

City of Portland

Bureau of Development Services
FROM CONCEPT TO CONSTRUCTION



Five-Year Financial Plan
Fiscal Years 2011-12 through FY 2015-16

Submitted January 31, 2011

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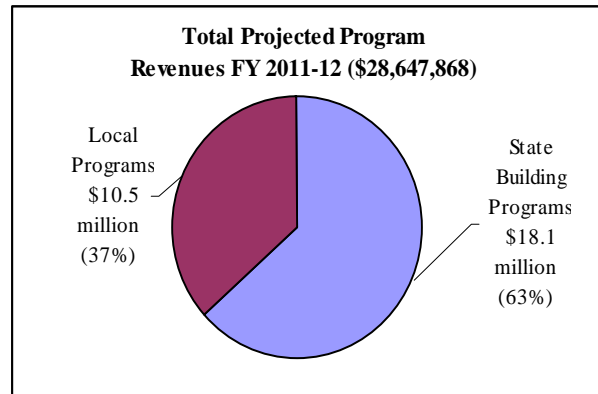
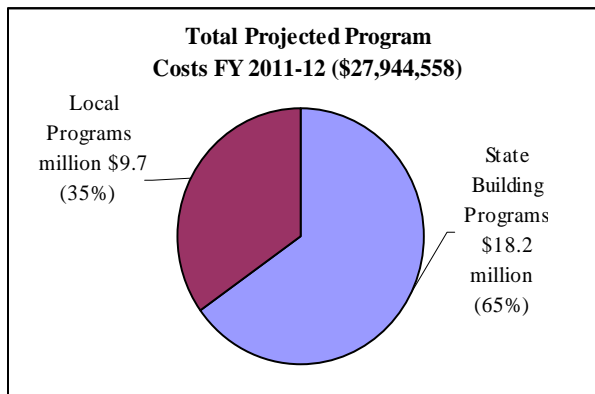
EXECUTIVE SUMMARY

Financial Forecast

- The global recession has severely affected the development industry, and the Bureau of Development Services is still experiencing the impact of the recession in its revenues and workload.
- The recession has ended; however, with economic growth still subdued, consumers cautious to spend, and financial institutions reluctant to lend, the beneficial effects of a recovery are hardly felt.
- Construction is one of the most volatile sectors of the economy and it is difficult to project revenue.
- Recovery in construction activity in the Portland metropolitan area is not expected until after FY 2011-12. Beginning in FY 2011-12, the Financial Plan gradually adds positions needed to meet the anticipated increase in the workload.

Financial Issues

- Program revenues are expected to experience moderate growth.
- Annual fee increases are recommended for all programs to cover inflationary cost increases and meet reserve goals.
- In order to improve the level of automation, transparency, and public access to information at BDS, City Council authorized BDS to proceed with plans to purchase a new online review and permitting system. The bureau is working with the City Treasurer to secure a line of credit to fund the project. The bureau will repay the line of credit when bureau reserves are above 10%.
- Even with fee increases, total bureau reserves are projected to remain below the minimum 10% reserve level in FY 2010-11 and FY 2011-12. In FY 2012-13 and FY 2013-14, the bureau will repay the line of credit.



OVERVIEW

In the last few years the development industry has been hit very hard by the recession, leading to significant impacts for the Bureau of Development Services' (BDS's) revenues, reserves, staffing, and service levels. The bureau initially used its reserve funds to meet operating costs, and the reserve fell precipitously from almost \$13.5 million in July 2008 to \$500,000 in July 2010. Even so, in 2009 and 2010 BDS lost over half of its staff through layoffs, retirements, and other attrition. The staff losses led to decreases in service levels throughout the bureau, lengthening the development process and increasing customer dissatisfaction. BDS's FY 2011-12 budget proposes to add 13 staff back to the bureau, bringing the total staffing to 175 with an operating budget of \$27.2 million (not including General Fund add packages).

This financial plan reflects BDS's ongoing financial challenge to find balance between three often-competing goals:

- Pursue cost recovery for services wherever appropriate
- Maintain prudent financial reserves
- Provide excellent customer service and be responsive to customer and stakeholder needs

BDS projects that revenues will grow slowly over the next few years. That mild growth, combined with moderate fee increases, will afford the ability to slowly begin to rebuild reserves and gradually hire back staff in order to provide minimally-acceptable levels of service and respond to anticipated mild increases in development activity.

Even with gradual staff additions, BDS will remain understaffed for the next several years. As always, staff positions will be added only as sufficient funds are available. Bureau reserves will be below the bureau's 10% minimum reserve goal in FY 2011-12 and FY 2012-13. When BDS reserves reach 10% in FY 2013-14 and FY 2014-15, the bureau will repay a line of credit which is being secured to fund the replacement of the bureau's current permitting system. In response to the recent experience of the recession, the bureau is raising the reserve goals for several programs. Increasing reserve goals to more prudent levels will help to ensure that the bureau has adequate reserves in all programs.

These projections may change over the course of the fiscal year; BDS will continue to closely monitor economic indicators, revenues, expenditures, and workload and make adjustments to the Financial Plan as needed.

BACKGROUND

Mission

The Bureau of Development Services (BDS) promotes safety, livability, and economic vitality through the efficient and collaborative application of building and development codes.

To meet the needs of our community, BDS pursues the following goals:

- Promote community vitality and protect life, property, and natural resources by ensuring compliance with applicable codes and regulations.
- Provide cooperative and responsive internal and external customer service.
- Process all bureau functions efficiently.
- Create a collaborative workplace that promotes mutual respect through trust, fairness, and open communication.
- Support continual professional growth of the workforce and organization through education, technology, and diversity.

Our values include:

- Dedication to public service
- Pride in our work
- Care for the long-term viability of our community
- Recognition of the worth, quality, and importance of each employee and member of the community
- Support of continual learning, education, and innovation

BDS supports the City Council's goal to "protect and enhance the natural and built environment".

The Bureau's Work and Sources of Funding

BDS has the traditional "building department" functions of inspections, permit issuance, and review of architectural and engineering plans. These programs are currently funded solely through permit fees and charges. State statutes regulate these programs and, in most circumstances, prohibit revenue from these programs being used for other local programs. Fees support the site development, code compliance, signs, zoning, and environmental soils programs. Land use review is also housed in BDS; land use review fees, General Fund monies, and the Development Services Fee support this program. Both the Noise and the Neighborhood Inspections programs are supported by fees and some General Fund dollars.

History of the Operating Fund

In FY 1988-89, the City Council established an operating fund for the Bureau of Buildings. At that time, the bureau was charged with fully supporting its construction functions through fees and charges by the end of a three-year period. In addition, the bureau was to set up a reserve account that would capture revenues from pre-paid work and serve as a countercyclical reserve when the economy was on a downturn. Due to a booming construction industry and some long overdue fee increases in FY 1988-89, the bureau succeeded in meeting the 100% cost recovery goal in just two years.

In 1992 a reserve policy was adopted for the fund, and it was updated in 1995. In FY 2004-05 the bureau was directed to work with the Office of Management and Finance to review the reserve goals for all programs. As a result of the review, the bureau lowered its reserve goals for several programs. The bureau's reserve policy is outlined in Appendix A.

In FY 1999-2000, the Land Use Review Division of the Bureau of Planning was merged with the Bureau of Buildings to create the Office of Planning and Development Review. In 2002, the name was changed to the present Bureau of Development Services.

In late FY 2002-03, the Neighborhood Inspections and Noise Control programs were moved from BDS to the Office of Neighborhood Involvement. The Noise Control Program returned to BDS in FY 2005-06, and Neighborhood Inspections returned to BDS in FY 2006-07.

In May 2005, City Council enacted a Development Services fee to assist in funding the Land Use Services Program. The fee is charged when building, site development, or zoning permits are issued and is based upon permit valuation.

Due to the recession and its impact on the development industry, bureau reserves were spent down to maintain operations from almost \$13.5 million in July 2008 to \$500,000 in July 2010. Reserves are expected to be about \$500,000 at the end of FY 2010-11. This Financial Plan outlines the bureau's goal of returning to a more appropriate reserve fund balance.

Financial Planning Process

Since FY 1988-89, BDS has made five-year projections of costs and revenues annually to assist in fiscal planning. Costs and revenues are projected based on both historical and current-year patterns, anticipated changes, and inflationary rates suggested by the Office of Management and Finance. Given the recent recession and its unprecedented impact on construction activity in the Portland Metropolitan area and on the bureau's fee-generated revenues, BDS has made significant changes to its revenue forecasting model. The model is described in great detail in the Financial Forecasts and Comparisons section of this financial plan, under Revenue Forecast.

Revenues and expenditures are compared to determine annual cost recovery rates and to decide whether BDS's reserve will be drawn down or increased. Reserve goals vary from program to program, but the bureau has set a minimum reserve level of 10% below which total bureau reserves should not drop. BDS management first reviews the level of service to customers to ensure that it meets customer needs. The bureau then compares service levels to the revenue estimates and makes recommendations on whether or not fees should be increased and by how much. Fee rates are reviewed each year to maintain BDS's financial integrity and operational stability.

SIGNIFICANT AND CRITICAL ISSUES

BDS Reserve Fund and Financial Status

The Bureau of Development Services (BDS) is established as an Operating Fund with the goal of being 100% supported by permit fees and charges. The need to be self-supporting, combined with the difficulty in accurately predicting construction activity and fee revenues, makes it important for BDS to maintain a reserve of funds that can be used to ensure a stable and adequate level of service during times when revenues fall below expectations.

BDS experienced a sharp decline in permit revenues beginning in the fall of 2008 with the onset of the recession. As permit revenues continued to fall precipitously in 2009, the bureau responded by implementing widespread cost saving measures, spending down bureau reserves, and laying off approximately 150 staff (approximately 50% of its employees). In FY 2008-09, bureau reserves fell from almost \$13.5 million to \$2.9 million. Because the bureau did not begin to realize savings from the layoffs until late fall 2009, by the end of FY 2009-10 the reserve balance was at \$500,000, and it is forecast to be at the same level at the end of FY 2010-11.

While rebuilding bureau reserves to prudent levels is a high-priority goal, it must be balanced with the need to meet state and local requirements for bureau programs and services and with the needs of customers and stakeholders who do not have other options for development-related services. Because permit revenues have fallen further than the workload, BDS has not had sufficient income to keep enough staff to provide even minimally-acceptable levels of service in many bureau programs.

This Financial Plan seeks to balance these goals by slowly rebuilding the reserve while gradually adding back staff to bring services up to acceptable levels. In light of BDS's experiences in the recession, the bureau is raising reserve goals for a few programs:

- **Building/Mechanical Program** – The reserve goal is increasing from 25% to 35%. Program revenues are volatile, since fees for building and mechanical permits are based on the valuation of the construction project.
- **Facilities Permit Program** – The reserve goal is increasing from 15% to 20% to be consistent with the reserve goals established for similar programs.
- **Neighborhood Inspections Program** – The reserve goal is increasing from 20% to 25% due to a greater volatility in lien collections, the largest revenue source for the program.

BDS is projecting that bureau-wide reserves will be approximately \$500,000 by the end of FY 2010-11, and that the bureau will meet its 10% minimum reserve goal at the end of the 5-Year Plan in FY 2014-15.

While the bureau's current fund balance is lower than the bureau's reserve goal, it is necessary for the bureau to balance its financial reserves with the need to provide an acceptable level of service to customers and the community. BDS will continue to closely monitor revenues and expenditures and make subsequent adjustments to the Financial Plan if necessary.

Funding & Cost Recovery

BDS operates two distinct types of programs. State-mandated construction programs (Building, Mechanical, Electrical, Plumbing, etc.) are funded almost exclusively through permit fee revenues. Local programs (Land Use Services, Neighborhood Inspections, Environmental Soils, Signs, Noise Control, Zoning Compliance, and Site Development) implement local regulations or state and federal mandates. Local programs are funded through a combination of fees, fines and charges, and General Fund monies. BDS, its Budget Advisory Committee, and the Development Review Advisory Committee (DRAC) all believe that increased General Fund support for local programs is appropriate because these programs provide services that are of general benefit to the community.

State-Mandated Construction Programs

For several years, BDS has been striving to reach full cost recovery for many of its fee-supported construction programs and services. In some cases, due to the nature of the service or the broader context in which the service is provided, full cost recovery will not be achievable; but for other services, full cost recovery is an appropriate long-term goal. To this end, the bureau has been implementing gradual fee increases (to minimize the impact on customers and stakeholders), as well as charging for (or ceasing) some services that were previously provided free of charge.

In addition, since the onset of the recession, the bulk of the building permits issued has been for smaller, lower revenue-generating projects. Other Building Departments in the region are experiencing the same phenomenon. To help ensure that permit fees for smaller projects are covering the costs of the services that BDS provides for those permits, the bureau has increased the minimum permit fee and lower-end fees on the building permit fee schedule. The bureau will continue making changes to these fees in FY 2011-12.

Local Programs

Historically, many of the bureau's local programs have been under-funded and beset by deficits in their reserve funds. In addition, the Neighborhood Inspections Program lost approximately \$750,000 in General Fund support when it returned to BDS from ONI in FY 2006-07. Previously, City Council has relied on BDS to resolve the financing issues of under-funded programs. But as bureau revenues plunged during the recession, reserves for most programs (state and local) were quickly expended.

Because the local programs provide a bonafide public benefit, the bureau's FY 2011-12 Requested Budget includes a request for \$668,934 in additional one-time General Fund monies to add 5.5 positions to the local programs, restore some services that have been significantly reduced, and begin to rebuild program reserves. This financial plan shows that fees and charges would be sufficient to support these positions in future years. However additional staff above and beyond these increases would be needed to provide the level of service that the community desires. The

only reason that the one year of additional General Fund assistance helps bring the programs to cost recovery by the end of FY 2015-16 is that the bureau will hold back from adding the number of staff actually required to improve the level of service.

Information Technology Advancement Project (ITAP)

In the course of reshaping the bureau after staffing reductions in 2009, it became clear that the level of automation and public access to information at BDS was hindering the bureau's effectiveness and ability to be efficient with limited resources. Prior to the recession, the bureau had been implementing an 18-month plan to improve its technology tools; however, significant cuts in the budget stalled this plan.

On November 3, 2010 City Council authorized BDS to move forward with plans to purchase an online plan review and permitting system that would provide much greater access to information and services for customers, staff, and stakeholders. 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 and 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.

As authorized by City Council, BDS is currently involved in contract negotiations with the system vendor (Accela) and is establishing an IGA with the State of Oregon regarding interaction with the State online permitting system. The bureau is also pursuing a line of credit to pay for the costs of the new system, with repayment to take place over a period of several years.

The ITAP will be key to BDS's ability to provide services effectively and efficiently into the future.

Staffing & Service Levels

Since June 2009, BDS has lost over half of its staff due to deep declines in permit revenues. Revenues declined much more steeply than the workload, with the result that the bureau is now insufficiently staffed. However, bureau services such as building inspections, plan review, permit issuance, and land use review are mandated by law. Since these programs and services cannot be eliminated, the bureau has ceased non-mandatory, low-priority services throughout the bureau and has significantly reduced most remaining services.

Though the bureau continues to review its overall operation to find ways to provide services more efficiently, it has been a struggle to provide service levels that meet customers' needs and are realistic given BDS's smaller staff. At the same time, BDS is committed to rebuilding its financial reserves to prudent levels.

BDS's FY 2011-12 Requested Budget includes two decision packages that would address critical customer and stakeholder needs by adding staff, while allowing the bureau to maintain fiscal responsibility. One package would add 13 positions funded by permit fees and revenues. BDS's financial projections, which were reviewed by multiple independent economists, show that the bureau will have sufficient revenues to add these staff in FY 2011-12.

As mentioned previously the second decision package requests one-time General Fund support to add 5.5 positions to the bureau's Land Use Services, Neighborhood Inspections, Noise Control, and Signs programs. Land Use Services, Neighborhood Inspections, and Noise Control already receive significant General Fund support since they provide general public benefit. In addition, due to reductions in the Sign Program, the bureau has ceased most Sign Code enforcement that does not involve life/safety issues, and many illegal signs have been installed throughout the City. This Financial Plan shows that fees and charges would support these positions in future years.

All of these staff additions will be critical in allowing the bureau to return services to minimally-acceptable levels. The expected workload for FY 2011-12 would dictate that another 10 positions are needed in addition to what is being requested in order to provide an acceptable level of service for the bureau's highest priority service improvement areas.

Financial Plan – Worst Case Scenario

This year BDS is submitting two versions of the Financial Plan. The base version of the Plan that is in the main body of the text is found in Appendix C. Upon recommendation from the BDS Financial Advisory Committee, the bureau conducted sensitivity analysis and developed a second version of the Financial Plan that represents the worst case scenario. The committee included local economists with expertise in commercial and residential real estate, as well as members of Portland Development Commission's Small Business Advisory Committee (SBAC) and the City's Development Review Advisory Committee (DRAC).

The basic premise for the worst case scenario is that full recovery in construction activity is not expected within the next five years. The growth rates for all programs, with the exception of the Noise, Environmental Soils, and Signs programs, were reduced by 5 percentage points per the Committee's input. The growth rates for Noise, Environmental Soils, and Signs were adjusted down by one percentage point. The committee reviewed programmatic growth rates developed for the worst case scenario and came to the unanimous conclusion that the probability of the worst case scenario occurring is highly unlikely.

Lower programmatic growth rates ultimately translate into a lower workload. Therefore, a lower number of positions is being added back to the bureau's workforce. In the worst case scenario of the Plan, only 16 new positions are added to the bureau's workforce in the next five years, as opposed to 53 new positions added in the base version of the Financial Plan. In addition, both base and worst case scenarios incorporate the repayment of the line of credit over a two-year period beginning in FY 2013-14 in equal installments.

In the worst case scenario, the bureau builds higher levels of reserves in the earlier years of the Financial Plan than in the base case. This is necessary in order to repay the line of credit in the absence of a faster recovery and higher revenue collections in the later years of the Plan. In the worst case scenario, most programs achieve financial outcomes comparable to the base case scenario in terms of cost recovery and reserve goals, but again this is due to adding fewer staff positions.

The worst case scenario shows that the bureau would be below its overall reserve goal in FY 2015-16; the bureau is projected to achieve the goal in the base case scenario. The financial outcomes of the worst case scenario are presented in Appendix D.

FINANCIAL FORECASTS AND COMPARISONS

Comparison of FY 2009-10 Actuals to Previous Financial Plan

Last year's Financial Plan projected an overall cost recovery rate of 91% for the bureau in FY 2009-10, with revenues of \$26.6 million and expenditures of \$29.1 million. Year-end reserves were projected to be \$400,000. The Financial Plan anticipated a continued downturn in construction activity; revenues as well as expenditures were expected to be lower than in the previous year. The actual revenues and expenditures were very close to the Plan's projections. The actual FY 2009-10 year-end revenues were only 0.3% below the Plan's projections. Actual expenditures were 0.7% lower than projected in the Plan. The actual cost recovery rate was 92%, as opposed to 91% projected cost recovery rate, with expenditures of \$28.9 million and revenues of \$26.5 million. The year-end bureau reserves decreased by \$2.4 million to \$500,000 (a \$2.5 million decrease was projected in the Plan).

Current Revenues

Over the past several years both commercial and residential building activities have been hit very hard by the recession. Construction activity in the Portland Metropolitan area is still weak; however, the rate at which construction activity is declining is decelerating. This could be viewed as an early sign of the long-awaited stabilization in real estate markets. The continued correction in housing markets, tight credit markets affecting both commercial and residential construction markets, overall uncertainty in the financial markets, and a drop in consumer confidence are still having a very negative impact on bureau revenues in FY 2010-11. As of Accounting Period 6 (December 31, 2010), total bureau revenues were 2.9% lower than revenues as of the same period in the previous year.

By the end of FY 2010-11, total bureau revenues are projected to be at approximately the same level as at the end of FY 2009-10 (\$25.7 million).

The total number of building, site development, and zoning permit applications received from July through December 2010 decreased by 2% over the same period in 2009. The valuation of these permit applications decreased by 19%. The total number of building, site development, and zoning permits issued for the same period is 1% lower than in 2009, and the valuation has decreased by 11%, mostly due to a lack of large commercial projects with a valuation above \$10 million.

The situation is different for Land Use applications received. While the number of land use case applications received from July through December 2010 decreased by 23% over the same period in 2009, the number of final plat applications increased by 52%. There is a strong relationship between land use activity and building permit and other bureau revenues; increases in land use activity ultimately result in increases in construction activity. The current trends in land use suggest that the slowdown in construction activity may be slowly approaching its end.

Economic Outlook

The U.S. economy, as well as the rest of the world, has been in recession for the past two years. For the U.S. economy, this recession is the deepest downturn post-World War II. For Oregon, this is the second largest downturn; only the 1980-1982 recession periods were worse. Analysts, including IHS Global Insight and Moody's Economy.com, state that the U.S. economy entered a recession either very late in 2007 or the first quarter of 2008, and believe that the U.S. recession ended in the summer of 2009. The view for Oregon is similar. However, the ability to both forecast and date the end of the recession in Oregon is more problematic due to the lack of timely indicators in the Oregon economy. With economic growth still subdued, consumers cautious to spend, and financial institutions reluctant to lend, the beneficial effects of a recovery are hardly felt.

The last couple of years prior to the recession were extraordinary in terms of the rise in construction activity in the Portland metropolitan area. However, in January 2008 construction activity in the Portland Metropolitan area started to experience the effects of the slowdown, especially residential construction. Construction activity in the state still exhibits signs of continued weakness. The decline in construction activity continues to impact related job sectors. Construction employment in Portland Metropolitan area is projected to decrease by 2.4% in FY 2010-11. Although not in the City of Portland, Intel's announcement of a major investment at its Ronler Acres campus has a very positive short term improvement for construction jobs in the metropolitan area. It is estimated that construction jobs will increase by 10% in FY 2011-12 in the Portland Metropolitan area.

Construction is still suffering from the effects of the housing sector collapse. The housing market in Oregon and the U.S. continues to clear out excesses in housing inventory accumulated in the past housing boom. With the large home price declines across the nation in recent years and an oversupply of houses on the market, there has been very little new construction relative to historical levels. Oregon's decline is attributable to the multi-family market, as those types of permits were especially strong in early 2009 and have fallen substantially in the past few years. Single-family permits in Oregon, which were increasing well over double digits through the first six months, have fallen to only 5 percent increases year-over-year for the first nine months. A large reason is the first expiration of the first-time homebuyer tax credit in fall 2009, which increased construction (permits) and home sales in late 2009, thus rendering "year ago" comparisons more difficult.

The situation in commercial real estate markets is similar. Grubb & Ellis report that office vacancy rates in the Portland metro area are stabilizing in the third quarter of this year but at a high rate of 15.5 percent. They report that "The construction pipeline remains virtually empty."

The bureau is currently seeing a different mix of development projects than in the past. When the economy was strong, there were a number of large projects over \$10 million in valuation. Not only has the number of large projects decreased dramatically, but also the average size of these large projects has shrunk significantly. The bureau has also witnessed a radical change in composition of large projects. Currently, most of the "large projects" are either funded by the public sector or sectors of economy that were not significantly affected by the economic downturn, such as education and health care. In the past, the majority of projects were funded by the private sector, but private investment in the development of large multifamily projects and office construction practically came to a halt. In addition, the percentage of smaller projects has increased. As this trend continues, the bureau will not see large influxes of revenue from projects with high valuations, which helped

support the bureau in the past.

Population growth in the Portland Metropolitan area is forecasted to increase 1.8 percent in 2011 and 2012, and grow approximately at the same rate in later years. Population growth in Oregon overall has slowed with the economy and is projected to be below the U.S. growth rate in 2010 at 0.6 percent. Population growth picks up slightly at 0.7 percent in 2011, 0.9 percent in 2012, and 1.0 percent in 2013, but still below rates seen in 2005 through 2008.

The unemployment rate for Oregon sits at 10.5 percent for October, essentially unchanged for the past twelve months. The unemployment rate in the Portland region was 9.5 percent in the third quarter of 2010, making it the second-lowest rate in the state. The rate dropped 0.8 percentage point from the year prior, which was the largest improvement of any region.

Revenue Forecast

BDS's revenues are directly related to commercial and residential construction activity in the larger Portland Metropolitan area. The revenues are very susceptible to changes in the economic conditions of both the state and the nation. The list of macroeconomic parameters influencing the bureau's revenues includes but is not limited to: total wage and salary employment; construction employment; housing starts; population; measures of income; short and long-term interest rates; housing prices; loan delinquency and charge off rates for loans secured by residential and commercial real estate; homeownership rates; and inflation. The high susceptibility of the bureau's revenue to so many macroeconomic parameters makes it difficult to project exact revenues.

At Council's direction, in spring of 2010, the City of Portland retained Johnson Reid – Land Use Economics, an independent consulting firm, to conduct a review of BDS's Financial Plan and underlying forecasting model. The review found that "the resulting revenue forecasts appear reasonable and defensible", but also recommended that "BDS pursue ongoing improvement of its forecasting model".

Based on this input, City Council directed the bureau to convene a committee to review the feasibility of repaying a line of credit which would be needed to finance bureau's Information Technology Advancement Project (ITAP). The committee included local economists with expertise in commercial and residential real estate, as well as members of Portland's Small Business Advisory Committee (SBAC) and the City's Development Review Advisory Committee (DRAC). In fall 2010, the bureau received significant input from the committee regarding the forecasting model. Committee members agreed with Johnson-Reid's findings and suggested that the forecasting model could be improved by including more variables from the real estate market.

The bureau researched options and resources for data closely related to real estate activity in the Portland Metropolitan area, and has implemented several improvements to the forecasting model. Several criteria were employed in the model development and selection process. The most important ones are the following:

- Utilization of local variables that describe real estate activity in the Portland Metropolitan area
- Overall model fit/characteristics (parameters such as Adjusted R-squared, Durbin Watson statistic, F and T statistics)
- High degree of accurate historical performance of the model
- Reasonableness of the forecast produced by the model

The bureau went through a rigorous and intensive model development and selection process, testing hundreds of models. The bureau developed models for its major programs such as building, mechanical, plumbing, and electrical. Final and alternative models for these programs, as well as forecasts produced by models, were presented to the local economists from the Finance Committee and members of BAC and DRAC. The group found that the model development and selection processes were comprehensive and sound. They also found the bureau's projections for development activity in the Portland Metropolitan area to be reasonable and defensible, although they pointed out that the forecast might be on the conservative side.

Revenues for most of the bureau's programs are projected to increase slightly in FY 2011-12. Moderate growth in revenues is projected in FY 2012-13, and healthy growth in the next several years after that. At this point it is extremely difficult to identify a recovery point in construction activity in Portland Metropolitan area. However, full recovery is not expected until after FY 2011-12.

The bureau has also conducted sensitivity analysis and developed a worst case scenario. The worst case scenario assumes that the recovery in real estate activity is not expected within the next five years. The growth rates for all programs, with the exception of the Noise, Environmental Soils, and Signs programs, were reduced by 5 percentage points. The growth rates for Noise, Environmental Soils, and Signs were adjusted down by one percentage point. The financial outcomes of the worst case scenario are presented in Appendix D.

The models used to develop the bureau's five-year revenue forecast are presented below.

Building/Mechanical Program

The Building/Mechanical Program is funded through a set of fees. The largest ones in terms of the revenue collected are: Commercial and Residential Building Permits, Building Plan Review, and Fire and Life Safety Review Fee. The fee amounts and revenues collected for the above-mentioned fees are directly related to the total value of construction work to be performed. Therefore, the trends and growth rates exhibited in revenue collections for one of the fee items are very likely to be present in revenue collections for other fee items as well. Several models have been developed that relate the Building Plan Review revenues to the measures of construction activity in the Portland Metropolitan area and the state, such as construction employment and housing starts, as well as interest rates, population, housing prices, personal income, home ownership rates, delinquency and charge off rates, and inflation. The following model was selected as a final model based on its superior characteristics and past performance.

Model	Revenue Item	Variables used	Explanatory Power
Model	Building Plan Review	<ul style="list-style-type: none"> • Portland Construction Employment • Homeownership rates for Portland Metropolitan area • Charge-off rate on commercial real estate loans 1 • Delinquency rate on commercial real estate loans 2 	92.6%

To estimate growth rates for the Mechanical revenue of the Building/Mechanical Program, several models were developed that draw connections between Mechanical Permit revenue and macroeconomic variables. The final model is presented in the table below.

Model	Revenue Item	Variables used	Explanatory Power
Model 1	Mechanical Permits	<ul style="list-style-type: none"> • Charge-off rate on loans secured by real estate • National average sales price of existing single family homes 	98.3%

The growth rates derived from the forecast produced by the Mechanical Permit Revenue model are assumed to be valid for the total mechanical program revenue.

The growth rate for the Building/Mechanical program is a weighted average of the growth rates for the Building and Mechanical sections of the program weighted by the respective shares of revenues collected for each section in the last two years.

Electrical Program

The Electrical Program is funded through a set of dedicated permit and plan review fees. Based on

1 Charge-offs, which are the value of loans removed from the books and charged against loss reserves, are measured net of recoveries as a percentage of average loans and annualized.

2 Delinquent loans are those past due thirty days or more and still accruing interest as well as those in non-accrual status. They are measured as a percentage of end-of-period loans.

the data for the last five fiscal years, the revenue generated by the electrical commercial and residential permit fees constitutes more than 90% of the total program revenue. Therefore, electrical permit fee revenues were modeled and several competing econometric models were developed. The final model is presented in the table below.

Model	Revenue Item	Variables used	Explanatory Power
Model 1	Electrical Permit Revenue	<ul style="list-style-type: none"> • Delinquency rate on loans secured by real estate • Oregon population • Real gross domestic product • Oregon Repeat Purchase Housing Index. 	97.4%

The growth rates derived from the forecast produced by the Electrical Permit Revenue model are expected to be valid for the entire Electrical Program.

Plumbing Program

Similar to the Electrical Program, the revenue generated by commercial and residential plumbing permits represents more than 90% of the total Plumbing Program revenues in the last five fiscal years. Several econometric models were developed to forecast plumbing permit revenue; the following two models were selected as final models based on their superior characteristics and past performance.

Model	Revenue Item	Variables used	Explanatory Power
Model 1	Plumbing Permits	<ul style="list-style-type: none"> • Portland construction employment • Homeownership rates for Portland Metropolitan area • Standard and Poor 500 index • Delinquency rate on commercial real estate loans • Oregon population • Portland Metropolitan area Home Price Index 	97.9%
Model 2	Plumbing Permits	<ul style="list-style-type: none"> • Portland Construction Employment • Homeownership rates for Portland Metropolitan area • Risk premium • Permits: Residential – Multifamily, Portland Metropolitan area 	96.0%

The forecasts produced by the two models were combined to arrive at the composite forecast for Plumbing Permits revenue. The growth rates derived from the composite forecast are expected to be valid for the entire Plumbing program revenue.

Facilities Permits Program

The growth rates for the Facilities Permits Program were estimated as averages of the growth rates

for the Building/Mechanical, Electrical, and Plumbing sections weighted by the respective shares of revenues collected for each section in the last two years.

Site Development Program

The revenue growth rates for the Site Development Program are the growth rates derived for the Building/Mechanical Program revenues due to similar relationships that the revenues of these two programs have with the macroeconomic parameters.

Environmental Soils Program

The programmatic revenue growth assumptions developed for the Environmental Soils Program are based on the weighted average growth rates in the following variables:

- Portland House Price Index – 25%
- Population Portland-Vancouver-Beaverton (7 counties) – 75%

Signs Program

The programmatic revenue growth assumptions developed for the Signs Program are based on the weighted average growth rates in the following variables:

- Population Portland-Vancouver-Beaverton (7 counties) – 50%
- Total Employment Portland-Vancouver-Beaverton (7 counties) – 50%

Zoning Enforcement Program

The revenue growth rates for the Zoning Enforcement Program are the growth rates derived for the Building/Mechanical Program revenues due to similar relationships that the revenues of these two programs have with the macroeconomic parameters.

Noise Program

The programmatic revenue growth assumptions developed for the Noise Program are based on the weighted average growth rates in the following variables:

- Population Portland-Vancouver-Beaverton (7 counties) – 75%
- Total Employment Portland-Vancouver-Beaverton (7 counties) – 25%

Neighborhood Inspections Program

The programmatic revenue growth assumptions developed for the Neighborhood Inspections Program are based on the weighted average growth rates in the following variables:

- Population Portland-Vancouver-Beaverton (7 counties) – 40%
- Construction Employment Portland-Vancouver-Beaverton (7 counties) –30%
- Total Employment Portland-Vancouver-Beaverton (7 counties) –30%

Land Use Services Program

The revenue growth rates for the Land Use Services Program are the growth rates derived for the Building/Mechanical Program revenues due to similar relationships that the revenues of these two programs have with the macroeconomic parameters.

Summary of All Programs

Overall moderate to mild growth in BDS revenues is expected for the forecast period. For estimates

of BDS revenue growth rates for major programs, please refer to Appendix B.

In addition to the programmatic growth rates, several programs include fee increases over multiple years. Prior to proposing fee increases to City Council, BDS will review the need for the increases and seek industry support and approval. In mid-January 2011, BDS received approval from the DRAC, BDS Budget Advisory Committee, and the BDS Labor Management Committee for its budget add package requests and proposed fee increases. If changes to programs' financial situations occur, the bureau will reassess the need for specific fee increases. If these fee increases are necessary but not adopted, then program services will need to be reduced through budget/expenditure reductions. For estimates of proposed fee increases, please refer to Appendix B.

Expenditure Projections

Expenditures for FY 2010-11 were projected based on actual spending from July 1 through December 31, 2010, anticipated spending through the end of the fiscal year, and historical spending patterns. The bureau's total expenditures are projected to decrease by 11.1% in FY 2010-11, primarily due to four phases of layoffs administered by the bureau on July 31, August 31, September 30, 2009, and May 2010. The bureau's workforce was reduced by more than one-half overall. The FY 2010-11 Requested Budget eliminated approximately 131 vacant positions that became vacant as a result of layoffs. The FY 2011-12 Requested Budget contains a decision package request that adds 13 FTE to the bureau's workforce funded by revenues from fees, and decision package requests that in total add 5.5 FTE to the bureau's workforce funded by one-time General Fund monies in FY 2011-12, then by revenues from fees and charges thereafter. These adds, if approved, would bring the bureau's workforce to a total of 175 FTE.

The bureau expenditures are also affected by the Information Technology Advancement Project. The work on the project has already started and expected to last approximately two years. The project is funded by a line of credit. The financial plan incorporates expenditures associated with the project net of the reimbursements received from the line of credit. The line of credit is expected to be repaid over two years beginning in FY 2013-14 in equal installments.

At this point, a recovery in construction activity in the Portland metropolitan area is not expected until after FY 2011-12. Beginning in FY 2011-12, new positions are proposed to be gradually added to the bureau to meet the anticipated increase in the workload. Overall, 53 positions were added back in the Financial Plan: 13 FTE in FY 2011-12, 10 FTE in FY 2012-13, 3 FTE in FY 2013-14, 13 FTE in FY 2014-15, and 14 FTE in FY 2015-16. However, the bureau anticipates that these add backs will not be sufficient enough to match the increased workload associated with the projected recovery in construction activity in the Portland metropolitan area. This is in part due to the fact that the type of work coming in will continue to include mostly smaller, lower-valued projects. Nevertheless, adding even more positions would have a negative effect on the bureau's reserves. At this point, the number and type of positions added in later years largely depend on the timing and magnitude of the projected recovery. The bureau will closely monitor revenues and workload and make adjustments to the plan as updated information is received.

Threats to the Forecast

The revenue and expenditures forecast presented in the Financial Plan is "realistic" (neither optimistic nor pessimistic). However, bureau revenues and expenditures are very susceptible to changes in the political and economic climate of the state, the nation, and the world.

The timing and magnitude of the anticipated recovery is very difficult to forecast. The current financial crisis has been of a great magnitude; however, governments around the world are providing support to the financial system. Governments have undertaken these strategies in various forms in the recent past, but nothing on the grand scale we see today. Policy makers at the Federal Reserve hope that QEII (Quantitative Easing Part II) will help stave off a double-dip recession. Many analysts seem to agree and IHS Global Insight has lowered their pessimistic outlook chances from 30 percent to 25 percent. Debate still persists as to whether the federal government needs to implement another round of stimulus spending. Job growth is very weak and questions abound whether employment losses are due to cyclical effects of the business cycle or are more structural and permanent. Oregon's economy generally follows the U.S. and same questions apply

The risks now facing the Oregon economy and this forecast include, but are not limited to: a slower recovery or second dip in the national and global economies; the effectiveness of the stimulus/rescue packages; inflation or deflation and Federal Reserve Bank reactions; a sharp fall/appreciation of the dollar; another sharp and major stock market correction; geopolitical risks; and a slowdown in the semiconductor, software and communication industries. BDS will continue to monitor its finances and recognize the potential impacts of risk factors on Portland.

FINANCIAL ANALYSIS OF PROGRAMS

State Mandated Construction Inspection Programs

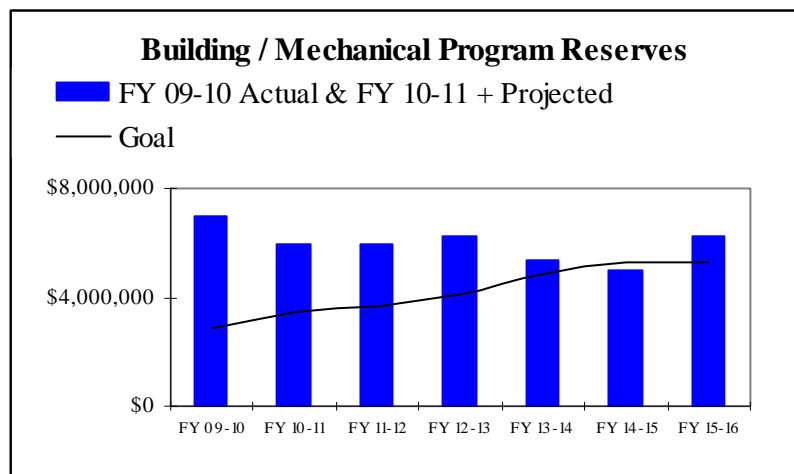
State law allows the bureau to interchange all the funding of the state construction programs (building, electrical, mechanical, and plumbing), with the exception that electrical revenues cannot be used to fund the other programs. When viewed together, the state construction programs' reserve is projected to be \$4.1 million at the end of FY 2010-11, which is lower than the reserve goal. Overall cost recovery for these programs is projected to be 93%. At the end of the five-year plan, reserves for the state-mandated programs will be well above the reserve goal of \$8.1 million and the cost recovery rate will be 114%.

Building/Mechanical Program

The Building and Mechanical programs are combined into one Building/Mechanical Program, because the staff making the inspections is all cross-certified and make both building and mechanical inspections.

Historically, funding has been strong and stable for this program. Fees for building permits and commercial mechanical permits are

calculated based upon the valuation of the projects, so as valuation grows, revenues also grow. As a result, this program has been the bureau's financial foundation over the years.



However, the program has been severely affected by the recession in the last three years. Due to much slower revenue growth, the program's cost recovery is projected to be only 89% at the end of FY 2010-11. The expected recovery in construction activity and projected fee increase of 8% in FY 2011-12, 5% in FY 2012-13 and FY 2013-14, 4% in FY 2014-15, and 2% in FY 2015-16 will help the program to achieve cost recovery and maintain healthy reserves.

In FY 2004-05 a promise was made to the construction industry that Building/Mechanical fees would not be raised for the subsequent five years through FY 2009-10. This pledge was part of the implementation of the new Development Services fee to fund the Land Use Services program. Building permit fees were decreased by 10% at the end of FY 2004-05 to offset the impact of the new fee to customers.

Beginning in FY 2010-11, the program will receive back \$1,272,845 from the Facilities Permit

Program in three equal installments. This amount was transferred from the Building program to the Facilities Permit Program in FY 2005-06 to eliminate that program’s deficit. And finally the ongoing transfer of \$579,848 to the Land Use Services Program for services will cease in FY 2011-12.

The reserve goal for the Building/Mechanical Program is being raised back to 35%-45% of expenditures (from the current 25%). This program has always been one of the most volatile in terms of revenues. Previously the reserve goal was set at 35% or 45%. Based on the recent experience of the recession, 35%-45% will be a more prudent reserve.

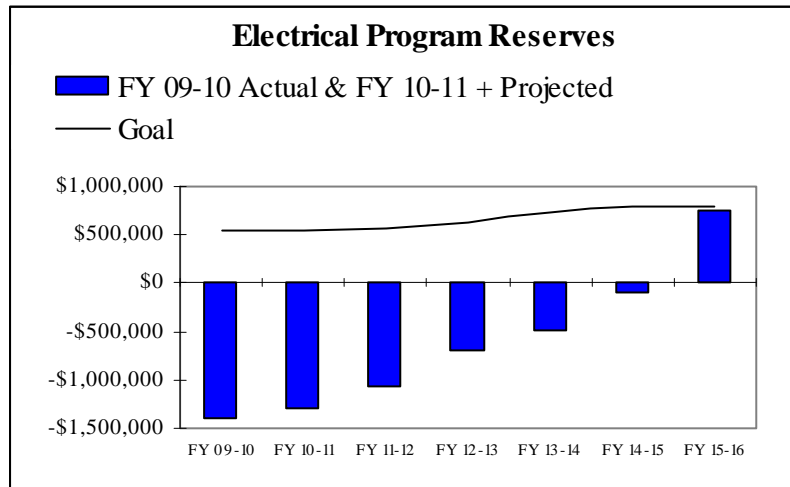
Electrical Program

FY 2003-04 was the first year since FY 1994-95 that the Electrical Program's revenues fully funded program costs. Between FY 1994-95 and FY 2002-03, electrical permit applicants were not fully paying for the services they were receiving.

FY 2006-07 was the first year since FY 1998-99 in which the program had a positive reserve. However, in FY 2008-09 the

program’s cost recovery rate dropped to 76% due to a sharp drop in construction activity. The program’s cumulative deficit is expected to reach \$1.3 million by the end of FY 2010-11.

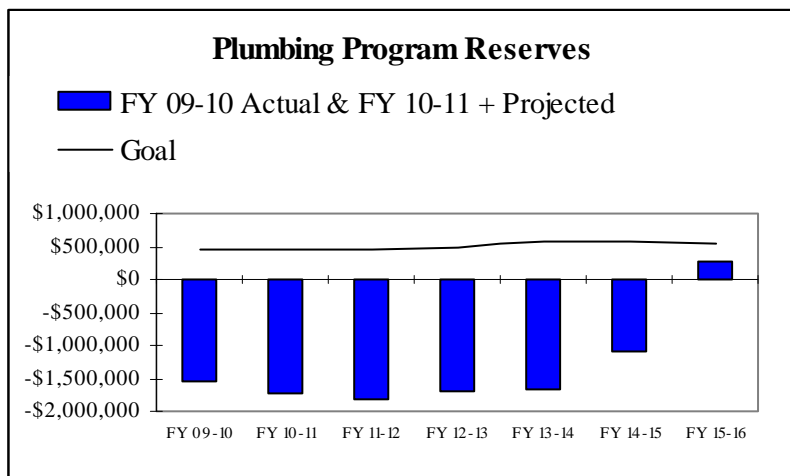
Annual fee increases of 8% are recommended in FY 2011-12 and FY 2012-13, 4% in FY 2013-14 and FY 2014-15, and 3% in FY 2015-16 to cover the costs of the Electrical Program. The program is projected to achieve its reserve goal by FY 2015-16.



Plumbing Program

The Plumbing Program drew on its reserves every year between FY 1995-96 and FY 2001-02, causing its reserve balance to be negative \$1.7 million in FY 2001-02. During these years, plumbing permit applicants did not fully pay for the services they received. In FY 2002-03 revenues began to cover costs, and they have continued to exceed costs for five years. Much like the Electrical

Program, the cost recovery rate for the Plumbing Program dropped to 63% in FY 2008-09 due to the

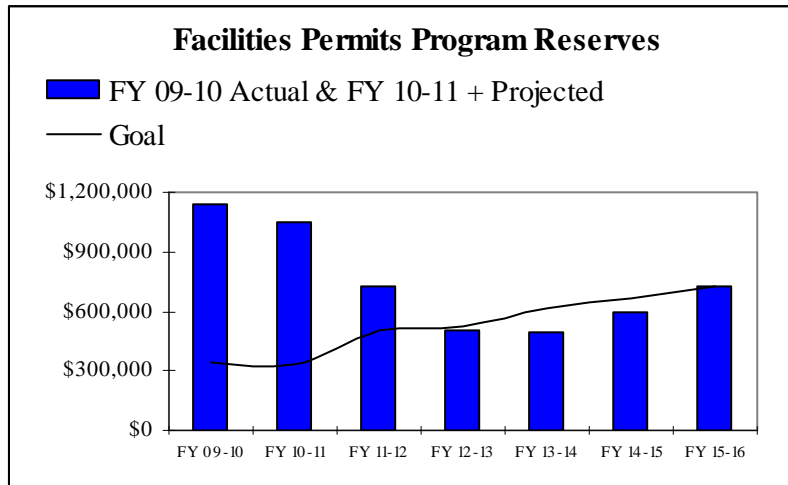


decrease in construction activity. The cost recovery rate is projected to stay below 100% in FY 2010-11, and the program's cumulative deficit is expected to reach \$1.7 million by the end of FY 2010-11.

Annual fee increases of 8% are recommended in FY 2011-12 and for each of the next four years to cover the cost of the Plumbing Program. The program is projected to eliminate the deficit by FY 2015-16.

Facilities Permit Program

The Facilities Permit Program (FPP) began in FY 1998-99 as a new, innovative way for BDS to provide services. The program is designed to serve customers with on-going interior tenant improvements where facility maintenance, upgrade and renovations are frequent. Instead of paying standard permit fees, businesses and institutions enrolled in the program pay an hourly rate for



plan review and inspection services. The program started slowly with a limited number of inspectors, and then was expanded in FY 2000-01 and FY 2004-05. The program recovered costs in FY 2001-02 and again in FY 2005-06.

However, because the FPP program had a cumulative deficit of nearly \$1.3 million at the end of FY 2005-06, funds were transferred to the FPP reserve from the Building/Mechanical Program reserve to remove this deficit. This loan will be repaid to the Building/Mechanical fund beginning in FY 2010-11 in three equal installments.

The program achieved above 100% cost recovery in both FY 2007-08 and FY 2008-09 due to the shift from new construction to the renovation and remodel of existing commercial buildings.

A fee increase of 8% is recommended in FY 2011-12, and annual fee increases of 4% are recommended for the subsequent four years to offset cost of living and other cost increases in the program. As a result, from FY 2010-11 through FY 2015-16 the program is projected to recover its costs, build its reserves, and transfer back \$1.3 million to the Building/Mechanical Program. At the end of the five-year period, the program will meet its reserve goal.

The reserve goal for FPP is being raised to 20% (up from 15%) of expenditures. Based on experience with the recent recession, the 20% reserve goal is more prudent and will help shield the program from revenue fluctuations.

Local Programs

The local programs implement local regulations or state and federal mandates. Funding for these programs is predominantly from fees and charges. General Fund monies currently support the Land Use Services, Neighborhood Inspections, and Noise Control programs.

Site Development Program

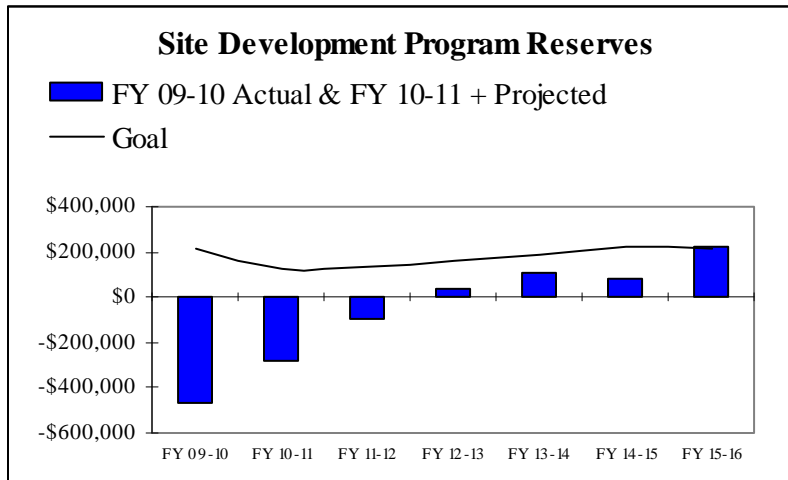
The Site Development Program was set up as a separate program in FY 2000-01 to recognize the impact of new responsibilities for plan review and inspections related to storm water control, erosion control, and tree preservation.

In November 2002 BDS restructured the fee schedule for this program. For residential projects, several old fees were

consolidated into a Residential Site Development Fee, but overall these fees were not increased. Fees for commercial projects were increased by 5.1%, mirroring inflation over a two-year period. In addition, the bureau reviewed the work done by this section. As a result, work that is more appropriately funded by building inspection and plan review fees is now supported by building permit fees.

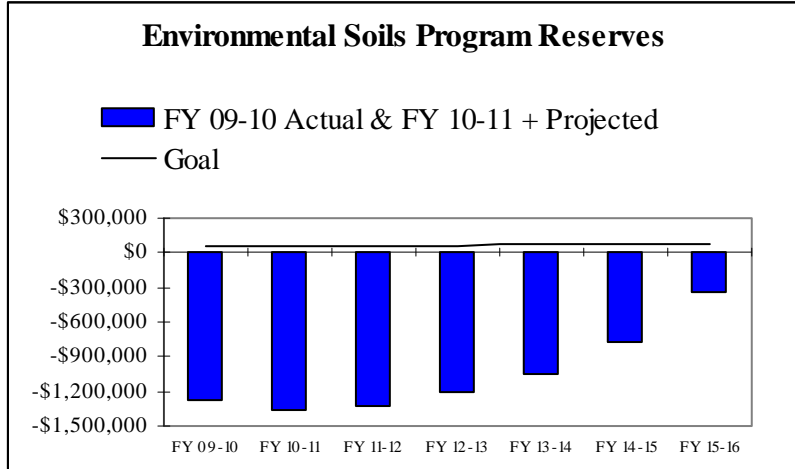
The cost recovery rate for the program dropped to 50% in FY 2008-09 and to 81% in FY 2009-10. However after position reductions, the program was able to return to cost recovery. In order to fund the program, a 5% fee increase is recommended in FY 2011-12.

In spring of 2010 the bureau transferred the Stormwater Control Program to the Bureau of Environmental Services. The transfer included both the workload and fees supporting the program. In addition, a new Commercial Site Review Fee was created that is expected to replace the transferred revenue and better align revenue sources with the services provided.



Environmental Soils Program

Multnomah County and the City have an intergovernmental agreement that gives the bureau the responsibility for the County’s subsurface sewage program. BDS does the work and is compensated via revenues that the bureau collects from permit fees for this program. The Board of County Commissioners sets these fees, and no additional compensation is given to the City for this work.



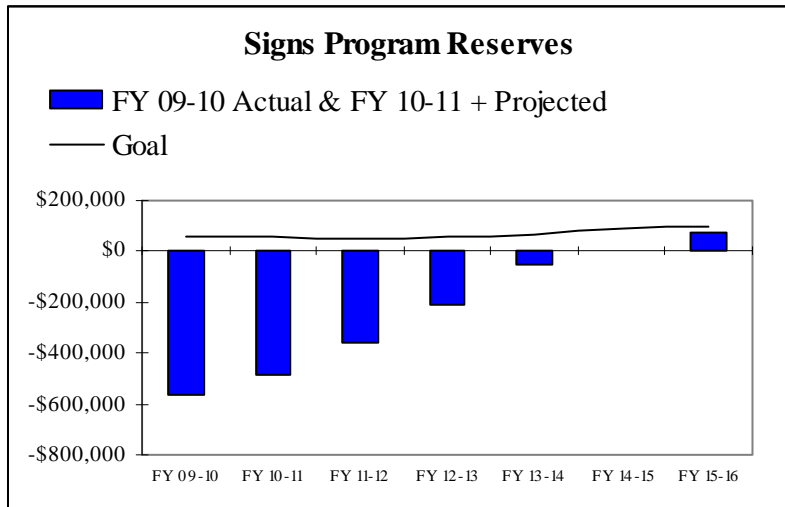
Since the end of the Mid-County sewer hookup program in 1998, revenues have dropped substantially in this program. Fee increases were implemented in FY 1999-2000 to bring the fees up to the State of Oregon fee schedule. In FY 2001-02, staffing was reduced to match the workload. Fees were increased by 57% in FY 2004-05 and more modestly the past four years. However, the program still has a significant reserve deficit.

In 2005, BDS consulted with Multnomah County and the City's Office of Management and Finance for ideas in resolving the problem of this program's ongoing deficit. At the time, most jurisdictions used their General Fund to help support their subsurface sewage program. Ideas to resolve the funding situation included a one-time fund transfer from Multnomah County, a one-time General Fund transfer, and "writing off" the debt. However, none of these ideas was deemed feasible. Instead, City Council agreed to inflationary fee increases until the reserve deficit is paid off.

By the end of FY 2010-11, the program is projected to have a cumulative deficit of approximately \$1.4 million. The Financial Plan includes a proposal to raise program fees by 70% in FY 2011-12 to bring the program to cost recovery, and subsequent annual fee increases of 20% to substantially reduce the deficit over the five year period.

Sign Program

The Sign Program has had a deficit since FY 1995-96. Sign revenues dropped substantially in FY 1998-99 when litigation prohibited BDS from charging for “copy changes” on signs. New fees were implemented in March 2001. However, the revenues from these new fees did not fully fund the program.



In 2002, City Council approved a licensing program for A-board and non-illuminated signs. Some operational changes in the sign enforcement program have been made

in order to carry out this program. Prior to this change, all sign enforcement was carried out by the City’s electrical sign inspectors. Enforcement of the non-illuminated sign requirements as well as the associated program licensing is now being carried out by a non-technical field code specialist assigned to the Compliance Services Section. Responsibility for the enforcement of the City’s electrical sign requirements remains with the State-certified electrical inspectors in the section.

The sign permit fees are set at a flat rate; they do not increase based upon the cost of living. Only increases in the number of sign permits would increase revenues. Unfortunately, the program had drawn off of its reserve for eight consecutive years and had a negative reserve of over \$400,000. Fees were increased in FY 2002-03 to fully fund the program. The program was able to contribute slightly to its reserve for three years but by FY 2005-06 the deficit grew to \$500,000.

OMF included a budget note in the FY 2006-07 budget that BDS was to resolve the funding issue for the Sign Program. The bureau met with the sign industry which agreed to increase fees by 7.5% annually until the program meets its reserve goals.

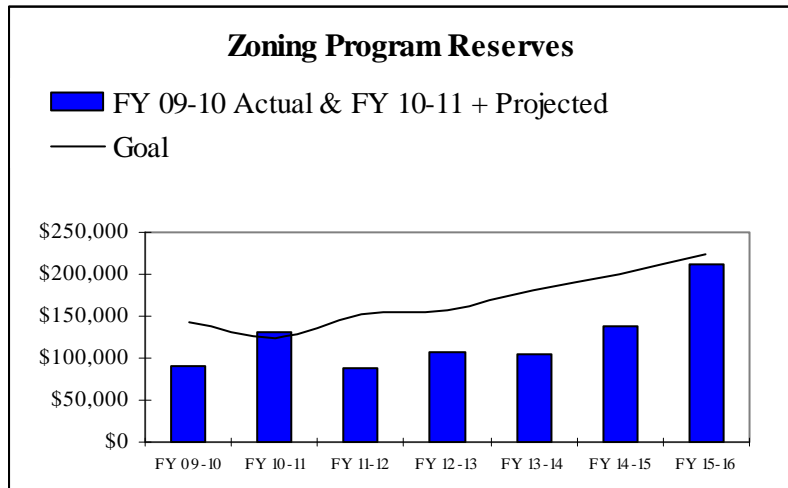
In FY 2010-11 the reserve deficit is projected to be approximately \$500,000. Annual fee increases of 8% are needed for the next four years and 5% in FY 2015-16 to eliminate the reserve deficit.

Zoning Enforcement Program

Zoning Enforcement Program responsibilities include the zoning Enforcement functions in the Enforcement Services Section, Building/Mechanical, and Site Development Programs. Zoning inspection fees comprise the bulk of program revenues.

It was a long-time practice that Zoning Enforcement Program revenues that exceeded program

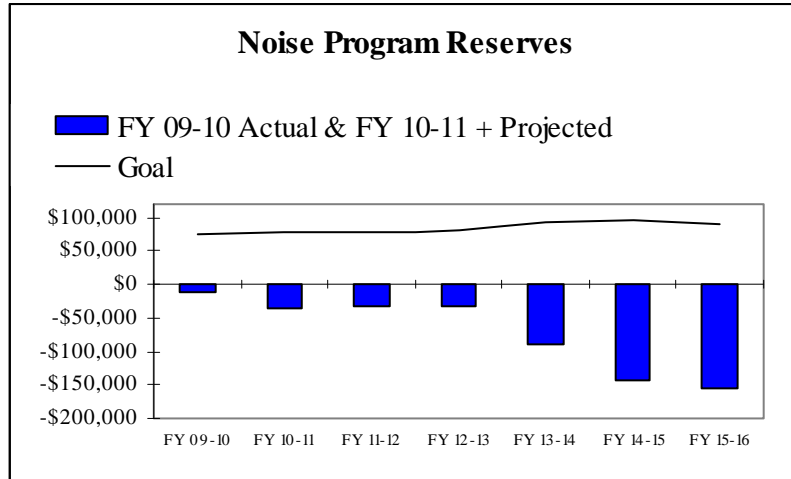
costs in any given fiscal year were transferred to the Building-Mechanical and Site Development Programs to support zoning inspection functions that are integrated into building and site development inspections. Therefore, the Zoning Program achieved 100% cost recovery in all years. However, starting in FY 2009-10 the costs of conducting zoning inspections are being directly charged to the Zoning Enforcement Program, thus eliminating the need to transfer any revenues to the Building-Mechanical or Site Development Programs. This housekeeping change brings this program into conformity with the bureau's standard practice of accounting for revenues and expenditures.



The program’s reserves are projected to remain below the reserve goal for the next five years. Annual fee increases of 5% are recommended in FY 2011-12 and for each of the next four years to cover the cost of the Zoning Enforcement Program. The program is projected to achieve its reserve goal by FY 2015-16.

Noise Control Program

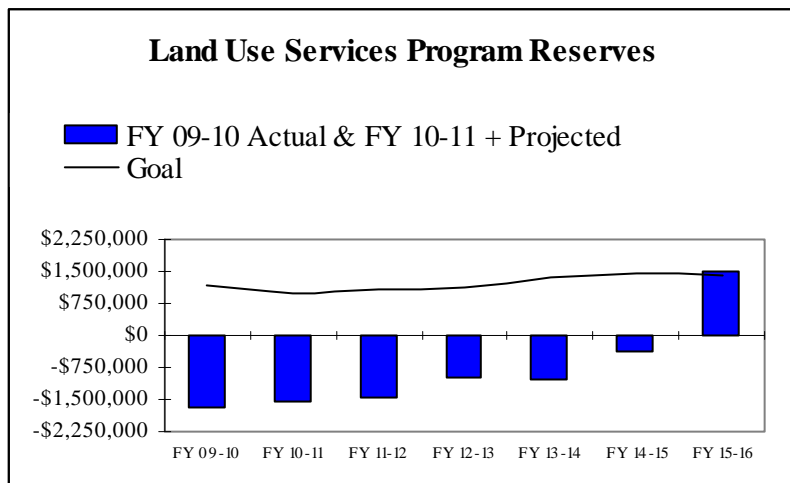
The Noise Control Program was transferred to the Office of Neighborhood Involvement in FY 2003-04, and then transferred back to BDS in FY 2005-06. When it was returned to BDS, funding to cover the program’s administrative overhead was not included in its revenue base, so no overhead was charged to this program in FY 2005-06. Since FY 2006-07, overhead has been charged to this program.



The program cost recovery has remained below 100% for the past four years. The program is projected to maintain below 100% cost recovery for the next five year and augment the cumulative deficit. Despite annual 8% fee increases over the 5 year period, programmatic deficit is projected to reach \$150,000 in FY 2015-16. The bureau will be carefully monitoring revenues and expenditures to reduce this deficit.

Land Use Services Program

The Land Use Services (LUS) Program is partly funded by program revenues and partly by the City’s General Fund. When LUS fees were increased in 1995, this program was part of the Bureau of Planning, and they recommended that program revenues cover 64% of the program’s costs. However, the City Council set the fees to collect only 50% of costs.



In FY 1999-2000, the LUS Program was consolidated with the Bureau of Buildings to form the Office of Planning and Development Review, now renamed the Bureau of Development Services. That fiscal year, even though no BDS overhead was allocated to the LUS Program, LUS fees recovered only 60% of program costs.

LUS fees were increased in FY 2000-01 and a new cost recovery target was set at 65%. That same year, a one-time allocation of \$234,929 in General Fund money from the Housing Program was reallocated to LUS to assist in funding their reserve. Cost recovery was only 63%, but was at least closer to the 65% goal. In FY 2001-02 and FY 2002-03, the cost recovery rate dropped to 57%, and the LUS Program drew more than \$1 million from its reserves over this two-year period.

In FY 2003-04, \$579,848 in ongoing General Fund monies was replaced with building permit revenues. In most situations, building permit fees are used to fund building permit functions. However, where implementation of local ordinances is interdependent and intertwined with the State construction codes, building permit revenues are allowed to be used. According to the State Building Codes Division, a portion of planning and zoning review incidental or accessory to the issuance of a building permit falls into this category.

In FY 2003-04, \$587,614 in one-time General Fund monies was reallocated from the Neighborhood Inspections Program reserve, when the Neighborhood Inspections Program was moved to the Office of Neighborhood Involvement.

In May 2005 a new Development Services fee was created to assist in solving the critical funding issue in LUS. BDS worked with stakeholders to craft the fee. Since the new fee dramatically increased LUS' fee recovery rate, City Council directed BDS to revise the fee schedule for LUS by lowering some of the LUS fees in certain categories, lowering building permit fees by 10% to mitigate the impact of the new fee to customers, and eliminating the Council policy of 65% cost recovery. The Development Services fee is charged at the time of issuance of building, site development, and zoning permits.

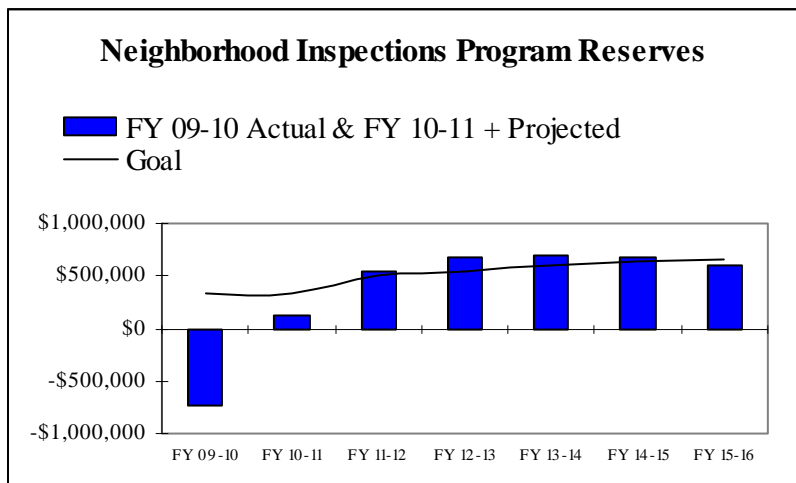
Revenues from the Development Services fee made a significant positive impact on the financial stability of this program. As a result, the program achieved 100% cost recovery in FY 2005-06, the first time it had done so in five years.

However, the program's cost recovery dropped to 69% in FY 2008-09 due to a sharp reduction in construction activity. The program depleted its reserves in FY 2008-09; the programmatic deficit is projected to reach \$1.6 million in FY 2010-11. Annual fee increases of 8% for next three years, 7% in FY 2014-15, and 6% in FY 2015-16, are necessary for the program to return to a 100% cost recovery rate and to eliminate its negative fund balance. In addition, beginning in FY 2011-12 building permit revenues will no longer support Land Use Services, because the Building/Mechanical program will no longer have the resources for this transfer. The program is projected to achieve its reserve goal by FY 2015-16.

Neighborhood Inspections Program

The Neighborhood Inspections Program was transferred back to BDS from the Office of Neighborhood Involvement in FY 2006-07. The program is receiving approximately 70% less General Fund support than it had when it was previously in BDS. In addition, funding to cover the program's administrative overhead was not included in its revenue

base, so no overhead was charged to this program in FY 2006-07. In FY 2007-08, the bureau began to fully charge the program for its share of the bureau's administrative overhead.

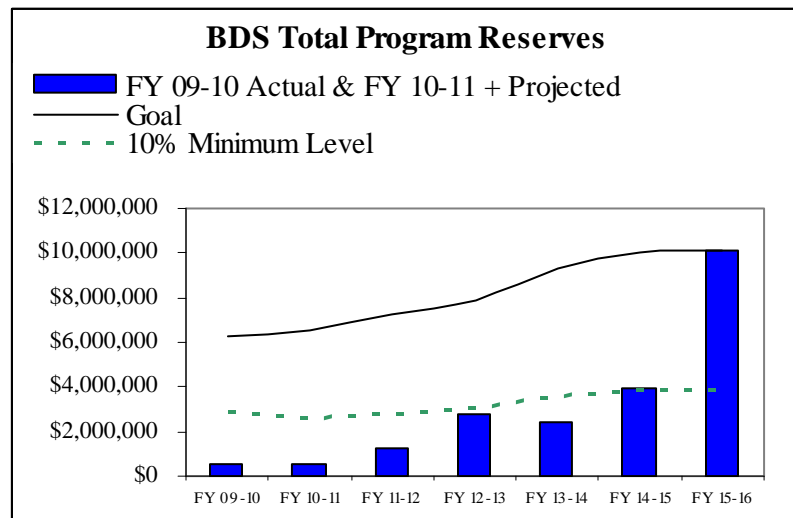


The program was also experiencing lower revenue collections associated with the decreased activity in the real estate market. As a result, the program faced a significant deficit in FY 2008-09 and fully depleted its reserves; the programmatic deficit reached \$1.3 million in FY 2008-09. The Lien Amnesty Program, a special one-time program that offered significant concessions to property owners on payments of liens, implemented in June-July of 2009, led to a significant cash inflow to the program. Subsequently, in FY 2009-10 the bureau established new proactive lien collection program that resulted in additional cash inflow to the program. The program is expected to achieve full cost recovery in FY 2010-11. The bureau is committed to continue the proactive lien collection program in the future. This coupled with 5% annual fee increases in FY 2011-12 and the next four years would allow the program to maintain above 100% cost recovery and achieve reserve goals.

The reserve goal for NIT is being raised to 25% (up from 20% of expenditures. As General Fund support has decreased over the years, there has been much greater reliance on fines, penalties, and liens. Collections of these revenues are somewhat unstable and are dependent upon the economy and collection efforts. The 25% goal will help ensure the program’s financial stability.

Bureau Overview

In spite of proposed fee increases, several programs will have reserves below their goals at the end of five years. In addition, the bureau has a goal of maintaining a minimum bureau-wide reserve above 10%. Maintaining the reserve level above 10% of total bureau expenditures is critical. It allows the bureau to have enough funds to adequately react to short-term economic fluctuations.



However, due to reduced Building/Mechanical reserves and negative reserves in numerous programs, bureau-wide reserves are projected to remain below the 10% minimum reserve level in FY 2010-11 and FY 2011-12. The bureau has committed to repaying the line of credit when reserves are above 10%, and this repayment will be made in equal installments in FY 2012-13 and FY 2013-14. The Financial Plan shows that reserves are below 10% due to this repayment.

If all of the programs’ reserve goals are totaled, the maximum reserve goal for the bureau is 26% of costs. On a bureau-wide basis, this level is only achieved in FY 2015-16. Although falling below the 10% minimum reserve level is an unacceptable financial situation, considering the current unprecedented financial crisis, bridging the financial gap with reserves has mitigated reducing services to customers and stakeholders.

SUMMARY OF FINANCIAL POLICIES

Reserve Policy

In FY 1988-89, the City Council established the Bureau of Buildings as an Operating Fund with the goal of the fund eventually being 100% supported by permit fees and charges. The need to be self-supporting, combined with the difficulty in accurately predicting construction activity and fee revenues, makes it important for the Bureau of Development Services to maintain a reserve of funds that can be used to ensure a stable and adequate level of service during times when revenues fall below expectations.

During periods of strong construction activity, the reserve is built up to provide a funding source for times when revenues drop. In this way, the fund is able to weather the ups and downs of construction activity, to remain stable and efficient, and to maintain the staff necessary to provide services on work that has been paid for but not completed. The reserve is not intended to maintain existing budget levels in spite of reduced construction activity and BDS workloads, but rather to allow BDS time to recognize and respond to such downturns.

Reserve goals are based upon a percentage of each individual program's annual operating budget. In most cases, the Financial Plan brings each program to its reserve goal by the end of the fifth year of the plan. Fee increases are recommended when workload remains high, costs increase, and the reserve is projected to dip below recommended levels. Rather than increase fees dramatically in one year to bring the program back up to its recommended reserves, BDS phases in the fee increases gradually so that by the fifth year the program reaches its recommended reserve level. In addition, fees are increased as minimally as possible in order to mitigate the negative impact that fee increases can have on the construction industry.

In 1992 a reserve policy was adopted for the fund, and it was updated in 1995. In FY 2004-05 the bureau was directed to work with the Office of Management and Finance to once again review the reserve goals for all programs. The bureau completed a survey that gathered information from a number of comparable jurisdictions regarding their development services programs, reserves, and reserve policies. The jurisdictions surveyed were: Eugene, Long Beach, Ca., Oakland, Phoenix, Sacramento, San Diego, San Francisco, San Jose, and Seattle. In many of these cities, the development services function is part of the General Fund and therefore has no separate reserves. For those cities that did have reserves, the policies and practices varied greatly, and there was no consistent approach to determining how large the reserve should be. Some reserve funds are designed to cover a certain number of months of operating expenses, while others are based on capital spending needs, economic downturns, the ability to maintain core staffing or the need to cover work in process.

As a result of the review, the bureau lowered its reserve goals for several programs, most notably lowering the reserve goal for the Building/Mechanical Program to 25% of annual expenditures. The changes also included a new bureau-wide minimum reserve level of 10%. This provides a baseline below which total bureau reserves should not drop. The other reserve goals were designed to be reached by no later than the fifth year of the financial plan. For the larger programs which are more affected by the construction economy (Electrical, Plumbing, and Site Development), the reserve goal was set at 20% of their annual budget.

The table below illustrates the adjustments made to reserve goals:

BDS Reserve Goals			
Program	Reserve Goal		
	Goal Prior to FY 2004-05	Goal FY 2004-05	Current Goal as of FY 2011-12
Building/Mechanical	35-45%	25%	35%
Electrical	35-45%	20%	20%
Plumbing	35-45%	20%	20%
Facilities Permits	15%	15%	20%
Site Development	35-45%	20%	20%
Environmental Soils	20%	20%	20%
Signs	20%	20%	20%
Zoning	20%	20%	20%
Land Use Services	20%	20%	20%
Neighborhood Inspections	20%	20%	25%
Bureau Total	No goal	10% Minimum Reserve Level	10% Minimum Reserve Level

In FY 2010-11 with the impact of the recession still fresh, the bureau revisited its reserve goals. The reserve goal for the Building Mechanical Program is being returned to the original 35-45% goal due to recent experience with the significant economic downturn. Since fees for building and mechanical permits are based upon the valuation of the construction project and are the most volatile, the 35% reserve goal for the Building/Mechanical Program is more prudent. Smaller programs (Environmental Soils, Signs, and Zoning) have reserve goals of 20% of their annual budget. Likewise, the Land Use Services program has a 20% reserve goal because the program receives General Fund support. The Facilities Permit Program reserve goal was increased from 15% to 20% to be consistent with the reserve goals established for similar programs. The Neighborhood Inspections Program reserve goal was increased from 20% to 25% due to a greater volatility in lien collections, the largest revenue source for the program.

It is important to remember that the goal of the reserve is to allow BDS time to recognize and respond to unanticipated declines in revenues and to maintain the staffing needed to carry out its obligation to provide services on permits for which BDS has already been paid. The size of the reserve determines how much time BDS will have to adjust to change and still provide necessary services. The reserve goals will not insulate the programs from making significant budget adjustments in response to lower revenues and reduced workloads over the long term, but will allow

BDS to remain stable and to meet its prepaid obligations, will provide time to respond, and will reduce the severity of budget cuts in the short term.

Fee Increase Policy

BDS's fee increase policy was adopted by the Bureau of Buildings and the Bureau Advisory Committee in 1992. The policy is to review fees on an annual basis and increase them to cover increases in personnel and interagency costs. This policy of increasing fees slowly and steadily assists permit applicants. It is very difficult for customers to absorb large fee increases, because their operations are based on a fairly stable cost of doing business. They have a much easier time absorbing smaller and more predictable increases. Although the general policy is to increase fees on an annual basis, fee increases may not be necessary every year if a program's revenues are strong and its reserves are at an acceptable level. Fee increases should be avoided only when the bureau has enough excess reserves to operate through two fiscal years without depleting the program's reserves below the target set in BDS's reserve policy.

Fee increases should be set at a rate which covers BDS's increased operating costs. BDS's cost of doing business increases each year because the City's labor agreements all contain provisions for cost of living increases based upon the Consumer Price Index for Urban Wage Earners and Clerical Workers for the City of Portland, with a floor of 1% and a ceiling of 5%. BDS estimates that overall costs will increase between 3 – 5% each year. Fee increases above this figure are necessary when reserves are below acceptable levels, a large capital project is on the horizon (such as improvement to information systems or a major site relocation), or BDS is confronted with other major unforeseen events.

Limitations on Use of Revenues from Construction Permit Fees

Since the adoption of the operating fund in FY 1988-89, BDS has analyzed expenses and revenues by program. These programs are Building/Mechanical, Electrical, Plumbing, Facilities Permits, Site Development, Environmental Soils, Signs, Zoning, Noise Control, Neighborhood Inspections, and Land Use Services. Revenues collected for each program stay within that program.

State law requires that “fees collected by a municipality...shall be used for the administration and enforcement of a building inspection program for which the municipality has assumed responsibility” (ORS 455.210(1)(c)). This statute applies to the permit and plan review fees for the Building, Mechanical and Plumbing programs. Under state statute, revenues from building, plumbing, and mechanical permits/plan review can be used interchangeably. Building departments are specifically prohibited from using these fees to fund inspection, review, implementation, or administration of local ordinances relating to development, or any other programs that are not related to the construction permit/plan review revenues. However, building permit revenues can be used to fund programs where implementation of local ordinances is interdependent and intertwined with the State construction codes. According to the State Building Codes Division, a portion of planning and zoning review incidental to the issuance of a building permit falls into this category.

There is a special provision for electrical permits and plan review. ORS 479.845 (3) states that "fees collected by a city or county for the enforcement or administration of the electrical specialty code and rules under ORS 479.730 (1) shall be used only for the enforcement and administration of those laws."

Bureau of Development Services 2011 Financial Plan

Fee Increases and Programmatic Revenue Growth Assumptions

Programmatic Revenue Growth Assumptions¹

Program	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Building/Mechanical	3.1%	7.0%	7.3%	9.6%	9.5%
Electrical	4.1%	6.6%	5.2%	7.4%	6.8%
Plumbing	4.0%	6.2%	4.2%	12.3%	10.8%
Facilities Permits	3.3%	6.3%	6.5%	9.5%	9.2%
Site Development	3.1%	7.0%	7.3%	9.6%	9.5%
Environmental Soils	0.9%	1.9%	2.9%	3.1%	2.9%
Signs	2.0%	2.6%	2.5%	2.0%	1.5%
Zoning Enforcement	3.1%	7.0%	7.3%	9.6%	9.5%
Noise	1.9%	2.2%	2.1%	1.9%	1.6%
Neighborhood Inspections	1.6%	2.7%	3.0%	3.4%	2.9%
Land Use Services (Case Review)	3.1%	7.0%	7.3%	9.6%	9.5%
Land Use Services (Planning & Zoning)	3.1%	7.0%	7.3%	9.6%	9.5%

Projected Fee Increases

Program	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Building/Mechanical	8.0%	5.0%	5.0%	4.0%	2.0%
Electrical	8.0%	8.0%	4.0%	4.0%	3.0%
Plumbing	8.0%	8.0%	8.0%	8.0%	8.0%
Facilities Permits	8.0%	4.5%	4.0%	4.0%	4.0%
Site Development	5.0%	0.0%	0.0%	0.0%	0.0%
Environmental Soils	70.0%	20.0%	20.0%	20.0%	20.0%
Signs	8.0%	8.0%	8.0%	8.0%	5.0%
Zoning Enforcement	5.0%	5.0%	5.0%	5.0%	5.0%
Noise	8.0%	8.0%	8.0%	8.0%	8.0%
Neighborhood Inspections	8.0%	5.0%	5.0%	5.0%	5.0%
Land Use Services	8.0%	8.0%	8.0%	7.0%	6.0%

Note

1. The Programmatic Revenue Growth Rates presented in this table may not necessarily match revenue growth rates presented in Appendix C.

Growth Rates in Appendix C account for projected fee increases, revenue items that are shared by several programs, and interagency revenue transfers.

Bureau of Development Services - 2011 FIVE-YEAR FINANCIAL PLAN

Appendix C

Program Detail

Program	Fiscal Year	TOTAL COSTS	Change From Prior Year	Program Revenue only	Change From Prior Year	General Fund Revenue	Internal Program to Program Transfers	TOTAL REVENUES	Reserves Add / (Draw)	Program Cost Recovery	TOTAL COST Recovery	Cumulative Reserve	Fee / Revenue Increase	Actual Reserve %	Reserve Goals: % Dollars	Excess / (shortage) vs. goal	
Bureau of Development Services Total	FY 88-89	6,679,932		7,226,016		1,207,513	0	8,420,078	1,740,146	108%	126%	1,740,146		26%			
	FY 89-90	7,804,839	16.8%	8,456,375	17.0%	1,352,434	0	9,778,825	1,973,986	108%	125%	3,714,132		48%			
	FY 90-91	8,984,628	15.1%	9,397,460	11.1%	1,240,348	0	10,637,798	1,653,170	105%	118%	5,367,302		60%			
	FY 91-92	9,750,454	8.5%	8,476,321	-9.8%	1,117,002	0	9,580,642	(169,812)	87%	98%	5,197,490		53%			
	FY 92-93	10,478,370	7.5%	9,261,070	9.3%	1,174,461	0	10,434,308	(44,062)	88%	100%	5,153,428		49%			
	FY 93-94	11,485,672	9.6%	10,811,187	16.7%	1,109,032	0	11,920,046	434,374	94%	104%	5,587,802		49%			
	FY 94-95	12,932,685	12.6%	12,251,729	13.3%	1,223,888	0	13,469,512	536,827	95%	104%	6,124,629		47%			
	FY 95-96	14,310,355	10.7%	13,613,838	11.1%	1,260,219	0	14,874,170	563,815	95%	104%	6,688,444		47%	36%	5,104,744	
	FY 96-97	16,433,262	14.8%	16,859,160	23.8%	1,237,345	0	18,094,276	1,661,014	103%	110%	8,349,458		51%	36%	5,909,351	
	FY 97-98	18,120,647	10.3%	17,293,081	2.6%	1,089,402	0	18,380,901	260,254	95%	101%	8,609,712		48%	29%	5,298,890	
	FY 98-99	19,953,684	10.1%	17,378,881	0.5%	1,126,269	0	18,500,671	(1,453,013)	87%	93%	7,156,699		36%	30%	5,925,281	
	FY 99-00	26,962,471	35.1%	20,283,611	16.7%	3,285,940	0	23,473,142	(3,489,329)	75%	87%	3,667,370		14%	31%	8,451,651	(4,784,281)
	FY 00-01	27,154,738	0.7%	23,844,618	17.6%	3,739,486	0	27,312,336	157,598	88%	101%	3,824,968		14%	33%	8,860,467	(5,035,499)
	FY 01-02	28,076,901	3.4%	24,965,553	4.7%	3,359,989	0	28,294,996	218,095	89%	101%	4,043,063		14%	33%	9,141,725	(5,098,662)
	FY 02-03	28,972,590	3.2%	27,100,082	8.5%	2,153,794	0	29,219,474	246,884	94%	101%	4,743,947		16%	32%	9,370,561	(4,626,614)
	FY 03-04	27,643,694	-4.6%	27,349,541	0.9%	1,143,072	0	28,492,613	848,919	99%	103%	4,740,621		17%	34%	9,408,456	(4,667,835)
	FY 04-05	29,687,477	7.4%	30,288,167	10.7%	1,153,361	0	31,441,528	1,754,051	102%	106%	6,494,672		22%	34%	10,102,465	(3,607,793)
	FY 05-06	31,606,913	6.5%	34,496,599	13.9%	1,349,837	0	35,846,436	4,239,523	109%	113%	11,681,009		37%	22%	6,884,853	4,796,156
	FY 06-07	37,648,184	19.1%	37,951,928	10.0%	1,895,291	0	39,847,219	2,199,035	101%	106%	13,880,044		37%	22%	8,152,668	5,727,376
	FY 07-08	41,591,917	10.5%	39,315,012	3.6%	2,129,627	0	41,444,639	(147,278)	95%	100%	13,732,766		33%	22%	9,027,380	4,705,386
FY 08-09	42,037,209	1.1%	29,343,100	-25.4%	1,882,631	0	31,225,731	(10,811,478)	70%	74%	2,921,288		7%	22%	9,083,261	(6,161,973)	
FY 09-10	28,927,434	-31.2%	24,630,654	-16.1%	1,907,809	0	26,538,463	(2,388,971)	85%	92%	532,317		2%	22%	6,238,444	(5,706,127)	
FY 10-11 estimate	25,727,689	-11.1%	23,821,555	-3.3%	1,889,155	0	25,710,710	(16,978)	93%	100%	515,338		2%	25%	6,508,113	(5,992,775)	
FY 11-12 estimate	27,944,558	8.6%	26,637,795	11.8%	2,010,073	0	28,647,868	703,310	95%	103%	1,218,649		4%	26%	7,271,262	(6,052,614)	
FY 12-13 estimate	30,327,686	8.5%	29,847,354	12.0%	2,010,073	0	31,857,427	1,529,741	98%	105%	2,748,389		9%	26%	7,923,167	(5,174,777)	
FY 13-14 estimate	35,590,071	17.4%	33,244,488	11.4%	2,010,073	0	35,254,561	(335,510)	93%	99%	2,412,880		7%	26%	9,300,825	(6,887,945)	
FY 14-15 estimate	38,354,134	7.8%	37,895,356	14.0%	2,010,073	0	39,905,429	1,551,295	99%	104%	3,964,175		10%	26%	10,056,468	(6,092,293)	
FY 15-16 estimate	38,492,673	0.4%	42,629,845	12.5%	2,010,073	0	44,639,918	6,147,245	111%	116%	10,111,419		26%	26%	10,092,642	18,777	

Bureau of Development Services - 2011 FIVE-YEAR FINANCIAL PLAN

Appendix C

Program Detail

Program	Fiscal Year	TOTAL COSTS	Change From Prior Year	Program Revenue only	Change From Prior Year	General Fund Revenue	Internal Program to Program Transfers	TOTAL REVENUES	Reserves Add / (Draw)	Program Cost Recovery	TOTAL Cost Recovery	Cumulative Reserve	Fee / Revenue Increase	Actual Reserve %	Reserve Goals: %	Dollars	Excess / (shortage) vs. goal	
Neighborhood Inspections	FY 88-89	1,130,341	---	228,285	---	881,281	0	1,096,115	(34,226)	20%	97%	(34,226)	0.0%	-3%				
	FY 89-90	1,248,398	10.4%	179,602	-21.3%	1,073,608	0	1,223,226	(25,172)	14%	98%	(59,398)	0.0%	-5%				
	FY 90-91	1,550,748	24.2%	257,143	43.2%	1,185,341	0	1,442,474	(108,274)	17%	93%	(167,672)	0%	-11%				
	FY 91-92	1,713,249	10.5%	589,843	129.4%	1,088,632	0	1,665,794	(47,455)	34%	97%	(215,127)	0%	-13%				
	FY 92-93	1,848,346	7.9%	720,920	22.2%	1,145,076	0	1,864,773	16,427	39%	101%	(198,700)	0.0%	-11%				
	FY 93-94	1,964,276	6.3%	854,576	18.5%	1,071,138	0	1,925,541	(38,735)	44%	98%	(237,435)	0%	-12%				
	FY 94-95	2,133,127	8.6%	1,251,086	46.4%	1,176,038	0	2,421,019	287,892	59%	113%	50,457	0%	2%				
	FY 95-96	2,334,780	9.5%	1,473,097	17.7%	1,190,075	0	2,663,285	328,505	63%	114%	378,962	0%	16%				
	FY 96-97	2,704,625	15.8%	1,540,039	4.5%	1,206,455	0	2,744,265	39,640	57%	101%	418,602	0%	15%				
	FY 97-98	2,470,880	-8.6%	1,561,205	1.4%	1,043,346	0	2,602,969	132,089	63%	105%	550,691	0%	22%				
Neighborhood Inspections Program transferred to ONI in FY 2003-04	FY 98-99	2,267,882	-8.2%	1,732,485	11.0%	1,083,227	0	2,811,233	543,351	76%	124%	1,094,042	0%	48%				
	FY 99-00	2,721,664	20.0%	2,014,977	16.3%	1,144,824	0	3,063,392	341,728	74%	113%	1,435,770	0.0%	53%	35%	952,582	483,188	
	FY 00-01	2,626,994	-3.5%	1,932,248	-4.1%	1,056,096	0	2,716,576	89,582	74%	103%	1,525,352	0%	58%	20%	525,399	999,953	
	FY 01-02	2,725,953	3.8%	2,091,631	8.2%	989,153	0	3,050,238	324,285	77%	112%	1,849,637	0%	68%	20%	545,191	1,304,446	
	FY 02-03	2,485,846	-8.8%	2,110,470	0.9%	0	0	2,076,068	(409,778)	85%	84%	1,439,859	0%	58%	20%	497,169	942,690	
	FY 03-04																	
	FY 04-05																	
	FY 05-06											946,813						
	FY 06-07	2,016,429		1,402,034		350,259		1,752,293	(264,136)	70%	87%	682,677		34%	20%	403,286	279,391	
	FY 07-08	2,495,495	23.8%	1,403,098	0.1%	611,972		2,015,070	(480,425)	56%	81%	202,252	7.0%	8%	20%	499,099	(296,847)	
FY 08-09	2,952,658	18.3%	1,079,616	-23.1%	373,042		1,452,658	(1,500,000)	37%	49%	(1,297,748)	5.0%	-44%	20%	590,532	(1,888,280)		
FY 09-10	1,660,195	-43.8%	1,838,208	70.3%	387,031		2,225,238	565,043	111%	134%	(732,705)	5.0%	-44%	20%	332,039	(1,064,744)		
FY 10-11 estimate	1,625,200	-2.1%	2,094,801	14.0%	384,391		2,479,192	853,992	129%	153%	121,287	8.0%	7%	20%	325,040	(203,753)		
FY 11-12 estimate	2,049,429	26.1%	2,071,475	-1.1%	408,995		2,480,470	431,040	101%	121%	552,327	8.0%	27%	25%	512,357	39,970		
FY 12-13 estimate	2,205,611	7.6%	1,926,309	-7.0%	408,995		2,335,304	129,692	87%	106%	682,020	5.0%	31%	25%	551,403	130,617		
FY 13-14 estimate	2,386,894	8.2%	1,997,030	3.7%	408,995		2,406,024	19,130	84%	101%	701,150	5.0%	29%	25%	596,724	104,426		
FY 14-15 estimate	2,516,983	5.5%	2,079,998	4.2%	408,995		2,488,993	(27,990)	83%	99%	673,160	5.0%	27%	25%	629,246	43,914		
FY 15-16 estimate	2,639,791	4.9%	2,160,034	3.8%	408,995		2,569,029	(70,762)	82%	97%	602,398	5.0%	23%	25%	659,948	(67,550)		

Bureau of Development Services 2011 Financial Plan - Worst Case Scenario

Fee Increases and Programmatic Revenue Growth Assumptions

Programmatic Revenue Growth Assumptions¹

Program	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Building/Mechanical	-1.9%	2.0%	2.3%	4.6%	4.5%
Electrical	-0.9%	1.6%	0.2%	2.4%	1.8%
Plumbing	-1.0%	1.2%	-0.8%	7.3%	5.8%
Facilities Permits	-1.7%	1.3%	1.5%	4.5%	4.2%
Site Development	-1.9%	2.0%	2.3%	4.6%	4.5%
Environmental Soils	-0.1%	0.9%	1.9%	2.1%	1.9%
Signs	1.0%	1.6%	1.5%	1.0%	0.5%
Zoning Enforcement	-1.9%	2.0%	2.3%	4.6%	4.5%
Noise	0.9%	1.2%	1.1%	0.9%	0.6%
Neighborhood Inspections	-3.4%	-2.3%	-2.0%	-1.6%	-2.1%
Land Use Services (Case Review)	-1.9%	2.0%	2.3%	4.6%	4.5%
Land Use Services (Planning & Zoning)	-1.9%	2.0%	2.3%	4.6%	4.5%

Projected Fee Increases

Program	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Building/Mechanical	8.0%	5.0%	5.0%	4.0%	2.0%
Electrical	8.0%	8.0%	4.0%	4.0%	3.0%
Plumbing	8.0%	8.0%	8.0%	8.0%	8.0%
Facilities Permits	8.0%	4.5%	4.0%	4.0%	4.0%
Site Development	5.0%	0.0%	0.0%	0.0%	0.0%
Environmental Soils	70.0%	20.0%	20.0%	20.0%	20.0%
Signs	8.0%	8.0%	8.0%	8.0%	5.0%
Zoning Enforcement	5.0%	5.0%	5.0%	5.0%	5.0%
Noise	8.0%	8.0%	8.0%	8.0%	8.0%
Neighborhood Inspections	8.0%	5.0%	5.0%	5.0%	5.0%
Land Use Services	8.0%	8.0%	8.0%	7.0%	6.0%

Note

- The Programmatic Revenue Growth Rates presented in this table may not necessarily match revenue growth rates presented in Appendix D Program Detail.
Growth Rates in Appendix D Program Detail account for projected fee increases, revenue items that are shared by several programs, and interagency revenue transfers.

Bureau of Development Services - 2011 FIVE-YEAR FINANCIAL PLAN - WORST CASE SCENARIO

Appendix D

Program Detail

Program	Fiscal Year	TOTAL COSTS	Change From Prior Year	Program Revenue only	Change From Prior Year	General Fund Revenue	Internal Program to Program Transfers	TOTAL REVENUES	Reserves Add / (Draw)	Program Cost Recovery	TOTAL COST Recovery	Cumulative Reserve	Fee / Revenue Increase	Actual Reserve %	Reserve Goals: % Dollars	Excess / (shortage) vs. goal	
Bureau of Development Services Total	FY 88-89	6,679,932		7,226,016		1,207,513	0	8,420,078	1,740,146	108%	126%	1,740,146		26%			
	FY 89-90	7,804,839	16.8%	8,456,375	17.0%	1,352,434	0	9,778,825	1,973,986	108%	125%	3,714,132		48%			
	FY 90-91	8,984,628	15.1%	9,397,460	11.1%	1,240,348	0	10,637,798	1,653,170	105%	118%	5,367,302		60%			
	FY 91-92	9,750,454	8.5%	8,476,321	-9.8%	1,117,002	0	9,580,642	(169,812)	87%	98%	5,197,490		53%			
	FY 92-93	10,478,370	7.5%	9,261,070	9.3%	1,174,461	0	10,434,308	(44,062)	88%	100%	5,153,428		49%			
	FY 93-94	11,485,672	9.6%	10,811,187	16.7%	1,109,032	0	11,920,046	434,374	94%	104%	5,587,802		49%			
	FY 94-95	12,932,685	12.6%	12,251,729	13.3%	1,223,888	0	13,469,512	536,827	95%	104%	6,124,629		47%			
	FY 95-96	14,310,355	10.7%	13,613,838	11.1%	1,260,219	0	14,874,170	563,815	95%	104%	6,688,444		47%	36%	5,104,744	
	FY 96-97	16,433,262	14.8%	16,859,160	23.8%	1,237,345	0	18,094,276	1,661,014	103%	110%	8,349,458		51%	36%	5,909,351	
	FY 97-98	18,120,647	10.3%	17,293,081	2.6%	1,089,402	0	18,380,901	260,254	95%	101%	8,609,712		48%	29%	5,298,890	
	FY 98-99	19,953,684	10.1%	17,378,881	0.5%	1,126,269	0	18,500,671	(1,453,013)	87%	93%	7,156,699		36%	30%	5,925,281	
	FY 99-00	26,962,471	35.1%	20,283,611	16.7%	3,285,940	0	23,473,142	(3,489,329)	75%	87%	3,667,370		14%	31%	8,451,651	(4,784,281)
	FY 00-01	27,154,738	0.7%	23,844,618	17.6%	3,739,486	0	27,312,336	157,598	88%	101%	3,824,968		14%	33%	8,860,467	(5,035,499)
	FY 01-02	28,076,901	3.4%	24,965,553	4.7%	3,359,989	0	28,294,996	218,095	89%	101%	4,043,063		14%	33%	9,141,725	(5,098,662)
	FY 02-03	28,972,590	3.2%	27,100,082	8.5%	2,153,794	0	29,219,474	246,884	94%	101%	4,743,947		16%	32%	9,370,561	(4,626,614)
	FY 03-04	27,643,694	-4.6%	27,349,541	0.9%	1,143,072	0	28,492,613	848,919	99%	103%	4,740,621		17%	34%	9,408,456	(4,667,835)
	FY 04-05	29,687,477	7.4%	30,288,167	10.7%	1,153,361	0	31,441,528	1,754,051	102%	106%	6,494,672		22%	34%	10,102,465	(3,607,793)
	FY 05-06	31,606,913	6.5%	34,496,599	13.9%	1,349,837	0	35,846,436	4,239,523	109%	113%	11,681,009		37%	22%	6,884,853	4,796,156
	FY 06-07	37,648,184	19.1%	37,951,928	10.0%	1,895,291	0	39,847,219	2,199,035	101%	106%	13,880,044		37%	22%	8,152,668	5,727,376
	FY 07-08	41,591,917	10.5%	39,315,012	3.6%	2,129,627	0	41,444,639	(147,278)	95%	100%	13,732,766		33%	22%	9,027,380	4,705,386
FY 08-09	42,037,209	1.1%	29,343,100	-25.4%	1,882,631	0	31,225,731	(10,811,478)	70%	74%	2,921,288		7%	22%	9,083,261	(6,161,973)	
FY 09-10	28,927,434	-31.2%	24,630,654	-16.1%	1,907,809	0	26,538,463	(2,388,971)	85%	92%	532,317		2%	22%	6,238,444	(5,706,127)	
FY 10-11 estimate	25,727,689	-11.1%	23,821,555	-3.3%	1,889,155	0	25,710,710	(16,978)	93%	100%	515,338		2%	25%	6,508,113	(5,992,775)	
FY 11-12 estimate	25,902,894	0.7%	25,436,379	6.8%	2,010,073	0	27,446,451	1,543,557	98%	106%	2,058,896		8%	26%	6,761,880	(4,702,984)	
FY 12-13 estimate	27,175,822	4.9%	27,232,820	7.1%	2,010,073	0	29,242,893	2,067,070	100%	108%	4,125,966		15%	26%	7,080,974	(2,955,008)	
FY 13-14 estimate	31,730,880	16.8%	28,966,617	6.4%	2,010,073	0	30,976,690	(754,190)	91%	98%	3,371,776		11%	26%	8,264,040	(4,892,265)	
FY 14-15 estimate	33,339,540	5.1%	31,574,501	9.0%	2,010,073	0	33,584,574	245,033	95%	101%	3,616,809		11%	26%	8,736,572	(5,119,763)	
FY 15-16 estimate	32,780,138	-1.7%	33,941,941	7.5%	2,010,073	0	35,952,014	3,171,876	104%	110%	6,788,685		21%	26%	8,605,369	(1,816,684)	

Bureau of Development Services - 2011 FIVE-YEAR FINANCIAL PLAN - WORST CASE SCENARIO

Appendix D

Program Detail

Program	Fiscal Year	TOTAL COSTS	Change From Prior Year	Program Revenue only	Change From Prior Year	General Fund Revenue	Internal Program to Program Transfers	TOTAL REVENUES	Reserves Add / (Draw)	Program Cost Recovery	TOTAL COST Recovery	Cumulative Reserve	Fee / Revenue Increase	Actual Reserve %	Reserve Goals: %	Dollars	Excess / (shortage) vs. goal
Neighborhood Inspections	FY 88-89	1,130,341	---	228,285	---	881,281	0	1,096,115	(34,226)	20%	97%	(34,226)	0.0%	-3%			
	FY 89-90	1,248,398	10.4%	179,602	-21.3%	1,073,608	0	1,223,226	(25,172)	14%	98%	(59,398)	0.0%	-5%			
	FY 90-91	1,550,748	24.2%	257,143	43.2%	1,185,341	0	1,442,474	(108,274)	17%	93%	(167,672)	0%	-11%			
	FY 91-92	1,713,249	10.5%	589,843	129.4%	1,088,632	0	1,665,794	(47,455)	34%	97%	(215,127)	0%	-13%			
	FY 92-93	1,848,346	7.9%	720,920	22.2%	1,145,076	0	1,864,773	16,427	39%	101%	(198,700)	0.0%	-11%			
	FY 93-94	1,964,276	6.3%	854,576	18.5%	1,071,138	0	1,925,541	(38,735)	44%	98%	(237,435)	0%	-12%			
	FY 94-95	2,133,127	8.6%	1,251,086	46.4%	1,176,038	0	2,421,019	287,892	59%	113%	50,457	0%	2%			
	FY 95-96	2,334,780	9.5%	1,473,097	17.7%	1,190,075	0	2,663,285	328,505	63%	114%	378,962	0%	16%			
	FY 96-97	2,704,625	15.8%	1,540,039	4.5%	1,206,455	0	2,744,265	39,640	57%	101%	418,602	0%	15%			
	FY 97-98	2,470,880	-8.6%	1,561,205	1.4%	1,043,346	0	2,602,969	132,089	63%	105%	550,691	0%	22%			
Neighborhood Inspections Program transferred to ONI in FY 2003-04	FY 98-99	2,267,882	-8.2%	1,732,485	11.0%	1,083,227	0	2,811,233	543,351	76%	124%	1,094,042	0%	48%			
	FY 99-00	2,721,664	20.0%	2,014,977	16.3%	1,144,824	0	3,063,392	341,728	74%	113%	1,435,770	0.0%	53%	35%	952,582	483,188
The program came back to BDS in FY 2006-07	FY 00-01	2,626,994	-3.5%	1,932,248	-4.1%	1,056,096	0	2,716,576	89,582	74%	103%	1,525,352	0%	58%	20%	525,399	999,953
	FY 01-02	2,725,953	3.8%	2,091,631	8.2%	989,153	0	3,050,238	324,285	77%	112%	1,849,637	0%	68%	20%	545,191	1,304,446
	FY 02-03	2,485,846	-8.8%	2,110,470	0.9%	0	0	2,076,068	(409,778)	85%	84%	1,439,859	0%	58%	20%	497,169	942,690
	FY 03-04																
	FY 04-05																
	FY 05-06											946,813					
	FY 06-07	2,016,429		1,402,034		350,259		1,752,293	(264,136)	70%	87%	682,677		34%	20%	403,286	279,391
	FY 07-08	2,495,495	23.8%	1,403,098	0.1%	611,972		2,015,070	(480,425)	56%	81%	202,252	7.0%	8%	20%	499,099	(296,847)
	FY 08-09	2,952,658	18.3%	1,079,616	-23.1%	373,042		1,452,658	(1,500,000)	37%	49%	(1,297,748)	5.0%	-44%	20%	590,532	(1,888,280)
	FY 09-10	1,660,195	-43.8%	1,838,208	70.3%	387,031		2,225,238	565,043	111%	134%	(732,705)	5.0%	-44%	20%	332,039	(1,064,744)
FY 10-11 estimate	1,625,200	-2.1%	2,094,801	14.0%	384,391		2,479,192	853,992	129%	153%	121,287	8.0%	7%	20%	325,040	(203,753)	
FY 11-12 estimate	1,785,724	9.9%	1,987,999	-5.1%	408,995		2,396,993	611,269	111%	134%	732,556	8.0%	41%	25%	446,431	286,125	
FY 12-13 estimate	2,019,323	13.1%	1,751,357	-11.9%	408,995		2,160,351	141,028	87%	107%	873,584	5.0%	43%	25%	504,831	368,753	
FY 13-14 estimate	2,200,212	9.0%	1,726,359	-1.4%	408,995		2,135,353	(64,859)	78%	97%	808,725	5.0%	37%	25%	550,053	258,672	
FY 14-15 estimate	2,254,718	2.5%	1,706,312	-1.2%	408,995		2,115,307	(139,411)	76%	94%	669,314	5.0%	30%	25%	563,679	105,635	
FY 15-16 estimate	2,198,109	-2.5%	1,677,723	-1.7%	408,995		2,086,717	(111,392)	76%	95%	557,922	5.0%	25%	25%	549,527	8,395	



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

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**FY 2011-12 Service Improvement Plan
Bureau of Development Services**

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) 2011-12 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 by one-half in 2009 in order to maintain financial stability. Since the layoffs, the bureau has been struggling to meet its 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.

Information Technology Advancement Project (ITAP)

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.

On November 3, 2010 City Council authorized BDS to move forward with an online plan review and permitting system that would provide much greater access to information and services for custom. 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

Customers and stakeholders will be able to perform much of their land use review, permitting, inspection, and research work online, including submitting applications,

retrieving inspection results in real-time, and being notified of issued checksheets electronically. 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 currently with the Office of Management and Finance and the City Attorney's Office to: negotiate a contract with the system vendor; write an intergovernmental agreement with the State of Oregon; and secure a line of credit to fund the project. ITAP will be key to BDS's ability to provide services effectively and efficiently into the future.

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. 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 requesting to add 13 new positions in its FY 2011-12 budget request. These new positions would be funded with bureau revenues (not General Fund monies) and would allow the addition of essential staff to bring key services up to minimally-acceptable levels. Even with these additional positions, not all high-priority bureau services will be restored to acceptable levels; workload projections indicate that 10 *more* positions (beyond the 13) would be needed to fully restore all high-priority services.

If the budget Add Packages are approved, BDS will fill staff positions as revenues recover. Customers will see the following improvements: 85% of combination/residential inspections made within 24 hours of request and 98% of commercial inspections; housing inspections increasing from 2,800 per year to 5,000; number of nuisance properties cleaned up increasing from 2800 per year to 3360.

Neighborhood Inspections, Sign Inspections & Land Use Services

BDS Land Use Services (LUS), Neighborhood Inspections, and the Noise Control Program provide a benefit to the public and have historically been supported in part by the City's General Fund. LUS enhances the City's livability through implementation of the Zoning Code. Neighborhood Inspections prevents the deterioration of existing housing and neighborhoods. The Noise Control Program improves neighborhood livability. The benefits of their services go well beyond their fee-paying customers.

All three of these programs have been under-funded and beset by deficits in their reserve funds for several years. Most recently the bureau has reduced services in these areas due to lack of revenues and General Fund support.

In addition, due to reductions in the Sign Enforcement Program, the bureau has ceased most sign enforcement that does not involve life/safety issues, and there have been many signs installed that do not meet the intent of the Sign Code.

To address these needs, BDS's FY 2011-12 Requested Budget includes a request for \$668,934 in one-time General Fund support to add 5.5 positions to these four programs. While adding these positions will not return all services to their previous levels, it will restore some key services that have been significantly reduced. BDS's Financial Plan shows that bureau revenues (fees and charges) would support these positions in future years.

Operational efficiencies - self-service permits and fee payment

BDS is reviewing the feasibility of upgrading its IVR (Interactive Voice Response) system as part of the ITAP. IVR provides phone access to permit information such as inspections. The IVR upgrade would include adding notification when the limit on the number of inspections included with a permit is reached (inspection limitation), the ability to order more inspections, and the ability to pay for inspections over the phone with a credit card.

BDS is also reviewing the feasibility of adding the inspection limitation functionality to its Internet Permits application. This application currently allows customers to order trade permits (electrical, mechanical, and plumbing) that do not require plan review online, add fixtures to existing online permits, and pay for online permits with a credit card.

Phone and online customer service functionality is important because it allows customers to receive services and make payments without having to make a trip to bureau offices, and it reduces the use of staff time. This allows BDS staff to focus on providing customer service in other important areas.

Program Summary Template
City Bureau: Development Services (BDS)

1. Program Title Manager Phone #	2. Program Description	3. Staff (FTE)		4. Requirements		5. Percent Admin *	6. Resources				7. Output and Efficiency Measure(s)	8. Program Rankings	
		Regular	Limited Term	Operating	Capital		General Fund	Rates, Fees & IAs	Federal, State & Local	Other		Core	Community
Title: Commercial Inspections Manager: Jim Nicks Phone #: (503) 823-1054	Performs state-mandated inspections on industrial, commercial, and multi-family construction projects in Portland and urban services areas in Multnomah County to ensure compliance with State structural, mechanical, electrical, and plumbing codes, as well as the City's planning and zoning codes. Also reviews and approves monitoring of certain critical structural materials, such as steel construction, concrete construction and fireproofing.	17.81	1.10	\$2,863,862		54.89%		\$4,393,948			Inspections performed - 41,400 (43,000 - if Add Packages are approved) Inspections per day, per inspector - 16.0 Percentage of inspections made within 24 hours of request - 80% (98% - if Add Packages are approved)	2	2
Title: Code Compliance / Dangerous Buildings / Fire Damage Manager: Jim Nicks Phone #: (503) 823-1054	Enforces construction codes by responding to constituent complaints, investigating potential violations and working to resolve compliance issues. Enforces the City's Dangerous Building regulations. Also inspects Zoning and Accessory Home Occupation permits.	1.47	0.10	\$244,575		54.89%		\$328,125			Zoning, construction, and noise code violation cases - 2,374 Home occupation permits issued - 114 Properties assessed code enforcement fees - 248 (310 - if Add Packages are approved)	7	4
Title: Environmental Soils Manager: Andy Peterson Phone #: (503) 823-7883	Performs plan review, permitting, and inspections for work related to environmental soils & sanitation control such as cesspools, septic tanks and other sewage disposal systems. Also responsible for Multnomah County's subsurface sewage program	1.75	0.10	\$241,296		54.89%		\$306,633			Sanitation permits & evaluations issued - 392	8	10
Title: Facility Permits Manager: Jim Nicks Phone #: (503) 823-1054	Offers streamlined plan review, process management, permitting, and inspection services for customers with ongoing interior tenant improvements with frequent facility maintenance, upgrade and renovations.	12.56	0.70	\$2,032,161		54.89%		\$2,639,350			FPP Building Permits issued - 890 (1070 if Add Packages are approved)	10	12
Title: Land Use Services Manager: Rebecca Esau Phone #: (503) 823-6966	Implements goals and policies of the City's Comprehensive Plan, including neighborhood and community plans, by administering the City Zoning Code (Title 33). Includes review of development proposals for compliance with the Zoning Code; provision of public information regarding zoning regulations; discretionary review of development proposals; coordination, outreach and education functions; and Records Management.	33.90	2.00	\$4,881,137		54.89%	\$1,340,179	\$4,071,943			Land use review and final plat applications - 450 (550 if Add Packages are approved) Zoning plan checks processed or in process - 4,700	5	3
Title: Neighborhood Inspections Manager: Jim Nicks Phone #: (503) 823-1054	Protects public health, safety, and welfare, prevents deterioration of existing housing, and contributes to neighborhood livability by enforcing the requirements of the Property Maintenance Code (Title 29), including housing maintenance standards, derelict building regulations, and property nuisance regulations.	9.30	0.83	\$1,558,601		54.89%	\$415,223	\$1,821,290			Number of housing units brought up to code - 729 (900 - if Add Packages are approved) Number of nuisance properties cleaned up - 2,800 (3,360 - if Add Packages are approved) Housing units inspected - 1,700 (2,100 - if Add Packages are approved)	9	5
Title: Noise Control Manager: Jim Nicks Phone #: (503) 823-1054	Enforces the City's Noise Control regulations by responding to constituent complaints, investigating potential violations, and working to resolve compliance issues. Also processes Noise Variances. Part of the Compliance Services Program.	2.58	0.20	\$374,604		54.89%	\$285,282	\$105,964			Noise variances processed - 476 Noise violation inspections - 150	13	11

* Administrative percentage includes capital expenditures for Information Technology Advancement Project.

1. Program Title Manager Phone #	2. Program Description	3. Staff (FTE)		4. Requirements		5. Percent Admin *	6. Resources				7. Output and Efficiency Measure(s)	8. Program Rankings	
		Regular	Limited Term	Operating	Capital		General Fund	Rates, Fees & IAs	Federal, State & Local	Other		Core	Community
Title: Permit/Plan Processing / Trade Permits Manager: Andy Peterson Phone #: (503) 823-7883	Performs intake and initial checks for completeness for building permit applications, assigns projects to technical reviewers, tracks the reviews, and issues permits. Reviews and issues plumbing, electrical, mechanical and sign permits, maintains historical building permit records, and assists customers with inquiries regarding permit history, land use decisions, and utility location.	17.81	1.10	\$4,545,284		54.89%		\$1,555,326			Pre-issuance checks completed w/in two working days of last review approval - 70% (75% if Add Packages are approved) Percentage of building permits issued the same day as intake ("over-the-counter") - 63% Number of electrical, mechanical, plumbing, & sign permits processed - 36,834	3	7
Title: Plan Review / Engineering Manager: Andy Peterson Phone #: (503) 823-7883	Processes and approves building and mechanical permits for residential and commercial structures. Reviews building projects and provides general information on life safety, energy conservation, accessibility, and related building requirements. For projects that have engineering components, reviews structural and mechanical plans to determine compliance with engineering requirements of the Oregon Structural and Mechanical Specialty Code.	18.58	1.10	\$3,124,441		54.89%		\$3,382,536			Commercial & residential building permits issued - 6,650 (7,350 if Add Packages are approved) Percentage of residential plans reviewed by all bureaus w/in scheduled end dates - 70% (80% if Add Packages are approved) Percentage of commercial plans reviewed by all bureaus w/in scheduled end dates - 75% (80% if Add Packages are approved)	1	6
Title: Process Management Manager: Andy Peterson Phone #: (503) 823-7883	Guides customers with large and complex projects through the standard permitting process. Provides higher-level assistance through the Major Projects Group. Part of the Development Services Program.	2.36	0.10	\$353,206		54.89%		\$100,000			Number of active projects greater than \$3 million in valuation assigned to Process Managers - 36	12	13
Title: Residential Combination Inspections Manager: Jim Nicks Phone #: (503) 823-1054	Performs state-mandated inspections on one and two family residential construction projects in Portland and the urban services area of Multnomah County to ensure compliance with the state's structural, mechanical, electrical, and plumbing codes, as well as the City's planning and zoning codes. Inspectors obtain State certification in all four specialties, allowing more inspections with fewer staff.	25.75	1.50	\$4,082,101		54.89%		\$5,620,086			Number of inspections per day, per inspector - 22 Percentage of inspections made w/in 24 hours of request - 80% (85% - if Add Packages are approved) Number of inspections - 86,000 (90,000 - if Add Packages are approved)	4	1
Title: Signs Manager: Jim Nicks Phone #: (503) 823-1054	Performs inspections on signs in Portland and the urban services area of Multnomah County to ensure compliance with the City's sign code. Part of the Commercial Inspections Program.	1.64	0.10	\$216,378		54.89%		\$376,295			Sign permits issued - 850 (950 - if Add Packages are approved)	14	14
Title: Site Development Manager: Andy Peterson Phone #: (503) 823-7883	Performs plan review for geo-technical, flood plain, grading, private street, and site preparation issues, as well as erosion control requirements on private property. Reviews all applicable land use cases, identifying any land suitability issues and conditions. Performs all related inspections, including Trees and Landscaping requirements for Titles 10 and 33 and all required erosion control measures.	4.00	0.20	\$772,142		54.89%		\$989,509			Avg. number of working days to first review - 11.5 Site development plan reviews - 650 Site Development permit inspections - 347	6	9
Title: Zoning Compliance Manager: Jim Nicks Phone #: (503) 823-1054	Performs the zoning compliance function in Compliance Services Program.	3.19	0.20	\$459,954		54.89%		\$697,035			Number of zoning code enforcement activities (cases, inspections, & letters) - 3,000	11	8
Fund Level Expenses	This line contains the total fund level expenses, which includes all debt service, cash transfers, contingency, and unappropriated fund balance.	NA	NA	\$5,796,469		NA				\$3,117,487	NA	NA	
Total		152.70	9.33	\$31,546,210	-		\$2,040,683	\$26,388,040	\$0	\$3,117,487			

* Administrative percentage includes capital expenditures for Information Technology Advancement Project.

Customer Service Improvement Status Report (FY 2011-12)

Bureau: Bureau of Development Services
Staff Contact: Mark Fetters, Sr. Management Analyst
Phone: (503) 823-1028
Date: January 31, 2011

Bureau Mission and Goals: Please attach copies of your bureau's mission, goals, and any workplans or other policy documents that specifically address customer service improvement efforts. Please describe how your strategic plans include customer service, and any plans for improvement.

Bureau of Development Services (BDS) Mission

The Bureau of Development Services (BDS) promotes safety, livability, and economic vitality through efficient and collaborative application of building, development, and property maintenance codes.

BDS is an integral part of development in Portland and the safety and livability of our citizens and the structures and neighborhoods they inhabit. BDS serves professional developers, consultants, and builders, as well as homeowners, citizens and neighborhood associations.

Customer Service Culture

Over the last several years BDS has successfully integrated a customer service ethic into the fabric of the organization. The bureau's mission requires being responsive to the development community, neighborhoods and citizens. BDS's vision is to be the best development services agency in the country by deploying development review systems that meet the time-sensitive needs of the development industry and by satisfying neighborhood organizations' and citizens' concerns about the quality of development and the need for access to information.

Service to customers and stakeholders is reflected in several of the bureau's key planning documents, including the Mission, Goals, and Values; Management Principles and Expectations; Customer Service Solutions; Diversity Committee Charter; and the BDS Employee Handbook. Copies of these documents are attached, including chapter three of the Employee Handbook (Customer Service and Communication with the Public).

The bureau remains committed to these goals as it copes with the serious financial challenges facing the development industry and the overall economy. BDS continues to communicate with customers and stakeholders regarding their needs and the bureau's ability to provide services while experiencing financial and staffing constraints. Bureau staff is dedicated to working collaboratively with customers to problem-solve and reach solutions.

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 economy has halted nearly all construction of large development projects, 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 proposing to add 13 new positions in its FY 2011-12 budget request. These new positions would be funded with bureau revenues (not General Fund monies) and would allow the addition of essential staff to bring key services up to minimally-acceptable levels. Even with these additional positions, not all high-priority bureau services will be restored to acceptable levels; workload projections indicate that 10 *more* positions (beyond the 13) would be needed to fully restore all high-priority services.

If the budget Add Packages are approved, BDS will fill staff positions as revenues recover. Customers will see many improvements in services, including: 85% of combination/residential inspections made within 24 hours of request and 98% of commercial inspections; housing inspections increasing from 2,800 per year to 5,000; and the number of nuisance properties cleaned up increasing from 2,800 per year to 3,360.

BDS Land Use Services (LUS), Neighborhood Inspections, and the Noise Control Program provide a benefit to the public and have historically been supported in part by the City's General Fund. LUS enhances the City's livability through implementation of the Zoning Code. Neighborhood Inspections prevents the deterioration of existing housing and neighborhoods. The Noise Control Program improves neighborhood livability. The benefits of their services go well beyond their fee-paying customers.

All three of these programs have been under-funded and beset by deficits in their reserve funds for several years. Most recently the bureau has reduced services in these areas due to lack of revenues and General Fund support.

In addition, due to reductions in the Sign Enforcement Program, the bureau has ceased most sign enforcement that does not involve life/safety issues, and there have been many signs installed that do not meet the intent of the Sign Code.

To address these needs, BDS's FY 2011-12 Requested Budget includes a request for \$668,934 in one-time General Fund support to add 5.5 positions to these four programs. While adding these positions will not return all services to their previous levels, it will restore some key services that have been significantly reduced. BDS's Financial Plan shows that bureau revenues (fees and charges) would support these positions in future years.

Information Technology Advancement Project (ITAP)

The budget and staff reductions at BDS have compelled the bureau to re-engineer some of its processes. In the course of reshaping the organization, it became clear that levels of automation and public access to information were hindering the bureau's effectiveness and ability to be efficient with limited resources. BDS had been proceeding with implementing an 18-month plan to improve its technology tools; however, significant cuts in the budget stalled this plan.

On November 3, 2010, City Council authorized BDS to proceed with plans to purchase an online plan review and permitting system that would provide much greater access to information and services for customers and stakeholders. BDS envisions a system that will include:

- 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

Customers and stakeholders will be able to perform much of their land use review, permitting, inspection, and research work online, including submitting applications, retrieving inspection results in real-time, and being notified of issued checksheets electronically. 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 currently working with the Office of Management and Finance and the City Attorney's Office to: negotiate a contract with the system vendor; write an intergovernmental agreement with the State of Oregon; and secure a line of credit to fund the project. ITAP will be key to BDS's ability to provide services effectively and efficiently into the future.

Customer Service Assessment: Please attach a copy of your most recent customer service survey and survey results. Please indicate how your bureau assesses timeliness, accuracy, helpfulness, expertise, and available information. If you do not currently survey bureau customers, please explain any future plans.

BDS conducted annual customer telephone surveys from 2002–2008 using contracts with outside vendors. Each year approximately 675 customers were surveyed regarding BDS land use review, plan review and permit issuance, and inspection services. The survey measured customer satisfaction with the timeliness and quality of bureau services, the adequacy and quality of information provided, and the knowledge, helpfulness, fairness, & availability of BDS staff and development review staff from other bureaus. BDS has used survey results and analysis over the years to guide decisions regarding services, programs, staff training, and budget expenditures.

BDS has not conducted a customer survey since 2008 due to budget cuts. If funding becomes available in the future, the bureau will consider conducting additional surveys at that time. A summary analysis of the 2008 survey results is attached; the full 2008 survey report is available from Mark Feters, BDS Sr. Management Analyst, at 503-823-1028 or mark.feters@portlandoregon.gov.

Workforce Development: Please describe any efforts you have made to develop customer service competency within your workforce in the areas of recruitment, training, and evaluation. Please share any details you can provide regarding progress in these areas over the past year (training program information, key bureau contacts, recruitment/evaluation material examples, etc.).

Most of the bureau's specific efforts to develop customer service competency in the workforce have focused on recruitment and training. Due to economic conditions, BDS does not anticipate conducting many recruitments in the near future, and the budget for staff training is limited.

Recruitment

Prior to staff reductions, the bureau's Outreach Committee developed a recruitment plan for each open position in order to better reach underserved populations with employment information. Recruitment plans include methods for reaching diverse populations, such as advertising in ethnic publications or using personal contacts with underserved communities to disseminate recruitment information.

BDS interview panels are provided with guidelines for interviewing and communicating with people from diverse backgrounds. Interview panels are encouraged to include an interview question related to customer service, and this is done in most interviews. Much of the bureau's work involves providing direct services to customers, both over the phone and in person. Because of BDS's commitment to providing outstanding customer service, the bureau places emphasis on candidates with customer service experience, communication and problem-solving skills, and cultural competency.

Training

In 2003 BDS worked with a consultant to develop and deliver tailored customer service training to all employees, with additional training for supervisors and managers. The training covers internal as well as external customer service, and focuses on the unique customer service challenges in code enforcement work. The attached "Customer Service Solutions" document is a product of the training. All new employees go through this training after hire. A training binder is available upon request.

Bureau of Development Services

Management / Leadership Data

Commissioner in Charge: Randy Leonard
 Bureau Director: Paul L. Scarlett
 Website: www.portlandonline.com/bds
 Percent Administration: 54.89% (due to IT Advancement Pj)
 Percent M/W/ESB Contract \$: N/A (no contracts)

Workforce Data

Total FTE: 162.03
 Percent Minorities: 14.9%
 Percent Female: 41.9%
 Percent Non-Represented: 17.7%
 Management Span of Control: 1 to 23.5

Resource Summary

	FY 2010-11 Adopted	FY 2011-12 Base	FY 2011-12 Reductions	FY 2011-12 Add Packages	FY 2011-12 Requested
GF Ongoing	\$1,889,156	\$2,040,683	\$30,610	\$0	\$2,010,073
GF One-Time	0	0	0	0	0
Other Revenues	\$31,478,441	\$29,505,527	0	\$1,506,050	\$29,505,527
Total	\$33,367,597	\$31,546,210	\$30,610	\$1,506,050	\$31,515,600

Bureau Overview and Significant Issues

BDS Mission – The Bureau of Development Services (BDS) promotes safety, livability, and economic vitality through efficient and collaborative application of building, development, and property maintenance codes. BDS is an integral part of development in Portland and the safety and livability of our citizens and the structures and neighborhoods they inhabit. BDS serves professional developers, consultants, and builders, as well as homeowners, citizens and neighborhood associations.

Significant Issues

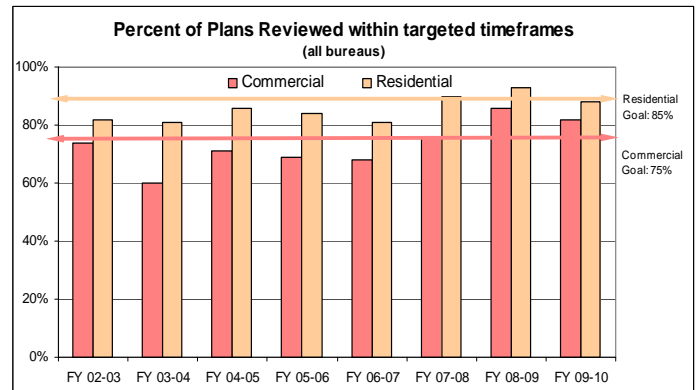
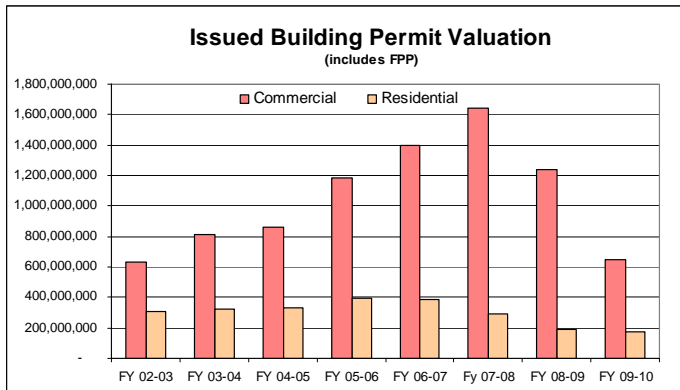
BDS's significant issues reflect the ongoing challenge to find balance between several competing goals:

- Rebuild and maintain prudent financial reserves
- Provide programs and services mandated by State and City codes
- Provide at least minimally-adequate customer service and be responsive to customer and stakeholder needs
- Pursue cost recovery for services wherever appropriate

BDS Financial Status – BDS has experienced a sharp decline in permit revenues since fall 2008. In 2009 and 2010, BDS implemented cost-saving measures, spent down reserves, and laid off about 50% of its staff. Bureau reserves have fallen from almost \$13.5 million to \$500,000. Revenues and expenditures have stabilized at low levels. In order to allow for gradual staff additions to meet critical workload needs, projections call for bureau reserves to be rebuilt slowly over the next 5 years.

Staffing & Service Levels – Permit revenues have declined much more than the workload, with the result that BDS is now insufficiently staffed. However, building inspections, plan review, permit issuance, and land use review services are mandated by law and cannot be eliminated. BDS has therefore ceased most non-mandatory, low-priority services and has significantly reduced most of the remaining services. Even with these adjustments, it remains very difficult to meet customers' needs with current staff levels.

BDS's FY 2011-12 Requested Budget includes two decision packages that would add staff to address the most critical needs. One package would add 13 positions funded by projected permit fees and revenues. The second package requests one-time General Fund support to add 5.5 positions to the Land Use Services, Neighborhood Inspections, Signs, and Noise Control programs. Most of these programs already receive some General Fund support. Financial projections show that fees and charges will support these positions in future years.



Operating and Capital Requirements

	FY 2009-10 Actuals	FY 2010-11 Adopted	FY 2011-12 Base	FY 2011-12 Request	FY 2012-13 Estimate
Operating - Base	\$28,927,434	\$28,164,045	\$29,022,353	\$28,991,743	\$30,327,686
Operating - One-Time Initiatives*	0	\$5,203,552	\$2,523,857	\$2,523,857	\$1,767,239
Capital - New Construction	0	0	0	0	0
Capital - Major Maintenance	0	0	0	0	0
Un-appropriated Ending Balance	0	0	0	0	0
Total	\$28,927,434	\$33,367,597	\$31,546,210	\$31,515,600	\$32,094,925

*Displays Information Technology Advancement Project (ITAP) costs. The entire project cost estimate was included in the FY 2010-11 budget, but BDS expects to spend only approximately \$1.4 million of the total in FY 2010-11.

Overview of Major Projects and Initiatives

Information Technology Advancement Project (ITAP): In November 2010 City Council authorized BDS to proceed with plans to purchase an online plan review and permitting system to enhance the level of technology and public access to information at BDS and improve the bureau's effectiveness and ability to be efficient with limited resources. The new system will provide these services online: access to all permit and land use records, land use and permit application and fee payment, plan review, inspection scheduling, and entry of inspection results. BDS is currently involved in negotiating a contract with a vendor and an intergovernmental agreement with the State of Oregon. Council directed the bureau to pursue a line of credit to pay for the costs of the new system, with repayment to take place over several years.

BDS Rebuilding Plan: BDS' 5-year Financial Plan shows a slow, but steady, increase in bureau revenues over the next 5 years. That mild growth, combined with moderate fee increases, will afford the ability to slowly begin to rebuild reserves and gradually hire back staff in order to provide minimally-acceptable levels of service and respond to anticipated mild increases in development activity. BDS has analyzed current workload trends and has documented bureau-wide staffing needs. As always, staff positions will be added only as sufficient funds are available. Even with gradual staff additions, BDS will remain understaffed for the next several years. Bureau reserves will not reach the bureau's 10% minimum reserve goal until FY 2013-14 and FY 2014-15, when BDS will repay the line of credit being secured to fund the ITAP.

Major Assets Managed

	5 Years Ago	Current	5 Years From Now
Percent in Good Condition	40.0%	20.0%	40.0%
Percent in Fair Condition	40.0%	40.0%	40.0%
Percent in Poor Condition	20.0%	20.0%	20.0%
Major Maintenance Backlog	\$0	\$0	\$0
Replacement Value Total	\$750,000	\$500,000	\$950,000

City of Portland
Bureau of Development Services
FROM CONCEPT TO CONSTRUCTION



Requested Budget
Fiscal Year 2011-12

Submitted January 31, 2011



CITY OF
PORTLAND, OREGON

OFFICE OF PUBLIC SAFETY

Randy Leonard, Commissioner
1221 S.W. 4th Avenue, Room 210
Portland, Oregon 97204
Telephone: (503) 823-4682
Fax: (503) 823-4019
randy@ci.portland.or.us

January 31, 2011

To: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Dan Saltzman

From: Commissioner Randy Leonard

Subject: FY 2011-12 Requested Budget for the Bureau of Development Services

BDS continues to face tremendous challenges as it looks forward to FY 2011-12. After cutting half its staff in 2009 and 2010, BDS's financial status has stabilized, though the bureau's reserve fund remains low (approximately \$500,000 at the end of FY 2009-10) and projections call for slow growth in permit revenues for the next couple years. In addition, bureau revenues have declined much more steeply than the workload, which is increasingly dominated by smaller projects that generate less revenue. The result is that BDS is now inadequately staffed and service levels have been reduced throughout the bureau, impacting both development needs and neighborhood livability.

BDS has crafted a budget request that takes a balanced approach to address both its financial and staffing/service level issues:

- Improving Overall Service Levels –Since June 2009, BDS has lost over half of its staff due to deep declines in permit revenues. Throughout the bureau, low-priority services have been eliminated and most remaining services have been significantly reduced. Though BDS continues to review its overall operation to find ways to provide services more efficiently, it has been a struggle to provide service levels that are realistic for the bureau and still meet customers' needs. Decision Package 1 proposes \$1.5 million funded with BDS revenues for staff additions that will be critical in allowing the bureau to return services to minimally-acceptable levels. Bureau revenues are projected to increase in FY 2011-12, providing sufficient funds for this package to add approximately 13 positions and increase the level of service to customers. The expected workload for FY 2011-12 would dictate that another 10 positions (beyond the 13 positions in the Decision Package) are needed in addition to what is being requested in order to provide an acceptable level of service for the bureau's highest priority service improvement areas.
- 1.5% General Fund Cut –Decision Package 2 responds to the Mayor's direction to all bureaus to provide a 1.5% cut in the General Fund allocations in their operating budgets. BDS is meeting this requirement by cutting 0.37 Housing Inspector FTE in its Neighborhood Inspections Program. Given that BDS has lost half its staff and cut

expenditures throughout its operations in the last two years, this cut further reduces resources for a program that supports neighborhood livability and will further hamper the bureau's ability to offer services effectively.

- General Fund Service Level Improvements - Decision Package 3 addresses the urgent need for improved services as well as chronic funding shortages in the bureau's Neighborhood Inspections, Land Use Services (LUS), Noise Control, and Sign programs by requesting \$668,934 in one-time General Fund support to add 5.5 FTE. These programs have been under-funded and beset by deficits in their reserve funds for several years. Most recently the bureau has reduced services in these programs due to lack of revenues and General Fund support.

These three programs provide a benefit to the public and have historically been supported in part by the General Fund. LUS enhances the City's livability through implementation of the Zoning Code. Neighborhood Inspections prevents the deterioration of existing housing and neighborhoods. The Noise Control Program improves neighborhood livability. The benefits of their services go well beyond their fee-paying customers. The Sign Program enforces the City's Sign Code, including billboards and A-board signs. Since the staff layoffs, most non-life/safety sign enforcement activities have been suspended due to lack of staff.

This request is for one year of General Fund support; BDS's Financial Plan shows that fees and charges would support these positions in future years. However, as with Decision Package 1, Decision Package 3 does not fully meet program staffing needs and does not return these programs to their previous service levels.

As in years past, BDS has received considerable input into its budget request from staff and key stakeholders. The BDS Labor Management Committee (LMC), the Development Review Advisory Committee (the bureau's citizen advisory group), and the BDS Budget Advisory Committee (BAC) have reviewed BDS' financial status and voiced their support for the bureau's budget priorities, Add Packages, and associated proposed fee increases. These groups emphasized the importance of cost recovery for services and advocated for additional General Fund support for bureau programs that provide general community benefit.

Over the past several years, BDS has established a reputation for excellent customer service, innovation, and labor/management collaboration. I and the bureau remain committed to the goal of making Portland's Bureau of Development Services the best development agency in the country. I fully support the recommendations in this budget request because they will best help BDS achieve financial stability and reach its goals and mission.



Labor Management Committee

City of Portland Oregon - Bureau of Development Services
1900 SW Fourth Avenue, Suite 5000, Portland, Oregon 97201

January 31, 2011

Commissioner Randy Leonard
1221 SW Fourth Avenue
Portland, OR 97204

Dear Commissioner Leonard,

The Labor/Management Committee (LMC) of the Bureau of Development Services (BDS) is unanimous in its support of the Add Packages in BDS's FY 2011-12 Budget Request. For several years, BDS management and labor have participated together in developing the BDS budget. The LMC's mission is to promote a collaborative and positive relationship between labor and management through trust, fairness, and open communication.

As in previous years, all BDS employees were asked for their input into the budget process. The LMC functioned as BDS's internal budget committee and reviewed the bureau's financial status, revenue projections, and budget goals.

BDS has gone through unprecedented change in the last two years due to the recession and its impacts on the bureau's finances, staffing and service levels. Special attention was given to the imbalance between the bureau's current workload and staffing levels, the increase for the bureau's General Fund-supported programs, and leveraging technology tools to enhance services, provide easier access to information, and increase bureau efficiency. In order to provide an acceptable level of customer service in BDS's highest priority service areas, a total of 30 addition positions would be needed. However the bureau is unable to afford this level of increase and instead is recommending an additional 13 FTE funded with bureau revenues and 5.5 FTE funded with one-time General Fund revenues.

The LMC supports and recommends the two Add Packages in the Requested Budget. We believe that funding these packages is necessary in order to ensure that BDS can provide a reasonable level of service to its customers and rebuild its financial security.

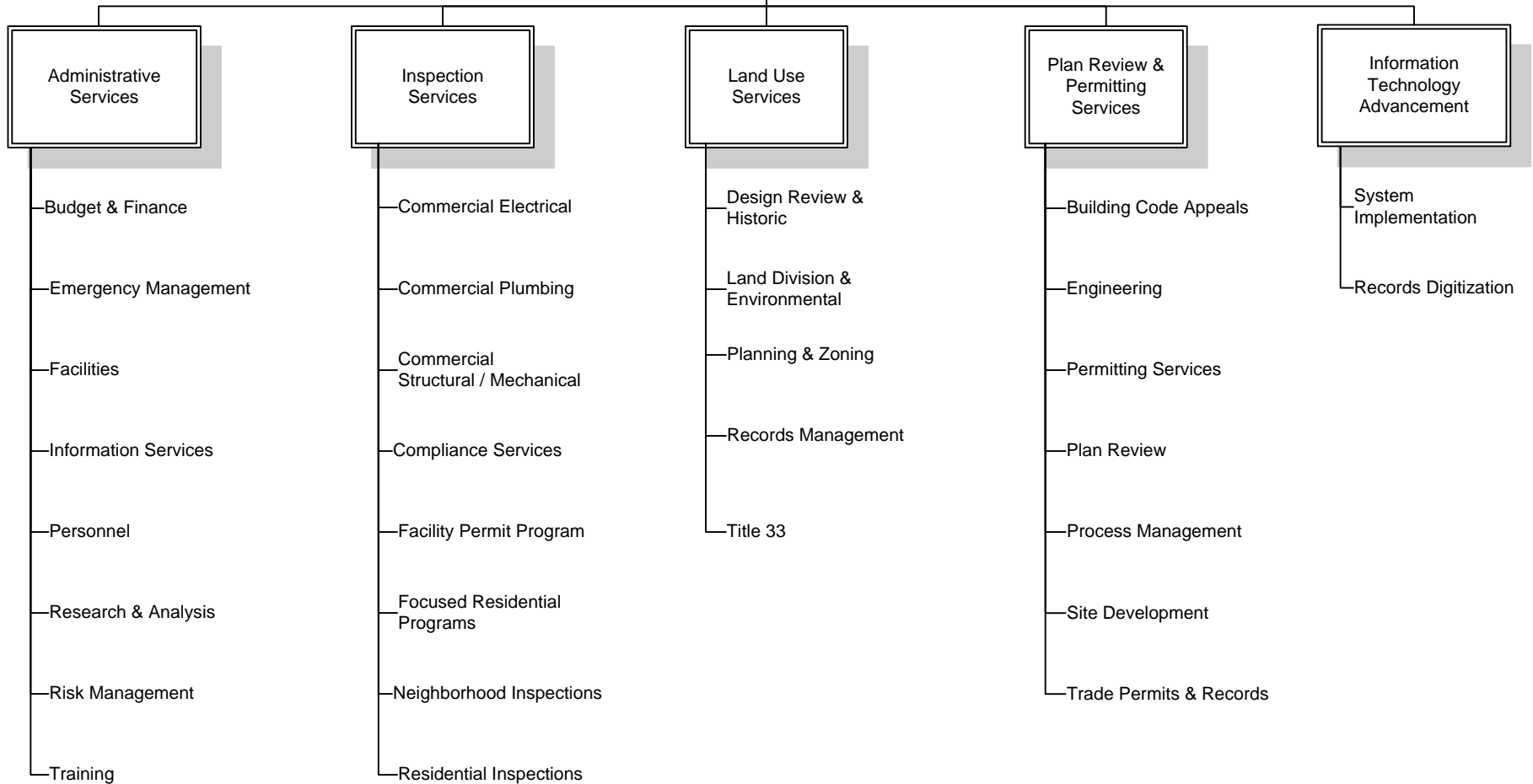
Sincerely,


Curt French, LMC Co-Chair


Paul L. Scarlett, LMC Co-Chair

Bureau of Development Services

Bureau Director
Paul L. Scarlett



Bureau Summary

BUREAU MISSION

The Bureau of Development Services (BDS) promotes safety, livability, and economic vitality through efficient and collaborative application of building and development codes.

BUREAU OVERVIEW

General Description

The Bureau of Development Services (BDS) is an integral part of development in the City of Portland. Bureau staff actively works with developers, builders, and homeowners to guide them through the development process. The bureau manages programs that ensure construction and land use codes are followed, and BDS is instrumental in enhancing the safety of buildings and the livability and economic vitality of Portland's neighborhoods. To this end, staff reviews construction plans, issues permits, and inspects industrial, commercial, and residential construction to ensure compliance. The bureau also provides assistance to customers from pre-application all the way through construction. BDS is responsible for implementing the City's land use policies, plans, and codes through the review of proposed development, and ensures compliance with site-related regulations such as erosion control and grading. The bureau also enforces the Zoning, Sign, and Property Maintenance codes, as well as structural, mechanical, plumbing, and electrical code violation cases. This budget request includes 175 FTE and an operating budget of \$27.2 million (not including General Fund add packages), funded primarily through permit fees and charges.

Customer Service Culture

The bureau's mission requires being responsive to the development community, neighborhoods and citizens. BDS's vision is to be the best development services agency in the country by deploying development review systems that meet the time-sensitive needs of the development industry, and by satisfying neighborhood organizations' and citizens' concerns about the quality of development and the need for access to information.

BDS is committed to these goals as it responds to the financial challenges facing the development industry and the overall economy. Declining permit revenues and workload led to staff reductions in 2009 and 2010, such that BDS now has less than half the staff it had two years ago. The bureau is challenged to meet a workload increasingly dominated by smaller projects that generate less revenue. BDS continues to communicate with customers and stakeholders regarding their needs and the bureau's ability to provide services while experiencing financial and staffing constraints. BDS staff remains committed to working collaboratively with customers to problem-solve and reach solutions.

State Statutes and Administrative Rules

City enforces a variety of state and local statutes.

The City of Portland has been regulating construction since the late 1800s, with local ordinances passed by the City Council as early as 1892. In 1973 the State legislature passed requirements for a State Building Code mandating uniform statewide enforcement, which required Portland to begin enforcing the State-adopted codes with State-certified personnel. BDS is also responsible for administering a variety of local regulations adopted within the City Code, including the Planning and Zoning Code under Title 33 of the City Code, Floating Structures (Title 28), Erosion Control (Title 10), Signs (Title 32), Noise Control (Title 18), and Property Maintenance (Title 29).

STRATEGIC DIRECTION

BDS primarily receives revenue from land use reviews and construction permits. The bureau's key issues and budget goals are directly related to the economy and its impacts on the development industry and BDS's ability to deliver the best service possible.

Adequate Staffing

Bureau services such as building inspections, plan review, permit issuance, and land use review are mandated by law. Since June 2009, BDS reduced over half of its staff due to deep declines in permit revenues prompted by the scarcity of large development projects. Revenues declined much more steeply than the workload, and the bureau is now insufficiently staffed. According to BDS's financial projections, which were reviewed by multiple independent economists, the bureau will have sufficient revenues to add back staff in FY 2011-12. This budget request proposes to address critical staffing needs by adding 13 positions in FY 2011-12. However, the expected workload for FY 2011-12 would dictate that another 10 positions are needed in addition to what is being requested in order to provide an acceptable level of service for the bureau's highest priority service improvement areas.

Service Levels / Efficiencies

After the staffing reductions, the bureau thoroughly reviewed its services and service levels. Throughout the bureau, low-priority services have been eliminated and most remaining services have been significantly reduced. Though BDS continues to review its overall operation to find ways to provide services more efficiently, it has been a struggle to provide service levels that are realistic for the bureau and still meet customers' needs. The staff additions proposed in this budget request will be critical in allowing the bureau to return services to minimally-acceptable levels.

The General Fund provides some support for several local programs that provide general public benefit, including Land Use Services, Neighborhood Inspections, and Noise Control. Services in these programs have been dramatically reduced, leading to significant impacts in neighborhood livability issues. This budget includes a request for \$668,934 in additional one-time General Fund monies in order to add 5.5 FTE to improve housing inspections, nuisance abatement, noise control, sign enforcement, and land use review services. Fees and charges would support these positions in future years.

Technology

In the course of reshaping the organization, it became clear that the level of automation and public access to information at BDS was hindering the bureau's effectiveness and ability to be efficient with limited resources. On November 3, 2010 City Council authorized BDS to move forward with plans to purchase an online plan review and permitting system that would provide much greater access to information and services for customers, staff, and stakeholders.

Service Improvement Plan

BDS's FY 2011-12 Service Improvement Plan describes the bureau's continuing dedication to providing excellent services to customers and the community, even as it copes with the serious financial challenges facing the development industry and the overall economy. The Service Improvement Plan focuses on obtaining the resources that will enable BDS to continue to provide quality services.

Involvement with Bureau of Planning and Sustainability (BPS) Zoning Code Amendment Projects

BDS Land Use Services (LUS) staff continues to be involved in Bureau of Planning and Sustainability (BPS) Zoning Code amendment proposals. The bureau remains concerned about the cost of administering new regulations that City Council may adopt, since BDS cannot absorb any increased costs at this time.

SUMMARY OF BUDGET DECISIONS

As in past years, the creation of the bureau's budget request has involved the active participation of a variety of staff and stakeholder groups. All bureau work groups had opportunities to give input into the budget process. The BDS Budget Advisory Committee (BAC), comprised of external stakeholders and BDS labor representatives, met several times and has given its approval of the bureau's budget priorities and financial directions. For the fifth consecutive year, BDS's Labor Management Committee (LMC) has also reviewed and participated in the bureau's budget planning process and have given their support to the Add Packages. The BDS budget also has the support of the Development Review Advisory Committee (DRAC), which is composed of local representatives from the construction and development industry, neighborhoods, and the community.

These decision packages address critical customer and stakeholder needs while allowing the bureau to maintain its fiscal responsibility.

DP 1 – Improve Overall BDS Service Level

Since June 2009, BDS has lost over half of its staff due to deep declines in permit revenues. Throughout the bureau, low-priority services have been eliminated and most remaining services have been significantly reduced. Though BDS continues to review its overall operation to find ways to provide services more efficiently, it has been a struggle to provide service levels that are realistic for the bureau and still meet customers' needs. The staff additions proposed in this \$1.5 million decision package will be critical in allowing the bureau to return services to minimally-acceptable levels. Bureau revenues are projected to increase in FY 2011-12, providing sufficient funds for this package to add approximately 13 positions and increase the level of service to customers. These positions will be added as revenues are realized. The expected workload for FY 2011-12 would dictate that another 10 positions are needed in addition to what is being requested in order to provide an acceptable level of service for the bureau's highest priority service improvement areas.

DP 2 – 1.5% General Fund Cut

All City bureaus were directed to develop reduction packages totaling 1.5% of the General Fund allocations in their operating budgets. For BDS, this equates to a reduction of \$30,610. The bureau is meeting this requirement by cutting 0.37 Housing Inspector FTE in the Neighborhood Inspections Program. Over the past several years, BDS has decreased staffing and expenditures in most every line item. This additional decrease of General Fund support further reduces resources for a program that supports neighborhood livability and will further hamper the bureau's ability to offer effective services.

The Housing and Nuisance Program currently prioritizes all complaints based on existing inspector resources; the bureau projects that 1,580 complaint cases will not be responded to in FY 2010-11 due to insufficient resources. The Housing and Nuisance Program currently does not meet inspection goals for assigned cases. The proposed reduction package equals a 7.4% reduction to existing resources, which would result in a decrease of 347 housing and nuisance cases being responded to on a yearly basis.

DP 3 - General Fund Service Level Improvements - Ongoing Positions; One-Time General Fund Support

Land Use Services (LUS), Neighborhood Inspections, and the Noise Control Program provide a benefit to the public and have historically been supported in part by the City's General Fund. LUS enhances the City's livability through implementation of the Zoning Code. Neighborhood Inspections prevents the deterioration of existing housing and neighborhoods. The Noise Control Program improves neighborhood livability. The benefits of their services go well beyond their fee-paying customers.

All three of these programs have been under-funded and beset by deficits in their reserve funds for several years. Most recently the bureau has reduced services in these areas due to lack of revenues and General Fund support.

In addition, due to reductions in the Sign Enforcement Program, there have been many illegal signs installed throughout the city. The bureau will add 1 position to focus on enforcement and compliance of the sign code. The position will also focus on exploring feasible financial options or resources to allow for more staffing and enforcement of the Sign Code in the future.

This request is for one year of \$668,934 in General Fund support to add 5.5 positions to these four programs and restore some services that have been significantly reduced. BDS's Financial Plan shows that fees and charges would support these positions in future years.

Administration Program

Description

The Administration Program provides overall direction to the bureau in order to meet program objectives. Included within this program's budget are the Office of the Director, communications, customer service, budget, emergency management, finance, human resources, training, information technology, loss control/risk management, general reception, and office management.

Relationship to Goals

The Administration Program supports the Citywide goal to protect and enhance the natural and built environment.

Changes to Services and Activities

Information Technology Advancement Project

In order to improve the level of automation and public access to information at BDS, City Council approved BDS's proposal to move to an online review and permitting system. This project includes the replacement of the bureau's outdated permitting and case tracking software and the digitization of historical permit and property information, making the records accessible online free of charge. Customers and stakeholders will be able to perform much of their land use review, permitting, inspection, and research work online, including submitting applications, retrieving inspection results in real-time, and being notified of issued checksheets electronically.

This new system will save customers and stakeholders time and money by providing access to information/services remotely, 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.

Administrative Services staff is currently negotiating a contract with the system vendor, writing an intergovernmental agreement with the State of Oregon, and working with the City Treasurer to secure a line of credit to fund the project. The Information Technology Advancement Project will be key to BDS's ability to provide services effectively and efficiently into the future.

Dispersion of Functions

Due to continued bureau-wide reductions in revenue, Administrative Services lost two important staff positions in 2010. This has resulted in the bureau's Facilities, Safety, and Training functions being distributed to remaining Administrative Services staff, impacting the level and consistency of service being provided, as well as record keeping, coordination, and follow-up.

Commercial Inspections Program

Description

The Commercial Inspections Program performs state-mandated construction inspections (structural, electrical, plumbing, mechanical) on industrial, commercial, and multi-family construction projects in Portland and the urban services area of Multnomah County. The program also provides plan review services for commercial plumbing and electrical permits, and a full range of permitting and inspections services in the Facility Permit Program (FPP).

The services provided under the Commercial Inspections Program ensure compliance with the State's structural, mechanical, plumbing, and electrical codes, as well as the City's Sign, Planning, Zoning, and Site Development codes. The Commercial Inspections Program resides in the bureau's Inspections Division, which also includes Combination Inspections and the Enforcement Program.

Relationship to Goals

The Commercial Inspections Program supports the Citywide goal to protect and enhance the natural and built environment. The Commercial Inspections Program also works together with both the Portland Fire Bureau and County Health Division to provide a safe and healthy work and living environment.

Performance

It is projected that the number of commercial inspections will decrease from 51,080 in FY 2009-10 to 41,400 in FY 2010-11 due to economic conditions, and rise slightly to 43,000 in FY 2011-12. Commercial inspectors are currently averaging about 16 inspections per day, down from 17 inspections per day in FY 2009-10. This number is projected to remain constant in FY 2011-12. The percentage of inspections made within 24 hours of request was 98% in FY 2009-10, but is projected to decrease to 80% in FY 2010-11; the rate is projected to remain at 80% in FY 2011-12 with current staffing.

Changes to Services and Activities

Service Levels

Bureau-wide reductions in revenue precipitated considerable reductions in BDS staff from all divisions in 2009 and 2010. Due to staff and budget reductions, service levels in Commercial Inspections have been impacted in several ways, including:

- Only 80% of inspection requests will be completed within the goal of 24 hours, a significant decrease in the historical 99% figure.
- Eliminated the 2-hour time window for inspection appointments.
- Requested contractors to bundle all possible inspection requests to save trips.
- Commercial Plumbing Plan Review turnaround goal being met in only 50% of cases.
- Eliminated separate erosion control inspections and the posting of erosion control hotline signs by City inspectors.
- Facilities Permit Program has new interested customers on a waiting list.

If the Add Packages are funded:

- Interested FPP customers can be added to the program.
- 85-90% of commercial and combination/residential inspections would be made within 24 hours of request.
- Commercial Plumbing plan reviews could be completed within 20 days.
- Increased ability to serve walk-in customers.

Compliance Services Program

Description

The Compliance Services Program is composed of three code compliance work groups: Zoning, Construction, and Noise Code enforcement. These three work groups primarily respond to constituent complaints, investigate potential violations, and work with property owners, businesses, and tenants to resolve compliance issues at the lowest level possible.

The Compliance Services and Neighborhood Inspections programs together comprise the bureau's Enforcement Program. The combined section includes Zoning Compliance, Noise Control, Work without Permit, Dangerous Buildings, Signs & A-Boards, Nuisance, Housing, Derelict Buildings, Exterior Maintenance Requirements on non-Residential Structures, and Chapter 13/Systematic Inspections. For budgeting purposes, the Neighborhood Inspections Program is still shown as a separate program.

Goals

Compliance Services supports the Citywide goal to protect and enhance the natural and built environment.

Performance

The bureau projects there will be 2,374 zoning, construction, and noise code violation cases in FY 2011-12. This is a slight decrease from previous years and likely is a byproduct of reduced resources to address community concerns ("discouraged reporting effect"). The number of properties to be assessed code enforcement fees is projected to increase from 181 in FY 2009-10 to 248 in FY 2010-11 and FY 2011-12.

Changes to Services and Activities

Service Levels

In FY 2010-11, Compliance Services continues to operate at significantly reduced staffing levels. Due to staff and budget reductions, most previous service level reductions remain, including:

- Prioritized complaint types in order to effectively address the most critical issues with reduced resources. As of January 1, 2011, 290 (24.4% of total) lower-priority cases involving owner-occupied properties have not been assigned due to lack of resources.
- Lengthened the response time to investigate assigned cases.
- Reduced re-inspections and case management for active cases.
- Reduced the number of violation cases referred to the Code Hearings Officer for additional enforcement remedies to gain compliance.
- Suspended overtime for after-hour zoning and noise inspections and enforcement.

If the Add Packages are funded:

- Increase responsiveness to zoning cases and perform inspections in 3-5 business days.
- Investigate and inspect higher-priority noise cases (noise disturbances past 10:00 p.m. and earlier than 7:00 a.m.).
- Investigate sign complaints and enforce the City of Portland Sign Code.

Combination Inspections Program

Description

The Combination Inspections Program ensures that new and remodeled one and two family residences meet building safety codes and requirements. In this program, the goal is for all inspectors to obtain State of Oregon certification in all four specialties: structural, mechanical, plumbing, and electrical. This approach saves contractors time and money in scheduling inspections and allows the City to perform more inspections with fewer staff. Cost savings have been realized through this program, and other jurisdictions have recognized the quality of Portland's training program and are using it as a model. The Combination Inspections Program resides in the bureau's Inspections Division, which also includes Commercial Inspections, the Enforcement Program, and the Facility Permit Program.

Relationship to Goals

Combination Inspections supports the Citywide goal to protect and enhance the natural and built environment.

Performance

Historically, the percentage of inspections made within 24 hours of request has been from 96-99%. In FY 2009-10 the percentage fell to 78% due to staffing reductions, declining revenues, and a workload that did not decrease proportionally. The percentage of inspections made within 24 hours of request is projected to increase slightly to 80% in FY 2010-11, and to remain at 80% in FY 2011-12 with current staffing. About 80,000 inspections were performed in FY 2009-10; this number is projected to increase to 86,000 in FY 2010-11 and FY 2011-12. The average number of inspections per inspector per day is projected to decrease slightly from 22.4 in FY 2009-10 to 22 in FY 2010-11, and to remain at that level in FY 2011-12.

Changes to Services and Activities

Service Levels

Bureau-wide reductions in revenue precipitated considerable reductions in BDS staff from all divisions in 2009 and 2010. Due to staff and budget reductions, service levels in Combination Inspections have been impacted in several ways, including:

- Only 80% of inspection requests will be completed within the goal of 24 hours, a significant decrease from the historical 98% figure.
- Eliminated the Get Legal Program.
- Eliminated the 2-hour time window for inspection appointments.
- Eliminated most consultation and partial inspections.
- Requesting bundling of all possible inspection requests to save trips.
- Reduced hours of staff availability for walk-in customers.
- Eliminated separate erosion control inspections and the posting of erosion control hotline signs by City inspectors.

If the Add Packages are funded:

- 85% of residential inspections would be made within 24 hours of request.

Land Use Services Program

Description

The Land Use Services Program (LUS) is responsible for implementing the goals and policies of the City's Comprehensive Plan, including neighborhood and community plans. This is accomplished through administration of the Portland Zoning Code (Title 33 of the City Code) which includes the City's Land Division Code, Metro's Functional Plan, the Oregon State Transportation Planning Rule, and Oregon State Land Use Goals. LUS reviews development proposals for compliance with the Zoning Code (as part of the building permit process); provides public information regarding zoning regulations; performs discretionary reviews of development proposals (the land use review process); and supports legally-mandated record-keeping and public notices.

Goals

LUS supports the Citywide goal to protect and enhance the natural and built environment.

Performance

The number of land use reviews and final plats is projected to decrease slightly from 587 in FY 2009-10 to 550 in FY 2010-11, and to decrease further to 450 in FY 2011-12. The number of zoning plan checks is projected to increase from 3,814 in FY 2009-10 to 4,600 in FY 2010-11 and to 4,700 in FY 2011-12.

Changes to Services & Activities

Impacts of Regulations Created by Other Agencies

In FY 2011-12, LUS staff will be impacted by two major code change projects initiated by the Bureau of Planning and Sustainability (BPS). In July 2011, LUS will begin implementing the new Greenway/River Plan regulations for projects along the north reach of the Willamette River, and it is anticipated that City Council will adopt new Tree Regulations early in 2011. In addition, LUS staff continues to be involved in BPS zoning code amendment proposals, such as the Airport Futures Project, as well as the Portland Plan.

These projects place significant demands on staff that is already stretched thin due to staff cuts in 2009 and 2010. Service levels in all LUS programs and services have been significantly reduced.

Large, Complex Infrastructure Projects

LUS staff continues to work on several large infrastructure projects, further impacting staff's ability to serve customers in the Development Services Center and provide timely plan reviews and land use reviews. The Portland-Milwaukie Light Rail project will involve many land use and plan reviews over the next four years. LUS is working on an agreement to recover the costs of staff time for early assistance on the project. Other projects include the Columbia River Crossing, Portland Streetcar, and the Lake Oswego to Portland Transit Project.

Service Levels

If the Add Packages are funded:

- Response time for land use review completeness checks, final plat turn-around, and land use reviews will be reduced by approximately one-half; and state and locally-mandated notification requirements for these processes will be met.

Neighborhood Inspections Program

Description

The Neighborhood Inspections Program protects the health, safety, and welfare of Portland residents, prevents deterioration of existing housing, and contributes to neighborhood livability by enforcing minimum standards for residential structures and exterior maintenance requirements on non-residential properties, outdoor areas, and adjacent rights-of-way.

The Compliance Services and Neighborhood Inspections programs together comprise the bureau's Enforcement Program. The combined section includes Zoning Compliance, Noise Control, Work without Permit, Dangerous Buildings, Signs & A-Boards, Nuisance, Housing, Derelict Buildings, and Chapter 13/Systematic Inspections. For budgeting purposes, Neighborhood Inspections is still shown as a separate program.

Relationship to Goals

The Neighborhood Inspections Program supports the Citywide goals to protect and enhance the natural and built environment and to maintain and improve neighborhood livability.

Performance

The number of housing case intakes is projected to increase slightly from 1,241 in FY 2009-10 to 1,325 in FY 2010-11 and further to 1,500 in FY 2011-12. The number of nuisance case intakes decreased significantly from 7,035 in FY 2008-09 to 4,625 in FY 2009-10 due to a decrease in abatement funding; they are projected to increase to 5,450 in FY 2010-11 and further to 5,600 in FY 2011-12.

Changes to Services and Activities

Service Levels

In FY 2010-11, Neighborhood Inspections continues to operate at significantly reduced staffing levels. Due to staff and budget reductions, most previous service level reductions remain, including:

- Prioritized complaint types in order to effectively address the most critical issues with reduced resources. As of January 1, 2011, 790 (10.3% of housing and 28.7% of nuisance) lower-priority cases have not been assigned due to lack of resources.
- Lengthened the response time to investigate assigned cases and reduced re-inspections and case management for 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 (31 abatements completed in FY 2009-10, compared to 350 in FY 2008-09).
- Suspended the Chapter 13/Systematic Inspection Program for older three-story and higher apartment houses, as well as the Disabled Vehicle enforcement program.

If the Add Packages are funded:

- Significantly increase responsiveness to fire/life/safety and health/sanitation issues for occupied rentals (e.g., electrical hazards, no heat, mold)
- Restore case management duties to achieve timely compliance (re-inspections, Code Hearings)
- Respond to owner-occupied housing cases (108 housing cases not responded to in FY 2009-10)
- Continue Quality Rental Housing Workgroup/PHB enhanced inspection pilot project.
- Increase the number of housing inspections to 5,000 (would be 2,800 without Add Packages).

Development Services Program

Description

The Development Services Program manages the flow of the public permitting process from early assistance to maintaining the records for completed projects. Trade Permit staff reviewed and issued nearly 35,000 plumbing, electrical, mechanical, and sign permits in FY 2009-10. Permitting Services staff performed intakes for 7,400 building permit applications in FY 2009-10, while assigning reviewers, tracking reviews, and issuing permits. Process Managers guide customers with large and complex projects through the permitting process; higher-level assistance for complex projects can be provided through the Major Projects Group.

Relationship to Goals

The Development Services Program supports the Citywide goal to protect and enhance the natural and built environment.

Performance

Building permits issued over-the-counter (on the same day as permit intake) is projected to increase from 60% in FY 2009-10 to 62% in FY 2010-11 and further to 63% in FY 2011-12. Total building permits issued (commercial and residential combined) is projected to decrease from 7,400 in FY 2009-10 to 6,400 in FY 2010-11, then rise slightly to 6,650 in FY 2011-12. During FY 2009-10, pre-issuance of permits had 71% of the projects processed within 2 days; with staff reductions that rate will fall to 64% in FY 2010-11 but increase to 70% in FY 2011-12, but will not reach the 99.6% level from FY 2008-09.

Changes to Services and Activities

Growth of Online Permitting

Since 2005, BDS has offered online purchasing of simple trade permits (electrical, mechanical, and plumbing) that do not require plan review, allowing contractors and homeowners to purchase permits online from their home, office, or even mobile device. Customers can schedule inspections online as well. The use of online permitting has grown every year, and as of July 2010 about 1/3 of trade permits were being issued online.

Service Levels

Due to staff and budget reductions, service levels in Development Services have been impacted in several ways, including:

- Reduced the operation of the Development Services Center (DSC) to 4 days per week.
- Lengthened wait times for DSC customers.
- Revised the goal for pre-issuance of reviewed permits downward to 80% pre-issued within 2 days of last approval.
- Curtailed process management services for small- and medium-sized projects.
- Severely limited unfunded assistance to the City's Small Business Advisory Committee, Portland Public Schools, the Get Legal Program, and outreach programs.

Site Development Program

Description

The Site Development Program includes plan review for geo-technical, flood plain, grading, private street, and site preparation issues, as well as erosion control requirements on private property. Staff reviews all applicable land use cases, identifying any land suitability issues and conditions. Field staff performs all related inspections, including those required by the Trees and Landscaping requirements for Titles 10 and 33 and all required erosion control measures.

The Environmental Soils subprogram works with property owners who have subsurface sanitary systems in need of repair, replacement, or decommissioning as the City provides public sanitary systems for their use. The City Sanitarian is located in this subprogram.

Goals

The Site Development program supports the Citywide goal to protect and enhance the natural and built environment.

Performance

The number of working days from site development plan submittal to the first review is projected to improve from almost 19 days in FY 2009-10 to 11.5 days in FY 2010-11 and beyond. The number of site development plan reviews performed is projected to decrease from 737 in FY 2009-10 to 650 in FY 2010-11 and FY 2011-12, while the number of Site Development permit inspections performed is projected to decrease from 497 in FY 2009-10 to about 350 in FY 2010-11 and beyond.

Changes to Services and Activities

Stormwater Review

Responsibility for stormwater review had historically been shared between BDS Site Development and BES. To reduce overlapping processes and streamline the permitting process, this responsibility was consolidated in BES in 2010.

Commercial Site Review Fee

The Site Development Program reviews development in areas of flood, liquefaction and steep slope hazards, and projects with non-prescriptive geotechnical design. Effective, April 1, 2010, City Council authorized the implementation of the Commercial Site Review Fee to provide ongoing support for these hazard review functions.

Service Levels

Bureau-wide reductions in revenue precipitated considerable reductions in BDS staff from all divisions in 2009 and 2010. Due to staff and budget reductions, service levels in Site Development have been impacted in several ways, including:

- Lengthened Geo-Technical plan review turnaround timelines for building permits.
- Limited the time during which staff is available for early assistance on projects.
- Lengthened Sanitation Permit turnaround timelines.

If the Add Packages are funded:

- Geo-Technical review turnaround timelines for residential and commercial building permits will improve to be completed in 20 working days or less.

Plan Review Program

Description

The Plan Review Program processes and approves building and mechanical permits for residential and commercial structures. Plans Examiners review building projects and provide general information on life safety, energy conservation, accessibility, and related building requirements. They help permit applicants understand building codes and the review process in order to successfully obtain permits for their projects. Staff in the Engineering Plan Review Section reviews structural and mechanical plans to determine compliance with engineering requirements of the Oregon Structural and Mechanical Specialty Code. These reviews are required for any projects that have engineering components.

Relationship to Goals

The Plan Review Program supports the Citywide goal to protect and enhance the natural and built environment.

Performance

Building plan review is performed by staff from BDS and as many as five other City bureaus, each impacted by the recession. The bureau projects that in FY 2010-11, the City as a whole will meet its plan review turnaround goals for 65% of residential plans and 70% of commercial plans, down from levels reached in FY 2009-10. For FY 2011-12, BDS projects that the rate will increase to 70% for residential permits and 75% for commercial permits.

Changes to Services and Activities

Development Services Collocation and Public Works Permitting Reform

On April 16, 2009, City Council passed a resolution directing the collocation of development review functions and staff from the development bureaus; the improvement of public works development review and permitting, appeals, and fee schedules; and the standardization of elements of the System Development Charge (SDC) programs, including low income waivers, SDC deferrals, and SDC financing.

Implementation of the new Public Works Permit Review process and fees were rolled out in January 2010. Public Works Appeals have been in place since February 2010, and standardization of SDC low income waivers, deferrals, and financing were put in place as of July 1, 2010. Progress reports have been provided on a quarterly basis to the Planning and Development Directors, and will culminate with a report by the BDS Director to City Council in July 2011.

Service Levels

Bureau-wide reductions in revenue precipitated considerable reductions in BDS staff from all divisions in 2009 and 2010. Due to staff and budget reductions, service levels in Plan Review have been impacted in several ways, including:

- Lengthened mechanical plan review times.
- Revised pre-issuance of reviewed permits goal to 80% pre-issued within 2 days of last approval.
- Eliminated the support of sustainability-related initiatives, early assistance, and code team.
- Eliminated work on BDS Code Guides and Program Guides (permit streamlining efforts).
- Curtailed process management of small- and medium-sized projects.

If the Add Packages are funded:

- The percentage of residential permits meeting plan review turnaround goals is projected to increase to 80% in FY 2011-12.

Summary of Bureau Budget

	FY 2008-09 Year-End Actuals	FY 2009-10 Year-End Actuals	FY 2010-11 Revised Budget	FY 2011-12 Requested Without DP's	FY 2011-12 Requested Budget
Bureau of Development Services					
Expenditures					
Unappropriated Fund Balance	2,896,743		0	0	0
Personal Services	29,817,243		15,670,096	17,267,426	18,489,518
External Materials and Services	1,447,640		6,435,262	2,163,388	2,201,886
Internal Materials and Services	7,808,675		6,339,978	6,318,927	6,533,777
Bond Expenses	0		696,274	755,372	755,372
Fund Transfers - Expense	2,963,650		2,369,009	2,172,972	2,172,972
Contingency	0		1,856,978	2,868,125	1,362,075
Total Expenditures	44,933,951		33,367,597	31,546,210	31,515,600
Resources					
Budgeted Beginning Fund Balance	14,531,985		410,309	515,338	515,338
Licenses & Permits	20,413,092		17,151,773	17,660,488	17,660,488
Charges for Services	6,216,121		5,814,281	5,852,427	5,852,427
Interagency Revenue	405,707		1,011,587	844,396	844,396
Fund Transfers - Revenue	2,025,280		1,889,156	2,040,683	2,010,073
Bond and Note	0		5,203,552	2,602,149	2,602,149
Miscellaneous	1,341,766		1,886,939	2,030,729	2,030,729
Total Resources	44,933,951		33,367,597	31,546,210	31,515,600

Summary of Program Budgets

	FY 2008-09 Year-End Actuals	FY 2009-10 Year-End Actuals	FY 2010-11 Revised Budget	FY 2011-12 Requested Without DP's	FY 2011-12 Requested Budget
Bureau of Development Services					
Administration & Support					
Administration & Support			12,500,662	9,137,237	9,303,035
Total Administration & Support			12,500,662	9,137,237	9,303,035
Combination Inspections					
Combination Inspections			2,447,684	2,635,431	2,878,555
Total Combination Inspections			2,447,684	2,635,431	2,878,555
Commercial Inspections					
Commercial Inspections			3,173,143	3,300,599	3,697,699
Total Commercial Inspections			3,173,143	3,300,599	3,697,699
Compliance Services					
Compliance Services			697,215	694,923	773,319
Total Compliance Services			697,215	694,923	773,319
Development Services					
Development Services			3,234,358	3,162,497	3,162,497
Total Development Services			3,234,358	3,162,497	3,162,497
Housing Access & Stabilization					
Shelter & Emergency Services			0	0	0
Total Housing Access & Stabilization			0	0	0
Land Use Services					
Land Use Services			2,973,336	3,143,851	3,219,187
Total Land Use Services			2,973,336	3,143,851	3,219,187
Neighborhood Inspections					
Neighborhood Inspections			927,394	1,003,762	1,283,852
Total Neighborhood Inspections			927,394	1,003,762	1,283,852
Plan Review					
Plan Review			1,781,500	2,017,159	2,121,307
Total Plan Review			1,781,500	2,017,159	2,121,307

Summary of Program Budgets

	FY 2008-09 Year-End Actuals	FY 2009-10 Year-End Actuals	FY 2010-11 Revised Budget	FY 2011-12 Requested Without DP's	FY 2011-12 Requested Budget
<hr/>					
Bureau of Development Services					
Site Development					
Site Development			710,044	654,282	785,730
Total Site Development			710,044	654,282	785,730
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Total Programs			28,445,336	25,749,741	27,225,181

Bureau of Development Services

Performance Measures

Program and Performance Measure	Type	FY 2008-09 Year-End Actuals	FY 2009-10 Year-End Actuals	FY 2010-11 Revised Budget	FY 2011-12 Performance No Dec Pkg	FY 2011-12 Performance With Dec Pkg
Combination Inspections						
DS_0009 - Number of inspections per day, per inspector	EFFECTIVE	19.38	22.43	22.00	22.00	22.00
DS_0010 - Percent of inspections made within 24 hours of request	EFFECTIVE	99.7%	78.3%	80.0%	80.0%	85.0%
DS_0011 - Number of inspection trips reduced due to multi-certified inspectors	EFFICIENCY	18,649	16,895	20,000	20,000	20,700
DS_0008 - Residential inspections	WORKLOAD	94,645	79,931	86,000	86,000	90,000
Commercial Inspections						
DS_0002 - Number of inspections per day, per inspector	EFFECTIVE	16.77	17.01	16.00	16.00	16.00
DS_0003 - Percent of inspections made within 24 hours of request	EFFECTIVE	98%	98%	80%	80%	98%
DS_0001 - Commercial inspections	WORKLOAD	81,981	51,080	41,400	41,400	43,000
Compliance Services						
DS_0004 - Enforcement cases prepared and presented to code hearings officer	WORKLOAD	10	2	3	3	6
DS_0005 - Zoning code violation statistics (cases, inspections, and letters)	WORKLOAD	6,073	3,041	3,000	3,000	3,000
DS_0006 - Home occupation permits	WORKLOAD	139	142	114	114	114
DS_0007 - Number of properties assessed code enforcement fees	WORKLOAD	212	181	248	248	310
DS_0014 - Noise violation inspections	WORKLOAD	466	249	100	150	150
DS_0015 - Noise variances processed	WORKLOAD	485	491	476	476	476
DS_0037 - Noise code violation cases	WORKLOAD	720	747	700	700	700
Development Services						
DS_0027 - Percent of building permits issued over the counter the same day as intake	EFFICIENCY	57%	60%	62%	63%	63%
DS_0028 - Pre-issuance checks completed within two working days of last review approval	EFFICIENCY	99.6%	71.0%	64.0%	70.0%	75.0%
DS_0020 - Building permits - commercial	WORKLOAD	3,806	2,967	2,400	2,500	3,000
DS_0021 - Building permits - residential	WORKLOAD	5,037	4,443	4,000	4,150	4,350
DS_0022 - Total building permits (commercial and residential)	WORKLOAD	8,843	7,410	6,400	6,650	7,350
DS_0023 - Electrical permits	WORKLOAD	15,225	14,341	15,500	16,120	16,120
DS_0024 - Mechanical permits	WORKLOAD	9,936	9,929	10,000	10,400	10,400
DS_0025 - Plumbing permits	WORKLOAD	10,065	9,634	9,100	9,464	9,464
DS_0026 - Sign permits	WORKLOAD	970	807	750	850	950
Land Use Services						
DS_0012 - Land Use Review and Final Plat Applications	WORKLOAD	755	587	550	450	550
DS_0013 - Zoning plan checks processed or in process	WORKLOAD	3,784	3,814	4,600	4,700	4,700

Bureau of Development Services

Performance Measures

Program and Performance Measure	Type	FY 2008-09 Year-End Actuals	FY 2009-10 Year-End Actuals	FY 2010-11 Revised Budget	FY 2011-12 Performance No Dec Pkg	FY 2011-12 Performance With Dec Pkg
Neighborhood Inspections						
DS_0018 - Number of housing units brought up to code as a result of Neighborhood Inspection Division efforts (includes enhanced inspection pilot beginning in 2010-11)	EFFECTIVE	1,039	1,100	1,272	1,272	1,450
DS_0019 - Number of properties cleaned up	EFFECTIVE	7,067	3,602	2,518	2,800	3,360
DS_0043 - Code Enforcement fee waivers granted	EFFECTIVE	103	192	136	160	160
DS_0016 - Nuisance inspections	WORKLOAD	14,165	7,025	7,000	7,200	7,900
DS_0017 - Housing/derelict buildings inspections	WORKLOAD	5,561	4,305	2,785	2,800	5,000
DS_0040 - Housing intakes	WORKLOAD	1,273	1,241	1,325	1,500	1,500
DS_0041 - Nuisance intakes	WORKLOAD	7,035	4,625	5,450	5,600	6,000
DS_0042 - Code Enforcement fee waiver requests	WORKLOAD	114	202	149	176	176
DS_0044 - Number of Housing Units Inspected (includes enhanced inspection pilot beginning in 2010-11)	WORKLOAD	2,541	2,483	2,081	2,236	2,400
Plan Review						
DS_0034 - Percent of residential plans reviewed by all bureaus within scheduled end dates	EFFECTIVE	93%	88%	65%	70%	80%
DS_0035 - Percent of commercial plans reviewed by all bureaus within scheduled end dates	EFFECTIVE	86%	82%	70%	75%	75%
Site Development						
DS_0032 - Average number of working days to first review	EFFECTIVE	10.40	18.70	11.50	11.50	11.50
DS_0031 - Site development plan reviews	WORKLOAD	656	737	650	650	650
DS_0045 - Site Development Permit Inspections	WORKLOAD	712	497	347	347	347
DS_0046 - Site Development Land Use Cases Reviews	WORKLOAD	835	635	558	558	558
DS_0047 - Sanitation Permits & Evaluations Issued	WORKLOAD	370	334	392	392	392

FTE Summary by Bureau

Bureau of Development Services

Class	Title	CY_REVBUD {Rep}		V52_NO_DP {Rep}		V52_TOTAL {Rep}	
		No.	Amount	No.	Amount	No.	Amount
30000012	Office Support Specialist II	4.00	173,712	4.00	173,712	4.00	173,712
30000013	Office Support Specialist III	7.00	358,932	7.00	358,932	8.00	410,208
30000014	Office Support Specialist, Lead	1.00	51,276	1.00	51,276	1.00	51,276
30000062	Accountant I	1.00	48,696	1.00	50,281	1.00	50,281
30000164	Plumbing Inspector	3.00	214,524	3.00	214,524	3.00	214,524
30000165	Plumbing Inspector, Sr	3.00	240,876	3.00	240,876	3.00	240,876
30000168	Electrical Inspector	5.00	357,540	5.00	357,540	5.00	357,540
30000169	Electrical Inspector, Sr	5.00	393,876	5.00	400,512	6.00	480,804
30000170	Combination Inspector	13.00	992,316	13.00	992,316	15.00	1,139,652
30000171	Housing Inspector	4.00	224,832	4.00	224,832	3.63	204,036
30000172	Housing Inspector, Sr	1.00	67,500	1.00	67,500	1.00	67,500
30000173	Building Inspector II	1.00	71,508	1.00	71,508	2.00	143,016
30000174	Building Inspector, Sr	11.00	883,212	11.00	883,212	12.00	963,504
30000179	Site Development Inspector II	1.00	65,709	1.00	68,934	1.00	68,934
30000184	Code Specialist II	1.00	53,772	1.00	53,772	5.00	268,860
30000186	Code Specialist III	1.00	57,384	1.00	57,384	1.00	57,384
30000231	Plans Examiner, Commercial	6.00	449,280	6.00	449,280	7.00	524,160
30000232	Plans Examiner, Sr	2.00	162,744	2.00	162,744	2.00	162,744
30000332	Development Services Technician I	4.00	200,352	4.00	200,352	4.00	200,352
30000333	Development Services Technician II	10.00	618,456	10.00	627,627	10.00	627,627
30000334	Development Services Technician III	2.00	134,280	2.00	138,390	2.00	138,390
30000335	Development Services Project Coord	3.00	233,136	3.00	233,136	3.00	233,136
30000365	Engineer-Civil	1.00	97,224	1.00	97,224	1.00	97,224
30000367	Engineer-Geotechnical	1.00	97,224	1.00	97,224	2.00	194,448
30000368	Engineer-Mechanical	1.00	89,277	1.00	93,741	1.00	93,741
30000369	Engineer-Structural	4.00	388,896	4.00	388,896	4.00	388,896
30000375	Planner, Associate	1.00	55,908	1.00	55,908	1.00	55,908
30000377	Planner I, City-Land Use	1.00	61,440	1.00	61,440	1.00	61,440
30000384	Planner II, City-Environmental	1.00	67,644	1.00	67,644	1.00	67,644
30000385	Planner II, City-Land Use	8.00	541,152	8.00	541,152	8.00	541,152
30000389	Planner II, City-Urban Design	1.00	67,644	1.00	67,644	1.00	67,644
30000392	Planner, Sr City-Environmental	1.00	77,712	1.00	77,712	1.00	77,712
30000393	Planner, Sr City-Land Use	6.00	466,272	6.00	466,272	6.00	466,272
30000397	Planner, Sr City-Urban Design	2.00	155,424	2.00	155,424	2.00	155,424
30000426	Development Services Director	1.00	152,004	1.00	158,244	1.00	158,244
30000433	Administrative Specialist, Sr	2.00	115,968	2.00	119,693	2.00	119,693
30000434	Administrative Assistant	1.00	72,048	1.00	72,048	1.00	72,048
30000442	Business Operations Manager, Sr	1.00	128,748	1.00	128,748	1.00	128,748
30000447	Business Systems Analyst, Assistant	1.00	59,193	1.00	61,614	1.00	61,614
30000448	Business Systems Analyst	2.00	150,514	2.00	151,344	2.00	151,344
30000449	Business Systems Analyst, Sr	1.00	83,640	1.00	83,640	1.00	83,640
30000450	Management Assistant	1.00	63,852	1.00	65,604	1.00	65,604
30000452	Management Analyst, Sr	1.00	83,640	1.00	83,640	1.00	83,640
30000462	Program Specialist, Assistant	1.00	64,071	1.00	66,658	1.00	66,658
30000463	Program Specialist	2.00	144,096	2.00	144,096	3.00	216,168
30000466	Program Manager, Sr	1.00	93,804	1.00	96,051	1.00	96,051
30000492	Community Outreach & Informtn Rep	1.00	68,352	1.00	70,449	1.00	70,449

FTE Summary by Bureau

Bureau of Development Services

Class	Title	CY_REVBUD {Rep}		V52_NO_DP {Rep}		V52_TOTAL {Rep}	
		No.	Amount	No.	Amount	No.	Amount
30000566	Financial Analyst, Assistant	1.00	63,852	1.00	66,480	1.00	66,480
30000567	Financial Analyst	1.00	75,672	1.00	75,672	1.00	75,672
30000569	Financial Analyst, Principal	1.00	94,172	1.00	97,790	1.00	97,790
30000681	Engineer, Supervising	1.00	108,696	1.00	111,300	1.00	111,300
30000724	Planner, Supervising	3.00	294,382	3.00	296,604	3.00	296,604
30000725	Planner, Principal	1.00	116,292	1.00	116,292	1.00	116,292
30000730	Plan Review Supervisor	1.00	97,656	1.00	98,565	1.00	98,565
30000735	Inspection Supervisor	3.00	296,604	3.00	296,604	3.00	296,604
30000736	Inspection Manager	2.00	229,704	2.00	232,584	2.00	232,584
30000737	Noise Control Officer	1.00	79,524	1.00	79,524	1.00	79,524
30000836	Development Supervisor II	1.00	91,849	1.00	92,724	1.00	92,724
Total Full-Time Positions		149.00	11,048,063	149.00	11,114,889	161.63	11,984,061
30000231	Plans Examiner, Commercial	2.00	149,760	2.00	149,760	2.00	149,760
30000332	Development Services Technician I	2.00	100,176	2.00	100,176	2.00	100,176
30000334	Development Services Technician III	1.00	77,712	1.00	77,712	1.00	77,712
30000448	Business Systems Analyst	1.00	75,696	1.00	75,696	1.00	75,696
30000452	Management Analyst, Sr	3.00	250,920	1.33	111,520	1.33	111,520
30000453	Management Analyst, Principal	1.00	98,868	1.00	98,868	1.00	98,868
30000466	Program Manager, Sr	1.00	98,868	1.00	98,868	1.00	98,868
30000680	Engineer, Sr	1.00	102,084	1.00	104,178	1.00	104,178
Total Limited Term Positions		12.00	954,084	10.33	816,778	10.33	816,778
30000385	Planner II. City-Land Use	1.80	121,752	1.80	121,752	1.80	121,752
30000389	Planner II. City-Urban Design	0.90	60,876	0.90	60,876	0.90	60,876
Total Part-Time Positions		2.70	182,628	2.70	182,628	2.70	182,628

FUND OVERVIEW

Operating Fund

The Development Services Fund accounts for all revenues and expenditures related to activities and services provided by the Bureau of Development Services (BDS).

Managing Agency

Bureau of Development Services

SIGNIFICANT CHANGES FROM PRIOR YEAR

Further Declines in Construction Activity

Construction activity in the Portland metropolitan area has stabilized at a very low level, but full recovery is not expected until after FY 2011-12. Beginning in FY 2011-12, the bureau will gradually add staff positions needed to meet the anticipated increase in the workload. Because of the volatility of the current development environment, all fund-level requirements are budgeted as contingency in order to provide flexibility throughout the year.

Fee Increases

The FY 2011-12 Requested Budget includes fee increases for the following programs in FY 2011-12: Building/Mechanical (8%), Electrical (8%), Plumbing (8%), Facilities Permits (8%), Site Development (5%), Environmental Soils (70%), Signs (8%), Zoning (5%), Noise (8%), Neighborhood Inspections (8%), and Land Use Services (8%).

Summary of Fund Budget

	FY 2008-09 Year-End Actuals	FY 2009-10 Year-End Actuals	FY 2010-11 Revised Budget	FY 2011-12 Requested Without DP's	FY 2011-12 Requested Budget
Development Services Fund					
Expenditures					
Unappropriated Fund Balance	2,896,743		0	0	0
Personal Services	29,817,243		15,670,096	17,267,426	18,489,518
External Materials and Services	1,447,640		6,435,262	2,163,388	2,201,886
Internal Materials and Services	7,808,675		6,339,978	6,318,927	6,533,777
Bond Expenses	0		696,274	755,372	755,372
Fund Transfers - Expense	2,963,650		2,369,009	2,172,972	2,172,972
Contingency	0		1,856,978	2,868,125	1,362,075
Total Expenditures	44,933,951		33,367,597	31,546,210	31,515,600
Resources					
Budgeted Beginning Fund Balance	14,531,985		410,309	515,338	515,338
Licenses & Permits	20,413,092		17,151,773	17,660,488	17,660,488
Charges for Services	6,216,121		5,814,281	5,852,427	5,852,427
Interagency Revenue	405,707		1,011,587	844,396	844,396
Fund Transfers - Revenue	2,025,280		1,889,156	2,040,683	2,010,073
Bond and Note	0		5,203,552	2,602,149	2,602,149
Miscellaneous	1,341,766		1,886,939	2,030,729	2,030,729
Total Resources	44,933,951		33,367,597	31,546,210	31,515,600

Decision Package Summary

Bureau: Bureau of Development Services

Priority: 01

Type: Adds

Decision Package: DS_01 - Improve Overall BDS Service Level

Program: Bureauwide

	FY 2011-12 Requested 1 Time DP	FY 2011-12 Requested Ongoing DP	FY 2011-12 Requested Total DP	FY 2012-13 Estimated Budget	FY 2013-14 Estimated Budget	FY 2014-15 Estimated Budget	FY 2015-16 Estimated Budget		
EXPENDITURES									
Personal Services	0	1,252,200	1,252,200	0	0	0	0	0	0
External Materials and Services	0	39,000	39,000	0	0	0	0	0	0
Internal Materials and Services	140,000	74,850	214,850	0	0	0	0	0	0
Contingency	(140,000)	(1,366,050)	(1,506,050)	0	0	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0	0	0	0	0	0
FTE									
Full-Time Positions	0.00	13.00	13.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FTE	0.00	13.00	13.00	0.00	0.00	0.00	0.00	0.00	0.00

Description:

Since June 2009, BDS has lost over half of its staff due to deep declines in permit revenues. Throughout the bureau, low-priority services have been eliminated and most remaining services have been significantly reduced. Though BDS continues to review its overall operation to find ways to provide services more efficiently, it has been a struggle to provide service levels that are realistic for the bureau and still meet customers' needs. The staff additions proposed in this \$1.5 million decision package will be critical in allowing the bureau to return services to minimally-acceptable levels. Bureau revenues are projected to increase in FY 2011-12, providing sufficient funds for this package to add 13 positions and increase the level of service to customers. The expected workload for FY 2011-12 would dictate that another 10 positions are needed in addition to what is being requested in order to provide an acceptable level of service for the bureau's highest priority service improvement areas.

Expected Results:

This package would add essential staff to bring the bureau up to minimally acceptable service levels. In addition to filling seven (7) vacant positions, the following positions would be added: Building Inspector II, Senior Building Inspector, 4 Code Specialists II, 2 Combination Inspectors, Senior Electrical Inspector, Geotechnical Engineer, Office Support Specialist III, and Program Specialist.

The following goals will be achieved: 98% of commercial inspections made within 24 hours; 85-90% of residential inspections made within 24 hours; 98% of Facilities Permit Program (FPP) inspections made on the same day; 98% of FPP plan reviews issued within 5 days; improvements in timeliness of commercial building code plan review (less than 20 days to first checksheet for new construction; less than 15 days for additions/alterations); meet state and local mandates for final plat status report; respond to higher priority housing and nuisance cases within 5 working days; inspect zoning violations within 3-5 days; ensure compliance with OSHA, state law, Human Resources rules, etc., improve recordkeeping and consistency

Decision Package Summary

Bureau: Bureau of Development Services

Priority: 02

Type: Mandatory Reductions

Decision Package: DS_02 - 1.5% General Fund Cut

Program: Neighborhood Inspections

	FY 2011-12 Requested 1 Time DP	FY 2011-12 Requested Ongoing DP	FY 2011-12 Requested Total DP	FY 2012-13 Estimated Budget	FY 2013-14 Estimated Budget	FY 2014-15 Estimated Budget	FY 2015-16 Estimated Budget	
EXPENDITURES								
Personal Services	0	(30,108)	(30,108)	0	0	0	0	0
External Materials and Services	0	(502)	(502)	0	0	0	0	0
TOTAL EXPENDITURES	0	(30,610)	(30,610)	0	0	0	0	0
REVENUES								
Fund Transfers - Revenue	0	(30,610)	(30,610)	0	0	0	0	0
TOTAL REVENUES	0	(30,610)	(30,610)	0	0	0	0	0
FTE								
Full-Time Positions	0.00	-0.37	-0.37	0.00	0.00	0.00	0.00	0.00
TOTAL FTE	0.00	-0.37	-0.37	0.00	0.00	0.00	0.00	0.00

Description:

All City bureaus were directed to develop reduction packages totaling 1.5% of the General Fund allocations in their operating budgets. For BDS, this equates to a reduction of \$30,610. The bureau is meeting this requirement by cutting 0.37 Housing Inspector FTE in the Neighborhood Inspections Program.

Expected Results:

Over the past several years, BDS has decreased staffing and expenditures in most every line item. Although the requested reduction is relatively small, it further reduces resources for a program that supports neighborhood livability and will further hamper the bureau's ability to offer services effectively.

The Housing and Nuisance Program currently prioritizes all complaints based on existing inspector resources. The number of complaint cases not being responded to in FY 2010-11 is projected to equal 1,580 cases. The Housing and Nuisance Program currently does not meet inspection goals for assigned cases. The proposed reduction package equals a 7.4% reduction to existing resources, which would result in an increase of 347 housing and nuisance cases not being responded to.