

DEVELOPMENT SERVICES DEPARTMENT

COUNTY OF EL DORADO

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February 24, 2010

TO: Board of Supervisors
FROM: Roger Trout, Director Development Services Department
RE: Mid-year budget

Introduction: The El Dorado County Development Services Department (DSD) is comprised of the Building Division and the Planning Division with a total of 51 allocated positions. (Attachment A, DSD Organization Chart.)

Part 1 of this report identifies the general DSD budget problem and the overall plan of action. Part 2 discusses components of the DSD budget problem in further detail. Solutions are described for the remaining portion of the fiscal year as well as next fiscal year. Part 3 identifies policy issues for Board of Supervisors' consideration. A number of attachments are included regarding Planning and Building Division processes, fees, and workload.

Part 1: General DSD Budget Problem:

The DSD has a total budget of \$5.7 million with estimated revenue of \$3.3 million. The estimated revenue will not be met based on actual revenue information from the first half of FY 2009-10. The estimated year-end revenue is projected to be approximately \$2.6 million, a shortfall of \$700,000. Reductions in expenditures are projected to save approximately \$200,000, resulting in a net shortage of approximately \$500,000.

Solution: DSD Director recommends that a reduction in staff by four positions and updated fee schedules for Building and Planning would create a more sustainable Department budget for next fiscal year. A future hourly fee analysis and subsequent fee schedule update would create a sustainable Department in the long term. However, this year's shortage would require a budget transfer of approximately \$500,000 to DSD from contingency (General Fund).

Alternative solution: The alternative is to reduce staff by additional positions. To address the entire projected shortfall in the remaining portion of the fiscal year would require a reduction in force of over half the staff. This alternative is not feasible because of the existing workload demands and would significantly reduce required services to unacceptable levels. Applications

for permits would have extremely long process times and revenues that are collected upon permit issuance, would be further reduced. This is not a recommended alternative.

Part 2: Components of the General DSD Budget Problem

A. Planning Division:

A.1 Current Planning (T&M) Short-term Problem: Each planner in the Current Planning Section has the goal to work and bill approximately 1,100 hours on “Time and Materials” projects, generating approximately \$110,000 per year. Furloughs, staff reductions, and temporary re-assignments have reduced the hours worked and revenues recovered are projected to be short approximately \$200,000 this fiscal year.

A.1 Solution: The Current Planning Section will focus on T&M cases the remainder of the year. This will generate approximately \$55,000 per month and \$330,000 by the end of the fiscal year. However, this will not bridge the entire projected shortfall. One planner left the County in January 2010, which reduced both the potential revenue generation as well as salary and benefit expenditures. Any additional reductions in the Current Planning Section would further reduce revenue recovery.

A.2 Current Planning (T&M) Long-term Problem: The existing case load in the Planning Division is estimated to require approximately 3,000 hours of work during the remainder of this fiscal year. Projected new applications this year will add an additional demand of 1,000 hours for a total of 4,000 hours of work the remainder of the FY. This is a sufficient work-load for the six staff assigned. However, DSD projects fewer new applications next year due to the general economy. This may result in a sufficient work- load for four or five planners.

A.2 Solution: For the upcoming FY 10/11 budget, a closer review of the work-load demand in the Current Planning Section is required. One or two staff in the Current Planning Section may be subject to layoff if planning applications continue to decline. An alternative is to reassign staff to another section. Long-Range Planning, Permit Center, and Code Enforcement are all understaffed at this point. However, reassigning staff would require additional General Fund support for those programs.

A.3 Planning Services Fee Schedule Problem: The Fee Schedule was last updated by Board of Supervisors Resolution 058-2006, adopted on 2/28/06 and effective 4/29/06. The Fee Schedule increased the “hourly rate” previously set at \$80 in 1993 to \$100. However, the new hourly rate did not use any current methodology to identify costs of administration and overhead. This has resulted in challenges with covering the costs of the services provided.

A.3 Solution: In FY 10/11 a new hourly rate for the Department should be established which would address overhead costs that the current Fee Schedule does not. A new hourly rate, based on sound accounting principals, will also help when staff is charging costs to State and Federal grants or to other Departments.

A.4 Long-Range Planning and State Contracted Employee: For FY 09/10 one Senior Planner was contracted to the State. It was hoped that the economy would improve by FY 10/11 to provide additional revenues (either permit revenue or increased General Fund for General Plan Implementation). This is now a very unlikely scenario.

A.4 Solution: RIF of one Senior Planner, effective at the conclusion of the existing State contract, would resolve the future problem of funding this position. This will not result in any savings for next fiscal year. Expenditures will be reduced in salaries and benefits by approximately \$100,000, but State revenue will also be decreased by a like amount resulting in no net savings.

B. Building Division:

B.1 Building Permit Application Problems: Building permits and DSD staff have generally decreased since FY 04/05:

	04/05	05/06	06/07	07/08	08/09	09/10*
Building Permits Issued	7100	6300	5700	5400	3800	2900*
DSD FTE	103	123	123	78	57	51

* FY 09/10 is a straight-line projection based on first half of the year.

Note that “DSD FTE” is total staff, which includes Planning and Admin staff.

Most of the FY09/10 projections of permit activity were correctly projected by DSD, with the exception of Tahoe permits. Tahoe permits are limited by the number of “allocations” assigned by TRPA and are usually predictable year-to-year. In addition, we anticipated additional permits for rebuilding after the Angora fire. This year, most allocations were returned, meaning that very few new-home permits were issued, and few Angora fire permits were submitted. This reduction in permit activity results in a significant revenue shortfall because there are additional fees associated with Tahoe Permits to cover the complexity of plan check and inspection services. Approximately \$300,000 of the revenue shortfall in the Building Division can be attributed to the reduced Tahoe permit activity.

There were also slightly fewer second dwelling units and fewer commercial building permits than projected for the FY09/10 budget.

B.1 Solution: A reduction in Building Division staff by 2 FTE is proposed to address the decline in volume and complexity of permits, primarily associated with the Tahoe permits and commercial buildings. The future adoption of a revised TIM Fee Offset Program for second residential units should encourage more second unit permits. Commercial building activity is expected to remain slow due to the economy.

B.2 Minor Building Permit Fee Problem: The adopted fees do not cover the cost for most minor building permits. The minimum fee is \$100. However, the total staff time required to process these permits averages three hours, which includes administrative handling, plan check review, inspection, and inspection drive time. Many of these permits are “subsidized” by the General Fund. In addition, the first half of the fiscal year had 1,472 of these permits submitted, where only 1,304 were projected.

B.2 Solution: The proposed new Fee Schedules increase the fees for minor types of permits to cover the cost of providing the administrative handling, permit plan check, and inspection services more closely.

B.2 Alternative Solution: Minimum fees could remain at the current fixed rates, but this would result in the need for an additional General Fund contribution to DSD for the next fiscal year and the future.

B.3 Training, Code Enforcement, Fiscal Management Problems: Over the past two years, staff training, code enforcement, and fiscal administration activities have been reduced to a minimum. The new California Building Standards Codes become effective January 1, 2011. Code enforcement activities are needed to protect the public safety. Improved fiscal administration is needed for budget reporting, auditing, and accounting practices. These programs need to be adequately funded.

B.3 Solution: The new Fee Schedules will help address the costs associated with these “overhead” programs in next year’s budget. A new “hourly rate” will also be addressed in next year’s work program.

Part 3 Issues for Board of Supervisors Policy Direction:

A. Fees: The State law provides that a County has the authority to charge fees to cover the cost of services provided. The current fee schedules for Building and Planning Divisions are not covering the cost of services. The DSD budget has been short of projected revenue last year and this year partially because of this situation. Additional General Fund support will be needed next fiscal year and into the future unless the fees are updated.

Proposed draft Fee Schedules for Building and Planning Divisions are attached as well as a separate narrative of the major changes. See Attachments P, Q, R and S. No action on the Fee Schedules would occur at this time. A formal adoption hearing can be scheduled within a few weeks. New fees go into effect 60 days after adoption.

It should be noted that many fees are collected at time of Building Permit issuance. Most of the larger fees are impact fees associated with Capital Improvement Projects for roads, schools, fire departments, and park districts. See Attachments I, J, and K.

Policy Question A: Does the Board of Supervisors concur with DSD to update the fee schedules to cover more costs of services? If not, does the Board of Supervisors want to direct DSD to update the Fee Schedule with a plan to subsidize certain permit types with the General Fund? One option is to subsidize “maintenance” types of permits, such as re-roof and water heater replacements. Another option is to subsidize DSD on a Department wide budget percentage, such as “50 percent from the General Fund.” This year the General Fund portion of the DSD budget was approved at 40 percent, (50 percent with the \$500,000 transfer proposed in the earlier part of this report.) DSD can modify the proposed Fee Schedules based on Board of Supervisors direction.

B. DSD Budget and Staffing for FY10/11 and General Plan: Adequate staffing of the Development Services Department is necessary to continue operations related to permit activity as well as non-revenue programs such as implementation of the General Plan.

Implementation of the General Plan will continue to take a long time and does not generate any revenue from permits. In addition, the General Plan has sometimes been cited as confusing and an obstacle to permit streamlining and economic development. The Board has the authority to review the General Plan and amend policies as may be necessary, subject to other laws such as General Plan law and the California Environmental Quality Act. DSD will present a General

Plan monitoring report to further discuss this issue. However, implementation of the General Plan has been slowed over the past couple years. The DSD will return to the Board of Supervisor on March 22 to review not only the General Plan monitoring report but also to review the Department's last 12-Month Action Plan and to provide direction for the next 12-Month Action Plan.

The staffing limitations in DSD will limit the ability of the Department to complete many important tasks. The Board may consider additional funding to implement priority programs. Since many programs in DSD are not tied to permit fees, in order to plan for the next fiscal year budget, the Board should consider where priorities exist. This will allow the DSD to prepare an appropriate budget proposal for next year.

Policy Question B: Does the Board of Supervisors intend to increase funding for:

- B.1: General Plan Implementation
- B.2: Code Enforcement
- B.3: Training
- B.4: Permit Center/Public Assistance
- B.5: Subsidies for building permit or planning project fees

Attachments:

- A. DSD Org Chart
- B. New Application Table
- C. Performance Standards Report
- D. Building Permit Flowchart
- E. Exhibit on Building Permit activity by month (actual and projected) for FY 09/10
- F. Inspection Trips by Permit
- G. Total Inspections (first half of FY and projected inspection workload)
- H. Fee waivers for Building Permits
- I. Building Permit Fees for New Single Family Dwelling – Five Examples
- J. Building Permit Fee for Small Commercial Building (Walgreens)
- K. Building Permit Fee for “TI”/Vanilla Shell
- L. Planning Permit Flowchart
- M. Planning Project Activity (ACCESS)
- N. Planning Project Average Processing Hours (Staff Excel)
- O. Planning Project Application Status List (PR/GP list – showing details of status)
- P. Building Fee Discussion
- Q. Annotated Building Fee Schedule
- R. Planning Fee Discussion
- S. Annotated Planning Fee Schedule