the fees cover the cost of providing the service as required by the City Charter.

If this pleases the Council, the next step would be to resubmit the proposed fee increase to the State Building Code for review and public comments after which the staff would schedule the matter to come back before the Council for public hearing and possible adoption.