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

Tuesday, August 13, 2019
2:30 p.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 Tuesday, August 13, 2019, 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
David Pearce
Donald Tatro
Allyson Wong

Staff Present: Mojra Hauenstein, Director, Planning & Building
Ben Hutchins, Director, Finance & Customer Service, Fiscal Affairs
Susan Dees, Fiscal Compliance Officer
Sophia Cardinal, Sr. Accountant
Katy Stark, 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 JULY 30, 2018, DRAFT MINUTES

Jesse Haw moved to approve the July 30, 2018, Draft Minutes of the Building Enterprise Fund Advisory Committee as written. David Pearce seconded the motion, which was unanimously approved by the members present.

4. POSSIBLE ACTION TO APPROVE AGENDA

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

Donald Tatro arrived at the meeting.

5. BUILDING ENTERPRISE FUND ADVISORY COMMITTEE ITEMS

A. ***Introduction 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 Activity Summary Totals Reports for applied and issued permits. We run both reports, because there is always a discrepancy. We want that discrepancy between what is applied for and what is issued to be as small as possible. That means we're on track and issuing things. However, there are always some that are a little more complicated, or the drawings have multiple rounds of corrections, and that is usually the reason why there is a difference. If you go to the very last page of both reports, you can see the difference. The issued is 4,168 permits, and the applied is 4,524, so there is about a 300 difference, which is within the normal range. The big difference we found is the volume, which is about 200 permits compared to last year. However, what is really out of whack in a good way is the total valuation, which is a lot more than last year…almost 50 percent more than last year. Even though the volume is not as high, or extraordinarily higher than last year, the projects we are getting are a higher valuation. The valuations are much higher than last year. The fees are higher because they are based on valuation. There have been bigger commercial projects, which are usually in the cities rather than in the County. Residential is strong: 571 new single-family residences. The valuation process in terms of the tables has not changed since 2007. The cost of construction has gone up, but the way we calculate fees has not changed. We separate Incline/Crystal Bay from the valley. The change from the previous year was 478 new single-family residences to 571 this year. We charge fees for permits for government projects and schools. Through the Enterprise Fund, the way the code is written, there are no breaks even for nonprofits or for our own permits. Everyone pays and everyone is treated the same.

C. ***Update on Washoe County Building & Safety Enterprise Fund** – Ben Hutchins, Division Director of Finance and Customer Service

Ben Hutchins went over the financial report. He said they were trying to get the most recent numbers possible, because these were draft financials, because all of the approvals had not yet taken place. The numbers are not final. There is at least one more large accrual we have to make. The fees information that Mojra had sent out with the schedule for the permit report from Accela; you can't tie these fee numbers to this report, because the report is only for the plan check and permit fees. The other includes all fees.

As far as the Building and Safety fund, if you look at the front page, the assets are looking good. Mr. Hutchins included two prior years for comparison. The numbers for fiscal years 2017 and 2018 are final audited numbers. The draft for fiscal year 2019 shows where we are today, with one big change still to come. The cash as of the end of the year ($4.76 million) was a sizeable increase from the prior years…almost a million-dollar increase. A lot of that has to do with some of the things Mojra had discussed earlier. It's a good year for builders and a good year for the fund in the sense that some of those big projects, such as the school, had some very large dollar ticket items that came in, and of course services have to be provided from that. The cash balance did go up. The assets outside of the current assets from cash basically not much of a change there. If you look at the liabilities section, the deferred inflows and outflows are calculated by the Comptroller's Office and the same as last year. Mr. Hutchins does not know the specifics on how they are calculated; it is based on actuarial determinations. If you look at the total current liabilities, it looks like it is very comparable to the prior year. The number that will change is the unearned revenue. That unearned revenue number is the same as the prior year, because we have not calculated that number yet. That number represents the amount of revenue that we've received that has not had services performed yet. Basically, it's cash received, but not earned. This is an estimate that you can see that went down by $400,000 from 2017. We don't know if that number is going to go up or down from there. We recently got a report from Technology Services that represent open permits, we look at the open permits to see which ones are still open and have work to be done and then we estimate how much effort, based on historical trends, will be needed to accommodate them. Therefore, this number will change but, by how much, we still don't know. The change in this number will also change the amount on the income statement. In the non-current liabilities, the big enchilada is the "Other Long-Term Liabilities" in 2017, that amount was $2.2 million, in 2018 it was $4 million, and it is about the same for 2019, which should be the final number. The reason for this significant increase is because of the change in GAAP (General Accepted Accounting Principles), where the Comptroller's office has to implement a certain requirement to calculate "other post employee benefits" for the first time in fiscal year 2018. This didn't change much in the fund mostly in the accounting standards. Mr. Hutchins also had the members note that net position had to be restated from July 1, 2017, because of the change in the accounting principles, this is what makes up the $2 million difference. Basically, the $2 million jump had to do with the change in the accounting principles that didn't change much else as far as liabilities. Aside from the income statement the primary number that will change is the charges for services under building permits, as of now it is $3.77 million. As we change the liability the $3.77 million will change, it could go up or down depends on the what the calculated unearned revenue is on the liability on the open permits report. Nevertheless, the amount will change. Donald Tatro comments that the shift in the TRPA number seems to significantly be going down from 17 to 18. Mojra answers that the MOU was suspended in December of 2018 with TRPA because we adopted international codes experts, and we don't adopt TRPA codes. So, we gave TRPA back their review since they are the experts, it was the better decision as far as customer service. However, MOU is not cancelled just frozen in time. Jesse Haw had two questions regarding who owes the enterprise fund interest, and what is the interest receivable? Ben Hutchins explains those are interest that's receivable to the cash that's on hand that has not been received yet. Sophia had more of that information and how it's calculated, seeing as it's a Comptroller thing. However, it has nothing to do with making loans to people, it's for the funds that are being held. Sophia further explains that the County has one big cash pot that earns interest income. Those numbers show how at this point in time, we hadn't received all that was due to us. It's basically Building and Safety's cash balance which is $4.7 million out of the whole County's cash balance. Jesse Haw goes on to mention the County's mix of securities to which Ben Hutchins replied there are a few. However, year to year even when the economy is good the return on investments are never high because the County must follow NRS guidelines limiting the investment opportunities for building to be secure and

low risk. Ben Hutchins then turns to an agenda item that was questioned at the previous meeting which was, what can the enterprise fund actually use the money for?
Simply put, enterprise funds can only be used collectively within the enterprise fund for purposes to build out under code and law. This fund is like a private business where the money can only be used for specific purposes. The purposes we can use it for under NRS "is for direct and indirect costs of the program, for the issuance of barricade permits, encroachment and building permits, costs of checking plans, issuing permits inspecting buildings, and administrating the program..." Overall NRS and County code clearly outline what the fund of the enterprise can be used for.

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

For the second item on the agenda Mojra Hauenstein and Ben Hutchins alternated leading the discussion on changing fees. While there has been some progress there has not been enough of it. The fees should be calculated more so on the basis on performance. This would be contrary to the standard nationwide method of calculating fees which involves plugging numbers into tables. This method does not always reflect the true cost of doing business. The hours required to review one building plan isn't standard like the pricing for it. What is being proposed and what will be brought to the board is a simplified version of the current fees, which no one can calculate. It will be a more linear approach. What is known from the database and having looked at the history, when we do business with a certain type of building there's no difference between 2,000 sq ft. and 3,000 sq ft. or 5,000 sq ft. It doesn't differ in terms of the cost to our resources. We've spoken to some of our developers individually and they welcome the change simply because it's predictable and it's not an evaluation-based plug-in. We want to innovate and be performance-based in what we do versus the traditional "old" way of doing things. It would be like a menu, more flexible and allow people the chance to figure out the pricing on their own. Then, the public could come in ready to pay their fees and we save staff time and keep down their volume of work. Ben Hutchins then went into more detail on the struggles of extracting data to be able to prove how the building types are reviewed and what types of building resources are related to each one seeing as we have different occupancy and construction groups. Ben Hutchins explained that before starting the fee review project he had a meeting with Mojra and instead of saying let's update our fees they asked themselves "what is it that we are trying to accomplish". At the end of the day, we are trying to serve the community and our customers, the developers, so we ask ourselves how can we make it easier for you, and the County? How can we ensure we make sufficient revenue to provide our services but keep it efficient for our staff? The new fee schedule expedites the process for the developers and makes it better for everybody. Our current fee structure is 17 pages and complex; we want to go from 17 to 3 pages and this new flexible and transparent fee schedule would do that. We've been getting closer to collecting the demand data that is needed to accurately create the pricing to make the revenue that is needed. Any tables, papers or material would be provided to the members of this board upon request, offering complete transparency. Some of the challenges are not only extracting data on permits but we're also reconciling it with SAP which is the financial side. For example, if we looked at our permit database and saw a certain number of dwellings for a year but didn't price them accurately then we miscalculated and now won't have enough to generate revenue needed. Overall, we think it's going to be better for all users involved. Jesse Haw asked if enough data has been pulled to accurately price services, so money doesn't run out, to which Ben Hutchins replied, it's hard to say because every part of the study is based on estimates. But, if the members would like to look at the estimates and ask why certain figures are what they are, then planners and engineers will be asked to review their estimates again to address any questions. Jesse Haw comments that he thinks that the new system would be great, but asked, “would there be any winners or losers?” For example, “would certain fees really hurt certain people in the building process but benefit another. Who’s going to be complaining?” Mojra Hauenstein responded, we think commercial is subsidizing residential, that’s what we’re seeing. The commercial fees are humongous. The residential fees sometimes don’t cover themselves when you look at the entire breakdown. David Pearce joined the conversation with the question, “how do you analyze the time with the building inspectors and have the inspectors been asked on how their time is spent on owner-builder projects? Mojra Hauenstein responded that a previous inspector with the department helped with a lot of the estimates and informed them that owner-builder projects take much more time. David Pearce stated the reason he brings this up is because a new fee schedule was brought up with the Enterprise board about eight years ago and a study was conducted and it was found how many failed inspections there were, and it was determined that the cost for the building department to do business with builders was as much as 25-35% higher than a general contractor. It’s a difficult thing to raise fees from builders but if there is proof to support the number of failed inspections then it seems reasonable to collect for the time it costs to do business with an owner-builder. Mojra Hauenstein stated that is a topic that will be brought to the board. David Pearce asked the board if they believe there should be a higher fee for inspection for owner-builders. Mojra Hauenstein had the members consider before they answered that currently there is a cap. If an inspection is failed the first time, an inspector will go out one more time but any visit after that will have to be paid for. That is how the current code is written. Jesse Haw joined the conversation mentioning that he is excited to see this perspective new fee schedule with possible discounts for those who pass the inspection the first time then continues with a question about the total fees and if they just include building. The total fees include the building permit, planning review, RIFF, and park taxes with a separate technology fee being separate. Ben Hutchins added that once those fees are set it will be much easier in the future and if needed to adjust the fees using the trends and data that will be available. There will also be an automatic adjustment in fees based on the market each year.

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

For the third item Mojra Hauenstein provided the blue organization chart. The 39 staff members make up planning and building. The Planning Manager is Chad Giesinger, who heads code enforcing, water management, and CAB’s from the general fund. Trevor Lloyd manages the Sr. Planners and Planners also general fund. In Building and Safety, the Permit Services Coordinator is currently being recruited for. Senior Permit Technician is Kory Paholke under him are the Permit Technicians, Sarah, Elizabeth and there is an open vacancy, as well as a vacant temp position. Next, the Building Inspector Supervisor, which is also being recruited for. Recruiting for this position has been going on since May, consequently, marketing for this position has been expanded. Currently there are five new inspectors requiring some direction so, the Supervisor role is critical. For the Plans Examiners the Supervisor is Dan Holly who manages Sam, Jack and Bert. There are also two vacant examiner positions, and another has been opened. There were times last summer where the demand was not being met. Wayne Handrock was hired to be the county surveyor.
One of the members asked if moving to online plan review and online signature is possible to which Mojra Hauenstein answered that process is currently in the pilot stage.

6. POSSIBLE ACTION TO ELECT A CHAIR AND VICE CHAIR

The term for chair and vice chair is one year.

Allyson Wong nominated Donald Tatro for Chair which was unanimously approved by the members present. David Pearce was nominated for Vice Chair, which was unanimously approved by the members present.
One of the members asked if there is a deadline on the fee structure to which Ben Hutchins replied there is not. The previous challenge of collecting data postponed the study but now that enough data has been gathered, it can be presented to the consultant and the necessary parties thereafter. Six months is a reasonable timeframe however it depends on the availability of the consultant. However, Mojra Hauenstein and Ben Hutchins will push for a quicker response

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

The fee study will be an item on the next agenda, members presented no other items.

8.* **GENERAL PUBLIC COMMENT**

Jim Nadu with the Reno-Sparks Association of Realtors presented himself and informed the board that he was present to track numbers in Washoe County.

9. ADJOURNMENT

The meeting adjourned at 3:45 p.m.

Submitted by: ___________________________
Adriana Albarran, Recording Secretary

Approved in Session **March 07, 2022**

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Donald Tatro, Chair