

9. *Discretionary/Changes in Method for Internal Service Payments versus Transfer Out*

Assertion: In 2009 the City implemented new higher permit fees, determined by a Fee Study done by Maximus. The Fee Study included the costs all staff in the building division, time and motion for completing all tasks, as well as overhead for the various departments (HR, CM, CA, IT, etc.) related to processing permit applications. These costs were included in the new permit fee calculation so that when the city collects the permit fees they are then collecting the costs for these other departments. The Interfund Service Payment is the method the city uses to transfer the fees collected to those various departments. Shouldn't the amount being transferred be equal to the dollar amount that was used to calculate the cost for the permit fee VS what the City does which is using the actual costs for those departments and billing the Building Fund a share of those costs?

The Fee Study referred to above did, in fact, create a permit fee structure based on both direct and indirect costs to provide building services in 2009. The City's Cost Allocation Plan (CAP) uses actual costs for each year, rather than the historical estimates in the 2009 study, which recognizes that the interfund service fees will reflect the Building Fund's **current, proportionate share** of those central services, not the dollar amounts embedded in the original fee calculation from 16 years ago. The Fee Study established the methodology and cost components; the annual CAP applies that methodology to up-to-date actual costs, so that charges remain aligned with the true cost of providing permit and building services over time.

The suggestion to maintain interfund service fees at 2009 levels is arbitrary, and fails to account for actual costs. An attempt to acknowledge this claim to its fullest concept would suggest that the CCCIA believes the City should pay its employees the 2009 rate based upon values and operational costs in 2009, and that cost increase for, electric, fuel, and training, should not increase with market inflation. Such reasoning demonstrates a fundamental misunderstanding of budget management and cost escalation over time. At best, it reflects a lack of thorough or critical thinking, and complete logical application of emerging market trends and application of statutory law.

Furthermore, under the revenue recognition principle, revenue is recognized in a manner that reflects the economic substance of the underlying transactions and aligns financial reporting with actual performance. It does not, however, determine whether the established fee levels are sufficient to fully recover the costs of providing the related services. The City recognizes the permit revenue it currently charges over the period during which the associated services are rendered. The City does not understate or defer costs in order to match them to existing revenue levels.