

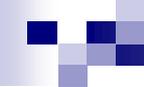
Full Cost Allocation Plan, Comprehensive Fee Study and Performance Metrics

August 2020



City of Venice Project Charter

- Retained a vendor via competitive bid
- Scope was to determine the cost of building permit and planning fees, assess how prices compared to peers, and develop a cost allocation document to show how central administrative support costs benefit the fee services
- Involved extensive interviews, development and review of drafts, and discussion of policy options



City of Venice

User Fees Overview

- Objective was to calculate the full costs of providing services and compare to the revenues received for these services.
- The legal standard is generally “no profit.” May charge less than cost if taxes are used to make up the difference.
- The study involved review of financial reports, extensive conversations about how staff does the work, and development and review of detailed cost models.

Summary of Findings

Fee type	Current Revenue	Actual Cost	Excess (shortfall)
Planning	\$137,459	\$303,515	(\$166,056)
Building	3,000,000	2,778,958	221,042
Total	\$3,137,459	\$3,082,473	\$54,986

Policy Issues

- Pricing at cost is efficient. People can have what they want if they pay for it. If prices are below cost, it amounts to charging someone else for part of a permit. If prices exceed costs, one makes an unintended profit.
- Setting prices based on the findings of this study would mean that some prices would go up and others would go down.
- "Does it make sense to change prices during a recession?"
 - Industry data reports that building permit fees are approximately 1.7 percent of total construction cost. While increasing fees is not popular, it does not seem that it would change the incentive to build.

Policy Issues continued

- Currently, the building permit fund balance exceeds the amount permitted by a new 2019 Florida statute. Refunds are impractical, so local governments in this situation have said they will discount prices until the fund balance is within the allowable limit.
 - This requires periodic monitoring.
 - Once the fund balance is at an allowable level, there should be no further discounting.
- You may increase prices annually based on the CPI or on the percentage change in appropriation. Every four or five years, it is usually worth refreshing the study because of the changes in underlying facts.