

FINANCIAL IMPACT STATEMENT For Council Action Items

184624

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Denise Kleim		2. Telephone No. 503-823-7338	3. Bureau/Office/Dept. BDS/299/5000
5a. To be filed: 5/12/11 to be heard 5/18/11, 2:00 TC	5b. Calendar (Check One) Regular Consent 4/5ths [<input checked="" type="checkbox"/>] [] []	4. Date Submitted to FPD Budget Analyst: 5/11/11	

1) Legislation Title:

Amend fee schedules for building, electrical, mechanical, plumbing, facility permit, field issuance remodel, land use services, neighborhood inspections, noise control, signs, site development, zoning and certain construction permits (Ordinance)

2) Purpose of the Proposed Legislation:

This ordinance increases certain Bureau of Development Services fees in order to assist in recovering program costs and in re-building program reserves.

3) Revenue:

Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If new revenue is generated please identify the source.

It is anticipated that the proposed fee increases will generate approximately \$1,600,000 per year in additional revenues from permit fees. These fee increases were developed as part of the BDS 2011 five-year financial plan. The revenues in the FY 2011-12 budget are based on these proposed fee increases.

4) Expense:

What are the costs to the City as a result of this legislation? (Please include costs in the current fiscal year as well as costs in future years) (If the action is related to a grant or contract please include the local contribution or match required)

There are no costs associated with these fee increases. This action will only affect bureau revenues.

Staffing Requirements:

5) Will any positions be created, eliminated or re-classified in the current year as a result of this legislation? (If new positions are created please include whether they will be part-time, full-time, limited term or permanent positions. If the position is limited term please indicate the end of the term.)

No

6) Will positions be created or eliminated in future years as a result of this legislation?

No

7) Change in Appropriations (If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate center codes and accounts that are to be loaded by accounting. Indicate "new" in Center Code column if new center needs to be created. Use additional space if needed.)

Fund	Center Code	Account	Amount	Project Fund	Project No.

Paul L. Scarlett, Director

APPROPRIATION UNIT HEAD (Typed name and signature)



City of Portland, Oregon
Bureau of Development Services
Office of the Director
 FROM CONCEPT TO CONSTRUCTION

Dan Saltzman, Commissioner
 Paul L. Scarlett, Director
 Phone: (503) 823-7308
 Fax: (503) 823-7250
 TTY: (503) 823-6868
www.portlandoregon.gov/bds

Memorandum

Date: May 18, 2011

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

From: Paul L. Scarlett, Director *PLS*
 Bureau of Development Services

RE: Bureau of Development Services 2011 Fee Change Ordinance

The Bureau of Development Services (BDS) has prepared an ordinance proposing increases to fees for all permit types. The ordinance is scheduled to be heard by the Council on the regular agenda on Wednesday, May 18, 2011.

Background

BDS collects fees under various fee schedules to fund inspections, plan review, permit issuance, land use review, customer assistance, and other functions. Most bureau programs have the goal to be self-supporting; some programs receive General Fund support.

BDS's Response to Recession

Maintaining self-supporting programs became decidedly more challenging over the last few years as BDS weathered the recession along with all of its customers. BDS responded aggressively by implementing a variety of cost-saving measures, including program efficiencies, restructuring, and ceasing most spending on overtime, service contracts, and other discretionary spending.

BDS is continuing a comprehensive approach focused on addressing service levels, funding, and staffing issues. Key elements of this effort include:

- Continue to seek efficiencies in bureau programs and services, including implementation of an online application and issuance system for trade permits.
- Continue to closely monitor finances.
- Request additional support from the City's General Fund for BDS's public service functions (Land Use Services, Neighborhood Inspections, Compliance Services, and Noise Control).
- Pursue cost recovery for services through moderate fee increases.

Despite these efforts, the bureau's current fee structure does not cover the costs of performing BDS' core land use, permit review, inspection, and enforcement functions, since revenues have fallen further than the workload. As a result, bureau programs are currently at or below minimal staffing levels and services have been cut back significantly, negatively impacting customers, development projects, and neighborhood livability.

Fee Increases

While the bureau recognizes the impact that fee increases have on its customers, particularly in the current economic climate, moderate fee increases will be necessary in order to provide financial stability for BDS and ensure an acceptable level of services to bureau customers. Not increasing fees would have significant impact on both the bureau and our customers and stakeholders:

- Service levels would remain at unacceptably low levels, hindering development
- Bureau reserves would remain at critically low levels.
- Cost recovery efforts would slip.

BDS is therefore proposing to increase most fees by 8% (except for Environmental Soils) beginning July 1, 2011. Due to significant historical funding issues, Environmental Soils fees will increase by 70%. The bureau's FY 2011-12 Requested Budget includes revenue from the fee increases proposed in this ordinance. It is anticipated that the proposed fee increases will generate approximately \$1.6 million per year in additional revenues.

BDS has been proactive in keeping customers informed and seeking their input regarding these proposed fee changes. The bureau is publishing information about the proposed fee increases on its website and in the Plans Examiner newsletter, and has communicated or met with over a dozen customer and stakeholder groups.

The bureau knows these changes affect its customers' work and their willingness to do business in this area. BDS's interests are in restoring levels of service and increasing its effectiveness on both its customers' and the community's behalf.



City of Portland, Oregon
Bureau of Development Services
Office of the Director
 FROM CONCEPT TO CONSTRUCTION

Dan Saltzman, Commissioner
 Paul L. Scarlett, Director
 Phone: (503) 823-7308
 Fax: (503) 823-7250
 TTY: (503) 823-6868
www.portlandoregon.gov/bds

City Council
 Agenda Item
 Staff Supplemental Report

TO: Commissioner Dan Saltzman
 THROUGH:

FROM: Paul L. Scarlett, BDS Director

DATE: May 6, 2011

RE: Bureau of Development Services 2011 Fee Change Ordinance

Requested Council Hearing Date: Wednesday, May 18, 2011

I. RECOMMENDATION

Amend fee schedules for building, electrical, mechanical, plumbing, facility permit, field issuance remodel, land use services, neighborhood inspections, noise control, signs, site development, zoning and certain construction permits.

II. BACKGROUND

BDS collects fees under various fee schedules to fund inspections, plan review, permit issuance, land use review, customer assistance, and other functions. Most bureau programs have the goal to be self-supporting; some local code programs receive General Fund support.

Over the years, BDS has kept programs self-supporting by providing efficient, effective services and by periodic, moderate fee increases that allow the bureau to respond to increasing costs and to be proactive in meeting changing customer needs.

Since the recession began, BDS has taken a comprehensive financial approach focused on addressing service levels, funding, and staffing issues. Key elements of this effort include:

- Seeking efficiencies in bureau programs and services
- Closely monitoring finances
- Requesting additional General Fund support for BDS's local code programs (Land Use Services, Neighborhood Inspections, Compliance Services, and Noise Control)
- Pursuing cost recovery for services through moderate fee increases

Despite these efforts, the bureau's current fee structure does not cover the costs of performing BDS' core land use, permit review, inspection, and enforcement functions, since revenues have fallen further than the workload. As a result, bureau programs are currently at or below minimal staffing levels and services have been cut back significantly, negatively impacting customers, development projects, and neighborhood livability.

III. FINANCIAL IMPACT

BDS is proposing to increase most fees by 8% (except for Environmental Soils) beginning July 1, 2011. Due to significant historical funding issues, Environmental Soils fees will increase by 70%. The bureau's FY 2011-12 Requested Budget includes revenue from the fee increases proposed in this ordinance. It is anticipated that the proposed fee increases will generate approximately \$1.6 million per year in additional revenues.

IV. LEGAL ISSUES

None identified. ORS 455.020 authorizes the prescription of fees for building permit issuance, plan review, and inspection services, and City Code authorizes fees for local services (such as land use reviews).

V. CONTROVERSIAL ISSUES

Fee increases are rarely popular with bureau customers and stakeholders, particularly in challenging economic times. However, BDS has been proactive in keeping customers informed and seeking their input regarding the fee changes. BDS's two primary advisory bodies, the Development Review Advisory Committee (DRAC) and BDS's Budget Advisory Committee, have expressed support for the fee increases. The bureau has published information about the fee increases on its website and in its Plans Examiner newsletter, and has communicated or met with over a dozen customer and stakeholder groups. Generally these groups have expressed concern about the timing and degree of the increase. However they are supportive of adding more staff to increase customer service and respond to the workload.

VI. LINK TO CURRENT CITY POLICIES

City financial policy FIN-2.06 (Revenue) specifies that charges for services that benefit specific users should recover full costs:

<http://www.portlandonline.com/auditor/index.cfm?&a=200836&c=47787>

BDS has also established the following Fee Increase Policy, which appears on p. 35 of its 5-Year Financial Plan

(<http://www.portlandonline.com/bds/index.cfm?c=53731&a=336248>):

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.

VII. CITIZEN PARTICIPATION

The bureau is publishing information about the proposed fee increases on its website and in the Plans Examiner newsletter, and has communicated or met with over a dozen customer and stakeholder groups. See more details in Section V - Controversial Issues above.

VIII. OTHER GOVERNMENT PARTICIPATION

Multnomah County fees will also be affected, since the County contracts with the City of Portland for inspection and plan review services in the unincorporated areas within the Portland urban services boundary. The County Board of Commissioners will therefore need to approve any fee increases. The Board is scheduled to take action on the proposed fee increases on Thursday, June 2, 2011.

The fees for the environmental soils (subsurface sewage) program are not included in the Council packet. These fees are adopted by the County and not the City, because the program is delegated from the County to the City via an intergovernmental agreement. Fees from the program are directly collected and retained by BDS.

IX. FINANCIAL IMPACT ON LOCAL ECONOMY

Our regular customers continue to communicate to us that they highly value dependable timeframes and consistency. Increasing fees will allow BDS to add staff to respond to the workload needs and thus reduce time delays that customers may otherwise encounter. Ultimately supporting development will have positive impact on the local economy.

Although some may argue that increasing these fees will put a damper on development, in reality the BDS fees are a small portion of most project costs and also cost significantly less than SDCs.

IF APPLICABLE, PROVIDE INFORMATION ON ESTIMATED NUMBER OF JOBS CREATED BY THIS ACTION

Fee increases are part of what would enable BDS to increase staffing by 13 positions.
The impact upon job creation in the private sector is unknown.

M/W/ESB participation on this contract is N/A

- X. IF THIS IS A CONTRACT, DOES CONTRACTOR HAVE A CURRENT BUSINESS LICENSE? ___ WHAT IS THEIR BUSINESS LICENSE NUMBER? ___ IS THEIR ACCOUNT WITH THE CITY CURRENT? ___ IF NOT, HOW MUCH IS OWING?
