



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

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BDS Budget Advisory Committee
Meeting Notes
Tuesday, January 13, 2021

BAC Members Present:

Alison Belter, Portland Community Reinvestment Initiatives (attending for Kymberly Rose Horner)
Barbara Alexander, Hacienda CDC
Cari Ebbert, BDS / DCTU
Charles Funches, Portland Community Reinvestment Initiatives
Jason Richling, BDS / PROTEC
Kevin Foster, Community Member
Linda Woodley, Prisma Point
Meriam Rahali, BDS / Non-Represented Staff
Omar Elnaser, BDS Equity Committee (attending for Elliot Akwai-Scott)
Priscilla Partch, BDS Labor Management Committee
Sean Green, DRAC
Susan Steward, Building Owners & Managers' Association

City Staff Present:

Andy Peterson, Special Projects, BDS
Angela Butel, City Budget Office (CBO)
Beth Benton, Property Compliance Inspections Manager, BDS
Brenda Fahey, Technology & Continuous Improvement (TCI)/Recruitment & Training Manager, BDS
Chariti Montez, Commissioner Dan Ryan's Office
Darryl Godsby, Commercial Inspections Manager, BDS
Dave Tebeau, Residential Inspections Manager, BDS
David Kuhnhausen, Permitting Services Manager, BDS
Douglas Morgan, Plan Review Services Manager, BDS
Elshad Hajiyev, Deputy Director, BDS
Kathy Lyndon, Budget & Finance, BDS
Kimberly Tallant, Land Use Services Manager, BDS
Kyle O'Brien, Budget & Finance Manager, BDS
Leesha Posey, Equity & Policy Development and Communications Manager, BDS
Ray Galinat, Budget & Finance, BDS
Rebecca Esau, Director, BDS
Tammy Croll, Training & Workforce Development, BDS (Meeting Host)

Handouts

- Draft 12-03-19 BAC Meeting Notes
- BDS Financial Advisory Committee Draft Meeting Minutes 01-09-20
- Non-Cumulative Cost Recovery Report
- Major Workload Parameters
- Business Continuity Plan Summary
- BDS Reserve Summary
- Preliminary Revenue Growth Rates
- Draft BDS Budget Advisory Committee Report

1. Welcome/Convene Meeting

BDS Director Rebecca Esau welcomed Budget Advisory Committee (BAC) members and City staff and thanked BAC members for their participation. Rebecca encouraged meeting participation to ensure BDS hears the voices of committee members. BAC members reviewed notes from the December 16, 2020 BAC meeting. There were no requested changes.

2. Economic Outlook

Input from BDS Finance Committee

BDS Deputy Director Elshad Hajiyev explained that BDS has been meeting with the Finance Advisory Committee (FAC) since August 2020 to review revenue projections and growth expectations. Economists on the FAC were consistent over the August, November, and January meetings in their outlook for construction activity in Portland over the next five years. FAC members advised that revenue declines will continue and will most likely bottom out next fiscal year. There was committee consensus that an economic recovery is still a couple years away, and that construction activity will rebound toward the end of an overall economic recovery. Additionally, FAC members conveyed concern over Portland's public image at the national level indicating that Portland has lost its desirability for both institutional investment and in-migration.

Revenue Projections

BDS Budget & Finance Manager Kyle O'Brien described the processes used to develop econometric models and make financial projections for the bureau. BDS projects both revenues and expenditures five years into the future. The BDS Financial Advisory Committee reviewed the models and found them to be reasonable and defensible, and concurred with the growth rates that the models produced. The handout **Preliminary Revenue Growth Rates** shows that the "Base Case Scenario" projects initial declines for most programs in the first year of the five-year forecast period (FY 2021-22), followed by a rebound in year two, and then more average growth rates in the final three years. The "Worst Case Scenario" reflects more substantial decreases in year one, with no growth in year two, and low, albeit positive, growth rates in the final three years.

Kyle explained expenses are also projected, the majority of which are personnel costs. Projected expenses are then combined with projected revenues to calculate cost recovery rates by program by year. Manual adjustments are made to revenue and expenditure projections to account for workload and staffing changes, as well as large projects.

BAC member Cari Ebbert asked for clarification of the differences between the base case and the alternative/worst case scenario. Kyle explained that, based on feedback from the FAC, the alternative/worst case models a more dramatic, extended downturn, and a slower recovery than the baseline. The alternative case scenario does not provide an economic rebound. The alternative case scenario table in the preliminary revenue growth rates handout reflects this feedback from the FAC. While most budget decisions are based on the base case scenario, the alternative/worst case provides proactive contingency planning for the bureau.

3. Staff Reductions

Approximately 70% of BDS expenses are personnel costs. As such, any meaningful cost reductions incorporate personnel reductions. Elshad explained how the Safety Net Ordinance, implemented in the Fall of 2020, has resulted in considerable cost savings through 14 voluntary severances and additional savings from other voluntary options such as retirements, voluntary unpaid time and furloughs. Retirements will occur by January 29, 2021 for employees who have elected into this cost savings measure. Employees are making many sacrifices to help the bureau with these cost saving measures.

BDS reserves are still healthy; however, even after accounting for the cost savings from the Safety Net Ordinance the projected draw on reserves is not sustainable. In December 2020, BDS drew \$2.2M from reserves. In response to drawing from reserves heavily, the bureau is planning to proceed with two rounds of layoffs. The first phase will take place in January and phase two will occur in the Spring (March or April). These measures are in addition to current cost saving measures such as fleet, rent and other external material and services reductions. Citywide, many bureaus are reviewing their office footprint. City of Portland facilities space planning is reviewing the office space necessities. By 2022, BDS plans to reduce the Jacobs Building office space.

BAC member Cari Ebbert asked if other City bureaus will be offering lateral employment opportunities. Elshad Hajiyev explained that the first round of layoffs is for non-represented employees, and while there are not current lateral opportunities within BDS, there are a couple programs to help staff remain employed if there are open positions elsewhere with the City of Portland.

4. BAC Budget Recommendations

BDS Budget & Finance Manger Kyle O'Brien expressed appreciation for committee members who reached out with budget recommendations. Based on committee member suggestions BDS drafted a Budget Advisory Committee Report recommending (1) further development of a collaborative approach to development at the City of Portland, (2) requesting additional attention and resources for property compliance efforts, including add-back of the 5% General Fund cut, (3) recommending the creation of a City Manager position to oversee services provided across multiple bureaus, and (4) requesting General Fund support to expand the bureau's equity and anti-racism efforts. After discussions, committee members reconfirmed the desire for these recommendations.

BAC member Meriam Rahali asked about General Fund for BDS customer support to provide a stable general funding source, ensure consistent communication across bureaus, and increase service levels to customers. BDS Director Rebecca Esau explained that while many customer service functions may be viewed as "free," they are being paid for through fees and charges for service. Additionally, Rebecca noted that the General Fund is not a stable funding source.

BAC member Cari Ebbert inquired how the Director Budget Goals ties back to the BAC letter of recommendation to council. For example, the goal of "Workforce Culture" and how to balance workload between departments. Cross training across departments would foster a higher level of trust and a more collaborative culture. BDS Director Rebecca Esau explained that some steps are being taken toward this goal, although more can be done. It is more difficult to invest in cross training with labor union restrictions regarding job classifications; therefore, part of this work is collaborating with labor unions.

BAC member Sean Green recommended working with BPS to review policies and regulations that may be preventing progress toward climate action. There may be energy code policy opportunities to collaborate and incentivize sustainability. For example, the DRAC (Development Review Advisory Committee) discussed having thicker walls and better insulation for some projects—the zoning code policy change may result in higher property valuation. Also, Sean emphasized the importance of moving to a city manager form of government.

Budget Advisory Committee Report / Next Steps

Rebecca, Elshad and Kyle stated that recommendations from today's meeting will be reviewed and incorporated into the BAC Report where appropriate. An updated draft report will be circulated to BAC members for review and approval.

Meeting notes prepared by Kathy Lyndon & Ray Galinat, BDS