



**BUILDING INSPECTION COMMISSION (BIC)
Department of Building Inspection (DBI)**

SPECIAL MEETING

Thursday, February 10, 2022 at 3:00 p.m.

Remote Hearing via video and teleconferencing

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PUBLIC COMMENT CALL-IN: 1-415-655-0001 / Access Code: 2487 035 0988

ADOPTED MARCH 16, 2022

MINUTES

- 1. The regular meeting of the Building Inspection Commission was called to order at 3:10 p.m. a.m. Call to Order and Roll Call.**

COMMISSION MEMBERS PRESENT:

Angus McCarthy, **President**

Jason Tam, **Vice-President**

Raquel Bito, **Commissioner**

Sam Moss, **Commissioner**

J.R. Eppler, **Commissioner**

Angie Sommer, **Commissioner**

Alysabeth Alexander-Tut, **Commissioner, Arrived at 3:55 p.m.**

Sonya Harris, **Secretary**

Monique Mustapha, **Assistant Secretary**

CITY ATTORNEY REPRESENTATIVE

Robb Kapla, **Deputy City Attorney**

Ramaytush Ohlone Land Acknowledgement:

The Building Inspection Commission acknowledges that we are on the unceded ancestral homeland of the Ramaytush Ohlone, who are the original inhabitants of the San Francisco Peninsula. As the indigenous stewards of this land and in accordance with their traditions, the Ramaytush Ohlone have never ceded, lost, nor forgotten their responsibilities as the caretakers of this place, as well as for all peoples who reside in their traditional territory. As guests, we recognize that we benefit from living and working on their traditional homeland. We wish to pay our respects by acknowledging the Ancestors, Elders, and Relatives of the Ramaytush Ohlone community and by affirming their sovereign rights as First Peoples.

- 2. Discussion and possible action on the proposed budget of the Department of Building Inspection for fiscal years 2022/2023 and 2023/2024.**

Deputy Director Taras Madison presented the following items:

- Proposed Budget
- Budget Development

- Strategic Plan Goals/Funding Priorities
- Budget Organization
- Budget Revenues by Division
- Budget Expenditures by Division/Section
- Interdepartmental Services (Work Orders)
- Proposed Fiscal Year 2022-23 and Fiscal Year 2023-24 Budget Next Steps
- Proposed Fiscal Year 2022-23 and Fiscal Year 2023-24 Budget Schedule

Public Comment:

Mr. Jerry Dratler provided the following statement: 1) 2019 DBI actual revenue was \$84 million. The revenue budget for this year is \$51 million a \$33 million or 39% reduction from the 2019 actual revenue. DBI revenue is forecasted for the next two years to be \$56 million each year. 2) Expenses in the next three years are forecasted to be about \$90 million per year or a \$15 million increase over the 2019 expenses of \$75 million. 3) lower revenue and higher expenses will result in operating losses of about \$34 million each year for the next three years. 4) I don't understand how management can forecast a reduction in revenue without reducing expenses. 5) DBI is an enterprise department. Enterprise departments are entirely funded through fees charged. DBI either has to raise fees by \$34 million or cut expenses by \$34 million.

Ozzie Rohm with San Francisco Land Use Coalition said that DBI's operating budget is down to \$40 million and asked how there was a forecasted reduction in revenues without a reduction in expenses and what happens when there were no operating reserves left to fund operating costs. DBI's current expenses and staffing levels of 270 full time employees was not sustainable, forecasted total revenue of \$51 million would not cover the forecasted \$52 million of salaries and benefit expenses. Expenditure formation of \$5 million in City grants and non-profits is not available, were those grants relevant to DBI operations and would they be charged to the general fund and not DBI. How would DBI award those grants while sustaining losses. There are questionable practices in City Departments for example the Assessor's office DBI \$3 million a year for appraisals. The residents of San Francisco look to this Commission to do the right things and answer questions before rubberstamping a budget that was not sustainable.

Mr. Bruce Bowlen with The Dolores Heights Improvement Club said as he reviewed the proposed budget presentation comments regarding the depleting budget was overlooked. The complacency along with the declined net operating income and cumulative loss was forecasted to grow to an excess of \$100 million. Mr. Bowlen hoped the Commission would address the questions offered during public comment.

Commissioner Question & Answer Discussion:

Vice President Tam expressed his concern regarding the depleting revenue and asked when the fee audit would happen and what was the process?

Ms. Madison said the last fee study was scheduled prior to the pandemic and has yet to be rescheduled. In 2015 a new fee schedule was implemented that took about one year to implement after being brought to the Commission, and updated in the Building Code. There was a 7% reduction to most fees and some fees were reduced by 40%, and which fees were reduced depended on the methodology used by the vendor.

Commissioner Bito said the reduction in the revenues were fairly obvious due to the pandemic, however moving forward how would the Department increase revenue given some things that would be out of the control of the Department. By having made the permit and inspection process more efficient by utilizing technology such as Electronic Plan Review (EPR), which allowed online transactions to create efficiency. The Commission would look at the budget as a whole when reviewing the operations of DBI.

Commissioner Eppler asked about the work orders received from other departments and the likelihood of a reduction in fees if there was an incentive involved in the process?

Ms. Madison said the Department would look at expenditures over the last few years, and at a minimum there would not have been an increase. If there were savings that would be a discussion to have with that department, also all of the services projected would be discussed if those would be completed in that fiscal year. There was not a dollar amount available for what that reduction would be, and due to the revenues declining other departments would have to listen as that funding would not be there going forward. We have a reserve to assist the Department when these situations come about rather than a budget reduction. The Department has made some reductions and plans to make more.

Commissioner Sommer asked because there are reserve funds available, at what point would the Department make drastic cuts to bring the budget into alignment rather than using reserve funds?

Deputy Director Madison said this was a two-year budget and the focus was FY 2022-23 and the next FY 2023-24 the Department would not be proposing to keep the budget at \$91 million if the revenues are \$52 million, so between now and the next year the proposed changes would be implemented to right size the budget, and some of the work orders would need to be discussed. DBI normally does not spend \$52 million in salaries and the Department does not budget on what may not happen. Though the Department had been down this path for some time the decline in revenues had been covered by some of the revenues. For example, in 2021 DBI proposed a collection of \$40 million, but instead collected \$50 million, and the hope is the Department will see an increase again. The reason revenues were at \$70-80 million was because at that time the Department had projects at a valuation of \$300 million. A variety of things have happened such as decrease in valuation, permits have decreased, and there was a decrease in fees. There was a fee contingency set aside to assist with those decreases.

President McCarthy said he was concerned that the Department was not taking firmer action on the current budget and asked when would Ms. Madison report back to the BIC on the progress of the budget.

Ms. Madison said she would be reporting at the monthly BIC meeting, but for this budget it would be submitted to the Mayor's Office on February 22, 2022, The way that process works is the Department would give an update on those recommendations and was speaking with other departments regarding reductions, and she would give an update at the upcoming regular BIC meeting. The alternative to using the reserve funds would be to cut the budget by \$34 million and she was open to suggestions as to where to make those cuts.

President McCarthy asked if there was a recommendation in the language from Deputy City Attorney (DCA) Robb Kapla as to how to stress the concern of the Commission to make aggressive reductions in the budget with the Controller's Office.

DCA Robb Kapla advised the direction would be to the DBI that the BIC would forward the budget along with directives to look into all methods to reduce the Departments expenditures in certain areas or to increase revenues in other areas. The language would have to be qualitative as to the areas the BIC would give direction to DBI to make changes. The BIC could not give direction to other departments.

President McCarthy asked in reference to the interdepartmental work orders what could the language be in those directives?

DCA Robb Kapla advised the language to add as a directive to the Department as follows: The Department to determine ways to align the expenditures for the work orders with revenues or to reduce the

expenditures where they are unnecessary to meet the Department’s budget concerns.

President McCarthy and Commissioner Bito had a discussion regarding what language to use in the directive for the Department’s budget to be submitted to the Mayor’s Office.

Ms. Madison said due to the make-up of the budget the focus was the expenditures and could only come up with what the projections show as far as revenues. Citywide in nine months there would be another estimate that could increase the Departments budget but not by \$34 million. The concern is \$34 million in reserves to balance is a lot.

President McCarthy asked how would the Department begin to reduce \$34 million and could the BIC ask for a 5% reduction in work orders?

Ms. Madison said whatever the directive would be from the BIC would be what the Department would work on. Also, there were automatic savings in the work orders that would be reviewed and reported at the next regular BIC meeting.

DCA Robb Kapla said that the budget has to pass or not pass and be submitted to the Mayor’s Office, there was not an option for conditional approval, or if the BIC felt it had enough information the directive would be to enter line items and cross items out. However, DBI staff was relating to the BIC those changes were not possible at that time. The direction was to reduce by a percentage or explore and come up with a plan by dates that were not conditional of the budget but a directive to the Department. The budget had to be approved as provided to the Building Inspection Commission or changed.

Commissioner Bito asked what would happen if the budget were not approved?

DCA Robb Kapla said the Commission was charged with passing or not passing the budget and asked Ms. Madison to clarify if possible from the Mayor’s Office the process of the budget not passing.

Commissioner Alexander-Tut turned on her camera at 3:55 p.m., but noted that she had been listening to the meeting.

Ms. Madison said she thought the budget had to be approved by the BIC and submitted to the Mayor’s Office, but was not clear of the process if the budget did not pass.

The Commissioners went around and each commented on whether they agreed or disagreed to pass the budget.

Vice President Tam made a motion to approve the DBI budget for FY 2022-2023 and 2023-2024, which was seconded by Commissioner Alexander-Tut.

Secretary Harris Called for A Roll Call Vote:

President McCarthy	Yes
Vice President Tam	Yes
Commissioner Alexander-Tut	Yes
Commissioner Bito	Yes
Commissioner Eppler	Yes
Commissioner Moss	Yes
Commissioner Sommer	Yes

The motion carried unanimously.

RESOLUTION NO. BIC 020-22

Commissioner Alexander-Tut made a motion, seconded by Vice-President Tam, for DBI to develop a strategy and timeline to reduce the deficit using the following two strategies: One to conduct a fee study by reducing the fee schedule and two create a strategy to lower the usage of work orders.

Secretary Harris Called for A Roll Call Vote:

President McCarthy	Yes
Vice President Tam	Yes
Commissioner Alexander-Tut	Yes
Commissioner Bito	Yes
Commissioner Eppler	Yes
Commissioner Moss	Yes
Commissioner Sommer	Yes

RESOLUTION NO. BIC 021-22

3. Adjournment.

Vice President Tam made a motion to adjourn the meeting, seconded by Commissioner Bito.

RESOLUTION NO. BIC 022-22

The meeting was adjourned at 4:15 p.m.

Respectfully submitted,



Monique Mustapha, Assistant BIC Secretary



Edited By: Sonya Harris, BIC Secretary