



**City of
Portland, Oregon**
Bureau of Development Services
FROM CONCEPT TO CONSTRUCTION

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BDS Budget Advisory Committee
Meeting Notes
Thursday, November 4, 2021

BAC Members Present:

Barbara Alexander, Hacienda CDC
Chris Woo, BDS Equity Committee
Cleo Davis, Community Member
Hannah Bryant, BDS / PROTEC
Kevin Foster, Community Member
Lauren Jones, Development Review Advisory Committee
Sean Green, Development Review Advisory Committee
Steve Lee, Development Review Advisory Committee
Susan Steward, Building Owners & Managers' Association
Tara Carlson, BDS / DCTU
Timothy Novak, BDS Equity Committee

City Staff Present:

Beth Benton, BDS Property Compliance Inspections Manager
Brenda Fahey, BDS Technology, Training, & Continuous Improvement Manager
Colleen Poole, Business Operations & Finance Services (Meeting Host)
Dan Ryan, City of Portland Commissioner
Dave Tebeau, BDS Residential & Commercial Inspections Manager
David Kuhnhausen, BDS Permitting Services Manager
Doug Morgan, BDS Plan Review Manager
Douglas Imaralu, City Budget Office
Elshad Hajiyev, BDS Deputy Director
Karen Guillen-Chapman, Commissioner Dan Ryan's Office
Kathy Lyndon, BDS Budget & Finance
Kimberly Tallant, BDS Land Use Services Manager
Kyle O'Brien, BDS Budget & Finance Manager
Leesha Posey, Equity, Communications & Policy Development Manager
Lisa Nichols, BDS Public Information Manager
Ray Galinat, BDS Budget & Finance
Rebecca Esau, BDS Director
Terri Theisen, Commissioner Dan Ryan's Office

Handouts

- BDS Organizational Chart
- FY 2022-23 Budget Preparation Process
- Line Item Budget
- Explanation of Line Items
- BudgetSpeak Dictionary
- Major Workload Parameters
- Non-Cumulative Cost Recovery Report
- Business Continuity Plan Summary
- Economic Outlook
- FY 2021-22 BAC Report

Optional Materials (available online)

- [FY 2021-22 Requested Budget](#)
- [5-Year Financial Plan](#)

1. Welcome/Convene Meeting

BDS Director Rebecca Esau convened the meeting, welcoming Budget Advisory Committee (BAC) members and City staff. Attendees made self-introductions.

2. City Budget Office

Budget analysts in the City Budget Office (CBO) have a portfolio of bureaus they support. Douglas Imaralu is the budget analyst assigned to BDS and provided a Citywide budget update. The Mayor's Budget Guidance, which is the launching point for much of the budget creation process, will be released soon.

3. Bureau Overview

Mission / Vision

Director Rebecca Esau stated the bureau's mission is to promote safety, livability, and economic vitality through the efficient and collaborative application of building and development codes.

BDS Overview

Director Rebecca Esau provided an overview of the codes BDS is responsible for administering and enforcing. BDS administers the following City Codes: Chapter 3.30 Bureau of Development Services, Title 4 Original Art Murals, Title 10 Erosion and Sediment Control Regulations, Title 11 Trees, Title 24 Building Regulations, Title 25 Plumbing Regulations, Title 26 Electrical Regulations, Title 27 Heating and Ventilating Regulations, Title 28 Floating Structures, Title 29 Property Maintenance Regulations, Title 31 Fire Regulations, Title 32 Signs and Related Regulations, Title 33 Zoning Code, and Chapter 16.60 Motor Vehicle Fuels.

Approximately 70% of BDS' costs are personnel, with the majority of BDS staff represented by labor unions. BDS has 400 budgeted positions and approximately 60 positions are currently vacant. BDS made a few targeted exceptions to the hiring freeze to help meet service delivery challenges in areas of need.

The bureau is majority funded by fees, with high valuation projects supplying much of the bureau's revenues. Additionally, BDS receives very little General Fund support, which connects the bureau strongly to construction industry activity and results in cyclical and unpredictable revenue streams. The bureau works with local economists to review current and expected future construction industry activity and overall economic conditions.

In response to declines in revenues, BDS has been implementing cost saving measures to navigate the uncertainties presented in the current economic environment. BDS has continued to implement a hiring freeze and is limiting non-essential expenditures.

There are three main issues going forward for BDS: 1. Technology and process improvements, including infrastructure for telework; 2. Dismantling systemic racism; and 3. Uncertainty of large projects over the next few years, in part due to construction costs and supply chain issues.

Organizational Structure / Key Issues

There are eight divisions that make up our bureau. BDS Division Managers briefly described their divisions' work and identified key issues / priorities:

- Equity & Policy Development (Leesha Posey)

The BDS vision strives to provide relevant and culturally specific outreach and engagement, responsive internal and external customer service, policy program development, and equitable outcomes for all Portlanders. This is accomplished by: creating a sustainable infrastructure that can support the development of equitable policies and practices across all levels of the bureau; strengthening racial equity and anti-racism practices as reflected in BDS recruiting, hiring and training; the retention of a high performing and diverse workforce; developing and implementing a system for ongoing collection and analysis of equity data to inform decision making; accountability and transparency especially as it related to the City Core Values; fostering a shared understanding about the bureau's mission, values, programs, and services to ensure communication reflects clear messages; building and maintaining collaborative relationships with other bureaus, government agencies, and communities to better coordinate and communicate about programs and services; and ensuring that all of our communications and outreach are inclusive and accessible.

- Land Use Services Division (Kimberly Tallant)

The Land Use Services (LUS) Division is responsible for plan review and issuing decisions regarding Title 33 as well as parts of the Tree code (Title 11). Key issues for LUS include preparing for upcoming code changes and maintaining staffing levels. Additionally, LUS is pursuing process improvements for both customers and staff.

- Plan Review Division (Doug Morgan)

The Plan Review Division primarily provides plan review services for State building code permits. Secondly, the division provides plan review services for Environmental Soils relating to on-site wastewater/septic systems for all of Multnomah County, and portions of Site Development. Key issues for the Plan Review Division revolve around managing workload and maintaining staffing levels sufficient to improve and reduce review timelines.

- Permitting Services Division (David Kuhnhausen)

The Permitting Services Division is comprised of 5 main sections: 1. Records Conversion digitizes historical records, all physical plans, and responds to property records requests, 2. Front Desk & Administrative Support monitors the general phone lines and is responsible for scheduling intake appointments, 3 & 4. Permitting Services, comprised of a Commercial Permitting Services Section and a Residential Permitting Services Section, ensures minimum submittal requirements are met and performs final quality assurance checks on permits before issuance, 5. Process Management Team facilitates the permitting process for large projects.

The key issue for the Permitting Services Division revolves around transitioning the Development Services Center to facilitate more in-person customer interactions.

- Residential and Commercial Inspections Division (Dave Tebeau)

Residential Inspections is tasked with ensuring state and local codes are met during the construction process. The Field Issuance Remodel (FIR) Program, which follows projects through the entire plan review/inspections process, falls within Residential Inspections as well.

In addition to administering the Facilities Permit Program (FPP) and Electrical Master Permit Program (EMPP), Commercial Inspections provides structural, plumbing, electrical, and mechanical inspection services for commercial permits.

- Property Compliance Inspections Division (Beth Benton)

The Property Compliance Inspections is the only BDS division with funding from the General Fund, and performs enforcement services for Title 10, Title 24, Title 29, work without permit complaints, Zoning, Signs, adult care home inspections, Accessory Short-Term Rentals (ASTR), and Urban Forestry Tree Code enforcement.

- Technology, Training & Continuous Improvement Division (Brenda Fahey)

The Technology, Training & Continuous Improvement Division provides services to other BDS divisions. Services under this division include: Technology Support, training services and support, Portland Online Permitting System (POPS), and creating a continuous improvement program.

The key issue for the Technology, Training & Continuous Improvement Division is maintaining and improving the bureau's technological infrastructure, including online services offered to customers through its various platforms.

- Business Operations & Finance Services Division (Elshad Hajiyev)

The Business Operations & Finance Services (BOFS) Division provides services to other BDS divisions. Services provided under this division include accounting, budget, payroll, human resources, safety, emergency management, facilities, fleet, code & policy development, and finance.

Key issues for BOFS revolve around fiscal sustainability, ensuring that the bureau has enough resources to provide quality services to the bureau's customers.

4. Commissioner Dan Ryan's Office

Commissioner Dan Ryan expressed budget priorities of addressing houselessness, community safety, and economic recovery. Commissioner Ryan stated that BDS plays a critical role in the success of these three priorities. Recognizing that BDS is not the only bureau in the permitting process, Commissioner Ryan has spearheaded a push to streamline the permitting process. To this end a Permit Improvement Strategy Manager was hired to streamline and declutter related code and processes. Commissioner Ryan also stated that BDS needs to be able to "staff up" to provide sufficient staffing to handle permit intakes and reviews.

There will be a City Council work session in January with the goal of bringing Council on board with the need to prioritize the City's permitting system. Commissioner Ryan stated that the City was able to get by with an aging system due to the overall desirability to invest in Portland. However, now that Portland's desirability has fallen the City needs to do all it can to streamline processes for customers.

Rebecca conveyed appreciation to Commissioner Ryan for breaking down silos by taking a collaborative and holistic approach to the permitting process.

BDS Bureau Equity Committee member Timothy Novak stated that it is important to not forget that people submitting for permits are not BDS' only customers. There are also community members looking for a proactive approach as the built environment changes around them. Timothy recommended being available to the public in their communities rather than only at the Development Services Center.

5. Budget Process

Budget 101

Deputy Director Elshad Hajiyev gave an overview of BDS's budgeting process, noting that it is an inclusive process with various advisory committees and stakeholders involved in the budget development process, including: Development Review Advisory Committee (DRAC), BDS Bureau Equity Committee (BEC), BDS Budget Advisory Committee (BAC), BDS Finance Advisory Committee (FAC), BDS Labor Management Committee (LMC), and BDS employees.

Timeline of Events

Elshad stated that the budgeting process progresses through multiple steps. Currently work is being done to arrive at the BDS requested budget which is generally submitted to the City Budget Office (CBO) on January 26, 2022. The requested budget phase is followed by the Mayor's Proposed Budget phase, the Approved Budget phase, and is finally adopted in June before going into effect on July 1st.

Elshad explained that the role of the BAC is to help put together the BDS Requested Budget, noting that BDS needs to hear from as many different voices as possible during the budget preparation process and encouraged BAC members to actively participate and share their views during BAC meetings. At the end of the session the Committee will be asked for a letter of support to be included in the Requested Budget submission.

6. BDS Finances & Financial Planning

Operating Fund

BDS Budget & Finance Manager Kyle O'Brien provided an overview of the bureau's financial structure, financial planning process, and current market conditions. BDS is established as an operating fund. Approximately 98% of all bureau revenue comes from permit fees and charges for service, and revenue may only be used to support the specific program which generate the revenue. BDS programs must be self-supporting and generally do not receive General Fund monies. The Neighborhood Inspections Program receives a small amount of General Fund support. Historically Land Use Receives received General Fund support; however, ongoing General Fund support for that program ended in the 2017-2018 fiscal year.

In the current fiscal year (FY 2021-22) BDS has received additional one-time funding through the American Rescue Plan Act (ARPA). This funding includes \$1 million for the bureau's Neighborhood Inspections Program and \$451,523 to fund merit and COLA pay increases for non-represented staff. Additionally, a budget note included in the current fiscal year potentially providing BDS with up to an additional \$8.3 million depending on the bureau's financial outlook in the Spring of 2022.

During periods when BDS is not covering costs the bureau must ensure continuity of services. As such reserve goals were created based on a percentage of annual expenditures. Overall, BDS has a reserve goal of 50% of annual expenditures to provide stability during economic fluctuations. The Building/Mechanical, Signs, Environmental Soils, and Land Use Services reserve goals are 75% of annual

expenditures. Currently the bureau has drawn down reserves from a high of approximately \$92 million in June of 2018 to \$55.8 million in September of 2021.

State Mandated and Local Code Enforcement Programs.

State mandated programs include Building/Mechanical, Electrical, Plumbing, Field Issuance Remodel (FIR), and Facilities Permits (FPP). Local programs include Site Development, Environmental Soils, Signs, Zoning Enforcement, Neighborhood Inspections, and Land Use Services.

Financial Plan

Expenditure projections are based primarily on current expenses, inflationary factors, and assumptions regarding the future personnel needs. Expected project expenses are also considered when known.

Revenues for Building, Mechanical, Plumbing, Electrical, and Land Use Services are all econometrically forecasted. Facility Permit Program (FPP) and Field Issuance Remodel (FIR) Program revenues are projected using a weighted average of the Building Mechanical, Plumbing, and Electrical growth rates. Site Development and Zoning Enforcement revenue estimates are based on Building Program rates. Environmental Soils, Signs, and Neighborhood Inspections revenue projections are based on forecasted economic data.

Economic Outlook

BDS Budget & Finance Manager Kyle O'Brien provided an overview of the current economic outlook. Measures implemented in response to Covid-19 continue to be the prevailing component of economic uncertainty. In early 2020 there was an initial spike in unemployment which has statistically largely rebounded. However, headline unemployment statistics do not include people who are not actively looking for work. If/when individuals return to the workforce there will be upward pressure on the unemployment rate.

There is still a long way to go in the economic recovery. The Federal Reserve seems to have mixed opinions on the current economic state; they are concerned about inflation but unsure if inflation is transitory or more permanent. While there are headwinds in the overall economy, there are some tailwinds as well, such as the low cost of borrowing. BDS has seen a modicum of multifamily development, but not anywhere near pre-pandemic levels. Demand for hotels and office space has remained low.

The BDS Cost Recovery report shows that revenues are higher, and costs are lower, than last year at the same time. However, last year there were shutdown activities related to Covid that could be skewing the data. Currently 1 out of 5 triggers are active on the BDS Business Continuity Plan (BCP). Overall, fewer triggers are activated on the BCP when compared to last year; however, the comparison is to lower performing months.

Kyle provided an overview of the timeline for the BDS FY2022-23 budget. In September, the BDS Finance team began with internal planning, and in October worked to finalize Budget Advisory Committee (BAC) membership and sent budget feedback requests to managers. In November, the first Budget Advisory Committee and Finance Advisory Committee meetings occur, and Rebecca will prepare a Budget Goals Memo. In December, there will be "Budget Drop-in Sessions" for BDS employees, a second BAC meeting, and work will begin on the Budget Equity Assessment Tool as well as financial modeling. In January there will be committee meetings to go over budget decisions, and the FY 2022-23 Requested Budget will be submitted on January 26th. The City Budget Office (CBO) will then review the BDS Requested Budget and make recommendations. BDS will present the budget to City Council in March 2022. The Mayor will then

present the Mayor's Proposed Budget, and City Council will adopt the FY 2022-23 Budget in June 2022. The budget will take effect on July 1, 2022 through June 30, 2023.

Workload Statistics

BDS Financial Analyst Kathy Lyndon provided an overview of current workload & revenue statistics. Overall, the number of issued permits has increased, however application permits received has experienced a 11% decline from prior year. Compared to several years back, the number of overall applications has decreased.

The cumulative major workload parameters are only three months of data (July-September 2021) and valuations are heavily skewed by the timing and size of large project valuation. The timing and size of large projects are unpredictable, making this very volatile information. There are increases in some statistics compared to last year; however, BDS is taking a measured approach in analyzing the workload statistics. It is difficult to draw conclusions based on prior year's data because the prior year data was at the beginning of the pandemic when BDS experienced a drastic decline in workload and demand. Although we've seen some increases in some areas, many times those increases don't bring us anywhere near the workload levels BDS had seen prior to the pandemic.

Line-Item Budget

BDS Financial Analyst Ray Galinat provided an overview of the BDS Line-Item Budget, explaining that the document compares the current year budget to the previous 4 years of actual expenses. Expenses are broken down into four high level categories: 1. Personal Services, 2. External Materials & Services, 3. Internal Materials & Services, and 4. Capital Outlay. Most costs fall within the personal services category, accounting for approximately 70% of all bureau operating expenditures.

7. Discussion

BDS Budget Equity Committee member Chris Woo asked about the current state of population growth in Portland. Kyle O'Brien explained that population is an important driving factor for the economy. Generally, Portland is an attractive City on the West Coast and population is increasing, albeit at a slower rate than a few years ago.

Development Review Advisory Committee member Sean Green asked if BDS submitted for the Fall Budget Monitoring Process (Fall BuMP) and if the Mayor included anything for BDS. Kyle stated that there were some minor adjustments proposed in the BuMP, however there are no substantial changes. Rebecca Esau added that a partnership was created with Multnomah County to help address houselessness, and there may be approximately \$750,000 that BDS will be able to tap into to reimburse costs related to waiving shelter permit fees. City Council is scheduled to vote on the Fall BuMP on November 10, 2021.

Committee member Tara Carlson asked if the committee will be apprised of DCTU contract bargaining. Kyle stated this committee will not have direct insight into those negotiations. Elshad added that contract negotiations are currently in mediation and if there are financial impacts from those talks during the timeframe of this committee, the committee will be informed. Negotiations will likely have impacts on BDS labor costs and will be built into financial planning model and projections.

Chris Woo inquired as to expectations of additional policy changes/adoption that are expected to have an impact on BDS budget. Rebecca explained that there are some zoning code changes, however the budgetary impacts are currently unknown. Kim Tallant stated that the LUS fee schedules will need to be

adjusted in response to the code changes. Rebecca added that BDS would prefer additional General Fund support for compliance inspections so as not to rely on fees and fines imposed on the public.

Development Review Advisory Committee member Steve Lee asked if the bureau has ever engaged in “zero-based” or “program-based” budget development. Elshad Hajiyeve explained that the City has done a zero-based budget in the past; however, it was only for one year and then returned to the regular budget development process. The programmatic budgets are included in the Requested Budget, linked to in the agenda.

8. Next Meeting

The next BAC meeting is scheduled for Wednesday, December 8, 2021. The agenda and handouts will be provided in advance of this meeting.

Meeting notes prepared by Kathy Lyndon & Ray Galinat, BDS