

TO: Steve Powers
City Manager

FROM: Norman Wright
Community Development Director

DATE: May 24, 2018

SUBJECT: 2018-19 Budget Proposal for Increased Planning Fees

Key Points:

- The planning application process has the potential for significant improvement but staff are unable to dedicate time to designing such improvements because of the demands of their workload.
- The volume of planning permit applications has increased 50% in the past six years.
- Staffing levels have remained unchanged.
- Data suggests that the number of permits that a planner manages in a given year should not exceed 250 per year. Currently, the amount is 338.
- In order to stay within such a ratio, the planning staff should expand by two FTEs, from 7.2 to 9.2. Doing so would allow senior staff to reallocate some of their time towards process improvement efforts that will create new service standards, monitoring practices, and the creation of a better customer experience.
- New staff can be funded through fee increases. The fee increases are designed to better reflect the staff time dedicated to certain permit applications.
- If the proposed fees were adopted, cost recovery for the planning review service could range from 48% to 66% depending on volume. Based on current volume and trends, cost recovery is likely to be higher than 50%

Objective: To improve the working conditions for our staff, create a more efficient process for development review, and enhance the customer experience provided by our planning review service.

Present Situation: Since 2012, planning applications have increased by 50% while staffing levels have remained the same. This has created a significant workload for our staff that is becoming less manageable as trends suggest volumes will not decrease anytime soon. Due to the workload, cases are taking longer to review, with less time dedicated to the review, even as the cases themselves are increasing in complexity. As the data shows below, the increased workload translates to 338 cases (on average) for a staff of 7.2 FTE. Based on analysis of prior year volumes, it appears that the best ratio of cases per planner is in the range of 225-250 per year. So current volumes exceed the ideal workload by 35%.

Total Applications

FY12-13	1,625
FY13-14	2,020
FY14-15	1,851
FY15-16	2,050
FY16-17	2,303
FY17-18	2,438

Total Staffing

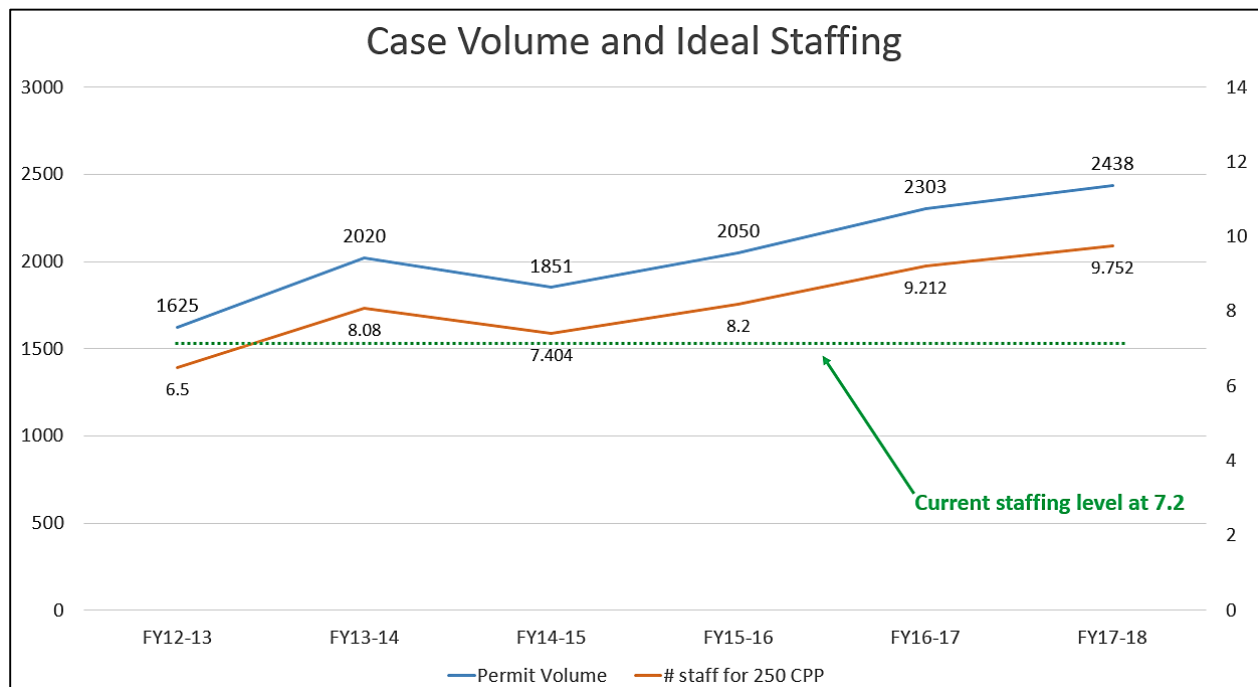
7.2 FTE

1.0 FTE, Carter Quam – Planner II
1.0 FTE, Olivia Glantz – Planner II
1.0 FTE, Pamela Cole – Planner II
1.0 FTE, Brittany Randall – Planner II
1.0 FTE, Aaron Panko – Planner III
1.0 FTE, Kimberli Fitzgerald – Planner III
0.5 FTE, Bryce Bishop – Planner II
0.7 FTE, Lisa Anderson-Ogilvie –
Deputy Director

Cases per Planner

FY12-13	225
FY13-14	280
FY14-15	257
FY15-16	284
FY16-17	319
FY17-18	338

Solution: To improve our process, we must first reduce workload to a more sustainable level of 250 cases per planner. To do so, we must increase our staff. Based on the analysis below, the volume in 2016-17 suggests that the staffing level should have been 9.2 FTEs. Current year projections suggest 9.7 FTEs. We recommend 9.2 FTEs given the known activity of previous years.



To fund this staffing increase, the permit fees for development requests have been analyzed and opportunities exist to raise certain fees so that they better capture the true cost of the review service our staff provides. The table below details the recommended fee increases and also displays the staff hours dedicated, on average, to each permit type.

Effective July 1, 2018			
		NEW	AVG.
<u>Fee Adjustments</u>	<u>FY 17-18</u>	<u>FY 18-19</u>	<u>Staff Time</u>
Processing Fee - moved into base planning fees, no longer a separate charge	\$ 12.50	\$ 25.00	15 min
Pre-Application	\$ 463.00	\$ 600.00	4.9 hrs
Tree Conservation Plan	\$ 438.00	\$ 585.00	4.8 hrs
Tree Variance	\$ 536.00	\$ 690.00	5.7 hrs
Land Use Verification (all)	\$ 43.00	\$ 130.00	1.1 hrs
Property Owner Notification List	\$ 17.00	\$ 45.00	30 min
Subdivision per lot fee	\$ 6.00	\$ 20.00	15 min
Adjustment Class 2	\$ 518.00	\$ 1,035.00	8.5 hrs
Plans Review - Historic Commercial (Major)	\$ 589.00	\$ 1,200.00	9.8 hrs
Plans Review - Historic Public District (Major)	\$ 589.00	\$ 1,200.00	9.8 hrs
Design Review Class 3	\$ 687.00	\$ 1,200.00	9.8 hrs
Site Plan Review (including MultiFamily)			
Site Plan Review - Class 2 and 3 - \$4 to Less Than \$4.5 million	\$ 2,707.00	\$ 2,830.00	23.2 hrs
Site Plan Review - Class 2 and 3 - \$4.5 to Less Than \$5 million		\$ 3,105.00	25.5 hrs
Site Plan Review - Class 2 and 3 - \$5 million and Greater		\$ 3,385.00	27.75 hrs
Site Plan Review - Class 2 and 3 - Multi Family - \$3 - to Less Than \$4 million	\$ 1,635.00	\$ 1,710.00	14 hrs
Site Plan Review - Class 2 and 3 - Multi Family - \$4 to Less Than \$4.5 million		\$ 1,985.00	16.3 hrs
Site Plan Review - Class 2 and 3 - Multi Family - \$4.5 to Less Than \$5 million		\$ 2,265.00	18.5 hrs
Site Plan Review - Class 2 and 3 - Multi Family - \$5 million and Greater		\$ 2,545.00	20.9 hrs
New Fees			
Plan Review - Driveway approach permit - Class 1 and Class 2 (same as PW charges)		\$ 288.00	2.4 hrs
Plan Review - Historic Clearance Review		\$ 130.00	each

Note: formatted cells were revised on June 11, 2018. "Adjustment Class 2" revised from \$1,085 to \$1,035. Plan Review – Historic Clearance Review retitled from original "Historic Properties/District" and the amount is corrected to \$130 each.

Advantages: The ultimate advantage to this action is that it creates the critical mass of staffing necessary to serve this workload while allowing senior staff to recapture the time they need to perform their expected higher-order functions as administrators and designers of the process as a whole. This initial investment of staff will lead to further improvements in the overall business as we regain the bandwidth necessary to complete a process improvement effort.

Disadvantages: The disadvantage of this proposal is primarily found in the cost recovery ratio. In 2014, the City resolved to work towards a 50% cost recovery ratio so that fees didn't increase too quickly or too high and thus create a significant, new cost to applicants. The City's planning review service adhered to 50% or less cost recovery for several years. It should be noted, however, that the 50% threshold will likely be exceeded this year due to the sheer volume of applications. The excess revenue isn't enough to pay for additional staff but it does demonstrate the difficulty the City faces in trying to adhere to this threshold during a very busy development cycle.

In the high-volume scenario, the new fee increases will lead to 66% cost recovery. Staff has presented this to the Homebuilders Association, along with other members of the stakeholder community, and has pledged to embark on improvements to the service so that this higher cost, and higher revenue, is invested in material benefits that enhance their experience of the service. So the disadvantage (e.g. cost

recovery that is higher than the 50% threshold) should be buffeted by positive improvements for customers.

Alternatives: A reasonable alternative to this approach is to develop a third-party review option. Under such an approach, the City would identify a contractor to conduct reviews according to a pre-established hourly labor rate. Such an approach allows the City to maintain staffing levels as-is while also diverting excess workload to another provider. This is a well-known, proven method for handling excess workload. However, the problem today is very acute and developing this alternative will take significant time. We recommend moving forward with the proposal, knowing it will allow us to invest more deeply into a better system, and explore third-party options for future years in the event the volume continues to rise. In other words, this alternative is an excellent practice to pursue in the future as a way to augment our staff once we have built a practice that is as efficient as possible.

Budget Impact: \$192,000 in expenditures for 2 new FTEs (Planner I positions) and \$192,000 in revenue from fee adjustments (based on estimated volume).

Action Requested: Approval of the proposed fee adjustments and new FTEs in the Planning Division.

Next Steps If Approved: We will begin an 18-month process improvement effort that will start with hiring two new Planner I staff members and will lead to process improvement workshops with clients and staff that culminate in new service standards by December 2019.