



**City
Budget
Office**

Bureau of Development Services

Analysis by Angela Butel

SUMMARY

Required General Fund Reduction

To meet its required General Fund reduction for the FY 2020-21 Fall BMP, the Bureau of Development Services (BDS) has submitted a package that reduces the General Fund transfer to the Neighborhood Inspections Program by \$30,000. With lower housing turnover in recent months due to moratoriums on eviction and foreclosure, there has been reduced demand for this program's nuisance abatement services. A reduction in General Fund dollars for the program means less non-fee revenue available to address health and safety issues in buildings and housing units.

Key Decisions for Council

The following request does not impact the General Fund, but CBO notes the following major adjustment to BDS' Development Services budget requested in the Fall BMP:

1. Based on updated revenue projections, BDS is requesting to reduce its FY 2020-21 revenue budget along with a \$26.0 million draw on contingency. The bureau is also requesting to eliminate 53.0 FTE vacant positions, reducing budgeted personnel expenses by \$5.7 million.
 - With the effects of the COVID-19 pandemic on development activity and the overall economy, BDS is anticipating dramatically lower revenues than originally projected for FY 2020-21. The bureau has been intentionally building reserves over the last several years, and as a result has sufficient funds in contingency to accommodate this reduction; however, with a net reduction to contingency of 27% between these two requests, the impact to the bureau is significant.
 - CBO recommends these requests due to the magnitude of the impact to the bureau of the current economic crisis, and the projected continuation of that impact over the next several years.

Budget & Fiscal Monitoring: COVID-19 Economic Impacts Anticipated Over Several Years

- BDS ended FY 2019-20 with fee revenues higher than projected, primarily due to submissions from several very large construction projects which resulted in significant revenue. Though revenues declined in the latter part of the year with the onset of COVID-19, these large-project revenues were enough to keep the bureau's FY 2019-20 revenues higher than budgeted overall.
- In consultation with its Financial Advisory Committee, BDS expects to see lower revenue over the course of several years as the economy gradually recovers. The bureau has updated its five-year projections, and has taken steps to contain costs, including extending a hiring freeze the bureau had put in place before the onset of COVID-19.
- As BDS notes in its FY 2020-21 Five-Year Financial Plan, during economic downturns development

activity often continues, but mainly with smaller residential projects rather than the kinds of large projects that brought in significant revenue for BDS in FY 2019-20. This means that the bureau's workload does not necessarily decrease proportionally to reductions in revenues. Flexible strategies such as the Safety Net Ordinance recently passed by City Council will be important as the bureau seeks to limit expenses while maintaining the staffing needed to continue providing development services to the community.

- With the COVID-19 emergency declaration and transition of much of BDS's workforce to teleworking, many of the bureau's processes had to change quickly, and some interim processes were put in place. For example, the bureau now requires scheduled appointments, which has caused delays with moving projects through the review process. While working to improve these interim processes, the bureau is also accelerating process changes that were planned as part of the Portland Online Permitting System (POPS) project, shifting more services online. A continued focus on process improvement will facilitate smoother reviews for customers and reduce delays in processing revenue for the bureau.

SUPPLEMENTAL BUDGET CHANGES TO ALL FUNDS

The Bureau of Development Services' entire budget is in the Development Services Fund. Fall BMP changes, primarily the reduction to the bureau's revenue forecast, reduce the bureau's total budget by 16% from the FY 2020-21 Adopted Budget.

	Current Revised Budget	Bureau Requested Changes	CBO Recommended Changes	Total Recommended Revised Budget
Resources				
Beginning Fund Balance	\$ 84,323,897	\$ -	\$ -	\$ 84,323,897
Licenses & Permits	49,624,596	(15,840,669)	-	33,783,927
Charges for Services	20,836,016	(7,387,778)	-	13,448,238
Interagency Revenue	1,868,353	17,000	-	1,885,353
Fund Transfers - Revenue	1,005,775	(30,000)	-	975,775
Miscellaneous	4,800,736	(2,783,819)	-	2,016,917
Total Resources	\$162,459,373	(\$26,025,266)	\$0	\$136,434,107
Requirements				
Personnel	\$ 57,872,779	\$ (5,744,627)	\$ -	\$ 52,128,152
External Materials and Services	7,550,587	-	-	7,550,587
Internal Materials and Services	16,618,727	(70,897)	-	16,547,830
Debt Service	1,500,820	-	-	1,500,820
Fund Transfers - Expense	2,753,546	-	-	2,753,546
Contingency	76,162,914	(20,209,742)	-	55,953,172
Total Requirements	\$162,459,373	(\$26,025,266)	\$0	\$136,434,107