TO: John McDonough, City Manager
FROM: Jim Tolbert, Assistant City Manager
DATE: September 20, 2016
ITEM: Technology Surcharges on Permit Applications to Offset Software Costs

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Background

The city of Sandy Springs does not currently implement surcharges for technology system purchases within permit application processes. As the digital age gains momentum, paper systems are transitioning to digital, requiring new software programs, updates and maintenance. To curb the costs incurred by purchasing and employing these programs, Sandy Springs should consider charging a technology surcharge for permit application processes. The main goal of this is to cushion the costs incurred for new software purchases and maintenance, primarily targeting the initial costs of the Energov software program, which cost approximately $350,000.

Discussion

Of surrounding local municipalities, 0% of permit application fees included a technology surcharge. Of surrounding local counties, 9.43% of permit application fees included a technology surcharge. In total, only 3.73% of municipality and county permit application fees included a technology surcharge. This data is slightly misleading, due to the fact that DeKalb county was the only municipality or county to require a technology surcharge ($20), but did not require any digital submissions.

Using the last 12 months of permit application data from Sandy Springs as a rough projection model for the next 12 months, a $12 technology surcharge was applied. For 4,720 permit applications between Sept 2015 – Aug 2016, a technology surcharge would have generated $56,640 for technology software offset. This is just over 16% of the initial cost of Energov. If these numbers held steady, the full cost of Energov could be offset in just over 6 years with a $12 technology surcharge.

The surcharge is applied to every permit application submitted, and is not exclusive for the permit applications that are approved. This is because all submissions, regardless if they get approved or rejected, are processed through Energov, and therefore all submissions should be charged the surcharge.

Alternatives

(1) Continue with the current fee schedule and internally incur the costs of software purchase, updates and maintenance.
(2) Gather more data on permit application rates in Sandy Springs to identify a technology surcharge value that will fit a specific cost offset timeline.
(3) Implement a $12 technology surcharge on permit applications to help offset the costs of software purchase, updates and maintenance.

Recommendation

Our recommendation to the city council is to adopt option 3 of the above listed alternatives. This surcharge value is less than what neighboring government bodies have

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implemented, and is a capable strategy for shaving away the costs of technology and software investments incurred by the city.

Attachment

Please find attached the regional survey done to establish an overview of how North Georgia deals with technology surcharges on permit applications.

Sept. 6, 2016

Overview of Technology Surcharges for Cost Offset, and Digital Submissions on Application Processes
The City of Sandy Springs
For: Jim Tolbert, Assistant City Manager
Prepared by: Kelsey Waidhas, Intern

Background

The city of Sandy Springs does not currently implement any surcharges for technology system purchases within permit application processes. As the digital age gains momentum, paper systems are transitioning to digital systems, requiring new software programs, updates and maintenance. To curb the costs incurred by purchasing and employing these programs, Sandy Springs is considering charging a technology surcharge for permit applications submitted in paper format. The goal is that this surcharge will (1) act as a deterrent to paper submission and encourage digital submissions, and (2) cushion the costs incurred for new software and maintenance.

Specifically, this surcharge is targeted at the costs incurred by the purchasing, implementation and future updating of the Energov permit application system. This program incurred an initial cost of approximately $350,000 to the city, and will continue to demand a financial investment through updates and maintenance.

Methods

Technology surcharges for permit application processes were analyzed in 8 municipalities and 6 counties neighboring Sandy Springs to form an idea of how the region deals with supporting technology and software systems. The 8 municipalities analyzed were: Marietta, Smyrna, Roswell, Dunwoody, Chamblee, Peachtree Corners, Norcross, and John's Creek. The 6 counties analyzed were: Fulton, Cobb, Cherokee, DeKalb, Forsyth, and Gwinnett.

Information was collected strictly from each municipality and county's official website. All permit application processes analyzed were specific to commercial and residential building, renovations, variances, demolitions, signs and events. No affidavits were analyzed. These forms were analyzed for (1) required fees, and if they included technology surcharges; and (2) requirement of paper and/or digital submission of forms and documents.

Sandy Springs permit application data from September 2015 – August 2016 was collected for a projection model for the next 12 months. A technology surcharge overlay of $12/application was applied to this data to provide a rough projection of potential software cost offset for the next 12 months. Data was broken down into months to display the ebb and flow of permit applications throughout the year.

Results

<u>Municipalities</u>

Of the 8 municipalities included in the study area, a total of 92 permitting processes were analyzed. 81 of these required fees, and 0 of them included technology fee surcharges. Of the 92 permitting processes, all of them required paper copies. None of the permitting processes analyzed were solely digital, online or "paperless." 5 of the 8 municipalities require both paper and digital submission on a handful of application processes, but not all. These municipalities

are Marietta, Dunwoody, Chamblee, Norcross and John's Creek. Percentages for this data can be found in Table 1.

Counties

Of the 6 counties included in the study area, a total of 67 permitting processes were analyzed. 53 of these required fees, and 5 of them included technology fee surcharges. Of the 67 permitting processes, all of them required paper copies. None of the permitting processes analyzed were solely digital, online or "paperless." 2 of the 6 municipalities require both paper and digital submission on a handful of application processes, but not all. These counties are Fulton and Cobb. Percentages for this data can be found in Table 1.

Table 1. Calculated percentage values for (1) fees including technology surcharges, and (2) municipalities and counties requiring digital documents for a few choice application processees.

	Percent	Raw Data
Percent Municipality Fees w/ Technology Surcharges	0%	0 of 81
Percent County Fees w/ Technology Surcharges	9.43%	5 of 53
Total Percent of Fees w/ Technology Surcharges	**3.73%**	5 of 134
Percent Municipalities Requiring Digital	62.50%	5 of 8
Percent Counties Requiring Digital	33.33%	2 of 6
Total Percent Requiring Digital	**50.00%**	7 of 14

12 Month Projection

Using data from September 2015 – August 2016 as a rough model for the next 12 months, we have applied a $12 technology surcharge to every permit applied for. The surcharge was applied for every application submitted, but not approved, due to the fact that all applications go through Energov software, and therefore should contribute to offsetting the costs of Energov.

Overall, 4,720 permits were applied for in the 12 months of data being considered. A $12 technology surcharge would have generated $56,640 in this time period, offsetting just over 16% of the initial cost incurred by the city for purchasing and implementing Energov. Table 2 displays a month-by-month display of contributions towards offsetting costs based on the ebbs and flows of permit applications throughout the year.

Table 2. Display of which months would have generated the most and least amount of money for offsetting costs incurred for software purchases and maintenance.

Month	$ Generated	Month	$Generated
Sep-15	$4,620.00	**Mar-16**	$4,524.00
Oct-15	$4,764.00	**Apr-16**	$4,848.00
Nov-15	$4,152.00	**May-16**	$4,944.00
Dec-15	$3,804.00	**Jun-16**	**$5,928.00**
Jan-16	**$3,492.00**	**Jul-16**	$5,676.00
Feb-16	$4,032.00	**Aug-16**	$5,856.00

Discussion

Municipalities

While more than half of the municipalities in the study area require digital copies for certain application processes, none of them currently implement a technology surcharge on the accompanying fees. Additionally, digital copies are not required on all documents, but rather on a few choice application processes. This number usually did not exceed between 3-5 processes requiring digital copies per municipality, usually less.

It may be speculated that the amount of digital submissions required is not enough to warrant a technology surcharge. However, given the increasing popularity of "paperless" processes, this may be subject to change in the future. A possible setback for "going paperless" may be a lack of streamlined and efficient software programs available for the complex process of permit applications. While these programs are available, the ease of use and practicality for both applicants and processors should be subject to a cost-benefit analysis to ensure that use of the software program does not compromise efficiency and clarity throughout the application process.

Counties

Although only 2 counties in the study area require digital copies for certain application processes, neither of them currently implement a technology surcharge on the accompanying fees. Additionally, digital copies are not required on all documents, but rather on a few choice application processes. This number usually did not exceed 2-3 processes requiring digital copies per county.

Ironically, DeKalb County did not require digital copies for any of their application processes, but was the only municipality or county to implement a technology surcharge. 5 of DeKalb County's 9 application fees included a $20 technology surcharge. This blurs the raw numbers reported above by misleading readers to assume that the technology surcharges were implemented by municipalities or counties requiring digital copies of documents. For our study area, this is not the case.

12 Month Projection

If the numbers from the previous 12 month period hold steady over the next 12 months and beyond, it is possible for the entire initial cost of Energov ($350,000) to be offset in just over 6 years. However, there is no projection for how many updates or other maintenance events that will occur and incur costs over the next six years. Despite this, the $12 technology surcharge proves to be a capable strategy to whittle away at cost of technology and software investments incurred by city.

Conclusion

Technology surcharges and digital submission of documents is not widely practiced in our study area of North Georgia. Not only do a handful of permitting processes require digital documents, but these digital files seem to act as a supplement to the required paper copies. This leaves the impression that digital copies are of secondary importance throughout the permitting process, and may be a requirement in place strictly for formality. In addition, adding technology surcharges to help curb the cost of software use and maintenance does not seem to be of great concern, reinforcing the idea that digital copies are secondary and formal requirements.

Finding a simplistic, user-friendly software may be a challenge for municipalities and counties looking to "go paperless." Permitting and application processes are specialized and specific for each county, municipality, and permit category, and can vary widely on a case-by-case basis within categories. Each program considered for use should be user-friendly for both applicants and processors, and should aim to reduce time spent on processing applications.

Incurring the surcharge on paper submissions may not be a sustainable option if Sandy Spring's goal is to find a long-term funding source for continuous software support. As the digital world gains dominance, paper submissions will eventually become obsolete, thus drying up the software support reservoir. Although there is no indication of when this will occur, it is an issue that should be acknowledged when considering implementing technology surcharges on paper submissions. Thankfully, the data collected from our study area indicates that paper submissions are the most strongly preferred method of application processing throughout North Georgia, boding well for the longevity of a potential technology surcharge.

As for the amount of the proposed technology surcharge ($12), this value is malleable and can be altered to fit the council's ideal timeline for fully offsetting incurred technology and software costs. More data from previous years (before Energov) can be found to project a more long-term idea of permit application fluctuations throughout the year if the council wishes to better identify a set value to implement for a specific offset timeline. 6 years may be considered too lengthy a time period to offset the purchase and implementation costs incurred by Energov, and other values may be suggested to shorten the offset timeline.

Software Costs & Surcharges for Offset

SANDY SPRINGS
GEORGIA

Current Situation

- Software and technology costs incurred internally
- Ex: Energov = $350,000
- Currently, no technology surcharge
- Generally in line with how the region deals with technology surcharges
  - Exception: DeKalb County = $20 technology surcharge

Problem

- Complete internal absorption of software costs
- No cushion or system in place for offsetting costs

Goals

- Find a solution that does not rely entirely on internal absorption of costs
- Target users of software to help shoulder costs

Solution

- $12 surcharge on all permit application submissions
- Ex: if surcharge had been applied in Sept 2015, just over 16% ($56,640) of the initial cost of Energov would have been offset by today