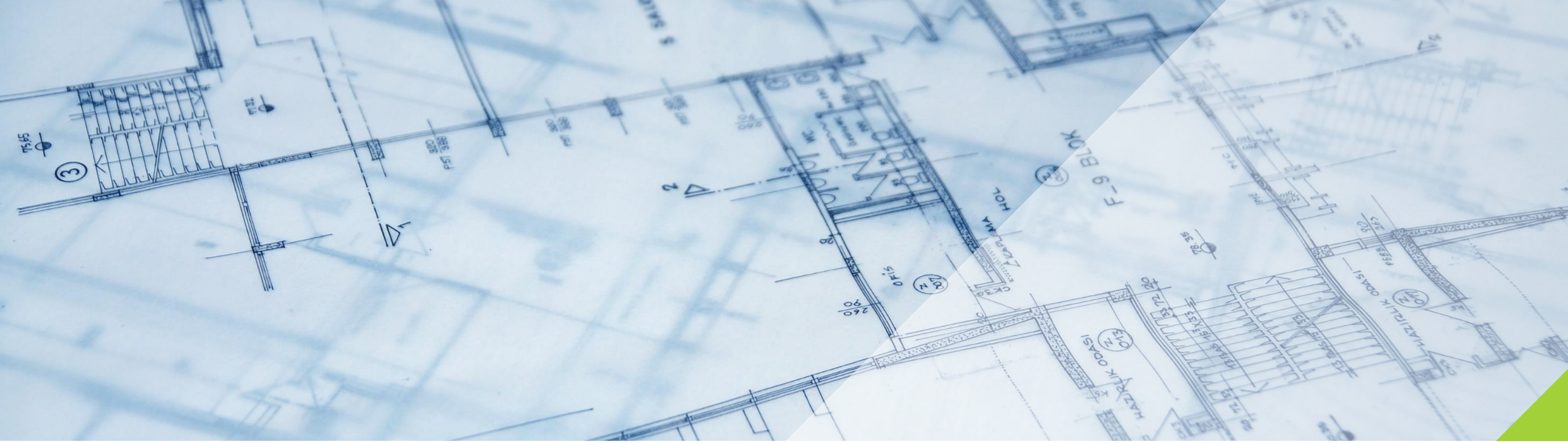


Department of Sustainable Development

Cost of Service Analysis & Fee Study

City Commission Presentation

BerryDunn

August 5, 2026

Cost of Service Analysis

Identifying and analyzing the Department's full cost to provide planning and building permitting and inspection services

PAST	PRESENT	FUTURE
Review, analyze, and discuss the fiscal environment and service delivery objectives FY 2023 – FY 2025	Review, analyze, and discuss the fiscal environment and service delivery objectives in FY 2026 and identify challenges and opportunities	Develop fiscal scenarios related to service delivery objectives FY 2027 – FY 2028, and beyond. Develop cost recovery scenarios to help achieve objectives.

Full Cost Modeling and Analysis

All Services (demonstrating full cost): FY 2023 – FY 2028 (proj.)

4
Core Service Areas

Planning & Zoning

FY 23-25
68.8% Cost Recovery

FY 26-28
110.6% Cost Recovery

9
Core Service Areas

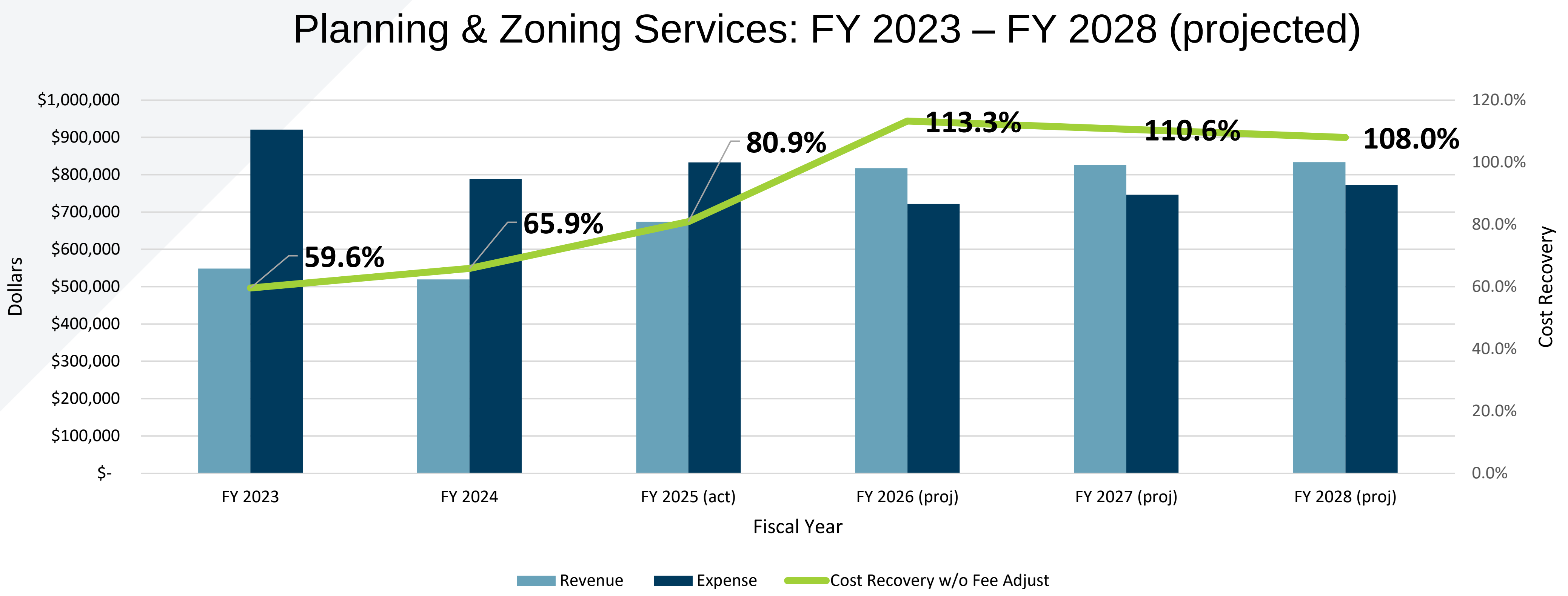
Building Permitting & Inspection

FY 23-25
178.9% Cost Recovery

FY 26-28
92.5% Cost Recovery

Admin / Indirect

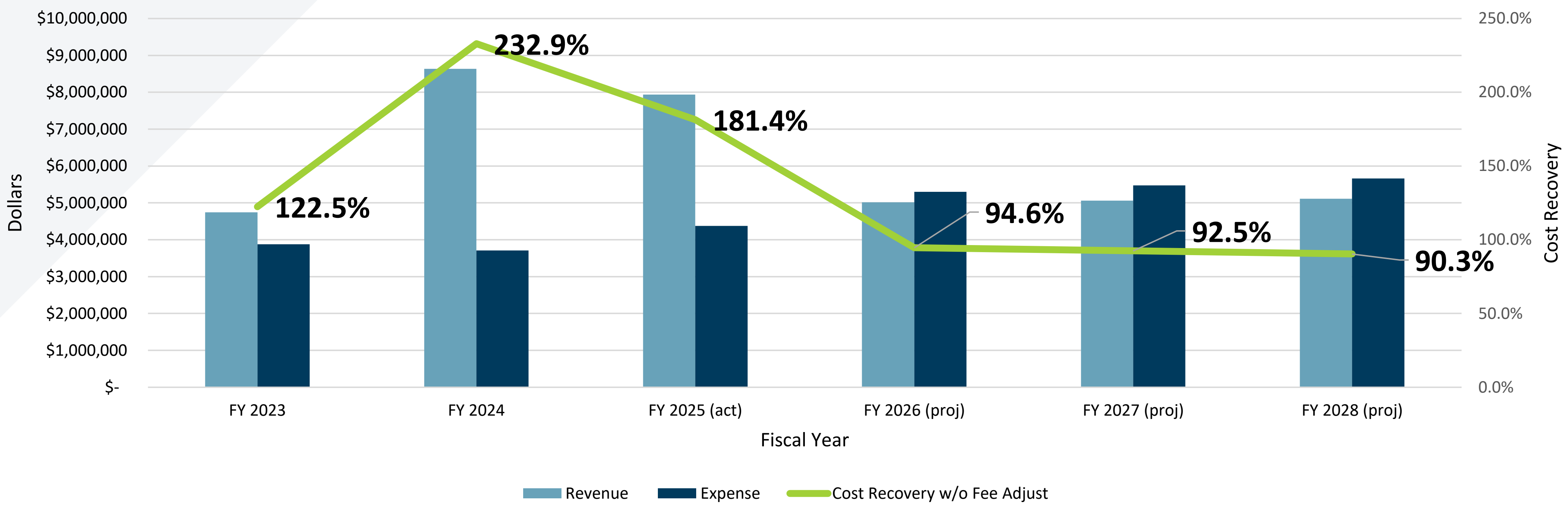
Summary of Findings



- Average Revenue FY 23 - 25: $580,810
- Average Revenue FY 26 - 28: $825,701 **(+42.2%)**
- Average Expense FY 23 - 25: $847,459
- Average Expense FY 26 - 28: $746,840 **(-11.9%)**

Summary of Findings

Building Permitting & Inspection Services: FY 2023 – FY 2028 (projected)



- Average Revenue FY 23 - 25: $7,106,987
- Average Revenue FY 26 - 28: $5,064,142 **(-28.7%)**
- Average Expense FY 23 - 25: $3,986,541
- Average Expense FY 26 - 28: $5,479,712 **(+37.5%)**

Considerations for Building Permit Fee Discounts

Primary purpose of fees:

- Building permit fees are intended to recover the **reasonable cost of providing services**.

Fund balance exceedance: If the fund balance exceeds State-defined limits, the City is typically expected to:

- Adjust **fees downward**, implement other mechanisms (e.g., revenue deferral), and/or fund eligible expenditures **(e.g., technology upgrades, staffing/training, service improvements).**

Timeline: Fee discounts should be considered as a **temporary corrective action (12 -24 months)** to realign revenues with costs—not a permanent structural change unless underlying costs have declined.

Proposed Considerations and Options

Pilot Program – Temporary Building Permit Fee Discount Strategy (24 Months)

Purpose: Implement a temporary 24-month Building Permit Fee Discount Pilot Program to address unusually high cost recovery levels and bring fee revenues into closer alignment with the actual cost of providing permitting and inspection services.

Duration: The Pilot Program would remain in effect for a defined period of up to 24 months, after which fees would be reevaluated based on updated financial and operational data.

Revenue Monitoring: Track permit activity, revenues, expenditures, and cost recovery performance throughout the Pilot period to evaluate the effectiveness of the fee discount and identify any unintended financial impacts.

Temporary Corrective Action: The fee discount is intended as a short-term corrective measure rather than a permanent structural change and should only be extended if future analysis demonstrates that costs have not increased or that revenues continue to substantially exceed the cost of service.

End-of-Pilot Evaluation: Prior to the expiration of the Pilot Program, complete a financial review to determine whether fees should return to current levels, remain discounted, or be adjusted based on actual costs and adopted cost recovery objectives.

Proposed Considerations and Options

Building Inspection Services Revenue Reduction and Cost Recovery Scenarios

Target: $4,500,000

Scenario	FY 2027 (proj.)	FY 2028 (proj.)	Fee Discount	Estimated Fund Balance Impact	*Estimated Fund Balance Overage*	Estimated Fund Balance Level
Current	92.5%	90.3%	-	**~($900,000)**	***~$5,200,000***	**~$9,700,000**
Least Aggressive	85.5%	82.2%	~(10%)	**~($1,800,000)**	***~$4,300,000***	**~$8,800,000**
Middle (1)	**82.1%**	**78.2%**	**~(15%)**	**~($2,200,000)**	***~$3,900,000***	**~$8,400,000**
Middle (2)	**75.1%**	**70.0%**	**~(25%)**	**~($3,100,000)**	***~$3,000,000***	**~$7,500,000**
Most Aggressive	68.2%	61.9%	~(35)%	**~($3,900,000)**	***~$2,200,000***	**~$6,700,000**

*As defined by State statute: F.S. 553.80(7)(a) limits the amount of unexpended balance that may be carried forward to no more than the average of the operating budget for enforcing the FBC for the previous four fiscal years (excluding reserves). Utilizing this calculation framework the Building Division's estimated fund balance ceiling is ~$4.3M - $4.5M

*Estimated fund balance level does not include additional planned applicable use(s) of funds which may reduce fund balance further. (e.g., upgrade technology hardware and software systems to enhance service delivery.)

Proposed Considerations and Options

Other Considerations for Building Fund Balance Reductions

Implement a Revenue Recognition Deferral Framework:

- The City currently recognizes 100% of permit fee revenue when permit fees are collected, even though many of the required plan review and inspection services associated with those permits have not yet been completed.

- To better align revenues with the timing of service delivery, the City should consider adopting a deferred revenue recognition framework that recognizes permit fee revenues as plan reviews and inspections are completed and the associated performance obligations are satisfied.

- This approach would improve the alignment between revenues and expenditures and help address the excessive fund balance that has developed over time.

- This would require input from the finance department team as well as the likely need of technology solutions from the IT department team.

Proposed Considerations and Options

Alternatives or Complementary Strategies

Consider Eligible Use of Fund Balance:

- Technology improvements
- Process improvements
- Staff training and development

Investments and Service Level Increases might lead to:

- Faster review times
- Customer service enhancements
- Increased inspection availability

Peer Comparisons

Common Building Services Fee Comparisons

Fee Type	Hallandale Beach, FL	Sunny Isles Beach, FL	Miami Beach, FL	Hollywood, FL
New Construction – Residential	**2.0% - 2.5% job value**	2.0% - 2.75% job value	1.0% - 1.7% job value	2.20% job value
New Construction – Commercial	**2.0% - 2.5% job value**	2.0% - 2.75% job value +0.50%	1.0% - 1.9% job value +0.25%	1.65% job value
Additions/Alterations - Residential	**2.0% - 2.5% job value**	2.0% - 2.75% job value	v1.0% - 1.7% job value	0.77% - 5.0% job value
Additions/Alterations - Commercial	**2.0% - 2.5% job value**	2.0% - 2.75% job value +0.50%	1.0% - 1.9% job value +0.25%	0.77% - 5.0% job value
Electrical / Mechanical / Plumbing	**$80+ 2.0% - 2.5% job value**	2.0% - 2.75% job value	1.0% - 1.7% job value	$300 (flat)
Demolition	**2.0% - 2.5% job value**	$125	0.30% job value	$682
Reinspection Fee	**$80**	$75	$114	$75
Technology Fee	**5.0% permit fee**	5.0% permit fee	6.0% permit fee	2.0% permit fee

Summary of Fee Adjustment Scenarios to Consider

Planning and Zoning Services:

- Adopt new application framework fees, but do not adjust any other current fees for services **(Recommended)**
- Do not adopt new application framework or adjust any current fee levels

Building Permitting and Inspection Services:

- Do not adjust any current fee levels, focus on development of a strategic approach to spend fund balance down on authorized purchases / expenditures (*other than technology / education fee and private provider fee)
- Consider implementing a revenue deferral framework.
- Consider a “Pilot Program” for temporary fee discounts for all building permitting services (e.g., 10% - 35% discount) **(Recommended)**

Questions and Discussion

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