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Report on the Fiscal 2017 Executive Budget Department of Buildings

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Executive Budget Summary

- **Expense Budget Overview.** The Fiscal 2017 Executive Budget for the Department of Buildings (DOB or the Department) totals \$172.1 million. The Fiscal 2017 Executive Budget is \$17.6 million more than DOB's Fiscal 2016 Adopted Budget of \$154.4 million.
 - The Department's funding sources for Fiscal 2017 are all comprised of City tax-levy funds.
- **Executive Budget Changes.** The Fiscal 2017 Executive Budget includes \$10.9 million for new needs in Fiscal 2017 and \$5.7 million in other adjustments. Major actions include:
 - \$6 million in new needs for the Building One City initiative;
 - \$3.7 million in new operating needs;
 - \$2.3 million in proposed savings in Fiscal 2016;
 - \$1.2 million in new needs for energy code compliance and resiliency efforts; and
 - \$65,000 in new needs for city-wide inspections of transitional housing.
- **Headcount.** The Executive Budget supports a workforce of 1,630 positions (192 positions more than the Fiscal 2016 Adopted Budget). The Department's Fiscal 2017 Executive Budget allocates \$5.4 million in funding for an additional 51 positions to support various divisions at DOB. Some notable staffing increases reflected in the Fiscal 2017 Executive Budget include:
 - The addition of 22 positions for core DOB operations, including inspectors, technical assistance positions and administrative support;
 - The addition of 14 positions, including case managers, Borough office support staff and administrative support in relation to the Department's Building One City initiative;
 - The addition of 14 positions, including two inspectors and 12 technical assistance positions, for an energy code and energy efficiency pilot study in conjunction with the Mayor's Office of Long-term Planning and Sustainability; and
 - The addition of one inspector in connection with the Administration's transitional housing initiative, which seeks to phase out and permanently end the placement of homeless families into "cluster" shelter units.
- **Miscellaneous Revenue from Permit Penalties and Construction Permits.** DOB has estimated that the City will realize an additional \$25 million above the already budgeted \$22.7 million in Fiscal 2016 from the collection of fees resulting from late filings and no permit penalties. In addition, DOB has estimated that the City will realize an additional \$17 million in Fiscal 2016 from the collection of fees from construction permits and an additional \$9.6 million building inspection fees. The DOB Development Hub, along with the use of e-filing, has accelerated the construction project approval process and this has resulted in revenue gains from licenses and permits, as well as charges for services, and fines. In Fiscal 2017, the agency expects to generate \$251.9 million in revenue, while total expenditures are projected to be \$172.1 million.

DOB Overview

This report presents a review of DOB's Fiscal 2017 Executive Budget. The section below presents an overview of the Department's budget and how it has changed during the course of Fiscal 2016, followed by a review of the significant budget actions introduced in the Fiscal 2017 Executive Budget. Major issues related to the Department's budget are then discussed. Appendix 1 reports the changes made to the Fiscal 2016 and Fiscal 2017 Budgets since Adoption of the Fiscal 2016 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2017 Preliminary Budget Report for the Department of Buildings at: <http://council.nyc.gov/html/budget/2017/pre/810%20-%20Department%20of%20Buildings.pdf>

DOB Financial Summary						
	2014	2015	2016	Executive Plan		*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	2016	2017	2016 - 2017
Spending						
Personal Services	\$79,848	\$88,164	\$110,981	\$109,540	\$129,924	\$18,944
Other Than Personal Services	18,831	20,509	43,439	45,706	42,135	(1,303)
TOTAL	\$98,679	\$108,673	\$154,419	\$155,246	\$172,060	\$17,640
Funding						
City Funds	\$98,679	\$108,673	\$154,419	\$155,246	\$172,060	\$17,640
TOTAL	\$98,679	\$108,673	\$154,419	\$155,246	\$172,060	\$17,640
Budgeted Headcount						
Full-Time Positions - Civilian	1,037	1,099	1,438	1,450	1,630	192
TOTAL	1,037	1,099	1,438	1,450	1,630	192

* The difference of Fiscal 2016 Adopted Budget compared to Fiscal 2017 Executive Budget.

The City's Fiscal 2017 Executive Budget totals \$82.2 billion, \$3.7 billion more than the Fiscal 2016 Adopted Budget of \$78.5 billion. In comparison, DOB's Fiscal 2017 Executive Budget of \$172.1 million represents an 11 percent increase over its Fiscal 2016 Adopted Budget of \$154.4 million. This increase is largely due to an additional \$18.9 million in the Personal Services (PS) budget to support 192 additional positions, including 28 inspectors, 99 technical assistance positions and 65 other support positions, at a total cost of \$17.4 million, and \$1.5 million for collective bargaining agreements. Since the Fiscal 2016 Adopted Budget, several initiatives have impacted the Department's budget and headcount for Fiscal 2016 and Fiscal 2017. For Fiscal 2016 these include \$481,000 in new needs and \$7.9 million in other adjustments. For Fiscal 2017 these include \$12.9 million in new needs, \$6 million in other adjustments, and a headcount increase of 51 positions. Combined, the above actions reconcile the Department to its current budget of \$147 million for Fiscal 2016 and \$172.1 million for Fiscal 2017. The Department's funding sources for Fiscal 2017 are all comprised of City tax-levy funds. (See Appendix 1 for a list of all budget actions since adoption).

New in the Executive Budget

The Department's Fiscal 2017 Executive Budget introduced several new actions intended to streamline core operations and reduce processing times for construction applications at DOB Borough offices, facilitate sustainable development, and address safety concerns in Construction. The key actions in the Executive Budget include:

- **DOB Agency Operations.** A total of \$3.7 million is added in Fiscal 2017 for the hiring of 22 positions, to support core functions at the Department, including inspectors and administrative support staff. The annualized cost of these 22 positions is \$3.1 million which is baselined through Fiscal 2019.
- **DOB Building One City Initiative.** A total of \$6 million is added in Fiscal 2017 for the hiring of 14 positions to support the Department's Building One City initiative. Launched in Fiscal 2016, the long-term initiative set forth several actions intended to fundamentally reform the Department, including: the creation of an affordable housing unit, strengthening proactive enforcement tools, and mitigating unsafe behavior at construction sites. Together these actions called for the addition of 320 new positions and an increase of \$120 million over four years at DOB. As of the Fiscal 2017 Executive Budget, DOB has hired 143 people and spent down \$16.7 million as part of the initiative.
- **DOB Energy Code Compliance.** A total of \$1.2 million is added in Fiscal 2017 for the hiring of 14 positions for one-year in connection with a pilot study guided by the Office of Long-term Planning and Sustainability (OLTPS). As part of the City's goal to reduce greenhouse gases by 80 percent by 2050 (80 x 50), DOB is working with OLTPS to study energy efficient upgrades to public buildings and to ensure public infrastructure is resilient to the impacts of climate change. This is an ongoing collaboration, and funding is allocated as needed.
- **DOB Transitional Housing.** A total of \$65,000 is added in Fiscal 2017 through Fiscal 2020 for one DOB inspector in connection with the Administration's multi-agency transitional housing initiative, which seeks to phase out and permanently end the placement of homeless families into "cluster" shelter units. The initiative seeks to convert all 3,000 cluster shelter units to permanent housing or transition all 11,000 impacted homeless families to another shelter by December 31, 2018. The City pays a total of about \$125 million a year for both rent and social services associated with cluster shelter units. The annualized cost of the DOB inspector is \$65,000, which is baselined through Fiscal 2020.
- **Citywide Savings Program.** Along with the Fiscal 2017 Executive Plan, the Office of Management and Budget (OMB) released a Citywide Savings Program that outlines plans to reduce City spending by \$589 million in Fiscal 2016 and \$465.5 million in Fiscal 2017. To develop the program, OMB asked all agencies to identify efficiencies, alternative funding sources and programmatic changes that would yield budgetary savings without reducing service levels. DOB has proposed savings totaling \$2.3 million in Fiscal 2016 resulting through accruals from unanticipated hiring delays.
- **Building One City Initiative.** The Department's Fiscal 2016 Executive Budget introduced the Building One City initiative, comprised of several significant initiatives and actions intended to streamline online operations and reduce processing times for construction applications, strengthen proactive enforcement tools, and expedite

inspections to speed the review process for new affordable housing production. These actions provided about \$40 million in new funding for the Personal Services (PS) budget and the Other Than Personal Services (OTPS). In total, the Building One City initiative will provide DOB with approximately 320 new positions and \$120 million in new resources over the next four years. Comparatively, the Department has implemented marginal changes in the Fiscal 2017 Executive Budget. As of the Fiscal 2017 Executive Budget, DOB has hired 143 people and spent down \$16.7 million as part of the Building One City initiative. With these additional resources, DOB anticipates it will complete initial reviews on all filings within an average of nine days from initial submission, and reduce wait times for the most common inspection types to 10 business days. These performance indicators are further detailed below.

Performance Indicators	Actual FY2015	Estimated FY16	Target FY17
Average days to complete first plan review (days) – Borough Offices			
- New buildings	14.9	11.5	12
- Major Renovation (Alteration Type-I application)	15.2	13	10
- Minor Renovation (Alteration Type-II and III applications)	4.1	3.3	4
Average days to complete inspections (days)			
- Boiler Inspections	19.2	17	10
- Elevator Inspections	15.8	14	10

*as of April 2016

Preliminary Budget Highlights

The Department’s Fiscal 2017 Preliminary Budget introduced several significant new initiatives and actions intended to reduce processing times for affordable housing construction applications and strengthen enforcement tools. The key actions in the Preliminary Budget include:

- Administrative Support for DOB Affordable Housing Division.** A total of \$55,000 was added in Fiscal 2016 and \$110,000 in Fiscal 2017 for the hiring of two additional full-time administrative employees to support the Department’s newly created Affordable Housing Unit. The unit is comprised of 15 employees, including five plan examiners, five inspectors and five support staff that coordinate with the Department of Housing Preservation and Development to prioritize plan review and development inspections for affordable housing projects. The annualized cost of these 15 positions is \$1.3 million which is baselined through Fiscal 2020.
- DOB Cooling Towers.** A total of \$28,000 was added in Fiscal 2016 and \$55,000 in Fiscal 2017 for the hiring of one administrative position to support work related to the registration of cooling towers. Under emergency health regulations adopted on August 18, 2015 (Local Law 77 of 2015) building owners and property managers of cooling towers are required to register cooling towers with DOB, inspect and test the cooling towers, and provide annual certification to DOB. The annualized cost of this position is \$55,000, which is baselined through Fiscal 2020.

- Funding for Enforcement of Local Law 11 of 1998.** A total of \$685,000 was added in Fiscal 2017 to support 10 new positions in the Façades unit, including six inspectors, two administrative employees, and two plan examiners. Local Law 11 mandates that owners of buildings greater than six stories have their buildings' exterior walls inspected once every five years and file a technical report to the Department. The report details whether a certified architect or engineer found potentially dangerous deterioration on a building's exterior faces, and in the event deterioration is found, recommendations are outlined and building owners are required to schedule the necessary work in a timely manner. The current inspection cycle (Cycle 8) runs from February 21, 2015 through February 21, 2020. The annualized cost of these 10 positions is \$685,000, which is baselined through Fiscal 2020.

Revenue Budget Highlights

DOB collects revenue from the issuance of licenses and permits, charges for services such as inspection fees, and fines for late filings. The Department's online application system, the DOB Development Hub, along with the Department's use of e-filing, has accelerated the construction project approval process and this has resulted in revenue gains from licenses and permits, as well as charges for services, and related fines.

In Fiscal 2017, the Department expects to generate \$251.9 million in revenue, while total expenditures are projected to be \$172.1 million. In the Fiscal 2017 Executive Budget, DOB expects to generate \$173.6 million from license, construction permit, and franchise fees, \$34.9 million from charges for services, and \$43 million from the collection of fines and forfeitures. Overall, construction permits are projected to account for 59 percent of the Department's total miscellaneous revenue generated in Fiscal 2017, totaling \$173.6 million.

DOB Miscellaneous Revenue Budget Overview						
<i>Dollars in Thousands</i>						
Revenue Sources	2014	2015	2016	Executive Plan		*Difference
	Actual	Actual	Adopted	2016	2017	2016 - 2017
Licenses, Permits & Franchises						
Licenses for Tradesmen	\$2,431	\$2,533	\$2,940	\$2,940	\$2,140	(\$800)
Building Permits	24,174	28,369	15,085	32,100	19,952	4,867
Illuminated Signs	3,184	3,262	2,236	2,236	2,236	0
Construction Permits	134,009	163,460	139,000	149,225	149,225	10,225
Subtotal, Licenses, Permits & Franchises	\$163,798	\$197,624	\$159,261	\$186,501	\$173,553	\$14,292
Charges for Services						
Building Inspection Fees	\$12,386	\$12,735	\$11,880	\$11,908	\$12,620	\$740
Scaffold Notification Fees	383	441	375	375	375	0
Electrical Inspection Fees	8,185	0	0	9,000	6,500	6,500
Microfilm Fees	11,002	11,718	7,871	11,600	9,118	1,247
Reinspection Fees	821	1,055	200	900	200	0
Loft Board Fees	1,487	1,428	595	1,150	595	0
Elevator Inspection Fees	5,468	5,503	5,490	5,490	5,490	0
Unsafe Building Fees	34	46	45	45	45	0
Subtotal, Charges for Services	\$39,767	\$32,925	\$26,456	\$40,468	\$34,943	\$8,487
Fines & Forfeitures						
Late Filing/No Permit Penalties	\$42,381	\$52,053	\$22,689	\$58,000	\$43,400	\$20,711
Subtotal, Fines & Forfeitures	\$42,381	\$52,053	\$22,689	\$58,000	\$43,400	\$20,711
TOTAL	\$245,946	\$282,602	\$208,406	\$284,969	\$251,896	\$43,490

*The difference of Fiscal 2016 Adopted Budget compared to Fiscal 2017 Executive Budget.

Appendix 1: DOB Fiscal 2017 Budget Actions since Fiscal 2016 Adoption

<i>Dollars in Thousands</i>	FY 2016			FY 2017		
	City	Non-City	Total	City	Non-City	Total
DOB Budget as of the Adopted 2016 Budget	\$154,420	\$0	\$154,420	\$153,166	\$0	\$153,166
New Needs - Prelim. 2017						
Administrative Support for DOB Affordable Housing Division	\$55	\$0	\$55	\$110	\$0	\$110
DOB Build it Back	368	0	368	552	0	552
DOB Cooling Towers	28	0	28	55	0	55
DOB Lease	0	0	0	0	0	0
DOB Supplies	30	0	30	40	0	40
DOB Universal Pre-K	0	0	0	538	0	538
Funding for Enforcement of Local Law 11	0	0	0	685	0	685
Subtotal, New Needs	\$481	\$0	\$481	\$1,980	\$0	\$1,980
Other Adjustments - Prelim. 2017						
OSA Collective Bargaining	\$221	\$0	\$221	\$274	\$0	\$274
DOB Study	125	0	125	0	0	0
Subtotal, Other Adjustments	\$346	\$0	\$346	\$274	\$0	\$274
TOTAL, All Changes Prelim. 2017	\$827	\$0	\$827	\$2,254	\$0	\$2,254
DOB Budget as of the Preliminary 2017 Budget	\$155,247	\$0	\$155,247	\$155,420	\$0	\$155,420
New Needs - Exec. 2017						
DOB Agency Operations	\$0	\$0	\$0	\$3,708	\$0	\$3,708
DOB Building One City	0	0	0	5,984	0	5,984
DOB Energy Compliance	0	0	0	1,180	0	1,180
DOB Transitional Housing	0	0	0	65	0	65
Subtotal, New Needs	\$0	\$0	\$0	\$10,937	\$0	\$10,937
Other Adjustments - Exec. 2017						
DOB Rolls	(\$5,783)	\$0	(\$5,783)	\$5,783	\$0	\$5,783
DOB Savings*	(2,329)	0	(2,329)	0	0	0
DOB Small Business First	(55)	0	(55)	55	0	55
Heat, Light and Power	(91)	0	(91)	(62)	0	(62)
Lease Adjustment	0	0	0	(85)	0	(85)
Lease Adjustment	0	0	0	13	0	13
Subtotal, Other Adjustments	(\$8,257)	\$0	(\$8,257)	\$5,703	\$0	\$5,703
TOTAL, All Changes - Exec. 2017	(\$8,257)	\$0	(\$8,257)	\$16,640	\$0	\$16,640
DOB Budget as of the Fiscal 2017 Executive Plan	\$146,989	\$0	\$146,989	\$172,059	\$0	\$172,060

*These "other adjustments are included in the Citywide Savings Program.