

City of Coral Gables City Commission Meeting
Agenda Item I-4
June 28, 2022
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Vince Lago

Vice Mayor Michael Mena

Commissioner Rhonda Anderson

Commissioner Jorge Fors

Commissioner Kirk Menendez

City Staff

City Manager, Peter Iglesias

City Clerk, Billy Urquia

Deputy City Attorney, Cristina Suárez

Fire Chief, Marcos De La Rosa

Public Speaker(s)

Jorge Duyos

Agenda Item I-4 12:05 p.m.]

A Resolution of the City Commission amending Ordinance No. 2015-17, as amended, to revise various Fire Prevention permit fees and Solid Waste Collection Special Pick-Up fees; providing for severability, and an effective date.

Mayor Lago: And we'll move on to I-4 and then we'll take the next item.

Deputy City Attorney Suárez: I-4 is a resolution of the City Commission amending ordinance number 2015-17, as amended, to revise various fire prevention permit fees and solid waste collection special pickup fees; providing for severability and an effective date.

Fire Chief De La Rosa: Good morning, Mayor and (INAUDIBLE). We're here today to parallel our fee structure for fire permitting process for new construction to that of the Development Services Department. We believe that providing for one structure will enhance consistency and transparency to the process. We looked to JRD & Associates to provide the analysis and recommendation for us. And they're here today with us to provide their findings. We reviewed their recommendations. We're fully in agreement with it as to meeting the objectives that we were trying to set forth. So, with that, I...

City Manager Iglesias: And let me say, Mayor, Commissioners, the State has established an enterprise fund for reviews, inspections concerning construction. We've already established the enterprise fund for Development Services, which -- and we would also like to do the same thing for Fire. This does not deal with the CUs or BTR issue. This deals strictly with permitting and inspections. It allows us to set up an enterprise fund that would pay for itself by the users, provide better service and not impact our general fund. And with that, I would like to turn it over to Mr. Duyos who will be presenting. Thank you.

Jorge Duyos: Thank you, Mr. Manager and Chief. Good morning, good afternoon, Mayor, Vice Mayor, and Commissioners. Jorge Duyos with JRD & Associates. As some of you may recall, we did a similar type of assessment for the City a couple of years ago for your building permit fees. So, what we've done is take the same approach, as the Manager stated, in looking, assessing, and making recommendations to your Fire Prevention Division fees that are related to construction, inspections, and plan reviews. So, I have a brief presentation here. Again, the Coral Gables residents and businesses have a high level of expectation as to the level of fire services provided. And therefore, it's important that a fee mechanism be established to allow for that level

of service to be provided and for the cost recovery of those services to be accomplished. So, our objectives were multiple. The first one is to ensure adequate cost recovery. Again, in the spirit of the enterprise fund, we feel that the services provided by the Fire Prevention Division are similar to the services provided by your building services with respect to inspections and plan reviews. So, we wanted to make sure that those services are accomplishing cost recovery. We want to make sure that the fees are concise and easy to understand. Right now, if you look at your fees for your fire permits, if somebody comes in, a commercial structure comes in and you're looking at \$2.75 for the first 100 square feet and a certain amount of money for every 100 square feet after that, add sprinkler heads, fire sprinkler systems, alarm systems, it's a very convoluted fee schedule. So, what we've tried to do is simplify it. And as you'll see in a few minutes, we think we've accomplished that. Next, we want to make sure that there is a reserve since this is proprietary, just like we did with building permit fees. Construction activity is sometimes unpredictable. We have things that affect activity such as COVID, downturns in the economy, so we want to make sure there's money in the bank for a rainy day. Very important, the next one, we want to make sure on this fees -- these fees that we're recommending, that the residents and the commercial businesses are not affected by any fee changes with respect to their annual inspection fees or alarm fees, and we'll have a couple of slides showing you that. And then finally, providing consistency with the building permit fee structure, as I mentioned. So, I'll go quickly over our approach. We wanted to make sure we had a historical perspective of activity to be able to project forward, so we looked at three full fiscal years of permit activity with respect to fire permits. We wanted to make sure that we determined the division's fully burdened cost of providing the services, again, providing a concise and easy-to-understand fee structure. We projected future revenue based on the anticipated level of activity. And finally, we conducted a comparative analysis of fees from similar municipal fire departments in Miami-Dade County. As you probably know, there are only five, so we looked at the ones that -- working with the Chief and his staff -- we felt were most comparable: City of Miami, the County, and the City of Miami Beach. The only one we didn't look at was the City of Hialeah. Again, looking at the historical perspective, this chart shows you that from fiscal year '19, '20 and '21, there was -- the level of activity for fire permits in '19 was

\$269 million. It went down, anticipated, you know, COVID hit. It went down to \$199 million. And then COVID continued, but you saw a rebound in construction activity. So, these are the job values from fire permits, and you can see that new commercial accounted for over two-thirds of your permit activity with respect to fire. This is a very important chart, and it goes to the Manager's point on setting up a proprietary fund. Essentially for the last three years and probably beyond -- we only looked at the last three years -- Fire Prevention Division has been running at a deficit, so it's been subsidized by the general fund. And we took the average, and you look at over \$330,000 of really subsidy that's been provided to this division that really should be a fee for service. Even if you look at the average, from '19 to '21, there's almost a three-fold increase in the deficit level. So, we wanted to try to make sure that this was now in the green going forward and out of the red, so we determined the fully burdened cost. This is the proposed budget going forward into '23 for the Fire Prevention Division, and you can see there are initiatives the Chief has expressed an interest in adding two plan reviewers to up the level of service with respect to turnaround times for plan reviews and inspections, as well as some administrative help for the amount of work that comes in to the department. There are some initiatives for technology and computers that we've put at \$100,000, and that's really to make sure that the folks in the field have the latest hardware, software, tablets, again, to be in par with building inspectors and to provide the level of immediate information that your developers are expecting. So, the proposed expenditure budget going forward into FY-23 would be \$2.175 million. The proposed fee structure, if you look at the table to your left, we're basically recommending to place a fee of .55 percent of the value of the work as the permit fee for construction-related fire permits. This is consistent, again, if you recall, your building permit fee structure is based on a percent of construction value. It's tiered based on the value of construction as well as whether it's residential or commercial. So, we've calculated that the appropriate value to bring in the revenue that needs to be brought in would be at .55 percent of whatever the job value is for that work. The minimum fee we're recommending increasing from \$100 to \$350. This is consistent because most projects that come in are going to be at least two, three to four hours of work from Fire Prevention Division staff. And so we want to make sure that that money is recouped. The special inspection request fees, which are currently at \$200, which

sometimes can go up to four hours of service that you provide, that's right now at about \$50 an hour. Your hourly cost of Fire Prevention Division staff is at about \$107, so it's still below what it could be if they are out there for a minimum four hours. On the right side, the table you see, the projected fire prevention revenue, we've calculated this again based on historical information. And what we did for the first line item, the Fire Prevention Bureau permit fees is take a three-year average of that value or job value and multiply it by the .55 percent to come up with what the revenue would be. And then the others are based again on the historical revenue numbers, so it comes out to about \$2.3 million. Again, I showed you the slide showing your expenditure budget at 2.175. So, if this were to come to fruition at the end of FY-23, you would have a reserve of approximately \$130,000, which is about 6 percent of the expenditure budget. Okay, finally, as I mentioned, we conducted a comparative analysis of the other three municipal building -- fire departments. One thing I'll say is that we always like to do these comparative analysis because your customers that are pulling permits here are pulling them in these other municipalities, so it's something that's important to show, but from our perspective, it doesn't really affect our fee recommendations because we don't know if their fees are too high, too low, what their level of service is. So, we base it -- your recommended fees -- on what your expected level of service is. We looked at six different fee types, and I'll just show you some quick numbers here. The first one is a commercial tenant build-out. This was actually the Lululemon build-out at Merrick Park. You charged \$810. In meeting with the Chief and his team, it was determined that there were a minimum of 19, probably to 25 inspections that are done including re-inspections. If you take that at your hourly rate of at least \$107 per hour, you're currently -- for that permit you lost money. You provided a lot of service that you didn't recoup the funds for. So, in the recommended fees, again, at .55 percent of their \$500,000 of value of work, that fee would come out to \$2,752. What we did is compare and give you an average. So, the average of the other three municipalities is just shy of \$2,000. I will tell you -- and you might recall from the City of Miami -- their permit fees are typically lower for specific permits. However, they make a lot of money based on volume. Building Department I know over there was in -- almost reaching \$100 million in reserves from building permits. So, they're historically low on a per permit, but again, they bring up the revenue

that they need. And I'll point you also to the City of Miami Beach, which changed its fees last year and actually took the same approach that we're doing here, and they're doing a percentage of job value also. So, their fee is at .7 percent of job value, so higher than the City, and they are also charging for sprinklers and alarm systems. One of the things I wanted to mention also in our recommended fee of the .55 percent, that will be inclusive of all plan review and inspection and systems. So, if a new commercial structure comes in, they will pay one fee just incorporating not only the plan review and inspections for the entire project, but you will not be charging them separately for their fire sprinkler systems, their alarm system. So, we wanted to make this as concise and easy as possible. The next example is the fire alarm system and final acceptance tests. This was at 1515 San Remo. And you could see the job value at \$90,000. If you apply the percentage, it would be, again, just shy of \$500, a little bit below the average of \$647 of the other three municipal fire fees. Special inspection requests, again, I mentioned a few minutes ago that you currently charge \$200, so you're basically charging approximately \$50 per hour. Your cost is double that, so we've increased that fee to \$350, and again, below what the average is of the other municipal fire departments. The fourth is the annual life safety inspections.

Vice Mayor Mena: Can I ask you a question? I'm sorry.

Mr. Duyos: Yes, yes.

Vice Mayor Mena: Really quickly on that last point. Just -- I don't know -- came to mind. If our cost is double that, why are we subsidizing?

Mr. Duyos: Well, the cost could be double that. Your cost per hour is about 100, so -- and that gives whoever's requesting that special inspection up to four hours, but it's not always four hours. So, sometimes it could be 30 minutes, it could be four hours. So, we wanted to, you know, try to recoup the cost, but realize that to pay \$350 for maybe a half-hour inspection is maybe too much, so we wanted to try to reach a balance.

Vice Mayor Mena: But is there a reason it couldn't -- because you want it to be a flat fee. You don't want it to be...

Mr. Duyos: This is a flat fee.

Vice Mayor Mena: Right.

Mr. Duyos: Yes. You could charge it per hour and then -- but that becomes a little bit of an administrative burden recording the hours and billing by hour.

Vice Mayor Mena: Right. Yeah, I guess the question would be -- and I'm just -- this is just a -- one item, obviously. I don't mean to belabor the point, but you know, it's a flat fee, but I would -- if it's possible to kind of evaluate it against the total number of hours later and kind of reconcile, see are you under or are you over, or where are you relative to your actual cost because I don't think we should be subsidizing special requests, you know.

Mr. Duyos: Right.

Vice Mayor Mena: So, you know, maybe the \$350 gets us there to your point, and you know, I just don't know what the hours are, so it's hard to...

Mr. Duyos: Right. And again, this is more anecdotal and quantitative, but again, in spending many hours with the Chief and his staff, you know, we had discussions about all of these, and the conclusion was that not all of these special inspection requests will take four hours, so we tried to find a balance.

Vice Mayor Mena: Okay, you might come out ahead on some, and you might come out below on others, but my point...

Mr. Duyos: That's right.

Vice Mayor Mena: Is, on the overall, where do you end up?

Mr. Duyos: Right.

Vice Mayor Mena: So, okay, understood.

Mayor Lago: Okay.

Mr. Duyos: Okay. The annual life safety inspections, again, right around the average of \$314, and this is one that we are not changing, but we wanted to show compared to the others. Also, this chart is for residential false alarm services. Again, the City is very generous as are some other municipalities that for the first two false alarms, you do not charge the residents. There's a \$60 charge on the third one, which again, is considerably lower than Miami-Dade County, Miami Beach, and the City of Miami. And then it goes up to \$210 as the violations keep occurring. And you know, this is a really good service that the City is really providing to the residents with respect to not charging them. And false alarms have increased by about 300 percent from FY-19 to '21 according to the data that was provided to us. So, again, just wanted to show this as a comparison. On the same note, for commercial false alarm, again, no changes. You see Miami-Dade County charges \$250 for the first one, and then \$500 for the second one, along with Miami and Miami Beach don't charge for the first two violations for commercial false alarms. But then, we are very consistent with the other municipalities after the third violation, except for Miami-Dade County, which is double the City. So, in wrapping up, we wanted to highlight some of the benefits if you adopt this proposed fee structure. First and foremost, we want to ensure that the Fire Prevention

Division achieve cost recovery, that you have a reserve for potential and certainly uncertainty in permit activity. You want to enable the division to operate at the Chief's desired service level. We wanted to provide consistency with the building permit structure, facilitate quicker turnaround times for plans review, and that can be accomplished with this type of fee, which is I think what you're seeing with your building permits as far as turnaround times because you don't have to have a plans examiner now counting the number of heads. You have to do it for code compliance purposes, but certainly not going to count them for feeing purposes. This would be very easy to calculate; it's transparent. You have a value of construction. You apply the percentage. That's your permit fee. And again, it's fairly consistent with the comparable fire prevention fees within the county. So, I'll be happy to take any questions.

Commissioner Fors: I think out of the case studies, or the comparisons, the one that was a little more alarming to me was the tenant build-out situation where that same build-out now is almost \$2,000 more, right? That's what it is, right?

Mr. Duyos: Yes, sir.

Commissioner Fors: Why is --? I mean, in other cases, in the other case studies, we have increases of, in one case, \$150. But let's say fire alarm system plan review and final acceptance test is about double the increase. Why is --? Is the --? Why is comparison number one --? In other words, what goes into the fact that this is the case study that results in the highest increase in fees?

Mr. Duyos: Well, simply the higher the value of the work, the higher the fee is going to be because the fee is a percentage applied to the value of the work. So, it makes sense that the higher the value of the work, the bigger the project is...

Commissioner Fors: Right.

Mr. Duyos: The more service is required from your fire prevention inspectors and plans examiner, so that's the correlation to percent of work tied to value of construction, percent of fee. In this case, in the Lululemon tenant build-out, again, as I mentioned, it was approximately 20 to 25 inspections, separate inspections that were conducted, not even including plan review, so the fee that they were charged, which is based on your existing fee structure, was extremely low. And essentially, the City lost money on that. Somewhere else it was subsidized, and that is part of that red that the general fund pays.

Commissioner Fors: And would you say that there's -- in what you reviewed -- a lot of occurrences of cases like this one where the City ends up severely undercharging compared to other municipalities?

Mr. Duyos: Well, we only looked at really a few sample permits. I think if we were to look at more, I think we would be -- we would find consistency with this because this is a very common permit that's pulled. It's a very common type of activity within the City from a commercial standpoint.

Commissioner Fors: So, when you selected this example, you were trying to look for a -- sort of a typical...

Mr. Duyos: We were looking for...

Commissioner Fors: As typical as you can get.

Mr. Duyos: We were looking for a typical commercial build-out. We picked this one. We had good information from the City on it. We had the number of sprinkler heads, so we were able to calculate what the current fee was that was charged on this and then compare it to others because some of the others also, like the County and Miami, and even Miami Beach also fee the number

of sprinkler heads, fire alarm systems, so we needed to have that information, so we found one that we felt was representative.

Commissioner Fors: That comparison in particular, that case study makes me a little hesitant. I think, like Commissioner Mena said, I do view entirely differently the false alarm service charges, especially when you get up to the higher rates of false alarms where clearly you -- there's something happening that is avoidable as well as special inspections. But I'll hear what my colleagues have to say about it.

City Manager Iglesias: What this would provide, Commissioner, would be an enterprise fund, a user fund that would allow us to provide more plan reviewers, and more inspections, and more inspectors, and provide a better service to the industry. It's based on the enterprise fund created by the state statute, and so I think this -- the state statute allows us to recover costs for that. And I do think that Miami and Dade County will be revisiting their permit fees. They have just not done it yet as City of Miami Beach did, which is much, much higher by a much higher percentage than ours. But this is a user fee, and right now, that's being subsidized by the general fund. And I feel that we can provide a better service to the construction industry by going to an enterprise system similar to what we did in the Building Department. It's worked out very well, and we've had no issues.

Commissioner Fors: And I think...

City Manager Iglesias: (INAUDIBLE) the Building Department fees.

Commissioner Fors: And this may be a silly question, but the method of charging -- in other words, how we charge, that has to be a certain way in order to be able to create the enterprise fund?

City Manager Iglesias: No, I don't think so, but I think this is an appropriate way of doing it because the bigger the job, generally, the more service is required, and it's worked out very well. City of Miami Building Department did the same thing years ago, and it worked out very well. And it's worked out very well with the Building Department right now, something that Mr. Duyos presented...

Mayor Lago: So, let me...

City Manager Iglesias: Last year.

Mayor Lago: Let me ask you a question. There seems to be a lot of questions here. Do you want to defer this for the next Commission meeting?

Unidentified Speaker: No.

Mayor Lago: Does everybody feel comfortable? I just want to make sure.

Vice Mayor Mena: Look, I think -- I'm comfortable personally.

Commissioner Fors: I'm willing to defer.

Vice Mayor Mena: I mean, if you want to defer it, I'll defer it, whatever you're comfortable with. I think to your point -- and I don't -- it seems to me like it's not so much that the \$2,500 on that comparison is very high, it's that the prior was very low...

Mr. Duyos: Right.

Vice Mayor Mena: For the level of service that was being provided. Because if you had to go out for 20 or 25...

Mr. Duyos: Right.

Vice Mayor Mena: Inspections for...

Commissioner Anderson: I'm prepared to move forward now. What I...

Mayor Lago: We just -- I just -- the reason why is we have a lot of items on the agenda, and I know you want to get to lunch at 1 o'clock, and I want to hit all the time certain items. If you want to defer it, I'll defer it. If you want to vote on it, we can vote on it, whatever you like.

Commissioner Anderson: I'll give you my two cents. Right now, we're subsidizing it. In other words, the general taxpayer is subsidizing the fire fund, and there's an equity to this program in that, you know, because it's based upon the value of what is being built...

Vice Mayor Mena: Right.

Commissioner Anderson: It balances the interest. And instead of having the general taxpayer pay for these inspections on this new construction and build out, so that -- those are my thoughts on the process.

Vice Mayor Mena: I agree with you.

City Manager Iglesias: And also, one thing is that the industry is asking for additional services, and this is a way that the industry can pay for the services that they will be getting.

Vice Mayor Mena: How did the --? On that same comparison -- and you may have said this, I apologize -- the percentage -- I know Miami Beach was the other one that uses the same type of system.

Mr. Duyos: Yes.

Vice Mayor Mena: The percentage that you're proposing is similar, lower, higher...

Mr. Duyos: Lower.

Vice Mayor Mena: Than their percentage?

Mr. Duyos: Their at .7 percent plus they charge for sprinklers, fire alarm systems. Yours that we're proposing is .55 percent, so .15 percent lower...

Vice Mayor Mena: And you're not charging...

Mr. Duyos: And inclusive of all the systems that would be included.

Vice Mayor Mena: So, is the number that you gave us on what it currently costs in that comparison, did it also include those other fees for...?

Mr. Duyos: Yes.

Vice Mayor Mena: Okay. So, that was all in.

Mr. Duyos: Yes.

Vice Mayor Mena: Gotcha. Alright, I'm comfortable. I'm comfortable moving forward.

Mayor Lago: So, anyone would like to make the motion?

Commissioner Menendez: I'll move it.

Commissioner Anderson: I'll second.

Mayor Lago: Mr. Clerk.

Commissioner Menendez: Yes.

Commissioner Anderson: Yes.

Commissioner Fors: No.

Vice Mayor Mena: Yes.

Mayor Lago: Yes.

(Vote: 4-1)

Mayor Lago: Alright, moving on to consent agenda.

City Manager Iglesias: You also have the solid waste collection...

Vice Mayor Mena: Thank you.

City Manager Iglesias: Special pickup, Mayor, on this item, if you don't -- if...

Mayor Lago: Which one is that?

City Manager Iglesias: This is on Item I-4. This is moving from \$10 a cubic yard for waste collection to \$15. Our trucks are normally 10 cubic yards, so it would be \$100 per trucks versus \$150. Mayor, as you know, in construction, that would be very, very economical, and we just would like to recover some of the...

Vice Mayor Mena: That's for special pickups.

City Manager Iglesias: For special pickups, special pickups. And I can think -- Mayor, you can imagine if you have a 10-yard truck for \$150 in a construction site, that's not a bad deal.

Mayor Lago: So, we're hearing these separately or now we're...

Vice Mayor Mena: Yeah, I don't understand. Wasn't it the same...?

Deputy City Attorney Suárez: It was the same item. It was the same item amending the fee ordinance, so that was just confirming that that was part of the vote on that.

Mayor Lago: I have.

City Manager Iglesias: So, we had these two items as part of the fee ordinance.

Vice Mayor Mena: Right.

Mayor Lago: That's fine. Okay,

City Manager Iglesias: Thank you.

Mayor Lago: No issues. Yeah, it's in -- thank you.