

## Staff Report

**BUILDING INSPECTIONS UPDATE**

June 24, 2011

**INTRODUCTION:**

This staff report presents a proposed course of action to address the short-term and medium-term personnel requirements that will allow us to meet our building community's needs for timely inspections. Due to the uncertainty of the recovery for our nation-wide economy, long-term planning is not a part of this report.

In the spring of 2011, permits for large scale new construction and resulting building inspections activity have shown a significant upswing in Ames. There are several large scale projects underway and more are in development. **The increased construction activity, vacant positions, and recent loss of a key staff member created a need to develop a new strategy to address our customer needs in the building industry.**

**BACKGROUND:**

Historically, the goal of the Inspections Division has been to cover its operating costs from revenue generated by building, electrical, mechanical, and plumbing inspections fees. It should be noted that, when compared with comparable Iowa communities, Ames' building permit fees are amongst the lowest.<sup>1</sup> Because the preparation of an annual budget is not a precise science, in some years revenues exceed our costs and in other years the costs exceed our revenues.

With the downturn in the national economy beginning in 2008-09, the negative gap between permit fee revenues and expenditures grew to over \$200,000. Property tax revenues were used to finance this gap. In the FY 2010-11 Budget, rather than continue this level of tax subsidy, an effort was made to reduce expenditures by eliminating seasonal clerical hours, not budgeting or filling an authorized building inspector position, temporarily reassigning the Building Inspections Supervisor to other programs in the Public Works and Electric Services Departments, and utilizing the Plans Examiner to augment field inspections.

Unfortunately, the Inspections Division recently lost a key member for an extended time due to a serious health matter. Consequently, our Building Inspections Supervisor will be unavailable through the busiest part of this construction season. In addition to his supervisory responsibilities for building, electrical, mechanical, and plumbing inspectors, this position conducts in-field inspections. The loss of this member has a profound impact on our delivery of services to customers at a time when our workload is increasing significantly.

The good news is that, because of the unexpected increase in project activity, our revenue projections can also be raised. **As is shown on Table 1, the revenue projections from building permit fees related to new apartment construction, the MGMC expansion, and other planned projects can be increased by \$67,000 in 2010-11 and \$229,000 in 2011-12.** If our community maintains a level of building construction equal to the last two years and with the anticipated large projects, inspections activity and permit revenue is anticipated to remain strong through the next two fiscal years.

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<sup>1</sup> Regional Fee Comparison By Des Moines Home Builders Association , February 11, 2008

**Table 1: Revised Revenue Projections**

	FY10/11 Adopted	FY10/11 Final Amendments	FY10/11 Current Projection	FY11/12 Adopted	FY11/12 Current Projection
Building Permit	\$238,388	\$327,264	\$363,805	\$403,880	\$546,766
Building Permit Extension	0	1,100	1,223	0	0
Electrical Permit	74,772	92,712	103,064	84,655	114,605
Electrical Permit Extension	0	335	372	0	0
Mechanical Permit	51,785	71,071	79,007	63,530	86,006
Mechanical Permit Exten.	0	0	0	0	0
Plumbing Permit	79,785	97,995	108,937	84,960	115,017
Plumbing Permit Exten.	0	0	0	0	0
Sidewalk Permit	400	400	445	400	542
Sign Permit	8,334	9,172	10,196	9,864	13,354
Totals	\$453,464	\$600,049	\$667,049	\$647,289	\$876,289
Projected Increases			\$67,000		\$229,000

**SHORT-TERM PLAN: OVERTIME & OUTSOURCING**

Based on the new projected workload, there is an immediate need for additional experienced and certified inspectors. The short-term solution is to authorize overtime for our current inspectors and to contract with a private sector company to conduct inspections for the City.

**Overtime.** An additional 15 hours per week starting immediately is helping us address the needs of several apartments that are under construction and hoping for completion before August 1, 2011. The cost of this overtime is estimated to be \$10,430. (See Table 2) In addition, a plan for all requested vacation leave time for inspectors is being developed to assure coverage in areas where we are now one deep to assure timely customer services.

**Table 2: Projected Cost of Overtime****OVERTIME ESTIMATES FOR INSPECTORS (5 hours weekly)**

	2010/11 Hourly Rate	Cost/Wk.	2011/12 Hourly Rate	Cost/Wk.	Total Cost June 6 - Sept. 30
Electrical Inspector	\$37.19	\$185.93	\$38.11	\$190.57	\$3,221.16
Plumbing Inspector	\$37.19	\$185.93	\$38.11	\$190.57	\$3,221.16
Building Inspector	\$43.55	\$271.73	\$44.63	\$223.17	\$3,988.09
<b>TOTAL</b>					<b>\$10,430.40</b>

4 weeks @ 2010/11 rate and 13 weeks @ 2011/12 rate

**Outsourcing.** Additional certified inspectors are also needed between now and August 1, 2011 to assist with inspections of new apartment construction. The Grove apartment complex on South 16<sup>th</sup> Street alone produces service requests equivalent to one full-time inspector. This \$9,178,961 project will generate \$53,988 in permit revenue. Few options present themselves to deal with the loss of the Building Inspections Supervisor. Therefore, staff has secured the services of private contractors certified in International Code Council's Residential and Building codes as adopted by the City of Ames. Although the going rate of \$75 for a privately contracted inspector is substantially above our overtime rate of \$38 - \$45 per hour, there are not sufficient internal resources to address the current building season's requests for timely services. The project cost of this outsourcing is \$24,000. (See Table 3)

**Table 3: Projected Cost of Outsourcing**

	<b>Hourly Rate</b>	<b>Hours Per Week</b>	<b>Weekly Total</b>	<b>Number of Weeks</b>	<b>Total</b>
Private Inspector	\$75	32	\$2,400	10	\$24,000

### **MEDIUM-TERM PLAN: FILL AUTHORIZED POSITION AND ADD .4 CLERICAL FTE**

**Fill The Authorized Positions.** Given the expanding workload needs in Inspections, the Building Inspections Supervisor was re-assigned to the Inspections Division earlier this year. With the increase in construction activity and corresponding inspection workload along with the unexpected temporary loss of the Building Inspections Supervisor, it is now prudent to fill the vacant, authorized inspector position so that we can maintain an acceptable level of service to our customers. The additional cost of filling this position is \$68,761 beginning in FY 2011-12.

**Add .4 Clerical Position.** Currently, the Inspections Division has 2 authorized FTEs (full time equivalents) of support staff. Although the cost for the support staff is allocated among the Building Inspections, Rental Housing and Sanitation programs, the support staff members each contribute to the success of all of these programs.

In order to maintain an acceptable level of service in our Rental Housing program, the City Council recently authorized an additional ½ FTE for this program to be paid for by rental registration fee revenue. The addition of the ½ time clerical position in Inspections increased the authorized clerical FTE count in the Inspections Division to 2.5 FTEs beginning in FY 2011-12. However with the loss of the Sanitation program due to the State takeover, we are now scheduled to lose the .4 FTE clerical position that was budgeted under Sanitation. This would thus bring the total support staff in the Inspections Division back to 2.1 FTEs in FY 2011-12.

Maintaining the full 2.5 FTEs of clerical support in the Inspections Division will greatly improve the efforts of our in-field staff and, as a result, will allow us to maintain an acceptable level for service to our customers during this time of increased construction activity. This restoration will allow approximately 1.5 FTEs of clerical support to be assigned to Building Inspections, thus providing more time to improve our master filing system. This improvement will assure quicker and more accurate responses to customer inquiries about properties and quicker processing of permits or approval letters. Our goal is to maintain inspection request fulfillment within 24 hours, and retaining

this .4 FTE of clerical support for Building Inspections should help us accomplish this goal. **It should be remembered that this additional .4 clerical FTE will not increase the overall number of FTEs already approved in the budget for FY 2011-12.** (See Table 4)

Table 4: Number of Clerical FTEs in Inspections Division

Program	FY 10-11 Clerical Support FTE Count by Program	FY 11-12 Clerical Support FTE Count as Budgeted	FY 11-12 Proposed Clerical Support FTE Count without Sanitation
Building Inspections	1.05	1.05	1.45
Rental Inspections	0.55	1.05	1.05
Sanitation	0.4	0.4	0
<b>Totals</b>	<b>2</b>	<b>2.5</b>	<b>2.5</b>

In order to accomplish the Medium-Term Plan, approximately \$93,000 will be needed to finance the additional 1.4 FTEs in FY 2011-12 (\$68,761 for the inspector position and \$24,452 for the .4 clerical position – See Table 5). In order to fill this authorized inspector position, a recruitment effort will take a minimum of 3 months. Another 60 to 90 days of internal training will then also be necessary.

Table 5: Projected Personal Services Cost For Additional Positions

Program	FY 10-11 Totals by Program		FY 11-12 Totals As Budgeted		FY 11-12 Totals by Program without Sanitation	
	FTE Count	Budget	FTE Count	Budget	FTE Count	Budget
Building Inspections	1.05	\$59,508	1.05	\$61,562	1.45	\$86,014
Rental Inspections	0.55	\$32,218	1.05	\$63,894	1.05	\$63,894
Sanitation	0.4	\$23,636	0.4	\$24,452	0	\$0
<b>Totals</b>	<b>2</b>	<b>\$115,362</b>	<b>2.5</b>	<b>\$149,908</b>	<b>2.5</b>	<b>\$149,908</b>

Table 6 presents the budgetary implications of both the Immediate and Medium-term plans to bolster the Inspections Division to match our current level of construction activity.

**Table 6: Budgetary Implications of Immediate and Medium-Terms Plan To Building Inspections**

	<b>FY10/11 Final Amendments</b>	<b>FY10/11 Current Projection</b>	<b>FY11/12 Adopted</b>	<b>FY11/12 Current Projection Alternative</b>
<b>Revenue</b>	\$600,049	\$667,049	\$647,289	\$876,289
Building Inspections (2360)	471,667	471,667	506,910	506,910
Plumbing Inspections (2380)	81,105	81,105	91,445	91,445
Electric/Mechanical Inspections (2390)	74,683	74,683	78,240	78,240
Overtime (total = \$10,430)		2,575		7,855
Consulting Services (total = \$24,000)		2400		21,600
Fill Building Inspector position				68,761
Additional .5 FTE of Clerical Support				24,452
<b>Expenses</b>	\$627,455	\$632,430	\$676,595	\$799,263
<b>Revenue To Expenses</b>	<b>(\$27,406)</b>	<b>+\$34,619</b>	<b>(\$29,306)</b>	<b>+\$77,026</b>

**STAFF RECOMMENDATION:**

Given the unanticipated increase in construction activity, the corresponding increase in associated permit revenue, and the temporary loss of an inspector supervisor, the City Manager has authorized the implementation of the short-term strategies shown below. In order to adequately address this situation, it is the City Manager's recommendation that the City Council also authorize the medium-term strategies to maintain our service levels to our customers in the construction industry:

- **Short Term**
  - Initiate overtime for existing inspection staff - \$10,340
  - Contract with private inspections company - \$24,000
- **Medium Term:**
  - Authorize the filling of the vacant building inspector position - \$68,761
  - Authorize an additional .4 FTE clerical position to the Building Safety program - \$24,452

It appears that an increase in permit fee revenues related to the projected increase in construction activity over the next two years will adequately cover the additional costs needed to accomplish the short-term and medium-term strategies. If the activity level changes drastically in the future, we will make appropriate recommendations to adjust to the situation.