



MEMORANDUM

TO: Deschutes County Board of Commissioners

FROM: Peter Gutowsky, AICP, Director
Sherri Pinner, Senior Management Analyst

DATE: March 27, 2024

SUBJECT: FY 25 / Budget Direction / Options for Fee Increases

I. DIRECTION

The Community Development Department (CDD) seeks direction from the Board of County Commissioners (Board) as it pertains to its budget proposal for FY 2025. Three options are presented for consideration (Attachment). Each one requires reserve funds throughout the five-year budget projection. While CDD's budget is not vulnerable immediately, it is quite possible in the next five years that the department's reserve funds, especially Fund 300, will not cover revenue deficiencies.¹ The Board should begin thinking about future service levels it wants CDD to provide for the community, especially if reserve funds diminish significantly. If the expectation is to maintain current levels of service, higher fee increases and/or general fund contributions may be necessary.²

II. BACKGROUND AND CURRENT BUDGET TRENDS

CDD facilitates orderly growth and development in the Deschutes County community through coordinated programs of Land Use Planning, Onsite Wastewater, Building Safety, Code Enforcement, education, and service to the public. The department is funded primarily through development fees. For the current fiscal year, the department is experiencing permitting volume decreases of 1% to 30%, with revenue projected to be \$2.3M less than anticipated. CDD is maintaining its level of service albeit with layoffs, reduced

¹ Fund 300 provides reserves for Administration, Coordinated Services, Planning, Code Enforcement and the Onsite Wastewater Divisions. Funds 301 and 302 provide reserves for Building Safety and Electrical Programs.

² CDD operates under a departmental reserve fund policy stating reserve funds should maintain a target balance of twelve months operating expenditures with a lower limit of ten months and an upper limit of eighteen months. Fund 300 does not meet the lower limit of ten months operating reserves therefore CDD recommends Fund 300 maintain a minimum balance \$1.5M.

lobbying hours and fewer staff.³ Unlike year's past, permit volumes are no longer compensating for modest fee increases. Going forward, cost of living increases in Central Oregon, inflation, and interest rate hikes may temper higher permit volumes that Deschutes County experienced (excluding the Great Recession) from 2000 to 2021.⁴

III. BALANCED BUDGET OPTIONS

Three options are presented for the Board's consideration (Attachment). For all of them, budgeted expenditures are an estimated \$1.4M more than base budget revenues.

- **Option 1** – Fee increases generate \$1.08M with reserve funds transferring in \$104K. Estimated reserve balances are:
 - Fund 300, 5.1 months
 - Fund 301, 23.5 months
 - Fund 302, 8.8 months

The cost of a dwelling permit for a 2,700 and 4,000 square foot home in the rural county increases approximately 13.6%, from \$8,996 to \$10,220 and \$13,986 to \$15,882, respectively.

On July 1, Fund 300 balance will be an estimated \$2.25M. Based on Option 1, the five-year budget forecast projects a need for \$889K or 39.5%, leaving a balance at the end of FY 2029 of \$1.68M, including interest earned.

- **Option 2** – Fee increases generate \$929K with reserve funds transferring in \$244K. Estimated reserve balances are:
 - Fund 300, 4.9 months
 - Fund 301, 23.5 months
 - Fund 302, 8 months

The cost of a dwelling permit for a 2,700 and 4,000 square foot home in the rural county increases approximately 12%, from \$8,996 to \$10,076 and \$13,986 to \$15,658, respectively.

On July 1, Fund 300 balance will be an estimated \$2.25M. Based on Option 2, the five-year budget forecast projects a need for \$1.27M or 56.5%, leaving a balance at the end of FY 2029 of \$1.28M, including interest earned.

³ CDD has eliminated fourteen FTE since January 2023. Eight are proposed to be eliminated for FY 2025.

⁴ Deschutes County is experiencing one of the highest cost of living increases in Oregon, impacting recruiting and retention efforts and reorganization opportunities.

- **Option 3** – Fee increases generate \$866K with reserve funds transferring in \$308K. Estimated reserve balances are:

- Fund 300, 4.7 months
- Fund 301, 23.5 months
- Fund 302, 8.2 months

The cost of a dwelling permit for a 2,700 and 4,000 square foot home in the rural county increases approximately 9.8%, from \$8,996 to \$9,885 and \$13,986 to \$15,362, respectively.

On July 1, Fund 300 balance will be an estimated \$2.25M. Based on Option 3, the five-year budget forecast projects a need for \$1.7M or 76.6%, leaving a balance at the end of FY 2029 of \$802K, including interest earned.

Attachment

FY 25 Fee Increase Discussion PPT

FY24-25 Fee Increase Discussion

Community Development

Presenter(s):

Peter Gutowsky, Director

Sherri Pinner, Sr. Mgmt. Analyst



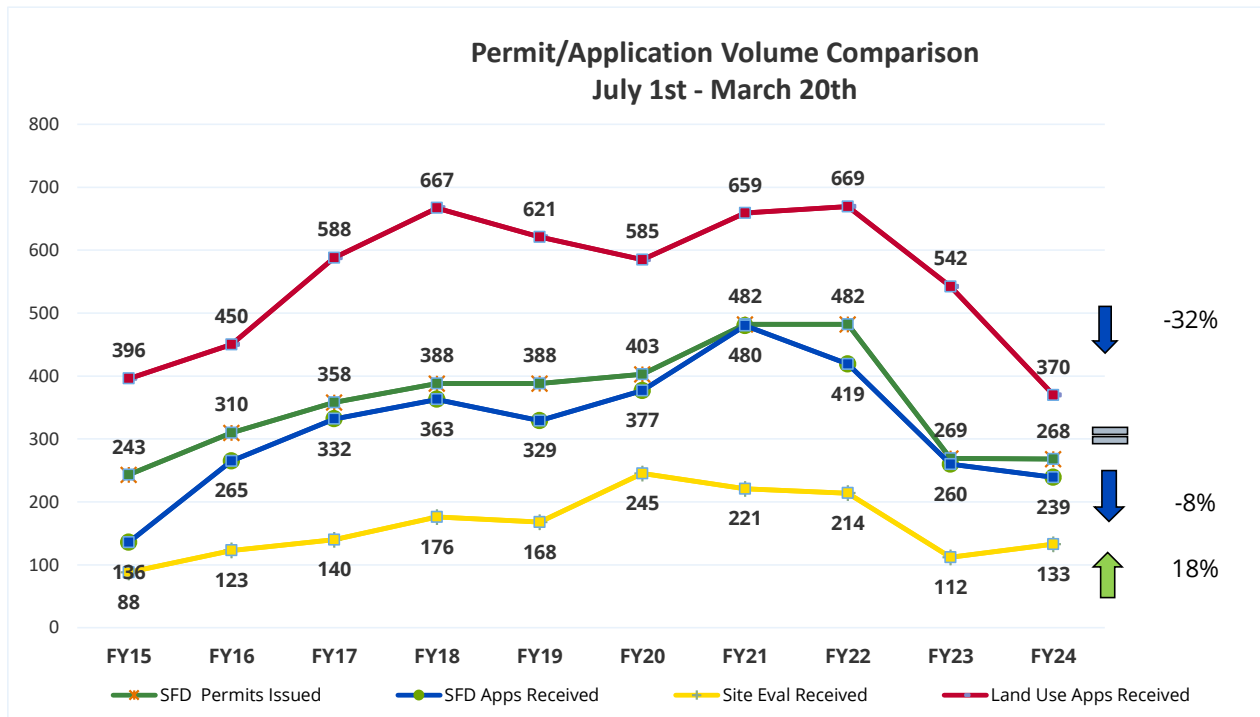
Board Meeting | April 1, 2024

Fund 295 FY24 Financial Summary

- Experiencing permitting volume decreases of 1% to 30%; revenue projections are \$2.3M less than anticipated.
- FY 24 Fee Increase History:
 - Building Safety (supplemental permits) – 4%
 - Electrical permits – 15%
 - Code Enforcement – 0.02%
 - Public Info. Counter & Adv. Planning – 0.05%
 - Land Use applications – 15%
 - Onsite Wastewater permits – 20%
- Expenditure projections are \$1.7M less than original adopted budget;
 - removal of 22 FTE since January 2023 (incl. 8 FY 25 reduction)
- Spent \$322 – Fund Balance **plus** est. \$699 Reserve Fund(s)



Fund 295 FY24 Permitting Volumes Comparison



Fund 295 FY25 Budget Highlights

Resources:

- Anticipate 0-3% permit and application volume increase.
- Includes International Code Council building valuation decrease of 1%.
- Strategies to balance include a combination of requested fee increases, reserve fund transfers, general funds and transient room tax request.
- Includes general fund for ACS - hearings officer services.

Expenditures:

- Eliminated fourteen (14) FTE since January 2023.
- FY 25 reduce eight (8) FTE; 50 remaining FTE.
- Includes increases for 4% COLA, 15% HBT, 20.3% inter-fund charges, step increases and general inflationary materials & services, and hearings officer services.



Fund 295 FY25 Budget Summary

- Budgeted expenditures are an estimated \$1.4M more than base budgeted revenues; **if** balanced through fee increases:
 - Code Compliance - .07%
 - Building Safety – 0%
 - Electrical – 25%
 - Onsite Wastewater – 14%
 - Current Planning – Land Use Applications – 18%
 - Public Information Counter .09%
 - Advanced Planning Fee - .12%
- 50 FTE – succession planning, staff turnover & training, complex applications, non-fee generating inquiries, analyze future vacancies;
- Presenting three (3) options to balance for Board direction;



Balanced Budget Option #1

Fee Increases generate \$1.08M

- Code Compliance increase .07%
- Building Safety - 0%
- Electrical Permits- 25%
- Onsite Wastewater - 14%
- Land Use Applications - 18%
- Public Information Counter - .09%
- Advanced Planning - .12%

Reserve Transfer \$104K

- Est. reserve balances:
 - Fund 300 - 5.1 months
 - Fund 301 - 23.5 months
 - Fund 302 - 8.8 months

Contingency = 10.2%

Cost Increase to DWL Permit:

- Average 2,700 sq. ft. livable space:
 - Increase of \$1,223
 - From \$8,996 to \$10,220 - 13.6%
- 4,000 sq. ft. livable space:
 - Increase of \$1,894
 - From \$13,986 to \$15,882 - 13.6%



Balanced Budget Option #2

Fee Increases generate \$929K

- Code Compliance increase .07%
- Building Safety - 0%
- Electrical Permits- 16%
- Onsite Wastewater - 14%
- Land Use Applications - 16%
- Public Information Counter - .09%
- Advanced Planning - .09%

Reserve Transfer \$244K

- Est. reserve balances:
 - Fund 300 - 4.9 months
 - Fund 301 - 23.5 months
 - Fund 302 - 8.0 months

Contingency = 10.2%

Cost Increase to DWL Permit:

- Average 2,700 sq. ft. livable space:
 - Increase of \$1,080
 - From \$8,996 to \$10,076 - 12%
- 4,000 sq. ft. livable space:
 - Increase of \$1,672
 - From \$13,986 to \$15,658 - 12%



Balanced Budget Option #3

Fee Increases generate \$866K

- Code Compliance increase .07%
- Building Safety - 0%
- Electrical Permits- 18%
- Onsite Wastewater - 14%
- Land Use Applications - 18%
- Public Information Counter - .07%
- Advanced Planning - .07%

Reserve Transfer \$308K

- Est. reserve balances:
 - Fund 300 - 4.7 months
 - Fund 301 - 23.5 months
 - Fund 302 - 8.2 months

Contingency = 10.2%

Cost Increase to DWL Permit:

- Average 2,700 sq. ft. livable space:
 - Increase of \$889
 - From \$8,996 to \$9,885 - 9.8%
- 4,000 sq. ft. livable space:
 - Increase of \$1,376
 - From \$13,986 to \$15,362 - 9.8%



Thank you

