



BDS Budget Advisory Committee

Meeting Notes

Wednesday, January 10, 2024

BAC Members Present:

Abbot Flatt, BDS Equity Committee
Avaly Scarpelli, Building Owners and Managers' Association (BOMA)
Elysabeth Salazar, BDS Equity Committee
Evelyn Liu, Community Member
Kari Koch, BDS / Represented Staff (CPPW)
Kim McCarty, Community Alliance of Tenants (CAT)
Kolini Fusitua, Community Member
Mary Butenschoen, BDS / Represented Staff (PROTEC)
Romeo Sosa, Community Member
Sean Green, Aforma LLC
Wes Bird, BDS / Represented Staff (DCTU)

City Staff Present:

Alice Nielsen, Interim Development Services Manager
Beth Benton, BDS Property Compliance Inspections Manager
Brenda Fahey, BDS Technology, Training, & Continuous Improvement Manager
Dave Tebeau, BDS Residential & Commercial Inspections Manager
Doug Morgan, BDS Plan Review Manager
Elshad Hajiyev, BDS Deputy Director
Jillian Schoene, Commissioner Rubio's Office
Kathy Lyndon, BDS Budget & Finance
Kimberly Tallant, BDS Land Use Services Manager
Kyle O'Brien, BDS Budget & Finance Manager
Megan Beyer, Commissioner Rubio's Office
Ray Galinat, BDS Budget & Finance
Sangeen Khan, City Budget Office

Reference Materials

- Draft 12-05-23 BAC Meeting Notes
- BDS Financial Advisory Committee Draft Meeting Minutes 01-03-24
- Preliminary Revenue Growth Rates
- FY 23-24 BDS Budget Advisory Committee Report
- Mayor's Budget Guidance Memo 1
- Mayor's Budget Guidance Memo 2
- BDS Director's Priorities Memo
- Potential Budget Advisory Committee Recommendations
- BEC BAC Recommendations FY 2024-25

1. Welcome/Convene Meeting

BDS Deputy Director Elshad Hajiyev welcomed Budget Advisory Committee (BAC) members and City staff and thanked BAC members for their participation. BAC members reviewed notes from the December 5, 2023, BAC meeting.

2. Economic Outlook

Input from BDS Finance Committee

BDS met with the Finance Advisory Committee (FAC) on January 3rd, 2024, to present initial revenue projections and growth expectations. Overall, the FAC agreed with the proposed growth rates and advised the expectation of an approximate 18-month downturn in construction activity is realistic.

Revenue Projections

BDS Budget & Finance Manager Kyle O'Brien described the processes used to develop revenue models and make financial projections for the bureau. BDS projects both revenues and expenditures five years into the future. The presented growth rates are base projections and adjustments are made to the base projections to account for expected large project activity.

The current five-year forecast period is for fiscal year (FY) 2024-25 through FY 2028-29, beginning on July 1, 2024. The **Preliminary Revenue Growth Rates** handout shows the "Base Case Scenario" reflecting the expectation of flat growth in the first year of the forecast, substantial increases in year two, and still positive but decreasing growth rates over the final three years, reverting to the historical mean valuations by the end of the financial plan.

Every year the bureau produces an alternative-case scenario. This year, the alternative-case scenario reflects a further decrease from the current low point, rather than the stagnation seen in year one of the base case scenario, with mixed but mostly positive adjustments over the final four years at levels which would be roughly in line with inflationary adjustments. The alternative case scenario is a flat 5% reduction from the baseline scenario growth rates in FY 24-25, 10% reduction in FY 25-26, 5% reduction in FY 26-27, 2.5% reduction in FY 27-28, and no change in FY 28-29.

Budget Advisory Committee member Mary Butenschoen asked if there are large projects expected to be submitted soon. Kyle stated submittals are expected for Jefferson High School and Oregon Health Science University (OHSU) in the coming months. Also, there is a Cleveland High School project that is currently dependent on a bond measure passing, and several affordable housing projects. Finally, there are some already submitted projects waiting for issuance fees to be paid.

Budget Advisory Committee member Wes Bird brought attention to the expectation of no growth going into FY 24-25, noting potential implementation of committee recommendations will be constrained at current funding levels. Elshad agreed, reiterating there are no additional resources for adding positions or programs.

3. City Budget Update

Sangeen Khan (City Budget Office) analyst provided a budget update, explaining this budget cycle is unique as it is occurring in tandem with the voter approved charter reform. BDS will be part of the new Community Development Service Area. While bureaus will continue working on their own budgets, there will be combined Requested Budget document submittals for each newly created service area.

Overall, there has been a reduction of City resources; this is reflected by greater fiscal constraints than recent years in the Mayor's Guidance. General Fund appropriation levels will be reduced by five percent. BDS has been asked to submit solutions addressing its funding shortfall that minimize negative effects on permitting timelines.

Budget Advisory Committee member Sean Green asked for clarification on what providing options to address the BDS funding shortfall entails. Kyle explained that the Mayor's Budget Guidance memos do not give specific guidance on what the options are; however, options to address the BDS funding shortfall are limited. Fee increases and additional General Fund support are two available options, while multiple rounds of layoffs have recently been implemented.

Mary expressed trepidation to increasing fees and asked for clarification on how General Fund support can be used. Kyle explained that revenues from programs must be used for the program generating the revenue; however, General Fund is more flexible depending on the direction provided by Council when allocating the resource. While General Fund would be advantageous in the short-term, over-reliance does come with some challenges, as frequent cuts to General Fund are common. The history of General Fund support for Land Use Services is an example; Land Use used to receive General Fund support, but over the years that support was whittled down and eventually ceased, leading to layoffs.

Wes asked if the Racial Equity Implementation Plan is Citywide. Kyle explained that each bureau has its own racial equity plan; however, it is a Citywide push for all bureaus to have one. Sangeen Khan noted the existence of the Office of Equity and Human Rights.

Budget Advisory Committee member Kari Koch asked for more information regarding the five percent reduction to current General Fund appropriation levels. Kyle explained BDS receives General Fund support for the Noise, Liquor, and Neighborhood Inspections Programs and a five percent cut has been built into to General Fund appropriation levels. Mary asked if the Noise, Liquor, and Neighborhood Inspections Programs funded solely by the General Fund. Kyle stated they are not.

Sean asked what "position authority" refers to. Kyle explained that "position authority" refers to the number of positions approved in a bureau budget. To help balance the budget BDS will most likely be eliminating vacant positions, thereby reducing the bureau's position authority.

4. BEC Recommendations

Budget Advisory Committee members Elysabeth Salazar and Abbot Flatt provided an overview of the handout ***BEC BAC Recommendations FY 2024-25***, the recommendations were: 1. Fully fund the recently completed BDS Racial Equity Implementation Plan, 2. Study the impact of the 2023-2024 BDS layoffs on racial equity and revise the Business Continuity Plan in response, 3. Reevaluation of BDS funding structure to improve stability and align programs with City racial equity policies, and 4. Restore and expand community engagement staff positions and increase community engagement with budgeting decisions.

Mary asked how the committee should approach recommending rehiring community engagement staff when current fiscal constraints will carryover into FY24-25. Kyle stated that rehiring staff would be considered an expansion; however, the BAC can include a focus on prioritizing community engagement at the expense of deprioritizing other activities in its recommendations. Elshad complimented Elysabeth and Abbot on their recommendations. Elshad explained there is a plan for continuing support for community engagement work to underrepresented communities.

Wes asked about the intent of the second recommendation. Abbot stated the intent is to study the outcomes of current policies. Elysabeth added that historically women and people of color have been hired last and fired first. Elshad emphasized that there are no City policies in this regard, rather labor agreements between the City and unions, specifically rules outlining how layoffs occur according to seniority.

Sean expressed support for studying the equity effects of layoffs, and asked if funding is available for funding the BDS Racial Equity Implementation Plan. Elshad explained that while funding is constrained these suggestions will be weighed against existing resources.

Budget Advisory Committee member Evelyn Liu expressed disappointment with the layoff of Marco Mejia Yopez (BDS Community Engagement Manager), conveying a loss of faith in how the City is approaching equity and community engagement work. Budget Advisory Committee member Kolini Fusitua concurred with Evelyn, questioning the bureau's commitment to equity and community engagement. Elshad stated losing Marco was a huge loss for BDS, specifically in supporting the bureau's efforts to engage with Black, Indigenous, and People of Color (BIPOC), and other underrepresented communities, noting that in total 73 employees were also lost through the recent layoffs and losing any single one person is a huge loss.

Evelyn asked if there are opportunities to engage with the Office of Equity & Human Rights. Abbot agreed to present this request to the Equity Steering Committee.

Sean brought up the idea of the Budget Advisory Committee meeting throughout the year instead of only during creation of the BDS Requested Budget. Elshad stated that while the timing of the current BAC meetings is based on the creation of the bureau's requested budget, the number of meetings and/or cadence of communications can be reviewed.

5. BAC Budget Recommendations Work

Budget Advisory Committee member Kim McCarty expressed support for the Equity Committee recommendations. Kim recommended including a request for a response from the City regarding BAC recommendations that are requesting Citywide support. Kim also emphasized the importance of retaining BIPOC staff, and stated it is not feasible to have an Equity Plan while not retaining BIPOC staff. Kyle stated that a request for response can be added in the BAC Report; however, the Council's vote is functionally the response. Elshad agreed it is a good idea to request a response explaining the City's decisions.

Mary asked how to pursue union contract changes to prioritize BIPOC populations. Elshad explained this would need to occur within the union, specifically starting with union reps.

Kari Koch expressed concerns regarding the inclusion of the efficiency of services recommendation found in the ***Potential Budget Advisory Committee Recommendations*** document.

6. Budget Advisory Committee Report / Next Steps

Elshad observed more conversation appears to be needed to arrive at a draft Budget Advisory Committee Report, asking for the committee's preference to facilitate this via email or another meeting. The committee agreed another meeting is preferable.

Meeting notes prepared by Kathy Lyndon & Ray Galinat, BDS