

**Planning and Development Services**  
**Financial Policy**  
**January 2021**

## Table of Contents

- I. Background
- II. Purpose
- III. Definitions
- IV. Financial Principles
- V. Policies
  - A. Expenditure Control
  - B. Revenue
    - 1. Cost Recovery
    - 2. Fee Adjustments
    - 3. Dedicated Funds
    - 4. Reserve Fund
    - 5. Non-Permit Fee Revenues
  - C. Performance Monitoring

## **PDS Financial Policy**

### **I. Background**

The Planning & Development Services Department (PDS or the Department) transitioned from a General Fund Department to an Enterprise Fund in 2010. Fees collected since January 1, 2010 have been maintained in Enterprise Fund 4110. The purpose of moving to an Enterprise Fund was to align permit revenues to permit services.

### **II. Purpose**

The purpose of the Planning & Development Services Financial Policy is to provide guidelines and goals that will influence and direct the financial management practice of PDS. A financial policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. An effective financial policy:

- Provides principles and guidelines that minimize costs and reduce risk
- Maintains appropriate financial capacity for present and future needs
- Supports legal compliance and appropriate internal controls.

### **III. Definitions:**

- a. Cost of Service – The cost of providing permit services, including all direct and indirect costs associated with the service.
- b. Cost Recovery – Recovering the costs (both direct and indirect) of providing permit services relative to the fees paid for the service.
- c. Fee Waiver – Where the permit fees do not have to be paid by the applicant and are covered by other revenue sources.
- d. Level of Service – The period of time to provide the permit service, including permit processing and plan review. Generally, an increase in Level of Services causes an increase in the Cost of Service.
- e. Non-Permit Fee Revenues – Revenues from other departments or other organizations.
- f. Targeted Fee Adjustments – Fees being adjusted for Cost Recovery. Adjustments may be phased.

### **IV. Financial Principles**

The following financial principles will guide the management and administration of PDS's permit fees:

- Fees should be regionally competitive while allowing for timely, high-quality service delivery by staff.
- Fee based services are defined as operations related to permit application processing, inspections, plan reviews, preparing documents under the State Environmental Policy Act documents (per RCW 82.02.020).
- Fees may include direct and indirect costs associated with service delivery.
- The funding structure should support the department's operations through economic cycles and fluctuations in workload.
- Fees should be predictable and understandable to the customer.
- The fee system should be efficient and cost-effective to manage.
- A system of monitoring and adjusting fees should be put in place to support and monitor if the fees cover the Cost of Service.

- Cost Recovery adjustments to fees may be phased.
- Fee adjustments should be tied to performance standards for Level of Service.

## **V. Policies**

The following policies are intended to set forth the operating policies for charging fees for Planning & Development Services, and promote responsible fiscal management of the Department's financial operations to the residents of Tacoma and to those who use the Department's services.

The goals of the policies are to:

- Control expenditures related to permit services
- Maintain service levels
- Provide permit services in the most cost-efficient manner possible
- Deliver sustainable services through the modification of permit fees and other revenue adjustments , and
- Provide accountability for acceptable Level of Service standards in the adjustment of fees through the use of performance monitoring.

### **A. Expenditure Control**

As permitted by state law (RCW 82.02.020), permit fees may be used only for processing applications; inspecting and reviewing plans, preparing detailed statements under the SEPA as required by Chapter 43.21C RCW.

Permit services shall be performed in the most cost-efficient manner possible, and process improvements, staff training and other organizational changes may be implemented where possible to improve services and efficiency. Expenditures will be evaluated when revenues do not cover the Cost of Services, and adjustments will be made as needed.

PDS shall prepare its budget in a manner that proposes authorizing additional expenditure and positions when; (1) warranted by increases in demand for services, and (2) revenues exist or are projected to exist to support such additional expenditure. When revenues decline or cannot support current Level of Services, PDS shall propose reductions in expenditures and/or positions commensurate with projected revenues.

### **B. Revenue**

The following principles will be used for collecting revenues for permits and other services:

#### **1. Cost Recovery**

- a. Overall, the goal is full Cost Recovery of all permit-related services, which includes: processing and reviewing applications; inspecting permitted work, and preparing environmental documents as required by Chapter 43.21C RCW..
- b. Costs may include direct and indirect costs.
- c. Permit Fees may be reviewed annually to verify they align with the current Cost of Service. Adjustments may be required for changes in direct or indirect expenses related to permit services, or where changes in the Level of Service for permit services causes a change in the cost of services.

#### **2. Fee Adjustments**

PDS shall collect fees for permits, permit-related services and dedicated fund fees in accordance with the PDS Fee Schedule that is published on the [Tacomapermits.org](http://Tacomapermits.org) website.

The following guidelines will be used for the adjustment of permit fees collected:

- a. Fee adjustments may be made to reflect changes to Level of Service standards.
- b. Permit fees may have phased in adjustments to achieve full Cost Recovery.
- c. Permit fees and other charges may be adjusted using the “Seattle-Tacoma-Bremerton, WA Consumer Price Index (CPI) for All Urban Customers” in January of each year unless Targeted Fee Adjustments are included in the PDS Fee Schedule. The new CPI shall be compared to the previous year CPI (June to June index comparison) and permit fees and charges in the PDS Fee Schedule may be changed by that percentage.
- d. Permit fee adjustments will be rounded up to the nearest ten dollars for fees over \$100 dollars, rounded up to the nearest dollar for fees between \$10 and \$100, and rounded up to the nearest fifty cents for fees under \$10. Fees due at issuance shall be rounded to the nearest dollar.
- e. Revenues, expenditures, and Level of Service needs may be evaluated every year to determine if adjustments may be needed. Fee schedule changes will be made by City Council Resolution.

### **3. Additional Fees**

Additional Fees are used for specific purposes as related to or in support of permitting services, as based on current policy objectives or specific needs of the permitting organization. These fees are established in TMC 2.09. As TMC 2.09 is amended from time to time, it is the intent of PDS to follow the direction as provided by TMC. Currently, the following additional fees and their specific uses are established in TMC Title 2.09 as follows:

- Technology Program: Fees collected shall be used for expenditures related to technology operations, technology that improves customer experience, technology that enhances the speed and timeliness of issuing permits, and/or other technology that support permitting services.
- Emergency Preparedness Program: Fees collected shall be used for expenditures related to emergency preparedness, evaluation of structures, other civil infrastructure and/or other services related to emergency preparedness that support permitting services.
- Natural Resources Program: Fees collected shall be used for expenditures related to evaluation and permitting related to natural resource protection, including but not limited to permitting within designated environmentally critical areas of City.
- Reserve Fund: Providing adequate reserve funds for maintaining permit services during periods of economic fluctuation or other unanticipated needs.

The following shall be used for collection of the additional fees

- The additional fees shall be collected in accordance with the provisions of the PDS Fee Schedule.
- Percentages of fees collected are established below:
  - Technology Program – 5 percent
  - Emergency Preparedness Program – 5 percent
  - Natural Resources Program – 5 percent
  - Reserve Fund - 2 percent

4. **Reserve Fund.**

The Reserve Fund will be collected and used in accordance with the allowed uses in TMC 2.09. Policies for the Reserve Fund shall be as follows:

- a. The Reserve Fund will be initially collected at an amount equal to four months of PDS current annual operating budget. After accumulating the initial balance, the Reserve
-

Fund may continue to accumulate revenues and be maintained at levels over four months of PDS current annual operating budget.

- b. The Reserve Fund is intended to provide financial and operating stability, allowing PDS to maintain permit services during economic downturns or provide funds for other unanticipated needs.
- c. The Reserve Fund will be funded through the 2 percent fee and contributions from revenues when revenues exceed expenses. ,
- d. Withdraws from the Reserve Fund may be used during periods of economic downturns or other unanticipated needs. During periods of economic downturns, withdraws must be used in combination with expenditure decreases and other cost saving measures such that generally no more than one third of the total reserve balance is used in a single year.
- e. Where the Reserve Fund balance has been depleted below an amount equal to or greater than four months of the PDS current annual operating budget, temporary adjustment of fees collected for this fund should be considered in order to accelerate building of the required minimum reserve amount.

#### **5. Non-Permit Fee Revenues**

Non-Permit Fee Revenues may pay for services that cannot be paid with permit fees in accordance with state law (RCW 82.02.020). Non-Permit Fee Revenues, including contributions from the City's General Fund, may be established at the beginning of a biennium and may be evaluated and adjusted as necessary based on new programs, state mandates, and/or regulations added to PDS' responsibilities. Non-Permit Fee Revenues may be used to fund deficits when permit fee revenues do not cover the cost to process the permit; however, it is the intent that fees are fully cost recovered and that the Reserve Fund first be used to manage the enterprise fund through economic cycles.

Based on federal guidance document (OMB A-87) for allocating direct and indirect costs, a Washington State Auditor's report regarding permit and inspection fees (Report No. 1002634, December 29, 2009) and a 2009 lawsuit filed in Clark County regarding restrictions on use of permit fees, PDS has determined that the following services cannot be paid with permit fees:

- a. Code development and implementation of new or revised policies and regulations in the City's Comprehensive Plan and Municipal code, including cross-functional support and coordination across the City departments with various standards and codes.
- b. Code compliance support such as management of complaints related to unpermitted building and development, building code violations and land use community standards violations.
- c. Interdepartmental project support in the form of staff support provided to other departments not related to providing permit services in accordance with RCW 82.02.020
- d. Community service inspections for compliance with City codes and regulations for properties not under permit.
- e. Public disclosure requests including staff time processing such requests.
- f. General inquiries for staff time assisting customers and citizens with general information or preapplication services not associated with a specific permit.

g. Fee Waivers or fee reductions authorized by Tacoma Municipal Code.

**C. Performance Monitoring**

The performance of the permits with targeted fees will be monitored, and revenues, expenditures, and Level of Service will be reported to stakeholders on a periodic basis. Those fee increases being implemented with a phased approach may continue with subsequent phases after the following criteria are evaluated:

1. Performance on agreed Level of Service compared to an established baseline
2. Revenues and expenditures compared with projected values needed for Cost Recovery.
3. Performance improvements associated with process changes implemented for the permit types associated with these fees.