

# Bureau of Development Services



## City Budget Office

Analysis by Angela Butel

	2020-21 Revised Budget	2020-21 Actuals	Remaining Budget	Percent Remaining
<b>Expenses</b>	<b>\$136,434,107</b>	<b>\$47,954,683</b>	<b>\$88,479,424</b>	<b>65%</b>
<b>Operating Expenses</b>	<b>\$76,226,569</b>	<b>\$45,004,035</b>	<b>\$31,222,534</b>	<b>41%</b>
Personnel	\$52,128,152	\$32,717,220	\$19,410,932	37%
External Materials and Services	\$7,550,587	\$3,218,299	\$4,332,288	57%
Internal Materials and Services	\$16,547,830	\$9,068,515	\$7,479,315	45%
<b>Capital Expenses</b>	<b>\$0</b>	<b>\$1,043,559</b>	<b>(\$1,043,559)</b>	
Personnel	\$0	\$173,711	(\$173,711)	
External Materials and Services	\$0	\$31,958	(\$31,958)	
Internal Materials and Services	\$0	\$739,836	(\$739,836)	
Capital Outlay	\$0	\$98,054	(\$98,054)	
<b>Fund Level Expenses</b>	<b>\$60,207,538</b>	<b>\$1,907,089</b>	<b>\$58,300,449</b>	<b>97%</b>
Contingency	\$55,953,172	\$0	\$55,953,172	100%
Debt Service	\$1,500,820	\$105,475	\$1,395,345	93%
Fund Transfers - Expense	\$2,753,546	\$1,801,614	\$951,932	35%
<b>Revenue</b>	<b>\$136,434,107</b>	<b>\$32,408,147</b>	<b>\$104,025,960</b>	<b>76%</b>
<b>External Revenue</b>	<b>\$49,249,082</b>	<b>\$31,584,889</b>	<b>\$17,664,193</b>	<b>36%</b>
Charges for Services	\$13,448,238	\$8,417,568	\$5,030,670	37%
Intergovernmental	\$0	\$17,999	(\$17,999)	
Licenses & Permits	\$33,783,927	\$20,928,447	\$12,855,480	38%
Miscellaneous	\$2,016,917	\$2,220,876	(\$203,959)	-10%
<b>Internal Revenue</b>	<b>\$86,209,250</b>	<b>\$162,741</b>	<b>\$86,046,509</b>	<b>100%</b>
Beginning Fund Balance	\$84,323,897	\$0	\$84,323,897	100%
Interagency Revenue	\$1,885,353	\$162,741	\$1,722,612	91%
<b>General Fund Allocation</b>	<b>\$975,775</b>	<b>\$660,517</b>	<b>\$315,258</b>	<b>32%</b>
Fund Transfers - Revenue	\$975,775	\$660,517	\$315,258	32%

Figure 1. This table shows BDS's budget, which is entirely in the Development Services Fund.

## INTRODUCTION

Two-thirds through the fiscal year, the Bureau of Development Services (BDS) has expended 59% of its budgeted operating expenses and has collected 64% of its external revenues. Due to the economic downturn related to the COVID crisis, development activity has slowed and BDS revenues have been significantly lower than in recent years, necessitating that the bureau take significant steps to reduce expenditures where possible. **BDS's year-end projections, which align with CBO's, show a total draw of \$22.7 million on the bureau's reserves in FY 2020-21 to cover expenditures, leaving the bureau with a projected year-end contingency level of \$55.2 million.**

## KEY DECISIONS FOR COUNCIL

There are no major decision points for City Council in BDS's Spring BMP submission. BDS is requesting adjustments that are typical for the Spring BMP, do not impact fee levels, and have only minor impacts to actual contingency resources. **CBO recommends all of BDS's adjustments as requested.** Additional context for several of these adjustments is provided in the Additional Analysis section below.

## CURRENT YEAR BUDGET MONITORING

### **BDS Expenses and Revenues Both Trending Somewhat Below Revised Budget**

BDS has experienced significant revenue impacts due to the economic downturn related to the COVID-19 pandemic over the last year. As development activity has slowed, particularly for larger-scale projects such as hotels and office space, the bureau has drawn heavily on its reserves in order to meet its expense obligations throughout FY 2020-21. BDS has taken steps to contain costs as much as possible, including freezing non-essential materials and services spending, maintaining a hiring freeze that was in place prior to the pandemic, implementing the components of the Safety Net Ordinance passed by City Council in September 2020, and making staff reductions of 12.0 FTE, effective March 1, 2021.

The bureau's year-end projections align fairly closely with CBO's projections. Due to the cost containment strategies described above, projections suggest the bureau's expenses will end the year below budget in most expense categories. Underspending is projected at around 5% for personnel and internal materials and services expenses and significantly higher, possibly as much as 35%, for external materials and services.

BDS's programmatic revenues are also trending somewhat below budget, with 37% of charges for service revenues and 38% of license and permit revenues left to collect with one third of the fiscal year to go. Year-end projections suggest some undercollection of these revenue sources, but BDS notes that the final four months of the fiscal year tend to be higher revenue collection months, so these revenues are projected to end the year closer to budget than current trends would suggest.

The net of both expenses and revenues trending somewhat below budget is a projected year-end contingency balance of \$55.2 million, which is only slightly lower than the \$56.0 million balance the bureau projected as of the FY 2020-21 Fall BMP. However, this is notably lower than the \$61.0 million reserve balance projected in the Five-Year Financial Plan included with the bureau's FY 2021-22 Requested Budget. The bureau plans to revise the financial plan to align with updated current-year projections.

## ADDITIONAL ANALYSIS

### **Technical Adjustments**

#### **Adjustment Reallocating Capital Project Expenses**

As illustrated by the table at the beginning of this review, BDS has had about \$1.0 million in actual capital expenditures so far in FY 2020-21. When developing the FY 2020-21 budget, BDS did not allocate budget to Capital Projects, instead noting their plan to do so in the Spring BMP once capital expenditures were better known.<sup>1</sup> The bureau included a request in its submission that does this, allocating budget to cover known and projected capital project costs, and includes an internal transfer of \$120,000 from external materials and services to capital outlay. The capital projects to which this request relates are for continued enhancement of functionality for the bureau's recently-implemented online permitting tools, including the upgraded AMANDA software, DevHub PDX, and PDX ePlans.

<sup>1</sup> Bureau of Development Services, FY 2020-21 Fall Budget Monitoring Submission, page 11.  
<https://www.portlandoregon.gov/cbo/article/765937>

## Other Non-General Fund Requests

### Interagency Space Rent Adjustment

A FY 2020-21 Fall BMP adjustment resulted in a reduction of \$88,897 to BDS's interagency agreement with OMF-Facilities Services due to a reduction in the Downtown Office Space Blended Rate. This adjustment passes those rent savings on to BDS's interagency partners<sup>2</sup> that occupy space in the 1900 Building, for a total reduction of \$13,500 in interagency revenue to BDS. BDS is balancing this reduction with a reduction to contingency.

### Adjustment to Beginning Fund Balance

BDS is also adjusting its budgeted beginning fund balance for FY 2020-21 to match actual beginning fund balance to create greater clarity in the bureau's year-end projections. When developing the FY 2020-21 Adopted Budget, midway through FY 2019-20, BDS estimated a beginning fund balance of \$84.3 million for FY 2020-21. However, per the Comprehensive Annual Financial Report, actual beginning fund balance was \$77.3 million. This request reduces the bureau's budgeted beginning fund balance by \$6.4 million to match actual available fund balance. BDS is balancing this reduction with a reduction to contingency.

## SPRING SUPPLEMENTAL BUDGET CHANGES

	2020-21 Spring Revised Base (A)	Spring Decision Package Total (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
<b>Expense</b>	<b>\$136,434,107</b>	<b>(\$6,433,948)</b>	<b>\$0</b>	<b>\$130,000,159</b>
Personnel	\$52,128,152	\$0	\$0	\$52,128,152
External Materials and Services	\$7,550,587	(\$120,000)	\$0	\$7,430,587
Internal Materials and Services	\$16,547,830	\$0	\$0	\$16,547,830
Capital Outlay	\$0	\$120,000	\$0	\$120,000
Debt Service	\$1,500,820	\$0	\$0	\$1,500,820
Fund Transfers - Expense	\$2,753,546	\$0	\$0	\$2,753,546
Contingency	\$55,953,172	(\$6,433,948)	\$0	\$49,519,224
<b>Revenue</b>	<b>\$136,434,107</b>	<b>(\$6,433,948)</b>	<b>\$0</b>	<b>\$130,000,159</b>
Beginning Fund Balance	\$84,323,897	(\$6,420,413)	\$0	\$77,903,484
Charges for Services	\$13,448,238	\$0	\$0	\$13,448,238
Fund Transfers - Revenue	\$975,775	\$0	\$0	\$975,775
Interagency Revenue	\$1,885,353	(\$13,535)	\$0	\$1,871,818
Licenses & Permits	\$33,783,927	\$0	\$0	\$33,783,927
Miscellaneous	\$2,016,917	\$0	\$0	\$2,016,917

Figure 2. This table shows BDS's budget with requested and CBO recommended adjustments included.

<sup>2</sup> These partners are the Bureau of Environmental Services, Bureau of Technology Services, Fire Bureau, Parks Bureau, Portland Bureau of Transportation, and Water Bureau.