

# OSF Adjustment Framework for Operational Support Fee

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## Purpose

The Operational Support Fee (OSF) is designed to recover indirect costs necessary to maintain operations, such as electricity, building and space rent, devices, phones, IT support, vehicles, fuel, and other overhead expenses. While all other proposed fees (application, plan review, regulatory review, inspections, etc.) are calculated based on time measurement analysis and direct labor costs, the OSF addresses these essential indirect costs.

This framework establishes a consistent, formula-based method for adjusting the OSF using objective financial triggers. The goal is to ensure compliance with F.S. 553.80, maintain financial stability, remove guesswork from quarterly decisions, and transition OSF from an indirect cost recovery tool to a strategic reserve-rebuilding mechanism once operating shortfalls are eliminated. The fee is intended to fluctuate based on revenue and expenditure trends and, when operating shortfalls are resolved, can be leveraged to rebuild reserves that ensure continuity of services and cover unexpected expenses.

## Statutory Requirements (F.S. 553.80)

- Fees must be reasonable and used only for building-related services.
- Carryforward cannot exceed the average of the operating budget for enforcing the Florida Building Code for the previous 4 fiscal years, unless approved by the BIOC.

## Core Principles

- Quarterly review with BIOC using budget data (revenue vs expenditures, reserve balance).
- Objective financial triggers determine OSF adjustments (no subjective ranges).
- Compliance with statutory limits under F.S. 553.80.
- Reserve Recovery Strategy: If operating budget is balanced (no reserve draw), OSF revenue flows directly to reserves. OSF increases compound annually, accelerating recovery even if permit volume remains flat.

## Context

Maintaining a building fund reserve is essential to ensure continuity of services during periods of low volume and to provide a financial buffer for unexpected expenses such as

vehicle replacements, technology upgrades, disaster recovery and other critical operating needs.

- Current Statutory Cap for Reserve Fund: ~\$16.5M
- Current annual operating budget: ~\$21M; projected with cost savings: ~\$19M
- Implication: If reserves fall below the Statutory Cap, fund recovery becomes critical because the cap represents less than one year of operating costs.

### Definition of Trending Downward

- Trending upward = Reserve balance increased for two consecutive quarters.
- Trending downward = Reserve balance decreased for two consecutive quarters.

### Decision Framework

The following table outlines conditions and corresponding actions for OSF adjustments:

Condition	Action	Justification
Net Position < 0 (drawing from reserves)	Increase OSF by 2%	Immediate corrective action to stop reserve depletion.
Reserves < Statutory Cap AND trending upward but < 10% below Statutory Cap OR flat/declining	Increase OSF by 2%	Reserves far from target or not improving; stronger action needed.
Reserves > 90% of Statutory Cap	Decrease OSF by 1%	Proactive adjustment to prevent exceeding Statutory Cap.
Reserves > Statutory Cap	Reset to 0%, unless approved by BIOC	Reset or approval of BIOC needed for statutory compliance.

### Formula for Statutory Cap

- Statutory Cap = (Sum of last 4 years' enforcement operating budgets) ÷ 4

### Implementation Notes

- Net Position = Quarterly Revenue – Quarterly Expenditures
- Calculate Internal Floor and Statutory Cap before quarterly review.
- Apply adjustment based on the trigger table above.
- The initial OSF percentage will be 0%.
- The percentage may increase by up to 2% per quarter, based on quarterly budget review outcomes.
- The maximum cumulative increase will not exceed 5% per fiscal year.
- Annual cap applies per fiscal year, the OSF may exceed 5% over multiple years if adjustments continue.

- Adjustment to the OSF percentage and frequency will be implemented upon mutual agreement between the Department and the Building Industry Oversight Committee (BIOC) following the quarterly review.

### **Formula for OSF Calculation:**

- % of Total Review and Inspection Fees (Excluding Specialized/External Reviews)

### **Governance**

- BIOC serves in an advisory role during quarterly reviews.
- BOCC retains final authority if BIOC does not support an adjustment despite criteria being met.

### **Adjustment Limits**

- **Maximum adjustment:** Up to 2% per quarter.
- **Maximum cumulative increase:** 5% per fiscal year without BOCC approval.