



**City of  
Portland, Oregon  
Bureau of Development Services**

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## **FY 2011-12 Budget Preparation Process**

**October 14, 2010**

### **I. Background**

Historically, the Bureau of Development Services (BDS) has input into its budget process from several sources: the Development Review Advisory Committee (DRAC, BDS's citizen advisory committee), the BDS Labor Management Committee (LMC) and BDS employees. Beginning with the FY 2010-11 Budget Preparation Process, BDS also received input from its Budget Advisory Committee (BAC) (composed of representatives from the DRAC, Citywide Land Use Chairs, and labor) and the BDS Bureau Budget Committee (BBC) (composed of BDS employees and managers).

**Labor Management Committee (LMC)** – Previously, BDS's LMC was deeply involved in the preparation of the bureau's budget through LMC Budget Subcommittees that were formed to review and make recommendations on the budget. However, the LMC found that there is little discretionary spending in the bureau's budget and has elected to not be as deeply involved in the budget preparation process the last couple years.

For FY 2011-12, the LMC will be involved directly in the budget process during LMC meetings. The LMC recommended that there not be an internal BBC due to lower staffing levels and high workload. The LMC will take full ownership of the final budget recommendation, and Labor and Management will present the budget together to Council.

**Development Review Advisory Committee (DRAC)** – The DRAC reviews the budget at a more global level. DRAC is very interested in fees and revenues and has been involved in ensuring that the development review process works well. Understanding the budgets of the other development bureaus continues to be a high priority for DRAC.

**Budget Advisory Committee (BAC)** – Since the FY 2009-10 budget process, each bureau has been directed to form a Budget Advisory Committee (BAC) that includes management, labor, customers, and internal and external stakeholders. To meet this requirement, BDS will convene a BAC with representatives from the following groups:

- LMC (Labor Management Committee)
- DRAC (Development Review Advisory Committee)
- SBAC (PDC's Small Business Advisory Committee)
- Neighborhood Associations
- General Public

The primary purpose of the BAC is to evaluate the bureau's budget request in light of the City's budget directions, the bureau's financial constraints, and customers' needs. The BAC will meet several times during the budget preparation process (October 2010 – January 2011) and will submit recommendations to the BDS Director. All BAC meetings will be open to the public.

**Other Groups** - In response to City Council's direction to include more citizens in the budget process, BDS invites participation by neighborhood associations and industry. To connect with neighborhood associations, BDS staff meets with the Land Use Chairs to invite their input into the budget process. The bureau has also used the BDS Industry Council to link with the development industry. The Industry Council is an informal group of industry representatives that meets quarterly to discuss issues that concern them.

## **II. Changes in the Budget Preparation Process for FY 2011-12**

### **BDS's Financial Situation**

Due to an extended period of significantly reduced revenues, BDS has used most of its reserve fund over the past two years and has reduced its staff by approximately one-half since June 2009. The bureau's budget request for FY 2011-12 will thus be much smaller than requests from previous years, and will contain minimal to no add packages.

### **Committee to Review BDS Financial Model and Projections**

In spring 2010, City Council directed the Office of Management and Finance to convene a group of experts to give the City input on future and current development activity and BDS's ability to finance a major replacement of its permit tracking system (see below).

### **FY 2010-11 Budget Note (City Council directive):**

*"As a first step towards funding a new online permitting system, Council directs the Bureau of Development Services to update its Five-Year Financial Plan for FY 2010-11 to FY 2014-15 to include a cost/benefit analysis of the new system and set aside sufficient resources to meet future debt service requirements. This analysis should take into account all of the bureaus that will use the new system. BDS must present the new Five-Year Financial Plan to Council, and Council must approve it, before BDS expends any additional funding for the new permitting system. The Council must separately approve of moving forward with the new permitting system before any expenditures are made or loans received. The CAO will also convene 5 to 7 people with expertise in commercial and residential real-estate, including a member of SBAC and DRAC, to take into consideration current and future development activity as it relates to BDS's ability to meet debt service requirements."*

The actions/recommendations that the Financial Advisory Committee will provide include:

- Review updated BDS Financial Plan
- Review financing plan
- Review costs to other bureaus
- Provide input regarding current and future development activity
- Recommendation regarding BDS's ability to meet debt service requirements
- Recommendation regarding the financial feasibility of the IT replacement project
- Preliminary recommendation regarding a new financial projection model with real estate data

### **City's Budget Directions**

At this time, the City's FY 2011-12 budget directions have not yet been published since the City Council has not held its budget retreat. In FY 2010-11, City Council directed most General Fund-supported bureaus to prepare budget reduction packages; BDS was directed not to prepare a reduction package since it is primarily fee-supported and had already made significant budget reductions.

### **Bureau's Budget Focus**

As BDS seeks financial stability and plans for future economic recovery, the bureau will focus on several key themes:

- Adequate staffing levels
- Cost savings / Program efficiencies
- Service levels (benchmarks) and service delivery (process)
- Appropriate cost recovery levels
- Using technological tools to increase effectiveness

## **III. FY 2011-12 Budget Preparation Process**

### **Set the Goals**

The Bureau Director will provide both general direction and specific goals for the FY 2011-12 budget process. Overall, the budget should support the bureau's goal of providing the best and highest level of service of any development services department in the country. The budget should ensure that the bureau staff is equipped with the appropriate tools and resources to effectively perform their jobs. Given the bureau's current financial situation, the budget will focus on finding efficiency gains and ensuring that high-priority services and programs are supported, including adequate staffing levels.

Key to the bureau's budget planning process will be the integration of the budget request with the bureau's 5-Year Financial Plan. Current financial projections call for the bureau's reserve fund to be slowly rebuilt over the next few years, so it will be critical for annual budget requests to be structured in order to accomplish the bureau's longer-term financial goals.

Finally, the bureau must continue to be cognizant of customers' needs and find creative, innovative ways to meet those needs with a reduced workforce.

### **Establish Budget Advisory Committee (BAC)**

As mentioned previously, the bureau will form a BAC composed of representatives from the LMC, DRAC, SBAC, neighborhood associations, and the community.

### **Seek Input from BDS Employees**

Everyone at BDS can be involved in the Budget Process. Section Managers will meet with their staffs to discuss the current (FY 2010-11) budget, ideas for the FY 2011-12 budget, and ideas to improve services, reduce costs, and/or increase revenues. Budget recommendations from bureau staff will be reviewed by the LMC and the Director.

### **Process for DRAC Input**

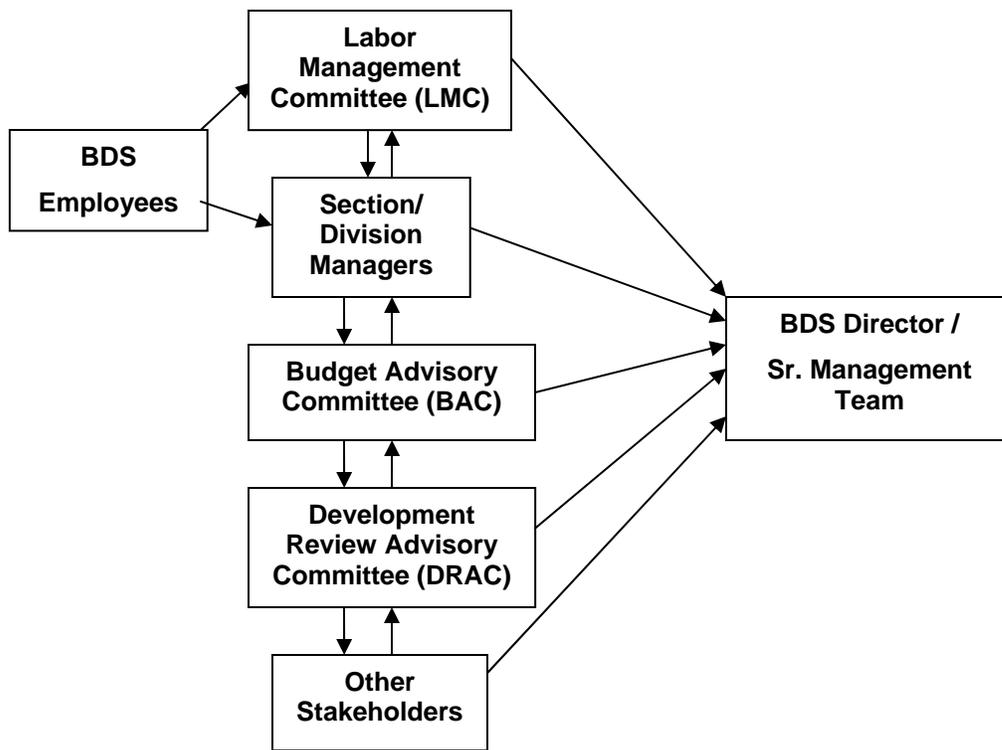
The DRAC will be reviewing the budget at a more global level during its regular monthly meetings from October 2010 – January 2011. The DRAC is very interested in fees and revenues and has been very involved in ensuring that the development review process works well. Understanding the budgets of the other development bureaus continues to be a high priority for the DRAC, and those bureaus will make budget presentations at DRAC meetings.

### **Process for Input From Citywide Land Use Chairs**

As it has for the last four years, BDS will meet with the Citywide Land Use Chairs and solicit their input into the budget preparation process.

### **Budget Recommendation and Approval Process**

As the following graphic shows, budget recommendations will be shared amongst the various groups and will flow to the Senior Management Team and the Director for final approval:



# **BDS FY 2011-12 Budget Process Timeline (Projected)**

## **September 2010**

- Committee to Review BDS Financial Model and Projections meets
- BDS Finance Section provides preliminary forecast

## **October**

- BDS Sr. Team discusses budget priorities, needs, and funding
- Finalize BDS budget process and schedules
- Preliminary BDS revenue forecast
- Budget direction from Commissioner & Director
- Formation of Budget Advisory Committee (BAC)
- Section Managers discuss budget with their staffs
- Division Managers review performance measures, goals, needs, and priorities.
- Committee to Review BDS Financial Model and Projections makes recommendations

## **November**

- LMC reviews and discusses budget recommendations and proposals
- DRAC reviews and discusses budget recommendations and proposals

## **December**

- Section and Division Managers review & give feedback on draft personnel & expenditure information
- Citywide budget direction incorporated into BDS budget priorities and decisions, if needed.
- BAC meets
- LMC reviews and discusses budget recommendations and proposals
- DRAC reviews and discusses budget recommendations and proposals
- Meetings with BDS advisory groups (Land Use Chairs, DRAC, LMC, Industry Council)

## **January 2011**

- Final program narratives, performance measures and decision package narratives from Managers to Finance.
- BAC meets
- Update / input meetings with BDS advisory groups.
- Director reviews recommendations from all groups (BAC, DRAC, LMC, employees, Land Use Chairs)

- Budget decisions finalized. Decision packages finalized; budget numbers locked; 5-Year Financial Plan numbers finalized
- BDS line time budget finalized
- Draft 5-Year Financial Plan completed
- BDS budget decisions finalized
- BDS Finance / Admin staff prepare Budget and Financial Plan documents

### **February**

- **BDS Budget Request & 5-Year Financial Plan submitted**
- City Council teams review bureau budgets

### **March**

- Citywide public forums and meetings on City budget
- City Council teams make budget recommendations

### **April**

- Council work sessions on City budget
- Mayor makes decisions on proposed City budget

### **May**

- Council work sessions on City budget
- Mayor's proposed budget document published
- City Council meets as Budget Committee

### **June**

- City Council adopts budget

## **July 1, 2011: FY 2011-12 Budget Takes Effect**



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## **MEMORANDUM**

**Date:** November 16, 2010

**To:** BDS Labor Management Committee (LMC)  
BDS Budget Advisory Committee (BAC)  
Development Review Advisory Committee (DRAC)

**From:** Paul L. Scarlett, Director

**Subject:** BDS Budget Goals for Fiscal Year (FY) 2011-12

The development of the bureau's budget over the last several years has reflected the efforts of BDS staff and stakeholders working collaboratively to identify priorities for the continued improvements and success of our operations. The same approach will be used again this year.

The ongoing economic downturn has led to declines in construction projects and land use activities, contributing to reduced revenues and workload for BDS. As everyone knows, despite aggressive cost-saving measures, we have had to use most of our reserve fund and reduce our staff by approximately one-half since June 2009. Current financial projections show that our costs are aligning with our revenue and that the reserve fund will slowly rebuild over the next few years. It will be critical for annual budget requests to be structured within our long-term financial plan in order to accomplish our financial and operational goals for next Fiscal Years and those that come after.

The budget request for Fiscal Year (FY) 2011-12 will need to be much more focused than requests several years ago, strategically rebuilding our staffing levels slowly and steadily. We will closely monitor construction activity and our operation and make adjustments as needed. We will continue to make every effort to provide efficient and effective services with reduced resources. However, I will again be recommending that the City Council dedicate increased General Fund support to BDS. We have a number of programs, especially neighborhood inspections, which provide a substantial benefit to the public. Unfortunately General Fund support of these programs has been waning.

### **Preparing for the Budget Process**

We are more prepared for this year's budget process than ever before. Senior Managers have been working on prioritizing services and analyzing turn around times. This process is focused on balancing competing priorities and identifying specific functions/programs needing additional resources, which will help improve our operation.

In addition over the past several months, we have been meeting with a group of economic, real estate and financial experts who have advised us on our financial planning. We believe that this input ensures us that we are making prudent financial decisions and helps in planning for future economic recovery.

### **Goals of the Budget Request**

The FY 2010-11 BDS budget request will support these goals by focusing on several key themes:

- Adequate staffing levels
- Cost recovery
- General Fund Support
- Service Levels/Program efficiencies
- Technology

### **Adequate Staffing Levels**

The new economic realities we face will compel us to approach the staffing and rebuilding efforts of the bureau in a measured and steady way. Our current financial projections show that we could have the capacity to add 5 to 15 positions next fiscal year and up to 49 employees over the next 5 years. We will continue to need to be more flexible in our staffing so we can be more responsive to changes in the development industry and the work coming in our doors.

### **Cost Recovery**

For several years, the bureau has struggled to reach full cost recovery for some of our programs. 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. For other services, full cost recovery is an appropriate long-term goal. We have been working on cost recovery in some areas (for example, Commercial Plumbing) by implementing gradual increases in fees over several years, to minimize the impact upon our customers and stakeholders.

### **General Fund Support**

BDS receives General Fund support for several of its local programs that provide general public benefit, including Land Use Services, Neighborhood Inspections, and Noise Control. These programs have been underfunded for several years. We will continue to seek additional General Fund support for FY 2011-12 in order to adequately fund these beneficial programs and restore services that have been reduced.

### **Service Levels / Program Efficiencies**

Given the reductions in our staffing levels, it is important to set service level goals (benchmarks) that both meet customers' needs and are achievable for the bureau. We also want to look at our overall operation to see if the way we provide services can be improved.

### **Technology**

On November 10, 2010, City Council approved the bureau's request to proceed with actions necessary to purchase and implement a new permitting software system.

### **Due Date**

The bureau's budget request and 5 year Financial Plan is due in February 2011. Thank you in advance for your participation and contribution in developing our FY 2011-12 budget!