

**MEMORANDUM**

September 8, 2010

TO: Planning, Housing, and Economic Development Committee  
FROM: *CHL*  
Charles H. Sherer, Legislative Analyst  
SUBJECT: Briefing from the Department of Permitting Services about their strategic plan

On August 13, 2010, the Department presented its strategic plan at a CountyStat meeting (attached for Councilmembers and staff only). At the meeting, six follow-up issues were identified (©28). At Mr. Knapp's request, the Department will present its plan to the PHED Committee.

Page 11 states the "Impetus Behind the DPS Strategic Planning Process:

- DPS is engaging in a strategic planning process because the department is no longer self-supporting.
- Internal Audit completed in FY10 magnified the need to holistically review funding mechanisms and develop a fee collection quality assurance system.
- It is a prudent management practice to review business practices."

The following DPS staff may attend:

Carla Reid, Director  
Alicia Thomas, Hadi Mansouri, Reginald Jetter, Stan Wong, and Tom Laycock

# Department of Permitting Services

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## Funding Structure and Strategic Plan



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## **CountyStat Principles**

- **Require Data Driven Performance**
- **Promote Strategic Governance**
- **Increase Government Transparency**
- **Foster a Culture of Accountability**



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# Agenda

- **Welcome and Introductions**
- **Operational and Funding Visions for the Department of Permitting Services**
- **Principle Factors Affecting DPS' Fiscal Solvency**
- **Wrap-up**



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# Overview

## Operational and Funding Visions

- **Original vision for the Department of Permitting Services**
  - DPS is envisioned as a self-supporting enterprise fund
  - Original scope of services was limited to laws created at the time
- **Current operations of the department**
  - Department does not operate as a self-supporting enterprise fund
  - Current mix of services has expanded to comply with new laws

## Principal factors impacting DPS' fiscal solvency

- **Revenue, cash flow, and expenditure factors**
  - Annual budget gap (impact of low demand to build new construction projects, slow down in economic development)
  - Structural budget deficit (ongoing, recurring imbalance in revenues; changes to internal structures, practices and procedures; meeting legal requirements)
- **Recreating a strategic vision to guide future operations**
  - Identifying gaps and redundancies compared to industry standards
  - Incorporating best practices from other jurisdictions



# **Operational and Funding Visions for the Department of Permitting Services**

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# Operational Vision for DPS

## Original

“The major goals were to:

- Streamline the permitting process to improve productivity;
- Provide faster, friendlier, more consistent customer service;
- Provide substantially fee-supported operations;
- Provide consistent, predictable code enforcement activities; and
- Maintain and ensure compliance with the County’s regulatory standards.”

## Current

The major goals are to:

- Implement the goals on the left side, plus
- Provide public outreach and education to all customers
- Be adequately reimbursed for all services provided.

Office of Legislative Oversight Report Number 2001-8  
December 4, 2001 “A Study of the Montgomery County  
Department of Permitting Services”



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# Range of Services Offered

## Original

- Building construction inspections
- Land development inspections
- Building construction plan reviews
- Building permit issuances
- Land development permit issuances
- Land use complaints received

Office of Legislative Oversight Report Number 2001-8  
December 4, 2001 "A Study of the Montgomery County  
Department of Permitting Services"

## Current

- Activities consist of those on the left side, plus
- Drainage Reviews and Inspections
- Fire Protection Reviews
- Fuel Gas Code
- Energy Efficiency
- Mechanical Reviews and Inspections
- Site Plan Reviews and Enforcement
- Green Building Reviews and Inspections
- Green Tape Program
- Design for Life Program
- Fast Track (While You Wait)
- Intermediate Plan Review
- MHIC license
- MD Home Builder fee Collection
- MCFRS fee Collection
- School Impact Tax Collection
- School Facilities Payment Collection



# Work Load Analysis

Year	Output*	Workyears	Productivity	Index*
FY93	160,521	156	1,028	1.00
FY94	158,855	153	1,038	1.01
FY95	160,735	153	1,053	1.02
FY96	155,877	153	1,019	0.99
FY97	165,067	155	1,066	1.04
FY98	170,056	155	1,089	1.07
FY99	180,560	154	1,172	1.14
FY00	173,394	154	1,126	1.10
FY01	184,752	152	1,215	1.18
FY02	214,167	184	1,164	1.13
FY08	230,787	214	1,078	1.05
FY09	205,245	217	946	0.91
FY10	222,515	197	1,130	1.07
FY11		173		

\* Output is the total number of permits issued, inspections performed, plans reviewed, and complaints investigated.  
 Index is productivity of the given year divided by productivity in FY93.



Source for FY93 – FY01: Office of Legislative Oversight Report Number 2001-8 December 4, 2001 "A Study of the Montgomery County Department of Permitting Services"

## Staffing Structure Authorized Personnel Complement (Work Years)

Division	FY02	FY08	FY09	FY10*	FY11
Office of the Director	11.5	12.8	12.9	12.8	14.0
Casework Management Division	52.2	76.1	75.6		
Customer Service Division				13.1	11.6
Building Construction Division	61.8	65.5	68.7	103.9	92.3
Land Development Division	58.1	59.5	59.5	67.3	55.1
<b>Department Total</b>	<b>183.6</b>	<b>213.9</b>	<b>216.7</b>	<b>197.1</b>	<b>173</b>

\* DPS was reorganized in FY10, which affected the distribution of personnel across divisions.

Source FY02: "A Study of the Department of Permitting Services", Report No. 2001-8, Office of Legislative Oversight, December 4, 2001, pp. 12-13.

Source FY08-FY11: Approved Personnel Complements, FY08-FY11.



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# Funding Vision for DPS

## Original

**“Goal: Provide substantially fee-supported operations;**

**When the DPS Enterprise Fund was established, it was understood that General Fund Support would be necessary in the form of start-up funding, on-going subsidies for waived fees, and large one-time projects e.g., building renovation, technology improvements.**

**In addition, the Council agreed that the DPS Enterprise Fund would repay the General Fund in future years as the fund balance allowed.”**

**Office of Legislative Oversight Report Number 2001-8  
December 4, 2001 “A Study of the Montgomery County  
Department of Permitting Services”**

## Current

**Goal: Provide substantially fee-supported operations;**

**...General Fund Support necessary in the form of ... on-going subsidies for waived fees, and large one-time projects e.g., building renovation, technology improvements and unfunded mandates.**

**DPS Enterprise Fund paid back the General Fund for contributions prior to FY09.**

**FY09 and FY10 General Fund contributions to the DPS Enterprise Fund are currently being reconciled.**



## Impetus Behind the DPS Strategic Planning Process

- DPS is engaging in a strategic planning process because the department is no longer self-supporting.
- Internal Audit completed in FY10 magnified the need to holistically review funding mechanisms and develop a fee collection quality assurance system.
- It is a prudent management practice to review business practices.

DPS Net Revenue, FY02 - FY10 (in thousands of dollars)

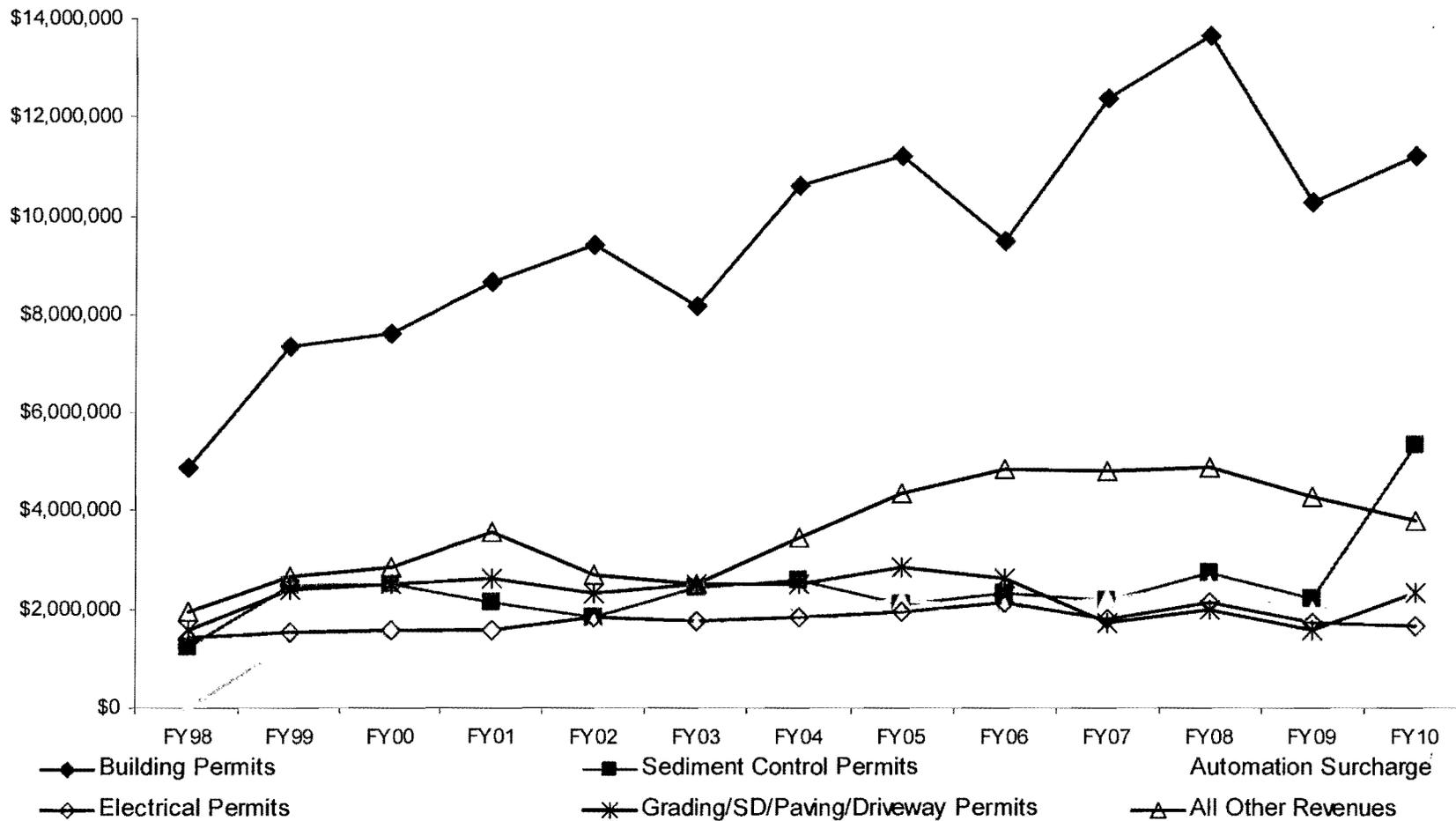
Category	FY02	FY05	FY06	FY07	FY08	FY09	FY10
Expenditures	17,677	20,825	22,381	23,598	26,688	26,445	26,128
Revenues	19,807	24,675	23,467	25,137	27,884	22,065	26,711
Xfers to GF	3,346	2,753	2,598	2,983	3,002	3,718	3,653
Xfers from GF	1,010	1,060	1,099	1,105	1,143	1,154	1,154
Net revenue	-206	2,157	-413	-339	-662	-6,944	-1,917

Net revenue = Revenues – Expenditures + Xfers from GF – Xfers to GF

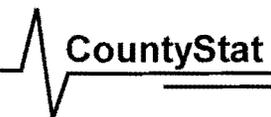
GF = General Fund



# Major Sources of Revenue, FY98-FY10



Source: Approved Budget Books, FY00-FY10. FY10 data is from the financial switchboard.



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## Summary of Funding Vision for DPS

- **According to Emergency Bill 20-96, the original legislation creating the department that was signed on July 2, 1996, DPS was to “Provide substantially fee-supported operations”**
- **An FY02 OLO study of DPS found that between FY97 and FY01, DPS received about \$11.2 million in start-up funding**
  - This funding was expected to be reimbursed to the General Fund
  - The OLO report does not cite any expectations for ongoing support of the General Fund beyond reimbursing start-up funds
- **DPS has repaid all initial start-up funds**
- **With transfers to and from the General Fund excluded, DPS has been self-supporting every year since FY02 except for FY09**
  - Transfers from the General Fund are intended to reimburse DPS for services to MCPS and other organizations from whom fees cannot be collected
  - Transfers to the General Fund are intended to reimburse the General Fund for administrative services provided to DPS (special funds are charged this overhead cost, but General Fund departments are not)



Source: “A Study of the Department of Permitting Services”, Report No. 2001-8, Office of Legislative Oversight, December 4, 2001, p. 18.

# **Principal Factors Impacting DPS' Fiscal Solvency**

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## DPS-Identified Factors Contributing to Net Revenue Gap

- **Revenue Factors**

1. Insufficient fee transfer from the General Fund for County projects
2. No fees charged for many services provided (No fees charged to utilities)
3. Cap on commercial building fees
4. Method of adjusting fees needs to be reconsidered
5. No fee increases in the last two fiscal years

- **Cash Flow Factor**

Minimal filing fees inadequately cover services rendered between application filing and plan review and issuance of the permit

- **Expenditure Factors**

1. Increased direct costs (e.g., leased space)
2. Increased transfer to the General Fund
3. Inflated charges for vehicle maintenance, central imaging and DCM

There are three mechanisms for addressing net revenue: increasing revenue, improving cash flow, or decreasing expenditures.



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## **Revenue Factor # 1: Insufficient Fee Transfer from the General Fund for County Projects**

### **Explanation**

- **In FY10, there was a total of \$3,729,116 in permit fees waived for permits issued to MCPS, MNCPPC, Montgomery College and MCG.**
  - DPS is not permitted to charge permit fees to MCPS
  - DPS has limited authority to charge fees to WSSC, MCC, and M-NCPPC
- **DPS was reimbursed from the general fund \$1,059,660. This amount has been unchanged since FY04.**
- **Permitting Services' total expenditures rose 38% during that same six-year time period.**

### **Recommendation**

- **Increase the transfer from the General Fund to the DPS Enterprise Fund**



*Note: DPS's ability to charge fees to associated government entities is based upon a January 30, 1997 legal opinion from the Office of the County Attorney.*

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## **Revenue Factor # 2: No Fees Charged for Many Services Provided**

### **Explanation**

#### **DPS provides collection, administration and system support for:**

- Service requests & complaints
- Transportation Impact Taxes
- School Impact Taxes
- Design consultation
- Public outreach & education
- Case management
- School Facilities Payment
- MCFRS fees
- DEP fees
- Utilities & Franchises
- Development Review

### **Recommendation**

**Increase the transfer from the General Fund to the DPS Enterprise Fund**



## Examples of Lost Revenue Due to No Fees Being Charged

Service	Legally Mandated?	Approx. Cost to Provide Service, \$	Cost of Service Covered by Fee?
Building and Land Development Complaints	Yes	263,125	No
Zoning Complaints	Yes	631,796	No
Impact Tax Collection	Yes	308,432	No
Information Requests	Yes	148,750	No
Design Consultations	No	313,742	No
Public Outreach and Education	No	245,500	No
Case Management	No	148,750	No



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## Revenue Factor # 3: Cap on Commercial Building Fees

### Explanation

- Inequity of permit fees for the range of commercial building structures.
- DPS receives compensation for buildings up to 3 stories. Any building higher than 3 stories is subject to the cap.

### Alternatives

- **Remove the cap on commercial building fees:**
  - Baltimore City No cap
  - Baltimore County No cap
  - Frederick County No cap
  - Howard County No cap
  - Prince George's County No cap
  - Washington County No cap
  - Arlington County No cap
  - Fairfax County No cap
- **Raise the cap to a more reasonable level**

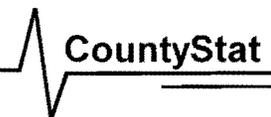


## Revenue Factor # 3: Cap on Commercial Building Fees Commercial Building Permits Issued in FY2007

APNO	Declared Value by Applicant	Calculated Value	Existing Fee with Cap	Fee Without CAP	Difference	Remarks
<b>MNCPPC Site Plan Review Zone</b>						
430120	\$17,120,000	\$19,287,257	\$234,580	\$580,546	<b>\$345,966</b>	6 story
443856	\$30,000,000	\$15,213,321	\$234,580	\$457,920	<b>\$223,340</b>	10 story
445883	\$85,115	\$10,425,800	\$234,580	\$313,816	<b>\$79,236</b>	4 story
445880	\$13,500,000	\$16,511,762	\$234,580	\$497,004	<b>\$262,424</b>	
441582	\$18,789,000	\$21,726,049	\$234,580	\$653,954	<b>\$419,374</b>	6 story
439470	\$40,000,000	\$96,231,566	\$234,580	\$2,896,570	<b>\$2,661,990</b>	15 story
440563	\$32,000,000	\$13,618,175	\$234,580	\$409,907	<b>\$175,327</b>	
429917	\$70,000,000	\$30,211,568	\$234,580	\$909,368	<b>\$674,788</b>	8 story
<b>DPS Site Plan Review Zone</b>						
453839	\$45,000,000	\$45,000,000	\$147,170	\$846,000	<b>\$698,830</b>	3 story
<b>Total</b>			<b>\$2,023,810</b>	<b>\$7,565,085</b>	<b>\$5,541,275</b>	



*Fees are based upon the calculated value of the project, which is the construction cost of the project as estimated by DPS using International Building Code standards.*



## Revenue Factor # 3: Cap on Commercial Building Fees Commercial Building Permits Issued in FY2008

APNO	Declared Value by Applicant	Calculated Value	Existing Fee with Cap	Fee Without CAP	Difference	Remarks
<b>MNCPPC Site Plan Review Zone</b>						
466352	\$5,300,000	\$10,456,108	\$251,255	\$314,729	\$63,473	7 story
467082	\$3,600,000	\$13,773,588	\$251,255	\$414,585	\$163,329	10 story
468074	\$12,000,000	\$13,223,553	\$251,255	\$398,029	\$146,773	2 story
471297	\$27,300,000	\$63,581,250	\$251,255	\$1,913,796	\$1,662,540	
473075	\$35,554,000	\$32,952,265	\$251,255	\$991,863	\$740,608	7 story
472555	\$29,114,000	\$24,320,273	\$251,255	\$732,040	\$480,785	24 story
469243	\$58,000,000	\$66,046,741	\$251,255	\$1,988,007	\$1,736,751	15 story
465516	\$24,717,600	\$24,717,600	\$251,255	\$744,000	\$492,744	5 story
465616	\$6,000,000	\$10,900,464	\$251,255	\$328,104	\$76,848	15 story
460892	\$35,000,000	\$39,661,523	\$251,255	\$1,193,812	\$942,556	
<b>DPS Site Plan Review Zone</b>						
467173	\$14,000,000	\$14,000,000	\$157,525	\$243,600	\$86,075	2 story
488098	\$17,071,267	\$16,485,910	\$157,525	\$286,855	\$129,329	12 story
<b>Total</b>			<b>\$2,827,600</b>	<b>\$9,549,419</b>	<b>\$6,721,811</b>	



*Fees are based upon the calculated value of the project, which is the construction cost of the project as estimated by DPS using International Building Code standards.*

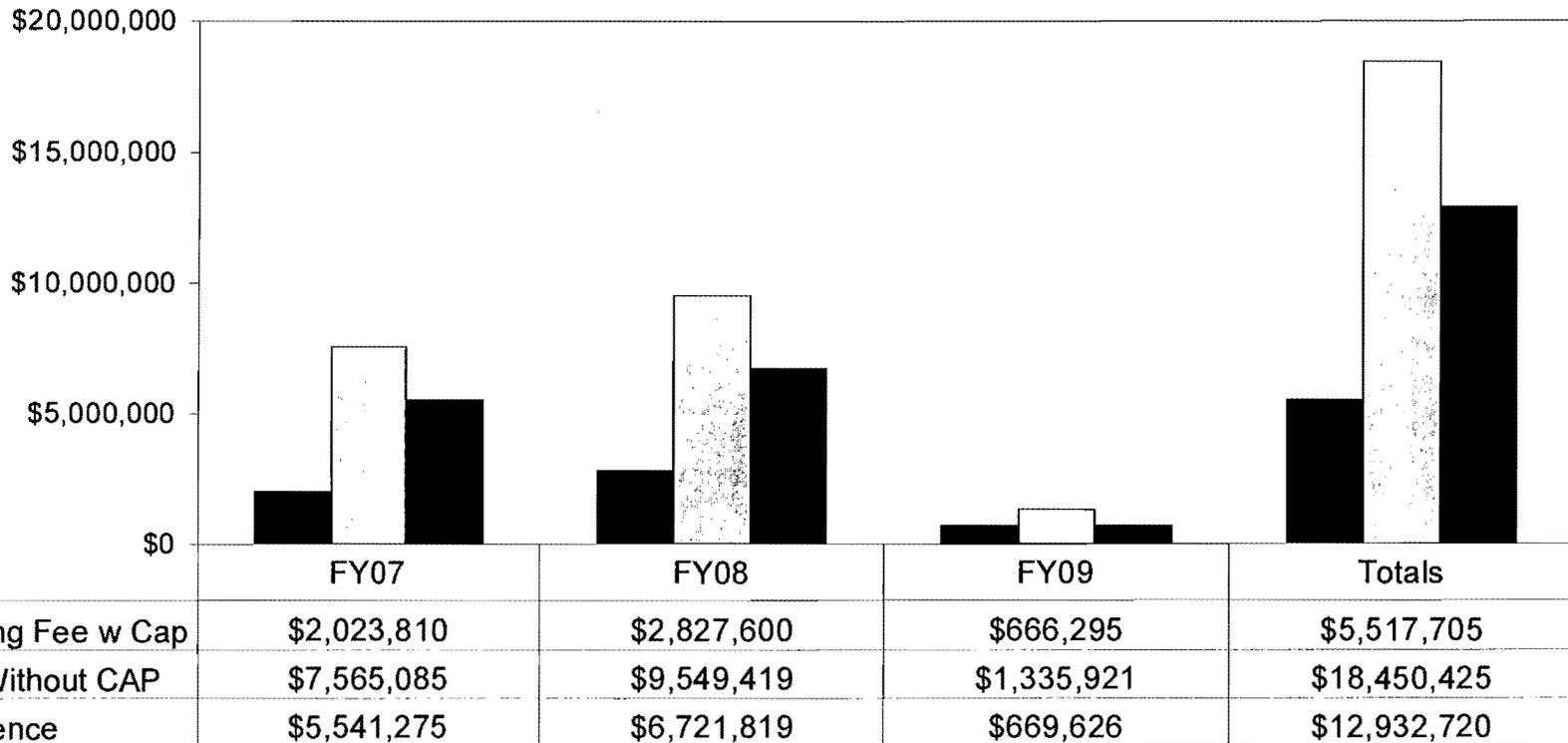
## Revenue Factor # 3: Cap on Commercial Building Fees Commercial Building Permits Issued in FY2009

APNO	Declared Value by Applicant	Calculated Value	Existing Fee with Cap	Fee Without CAP	Difference	Remarks
<b>MNCPPC Site Plan Review Zone</b>						
494245	\$15,000,000	\$20,508,613	\$251,255	\$617,309	<b>\$366,054</b>	5 Story
494274	\$10,000,000	\$14,528,718	\$251,255	\$437,314	<b>\$186,059</b>	3 Story
<b>DPS Site Plan Review Zone</b>						
502267	\$10,000,000	\$14,962,691	\$163,785	\$281,298	<b>\$117,513</b>	2 Story
<b>Total</b>			<b>\$ 666,295</b>	<b>\$1,335,921</b>	<b>\$ 669,626</b>	



*Fees are based upon the calculated value of the project, which is the construction cost of the project as estimated by DPS using International Building Code standards.*

## Revenue Factor # 3: Cap on Commercial Building Fees Summary of Commercial Building Permits Issued - FY2007 to 2009



■ Existing Fee w Cap	\$2,023,810	\$2,827,600	\$666,295	\$5,517,705
□ Fee Without CAP	\$7,565,085	\$9,549,419	\$1,335,921	\$18,450,425
■ Difference	\$5,541,275	\$6,721,819	\$669,626	\$12,932,720

■ Existing Fee w Cap

□ Fee Without CAP

■ Difference



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## **Revenue Factors # 4 and 5: Method of Adjusting Fees and No Fee Increases in Last Two Years**

### **Explanation**

- **The current method for adjusting fees does not factor in all direct costs and is based on previous year's costs, not the costs that will be incurred for the next year.**
- **Net effect: Fund is falling farther behind every year**

### **Recommendation**

- **Focus on addressing Revenue Factors #1-3.**



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## **Cash Flow Factor: Minimal filing fees inadequately cover services rendered between application filing and plan review and the actual issuance of the permit**

### **Explanation**

- Applications are filed and plans are submitted for review because applicants intend to be issued a permit. However, the fact remains that millions of dollars worth of plans are sitting on DPS shelves waiting to be picked up. The value of plans on the shelf at the end of FY 10 was \$3,264,099.
- Services are provided ‘now’ without charge for subdivision reviews; fee *may* be collected 1-3 years in the future

### **Recommendation – Collect 35% of the Permit Fee At Filing.**

- |                          |  |
|--------------------------|--|
| – Baltimore City         | No information                               |
| – Baltimore County       | Full payment due at time of application      |
| – Frederick County       | Full payment due at time of application      |
| – Howard County          | Filing fee is \$200                          |
| – Prince George’s County | No information                               |
| – Washington DC          | Filing fee \$500                             |
| – Arlington County       | Filing fee due at time of application is 35% |
| – Fairfax County         | Filing fee due at time of application is 35% |



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## **Expenditure Factors # 1-3: Increased Costs, Increased Transfers, and Inflated Charges**

### **Explanation**

- **DPS is under a 22-year lease in current space.**
- **DGS is trying to find a tenant to lease some of DPS' space, so that rent will decrease.**
- **DPS pays for central imaging that it does not ever use.**
- **Vehicle maintenance charges and other charges like them should be evaluated because they are not competitive with the private sector.**

### **Alternatives**

- **Focus on addressing Revenue Factors #1-3 and the Cost Factor.**



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## **Recommendations for Recreating a Strategic Plan to Guide Future Operations**

**Office of Legislative Oversight Report Number 2001-8, December 4, 2001,  
“A Study of the Montgomery County Department of Permitting Services”  
recommended that DPS develop a strategic plan that would:**

**“Set forth a business plan for the ongoing management of DPS  
as a substantially fee-supported department.”**

**Implementation of the alternatives outlined in this presentation will be in  
response to this recommendation.**



MEMORANDUM

8/16/2010

TO: Carla Reid, Director, Department of Permitting Services  
Joe Beach, Director, Office of Management and Budget  
FROM: Chris Cihlar, CountyStat Manager  
SUBJECT: DPS Strategic Plan

**The following items were identified for follow-up during the 8/13/2010 CountyStat meeting:**

- i Calculate productivity using actual workyears charged and show trend over time.  
Responsible parties: CountyStat  
Other parties involved: none  
Deadline: 9/13/2010
- 2 Recommend an alternate calculation for the amount of the General Fund contribution to the Permitting Services Fund that accounts for the amount of fees waived for MCPS, MCC, and M-NCPPC projects and for unfunded services offered.  
Responsible parties: DPS  
Other parties involved: OMB  
Deadline: 1/21/2011
- 3 Develop a recommendation for removing the cap on commercial building fees that can be presented to Council. Include a comparison of fees collected now versus fees collected under the recommended system and a comparison with comparable jurisdictions.  
Responsible parties: DPS  
Other parties involved: none  
Deadline: 1/21/2011
- 4 Examine the Executive Regulation that stipulates budgeting based on prior year expenditures and recommend an alternate policy. Include a comparison of budgeted amounts under both systems.  
Responsible parties: DPS  
Other parties involved: OMB  
Deadline: 1/21/2011
- 5 Develop a recommendation that can be presented to Council for changing the timing of payments for plan reviews, subdivision reviews, and other activities so that a larger proportion of fees are collected at the time of filing.  
Responsible parties: DPS  
Other parties involved: OMB  
Deadline: 1/21/2011

6 At a subsequent CountyStat meeting, present progress on follow-up items and present a strategy to address the need for quick staffing adjustments based on workload changes.

Responsible parties: DPS  
Other parties involved: none  
Deadline: 1/21/2011

cc: Timothy Firestine, Chief Administrative Officer  
Fariba Kassiri, Assistant Chief Administrative Officer