



**City of
Portland, Oregon**
Bureau of Development Services
FROM CONCEPT TO CONSTRUCTION

Dan Saltzman, Commissioner
Paul L. Scarlett, Director
Phone: (503) 823-7300
Fax: (503) 823-6983
TTY: (503) 823-6868
www.portlandoregon.gov/bds

BDS Budget Advisory Committee
Meeting Notes
Wednesday, January 13, 2016

BAC Members Present:

Andre Baugh, Group AGB, Ltd.
Paul Grove, Home Builders' Association
Barrett Karnes, REACH CDC
Maryhelen Kincaid, Development Review Advisory Committee
Mike Liefeld, BDS
Kirk Olsen, Development Review Advisory Committee
Cristina Palacios, Community Alliance of Tenants
Kathy Saunders, BDS
Paul Scarlett, BDS
David Tebeau, BDS
Steve White, Oregon Public Health Institute
Rachel Whiteside, BDS

Other City Staff Present:

Jason Butler-Brown, BDS	Rebecca Esau, BDS	Mark Feters, BDS
Matt Grumm, Commissioner Saltzman's Office		Elshad Hajiyev, BDS
Doug Le, City Budget Office	JoAnn Lee, BDS	Mitch Nickolds, BDS
Kyle O'Brien, BDS	Andy Peterson, BDS	Deborah Sievert Morris, BDS

BAC Members Absent:

Shawn Burgett, BDS
Susan Steward, Building Owners & Managers Association

Handouts

- BAC Meeting Notes – December 17, 2015
- Preliminary Revenue Growth Rates
- Requested Positions & Service Levels
- Proposed Mandatory 5% General Fund Cuts
- Top Employee Budget Ideas
- FY 2015-16 BAC Report

Welcome/ Convene Meeting

BDS Administrative Services Manager Deborah Sievert Morris welcomed BAC members and City staff and gave an overview of the meeting agenda.

BAC members reviewed the notes from the December 17, 2015 BAC meeting. Doug Le (City Budget Office) noted that the additional \$11 million in projected General Fund revenues for fiscal year (FY) 2016-17 are one-time rather than ongoing, and that no additional revenues beyond the \$11 million are anticipated. With that clarification, the meeting notes were approved.

Input from BDS Finance Committee

BDS Finance Manager Elshad Hajiyev reviewed the handout **Preliminary Revenue Growth Rates** and discussed feedback the bureau received from its Finance Committee. Mr. Hajiyev noted that BDS has added a forecasting model for the Land Use Services program this year to the existing models for the bureau's permit programs. Next year he intends to use the Land Use model as an additional factor to forecast permit revenues. After thoroughly reviewing the models, the Finance Committee members agreed that BDS's modeling approach is sound and reasonable.

BDS has created Base Case and Worst Case Scenarios, which are summarized in the handout. The bureau will use the Base Case to project revenues.

Finance Committee members agreed that at some point over the 5-year period of the bureau's Financial Plan, there will be a "correction" in the current business cycle, but they are uncertain when this will occur. They said that they anticipate moderate growth for the next year or two. The correction is spread out over the last 4 years of the BDS Financial Plan. The Finance Committee also reviewed and approved the bureau's Business Continuity Plan, which will help BDS plan for and respond to economic downturns.

BAC Member Kirk Olsen asked how the baseline is arrived at. Mr. Hajiyev said that for FY 2015-16 he used actual data for first 6 months and generated a forecast for FY 2015-16, then applied the projected growth rates to the next 5 years.

Last year the Finance Committee recommended making the Worst Case 5% less than the Base Case for all years of the Plan. This year they recommended front-loading the reductions, since they expect the economic correction to occur earlier in the Plan rather than later.

Nancy Thorington (BDS) asked how the Worst Case Scenario compares with the last recession. Mr. Hajiyev replied that the last recession was unprecedented, with revenue declines of 20-30% in some bureau programs. He does not expect anything of that nature in the near future. The impact of previous recessions was in the 5-10% range.

BAC Member Andre Baugh asked why Zoning Enforcement and Neighborhood Inspections revenue decrease in the Worst Case Scenario. Mr. Hajiyev said that those revenues come in when properties are sold and liens are paid off; in a recession, people's ability to pay liens and buy property declines.

BAC Member Cristina Palacios inquired whether another recession would affect the proposed per-unit housing fee. BDS Enforcement Manager Mike Liefeld said that it would not.

Mr. Baugh observed that the BAC is asking for more enforcement of code, which increases liens, but if BDS can't collect on them, there is a need to talk about the model. More enforcement and collections also work against City/bureau equity goals.

BDS Director Paul Scarlett said that discussions about uncollected liens have taken place for years with the City Auditor and the Revenue Bureau, but there are political issues that make solutions challenging.

BAC Member Maryhelen Kincaid asked whether it would be feasible or reasonable for the BAC to recommend that the fee collection/lien issue be addressed. Mr. Scarlett said that it would be appropriate for the BAC can make such a recommendation. Mr. Hajiyev noted that BDS has \$15 million (or more) in uncollected liens.

Mr. Liefeld added that the Enforcement Program is compliance based; 88% of violation cases are resolved without penalty, and that won't change. The program is based on voluntary compliance, and the fees are there to incentivize that compliance. Other than parking enforcement, there is no code enforcement program that can sustain itself on fees and fines alone. The Enforcement Program provides community-wide benefit and should be supported by the General Fund. The percentage of liens collected varies depending on the economy and the market. BDS cannot make people pay liens, unless foreclosure is used.

Matt Grumm (Commissioner Saltzman's Office) urged the BAC to recommend that the City Auditor bring the foreclosure list to the City Council, which she has not been willing to do to this point.

BDS Equity & Policy Manager Dora Perry said that the conversation about liens and foreclosures needs to happen in a balanced way, taking into account equity issues. She said she has heard of people who have been pushed to foreclosure due to medical issues. There is a need to take human issues into account. Mr. Hajiyev added that the purpose of the Enforcement Program is compliance; the program is not designed to be punitive and is not intended to be supported by fines and lien revenues.

Ms. Palacios observed that there are also companies taking advantage of the current system in order to avoid make repairs on large apartment buildings. Mr. Baugh said that in foreclosures, the City needs to distinguish individual property owners from commercial businesses that are trying to game the system. He suggested that the BAC push this issue forward for the City Council's consideration.

Mr. Liefeld said that currently the City Auditor sends foreclosure letters to all properties meeting the criteria, but doesn't follow up on them. BDS advocates taking a more individualized approach and would not recommend moving forward with foreclosure on all eligible properties.

Position Requests for FY 2016-17

Mr. Scarlett reviewed the handout **Requested Positions & Service Levels** and gave an overview of the analysis behind the proposed fee-supported and General Fund-supported position requests. Each position costs about \$100,000 annually (including benefits). BDS's General Fund requests strongly tie to the City's equity and affordable housing goals.

Mr. Scarlett also reviewed the handout **Proposed Mandatory 5% General Fund Cuts**. The cuts are designed to avoid reducing staff positions, but they will impact the bureau's equity goals. If the City Council accepts the proposed cuts, BDS will use program reserves to allow Land Use Service's Portland State University program to continue.

Ms. Kincaid asked what incentive the City Council will have to increase BDS's General Fund allotment if BDS is able to currently fund the positions with program reserves. Mr. Scarlett replied that BDS has made these General Fund requests for several years. Last year when the requests were turned down, BDS decided to fund the positions from reserves for just one year, and then request ongoing General Fund support beginning in FY 2016-17. BDS cannot permanently fund the positions from program reserves. If the requests are rejected again this year, the bureau will have to look for other options for funding them.

Mr. Le stressed that when the CBO makes recommendations to City Council on bureau budget requests, they have to look at the best value for the City based on the Mayor's and City Council's directions.

BDS Organizational Structure

Mr. Scarlett said that while BDS is similar in staff size to where it was before the recession, the bureau has fewer divisions (4 now as opposed to 7 pre-recession). To make bureau operations more efficient and effective, he is considering adding a division and shuffling some staff positions. No additional staff positions would be created.

Update on Performance Measures

Mr. Scarlett invited BDS Division Managers to briefly update the BAC on their performance metrics. BDS Inspections Manager Mitch Nickolds said that during the second half of 2015 there were multiple retirements in Inspections, along with increased numbers of inspection requests. As a result, the goal of completing inspections within 24 hours of request was met only 68% of the time for commercial inspections. As staff positions have been added, this metric has improved to close to 90%. Inspections will be filling a few more staff vacancies in 2016.

Mr. Hajiyev distributed and reviewed the handout **Plan Review Performance**, which showed the percentages of plans reviewed within scheduled timeframes during FY 2014-15 and FY 2015-16.

BDS Land Use Services Manager Rebecca Esau said they have almost all of their staff vacancies filled. There have been many internal promotions, which creates further vacancies that then need to be filled. Many workload measures have increased; turnaround timelines on building permit plan review has improved.

Budget Ideas

Mark Feters (BDS) reviewed the handout **Top Employee Budget Ideas** and described recent budget drop-in sessions held for BDS employees. Mr. Scarlett said he is committed to implement the top employee idea by restoring Permit Night in 2016.

BAC Report

Mr. Feters referenced the handout **FY 2015-16 BAC Report** and discussed the process for preparing the report with BAC members. Before the January 26th BAC meeting, Mr. Feters will distribute a draft report for members to review and be prepared to discuss.

Ms. Kincaid asked whether BDS reserves can be addressed in the BAC report. Mr. Scarlett said they can be addressed later on, since fee changes aren't due until the spring. He said this will be an agenda item for the January 26th BAC meeting.

The next BAC meeting is scheduled for January 26, 2016.
Meeting notes prepared by Mark Feters, BDS