

SANDY CITY, UTAH

COST OF SERVICE STUDY



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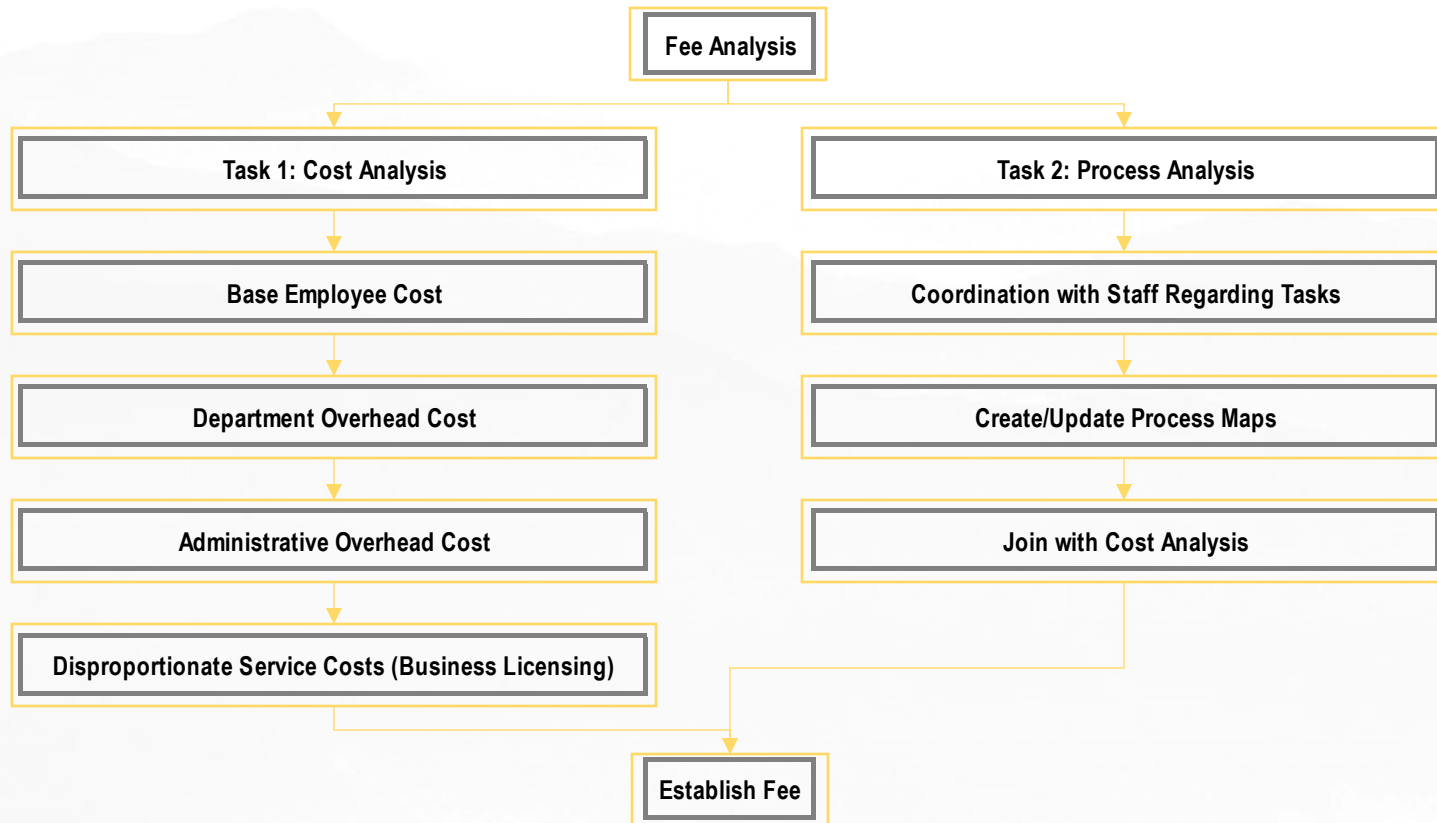
MARCH 2023



PURPOSE:

- Utah Code limits the amount that can be collected for development related fees to the **reasonable costs of regulation** (Utah Code 10-9a-510 & 17-27a-509)
 - For example, fees collected for development such as building permits and plan reviews, should not exceed a governmental entity's costs of regulation (e.g., inspection, review, etc.)
- In 2022, the State Auditor conducted an audit of cities and counties and found that several entities charged development fees that significantly exceeded their regulatory costs

PROCESS:



PROCESS:

- ❑ Fee Categories Reviewed
 - Business License Fees
 - Planning Fees
 - Building Permit Fees

TIMELINE:

- ❑ Funding for Study Approved – June 2021
- ❑ Notice to Proceed – September 2021
- ❑ Began Data Gathering & Process Map Development
- ❑ Preliminary Models – April 2022
- ❑ Model Calibration, Benchmarking, Clean Up
- ❑ Scenario Analysis – July 2022 to December 2022
- ❑ Finalization

I. COST ANALYSIS:

- **Analysis of current and projected budgets** to determine base costs, department overhead, and administrative overhead costs:
 - Base costs include employee salaries and benefits
 - Department overhead costs include general costs to operate each department
 - Administrative overhead costs include the cost of the services provided to all departments (i.e. legislative, executive and administrative costs)

EXAMPLE OF COST ANALYSIS:

- Base, department overhead, and administrative overhead costs compared to total hours worked to determine employees' cost per minute
- Example of Building & Safety Department Cost Analysis

Direct Costs

Title	Department FTEs	% of Dept. FTE	Direct Cost (Per Min)
Building Official	14.00	7%	\$1.08
Assistant Building Official	14.00	7%	\$1.11
Plans Examiner	14.00	7%	\$1.00
Permit Technician	14.00	7%	\$0.66
Building Inspector	14.00	7%	\$0.90
Building Inspector	14.00	7%	\$0.88
Building Inspector	14.00	7%	\$0.67
Building Inspector	14.00	7%	\$0.82
Code Enforcement Officer	14.00	7%	\$0.86
Code Enforcement Officer	14.00	7%	\$0.62
Code Enforcement Officer	14.00	7%	\$0.67
Code Enforcement Officer	14.00	7%	\$0.78

Indirect Costs

Department Overhead Cost to FTE	Admin to FTE	Total Indirect	Total Unit Indirect (Per Min.)	Technology Staff Fee	Total Unit Cost (Per Min./mtg.)
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.50
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.53
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.42
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.07
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.31
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.30
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.08
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.23
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.27
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.03
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.08
\$11,685	\$37,564	\$49,249	\$0.39	\$0.02	\$1.19

II. PROCESS ANALYSIS:

- Create Process Maps for Each Fee

Example: Conditional Use Permit

ACTION	HOURS	PERSONNEL INVOLVED
Application Review	0.5	Planner
Planning Staff Review	2.00	Planner
Prepare/Mail Notices for Neighborhood Meeting	1.50	Planner
Neighborhood Meeting	1.00	Planner
Prepare Public Notice	0.50	Planner
Mail Public Notice	0.50	Planner
Publish Public Notice	0.25	Planning Administrative Assistant
Prepare Staff Report	2.00	Planner
Planning Commission	0.75	Planner
Issuance of Approval Letter	0.50	Planning Administrative Assistant
Update GIS	0.50	Planner
TOTAL	10.00	

III. DISPROPORTIONATE ANALYSIS:

(BUSINESS LICENSE FEES ONLY)

- Analysis Considers Disproportionate Impacts from Public Safety
- Two Steps:
 - Per Employee (All Businesses)
 - Per Business Grouping (for Groups Exceeding Per Employee Impacts)
- Process:
 - Determine Cost per Call
 - Establish Baseline Level of Service (LOS)
 - Residential vs. Commercial
 - Calculate Per Employee Fee for All Businesses Based on LOS Comparison of Residential and Commercial
 - Calculate Disproportionate Fees by Business Group

ILLUSTRATION OF DISPROPORTIONATE ANALYSIS

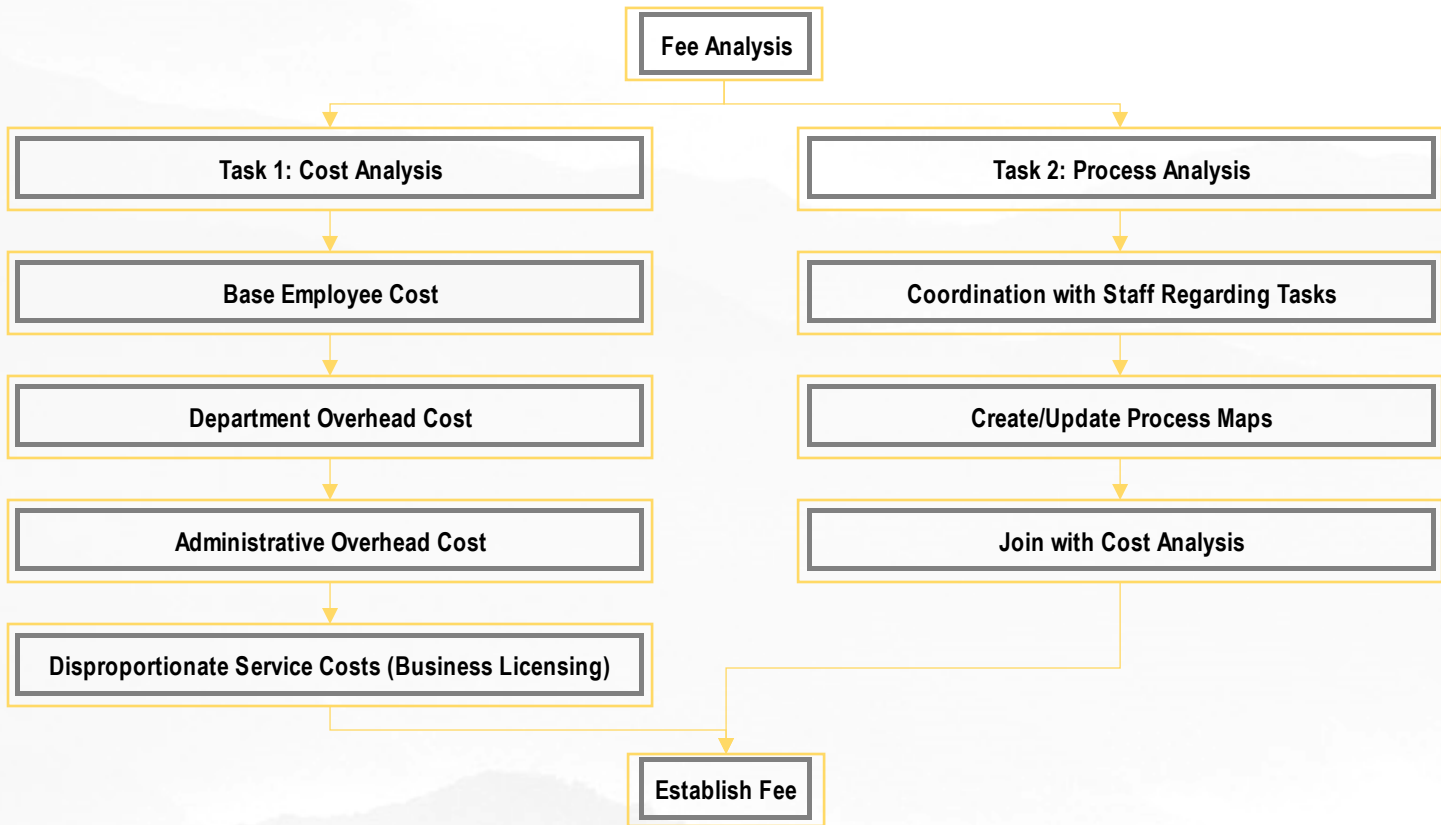
- Calculate Disproportionate Fees by Business Group

Business Group	Bus in Survey	Employees	Police Calls	Calls/Unit	Disp. Impact	Disp. Police Fee
BOWLING	2.00	42	18.00	9.00	5.41	\$2,152.54

Business Group	Bus in Survey	Employees	Fire/EMS Calls	Calls/Units	Disp. Impact	Disp. Fire Fee	Total Disp. Fee
BOWLING	2.00	42	-	-	-	\$0.00	\$2,152.54

IV. ESTABLISHING FEE:

- Process



IV. ESTABLISHING JUSTIFIED FEE:

- Apply employees' cost per minute to time spent on each process to calculate actual average costs

Example Conditional Use Permit

ACTION	HOURS	PERSONNEL INVOLVED	Cost Per Min	Task Total
Application Review	0.50	Planner	\$1.08	\$32.43
Planning Staff Review	2.00	Planner	\$1.08	\$129.73
Prepare/Mail Notices for Neighborhood Meeting	1.50	Planner	\$1.08	\$97.30
Neighborhood Meeting	1.00	Planner	\$1.08	\$64.86
Prepare Public Notice	0.50	Planner	\$1.08	\$32.43
Mail Public Notice	0.50	Planner	\$1.08	\$32.43
Publish Public Notice	0.25	Planning Administrative Assistant	\$0.91	\$13.66
Prepare Staff Report	2.00	Planner	\$1.08	\$129.73
Planning Commission	0.75	Planner	\$1.08	\$48.65
Issuance of Approval Letter	0.50	Planning Administrative Assistant	\$0.91	\$27.32
Update GIS	0.50	Planner	\$1.08	\$32.43
TOTAL	10.00			\$640.97

IV. ESTABLISHING RECOMMENDED FEE:

- Internal Process for Establishing Recommended Fees
 - Benchmarking
 - Staff Review
 - Reevaluation of Fees Based on Impact
 - “Reasonable” Check
 - Evaluated Over 200 Fees

V. ESTIMATED REVENUE IMPACT:

- Key Themes
 - Redistribution of cost is occurring within building permits
 - Home occupation renewal fees and revenues are going down (these are home occupations that request licensing or require inspection)
 - Recommended fees are discounted in most cases

V. ESTIMATED REVENUE IMPACT:

- Business Licensing

	Proposed Revenue	Current Revenue
Total	\$1,312,355	\$1,080,038

- Planning Fee Revenue*

	Proposed Revenue	Current Revenue
Est. Revenue	\$241,519	\$127,871

- Building Permit Base Fee Revenue*

	Proposed Revenue	Current Revenue
Est. Revenue	\$1,250,248 \$1,085,017	\$717,387

* The Comparison of Revenue is a Snapshot of Current Development

* Changes in Development will Influence Revenue Projections

SUMMARY OF RECOMMENDED FEES:

- See Fee Schedules

NEXT STEPS:

- ☐ Finalize Schedule Based on Council Input
- ☐ Adopt New Recommended Fees
 - ☐ March 7th Agenda