



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

Ted Wheeler, Mayor
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BDS Budget Advisory Committee
Meeting Notes
Tuesday, November 13, 2018

BAC Members Present:

Paul Delsman, Development Review Advisory Committee
Holly Huntley, Development Review Advisory Committee
Priscilla Partch, BDS Labor Management Committee Co-Chair
Brianne Pickett, BDS Equity Committee
Susan Steward, Building Owners & Managers Association
Leigh Wheeler, BDS Business Operations / Non-Represented Employees

BAC Members Absent:

John Duran, BDS Business Operations & Finance Services

City Staff Present:

Beth Benton, BDS Property Compliance Manager
Kyle Chisek, Mayor Wheeler's Office
Dan Cote, BDS Interim POPS Manager
Alex Cousins, BDS Communications Manager
Rebecca Esau, BDS Director
Mark Fetters, BDS Business Operations
Ray Galinat, BDS Budget & Finance
Darryl Godsby, Commercial Inspections Manager
Elshad Hajiyev, BDS Interim Business Operations & Finance Manager
David Kuhnhausen, BDS Permitting Services Manager
Kathy Lyndon, BDS Budget & Finance
Doug Morgan, Interim Plan Review Services Manager
Kyle O'Brien, BDS Interim Finance Manager
Yung Ouyang, City Budget Office
Dora Perry, BDS Equity & Policy Manager
Kim Tallant, Land Use Services Manager
Dave Tebeau, Residential Inspections Manager
Duane Whitehurst, BDS/POPS

Handouts

- BDS Organizational Chart
- BDS FY 2019-20 Budget Goals Memo
- FY 2019-20 Budget Preparation Process
- Line Item Budget
- Explanation of Line Items
- BudgetSpeak Dictionary
- Major Workload Parameters
- Non-Cumulative Cost Recovery Report
- FY 2018-19 BDS Budget Advisory Committee Report
- Economic Outlook
- Revenue Composition

Optional Materials (available online)

- [FY 2018-19 Requested Budget](#)
- [5-Year Financial Plan](#)

1. Welcome/ Convene Meeting

BDS Director Rebecca Esau welcomed Budget Advisory Committee (BAC) members and City staff and convened the meeting. Attendees made self-introductions. Director Esau said that BDS is looking to create stability with its workforce while also making changes in order to provide better services.

2. Mayor Ted Wheeler's Office

Kyle Chisek (Mayor Wheeler's Office) gave a welcome to BAC members on behalf of Mayor Wheeler and expressed the Mayor's appreciation for their service. The Mayor has made changes to the budget process this year to give Bureau Directors more ability to make budget decisions and prioritize resources. The changes will also help BACs have a better understanding of bureau base budgets and how resources are used. Any new budget requests from bureaus will have to go through their Commissioner-in-Charge for approval prior to budget submission. BDS's Commissioner-in-Charge is Mayor Wheeler.

The permitting process is a priority for the Mayor, who has given BDS a lot of work to do on process improvement. The Mayor will be working with the other Commissioners to ask their bureaus to slow down code change requests so that BDS can focus more on streamlining and improving development review.

3. Bureau Overview

Mission / Vision

Director Esau discussed [BDS's mission and vision](#) and gave a brief overview of the bureau and its work. About 99% of BDS revenues come from fees, with about 1% from the City's General Fund.

BDS Director's Budget Goals

Director Esau reviewed the handout ***BDS FY 2019-20 Budget Goals Memo***. Mayor Wheeler has not yet announced budget priorities for the City, but Director Esau expects they will include a multi-pronged approach to affordable housing. Director Esau's focus at BDS is on long-term operational strategy – providing sufficient numbers of trained staff, being equitable in all operations, and making processes efficient and effective.

Director Esau's budget priorities include:

- 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

Organizational Structure / Key Issues

BDS Division Managers briefly described their divisions' work, then identified key issues / priorities:

- Land Use Services (Kim Tallant)
 - Reduction in workload over the last year; looking for ways to reduce expenditures
 - Reviewing cost recovery and fees
- Plan Review Services (Doug Morgan)
 - Challenged to fill positions and to complete training for newly-hired staff
 - Workload has fallen off a bit
- Permitting Services (David Kuhnhausen)
 - Digitization of historical records
 - New Small Business and Permitting Solutions programs
 - Retaining employees long enough to be fully trained in all areas of responsibilities
- Portland Online Permitting System/POPS (Dan Cote)
 - Six projects are underway in the first phase of POPS
 - Improved web portal for customers
 - Electronic plan review (ePlans)
 - Permitting system (TRACS) upgrade
 - Inspections scheduling
 - Mobile App for Inspectors
 - Mobile App for Contractors and Applicants

- Residential Inspections Services (Dave Tebeau)
 - Regular and FIR Inspections
 - Workload is still high
 - Some inspections are being set over
 - Fully staffed, though could have some retirements soon

- Commercial Inspections Services (Darryl Godsby)
 - Regular and Facility Permit Program (FPP) inspectors are covering work in one another's sections
 - Workload is still high
 - Improving communication between core/shell inspectors and tenant improvement (TI) inspectors

- Property Compliance Inspections (Beth Benton)
 - Maintain good coordination and communication with Fire, Police, Housing, other City bureaus

- Business Operations & Finance Services (Elshad Hajiyev)
 - Provide services to other BDS divisions, including:
 - Facilities
 - Recruitment & Hiring
 - Emergency Management & Safety
 - Training & Workforce Development
 - Budget & Finance
 - Communications
 - Bureauwide Projects
 - Front Desk/Administrative Support

4. Budget Process

BDS Senior Business Operations Manager Elshad Hajiyev gave an introduction to BDS's budgeting process and reviewed or referenced several handouts, including ***Explanation of Line Items, BudgetSpeak Dictionary, Workload Parameters, Non-Cumulative Cost Recovery Report, Economic Outlook, and Revenue Composition.***

Hajiyev then described the process of putting BDS's budget request together and reviewed the handout ***FY 2019-20 Budget Preparation Process.*** Hajiyev noted that other advisory committees and stakeholders are involved in BDS's budget development process, including:

- Development Review Advisory Committee (DRAC)
- BDS Labor Management Committee (LMC)
- BDS Bureau Equity Committee (BEC)
- BDS employees

In addition, the BDS Financial Advisory Committee (FAC) reviews and evaluates BDS revenue and expenditure projections.

Hajiyev stressed that BDS needs to hear from as many different voices as possible during the budget preparation process, and encouraged BAC members to actively participate and share their views during BAC meetings.

Yung Ouyang (City Budget Office) then discussed the changes to the City's budget development process for FY 2019-20. The City has adopted a Program Offer approach, which focuses on base bureau budgets rather than the marginal changes bureaus make from year to year. BDS will not be affected as much by the changes as other bureaus that are more dependent on the General Fund.

For each program, bureaus will be required to describe the goals, services provided, expected results, changes to programs, budget constraints, sustainability, and equity impacts. Bureaus will need to provide one performance measure for each program.

Ouyang said that bureaus will work closely with Commissioners develop any new requests (more closely than in the past). The City is also updating how it works with bureau BACs and is improving public outreach about the budget.

Mayor's Budget Guidance

Ouyang said that for non-General Fund bureaus, the Mayor has provided this general guidance:

- Produce a budget in alignment with the prior year's forecast
- Highlight changes in revenues or expenditures from the prior year's forecast
- Avoid new ongoing requirements (staffing)

5. BDS Finances & Financial Planning

BDS Finance Manager Kyle O'Brien first briefly reviewed the handout *Line Item Budget*.

BAC Member Susan Steward asked about the increase in the Miscellaneous Services expenditures in FY 2017-18. O'Brien said the increase is due to expenditures for the Portland Online Permitting System (POPS) and a process change in the way the City records credit card fees which resulted in fees being accounted for in a different line item than previous years.

Steward asked why the Facilities Services expenditures were high last fiscal year, then budgeted lower for the current fiscal year. O'Brien said the higher spending this year is due to costs associated with a number of employee moves, increased space in the CH2M Building (BDS leases 3 floors in CH2M), and remodeling projects that used Facilities resources. Chisek noted that once the Portland Building reopens the City will be re-stacking multiple bureaus, and this could result in more changes to available space in the 1900 Building. Hajiyev noted that the City also completed debt service on the 1900 Building, which resulted in lower Facilities costs budgeted in the current fiscal year.

Steward asked if there would be penalties if BDS had to lay people off and break the CH2M lease. Hajiyev said there would be a penalty, but BDS is in very good financial standing (\$88 million in reserves through September 2018) and is already doing things to reduce costs in response to the work slowdown, including a 3-month hiring freeze. Workload remains high, even with the slowdown.

O'Brien then gave an overview of the bureau's financial structure, financial planning process, and current market conditions. O'Brien stressed that revenues from building permits can only be used to support building code programs and services, and cannot be used to support local code enforcement programs provided by BDS Land Use Services and Neighborhood Inspections.

O'Brien said that the Portland housing market is not experiencing the high year-over-year annual price increases typical in previous years, and there is a continuing labor shortage broadly across the economy. Economists are saying overall conditions stable for the immediate short-term, but an economic correction is likely in the longer-term. Many economists are identifying the year 2020 for the next possible aggregate downturn.

BDS is seeing fewer land use and building permit applications. Housing affordability is a major concern for Portland. The construction excise tax and inclusionary housing have added costs for developers.

BDS will be watching new multi-family construction. The long-term housing forecast for Portland is strong due to population growth estimates and positive net in-migration. The overall US economy should be good in 2019, but Portland is more volatile than the national economy.

6. Discussion

Steward expressed concern about the drop in workload. Director Esau said the bureau is also concerned, which has led to the 3-month hiring freeze. BDS is in better financial shape now as opposed to the last recession, and is responding to workload and economic changes sooner.

Steward asked if recently-hired BDS employees are still going through training. Director Esau said that training is continuing. The bureau is re-examining 65 vacant positions to see if they should be filled, or if there are higher-priority needs.

Steward asked if the bureau is still working on the Mayor's projects. Director Esau replied that about 1/3 of the projects in the Fast-Track pilot are through the process. Steward asked if the pilot project is slowing down other permits; Director Esau replied that there has been not much impact at all.

BAC Member Holly Huntley asked if BDS has considered reducing permit prices as a way to stimulate permit sales. O'Brien replied that BDS's fees are a relatively small percentage of overall permit costs, so cutting them wouldn't have much effect. Hajiyev said that the City already considered this question and found that reducing permit fees or even Systems Development Charges (SDCs) would have little impact on development. A link to the [study report](#) was sent to BAC members. Hajiyev noted that the drops in workload and permit valuation are from historically high levels.

Mark Feters (BDS) discussed the handout ***FY 2018-19 BDS Budget Advisory Committee Report*** and the need for the BAC to submit a letter with BDS's FY 2019-20 Requested Budget.

7. Next Meeting

The next BAC meeting is scheduled for Thursday, December 13, 2018. Attendees discussed the possibility of an additional BAC meeting later in January, to allow sufficient time for discussion.

Meeting notes prepared by Mark Feters, BDS