



CITY OF
PORTLAND, OREGON
OFFICE OF PUBLIC SAFETY

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January 14, 2011

MEMORANDUM

TO: Bob Tomlinson
Bureau of Financial Planning

FROM: Randy Leonard *RL*
Commissioner of Public Safety

SUBJECT: Budget Monitoring Report - Winter 2010-11

Attached is the Winter 2010-11 Budget Monitoring Report for the Bureau of Development Services.

The report includes the following requests:

1. Rent Payment to BDS from Bureau of Technology Services

The Bureau of Technology Services (BTS) has 8 workstations on the second floor of the 1900 Building. BTS will be paying rent (\$42,536) for the space in the 1900 Building directly to BDS.

If you have any questions, please contact Denise Kleim in the Bureau of Development Services at 823-7338.

BUDGET AMENDMENT REQUEST

Bureau of Development Services

PERIOD Winter BuMP

FISCAL YEAR FY 2010-11

DS_005 - Rent Payment to BDS from BTS

The Bureau of Technology Services (BTS) has 8 workstations on the second floor of the 1900 Building. BTS will be paying rent (\$42,536) for the space in the 1900 Building directly to BDS.

Dollar Amount: \$42,536

Type: New Request

Resources: Internal Transfer

Fund Projection Report

	Winter BuMP Revised Budget	FY 2010-11 Year to Date Actuals	Winter BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Development Services Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$0	\$0	\$636,736	
Personal Services	\$15,670,096	\$6,514,462	\$15,977,210	102%
External Materials and Services	\$6,435,262	\$235,150	\$880,642	14%
Internal Materials and Services	\$6,339,978	\$2,421,798	\$6,100,244	96%
Bond Expenses	\$696,274	\$156,481	\$696,274	100%
Fund Transfers - Expense	\$2,369,009	\$982,286	\$2,369,009	100%
Contingency	\$1,899,514	\$0	\$0	0%
TOTAL EXPENDITURES	\$33,410,133	\$10,310,177	\$26,660,115	80%
REVENUES				
Budgeted Beginning Fund Balance	\$410,309	\$0	\$0	0%
Licenses & Permits	\$17,151,773	\$5,935,814	\$16,180,993	94%
Charges for Services	\$5,814,281	\$2,031,972	\$5,581,936	96%
Interagency Revenue	\$1,054,123	\$752,335	\$1,011,587	96%
Fund Transfers - Revenue	\$1,889,156	\$787,148	\$1,889,156	100%
Bond and Note	\$5,203,552	\$0	\$0	0%
Miscellaneous	\$1,886,939	\$823,313	\$1,996,443	106%
TOTAL REVENUES	\$33,410,133	\$10,330,582	\$26,660,115	80%

Fund Projection Narrative

The variances in Total Expenditures and Total Revenues are due to the variances in External Material and Services, and Bond and Note respectively. In FY 2010-11 Budget development process, costs for the bureau's Information Technology Advancement Project were budgeted in External Material and Services, approximately \$5.2 million, the funding for the project for the same amount was budgeted under Bond and Note.

As a first step towards funding a new online permitting system, Council directed the bureau to update its Five-Year Financial Plan for FY 2010-11 to FY 2014-15 to include a cost/benefit analysis of the new system and set aside sufficient resources to meet future debt service requirements. On November 3, 2010, the Office of Management and Finance (OMF), Bureau of Technology Services, and Bureau of Development Services (BDS) made a presentation to City Council regarding the Information Technology Advancement Project. The presentation included information on efficiencies, cost/benefit analysis, costs to other bureaus, and support for the project's financial feasibility from the advisory committee which included experts in real estate and economic forecasting.

Currently BDS is working with BTS, OMF and the City Attorney's Office to negotiate: (1) an Intergovernmental Agreement with State of Oregon, Building Codes Division so that BDS will be a full service jurisdiction within the State of Oregon eBuildings Permitting system and (2) a sole source contract with Accela Inc. for the additional Accela Automation software licenses and maintenance that are required beyond those covered by the State of Oregon eBuilding Permitting system. BDS is providing OMF with a project cost estimate in order to secure financing through a Line of Credit.

BUREAU OF DEVELOPMENT SERVICES

Report on FY 2010-11 Budget Notes and Add Packages

FY 2010-11 Budget Note

As a first step towards funding a new online permitting system, Council directs the Bureau of Development Services to update its Five-Year Financial Plan for FY 2010-11 to FY 2014-15 to include a cost/benefit analysis of the new system and set aside sufficient resources to meet future debt service requirements. This analysis should take into account all of the bureaus that will use the new system. BDS must present the new Five-Year Financial Plan to Council, and Council must approve it, before BDS expends any additional funding for the new permitting system. The Council must separately approve of moving forward with the new permitting system before any expenditures are made or loans received. The CAO will also convene 5 to 7 people with expertise in commercial and residential real-estate, including a member of SBAC and DRAC, to take into consideration current and future development activity as it relates to BDS's ability to meet debt service requirements.

Update

During fall 2010, BDS convened a Financial Advisory Committee which included experts in real estate and economic forecasting. On November 3, 2010, the Office of Management and Finance (OMF), Bureau of Technology Services, and Bureau of Development Services (BDS) made a presentation to City Council regarding the Information Technology Advancement Project. The presentation included information on efficiencies, cost/benefit analysis, costs to other bureaus, and support for the project's financial feasibility from the advisory committee.

Most recently BDS has been working on the new financial forecasting models. In January we shared these models with the three economists from the Financial Advisory Committee and with the City economist. All four experts support the models that BDS will use in the Five Year Financial Plan.

Currently BDS is working with BTS, OMF and the City Attorney's Office to negotiate: (1) an Intergovernmental Agreement with State of Oregon, Building Codes Division so that BDS will be a full service jurisdiction within the State of Oregon eBuildings Permitting system and (2) a sole source contract with Accela Inc. for the additional Accela Automation software licenses and maintenance that are required beyond those covered by the State of Oregon eBuilding Permitting system. BDS is providing OMF with a project cost estimate in order to secure financing through a Line of Credit.

FY 2010-11 Decision Packages

DS_01 – Cut Vacant Positions

Description

In FY 2009-10, BDS was confronted with an unprecedented decline in permit revenues and workload due to the ongoing economic downturn. After instituting a variety of cost-cutting measures, the bureau was finally compelled to reduce staff in order to remain financially solvent. This package removes 131 of those already vacant positions from the bureau, for a reduction of \$9.9 million.

Expected Results

These are the positions where the staff has already been laid off or transferred; these are not additional cuts.

Update

The reduction package was implemented.



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**FY 2010-11 Service Improvement Plan
Bureau of Development Services
Winter BuMP Update
January 14, 2011**

The Bureau of Development Services (BDS) is committed to continuously improving its services to customers and the community. The bureau remains dedicated to this commitment in Fiscal Year (FY) 2010-11 as it copes with the serious financial challenges facing the development industry and the overall economy. BDS began implementing a variety of cost-saving measures in 2008 as permit revenues began to decline, and was eventually compelled to reduce its staff by one-half in 2009 in order to maintain financial stability. Since the layoffs, the bureau has been struggling to meet the workload demands.

BDS continues to communicate with customers and stakeholders regarding their needs and the bureau's ability to provide services while experiencing serious financial and staffing constraints.

In light of these realities, this Service Improvement Plan focuses on obtaining the resources that will enable BDS to continue to provide quality services to its customers and the community.

Technology

The budget and staff reductions at BDS have compelled the bureau to downsize and re-engineer some of its processes. In the course of reshaping the organization, it became clear that BDS's current levels of automation, transparency, and public access to information hinder the bureau's effectiveness and ability to be efficient with limited resources. The bureau had been proceeding with implementing an 18-month plan to improve its technology tools; however, significant cuts in the budget stalled this plan.

During the restructuring, Commissioner Randy Leonard directed the bureau to identify its technology needs and analyze technology use in other building organizations of comparable size and scope to BDS. This analysis was completed in January 2010, and a recommendation has been made to Commissioner Leonard to make a major investment that will significantly enhance BDS's technology tools over the next two years. BDS envisions a system that will include the following capabilities:

- Electronic access to all historic permit and land use records for customers and staff
- Online land use and permit application and plan submittal
- Electronic plan review
- Online fee payment and permit issuance
- Electronic entry of inspection results and real-time access for field staff and customers

This system will save customers and stakeholders time and money by giving them remote access to information and services, decreasing the need to visit the Development Services Center (DSC) or BDS offices. BDS will experience significant efficiency gains in its land use review, plan review, permitting, and inspection processes as it reduces its reliance on paper plans and records.

BDS is taking a request to City Council in February 2010 for funding for the Technology Initiative. It is anticipated that funding this system will not negatively impact or take away from the bureau's operations and staffing needs. If funding is approved, the bureau expects that it will take approximately 24 months for the system to be implemented.

Status: Underway

Estimated Completion Date: 2013

Update: On November 3 2010, City Council authorized BDS to proceed with a vendor contract and an IGA with the State of Oregon, and to arrange a line of credit to fund the IT Advancement project. BDS is currently in contract and IGA negotiations and financial planning around the establishment a line of credit. The current scope of work and timeline estimates that the project will begin around April 2011 and take up to two years to complete.

Neighborhood Inspections & Land Use Services

The Neighborhood Inspections and Land Use Services (LUS) Programs have been underfunded and beset by deficits in their reserve funds for several years. In addition, when Neighborhood Inspections returned to BDS from ONI in FY 2006-07, it lost approximately \$750,000 in General Fund support. Coupled with BDS's budget and staffing cuts, the underfunding of these programs has led to significant negative impacts to services, including:

Neighborhood Inspections

- Eliminated live phone coverage for the BDS Enforcement Hotline.
- Prioritized complaint types in order to effectively address the most critical issues with reduced resources.
- Lengthened the response time to investigate assigned cases and reduced reinspections and case management of active cases.
- Reduced the number of violation cases referred to the Code Hearings Officer for additional enforcement remedies to gain compliance.
- Eliminated nuisance abatements, except for the most severe Fire/Life/Safety and Health/Sanitation issues.
- Suspended the Chapter 13/Systematic Inspection Program for older three-story and higher apartment houses.
- Suspended the Disabled Vehicle enforcement program.

LUS

- Reduced the operation of the Development Services Center (DSC) to 4 days per week.

- Eliminated Thursday Permit Night.
- Lengthened DSC wait times for customers.
- Eliminated live phone coverage for the BDS Zoning Hotline.
- Eliminated some early assistance functions that were done for no charge.
- Eliminated much of the outreach and education that was done for no charge, except by request.

Without additional funding to add staff, BDS cannot improve these services, and will have to reduce services further. In its FY 2010-11 budget request, BDS is asking for an increase of \$750,000 in General Fund support for Neighborhood Inspections and an additional \$550,000 in General Fund support for LUS, for a total of \$1.3 million in ongoing support.

Status: Request denied by Council

Estimated Completion Date: None; funding not approved.

Update: City Council did not approve BDS' request for \$1.3 million in additional ongoing General Fund support for the Neighborhood Inspections and Land Use Services programs for FY 2010-11, so the service reductions noted above have remained in place. A variety of neighborhood stakeholders continue to indicate that the service reductions are negatively impacting livability issues.

BDS intends to request additional General Fund support for these programs again in its FY 2011-12 budget request.

Match Staffing to Workload

BDS cut approximately 150 staff in 2009 due to declining permit revenues and workload. However, a pattern has emerged in which permit revenues have fallen more dramatically than the workload. The bureau's fee structure has been to charge lower fees to smaller projects and higher fees to larger projects due to the presumption that fees are less affordable for smaller projects. This practice is not unique to Portland and is used by many other jurisdictions. However, the economy has halted nearly all construction of large development projects, thereby significantly reducing the bureau's revenues. As a result, BDS cut staff positions to balance the budget and now does not have sufficient staff to meet its current workload. Service levels throughout the bureau have fallen significantly, impacting bureau customers, development projects, and neighborhood livability.

To help remedy this situation, BDS is making two funding requests in its FY 2010-11 budget request: First, BDS is requesting one-time General Fund support of \$1.6 million in its FY 2010-11 budget request in order to fund the addition of 13.5 FTE. This funding will allow the addition of essential staff to bring the bureau up to minimally acceptable service levels. While the request is for one-time funding, the bureau projects that revenues will have recovered sufficiently by FY 2011-12 to continue funding the positions.

Second, BDS is requesting \$800,000 in ongoing funding that would support the addition of another 7 FTE. This request would more fully address the service level impacts being

felt throughout the bureau, but there would still be delays in all services, including plan review, inspections, land use review, and code enforcement.

If one or both of these funding requests are approved, BDS will add staff positions effective July 1, 2010. In the meantime, a restructuring effort is in place to explore and implement innovative and workable solutions to many of the bureau's operational struggles, and bureau staff is working to be as responsive as possible to customers' needs.

Status: Request denied by Council

Estimated Completion Date: None; funding not approved

Update: City Council did not approve either of these requests for General Fund support for bureau staffing in FY 2010-11. Since many of the services BDS provides are mandated by State or local codes and cannot be eliminated, the lack of additional funding has compelled the bureau to significantly reduce service levels throughout its operations, impacting customers and the community. The Development Review Advisory Committee (DRAC) and other stakeholders have been clear in communicating that the service reductions have made the development review process lengthier and less predictable, presenting a hindrance to development at a time when it is sorely needed.