



City of Portland, Oregon
Bureau of Development Services
Office of the Director
FROM CONCEPT TO CONSTRUCTION

Ted Wheeler, Mayor
Rebecca Esau, Director
Phone: (503) 823-7300
Fax: (503) 823-6983
TTY: (503) 823-6868
www.portlandoregon.gov/bds

MEMORANDUM

November 13, 2018

To: BDS Budget Advisory Committee (BAC)
BDS Employees
BDS Labor Management Committee (LMC)
Development Review Advisory Committee (DRAC)

From: Rebecca Esau, Director

Subject: BDS Budget Goals for Fiscal Year (FY) 2019-20

The Bureau of Development Services' (BDS) mission is to promote safety, livability and economic vitality through the efficient and collaborative application of building and development codes. The bureau is responsible for administering and enforcing 12 State and seventeen City Code and has approximately 417 employees. In addition to the Director's Office (which includes the Equity & Policy Development Team), BDS employees are housed in eight divisions:

- Land Use Services
- Plan Review Services
- Permitting Services
- Portland Online Permitting System (POPS)
- Commercial Inspections
- Residential Inspections
- Property Compliance Inspections
- Business Operations & Finance Services

About 99 percent of BDS revenues come from permit and other fees, with the City's General Fund making up the remaining 1 percent of the bureau's budget. Our greatest expenditure by far each year is personnel (approximately 76 percent of the total operating budget). At the same time, the construction activity that provides most of our revenues is cyclical and fluctuates dramatically due to a number of factors. Our heavy reliance on fee revenue results in a variable funding source, making it critical to set aside reserves for inevitable downturns in order to retain our workforce and meet service delivery demand when permitting activity increases.

We have found that it is inefficient to make drastic layoffs and then attempt to re-hire and train staff in reaction to each cycle. Fee revenues come in with the work, so following a downturn, when construction activity picks up again, revenues arrive too late to create positions, recruit to fill them, hire, and train new staff. If we follow the economic cycle with our staffing levels, we will be perpetually behind and unable to respond to workload increases. This is why it's essential to have healthy reserves set aside so that we are ready with trained, experienced staff when the workload picks back up again. When the workload is down, we can use that time to prepare staff for the next wave, with process improvements, new technology, improved information for customers, and training materials.

We regularly monitor several economic indicators to anticipate and respond to economic downturns appropriately. The goal is to have a stable workforce, do succession planning for anticipated retirements, and grow our staff by supporting their professional advancement.

As in past years, we invite the participation of bureau staff, customers, stakeholders and the community in the development of our annual budget. We rely on these participants to identify priorities and make recommendations for the bureau's continued improvement and success. Input from these sources informs and shapes our budget planning process.

BDS Long-Term Operational Strategy

To successfully provide excellent and equitable programs and services, we operate in a fiscally sustainable manner. To do this, we balance several strategy goals, including:

- Providing staffing sufficient to meet the needs of customers, stakeholders and community members;
- Maintaining prudent financial reserves to cushion against economic downturns, and when downturns occur, using those reserves appropriately based on projections of how long and deep the downturn is anticipated to be;
- Pursuing and maintaining cost recovery for services whenever appropriate;
- Setting reasonable fees, and keeping fee increases as low and gradual as possible;
- Establishing and achieving equitable and workable service level goals; and
- Ensuring programs and services are effective, efficient and equitable.

This long-term strategy informs our FY 2019-20 budget goals, identified on the following pages.

Budget Goals

Our budget request for FY 2019-20 will be structured to help us achieve these budget goals (expanded descriptions follow):

- Commitment to Equity
- People – Bureau Culture and Organizational Development
- Systems/Processes – Efficient, transparent services that are continually improved upon
- Tools – Software, hardware, and other equipment
- Organizational Structure & Programs
- Fiscal Sustainability

1. Commitment to Equity

As referenced in many of the other budget goals, we are committed to pursuing equity in all aspects of our work: Our workforce, our systems and processes, our programs and services, and our interactions with the community. Specifically, we continue to expand equity education and training opportunities for staff to help each employee raise their awareness around what equity means for their work, the organization, and the community. As individual employees experience continued growth and awareness, BDS will become a better place to work and will retain a diverse workforce. This will also improve the effectiveness of our outreach efforts, particularly with underrepresented communities and communities of color.

2. People – Bureau Culture and Organizational Development

We are currently engaged in a variety of initiatives aimed at shaping our bureau culture and strengthening our organizational development by training and empowering our employees.

- Customer Service Culture – One of BDS's central goals is to improve the customer experience. Our customers need to know that: we are doing our best to assist them; we are partners with them (we are interested and care about what they are facing in trying to do a project); and we have a sense of urgency about working with them to find solutions. We want our customers to understand that we are not solely regulators, but facilitators and guides to assist them in navigating development processes and regulations. This is the kind of customer service culture we expect as we serve both external and internal customers: a culture that pervades the organization, where all employees approach their work collaboratively and are trained and motivated to provide excellent customer service.

To this end, we are implementing leadership training for our managers and supervisors and customer service training for all employees. The leadership training will focus on empowering and enabling employees to be successful in their work, while the customer service training covers communication and conflict de-escalation skills. The training will be made available to staff from the other City development bureaus as well. The initial phase of the training will be complete by March 2019, with subsequent phases implemented throughout 2019.

November 13, 2018

- Employee Survey – In August 2018 we completed our first survey of BDS employees since 2014, with 62% of employees participating. The survey focused on job satisfaction and organizational culture. With the BDS Labor-Management Committee, we are now analyzing the results to identify and prioritize issues that need attention going forward.
- Adaptability to Change – It is important that we anticipate and prepare for change, becoming adaptable and nimble as individuals and as an organization. Change is inevitable, whether it involves the economy and construction industry, technology, the regulations we administer, our workforce, or the demographics, needs and concerns of the community. To help prepare for change, we are:
 - Building collaborative partnerships with external stakeholders through outreach and training about the upcoming changes to the tools, systems and technology we use;
 - Cross-training our employees to promote greater job knowledge, benefit customers, and create a more versatile workforce.
 - Taking a multi-pronged approach to succession planning. First, we are creating paths for high school graduates to take to careers at BDS, particularly in the areas where we anticipate greater numbers of retirements. Second, we are diversifying our workforce to better reflect the community we serve. Third, we are building a work environment where everyone feels respected, valued and welcome. Finally, the large number of new staff at BDS presents an ongoing need for training and career development support.

3. Systems and Processes – Efficiency of Services

Many private sector companies regularly employ teams to work on systems and process assessment to improve their efficiency and service delivery. We recognize there is considerable room to achieve better outcomes for the customers and community members who rely on our services. Furthermore, the quality and timeliness of services provided internally can have a profound impact on overall employee satisfaction, productivity and external service delivery.

We are beginning to create a culture of continuous improvement, where we:

- Establish a clear vision, goals and strategy that align with our values in serving the community;
- Regularly evaluate our external and internal service levels; and
- Assess our systems and processes in order to inform strategic improvement decisions.

We will create a continuous improvement team responsible for leading and coordinating this work of identifying and implementing opportunities for positive change. Also, we will develop performance metrics to measure service delivery in every work group, allowing us to monitor and address issues in a more timely manner.

4. Tools – Software, hardware, and other equipment

We are improving our technological infrastructure through the Portland Online Permitting System (POPS). The first phase of POPS is composed of six projects that will make our services more accessible and transparent for our customers, and will increase our efficiency in providing those services:

- Improved Web Portal for Customers: The online permit portal is being revamped to allow customers to track and pay for more types of permit applications from their home or office, as well as access more permit information than is currently available online. POPS will add more services to the Web Portal in phases.
- Electronic Plan Review (ePlans): With ePlans, customers will submit their plans online to be reviewed electronically. Reviewers from BDS and the other development bureaus will be able to review plans simultaneously and customers will be able to submit plan corrections online, saving trips to the Development Services Center. BDS is rolling ePlans out in phases. After January 1, 2019, all Commercial Building Permit applications that have a BDS Process Manager assigned to them will use ePlans. Future phases will be announced later.
- Permitting System (TRACS) Upgrade: The City's permitting software (TRACS) is being upgraded to the most recent web-based version, Amanda 7. The upgrade will allow City staff to do their work much more quickly and will provide much greater access for customers and the community.
- Inspections Scheduling: City inspectors currently schedule and route their inspections manually every morning. In a later phase of the project, this administrative work will be automated through an inspections scheduling system.
- Mobile App for Inspectors: The Inspector App will allow inspectors to do more of their work in the field by giving them better remote access to information and resources.
- Mobile App for Contractors and Applicants: BDS will offer an app to contractors to track permit inspections on their phone or mobile device. They'll also be able to receive text messages with information about the status of their inspections requests and results.

As Director, I encourage you to think about ways that technology can better serve the bureau's goals, the needs of staff, customers and the spectrum of needs in our community.

5. Organizational Structure & Programs

We have done a great deal of work in the past year to develop our organizational structure, address span of control issues, and group functions in a way that fosters more collaboration. There has been a lot of change in the organization, including many new managers, and we will continue to work to clarify roles and duties and be clear across the organization about expectations. We will refine and complete our strategic plan for the bureau. We are also creating several new programs to better serve underrepresented communities and communities of color, including the Small Business & Arts Program and the Permitting Solutions Program. We will continue to work to tailor our services and programs to more effectively serve members of the community that we have historically not served as well as we could have.

6. Fiscal Sustainability

We are committed both to provide excellent and relevant programs and services and to operate in a fiscally responsible manner. Financially, we will have a few points of emphasis for FY 2019-20:

- Cost recovery
- A cooling economy
- Fee changes
- Positioning BDS for future economic conditions

As much as possible, we strive to maintain full cost recovery for our programs and services. In some cases, due to the nature of the service or the broader context in which the service is provided, full cost recovery will not be achievable. When appropriate, we will implement gradual fee increases.

Due to the recent construction boom, the bureau achieved full cost recovery for fee-supported construction programs from FY 2011-12 through FY 2017-18. As a result, we have not increased fees for most of our programs since FY 2013-14, and we cut some fees in FY 2016-17.

However, evidence suggests that construction activity in Portland has moderated and may be declining. As the table on the next page shows, our cost recovery rates are lower compared with last fiscal year for all bureau programs, with most programs operating below cost recovery so far this fiscal year. While overall bureau reserves are high, bureau revenues are specific to programs and are limited by Oregon State law in how they can be spent, so this data must be looked at separately, by discrete program, to inform budget and staffing decisions.

Cost Recovery and Reserves by Program

Program	Percentage cost recovery rate for FY 2017-18 (July 1, 2017 – June 30, 2018)	Percentage cost recovery rate for first three months of FY 2018-19	Reserve Goal	Current Reserves through first three months of FY 2018-19
Building/Mechanical	111	80	\$25,556,486	\$47,766,749
Electrical	116	91	\$3,159,161	\$7,958,742
Plumbing	137	109	\$2,676,958	\$7,053,882
Field Issuance Remodel*	n/a	76	\$1,114,958	(\$261,562)
Facilities Permits	146	150	\$1,604,781	\$4,427,583
Site Development	111	76	\$1,182,084	\$4,820,444
Environmental Soils	167	157	\$252,869	(\$34,555)
Signs	112	97	\$219,085	\$70,961
Zoning Enforcement	156	114	\$985,145	\$5,165,884
Neighborhood Inspections	94	83	\$3,007,339	\$3,897,496
Land Use Services	78	61	\$8,777,816	\$7,228,195
Overall	107	80	\$48,536,682	\$88,093,819

*The Field Issuance Remodel (FIR) program was combined with the Building/Mechanical, Electrical, and Plumbing programs prior to FY 2018-19. The FY 2018-19 reserve goal is an estimate based on current year expenditures; a FY 2019-20 reserve goal will be established in the budget and financial plan development process.

Declines in revenue were anticipated in our 5-Year Financial Plan and we have been tracking them closely. In addition, after the last recession, we created a Business Continuity Plan to better identify and react to changes in economic conditions as they occur. The plan provides general direction and guidelines to enable us to respond in a prudent and timely way to significant, persistent financial downturns. The measures outlined in the plan are monitored and reported monthly.

We have begun taking some precautionary steps to reduce expenditures in case the decrease persists for an extended period, including a temporary 3-month hiring freeze (Nov. 2018 – Jan. 2019). Also, as we do every year, in spring 2019 we will closely review our program service levels, costs, reserves, and fees, to determine if fee changes may be required.

Despite emerging economic trends, I am excited about the year ahead and the overall future of BDS. I am grateful for your investment of time and thought in our budget planning process. This process is just one way that we are striving to build and foster strong working relationships with the community, employees, industry and other stakeholders.

Thank you very much for your support and input.