



WASHOE COUNTY COMMUNITY SERVICES DEPARTMENT BUILDING ENTERPRISE FUND ADVISORY COMMITTEE Meeting Minutes

Members:

Jesse Haw, Hawco Properties
David Pearce, LakeCrest Builders
Donald Tatro, BANN
Allyson Wong, GuiDenby
Ben Hutchins, Director, Finance & Customer
Service, Fiscal Affairs
Mojra Hauenstein, Director, Planning & Building

Monday, July 30, 2018
9:00 a.m.

Washoe County Mount Rose Conference Room
2nd Floor, County Administration Complex, Building A
1001 East Ninth Street
Reno, NV

The Washoe County Building Enterprise Fund Advisory Committee met in a scheduled session on Monday, July 30, 2018, in the Washoe County Mount Rose Conference Room, 2nd Floor, County Administration Complex Building A, 1001 East Ninth Street, Reno, Nevada.

1.* DETERMINATION OF QUORUM

Members Present: Jesse Haw
Donald Tatro
Allyson Wong

Members Absent: David Pearce

Staff Present: Mojra Hauenstein, Director, Planning & Building
Ben Hutchins, Director, Finance & Customer Service, Fiscal Affairs
Sophia Cardinal, Sr. Accountant,
Kathy Emerson, Recording Secretary

2.* GENERAL PUBLIC COMMENT (Any person is invited to speak on any item on or off the agenda during this period. Action may not be taken on any matter raised during this public comment period until the matter is specifically listed on an agenda as an action item.)

There was no general public comment.

3. POSSIBLE ACTION TO APPROVE AGENDA

Jesse Haw moved to approve the agenda which was seconded by Donald Tatro and unanimously approved by the members present.

4. BUILDING ENTERPRISE FUND ADVISORY COMMITTEE ITEMS

A. *Introductions of Members

Committee members and County staff introduced themselves and shared some of their backgrounds.

B. *Update on Washoe County Building Division Annual Statistics– Mojra Hauenstein, Division Director of Planning & Building

Mojra Hauenstein went over the Accela report – “Activity Summary Totals Report”. She went over the totals on page 4 of 4. The number of permits represents issued permits, the number of applied permits is closer to 4,600. In 2016, there were 3,600 issued permits in the same period of time. The numbers are going up. There was no slow-down in the winter. Don Tatro asked if there was one certain area that was increasing or was it increasing in everything? Ms. Hauenstein answered that from what she has noticed, there is an increase in everything. Washoe County typically is residential, in the last two years, commercial has increased roughly 30%. Jesse Haw asked if this was commercial or commercial and industrial? Ms. Hauenstein replied it is big logistic centers – non-residential. She is waiting for numbers from 2018 so she can analyze the numbers and look for trends.

Mr. Tatro said their reports show 950 total single family permits for Reno, Sparks, and Washoe County from January 2018 – May 2018. Last year ended with 2,133 permits for single family. For the first time since they have tracked multi-family permits, last year was the first year he has seen more multi-family than single family. Usually it's about 20% of the single family numbers, last year it was 130%.

C. *Washoe County Building Division of the Community Services Department – Financial Status– Ben Hutchins, Division Director of Finance and Customer Service will provide information on the Building Enterprise Fund including Budget Year 2018 for discussion

Ben Hutchins went over the financial report. He stated that FY16 and 17 are final audited numbers; however, FY18 numbers are only a draft and it will be a couple of months before they have final audited numbers for FY18. Some of the balance sheet numbers in FY18 are the same as FY17 because the FY18 numbers are still a draft and they won't change until year-end accrual adjustments have been made. The Comptroller's office makes most of the accruals for this fund; however, the Community Services Department (CSD) is responsible for estimating the liabilities associated with permits that are still open with services still pending. Year-end cash of \$3.8 million should stay the same for the final financial statements. The FY18 cash balance is an increase from FY17 of \$700,000. The revenue number needs to be adjusted for the accrual related to the changes in unearned revenue liabilities, but this will not affect cash in the bank. There was also an accounts receivable in 2017 for almost a quarter of a million dollars which was revenue booked as a receivable received after the year end for Apple and a couple of other big projects.

Looking at the assets, the Construction in Progress (CIP) for \$13,684 has to do with refurbishing the customer service area to provide a better level of service for customers.

The \$71,000 for Equipment is fully depreciated. The main portion of fixed assets is the quarter of a million dollars for software, which is the Accela program. Don Tatro asked if

the Accela fees are recurring or a one time charge. Ms. Hauenstein answered that most of it is a one time charge to get Accela up and running, but there's also an annual subscription charge.

Mr. Hutchins stated that in the Current Liability section (as noted earlier) some of the numbers are the same as the prior year. These will change once the accruals for FY18 take place. Unearned Revenue represents an estimate of the cash on hand collected for permits related to services yet to be performed. To adjust these numbers from FY17 the County is waiting on an "open permits" report from Technology Services.

Noncurrent Liabilities/Unearned Revenues is the long term portion (more than one year) of estimated services yet to be performed.

To estimate the unearned revenue figures, the County used data from Permits Plus that went back 28 years to evaluate trends. The per-permit median number of days was used to estimate how long it takes to perform services, from start to finish, for each individual type of permit in order to estimate earned revenue. This approach could not be used with the new Accela data since permit types were modified. As such, overall percentages from past years were used as estimates since they were very comparable from year to year. It's believed these estimates are reasonable and this approach has been tested and accepted by the auditors. Other long term liabilities (\$2.2 million) have to do with Other Post-Employment Benefits (OPEB) and pension liabilities. The Comptroller's office calculates these liabilities. Mr. Tatro asked whether the increase from FY16 to FY17 was due to increase in staff? Mr. Hutchins said it was solely an increase in the estimated liability for post-employment benefits. Mr. Haw asked if this number is in line with the rest of the County? Mr. Hutchins replied yes, and it's broken down by fund. The deferred outflow and inflow numbers also come from the Comptroller's office. Currently the total net position of the draft financial statements is three quarters of a million dollars.

The Schedule of Revenues, Expenses and Changes in Net Position outlines financial transactions that occurred during the year. Operating revenues in the draft financial statements haven't gone up much from FY17 and operating expenses went up similarly to revenues. These numbers will change (higher or lower) after the accruals are made. Mr. Hutchins expects the revenues to go down because he expects the liability to be higher on the report; however, until the estimated liability is determined it's unknown whether revenues will increase or decrease.

Mr. Haw asked how many people worked in the department in FY16 vs. FY18? Ms. Hauenstein answered that there are three fewer employees now. Mr. Haw pointed out that the benefits doubled. Sophia Cardinal said that there was an adjustment in 2016. She will have to confirm but she thinks the County ate some of the insurance costs in 2016 because they had promised it would be a number but it came in higher. She thinks FY16 is the anomaly and FY 17 and 18 are more accurate. Ms. Cardinal said she would confirm and let the committee know.

Mr. Tatro asked about the limits of the use of this fund. Mr. Hutchins responded that it's solely for Building and Safety functions and since it's an enterprise fund permit revenues can't be used for general fund activities. Ms. Hauenstein added that equipment and supplies have to have that nexus of use. Mr. Hutchins talked about the remodel. The first phase will be on the Building and Safety staff side of the hallway and the second phase will be on the other side of the hallway. The Building and Safety fund will partially

pay for the second phase since the building permit process also benefits from the rest of the remodel (engineering support, etc.).

Mr. Tatro asked how the fund fared in the recession – what was the beginning balance. Maybe show the trend from 2008 to 2013.

Mr. Haw asked if the County has to keep a certain percentage on hand for a “rainy day”. Mr. Hutchins replied that there’s a little confusion surrounding that when it comes to Nevada Revised Statutes (NRS). Right now the County appears to be over the cash reserve limit since NRS reserve guidelines for permits are based on current assets minus current liabilities and can’t be higher than 50%. However, the County is relying on a legal opinion from the State that indicates this specific provision is only applicable if there’s a plan to increase fees, not as a provision to comply with on a year to year basis. Ms. Hauenstein said that based on this interpretation from the State Department of Taxation it’s believed the County is in compliance since they are not currently proposing to increase fees. Mr. Hutchins stated that if this provision were required to be complied with each year, with a two year compliance timeframe, it would be very challenging since the County has no control over when development picks up and when cash comes in. Also, when cash is on hand from an increase in development there’s a lag until services can be performed so the 50% compliance figure is somewhat arbitrary and it makes more sense, as opined by the State Department of Taxation, to consider the 50% reserve figure primarily when increasing fees. Ms. Hauenstein said she would provide the pertinent NRS section and the opinion from the State.

Mr. Hutchins confirmed that they will send the committee a report on the recession trends and an explanation of the employee benefits from FY16 to FY17. Ms. Cardinal asked whether the committee would like the Schedule of Revenues, Expenses and Changes in Net Position, the Statement of Net Position, or both. It was determined they would like both.

D. *Update on Washoe County Fiscal Study Relating to Development Fees – Mojra Hauenstein, Division Director of Planning & Building and Ben Hutchins, Division Director of Finance and Customer Service

Mr. Hutchins said last fiscal year the County Commission instructed the County to evaluate all fees. Phase I is to review development-related fees. Phase II is a review of many other County fees from various departments. Development fees under review include all Planning fees, Building fees, Engineering fees and map check fees.

For Planning, they are looking at the Master Fee Sheet.

For Building the current fee structure is based on the cost of construction; however, before starting the study they evaluated various options and developed the following objectives:

- Have the ability to track and enforce performance accountability.
- Fees should be:
 - equitable and based on what it costs the County to provide the service,
 - easy to understand and easy to calculate,
 - accurate and sufficient to fund the future costs of service,
 - easy to implement,
 - justifiable to customers, and

- o compatible with Accela software.

Some of the fees might go up and some might go down. They want as many flat fees as possible. They hired an outside consultant to help meet these objectives and picked a financial model they felt would accomplish these goals.

The current fee schedule in Code is 17 pages and is time consuming for the building techs and developers to calculate fees. The draft of what they are proposing to date is only four pages.

Ms. Hauenstein said it currently takes 45 minutes for the permit tech to enter a simple permit into Accela. She referred to Appendix A of Item 4D. Looking at page 2, in order to simplify fees the nine types of constructions currently used to calculate fees have been reduced to only two types, "wood" and "non-wood". The occupancy groups are on the left. They have looked at historical permit data and the typical permits that come in and have created ranges in construction size. Fees would still be calculated using square footage; however, it would be based on the estimated number of hours and related cost to provide the service such as administration, inspection, plan review, overhead, etc. Mr. Hutchins said the current proposal is to set fees using a flat amount per each size range and category type (wood and non-wood) with adjustments based on the square footage within a size range and category type. They plan to use existing historical demand data to enter into the model to determine the reasonableness of proposed fees to make sure estimated revenues would be sufficient to cover the cost of service. The new model allows them to install some performance and accountability. Per Table 2 on page 3 there would be some hourly fees and the most simple fee structure would be flat fees for some services. The fee structures of two types of permits they may not be able to change are Tenant Improvements and Site Improvements. The current thought is to leave these as "custom" fees. Another option that's being considered (Table 3, page 4) is a flat fee structure that would set fees for both Minor and Major categories depending on how many plan reviews, building components, trades and associated elements are required.

Ms. Hauenstein said it's likely that some fees would go up and some would go down and the fee development process would be transparent. Mr. Hutchins said there would be a way to track the time spent on plan checking once they go to digital review. This way there would be a way to track the amount of time spent checking each plan compared to the number of hours used in developing fees which staff could use as a benchmark (a time budget for efficiencies).

He also clarified that some of the historical demand data would need to be estimated because they are not able to pull some of the data from Permits Plus in the format needed due to the new fee structure. It is encouraged that the committee reviews estimates of the time it takes to provide services (if interested) to make sure they feel the estimates are reasonable.

Ms. Hauenstein asked when the draft fees would be available from the consultant. Mr. Hutchins replied that he is waiting for a demand data report from Tech Services and until this data is received things are on hold.

Mr. Haw said he likes the new fee structure and it seems fair. Developers have no problem paying for what something costs and predictability and simplicity is important and will help save them and their customers' time.

E. ***Update on Building Division:** Including staffing, Plan Review, new Inspection App and upcoming remodel

Ms. Hauenstein said there have been some changes to staffing. They had three permit techs for a long time and one of them graduated to inspector. They recently hired two more permit techs. They are hoping with four techs they will be able to process the permits faster. They had five plans examiners. Two retired and one is retiring soon. They are currently outsourcing some plan reviews to WC3 and are turning plans around in approximately 10 days. They were at a backlog of 30-40 days. Allyson Wong asked if they are doing some quality control and seeing what comments WC3 has? Ms. Hauenstein said yes, the plans examiners are all very strong structurally, however, mechanical, electrical, plumbing, energy is important. They will see more well-rounded comments. Ms. Cardinal asked if they are planning on hiring any more plans examiners? Ms. Hauenstein answered no, they will continue with the outsourcing. She also likes the competition.

In about a week, Building is launching an inspection app that is similar to the one the City of Reno is using. It's not the same one but it has the same environment. You can schedule multiple inspections, cancel, and get a history of permits much easier than calling on the phone. Don Tatro said he has heard great feedback on this from Reno. Ms. Hauenstein said they are going to turn off the phone in November. Mr. Tatro asked if he could get this digitally so he can send it to building council and others. Ms. Hauenstein said she will send it to him.

5. POSSIBLE ACTION TO ELECT A CHAIR AND VICE CHAIR

The term for chair and vice chair is one year.

Jesse Haw nominated Donald Tatro for Chair which was unanimously approved by the members present. Donald Tatro nominated David Pearce for Vice Chair, which was unanimously approved by the members present.

6.* MEMBER ITEMS AND NEXT AGENDA ITEMS - This item is limited to announcements by committee members and topics/issues posed for future agendas.

It was noted that there were requests for information and suggested items for the next agenda which were discussed in the previous items.

7.* GENERAL PUBLIC COMMENT

There was no general public comment.

8. ADJOURNMENT

The meeting adjourned at 10:05 a.m.

Submitted by: Kathy Emerson
Kathy Emerson, Recording Secretary

Approved in Session August 13, 2019


Don Tatro, Chair