



**City of
Portland, Oregon**
Bureau of Development Services
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

BDS Budget Advisory Committee
Meeting Notes
Tuesday, December 3, 2019

BAC Members Present:

Barbara Alexander, Hacienda CDC
Charles Funches, Portland Community Reinvestment Initiatives
Connie Jones, BDS / DCTU
Elizabeth Duncan, BDS / PROTEC
Gabby Bruya, BDS / Non-Represented
Kymberly Rose Horner, Portland Community Reinvestment Initiatives
Nancy Thorington, BDS Equity Committee
Ryan Nieto, Home Builders Association of Metro Portland
Sean Green, DRAC
Susan Steward, Building Owners & Managers Association

City Staff Present:

Alex Cousins, Communications Manager
Andy Peterson, Special Projects
Beth Benton, Property Compliance Manager
Darryl Godsby, Commercial Inspections Manager
Dave Tebeau, Residential Inspections Manager
Douglas Morgan, Plan Review Services Manager
Duane Whitehurst, POPS
Elshad Hajiyev, BDS Deputy Director
Karen Guillen-Chapman, Equity & Policy Development
Kathy Lyndon, BDS Budget & Finance
Kimberly Tallant, Land Use Services Manager
Kyle O'Brien, BDS Budget & Finance Manager
Ray Galinat, BDS Budget & Finance
Rebecca Esau, BDS Director
Yung Ouyang, City Budget Office

Handouts

- Draft 11-14-19 BAC Meeting Notes
- Major Workload Parameters
- Non-Cumulative Cost Recovery Report
- BDS Reserve Summary
- Business Continuity Plan Summary
- BDS Financial Advisory Committee Draft Meeting Minutes 11-19-19
- Economic Outlook
- Budget Equity Assessment Tool
- BDS Budget Goals Memo

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.

BAC members reviewed notes from the November 14, 2019 BAC meeting.

2. Budget Preparation Update

BDS Deputy Director Elshad Hajiyev began by reminding the committee that BDS is 98% fee supported and reiterated the importance of revenue forecasting in the BDS budget creation process.

BDS Budget Drop-in Sessions

Elshad provided an overview of the BDS Budget Drop-in Sessions at which employees submit budget suggestions and meet with BDS budget staff. The first session occurred on Monday, December 2, 2019 and was well attended. Employees submitted many recommendations. The second session is scheduled for Wednesday, December 11, 2019.

Current BDS Financial Status

Elshad gave an update of BDS's finances and reviewed the hand out **Business Continuity Plan Summary**. When four or more Business Continuity Plan (BCP) triggers are activated at the same time BDS takes steps to reduce expenditures. Currently BDS has implemented a hiring freeze with an exception process in place for specific circumstances where there is a workload need.

Elshad then reviewed the handouts **Non-Cumulative Cost Recovery Report** and **BDS Reserve Summary**. BDS manages two types of programs; state and local. State programs include: Building/Mechanical, Electrical, Plumbing, Field Issuance Remodel, and Facilities Permits. Local programs include: Site Development, Environmental Soils, Signs, Zoning Enforcement, Neighborhood Inspections, and Land Use Services. Each program maintains its own reserve funds which can only be used to support the specific program which generated the revenue. Overall, the bureau is operating at a cost recovery rate of 86% in FY 2019-20 through October 2019. Elshad reiterated that cumulative reserves remain healthy and are well above the current bureauwide minimum reserve goal, despite having been drawn down by approximately \$4 million fiscal year-to-date.

BAC member Sean Green asked how the bureau funds capital projects. Elshad explained that capital projects are funded from program reserves and that costs for the current projects under the Portland Online Permitting System are allocated proportionally across all programs.

Sean also inquired as to financial management regarding programs with negative reserves. Elshad explained it means the program is in deficit and fees are currently not set at a level which achieves cost recovery. The fees charged will be reviewed and adjustments made where necessary. The Field Issuance Remodel (FIR) program was previously tracked as part of the Building/Mechanical Program; however, beginning FY2018-19 FIR was separated out to be tracked independently as a standalone program.

BDS Financial Advisory Committee

BDS Budget & Finance Section Manager Kyle O'Brien referenced the handout ***BDS Financial Advisory Committee Draft Meeting Minutes 11-19-19***. BDS met with the Financial Advisory Committee (FAC) on November 19th to discuss current economic trends and projections. FAC members indicated that economic growth has slowed; however, growth is still expected over the next 12-18 months. Additionally, the current economic expansion is the longest (10 ½ years) in history. While the risk of recession in the next 12 months is low, it is difficult to predict, and the cause of the next recession is unknown at this time.

Kyle stated that despite overall economic trends BDS has been in recession over the last 12 months and provided possible reasons to explain the deviation from the overall economy. One potential explanatory factor is that the construction industry is more volatile than the general economy. Moreover, recent policy implementations that have increased developer costs, such as Affordable Housing CET, Inclusionary Housing, and potential Zoning Policies may have effected BDS revenues. Decreases in revenues have mainly been seen in large projects. This year, large project (\$3 million and greater) activity has significantly decreased compared to the high levels of activity experienced in previous years.

BAC member Susan Steward asked if the reduction in large projects could be explained by the increase in permit applications before policies were implemented. Kyle explained that this is likely part of the cause; however, other external factors, such as rental rates and financing costs, are also at play.

Susan also inquired if policies affect how BDS allocates resources. Kyle stated that layoffs and reassignments occurred in Land Use Services due to reduced revenues and workload. Land Use Services had experienced high submittals prior to policy implementations.

Kyle stated that econometric models are being developed which produce programmatic growth rates used to forecast revenues over the next five years. Expenditures will also be projected over the five-year forecast period as well. At the next FAC meeting on Thursday, January 9, 2020, BDS will present the models and growth rates to obtain feedback and identify where changes need to be made, if any.

Susan asked if BDS meets with economists through the year, especially when actual economic conditions diverge from expectations. Kyle explained that BDS reviews economic indicators throughout the year and meets with local economists during the Budget and Financial Plan development process.

Susan then inquired how BDS is preparing for the next recession. Elshad explained that the BCP was created for this purpose and is tracked monthly. Additionally, the cost limiting measures currently being implemented are in preparation for such an occurrence.

BAC member Ryan Nieto clarified, and Elshad confirmed, that four out of five BCP triggers have been active for over 12 months.

3. BDS Equity Goals / Equity Assessment Tool

Karen Guillen-Chapman, from the BDS Equity & Policy Development Section referenced the handout ***Budget Equity Assessment Tool*** and provided an overview of the section's six goals: 1. Train and build capacity with Division Managers to understand and support racial equity as a core operating principle; 2. Train BDS [front line] staff to understand how their work is connected to the racial equity vision of the bureau; 3. Create a [diverse & inclusive] workforce that reflects the demographics of communities served by BDS; 4. Improve customer service quality so people of color feel welcomed; 5. Improve accountability and the overall contracting environment at BDS for Minority owned, Woman owned, and Emerging Small Business (MWESB) vendors; 6. Network to increase awareness and understanding of the needs of the communities served by BDS and increase access and partnerships with communities of color.

To achieve these goals the Small Business Assistance and the (residential) Permitting Solutions Program were brought back (these programs existed pre-recession), in addition the Arts Concierge Program was put in place and implemented to meet the specific needs of each program's target customer base. These programs experience high demand for services, however are not revenue producing and are already, in their first nine months maxed out at capacity. Additionally, the equity program has incorporated a focus on assisting our affordable housing providers with permitting and reviews in their new projects; these applicants do bring in revenues through fees, but often need discounted fees. Karen noted that it is tough to hear that revenues are down when demand for such programs is high.

Susan inquired into the FTE relating to Karen & Dora, as well as how other bureaus throughout the City are staffing their equity sections. BDS has 1 FTE dedicated to management of the BDS Equity & Policy Development Section, and 7 FTE staff currently assigned to the section, delivering the services and programs described, and reporting to that manager. Yung Ouyang, the City Budget Office (CBO) Analyst assigned to BDS, added that CBO gathering information to report on how bureaus throughout the City are staffing their equity programs.

Susan asked why the City is not where it should be regarding equity, especially since equity has been a mayoral priority for a few years now. Karen explained that causes, and potential solutions, relating to inequitable outcomes turn out to be evermore complex and nuanced as deeper analyses of the issues are performed. Yung mentioned that CBO is creating a formal process, housed in the City's budget management software, by which bureaus will be able to create, track, and report progress of equity performance measures.

BAC member Nancy Thorington inquired as to the status of the Budget Equity Tool. Kyle responded that the tool is now incorporated into the City's budget management software and the questions are similar to last year.

BAC member Connie Jones inquired into the adequacy of tools and data collection mechanisms to measure equity performance. Karen explained that the BDS applicant customer base and nature of construction projects make commercial projects difficult to track. As such, focus has been paid to residential customers who have been historically disadvantaged, specifically focusing on displacement prevention. Although, BDS does not have a glut of data, the bureau does have case studies to reference when trying to move the equity work forward. BDS has spent a few years training and setting the foundation for staff internally—now it's time to further the external equity work and listen to customers.

BAC member Kymberly Rose Horner noted the Equity Program appears to be understaffed and indicated a desire to see the program fully staffed. Kymberly asked what BDS is doing to grow the Small Business Program, Arts Concierge Program and Permitting Solutions Program. Rebecca stated the BDS is doing outreach and conducting community listening sessions in order to strengthen these programs and better meet customer needs. In addition, every Wednesday, Dory Robinson from BDS provides community office hours at MESO (Micro Enterprise Services of Oregon). MESO is a non-profit that seeks to broaden economic opportunities for underserved entrepreneurs by providing business support to increase growth in income, assets, and business skills. BDS is starting to track demographic data on who we are serving under the equity programs, but to meet the goals of the Racial Equity Plan a formal data analyst is needed.

Overall committee sentiment seemed to echo this concern, in addition to the need for improved tools and data collection mechanisms. Elshad mentioned that the Bureau Equity Committee is working with Rebecca Esau to bring forth a proposal for the addition of a Data Analyst to focus on equity related data.

4. BDS Budget Focus / Goals Discussion

BDS Director Rebecca Esau noted that despite limited resources, demand for services provided by BDS remains high. Rebecca also explained the term “Equitable” in BDS parlance does not refer to treating everyone the same, but rather refers to tailoring services to the specific needs of individual customers.

BDS Director's Budget Goals

Rebecca reviewed the handout ***BDS Budget Goals Memo*** explaining that going forward BDS is focusing on creating a “culture of change” in order to modernize BDS. Due to time constraints resulting from robust discussion surrounding equity goals there was limited discussion on budget goals.

Connie Jones voiced sentiment correlating inefficiencies and inconsistencies in the governance structure over the development review process to the lack of a City Manager. Elshad responded this is an issue the committee can include in the committee report.

Elshad Hajiyev summarized the meeting by suggesting the discussion seemed to be leading to three main committee recommendations to include in the Budget Advisory Committee Report: 1. Add 1.0 FTE for a Data Analyst in the Equity & Policy Development section; 2. More fully resource Specialized Permitting Services; and 3. Request a City Manager.

5. Budget Advisory Committee Report

Kyle O'Brien reminded BAC members that the committee will need to submit a report along with BDS's requested budget on January 29, 2020.

6. Next Meeting

The next BAC meeting is scheduled for Tuesday, January 14, 2020.

Meeting notes prepared by Kathy Lyndon & Ray Galinat, BDS