



CITY OF
PORTLAND, OREGON

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April 18, 2011

TO: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
City Auditor LaVonne Griffin-Valade
Bob Tomlinson, Bureau of Financial Planning

FROM: Dan Saltzman
Commissioner of Public Affairs

SUBJECT: Budget Monitoring Report - Spring 2010-11

Attached is the Spring 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 Environmental Services (BES)**
The interagency for BES to make rent payment to BDS needs to be increased by \$7,532 to account for the additional space occupied by BES on the 4th floor of 1900 Building.
- 2. Information Technology Advancement Project (ITAP) IA with Bureau of Technology Services (BTS)**
BDS's interagency with BTS needs to be increased by \$25,190 to account for the additional support associated with the implementation of ITAP.
- 3. Technical Adjustment – ITAP and Unemployment Benefits**
In FY 2010-11 Budget development process, costs for the bureau's Information Technology Advancement Project were budgeted in External Material and Services. In addition, unemployment benefits were also budgeted in External Material and Services. The City of Portland practice of charging unemployment benefits changed effective July 1, 2010 from charging it to External Material and Services to charging it to Personal Services. The bureau needs to make a technical adjustment and move appropriation (\$800,000) from the External Material and Services to the Personal services to account for personal expenditures associated with ITAP as well as the unemployment benefits.

4. Technical Adjustment – Operating Loan

On March 10, 2010, the City Council passed resolution No. 36768 authorizing a temporary operating loan from the Bancroft Bond Interest and Sinking Fund to the Development Services Operating Fund in the not-to-exceed amount of \$ 1,500,000 with a repayment schedule of principal and accrued interest due by June 30, 2011. The purpose of that loan was to avoid cash flow issues that BDS anticipated. BDS has now embarked on replacing its permit review and processing software. The Information Technology Advancement Project (ITAP) is to be funded with a line of credit. This financial instrument requires that BDS incur costs then submit documentation for reimbursement, therefore there is a delay in replenishing BDS cash reserves which could possibly cause a cash flow issue in June 2011. To mitigate any possibility of negative cash flow, BDS repaid the current loan with accrued interest on February 16, 2011 and requested a new loan effective on February 17, 2011 to be repaid no later than June 30, 2012. Resolution 36846 authorizing both transactions was passed at City Council on 2/16/11. This technical adjustment is needed to record both transactions.

5. Technical Adjustment – IA with the Water Bureau

In FY 2009-10 BDS provided engineering services to the Water Bureau associated with the design of the Emergency Communications Center. Partial personal services charges due to the payroll spanning over two fiscal years were recorded in FY 2010-11. This adjustment will add an appropriation of \$55,000 to the IA with the Water Bureau in FY 2010-11.

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 Spring BuMP

FISCAL YEAR FY 2010-11

DS_008 - Rent Payment to BDS from BES

The interagency for BES to make rent payment to BDS needs to be increased by \$7,532 to account for the additional space occupied by BES on the 4th floor of 1900 Building.

Dollar Amount: \$7,532
Type: New Request
Resources: Internal Transfer

DS_009 - ITAP IA with BTS

BDS's interagency with BTS needs to be increased by \$25,190 to account for the additional support associated with the implementation of ITAP.

Dollar Amount: \$0
Type: New Request
Resources: Bureau Contingency

DS_010 - Tech Adjustment – ITAP, Unemployment Benefits

In FY 2010-11 Budget development process, costs for the bureau's Information Technology Advancement Project were budgeted in External Material and Services. In addition, unemployment benefits were also budgeted in External Material and Services. The City of Portland practice of charging unemployment benefits changed effective July 1, 2010 from charging it to External Material and Services to charging it to Personal Services. The bureau needs to make a technical adjustment and move appropriation (\$800,000) from the External Material and Services to the Personal services to account for personal expenditures associated with ITAP as well as the unemployment benefits.

Dollar Amount: \$0
Type: Technical Adjustment
Resources: Internal Transfer

DS_011 - Technical Adjustment – Operating Loan

On March 10, 2010, the City Council passed resolution No. 36768 authorizing a temporary operating loan from the Bancroft Bond Interest and Sinking Fund to the Development Services Operating Fund in the not-to-exceed amount of \$ 1,500,000 with a repayment schedule of principal and accrued interest due by June 30, 2011. The purpose of that loan was to avoid cash flow issues that BDS anticipated. BDS has now embarked on replacing its permit review and processing software. The Information Technology Advancement Project (ITAP) is to be funded with a line of credit. This financial instrument requires that BDS incur costs then submit documentation for reimbursement, therefore there is a delay in replenishing BDS cash reserves which could possibly cause a cash flow issue in June 2011. To mitigate any possibility of negative cash flow, BDS repaid the current loan with accrued interest on February 16, 2011 and requested a new loan effective on February 17, 2011 to be repaid no later than June 30,2012. Resolution 36846 authorizing both transactions was passed at City Council on 2/16/11. This technical adjustment is needed to record both transactions.

Dollar Amount: \$1,500,000
Type: Technical Adjustment
Resources: Internal Transfer

BUDGET AMENDMENT REQUEST

Bureau of Development Services

PERIOD Spring BuMP

FISCAL YEAR FY 2010-11

DS_012 - Technical Adjustment – IA with the Water Bureau

In FY 2009-10 BDS provided engineering services to the Water Bureau associated with the design of the Emergency Communications Center. Partial personal services charges due to the payroll spanning over two fiscal years were recorded in FY 2010-11. This adjustment will add an appropriation of \$55,000 to the IA with the Water Bureau in FY 2010-11.

Dollar Amount: \$55,000

Type: Technical Adjustment

Resources: Internal Transfer

Fund Projection Report

	Spring BuMP Revised Budget	FY 2010-11 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Development Services Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$0	\$0	\$2,257,605	
Personal Services	\$16,470,096	\$10,378,225	\$15,876,861	96%
External Materials and Services	\$5,610,072	\$404,643	\$894,698	16%
Internal Materials and Services	\$6,365,168	\$4,075,171	\$6,060,392	95%
Bond Expenses	\$2,205,953	\$1,670,174	\$2,205,953	100%
Fund Transfers - Expense	\$2,357,482	\$1,559,814	\$2,357,483	100%
Contingency	\$1,982,094	\$0	\$0	0%
TOTAL EXPENDITURES	\$34,990,865	\$18,088,026	\$29,652,992	85%
REVENUES				
Budgeted Beginning Fund Balance	\$410,309	\$0	\$512,808	125%
Licenses & Permits	\$17,151,773	\$9,904,860	\$16,328,716	95%
Charges for Services	\$5,814,281	\$3,297,954	\$5,693,212	98%
Interagency Revenue	\$1,116,655	\$825,236	\$1,108,311	99%
Fund Transfers - Revenue	\$1,907,356	\$1,889,156	\$1,907,356	100%
Bond and Note	\$6,703,552	\$1,500,000	\$2,102,684	31%
Miscellaneous	\$1,886,939	\$1,252,715	\$1,999,905	106%
TOTAL REVENUES	\$34,990,865	\$18,669,922	\$29,652,992	85%

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, the entire cost for the bureau's Information Technology Advancement Project were budgeted in External Material and Services, approximately \$5.2 million, the total funding for the project for the same amount was budgeted under Bond and Note. The bureau is expected to incur approximately \$600,000 in expenditures associated with the project in FY 2010-11, which is reflected in year-end projections.

Business Area Projection Report

	Spring BuMP Revised Budget	FY 2010-11 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Bureau of Development Services				
EXPENDITURES				
Unappropriated Fund Balance	\$0	\$0	\$2,257,605	0%
Personal Services	\$16,470,096	\$10,378,225	\$15,876,861	96%
External Materials and Services	\$5,610,072	\$404,879	\$894,698	16%
Internal Materials and Services	\$6,365,168	\$4,075,171	\$6,060,392	95%
Bond Expenses	\$2,205,953	\$1,670,174	\$2,205,953	100%
Fund Transfers - Expense	\$2,357,482	\$1,559,814	\$2,357,483	100%
Contingency	\$1,982,094	\$0	\$0	0%
TOTAL EXPENDITURES	\$34,990,865	\$18,088,263	\$29,652,992	85%
REVENUES				
Budgeted Beginning Fund Balance	\$410,309	\$0	\$512,808	125%
Licenses & Permits	\$17,151,773	\$9,904,767	\$16,328,716	95%
Charges for Services	\$5,814,281	\$3,297,954	\$5,693,212	98%
Interagency Revenue	\$1,116,655	\$825,236	\$1,108,311	99%
Fund Transfers - Revenue	\$1,907,356	\$1,889,156	\$1,907,356	100%
Bond and Note	\$6,703,552	\$1,500,000	\$2,102,684	31%
Miscellaneous	\$1,886,939	\$1,252,715	\$1,999,905	106%
TOTAL REVENUES	\$34,990,865	\$18,669,829	\$29,652,992	85%

Bureau 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, the entire cost for the bureau's Information Technology Advancement Project were budgeted in External Material and Services, approximately \$5.2 million, the total funding for the project for the same amount was budgeted under Bond and Note. The bureau is expected to incur approximately \$600,000 in expenditures associated with the project in FY 2010-11, which is reflected in year-end projections.

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

On March 9, 2011, City Council authorized a financing package for ITAP in the form of a line of credit not to exceed \$6.6 million, which BDS must repay within five years. The ITAP Implementation and Digitization Teams now can fill the remainder of the ITAP team positions and purchase software once the business plan with the vendor (Accela) is finalized and an Intergovernmental Agreement (IGA) is signed with the State. Four ITAP team staff positions have been filled, in addition to the two team manager positions.

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.

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
Spring BuMP Update
April 18, 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 in 2009 and 2010 by over one-half 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, the bureau identified its technology needs and analyzed 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 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 Information Technology Advancement Project (ITAP). 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 March 9, 2011, City Council authorized a financing package for ITAP in the form of a line of credit not to exceed \$6.6 million, which BDS must repay within five years. The ITAP Implementation and Digitization Teams now can fill the remainder of the ITAP team positions and purchase software once the business plan with the vendor (Accela) is finalized and an Intergovernmental Agreement (IGA) is signed with the State. Four ITAP team staff positions have been filled, in addition to the two team manager positions.

The business plan and IGA with the State are close to completion and the bureau plans to take them to City Council by the end of May. Council's approval of these two foundational aspects of the project will be the next major project milestones, and will allow the bureau to develop a detailed project work plan that outlines how the Accela software and new business practices will be developed and implemented.

The current scope of work and timeline estimates that the project will 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 asked for additional one-time General Fund support to add 5.5 FTE to these programs in its FY 2011-12 budget request. Bureau financial projections indicate that BDS will be able to support the positions from other revenues in future years.

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 across the nation. 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.

In its FY 2011-12 Requested Budget, BDS requested City Council authorization to add up to 13 staff positions supported by projected increases in permit fees and other non-General Fund revenues. As noted above, the bureau also requested additional one-time General Fund support to add 5.5 positions, with costs in future years being covered by non-General Fund revenues. These requests are based upon the bureau's ability to fund the positions in the ongoing years. The expected workload for FY 2011-12 would dictate that another 12 positions are needed in addition to what is being requested in order to provide an acceptable level of service for the highest priority service improvement areas.