BIC Meeting of April 17, 2013

Agenda Item #5a

City and County of San Francisco
Department of Building Inspection

Edwin M, Lee, Mayor
Tom C. Hui, S.E., C.B.O., Acting Director

DATE: April 17, 2013

TO: Tom C. Hui, S.E., C.B.O., Acting Director, Department of Building Inspection

FROM: Pamela Levin, Deputy Director, Administrative Services

RE: Financial Report YTD March 2013

Attached please find the financial performance report for operating revenues and expenditures through March 31, 2013. With nine months of actual revenues and expenditures, the Department is projecting that FY 2012-13 will close with a $14.96 million balance compared to the budget. The following table outlines the Department's actual revenues, expenditures, and projections.

Revenues and Expenditures
March-13

	Revised Budget	YTD March 2013	Projected	Surplus/(Deficit)
Revenues				
Apartment/Rental Unit/Hotel License Fees	8,763,240	4,797,113	8,763,240	0
Interest & Investment	252,152	387,721	602,887	350,735
MOU - TJPA and Port	-	0	0	0
Charges for Services	40,733,951	45,690,468	53,542,301	12,808,350
Intrafund Transfer for DCU from Strong Motion	236,938	0	236,938	0
NSF Checks	0	0	0	0
Total Operating Revenues	49,986,281	50,875,302	63,145,366	13,159,085
Carryforward for Encumbrances		0	0	0
Use of / Return to Fund Balance	22,892	22,892	22,892	0
Total Other Revenues	22,892	22,892	22,892	0
Total Revenues	**50,009,173**	**50,898,194**	**63,168,258**	**13,159,085**
Refunds	**0**	**(100,255)**	**(200,000)**	**(200,000)**
Total Revenues Net of Refunds	**50,009,173**	**50,797,939**	**62,968,258**	**12,959,085**
Expenditures				
Employee Salaries and Fringes	37,116,749	22,875,057	35,116,749	2,000,000
Overhead	742,252	0	742,252	0
Non-Personal Services	1,547,564	611,079	1,547,564	0
Community Based Organizations	1,767,612	915,200	1,767,612	0
Materials & Supplies	562,048	201,975	562,048	0
Capital Outlay	300,000	0	300,000	0
Project Carryforward	-	0	0	0
Services of Other Departments	7,303,744	4,109,350	7,303,744	0
Expenditure Recovery	(190,825)	(69,684)	(190,825)	0
Operating Transfers Out	0	0	0	0
Intrafund Transfers Out	859,447	859,447	859,447	0
Unappropriated Revenue	582	0	582	0
Total Expenditures	**50,009,173**	**29,502,424**	**48,009,173**	**2,000,000**
Balance				**14,959,085**

Revenues

Year-to-date revenues, net of refunds, through March 2013 are $8.86 million more than the same time last year – which is an increase of 21.02% year over year.

YTD March 2013	YTD March 2012	$ Variance	% Variance
$51,034,877	**$42,171,612**	**$8,863,265**	**21.02%**

A year-over-year comparison of the valuation of issued permits shows an increase of $733.2 million between FY 2012 and FY 2013 or 46.45%. The Department is processing permits with a higher valuation in FY 2013, as compared to FY 2012. The distribution of issued permits by construction cost between years is as follows:

	Number of Issued Permits			
Valuation in $	YTD 2012	YTD 2013	Change	% Change
0-499	5,217	5,772	555	10.64%
500-1,999	1,303	1,344	41	3.15%
2,000- 9,999	5,435	5,435	0	0.00%
10,000 – 49,999	5,080	5,694	614	12.09%
50,000-99,999	1,124	1,292	168	14.95%
100,000-499,999	1,130	1,375	245	21.68%
500,000-999,999	192	261	69	35.94%
1,000,000 or more	178	205	27	15.17%
	19,659	21,378	1,719	8.74%

	YTD 2012	YTD 2013	Change	% Change
Total Valuation	$ 1,578,632,588	$ 2,311,833,927	$ 733,201,339	46.45%

Expenditures

Year-to-date expenditures through March 2013 are approximately $786 thousand less than the same time last year – which is a decrease of 2.67% year over year.

YTD March 2013	YTD March 2012	$ Variance	% Variance
$29,501,534	**$30,288,751**	**$(786,327)**	**-2.67%**

This decrease is due to the large transfer to the special projects that was done last year for $3.85 million, this year the transfer was less than $1 million. If you exclude the transfer to the projects, the Department has increased expenses in training, personnel, non-personal services, and on-time billing by the Community Based Organizations for work in association with SRO and CEOP programs that DBI administer over last year.

Fund Balance

DBI's fund balance is currently $29 million, and is projected to grow to $40 million at the end of the fiscal year when the $14.96 million balance projected for this year is allocated to the deferred credit program and the fund balance. The Controller's Office has conducted the attached Reserve Analysis.

DEPARTMENT OF BUILDING INSPECTION
MONTHLY REPORT MARCH 2013

REVENUES

Char	Description	Mar-12 PY Current Month	Mar-12 Prior YTD Revenue	FY 2011-12 PY Actual Revenue	FY 2012-13 CY Original Budget	FY 2012-13 CY Revised Budget	Mar-13 CY Current Month	Mar-13 Current YTD Revenue	FY 2012-13 Projected Total	Projected Revenue Variance
200	Apartment/Rental Unit/Hotel License Fee	670	4,839,023	8,266,819	8,763,240	8,763,240	1,342	4,797,113	8,763,240	-
300	Interest & Investment	46,760	346,244	502,627	252,152	252,152	-	387,721	602,887	350,735
MOU - TJPA and Port									0	-
600	Charges for Services	5,636,892	36,799,814	49,630,922	40,733,951	40,733,951	5,582,724	45,690,468	53,542,301	12,808,350
950	Intrafund Transfer for DCU from Strong Motion		236,938	236,938	236,938	236,938	-	236,938	236,938	-
Increase/(Decrease) to Deferred Credit Account									-	-
	Total Operating Revenues	5,684,322	42,222,019	58,637,306	49,986,281	49,986,281	5,584,066	51,112,240	63,145,366	13,159,085
	Carryforward for Encumbrances									-
	Use of / Return to Fund Balance				22,892	22,892	22,892	22,892	22,892	-
	Total Other Revenues	-	-	-	22,892	22,892	22,892	22,892	22,892	-
	Total Revenues	**5,684,322**	**42,222,019**	**58,637,306**	**50,009,173**	**50,009,173**	**5,606,958**	**51,135,132**	**63,168,258**	**13,159,085**
	Refunds	**(2,234)**	**(50,407)**	**(183,468)**			**(9,445)**	**(100,255)**	**(200,000)**	**(200,000)**
	Total Revenues Net of Refunds	**5,682,088**	**42,171,612**	**58,453,838**	**50,009,173**	**50,009,173**	**5,597,513**	**51,034,877**	**62,968,258**	**12,959,085**

EXPENDITURES

Char	Description	Mar-12 PY Current Month	Mar-12 Prior YTD Expenditures	FY 2011-12 PY Actual Expenditures	FY 2012-13 CY Original Budget	FY 2012-13 CY Revised Budget	Mar-13 CY Current Month	Mar-13 Actuals to Date	FY 2012-13 Projected Total	Projected Expenditure Variance
001-013	Employee Salaries and Fringes	2,347,307	21,431,257	30,174,928	37,116,749	37,116,749	2,478,290	22,875,057	35,116,749	2,000,000
020	Overhead				742,252	742,252			742,252	-
021	Non-Personal Services	42,486	472,740	632,972	1,547,564	1,547,564	81,863	611,079	1,547,564	-
038	Community Based Organizations	116,754	763,531	1,446,438	1,767,612	1,767,612	107,600	915,200	1,767,612	-
040	Materials & Supplies	25,427	160,002	258,164	562,048	562,048	24,757	201,975	562,048	-
060	Capital Outlay				300,000	300,000			300,000	-
069	Project Carryforward									-
081	Services of Other Departments	292,029	3,674,975	5,965,024	7,303,744	7,303,744	191,738	4,109,350	7,303,744	-
086	Expenditure Recovery		(63,754)	(176,349)	(190,825)	(190,825)		(69,684)	(190,825)	-
091	Operating Transfers Out									-
095	Intrafund Transfers Out		3,850,000	3,850,000	859,447	859,447		859,447	859,447	-
098	Unappropriated Revenue				582	582			582	
Use of other project expenditure authority										
	Total Expenditures	**2,824,003**	**30,288,751**	**42,151,177**	**50,009,173**	**50,009,173**	**2,884,248**	**29,502,424**	**48,009,173**	**2,000,000**
	Balance									**14,959,085**

Glossary:

Char = Character
Highest level of Chart of Accounts

PY = Prior Year
Last Fiscal Year

YTD = Year To Date
Accumulated monthly data

CY = Current Year
This Fiscal Year

FY = Fiscal Year
July 1 to June 30

Revenue Variance
Difference between *current year revised budget* and *current year to date revenue*.

Expenditure Variance
Difference between *revised budget* and *actuals to date* including encumbrances

% FY Elapsed
Percentage of the fiscal year gone at time of data collection
75.00 = 9 month, the number of pay periods vary from month to month
75.10 = 19.6 pay periods.

Spend Rate
Percentage of the *revised* budget amount spent

DEPARTMENT OF BUILDING INSPECTION
MONTHLY REVENUE REPORT FOR FY 2012-13
MONTH: MARCH 2013

SOURCES OF REVENUE		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	CUM TOTAL
INSPECTION SERVICES														
61115	BUILDING PERMITS	961,113	1,735,537	839,670	800,076	659,160	908,104	453,070	1,041,497	1,042,753				8,440,980
61116	PENALTIES & VIOLATIONS -- BID	46,272	39,754	32,273	41,171	31,464	24,220	32,705	19,736	38,421				306,016
61117	ADDITIONAL BUILDING INSPECTIONS	18,213	29,053	30,672	27,544	37,119	83,490	23,328	53,576	42,142				345,137
61118	RESIDENTIAL INSPECTIONS REPORTS	20,700	29,900	13,800	16,100	11,500	17,420	18,400	87,400	55,200				270,420
61119	OFF-HOURS BUILDING INSPECTION													-
61120	ENERGY INSPECTIONS	26,486	32,100	23,850	30,720	27,710	21,362	17,074	19,668	30,862				229,832
61130	PLUMBING PERMIT ISSUANCE FEE	301,355	359,352	321,289	141,888	313,976	230,754	151,108	308,976	348,161				2,476,859
61131	PENALTIES--PLUMBING PERMIT	8,472	4,996	4,785	480	8,880	12,734	4,833	1,770					46,950
61132	PLUMBING INSPECTION	29,707	15,754	31,593	32,598	12,325	10,053	12,853	17,653	20,545				183,081
61133	OFF-HOURS PLUMBING INSPECTION	4,080	5,440	1,020	5,100	7,480	5,780	3,740	3,400	3,060				39,100
61135	MECHANICAL PERMIT ISSUANCE FEE	21,315	32,035	21,916	(8,463)	32,215	19,900	(6,714)	33,710	28,290				174,204
61140	ELECTRICAL INSPECTION	473,132	642,584	488,630	344,439	525,123	455,011	297,336	549,488	522,457				4,298,200
61141	PENALTIES--ELECTRICAL PERMIT	13,020	3,360	7,480	12,933	16,667	10,480	13,086	23,310	25,960				126,296
61142	ADDITIONAL ELECTRICAL INSPECTION	34,363	21,760	25,330	19,380	24,480	18,360	26,010	24,310	22,780				216,773
61143	OFF-HOURS ELECTRICAL INSPECTION	2,380	9,180	4,675	6,885	3,400	2,890	5,015	6,205	3,400				44,030
61144	SIGN PERMIT	2,670	4,210	3,030	4,190	3,770	590	2,230	3,380	4,560				28,630
61152	ADDITIONAL--MECHANICAL													-
61155	BOILER PERMIT	35,902	29,941	27,632	17,903	25,076	16,852	30,927	34,687	39,860				258,780
61156	BOILER PERMIT PENALTIES					1,296								1,296
61157	ADDITIONAL BOILER INSPECTION													-
61158	OFF-HOURS BOILER INSPECTION													-
69999	OTHER OPERATING REVENUE													-
	SUB-TOTAL >>>>>>>>>	1,999,180	2,994,956	1,877,645	1,492,944	1,741,641	1,838,000	1,085,001	2,228,766	2,228,451	-	-	-	17,486,584
HOUSING INSPECTION/CODE ENFORCEMENT														
20931	APARTMENT LICENSE FEE		2,502				3,812,238							3,814,740
61160	HOTEL LICENSE FEE		154				189,829							189,983
61161	1 & 2 FAMILY RENTAL FEE		543			(208)	754,483		(52)	(416)				754,350
61162	HOTEL CONVERSION ORDINANCE	312	728	208	624	3,205	11,861	18,720	624	1,758				38,040
61163	RESIDENTIAL HOTEL PRESERVATION													-
61165	CODE ENFORCEMENT--CED	36,720	28,623	9,727	22,126	20,660	14,046	11,307	13,833	30,143				187,185
61167	CODE ENFORCEMENT--ASSESSMENT FE	25,253	43,152	51,644	49,029	5,907	20,059	2,688	10,867	51,169				259,768
61168	CODE ENFORCEMENT--CA LITIGATION		499,657	312,848	1,220,474	135,922	281,172	290,833	91,167	247,676				3,079,749
61169	CODE ENFORCEMENT--LEAD ABATEMENT													-
63592	INTERIOR LEAD ABATEMENT FEES													-
	SUB-TOTAL >>>>>>>>>	62,285	575,359	374,427	1,292,253	165,486	5,083,688	323,548	116,439	330,330	-	-	-	8,323,815

DEPARTMENT OF BUILDING INSPECTION
MONTHLY REVENUE REPORT FOR FY 2012-13
MONTH: MARCH 2013

SOURCES OF REVENUE		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	CUM TOTAL
PERMITS SERVICES														
61108	NOTICES	5,106	6,496	5,648	4,969	5,510	4,359	6,022	4,122	6,669				48,901
61109	POSTING NOTICES						52		(52)					-
61110	STREET NUMBERS	6,575	9,733	8,560	13,073	6,941	4,296	6,356	8,415	6,371				70,320
61112	CENTRAL PERMIT BUREAU FEES	32,656	40,144	37,596	1,686,630	32,864	27,196	1,215,298	32,192	36,088				3,140,664
61121	PERMIT EXTENSION FILLING													-
61180	PERMIT EXPEDITOR	52	52	104	26	26	52	52	52	52				468
	SUB-TOTAL >>>>>>>>>	44,389	56,425	51,908	1,704,698	45,341	35,955	1,227,728	44,729	49,180	-	-	-	3,260,353
PLAN REVIEW SERVICES														
61101	PLAN CHECKING	2,535,355	2,787,976	2,583,730	477,253	1,336,128	2,170,729	1,460,308	2,420,057	2,513,548				18,285,084
61102	PREMIUM PLAN REVIEW	469,554	21,243	11,221	(30,753)	278,475	8,879	66,264	149,151	190,324				1,164,358
61103	PREPLAN APPLICATION MEETING	16,082	11,781	6,358	10,416	13,838	7,854	8,383	20,196	17,204				112,112
61104	SUBPOENA	470	750	900	388	600	150	486	750	1,050				5,544
61105	APPLICATION EXTENSION	17,170	10,321	3,136	16,475	22,233	5,783	28,165	11,278	8,742				123,303
61150	MECHANICAL PERMIT	7,533	5,423	374	4,437	4,301	3,472	4,900	10,098	13,464				54,002
61170	SEISMIC RETROFFITING	461		1,335	(180)		1,703	1,551	1,703	1,703				8,276
61181	BOARD FEES													-
	SUB-TOTAL >>>>>>>>>	3,046,625	2,837,494	2,607,054	478,036	1,655,575	2,198,570	1,570,057	2,613,233	2,746,035	-	-	-	19,752,679
ADMINISTRATION/SUPPORT SERVICES														
30150	INTEREST INCOME	55,975	44,484	49,298	41,582	52,709	36,597	56,957	50,119					387,721
30310	UNREALIZED GAINS													-
60175	TTX-GENERAL GOVERNMENT	234	613	(403)	701	(535)	(80)	210	400	10,527				11,667
60199	OTHER GENERAL GOVERNMENT													-
60627	CURB RECONFIGURATION													-
61111	REPRODUCTION	245	224	181	289	200	143	315	94	328				2,019
61183	MICROFILM RELATED FEE	28,105	26,063	21,932	20,370	22,062	21,729	21,429	20,090	26,817				208,597
61184	RECORDS RETENTION FEE	34,459	50,286	38,463	36,883	31,050	33,417	36,867	35,650	38,334				335,409
61185	REPORT OF RESIDENTIAL RECORD FEE	99,116	129,381	108,638	89,242	79,006	60,244	92,599	112,794	129,019				900,039
61186	VACANT/ABANDONED BUILDINGS	6,885	19,125	9,180	2,304	19,890	9,180	11,475	15,300	13,770				107,109
61187	DEVELOPMENT FEE COLLECTION-ADMIN FEE				208	1,248	104							1,560
69999	OTHER OPERATING REVENUE	346	680	261	2,324	754	809	298	482	396				6,350
78901	OVERRAGE (SHORTAGE)	(328)	328											-
78902	DBI--NON SUFFICIENT FUNDS	(3,306)	(3,493)	(23,859)	(30)	21,975	5,080	(9,281)	2,625	1,434				(8,855)
	SUB-TOTAL >>>>>>>>>	221,731	267,691	203,691	193,873	228,359	167,223	210,869	237,554	220,625	-	-	-	1,951,616
	REVENUE TOTAL	**$ 5,374,210**	**$ 6,731,925**	**$ 5,114,725**	**5,161,804**	**$ 3,836,402**	**$ 9,323,436**	**$ 4,417,203**	**$ 5,240,721**	**$5,574,621**	**$ -**	**$ -**	**$ -**	**$ 50,775,047**

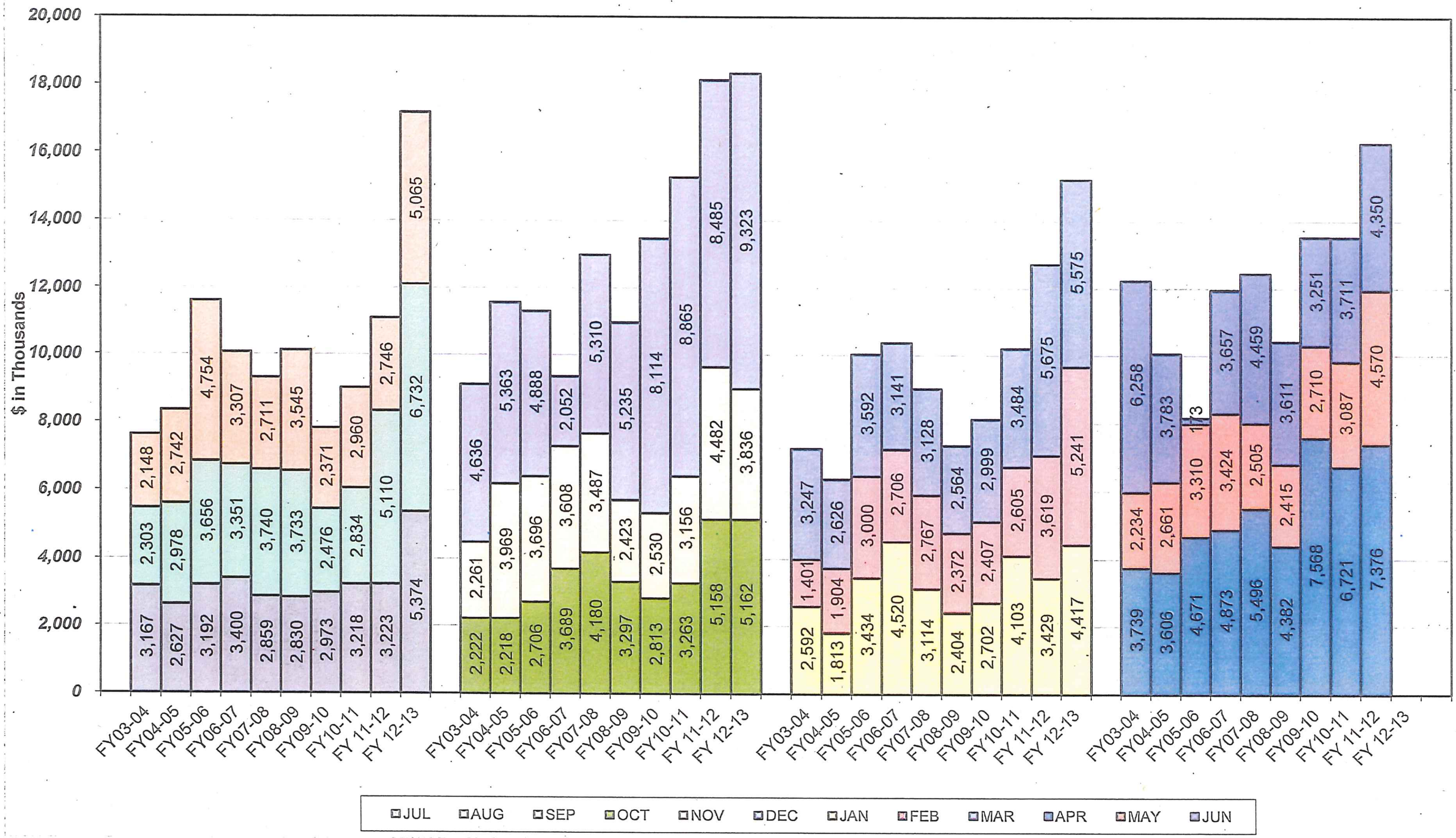
DEPARTMENT OF BUILDING INSPECTION
REVENUE PROJECTION FOR FY 2012-13

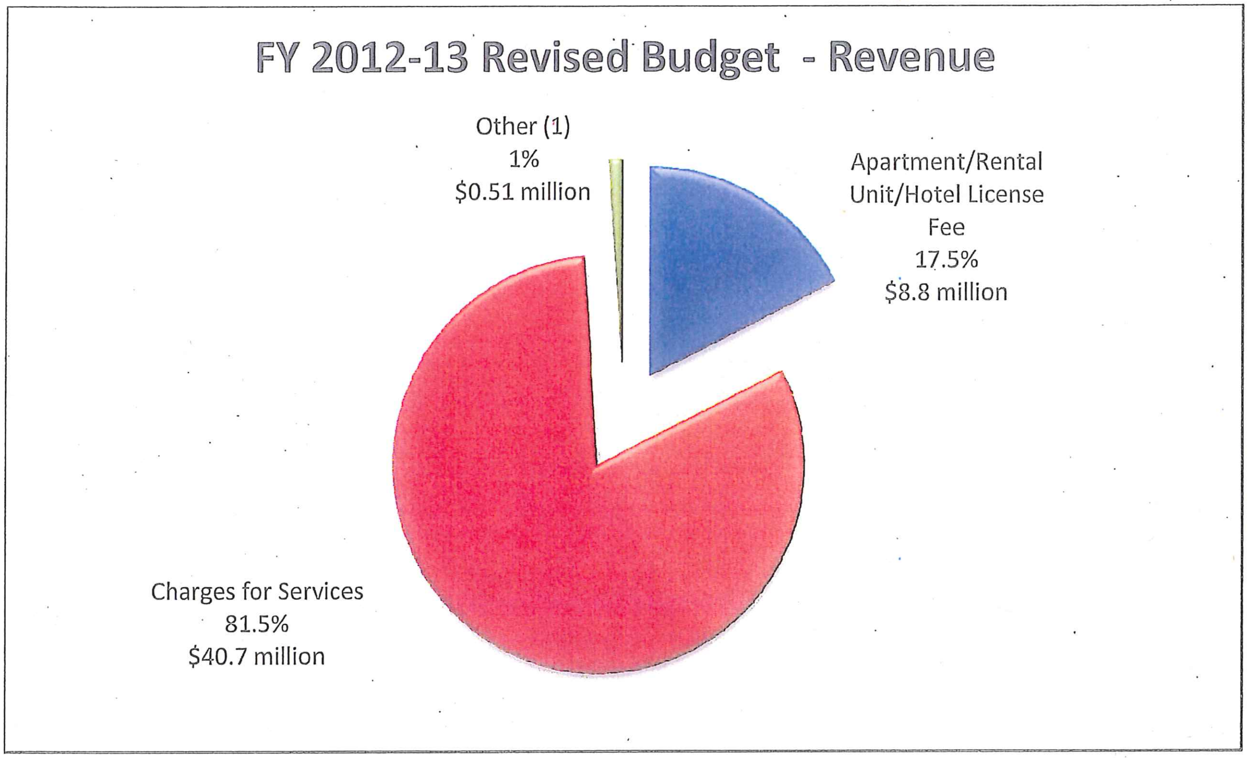
	SOURCES OF REVENUE	REVISED BUDGET 2012-13	ACTUAL THRU 3/31/13	PROJECTION THROUGH YEAR-END	PROJECTED TOTAL FY 2012-2013	VARIANCE
	INSPECTION SERVICES					
61115	BUILDING PERMITS	9,098,262	8,440,980	1,709,020	10,150,000	1,051,738
61116	PENALTIES & VIOLATIONS -- BID	600,000	306,016	93,984	400,000	(200,000)
61117	ADDITIONAL BUILDING INSPECTIONS	871,400	345,137	172,569	517,706	(353,695)
61118	RESIDENTIAL INSPECTIONS REPORTS	73,100	270,420	135,210	405,630	332,530
61119	OFF-HOURS BUILDING INSPECTION	38,800	0	-	0	(38,800)
61120	ENERGY INSPECTIONS	245,000	229,832	70,168	300,000	55,000
61130	PLUMBING PERMIT ISSUANCE FEE	3,154,240	2,476,859	373,141	2,850,000	(304,240)
61131	PENALTIES--PLUMBING PERMIT	200,000	46,950	23,475	70,425	(129,575)
61132	PLUMBING INSPECTION	323,771	183,081	16,919	200,000	(123,771)
61133	OFF-HOURS PLUMBING INSPECTION	26,500	39,100	900	40,000	13,500
61135	MECHANICAL PERMIT ISSUANCE FEE	293,900	174,204	75,796	250,000	(43,900)
61140	ELECTRICAL INSPECTION	4,511,469	4,298,200	551,800	4,850,000	338,531
61141	PENALTIES--ELECTRICAL PERMIT	124,400	126,296	63,148	189,444	65,044
61142	ADDITIONAL ELECTRICAL INSPECTION	737,200	216,773	108,387	325,160	(412,041)
61143	OFF-HOURS ELECTRICAL INSPECTION	406,700	44,030	22,015	66,045	(340,655)
61144	SIGN PERMIT	22,800	28,630	1,370	30,000	7,200
61152	ADDITIONAL--MECHANICAL	500	0	-	0	(500)
61155	BOILER PERMIT	300,000	258,780	129,390	388,170	88,170
61156	BOILER PERMIT PENALTIES	15,000	1,296	648	1,944	(13,056)
61157	ADDITIONAL BOILER INSPECTION		0		0	-
61158	OFF-HOURS BOILER INSPECTION		0		0	-
69999	OTHER OPERATING REVENUE		0		0	-
	SUB-TOTAL >>>>>>>>>	21,043,042	17,486,584	3,547,939	21,034,523	(8,519)
	HOUSING INSPECTION/CODE ENFORCEMENT					
20931	APARTMENT LICENSE FEE	6,760,674	3,814,740	2,945,934	6,760,674	-
61160	HOTEL LICENSE FEE	373,693	189,983	160,017	373,693	-
61161	1 & 2 FAMILY RENTAL FEE	1,531,660	754,350	445,650	1,531,660	-
61162	HOTEL CONVERSION ORDINANCE	97,213	38,040	41,960	97,213	-
61163	RESIDENTIAL HOTEL PRESERVATION		0	-	0	-
61165	CODE ENFORCEMENT--CED	500,000	187,185	312,815	500,000	-
61167	CODE ENFORCEMENT--ASSESSMENT FE	273,400	259,768	13,632	273,400	-
61168	CODE ENFORCEMENT--CA LITIGATION	500,000	3,079,749	170,251	3,250,000	2,750,000
61169	CODE ENFORCEMENT--LEAD ABATEMENT		0	-	0	-
63592	INTERIOR LEAD ABATEMENT FEES	1,500	0	1,500	1,500	-
	SUB-TOTAL >>>>>>>>>	10,038,140	8,323,815	4,091,759	12,788,140	2,750,000

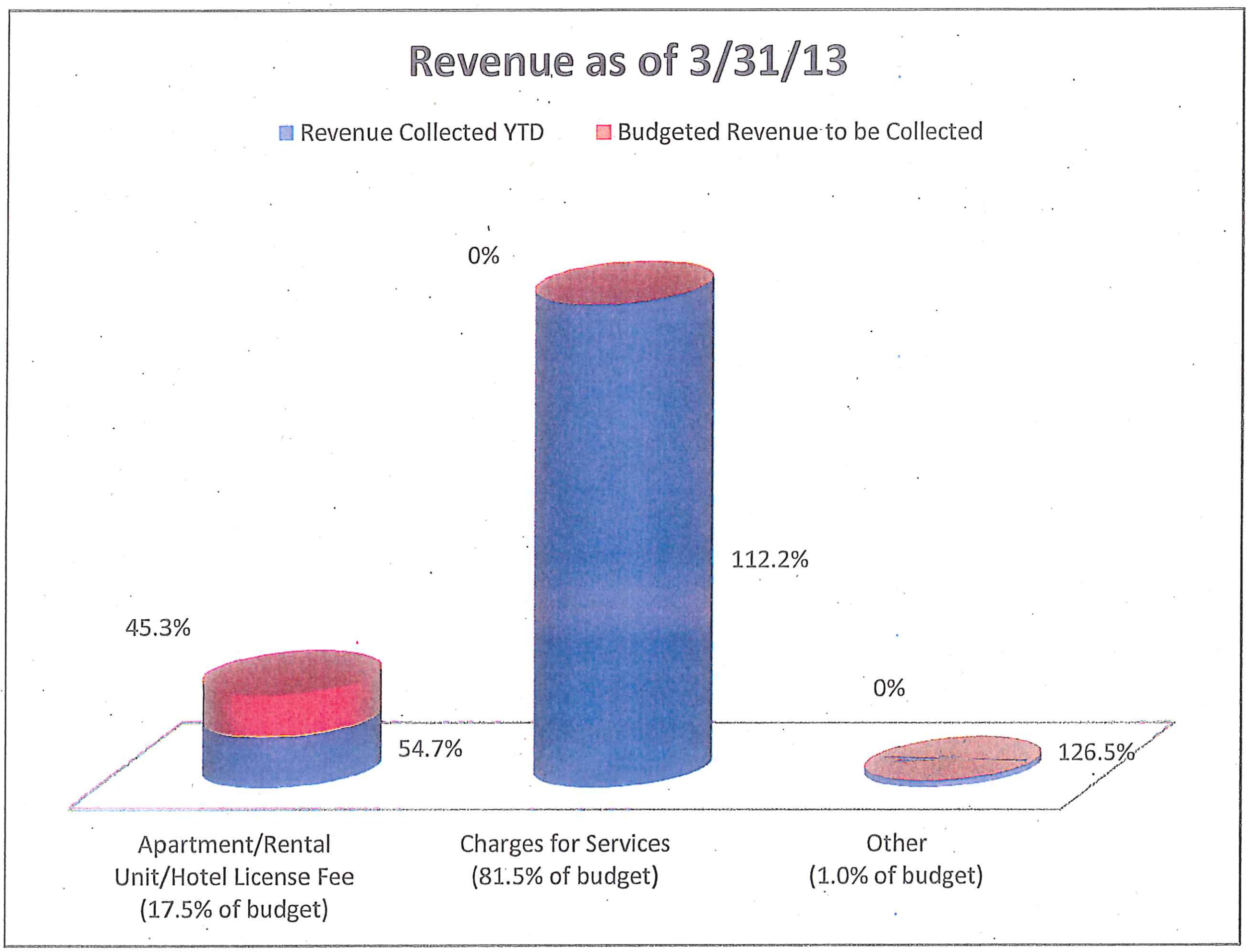
DEPARTMENT OF BUILDING INSPECTION
REVENUE PROJECTION FOR FY 2012-13

SOURCES OF REVENUE		REVISED BUDGET 2012-13	ACTUAL THRU 3/31/13	PROJECTION THROUGH YEAR-END	PROJECTED TOTAL FY 2012-2013	VARIANCE
PERMITS SERVICES						
61108	NOTICES	44,100	48,901	24,451	73,352	29,252
61109	POSTING NOTICES	9,000	0	-	0	(9,000)
61110	STREET NUMBERS	54,700	70,320	19,680	90,000	35,300
61112	CENTRAL PERMIT BUREAU FEES	2,209,467	3,140,664	1,359,336	4,500,000	2,290,533
61121	PERMIT EXTENSION FILLING	1,000	0	-	0	(1,000)
61180	PERMIT EXPEDITOR	34,294	468	234	702	(33,592)
	SUB-TOTAL >>>>>>>>>	2,352,561	3,260,353	1,403,701	4,664,054	2,311,493
PLAN REVIEW SERVICES						
61101	PLAN CHECKING	13,690,959	18,285,084	1,214,916	19,500,000	5,809,041
61102	PREMIUM PLAN REVIEW	281,200	1,164,358	335,642	1,500,000	1,218,800
61103	PREPLAN APPLICATION MEETING	107,700	112,112	17,888	130,000	22,300
61104	SUBPOENA	16,600	5,544	2,772	8,316	(8,284)
61105	APPLICATION EXTENSION	100,000	123,303	61,652	184,955	84,955
61150	MECHANICAL PERMIT	100,000	54,002	27,001	81,003	(18,997)
61170	SEISMIC RETROFFITING	72,400	8,276	4,138	12,414	(59,986)
61181	BOARD FEES	1,500	0	-	0	(1,500)
	SUB-TOTAL >>>>>>>>>	14,370,359	19,752,679	1,664,009	21,416,688	7,046,329
ADMINISTRATION/SUPPORT SERVICES						
30150	INTEREST INCOME	252,152	387,721	215,166	602,887	350,735
30310	UNREALIZED GAINS		0	-	0	-
60175	TTX-GENERAL GOVERNMENT	50,000	11,667	8,334	20,001	(29,999)
60199	OTHER GENERAL GOVERNMENT		0	-	0	-
60627	CURB RECONFIGURATION		0	-	0	-
61111	REPRODUCTION	6,300	2,019	1,010	3,029	(3,272)
61183	MICROFILM RELATED FEE	250,000	208,597	51,403	260,000	10,000
61184	RECORDS RETENTION FEE	372,500	335,409	64,591	400,000	27,500
61185	REPORT OF RESIDENTIAL RECORD FEE	900,000	900,039	450,020	1,350,059	450,059
61186	VACANT/ABANDONED BUILDINGS	100,000	107,109	53,555	160,664	60,664
61187	DEVELOPMENT FEE COLLECTION-ADMIN FEE			-	0	-
69999	OTHER OPERATING REVENUE	14,289	6,350	4,536	10,886	(3,403)
78901	OVERRAGE (SHORTAGE)		0	-	0	-
78902	DBI--NON SUFFICIENT FUNDS		(8,855)	6,355	(2,500)	(2,500)
	SUB-TOTAL >>>>>>>>>	1,945,241	1,950,056	854,968	2,805,024	859,783
	REVENUE TOTAL	**$ 49,749,343**	**50,773,487**	**11,562,375**	**62,708,428**	**$ 12,959,085**
TRANSFER FROM STRONG MOTION		**$ 236,938**	**$ 236,938**	**0**	**236,938**	**-**
CARRYFORWARD FOR ENCUMBRANCES						-
TOTAL		**$ 49,986,281**	**51,010,425**	**11,562,375**	**62,945,366**	**$ 12,959,085**

Department of Building Inspection
Quarterly Comparison of Revenue
Fiscal Years 2003 - 2013

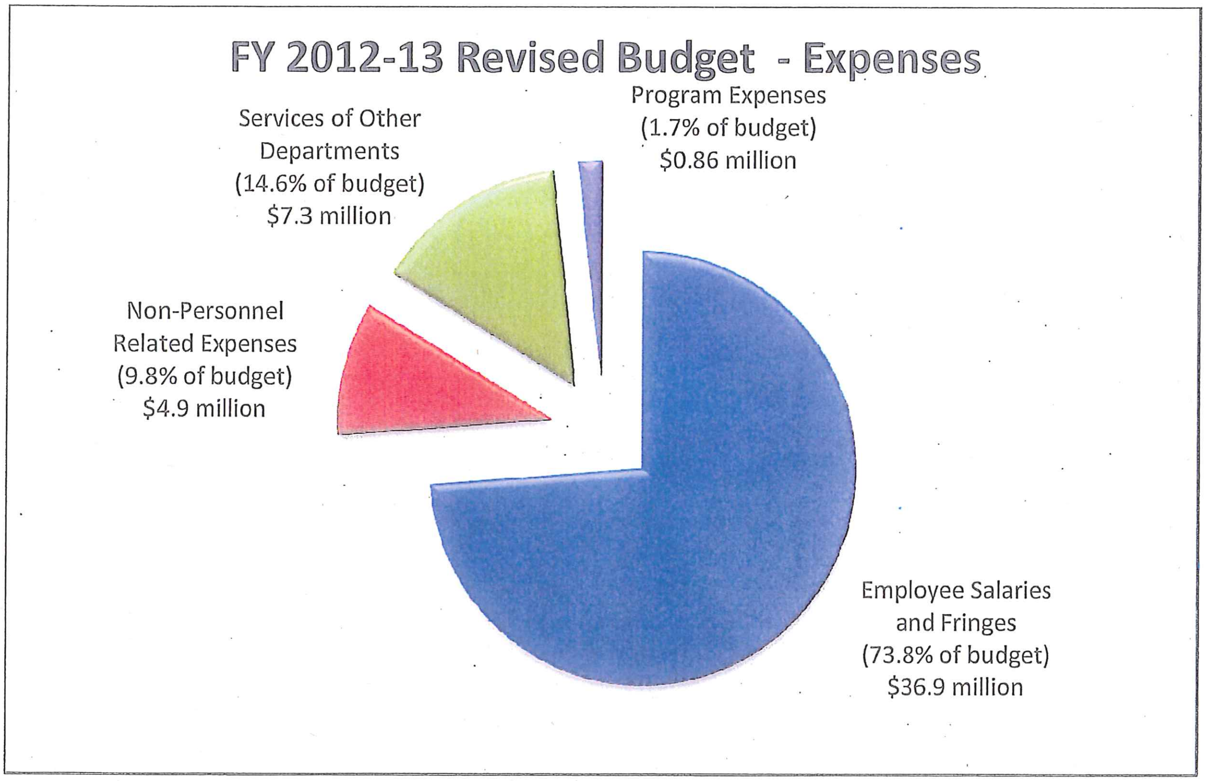


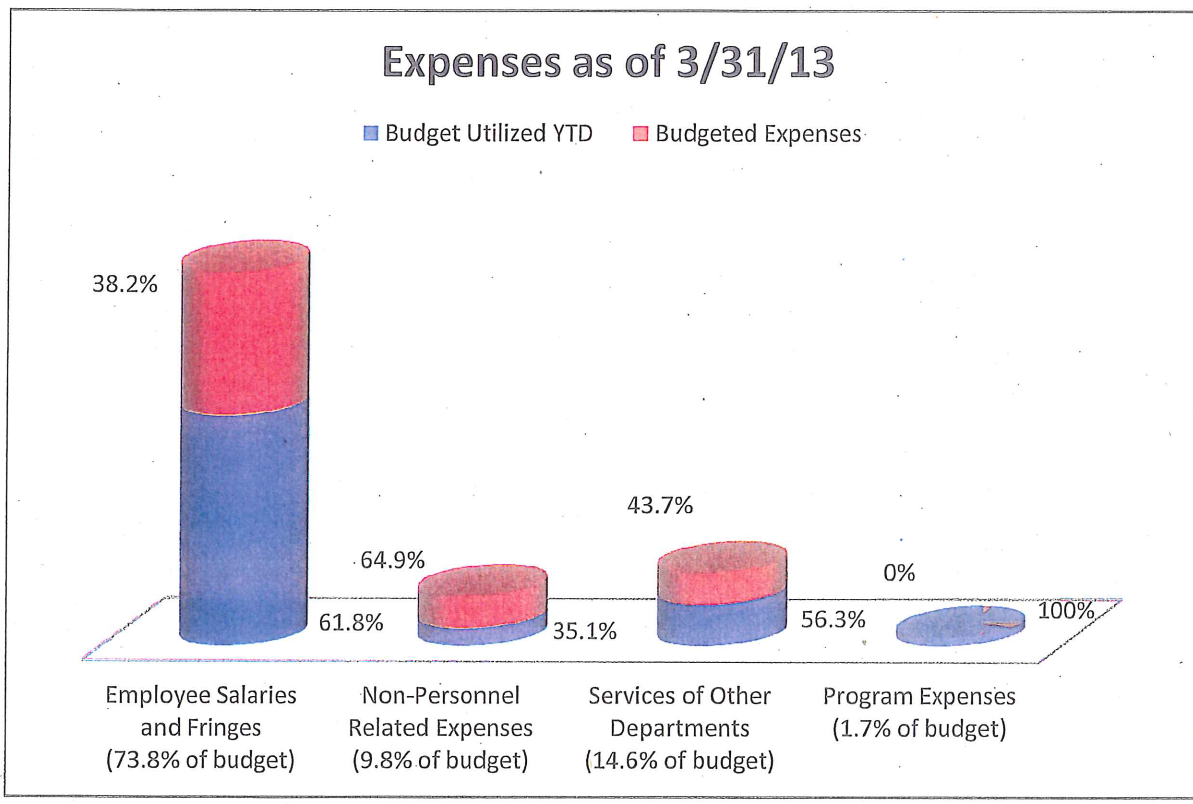




Other includes Interest & Investments, Fund Balance, Strong Motion, and Expenditure Recovery

Note: The percent of the fiscal year elapsed is 75%





Non-Personnel Related Expenses includes Overhead, Non-Personal Services, Community Based Organization, Project Carryforward, Vehicles, and Materials & Supplies

Note: The percent of the fiscal year elapsed is 75%

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

MEMORANDUM

TO: Pamela Levin, Deputy Director, Administrative Services, DBI
Gayle Revels, Acting Finance Manager, DBI

FROM: Heather MacDonald, Project Lead, City Services Auditor
Chava Kronenberg, Project Analyst, City Services Auditor

DATE: April 9, 2013

SUBJECT: Department of Building Inspection Reserves Analysis

CC: Ben Rosenfield, Controller
Peg Stevenson, Director, City Services Auditor

This memorandum is in response to your request that the City Services Auditor Division of the Controller's Office (CSA) conduct a financial analysis to recommend a target economic stabilization reserve level for the department. Our key findings are summarized below and reviewed in greater depth later in this memo:

1) Given our review of historical revenue trends, the department's current financial position, and government financial best practices, we recommend that the department target an economic stabilization reserve level of approximately $17 million or four months' of department operating expenses.

2) This target reserve level is significantly lower than the department's estimated year-end fund balance of approximately $40 million. We recommend that the department invest this surplus over the next several fiscal years to make strategic one-time capital investments that will improve the efficiency and efficacy of the department's service delivery.

3) The department should also increase staffing levels to better meet its current workload and to avoid additional deposits to reserves in the shorter term. These spending increases should be strategically managed given the cyclical nature of the construction industry.

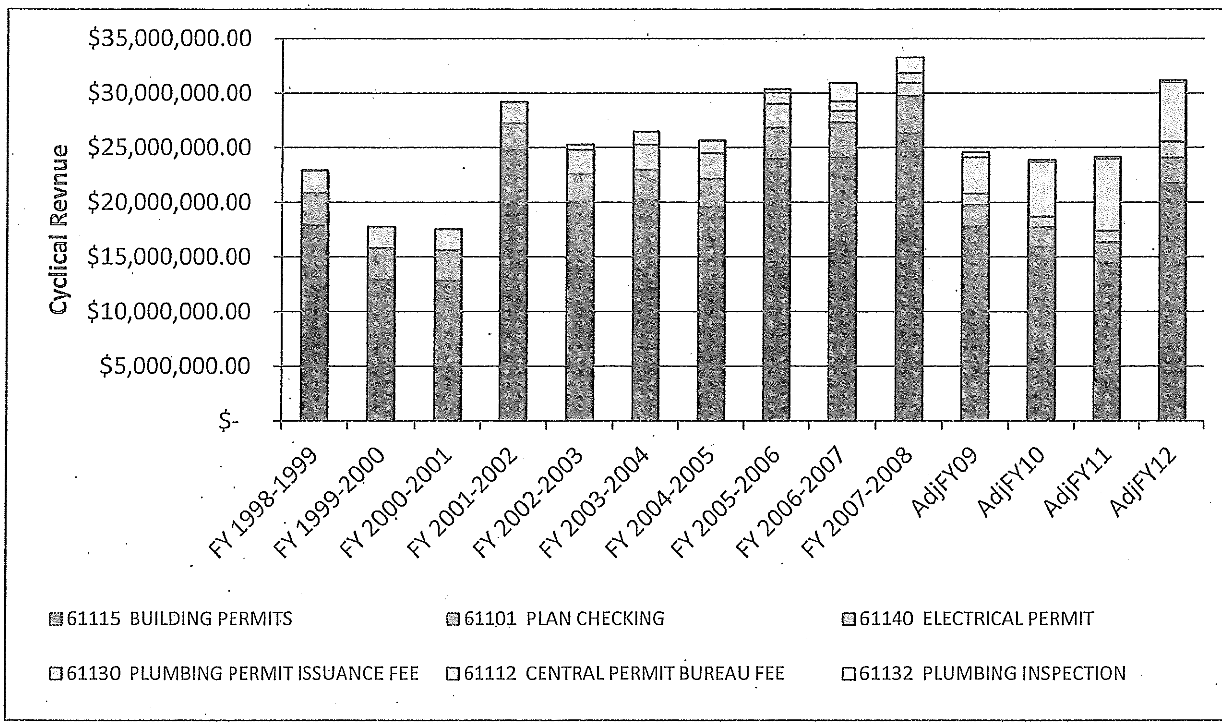
4) The department should conduct a fee study to ensure that various services that the department provides remain aligned with assessed fee levels.

Economic Stabilization Reserve Levels

CSA recommends that DBI should first designate $17 million or four months' of DBI's current fiscal year operating budget[1] as an economic stabilization reserve. This reserve is intended to provide financial and operating stability, allowing DBI to maintain appropriate levels of staff during economic downturns or periods of unanticipated declines in revenue.

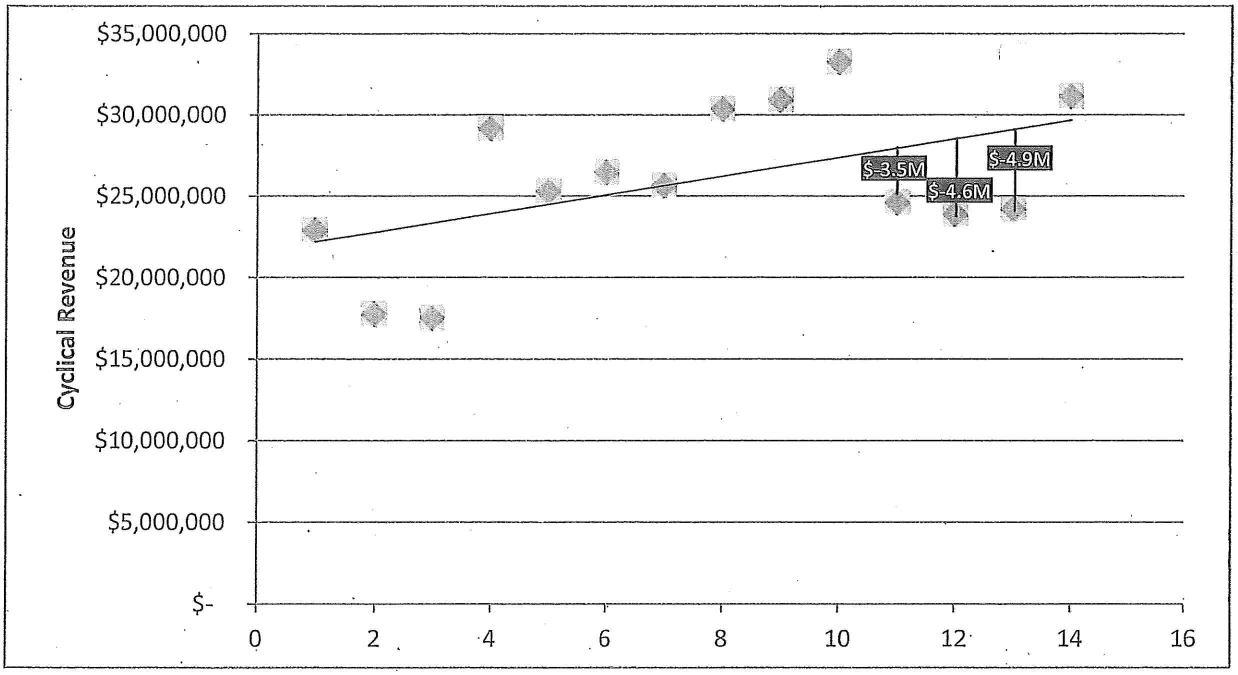
CSA performed a review of past cyclical and stable DBI revenue to determine the level of reserve that would have been needed to meet the predicted revenue trend during times of economic downturn. A trend line analysis of historic cyclical revenue from FY 1999 to FY 2012, adjusted to not include fee increases effective FY 2009,[2] found that DBI would have needed $13 million in additional revenue from FY 2009 to FY 2011 to maintain appropriate staffing levels as seen in Figures 1 and 2.

Figure 1: Cyclical revenue can vary between 1 and 40 percent, year to year



[1] DBI's current FY 2012/2013 budget is $50 million.
[2] To create a predictive revenue trend line, CSA adjusted historic revenues to not include significant fee changes that became effective in August 2009.

Figure 2: For cyclical revenue, an additional $13M would have been needed to keep DBI at consistent staff levels from FY 2009 to FY 2011



Additional analysis using the same methodology for stable revenue found an additional $1 million needed in the same time horizon. Based on an analysis of DBI's stable and cyclical revenues against trends for the past 14 years, CSA determined that had DBI held a total of $14 million in an economic stabilization, or almost four months' of FY 2008 total revenue ($43 million), DBI would have been able to stabilize FY 2009 - FY 2011 budgets and maintain staff levels for subsequent increases in workload. For further details regarding this analysis of cyclical and stable revenues to substantiate an economic stabilization reserve range, please see Appendix A - Economic Stabilization Methodology and Findings.

Per the Government Finance Officers Association (GFOA) best practice for appropriate levels of fund balance, it is essential to prudent long-term financial planning that government and its agencies maintain no less than two months of regular operating revenues to mitigate current and future risks of revenue shortfalls and unanticipated expenditures.[3] GFOA also advises governments to consider specific factors, such as the volatility of revenues and expenditures and perceived exposures to significant one-time outlays when establishing a formal unrestricted fund balance policy. Given the cyclical nature of the commercial and residential construction industry in San Francisco, the need to cover emergency expenses associated with earthquakes and other disasters before state and federal aid is available, and unpredictable economic downturns, CSA believes that an economic stabilization reserve level of approximately four months' of operating costs is justifiable.

To further support a recommended economic stabilization reserve level, CSA performed a benchmarking analysis of peer Building Inspection agencies across the state to gather recommended economic stabilization reserve level policies as well reserve range justifications. The targeted reserve levels for building inspection agencies varied from one to six months, or seven to fifty percent of their

[3] The GFOA assumes that a contingency or economic stabilization reserve would typically require the use of an unrestricted fund balance.

operating budget and were primarily based on the need to support labor costs during periods of economic decline. A CSA recommended reserve level of four months' of operating costs falls within this range. For specific economic stabilization reserve ranges and supporting rationales by agency please see Appendix B – Benchmarking Analysis of Building Inspection Agency Economic Stabilization Reserve Levels in California.

One-Time Capital Investments

After funds have been set aside for an economic stabilization reserve, we recommend that DBI should designate the remaining fund balance of approximately $23 million for one-time capital expenditures that will improve the efficiency and efficacy of the department's delivery of core services. DBI is currently well poised to make significant investments into capital upgrades such as building expansion and upgrades, an electric vehicle fleet replacement, and the acquisition of mobile technology devices for building inspectors.[4] For a summary of potential one-time capital investments that have been developed by DBI staff and CSA, please see Figure 3 below. For a detailed evaluative matrix that includes a business case, time horizon of funding, and recommended priority level for each potential fund balance designation, please see Appendix C – Fund Balance Designation Matrix. Utilization of these surplus funds for these or other one-time expenditures, as opposed to ongoing operating expenses, is in line with recommended financial management practices that advise alignment of ongoing revenues and expenditures.

Figure 3: Potential One-Time Investments

ID	Investment Type	Low-End	High-End	Time Horizon	Priority Level
1	1660 Mission Tenant Improvements	$4,000,000		FY 2013-2015	High
2	Fleet Replacement	$3,500,000		FY 2015-2020	High
3	Generator Replacement/Upgrade	$1,500,000		FY 2013-2014	High
4	Elevator Upgrade	$1,000,000		FY 2013-2015	High
5	Repair & Demolition Fund Transfer	$1,000,000		FY 2013-2014	High
6	Phone Replacement	$400,000		FY 2013-2014	High
7	Mobile Devices for Inspectors	$140,000		FY 2013-2015	High
8	Fee Study	$100,000	$200,000	FY 2013-2019	High
9	Building Expansion	$10,000,000	$15,000,000	FY 2013-2020	Med
10	Electric Vehicle Charging Stations	$900,000	$1,439,000	FY 2013-2020	Med

[4] DBI funds upgrades and maintenance for its new permit tracking system through an assessed technology fee for new permits.

Figure 3: Potential One-Time Investments					
ID	**Investment Type**	**Low-End**	**High-End**	**Time Horizon**	**Priority Level**
11	Low Income Loans for Code Enforcement	$700,000	$1,000,000	FY 2013-2015	Med
12	Capital Plan Study	$100,000	$200,000	FY 2013-2015	Med
13	New Parking Lot	TBD	TBD	FY 2013-2020	Med
14	Staffing Analysis	$50,000	$100,000	FY 2013-2014	Med
15	Bike Room Upgrade	$50,000	$75,000	FY 2013-2015	Med
16	Solar Paneling on Roof	$800,000	$1,000,000	FY 2013-2016	Low
17	LEED Existing Building Certification	$350,000	$1,350,000	FY 2014-2019	Low
	Total Estimated One-Time Investments	$24,590,000	$31,904,000		
	Total Fund Balance (less Stabilization Reserve)	**$22,678,766**			
	Balance	-$1,911,234	-$9,225,234		

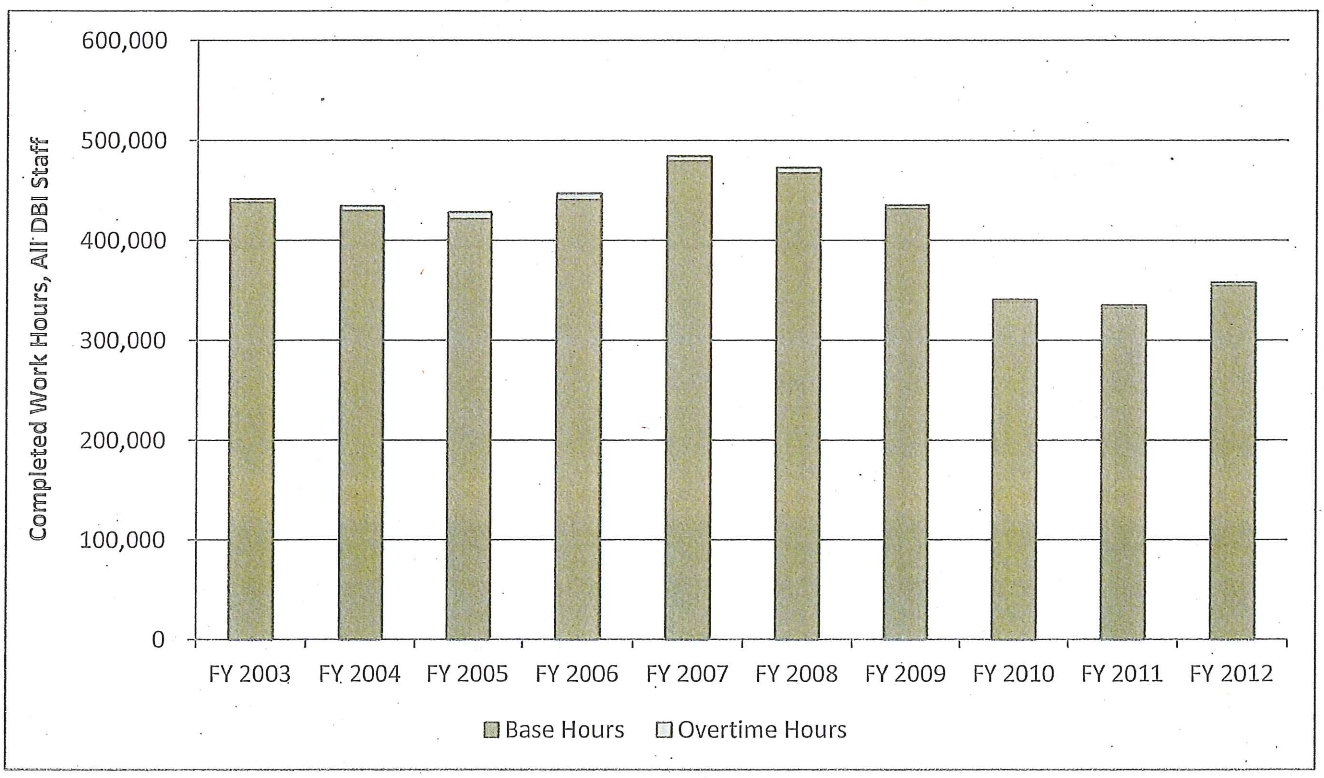
Aligning Expenditures with Revenue Cycles

As revenues and workload continue to increase, DBI should ensure that expenditures are aligned to deliver timely and appropriate service. These expenditures should focus on increased staffing and materials and supplies, two areas that were significantly cut during years with less revenue. Further, DBI should strategically plan for cyclical revenue with a regular review of its fees as well as a capital plan that anticipates spending for facilities, fleet, and technology improvements over time.

Increase Staffing Levels

As a result of layoffs and furloughs associated with the economic recession, DBI reduced approximately 30 percent of total work hours from a peak in FY 2007 to a low in FY 2011 (Figure 4). DBI has begun to slowly add staff positions but these continue to be less than the number of staff needed to meet performance measure targets and the projected increase for construction and plan review permits. DBI should continue its efforts to fill all budgeted positions in order to respond to the increased workload and unmet performance measure targets that are attributed to low staffing levels. These positions should reflect an appropriate use of appointment statuses to provide greater flexible in aligning staffing levels with revenues in future economic declines.

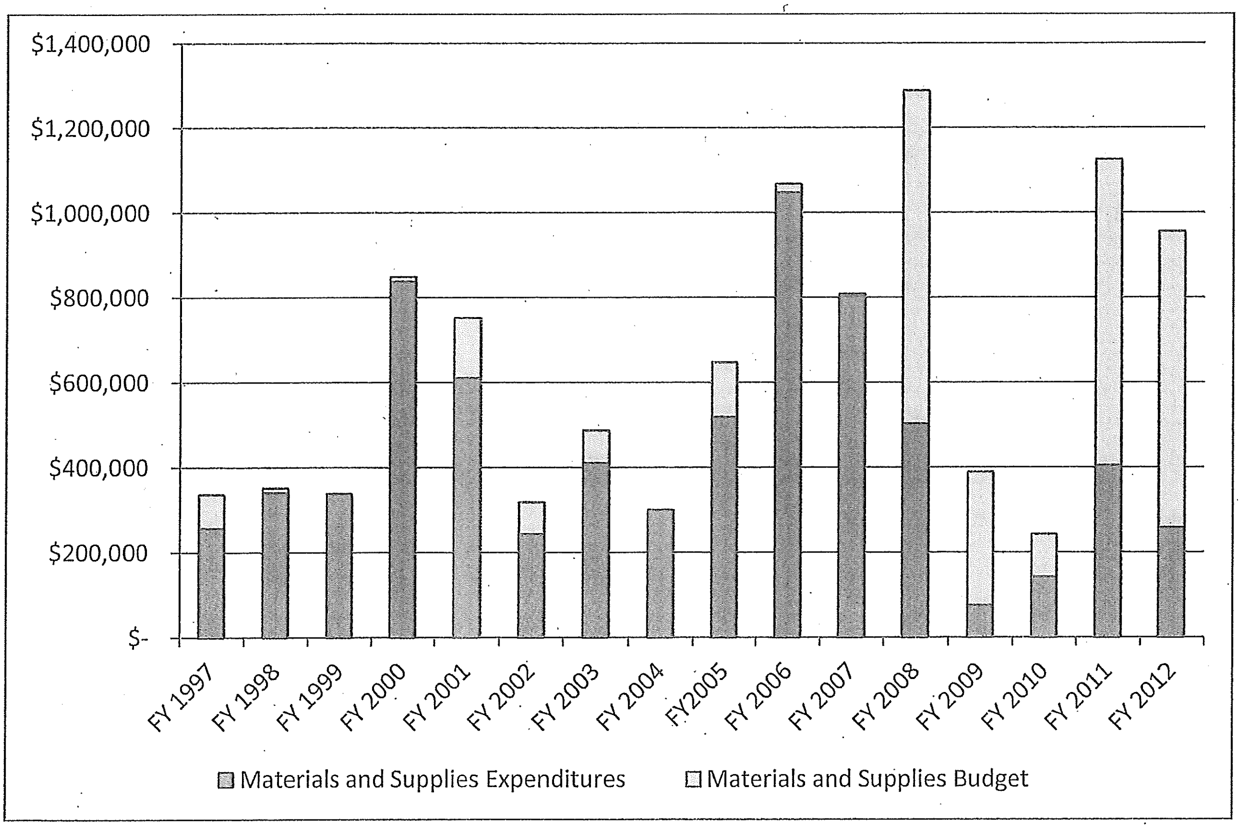
Figure 4: DBI has significantly reduced the number of staff hours since the economic downturn, even as workload increases



Spend Materials and Supplies Budget

In addition, DBI should fully spend its materials and supplies budget. Since FY 2008, DBI has significantly reduced materials and supplies expenditures to meet lower revenue projections in FY 2009 and FY 2010; in FY 2011 and FY 2012, DBI only spent an average of 32 percent of its materials and supplies budget. However, DBI continues to fiscally constrain spending even as budget and revenues have increased (Figure 5).

Figure 5: DBI has not spent budgeted dollars for materials and supplies, even as revenue has increased



Strategically Plan for Revenue Cycles

The cyclical nature of the construction industry and the project valuation-based approach to assessing fees ensure that there will be years where revenue exceeds projections. This is an opportunity for strategic investment in one-time capital expenses that furthers the Department's mission and goals. Developing a capital plan that identifies these capital needs and a timeline for implementation will promote more effective planning and use of fees both in the present and in the future.

Lastly, DBI should monitor its fees for services against its workload and conduct a fee analysis every five years as part of on-going departmental business practice. Ensuring that assessed fees match the cost of services provided and the capital needs for the department will better align revenues with expenditures.

DBI Reserves Analysis: Appendix A - Economic Stabilization Methodology and Findings

I. Methodology Summary

- Created two data sets, stable and cyclical revenue.
- Removed revenue sources that were very volatile in the past but no longer used, or new fees or significantly increased fees that would significantly distort a predictive trend line.
- Analyzed the stable revenue for total sum needed to meet predictive trend line for FY2009-FY2011.
- Adjusted cyclical revenue to have all revenues calculated as prior to fee changes. Analyzed the adjusted cyclical revenue for total sum needed to meet predictive trend line for FY2009-FY2011.
- Used sum of adjusted revenue needed to meet predicted revenue from FY2009-FY2011 (~$14M), divided by FY08 revenues. If DBI had had a $14M reserve in June 2008, or 32% of FY08 annual revenue, it would have been able to meet predicted revenue during the years of the downturn and avoided significant layoffs.
- Assumes full productivity and staffing in FY2008.
- Assumes that new or seriously adjusted fees were only performed in order get to full productivity and staffing not realized in FY2008.

II. DBI Revenue Data Sets:

For the purpose of analysis, two data sets were defined for existing DBI revenue sources: "stable" and "cyclical". Stable sources of revenue are not tied to construction market cycles but are still variable from year to year; cyclical sources are definitively tied to construction and development market cycles and have high volatility from year to year. The following revenue objects were considered stable:

60645 STRONG MO PRO FE .
79999 OTHER NON-OPERATING REVENUE
79993 CAPACITY FEES
78902 NSF CHECKS
78901 OVERAGE(SHORTAGE) CASH RECEIPTS
78101 GIFTS AND BEQUESTS
69999 OTHER OPERATING REVENUE
63592 INTERIOR LEAD ABATEMENT FEES
61199 MISCELLANEOUS FEE
61187 DEVELOPMENT FEE COLLECTION-ADMIN FEE
61183 MICROFILM RELATED FEE
61181 BOARD FEES
61180 PERMIT FACILITATOR
61170 SEISMIC RETROFITTING
61169 CODE ENFORCE - LEAD ABATEMENT
61168 CODE ENFORCE - CITY ATTORNEY LITIGATION
61167 CODE ENFORCE - ASSESSMENT FEES
61165 CODE ENFORCEMENT
61162 HOTEL CONVERSION ORDINANCE
61160 HOTEL LICENSE FEE
61158 OFF HOURS BOILER INSPECTION
61157 ADDITIONAL BOILER INSPECTION
61156 BOILER PERMIT PENALTIES
61155 BOILER PERMIT
61152 ADDITIONAL MECHANICAL INSPECTION
61151 PENALTIES MECHANICAL PERMIT
61150 MECHANICAL PLAN REVIEW
61144 SIGN PERMIT
61143 OFF HOURS ELECTRICAL INSPECTION
61142 ADDITIONAL ELECTRICAL INSPECTION
61141 PENALTIES ELECTRICAL PERMIT
61133 OFF HOURS PLUMBING INSPECTION
61131 PENALTIES--PLUMBING/MECHANICAL PERMITS
61121 PERMIT EXTENSION FEE
61120 ENERGY INSPECTION
61119 OFF HOURS BLDG INSPECTION
61118 CONDO CONVERSION REPORTS
61117 ADDITION BLDG INSPECTIONS
61116 BID INVESTIGATION FEE
61111 REPRODUCTION
61110 STREET NUMBERS
61109 POSTING NOTICES
61108 NOTICES
61104 SUBPOENA
61103 PREPLAN APPLICATION MEETING
61102 PREMIUM PLAN REVIEW
60803 MINOR DAMAGE ROAD
60654 PLANT OWNER
60646 PLUMBING FIXTURE INSPECTION
60637 STREET SPACE
60635 STREET HOUSE NUMBERS
60627 CURB RECONFIGURATION CHARGE
60199 OTHER GENERAL GOVERNMENT CHARGES
60175 TTX - GENERAL GOVERNMENT SERVICE CHARGES
60126 BOARD OF APPEALS SURCHARGE
60108 DISPUTE RES FILING FEE
48999 OTHER STATE GRANTS & SUBVENTIONS
39899 OTHER CITY PROPERTY RENTALS
30499 BANK SERVICE FEE
30310 UNREALIZED GAINS (LOSSES)-EITC-GASB31
30150 INTEREST EARNED - POOLED CASH
60646 STRONG MO PRO FE

The following revenue objects were considered cyclical:

61132 PLUMBING INSPECTION
61140 ELECTRICAL PERMIT
61130 PLUMBING PERMIT ISSUANCE FEE
61115 BUILDING PERMITS
61112 CENTRAL PERMIT BUREAU FEE
61101 PLAN CHECKING

Other sources of revenue, including discontinued revenue streams and new sources of revenue that were instituted in FY2008 and FY2009, were not analyzed in order to keep trend lines predictive. These objects are:

61163 RESIDENTIAL HOTEL PRESERVATION
60653 FEE SURCHARGES FOR 1660 MISSION ST
61186 VACANT/ABANDONED BUILDING FEE
61184 RECORDS RETENTION FEE
61164 BUILDING STANDARDS FEES
61161 1 & 2 FAMILY RENTAL UNIT FEE
61135 MECHANICAL PERMIT ISSUANCE FEE
61106 TECHNOLOGY SURCHARGE
61105 APPLICATION EXTENSION FEE
61185 REPORT OF RESIDENTIAL RECORD FEE
20931 APARTMENT LICENSE FEE

III. Stable Revenue Analysis:

Analysis found that <u>had DBI had reserves totaling $1.2M for FY2009 through FY2011, stable revenue would have been able to meet predicted values.</u> FY 2012 is not included because cyclical revenues have an upward trend in this time period (Figure 5).

Figure 1: DBI Stable Revenue, FY1999-FY2012, not adjusted for fee changes

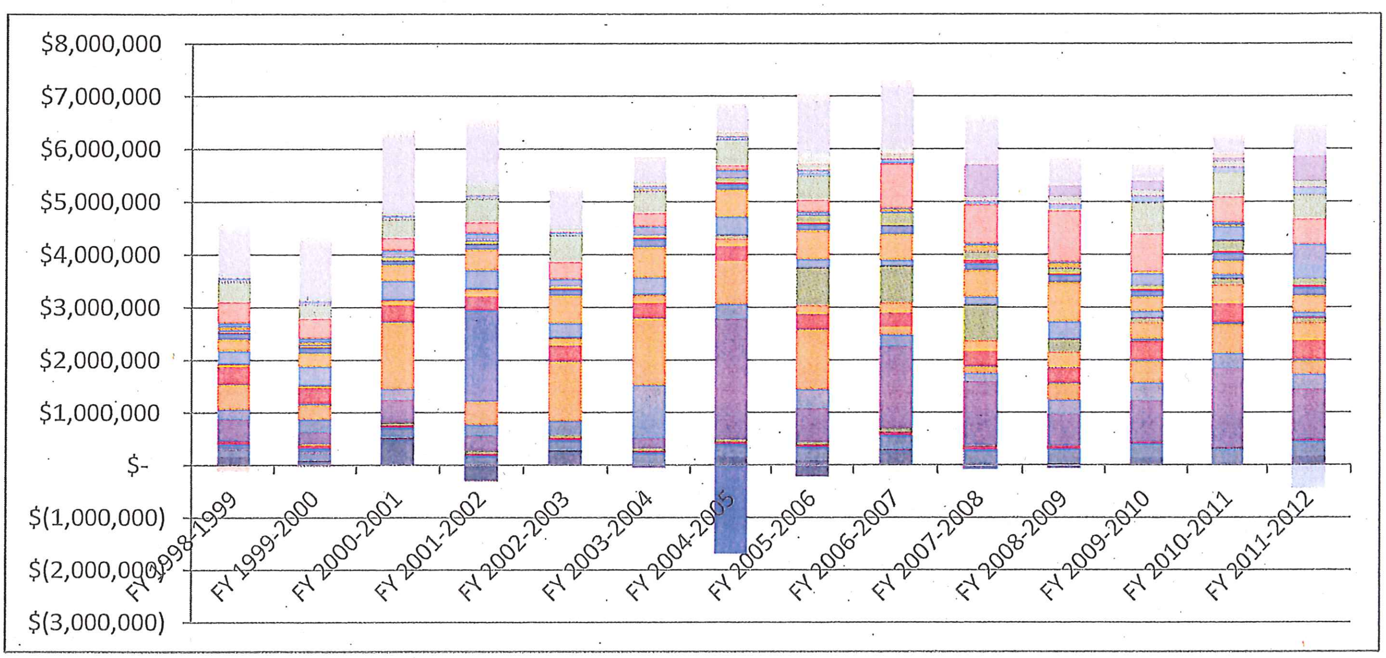


Figure 2: DBI Stable Unadjusted Revenue, FY1999-FY2012, total with predicted revenue trend line

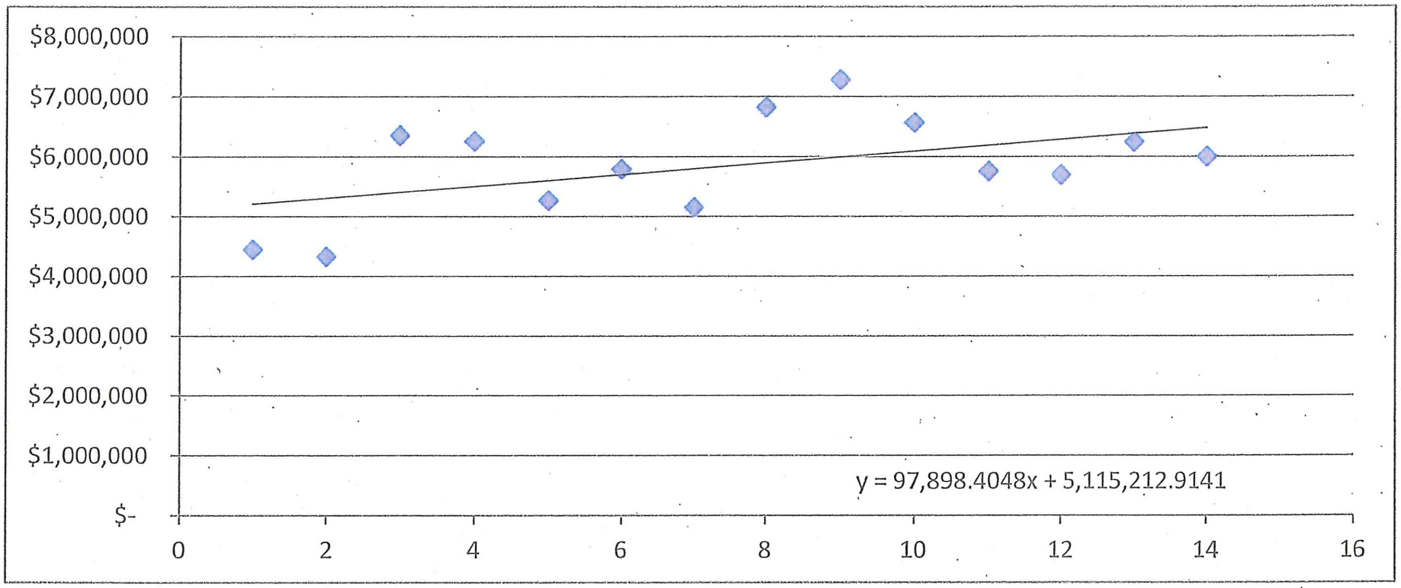


Figure 3: DBI Stable Unadjusted Revenue, FY 1999-FY2012, Actual Revenue vs Predicted Revenue (Trend Line) and Percent Difference

	Actual Revenue	Predicted Revenue	% Difference	$ Difference
FY99	$ 4,440,390	$ 5,213,111	-17%	
FY00	$ 4,323,407	$ 5,311,010	-23%	
FY01	$ 6,347,584	$ 5,408,908	15%	
FY02	$ 6,250,984	$ 5,506,807	12%	
FY03	$ 5,258,335	$ 5,604,705	-7%	
FY04	$ 5,787,372	$ 5,702,603	1%	
FY05	$ 5,146,852	$ 5,800,502	-13%	
FY06	$ 6,820,044	$ 5,898,400	14%	
FY07	$ 7,277,398	$ 5,996,299	18%	
FY08	$ 6,565,491	$ 6,094,197	7%	
FY09	$ 5,749,638	$ 6,192,095	-8%	$ -442,458
FY10	$ 5,689,104	$ 6,289,994	-11%	$ -600,890
FY11	$ 6,240,638	$ 6,387,892	-2%	$ -147,254
FY12	$ 5,995,077	$ 6,485,791	-8%	

IV. Cyclical Data Analysis

Analysis found that had DBI had reserves totaling $12.9M for FY2009 through FY2011 cyclical revenue would have been able to meet predicted values during these downturn years.

Cyclical sources of revenue were adjusted to not reflect the percent increase associated with the fee changes in October 2008. This results in adjusted revenue dollars for FY2008 through FY2012. These are estimates only, based on data provided by DBI, seen in Figure 4.

Figure 4: Increased cyclical fees by type and factor, October 2008

Services	Consultant Recommended Cost Recovery Increase
Permit Services	18%
Plan Review Services	18%
Building Inspection	18%
Plumbing Inspection	90%
Electrical Inspection	109%

Figure 5: DBI Cyclical Revenue, FY1999-FY2012, not adjusted for fee changes

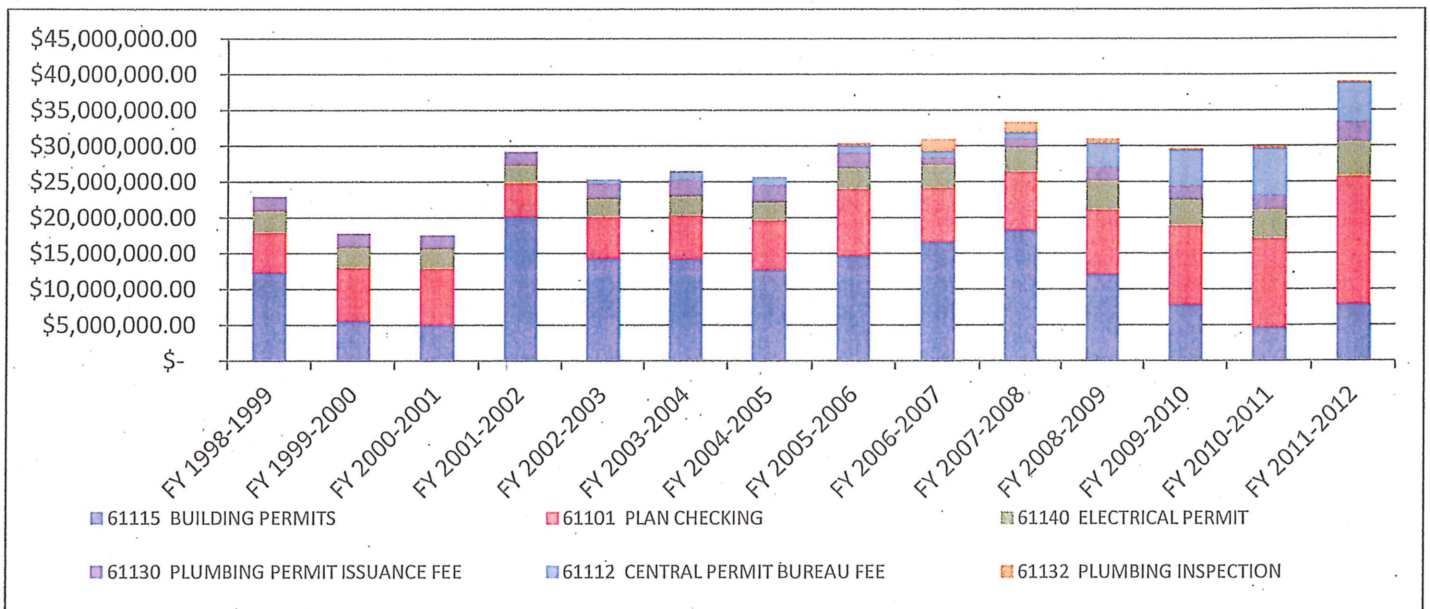


Figure 6: DBI Cyclical Revenue, FY1999-FY2012, adjusted for fee changes

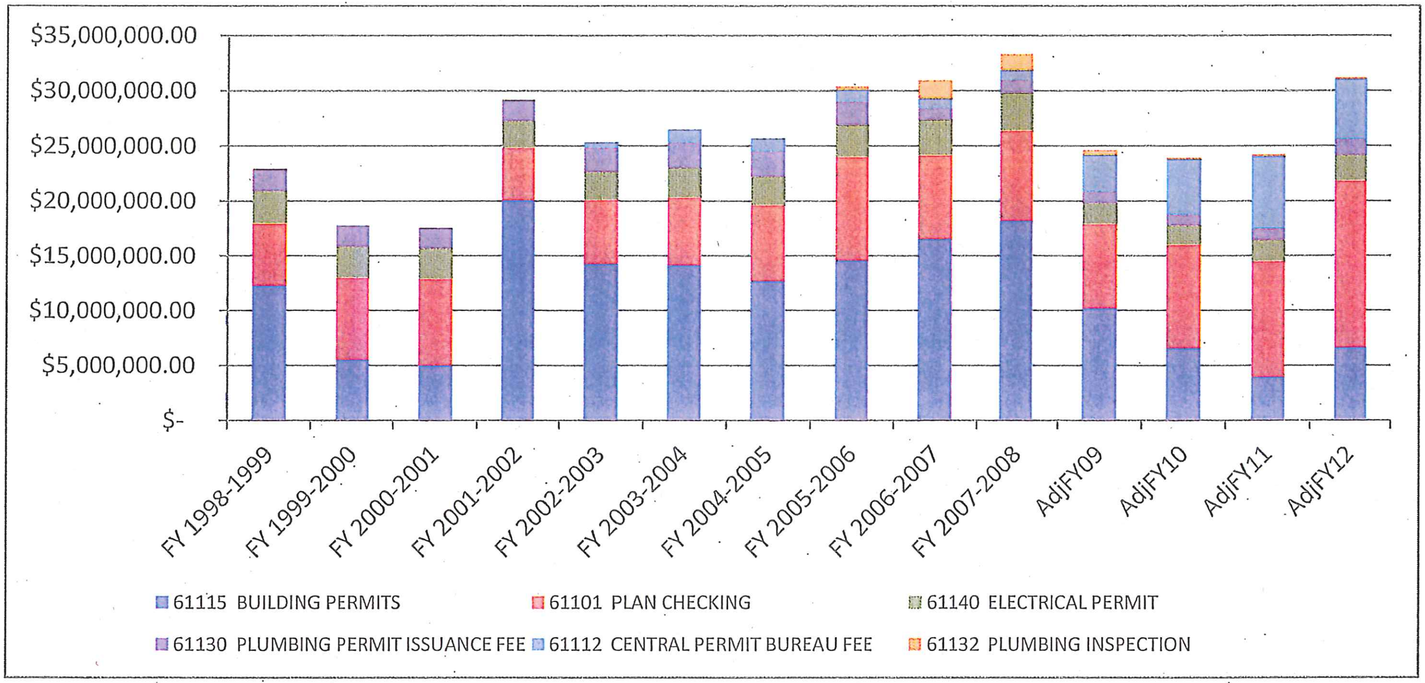


Figure 7: DBI Cyclical Adjusted Revenue, FY1999-FY2012, total with predicted revenue (trend line)

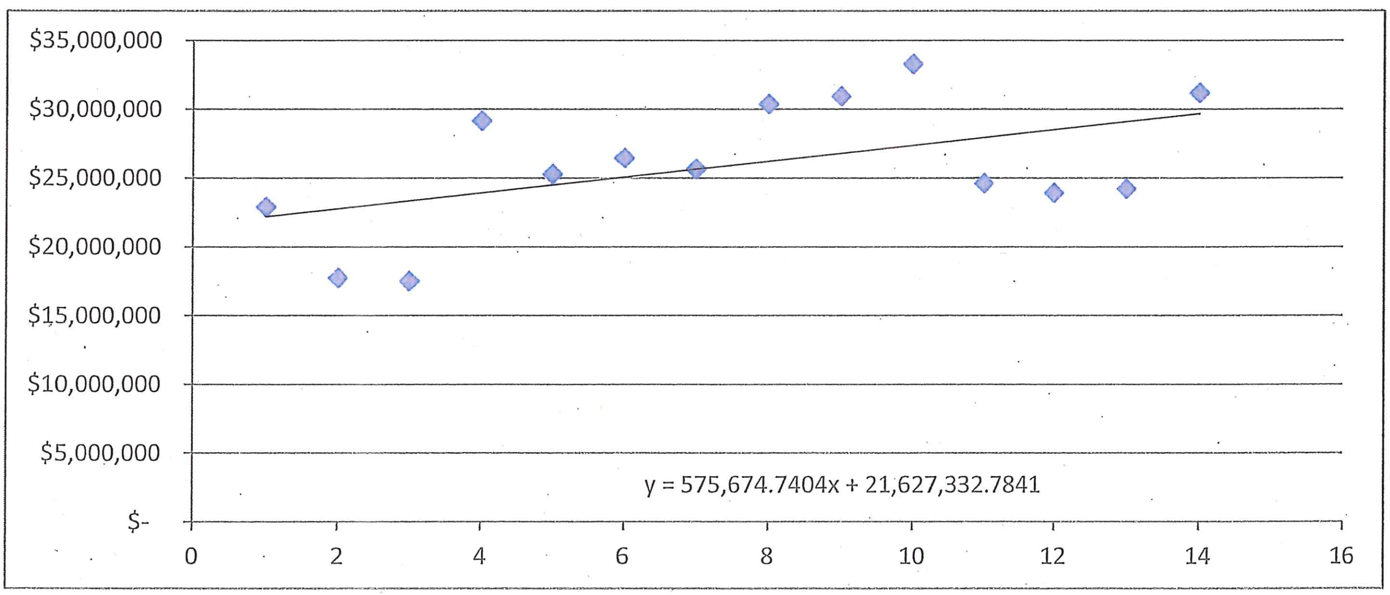


Figure 8: DBI Cyclical Adjusted Revenue, FY1999-FY2012, Actual Revenue vs Predicted Revenue (Trend Line) and Percent Difference

	Actual Revenue	Predicted Revenue	% Difference	$ Difference
FY99	$ 22,900,110	$ 22,203,008	3%	
FY00	$ 17,743,966	$ 22,778,682	-28%	
FY01	$ 17,526,231	$ 23,354,357	-33%	
FY02	$ 29,173,102	$ 23,930,032	18%	
FY03	$ 25,294,526	$ 24,505,706	3%	
FY04	$ 26,468,501	$ 25,081,381	5%	
FY05	$ 25,661,331	$ 25,657,056	0%	
FY06	$ 30,368,039	$ 26,232,731	14%	
FY07	$ 30,935,929	$ 26,808,405	13%	
FY08	$ 33,276,683	$ 27,384,080	18%	
Adj FY09	$ 24,609,214	$ 27,959,755	-14%	$ 3,350,541
Adj FY10	$ 23,908,462	$ 28,535,430	-19%	$ 4,626,968
Adj FY11	$ 24,203,471	$ 29,111,104	-20%	$ 4,907,634
Adj FY12	$ 31,158,942	$ 29,686,779	5%	

V. Findings

Had DBI held a total of $14M for economic stabilization for both stable and cyclical revenues , or 32% of FY2008 total revenue ($43M), DBI would have been able to stabilize FY2009-FY2011 budgets, and maintain staff levels for later increase to work. This assumes that fees are appropriate and staff is fully productive.

To support a recommendation for an appropriate economic stabilization reserve level for SF DBI, CSA performed a benchmarking analysis of peer Building Inspection agencies across the state to understand their recommended economic stabilization reserve levels as well as their rationale for such reserve levels given the recent economic decline. Agency capital investments and relevant background information regarding financial planning and operations are also included in this matrix. For comparison purposes, the GFOA recommended reserve level is included in this matrix.

CSA reached out to all Bay Area county building inspection agencies for this analysis; CSA also reached out to the City of Los Angeles, San Diego, and San Jose as they are an appropriate peer agency, given their urban population size. CSA conducted telephone conversations with participating agencies in February 2012. Solano, Marin, Santa Clara, and Monterey counties as well as the City of Los Angeles did not respond to our request for participation in this benchmarking analysis.

Dated: April 9, 2013
Controller's Office, City Services Auditor

ID	County/City	Recommended Reserve Level	Rationale	Capital Investments	Background	Main Contact
1	Alameda	25% - 50% of Operating Budget	Their reserve is for future obligations. Three to six months of operating costs is reasonable based on labor costs, revenue streams, and fixed costs.	They do not have specific reserve targets for capital investments, but estimates that 15% of their budget for capital improvements seems optimal. They share vehicle fleet with the Construction and Development departments.	They do not perform any sophisticated financial analysis and projections. Several large projects can represent 10-15% of total revenue. Building projects in Alameda are less complicated than in San Francisco and as a result, would have a shorter lifespan (two years). In 2007, before layoffs, they had 18 employees in Building Inspection; currently, they have 11 employees.	Alan Lang, Building Official, Ph. # (510) 670-5557
2	Contra Costa	50% of Operating Budget	Contra Costa County would like to maintain a reserve level to account for the cyclical nature of the construction industry - it takes relatively more time for public agencies to align staffing needs to work/revenue flow due to the: a) the lack of immediate clarity on how deep the economic recession will be and its impact on future revenue; b) agency processes to cut staffing that must account for unions and political considerations; c) inspection/review work that is in the pipeline and already pre-paid.	*Office Improvements*: Going into the economic downturn, the Building Division had an $8 million set aside for their moving into a vacant, County-owned building, which they considered a significant project. The set aside was spent on rehabilitation and remodeling. *IT Projects*: There is no specific fee for IT projects in permitting fees, but they are investing a couple of million dollars for an automated permit tracking system that will be available in 2-3 years. *Vehicle Fleet*: They incorporate a depreciation plan.	The Building Division, like DBI in SF, is funded by building permit revenue and does not receive any funding from the General Fund. As a result of the building boom from about 2000-2006, they had a fund balance and was able to be used for revenue shortfalls from 2007 to the present. The Building Division experienced shortfalls in permit applications starting in 2007 and made three waves of resulting staffing reductions from 2009 -2011. The first wave of reductions was to lay off contractors and non-permanent employees; the second was a deep, yet conservative reduction of permanent staff; and the third was a smaller reduction than the second but necessary to more accurately align revenue and costs. This fiscal year, the Building Division is seeing approximately 10-15% increase in building permits and has hired a couple staff back; this year will probably be the first since 2007 that they will have enough revenue to cover their expenses. In the fall of 2010, fees were increased as they were well below the market cost; this was the first fee increase since the 1990s.	Jason Crapo, Deputy Director, Building Division, Department of Conservation & Development (DCD), Ph. #(925) 674-7722

ID	County/City	Recommended Reserve Level	Rationale	Capital Investments	Background	Main Contact
3	Marin	20% - 40% of Operating Budget	Although the County does not have an official reserve level, Kelley believes the standard should be that a judge would find it a reasonable amount to provide stability if market conditions changed rapidly.	The Building and Safety Division does not budget capital costs; as capital is managed by DPW. *Vehicle Fleet*: Their fleet is owned and managed by DPW and they are charged for vehicle maintenance/usage via interfund transfers (an operating expense). *Office*: Their office/building costs are also handled by interfund transfers which is an operating expense. *IT Projects:* They are currently developing a large-scale permit tracking system which was funded by a special fund in the County Administrator's Office. Maintenance charges for this new system will be handled by interfund transfers to the Technology Department. They also have a Technology fee for these types of projects.	The Building and Safety Division is funding via a Special Reserve Fund (no general fund). Their current operating budget is $2.5 million and they have a current fund balance of $400,000 or 16%. As of 2010, their fee structure is based on a true cost recovery fee model, not a valuation structure that the SF DBI currently uses (prior to 2010, the fee structure was based on a project valuation). Valuation-based fees capitalize on larger projects and subsidize smaller projects, which may be more appealing to the public (residential projects have less expensive fees than large developments). Kelley believes that 60-70% of counties and cities use a project valuation standard. In 2007, the Division had a large fund balance of $1.4 million or over 50% of their $2.5 million budget, as a result of several large projects. In 2007/2008, the Division performed a fee study, which resulting in switching their fee structure approach from valuation to true cost recovery. In the years following 2008, there was a dramatic housing bust and that fund balance was used to cover operating costs. To align their costs with revenues, they rely on a true cost recovery model which equates their expected costs with expected revenue. They assume previous year revenues, which allows for more modest fund balances. From an BOS recommendation to analyze the fees in surrounding counties, Kelley determined the average fee from across the counties and used this as the new fee structure. For example, if the average re-roof permit is $321, Kelley determined the staff time needed to do the associated work (based on the fully-burdened hourly rate for admin and inspector time). This approach balanced the cost of work with the revenue. Since 2010, or the switch to a true cost recovery fee model, they have had to dip	Bill Kelley, CBO, Deputy Director, Building and Safety Division, Community Development Agency, bkelley@marincounty.org, Ph. # (415) 473-6556

ID	County/City	Recommended Reserve Level	Rationale	Capital Investments	Background	Main Contact
4	Napa	Enough to cover all deferred credit (prepaid work that has yet to be performed) and staffing costs during the period of time it takes to properly align staffing needs and revenue streams	They do not have an official, targeted reserve level. They amend their fees based on consultant review of historic revenues and 5 year projections. Their fee increases are meant to cover periods of economic incline and decline.	*Office Improvements*: Because their offices are in their County Administration Office, they have "County Building" expense in their budget that is deducted from the Building Fund. *IT Projects*: They have made capital investments in Accela, a permit tracking system shared by the Planning, Public Works, Environmental Management divisions as well as the Fire Departments (all agencies that are part of the plan review process). It's widely well received. *Vehicle Fleet:* They use their vehicles from the county vehicle pool; this expense is in their budget.	The County of Napa consolidated their planning, building, and environmental services into one department. Their policy is to have make fee changes to cover revenue shortfalls. In the last 3 years, they have had 2 fee studies. In 2007, before the economic decline, the Building Division had a fund balance of $1.3 million which they subsequently used to cover revenue shortfalls as a result of the decline in the value of permits (less complex projects) that nonetheless required inspections. They currently have very little in fund balance.	Darrell Mayes, Chief Building Officer, Building & Development Division, Planning, Building & Environmental Services Department, Ph. # (707) 259.8230 Hilary Gittleman, Director of Building Division, Ph. # (707) 253-4805
5	San Diego	7% of Operating Budget	As of December 2011, the City of San Diego has a citywide reserve policy; it believes that adequate reserves position an organization to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies. For the Development Services Department, the "Appropriated Reserve" is intended to provide financial stability during economic downturns. The reserve may be used to meet current expenditures following an unanticipated decline in workload resulting in decreased revenues. The Department Director will be responsible for approving the use of the reserve for unanticipated operating expenses. The target reserve level for the Appropriated Reserve is 7% of operating expenses by 2016.	The City of San Diego does not have Capital Improvement reserve although they budget capital expenses. Office Improvements: They would like to make some improvements to their HVAC system *Vehicle Fleet*: Building Services currently uses 2 vehicles in the City fleet, which is paid by a usage fee. The Department also pays for maintenance which is part of their operating budget.	The current fiscal year operating budget is $45.5 million. The Building Services Department currently has $1.7 million in reserves or just over half of the targeted reserve amount. The department currently has 250 employees although they used to have over 400 budgeted in previous years. If they had more of a fund balance, they would set aside money for IT projects, building maintenance, and/or legal liabilities.	Raquel Torres, Building Services, City of San Diego, Ph. #(619) 994-6835

ID	County/City	Recommended Reserve Level	Rationale	Capital Investments	Background	Main Contact
6	San Jose	Reserve levels that cover work in progress (work that has been paid for but not yet performed)	Although there is no official citywide policy for reserve levels, Roland explained that at the minimum, they keep enough in fund balance to cover their program's "work in progress" or work for which has been prepaid but not yet performed.	*Office Improvements:* Their office is in City Hall - their Department makes debt service payments of approximately $600K/year which is considered an operating expense. *IT Projects* : They would like to invest in some IT projects such as replacing their document management system (File Maps), developing a permit tracking system, and using mobile technology for wireless inspections and code enforcements. *Vehicle Fleet* : Although they would like to replace their aged vehicle fleet, the Budget Office will not let them capitalize the expense.	The Division's current operating budget is $21.2 million (adjusted for the addition of new positions). They currently have $15 million or 71% of their operating budget in fund balance. Of that $15 million in fund balance, $9.4 million represents deferred credit or work that has been prepaid but not yet performed. The division currently has 208 employees (from 308 employees); they laid off almost a third of its staff. When asked about potential set asides for their fund balance, Rolland explained that they would like to hire an HR consultant to do a class comparison so they can determine if they are paying their employees enough or too much. They would also like to do an RFP for non-permanent, contracted staffing services to build in more flexibility with their labor pool for plan review (need permanent employees for inspection services).	Kathryn Rolland, Administrative Officer, Building Division, City of San Jose, Ph. # (408) 535-7869
7	San Mateo	2% -15% of Operating Budget	Although the County of San Mateo mandates a reserve level of at least 2% of the Department's operating budget, Diehl explained that the Building Program does not like to have less than $1 million in reserves or at least 15% of their operating budget ($7.3 million).	The Department does not budget for capital investments. *Office Improvements* : The recent remodeling of their floor was funded from the reserve.	The Building Inspection Program is a program within the Planning and Building Department. For many years, the Department did not have a reserve. However, the Department has received supplements from the General Fund.	Virginia Diehl, Building Inspection Program, Ph. #(650) 363-1857, vdiehl@smcgov.org
8	Sonoma	Reserve levels that cover the refundable amount of deferred credits	Given that the Auditor's Office instructed the Department to no longer maintain a reserve for revenue shortfalls, they maintain enough fund balance to cover any refundable permit fees. This threshold builds in an assumption that revenues are no longer coming in (e.g., an emergency, shut down of the department)		As of the late 1980s, the Permit and Resource Management Department is a one-stop shop for all permitted work and includes the plan review, inspection, code enforcement, engineering, etc., services. 20% of their budget is from the General Fund and the remaining 80% is from Government Funds. Around the year 2000, they had a "Deferred Revenue Fund" which represented the extra revenue after expenses and was developed as an operating reserve or rainy day fund to cover expenses in times of revenue shortfalls. Around 2010, at the Auditor's direction, they ceased the use of this Deferred Revenue Fund (probably due to a change in policy or GASB). Apparently, the fund was at risk for not being properly auditable. In FY 2010/2011, they laid off approximately 25% of their staff and they had approximately $2 million or 10% in a fund balance reserve (their current operating budget is $18 million). They used $800,000 from this reserve to keep key staff (per the direction of the Board of Supervisors) and subsequently had enough salary savings in the past two years, that they did not need to again tap into this fund balance to stave off more layoffs. For this fiscal year, their revenue will cover their operating costs. Although the County wanted the existing fund balance to go back	Brett Williams, Administration Services Officer, Permit and Resource Management Department, Ph. # (707) 565-2296

ID	County/City	Recommended Reserve Level	Rationale	Capital Investments	Background	Main Contact
9	GFOA	2 Months of Operating Costs	In the GFOA Best Practice "Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009) (BUDGET and CAAFR)" published in October 2009, the GFOA notes that "it is essential that governments maintain adequate levels of fund balances to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures)...fund balance levels are a crucial consideration, too, in long-term financial planning". Credit agencies also monitor fund balance levels to evaluate a government's continued creditworthiness. GFOA recommends that governments establish a formal policy on the level of fund balance that should be maintained in the general fund. The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.	N/A	In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance. A government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including: • The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile); • Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);	N/A

CSA and DBI developed the below matrix of potential fund balance designations which provides a summary of the business case, key issues of consideration, estimated costs, time horizon of implementation, priority level, etc. for each recommended designation or use of fund balance. With the exception of an Economic Stabilization Reserve, these designations primarily pertain to one-time capital investments that will improve DBI's service delivery.

Columns L-S assess each fund balance designation against a set of evaluative criteria (e.g., improves service delivery, management best practice). Each potential designation has been assigned a priority level (high, medium, low) per these evaluative criteria, the estimated cost, and time horizon of implementation. This matrix is sorted by priority level and the total estimated cost of the fund balance designation.

Dated: April 9, 2013
Controller's Office, City Services Auditor

									Evaluative Criteria							
ID	Fund Balance Designation	Fund Balance Designation Type	Business Case	Issues to Consider	Total Estimated Cost	Time Horizon	Priority Level	Assumptions/Notes	Improves Service Delivery	Improves Employee Experience	One-Time Capital Investment	Required by City Ordinance	Promotes Green Initiatives	Management Best Practice	Supported by RED	Implementation Level of Effort
1	Economic Stabilization Reserve	Operating Reserve	An operating reserve is intended to provide financial stability during economic downturns. The reserve may be used to cover key expenditures following an unanticipated decline in workload resulting in declining revenues. Per GFOA best practices re unrestricted fund balances, it is essential that governments maintain adequate levels of fund balances to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures); fund balance levels are a crucial consideration, too, in long-term financial planning. Credit agencies also monitor fund balance levels to evaluate a government's continued creditworthiness. GFOA recommends at a minimum, no less than two months of unrestricted fund balance of regular operating revenues. Based on CSA analysis of DBI' stable and cyclical revenues and benchmarking of peer agencies in California, CSA recommends a reserve range of $17 million or four months' or of their annual operating budget. See Appendices A and B for further details of these analyses.	The operating reserve should be placed in a separate GL account, outside of a fund balance. In the event that the reserve is used such that it is below the determined threshold of operating costs, its replenishment should be a priority in years when revenues exceed expenditures.	$17 million	FY2013-2014	High	Assumes a FY2012/2013 operating budget of $50 million	Yes	Yes	No	No	No	Yes	N/A	Low
2	1660 Mission Tenant Improvements	Capital Investment	The current plan review work space in the 1st and 2nd floors of the DBI building do not work effectively for the operation needs of the employees and customers. In addition, the first floor requires leveling and a better storage solution for records.		$4 million	FY2013-2015	High	DBI has already made this budget request.	Yes	Yes	Yes	No	Maybe	Yes	N/A	Med
3	Fleet Replacement (Electric/Hybrid or CNG Vehicles)	Capital Investment	Access to vehicles is essential for inspectors to perform their job duties as they conduct inspections in 18 inspection districts throughout San Francisco and respond immediately to unpredictable and potentially life-safety situations. In addition, DBI plays a significant role in the City's emergency response team charge by responding to disasters and emergencies. DBI currently maintains a fleet of 99 vehicles. It cannot use vehicles from the Central Shops Department because it requires cars on demand. Paying people to use their personal vehicles is not an effective long-term solution. Although DBI has requested a waiver of the Transit First - At Work and Fleet Reduction components of the Health Air and Clean Transportation Ordinance (HACTO), DBI has endeavored to be compliant with HACTO's Section 403(b), requiring departments to retire from service all passenger vehicles and light duty trucks that are 12 years old or older (i.e., vehicles that went into service before June 30, 2003) by July 1, 2015.	Replacing vehicles with electric or hybrid vehicles will require Electric Vehicle (EV) stations to be installed in DBI's currently leased parking lot. These stations cost approximately $10,000 - $12,000 for materials and installation. In addition, DBI and the Real Estate Division would need to consider the cost to bring power (trenching) to the leased parking lot, which is generally estimated at $300,000-$400,000 and would require State approval to effect such work. Real Estate does not recommended that we make this kind of investment in a leased parking lot. Alternatively, DBI can replace vehicle fleet with CNG vehicles.	$3 - $3.5 million	FY2015-2020	High	1) The low-end costs assumes a fleet replacement (100 vehicles) of non-electric vehicles, or CNG vehicles, at a cost of $30,000/vehicle. The high-end cost assumes half the fleet will be replaced with electric vehicles and the other half with hybrid vehicles at a cost of $35,000/vehicle. 2) The replacement of 100 vehicles will happen from 2015-2020 as the current vehicles become 12 years of age (per HACTO requirements).	Maybe	Yes	Yes	Yes	Yes	No	N/A	Med (if the fleet is replaced to electric and hybrid vehicles, in lieu of CNG vehicles, implementation is complicated by the need for Electric Vehicle stations and power trenching in a leased parking lot)

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4	Generator Replacement/ Upgrade	Capital Investment	In case of a power failure, the current generator would only supply power to two floors and the server room of the building. A replacement of the generator would increase the power supply in the building. Per the Real Estate Division, this is very worthy emergency preparedness project -- there would be plenty of space and capacity to upgrade the current generator in the same location and it would make sense to provide power to the entire building in emergency situations.	This work could not be subsumed under a LEED Certification project.	$1.5 million	FY2013- 2014	High	DBI has already made this budget request.	Yes	Yes	Yes	No	No	No	Yes	Low
5	Repair & Demolition Fund Transfer	Fund Transfer	This is one-time transfer to the Repair & Demolition fund to pay for DBI proposals for vendors to demolish unsafe structures (per the Health & Safety code) that have been approved to be demolished. The property owner is required to reimburse DBI for the demolition costs. If the owner doesn't pay, the Building Inspection Commission will add the property to its Lien List which is sent to the Board of Supervisors at the end of the summer, at which time the City Attorney may put a lien on the property.		$1 million	FY2013- 2014	High		No	No	No	Yes	No	No	N/A	Low
6	Elevator Upgrade	Capital Investment	Currently, the elevators in the building break down often.		$1 million	FY2013- 2015	High		Yes	Yes	Yes	No	No	No	Yes	Low-Med
7	Phone Replacement	Capital Investment	The current phone system is two upgrades behind. The Department of Technology's recommendation is to upgrade to the PBX system.		$400,000	FY2013- 2014	High	DBI has already made this budget request.	Yes	Yes	Yes	No	No	No	N/A	Low
8	Mobile Technology Devices	Capital Investment	Mobile devices (i.e., PDAs and tablets) would increase the efficiency of inspector time to perform and document housing inspection services and code enforcement. With the new, web-based Permit Tracking System under in the pipeline, developing mobile technology software would not be an issue, making the acquisition of mobile devices a logical investment.	Do inspectors need both PDAs and tablets? Costs for data plans would be an additional operating expense.	$140,000	FY2013-2015	High	Assumes each inspector has a tablet or iphone and a mobile printer ($1000/per inspector with 140 inspectors in DBI). This is for hardware costs not data plans.	Yes	Yes	Yes	No	Yes	Yes	N/A	Low
9	Fee Study	Professional Services	DBI's last fee study was completed in May 2008, which resulted in fee increases in August 2009. Given current fund balance levels and sensitivity to economic cycles, a fee study would show good faith efforts and due diligence to consider whether or not fees should be lowered or increased and if the traditional valuation-based approach is more appropriate than the cost per type of project approach. According to the Matrix Consulting Group who conducted the fee analysis for San Francisco in 2009, it is management best practice to conduct fee and rate studies every 3-5 years. The SF Department of Planning institutes fee studies every five years.	According to the Matrix Consulting Group fee analysis performed for Marin County, the study recommends adopting a fee schedule based on project type and size rather than valuation as it is more defensible and accurate than traditional valuation-based fees.	$100,0000 - 200,000	FY2013-2019	High	The estimated cost assumes two fee studies - one in FY2013/2014 and one in FY2018/2019.	No	No	No	No	No	Yes	N/A	Low

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10	Building Expansion	Capital Investment	This would centralize staff from other buildings into one location and improve service delivery. DBI currently has drawings/plans from in-house design professionals. In-house design professionals have already developed drawings and provided rough cost estimates for the work.	1) Depending on the cost, should the City invest this much money in an existing building? Would it be more cost-effective to look at new buildings? Per the Director of the Real Estate Division, he would rather DBI entertain a new location entirely for the DBI operation than implement an addition of space, if this current location is deemed inadequate to meet your needs. The Real Estate Division would recommend looking at the value 24,000 sf. would add to the DBI operation (and whether this building as a whole will serve the needs of the department in the long term) prior to assessing an actual budget for this project 2) The expansion project would be done under another type of LEED certification for NC, but would certainly add value to LEED EB efforts if this project was undertaken. 3) An outward expansion could require a zoning variance.	$10 - $15 million	FY2013- 2020	Med	Cost estimates are per Tom Hui, Acting DBI Director. Discussions are occurring in March/April with Capital Planning and Real Estate to review an expansion proposal and alternative DBI office locations.	Yes	Yes	Yes	No	Maybe	Maybe	Maybe	High
11	Acquisition of Parking Lot	Capital Investment	DBI currently spends approximately $18,020/month on parking for its fleet, which is an annual cost of $216,240. If there are increases in the number of cars in their fleet, they will need a new parking lot. Assuming, their current vehicle fleet will be replaced with electronic vehicles, starting in the next three years, there will need to be electronic charging stations available in a new parking lot. . It not known if the existing leased Caltrans parking lot will be available for city use in the long-term.	1) There is no immediate need for a city-owned parking lot, as there is a current rental option. 2) Buying a parking lot would have to be approved by the Real Estate Division which considers the option of purchasing a parking lot for an individual department in the Civic Center area to not be recommended based on availability/cost of inventory in the current market and efforts to maximize/combine parking needs for several City departments.	TBD by Real Estate	FY2013-2018	Med	Medium level priority because renting a parking lot is an existing option	No	Yes	Yes	No	Yes	No	No	High (this option is subject to the real estate market/availability and Real Estate approval)
12	Electric Vehicle Charging Stations	Capital Investment	Should DBI upgrade their fleet to hybrid and electric vehicles per HACTO requirements, they would need electric charging stations in their existing leased parking lot or in a new City-owned parking lot.	1) According to Building Management in City Hall, they recommend a 1:1 ratio of charging station to electric/hybrid vehicle, although it is feasible to plug both a hybrid and electric vehicle into one charging station (2:1 ratio) to minimize costs. 2) If charging stations were installed in the existing leased Caltrans parking lot, it would be a capital investment to bring a power supply to a parking lot that the City does not currently own. Real Estate estimates this cost at $300,000-$400,000 (per DPW) and State approval would be needed to effect such work. They do not recommend that we make this kind of investment in a leased parking lot. 3) The upper garage level at 1660 Mission could currently accommodate 2 more chargers at these rates with an existing power source.	$900,000 - $1,439,000	FY2013- 2020	Med	1) Per Real Estate, the EV stations for materials and install are running approximately $10-12,000/station (with telecommunications that read power usage, remaining mileage on current charge, charging time etc) and $7500-$9,000 station without the telecommunications feature. Costs are assumed to be $11,000/charging stations with a low-end range for 1:2 station to electric/hybrid vehicle ratio (50 stations at a total cost of $550,000) and a high-end range for a 1:1 station to electric or hybrid vehicle ratio (100 stations at a total cost of $1.1 million). 2) It is assumed that DBI would also have to bring in a power supply to either their existing leased parking lot or a new one;	No	No	Yes	No	Yes	No	Yes	Med (implementation is complicated by the need for power trenching in a leased parking lot or new parking lot)

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13	Low Income Loans for Code Enforcement	Loan/Grants	In 2009, DBI and MOH partnered together to implement the Code Enforcement Rehabilitation Fund (CERF); this venture provided no-interest loans and/or grants to qualifying applicants to rehabilitate residential building code deficiencies in the city (e.g., electrical issues, sewer line issues, etc.). DBI provided $342K in 2009 as a one-time grant; MOH administered the loan program. Whenever the property was sold, title was transferred, or no longer owner/occupied, the CERF loan needed to be repaid by the owner. Due to the repayment terms, repayment did not happen very often. Funding from DBI discontinued and the program itself as administered by MOH had been discontinued in 2009 due to lack of consistent funding and the subsequent passage of SF Housing Trust. MOH is hoping to launch an emergency loan program, which would provide shorter-term, low interest loans to qualifying borrowers to address safety code deficiencies. MOH would happily accept one-time funding from DBI to make this program a revolving fund and self-sustaining and recommends a DBI grant of $700K - $1 million to ensure the fund is self-sustaining.	1) Would the Housing Trust cover these funds? 2) Loan administration would be handled by MOH.	$700,000 - $1,000,000	FY2013-2015	Med	This designation is a more directly public-facing opportunity than any other potential fund balance designation. The beneficiaries would be lower-income DBI clients.	No	No	No	No	No	No	N/A	Low
14	Capital Plan Study	Professional Services	DBI does not currently have a capital plan or budget major capital investments. This study would identify, plan for, and assist the budgeting with capital investments in the long-term for DBI.		$100,000 - 200,000	FY2014-2015	Med		Maybe	Maybe	No	No	No	Yes	N/A	Low
15	Staffing Analysis	Professional Services	This would be a consultant study to review staffing needs and considerations given recently upgraded Over The Counter (OTC) processes, new fee structures (as of 2009) and economic cycles. This study would assist DBI to more methodologically budget staffing with associated revenue streams.	The staffing analysis should wait until DBI is fully staffed, which should be by the beginning of the next fiscal year (FY 2013/2014).	$50,000 - $100,000	FY2013-2014	Med		Yes	Yes	No	No	No	Yes	N/A	Low
16	Bike Room Upgrade	Capital Investment	The Real Estate Division will soon be implementing a new planning code amendment to increase the space for bike parking in City-owned buildings, and 1660 Mission will not meet the new requirements, given existing parking capacity. A rough cost to build a new enclosure in the garage at 1660 Mission is $50,000 - $75,000.	This planning amendment is not yet approved. If approved, this cost could be covered by the Real Estate Division. There is currently space available in the bike room, so expanding it is not an urgent priority for DBI.	$50,000 - $75,000	FY2013-2015	Med		No	Yes	Yes	Yes	Yes	No	Yes	Low-Med
17	Solar Paneling on Roof	Capital Investment	Solar paneling on the roof of the DBI building could reduce electricity costs and is a capital investment that is environmentally-friendly and politically acceptable for the DBI.	1) Per the Real Estate Division and the PUC, solar panels would be too heavy for the existing roof - this project would require a study, potential upgrades to the existing roof or a brand new roof on top of the cost of labor and materials to install the solar paneling. 2) This is not a pressing need as it does not directly impact service delivery. 3) Real Estate Division would recommend that we identify how/where this power would be used prior to assessing the feasibility of this project.	$800,000 - 1,000,000	FY2013-2016	Low	$100,000 for the solar panel installation and another $700,000 for a new roof (if needed, but most likely would be the case) to support them for a total of $800-1M range for solar and roof replacement.	No	No	Yes	No	Yes	No	Maybe	High

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18	LEED Existing Building Certification	Capital Investment	The City is looking to LEED-certify various buildings. Although there is no ordinance or code for complying with this certification, it's always in the City's best interest to undergo energy efficient projects in commercial buildings.	1) Within LEED Certification, you cannot include the generator replacement, building expansion, or tenant workflow improvements. 2) This project could receive partial funding from Real Estate.	$350,000 - $1,350,000	FY2014-2019	Low	Per Real Estate, DBI would need to budget $150,000 for the actual LEED EB certification project management and submission and depending on how many retrofit/upgrades would be needed to be undertaken this number would be anywhere between $200,000-1M. Types of upgrades would include new plumbing fixtures, upgraded HVAC system technology and parts, lighting retrofit, energy usage commissioning, etc.	No	Yes	Yes	No	Yes	No	Yes	High