

MEMORANDUM

April 24, 2014

TO: Planning, Housing, and Economic Development Committee
FROM: Jeff Zyontz, Legislative Attorney
SUBJECT: FY15 Operating Budget: Department of Permitting Services

Those expected to attend this worksession include:

Diane Schwartz Jones, Director, Department of Permitting Services (DPS)
Barbara Suter, Hadi Mansouri, Reginald Jetter, Rick Brush, and Tom Laycock, DPS
Dennis Hetman, OMB

Relevant pages from the FY15 Recommended Operating Budget are attached on © 1-7.

Staff recommendations:

Approve the proposed budget with the following changes:

Increase projected revenues for FY15 by \$4 million

Increase the unclaimed year end fund balance in FY15 by \$3 million

Document that the “claim on fund” will be used for the Department’s new offices in Wheaton

Cumulate the “claim on funds” in FY15 and future years of the Fiscal Plan.

Future actions

Undertake a comprehensive review of fees and expenditures with FY16 fee changes anticipated

Update performance measures in the FY16 budget

Overview

The Department of Permitting Services is an enterprise fund; it is intended to earn sufficient revenues from fees to cover its capital and operating costs. When the Department receives funds from the County general fund, it is accounted for as a loan against future revenues. In the aftermath of the 2008 recession, the Department depleted its fund reserves and required general fund dollars to meet its operating expenses. It has since paid back the general fund. The policy goal is to retain a year end fund balance of 20% of the Department’s total annual resources to avoid the need for general fund revenue.

In FY13, the year end fund balance was 38.7% of the Department's resources. The proposed fund balance for FY14 was reduced for accounting purposes by a \$4.5 million claim on the fund balance.¹

The proposed fund balance, including the "claims on fund balance", will be 55% of total annual resources (\$33.7 million) by the end of FY15, even with increased expenditures for 6 additional full time employees and \$1.3 million in additional contracting money. The use of the claim on funds in FY15 and thereafter is to fund the Department's requirements in a new building in Wheaton. The purpose for the claim on funds was not mentioned in the Executive's submitted budget for DPS.

The fees collected by DPS are significantly in excess of expenditures. The budget submitted expects that to continue through FY20. This relationship of expected revenue in excess of expenditures exists despite the fact that the FY15 assumed revenue from fees is more than \$6 million below the fee estimate for FY14.

Using the current fee structure and anticipated increasing construction activity, the Department is likely to amass sufficient funds during the next 2 fiscal years to pay cash for DPS's new offices in Wheaton.

Given the anticipated work load and the Executive proposed FY15 staffing (6 additional FTEs and \$1.3 million more in contracting support than FY14), reductions in permit processing time between FY14 estimates and FY15 targets are not anticipated by the Department's stated performance measures.²

FY13 Expenditures

For FY15, the Executive recommends total expenditures of \$32.0 million, up \$2.4 million or 8% from the FY14 approved budget expenditures of \$29.6 million. The number of full time positions would increase by 6 (from 200.5 full time equivalent employees (FTEs) to 206.5 FTEs).

Personnel costs account for 72.5% of the budget, and operating expenses account for the remaining 27.5%. See the table below for detail. The recommended budget includes \$20.1 million in addition to the FY14 \$4.5 million "claim" on the year end fund balance.

¹ The amount of the claim on funds in the FY14 budget was justified by calculating office renovation expenses at its current location. Since that calculation, the Executive is now committed to moving the Department to a new building in Wheaton.

² See © 3 and compare the estimated FY14 column with the Target FY15 column.

	FY13 Approved	FY14 Approved	FY15 CE Recommended	Change from FY14-15	
				Amount	%
Expenditures	27,623,925	29,642,071	32,007,836	2,365,765	8.0%
Positions:					
Full time	192	195	201	6	3.1%
Part time	1	1	1	0	
Total positions	193	196	202	6	3.1%
Workyears	197.6	200.5	206.5	6	3.0%

Changes from FY14-FY15: The changes are summarized on © 5 and the major changes are explained below.

- +20,092,418 Claims on fund balance in addition to FY14's \$4,497,975 claim³
- + 1,300,000 Contract Cost for Service Support (in addition to \$ 1.1 in the base of the FY14 budget for a total of \$2.4 million)
- + 187,218 Additional Staff – 2 Energy Conservation and Green Construction Reviewers
- + 183,265 Additional Staff – 2 Inspectors to enforce new Tree legislation
- + 112,633 Additional Staff – 1 Residential Inspector
- + 76,287 Additional Staff – 1 Fire Protection Plan Reviewer
- + 59,800 Office Rent increase

Outline

- Revenue/ Fees
- Year-end Fund Balance
- Other Claims on Funds Balance
- Work Complement
- Contract Costs for Service Support
- Performance Measures

Revenues/Fees

In FY13, DPS forecasted revenues of \$32.1 million and took in \$43.8 million.⁴ In FY14, DPS forecasted \$32.2 million and will take in an estimated \$42.6 million, even with an unanticipated

³ How does the FY15 budget generate more than \$20.1 millions above immediate Department needs?
\$10.2 million revenue underestimated between the FY14 budget and the estimated FY 14 budget
\$ 2.7 million revenue budgeted to exceed expenses in FY14
\$ 4.2 million revenue budgeted to exceed expenses in FY15
\$ 3.0 million reduction in end of year reserves from 20% to 15%

⁴ The FY14 budget, the Department estimated FY13 revenues at \$39.5 million in budget documents but earned \$43.8 million.

reduction in fees of \$2.6 million.⁵ The FY15 revenue estimate is \$36.2 million, \$6 million less than FY14 estimated revenues and \$7.2 million less than FY13 actual revenues. In past years, the Department explained projected revenue declines to events in the current fiscal year (hospital, federal government and high multi-family permits) that are unlikely to be repeated in the next fiscal year. The footnote in the fiscal plan table states:

Revenue projections in FY15 and future years assume a gradual increase in construction market activity.

This footnote is inconsistent with the proposed budget's revenue estimate that is lower than the Department's revenue collected during the past 2 years. The same level of development activity (including the splits between types of construction) would yield the same revenue. Only lower levels of activity at the same fee structure would yield lower revenues.

The Department would characterize their past projections as "intentionally conservative". The Department submitted the following to justify the FY15 revenue estimate:

We believe it is preferable to be conservative when budgeting revenues so that funds are adequate to cover expenses and general funds do not need to be diverted from other important services to cover DPS expenses.

Because of the lack of predictability of construction volumes and the historic volatility of revenues, OMB, following receipt of our projections in November, undertook a regression analysis of historic revenues with both negative and positive fluctuations and derived its own statistical prediction of revenues. Given the fact that overly optimistic predictions in the past resulted in draws on the general fund, a midpoint was chosen between DPS's projection and the statistical calculation of potential revenues in FY15.

The OMB regression analysis found very stable revenues over time; by statistical standards, total revenues have not been highly volatile. Building permits is the principle driver of DPS revenues. In the past 18 years, there were only 2 year (FY06 and FY09) when actual permit revenues dropped by at least \$1 million and resulted lower total Department revenues than the preceding year.⁶

Prior revenue estimates provides a view of just how conservative the Departments revenue estimates have been. For the past 3 fiscal years (FY12 – FY14), the Department underestimated revenues by an average of \$9.6 million per year. Even in the 5 year period that the Department over estimated revenues (FY06-FY10), the average over estimate was \$5 million per year.

Unless the Council is committed to lowering permit fees in FY15, staff recommends increasing estimated revenues by \$4 million in FY15. In the alternative (retaining the proposed revenue estimate), the Council could decide to amend the footnote on assumed revenues to reflect that fewer revenue generating permits are anticipated in FY15 than estimated for FY14.

⁵ The Council approved emergency and temporary regulation to reduce the automation surcharge from 10% to 5% and the building permit fee for type 5A mid-rise wood framed buildings. Last year's Staff memorandum to the PHED Committee recommended a building permit fee reduction of at least \$3 million.

⁶ Estimated FY14 revenues are more than \$1 million below FY13 revenues. Estimated revenue has not been reliable in the past few years. The FY13 estimated revenue was approximately \$ 4million below actual FY13 revenue.

The FY14 fund balance is in excess of the reserves required by policy.⁷ Using numbers in the submitted budget, FY15 revenues (\$36 million) will exceed operating expenses (\$32 million) by 12.5 percent, in addition to a \$24.6 million “other claim on funds”.⁸

The alternative to generating surplus funds in FY15 would be to reduce permit fees before the end of FY15 and find a different source of financing for the new Wheaton building that relies on DPS’s revenue stream to pay rent instead of cash.

Robert Kaufman, a represented from the Building Industry Association, sent the following email:

For the record, MNCBIA supports the effort to consolidate and streamline the approval process and understands the benefits of co-location of DPS and DEP with MNCPPC in the proposed new building in Wheaton. This opportunity and economic development of Wheaton is clearly important to the County.

MNCBIA neither opposes nor objects to the County Plan to consider use of the excess reserves if deemed appropriate, to help affect the consolidation of services.

The separate issue of aligning permit fees and managing reserves offers an opportunity to promote and encourage economic development broadly. We support a responsible approach to both. Using the reserve excess to offset the costs of improving the building should hopefully generate additional efficiencies and reduce the operating costs that help justify additional permit fee reductions.

The opportunity exists to both support the redevelopment of Wheaton and reduce the permit fees to promote good value and smart growth.

Construction is at high levels, even with the current fees. The economic development aspects of lower permit fees are dwarfed by general market considerations (and impact fees). Lower fees would lower builders’ costs, but would not measurably change the demand for new construction. In staff’s opinion, there is no economic stimulus effect of lowering permit fees.

There is a legitimate use for the funds in excess of current expenditures. Paying cash for Wheaton office will save debt service costs. OMB estimated that using the \$29 million in cumulative “claimed” year end funds in the proposed budget for the Wheaton building, would save approximately \$16.4 million over the term of the anticipated revenue bonds. If more cash is available, there could be additional savings.

With the exception of changing the upper cap for commercial permits, permit fees for each applicant have not been increased in recent years and were lowered during FY14 by \$2.6 million.⁹

⁷ Other claim on funds (\$24.6 million) is a measure of cumulative fees in excess of expenditures.

⁸ Using revenue numbers that would be expected by a statistical projection of revenue (\$40 million), the Department’s revenues will exceed FY15 expenditures by 25 percent.

⁹ Resolution 17-466, June 12, 2012, fire inspection fee assumed by DPS without any increase in fees. Resolution 17-263, October 4, 2011, commercial construction cap increased from \$262,885 to \$366,800 and required more up-front fees, but did not otherwise change total fees. Resolution 16-602, June 17, 2008, fees raised by 2 percent to cover credit card expenses. July 1, 2008, fees were raised without resolution to cover increases in labor costs by 2.3 percent. Resolution 16-232, July 3, 2007, 40% increase for single-family permits due to new stormwater legislation and 6.7% increase for reclamation facility permits. Resolution 15-1509, June 27, 2006, plan review and enforcement 6.7% - site plan regulated development 28% - new

As a general matter, the Department wants a fee structure that is stable year to year even though permit activities vary year to year.¹⁰ Those in the building industry should have predictable fees. In the Department's view, a sharp drop in fees that has the potential for future enterprise deficits (and then a substantial increase in fees) is a cycle that the Department wishes to avoid. From an administrative standpoint, retro-active fee reductions (recommended last year by the Executive and approved by the Council) should be avoided.

DPS proposes a comprehensive study (using contracting services) during FY15 to take a hard look at fees, costs, and to make recommendations to revise fees. The Director reports that staff is currently working on a consultant task order for a comprehensive study of fees. Under DPS's proposed budget, the Council would expect an Executive Regulation with fee revisions following professional financial advisor review and report and recommendation on fee structure and stakeholder discussions. The Director's target for issuing draft revised fee regulations is the end of FY15.

Even if the Council wanted to take action on fees, it currently must wait for the Department to submit regulations to do so. Building permit fees, for example, are established under method 2 Executive regulation.¹¹ Some fees are determined by method 3 regulations. **The only budget action for the Council with regard to fees is to approve a revenue estimate.** DPS has the sole authority to

fees for single-family U&O permits. The source of DPS's authority for these fee regulations is from Chapter 8 – Buildings, Chapter 17 – Electricity, Chapter 22 – Fire Safety Code, Chapter 27A – Individual Water Supply and Sewage Facilities, and Chapter 47 –Vendors.

¹⁰

Fiscal Year	Sq. Ft. Plans Processed	Total permits processed	Walk-in Customers	Info. Requests	Service Requests	Plans reviews	Inspections	Total Revenue (\$)
2006	28.9 msf	48,419	56,364	2,884	NA	67,028	135,610	23,486,509
2007	23.7 msf	43,117	55,988	2,497	NA	63,816	114,692	25,089,708
2008	27.6 msf	43,048	58,984	2,519	NA	65,491	113,793	27,884,205
2009	14.9 msf	37,566	55,291	2,290	NA	54,477	103,974	21,924,503
2010	17.3 msf	46,314	55,974	2,272	17,196	64,046	102,889	26,713,282
2011	23.7 msf	46,481	60,422	2,958	52,783	70,656	102,730	29,388,285
2012	27.8 msf	45,649	59,047	3,260	54,190	76,268	113,888	39,908,633
2013	26.04 msf	50,744	66,600	4,376	67,623	84,728	141,443	43,759,328

¹¹ County Code Section 8-13. Regulations.

- (a) The [Department of Permitting Services'] director may recommend written regulations for the administration of the provisions of this chapter including a schedule of fees and may, at his discretion, hold public hearings as part of this regulation-making process. Such regulations and amendments thereto shall not conflict with nor waive any provisions of this chapter nor be less restrictive than its provisions and shall be adopted by the county executive under method (2) of section 2A-15 of this Code. In the case of fees, the county executive shall promptly forward to the county council a copy of the new fee schedule for use in budgetary planning activities. Such fees shall be in accordance with formulas based upon criteria to include area or estimated cost of construction or a minimal set fee per category, not to exceed the cost of administering and enforcing this Code.

promulgate fee regulations. The Council's delegation of fee setting authority is reversible if the Council sees fit to do so by a change in law.¹²

Real world experience from the past 2 years and forecasts for next year indicate that fees are in excess of expenditures. The submitted budget indicates total fee revenue could be reduced by 12.5% in FY15 to align fees with expenditures. Given the experience of the past 3 years, and without the advantages of cash for Wheaton offices, a fee reduction of that amount would seem in order. The Director recommends against any precipitous action on fees in advance of a comprehensive study of costs and fees.

Retaining the current fee structure through FY15 provides cash for the Wheaton building, but burdens current applicants for the benefit of future applicants. One time builders will have the same fees as last year's fees; those in the building industry will ultimately benefit by DPS's lower future expenses and lower future fees.¹³

With the pressing need to finance the Wheaton project, staff recommends retaining the current fee structure through FY15 and making changes after a comprehensive study.

Year End Fund Balance

As an enterprise fund, DPS tracks its revenues and expenses over time. The goal is to maintain a positive long term fund balance of between 15 and 20 percent of total resources to offset an unexpected drop in revenues or increased expenses. At the beginning of FY12, DPS had a negative fund balance of \$5.4 million. That has since been repaid, and year end fund balances have exceeded the policy goal since then.

The FY15 proposed budget, for reasons unstated in the published budget, would reduce the FY15 end of year reserves below the 20 percent policy for such reserves. The result maximizes the "other claims on fund balance" and increases the risk that DPS would need tax supported funds due to a dramatic recession in FY15. Given the Department's fear of needing general fund revenue in a construction downturn, this reduction in year end funds below the policy goal can only be explained by OMB's desire to maximize funds available for Wheaton without increasing estimated revenues.

The Council expressed support for DPS's relocation to Wheaton; therefore, staff assumes that the claim on funds for a new building in Wheaton will also be supported. Even so, policy would dictate an increase in the FY15 year end fund balance by \$3,064,720. This in turn would mean either reducing the claim on funds or increasing budgeted revenues by an equal amount.

Staff recommends increasing the FY15 year end fund balance by \$3 million. (If the revenue projection is increased by this amount, the amount of the "claim on funds" could remain the same. If fees will be reduced in FY15, then the "claim on funds" needs to be reduced.

¹² The Council has set parking fees and other transportation related fees by resolution since 2004; the delegation of fee setting authority to the Department of Public Works and Transportation was withdrawn in 2004 by Bill 16-04.

¹³ Currently the Department pays \$2.4 million for rent. Staff assumes that the Departments overhead for office space will be reduced in the future.

Other Claims on Fund Balance

In FY14, the Department planned to renovate its office space for added security and increased productivity. The Department of General Services estimated a major renovation cost of \$75.00/sf or \$4,497,975 for the current 59,973 square feet of office space at 255 Rockville Pike. The alternative use of the funds was to offset a move to Wheaton. The Executive definitely now plans for DPS to be relocated to Wheaton. The estimated cost for DPS's share of the new building and parking is \$35 million. This is no general obligation bond capacity in the CIP for this building. The Department would use its "claimed" funds to pay cash for its share of the new building to the extent of available cash. Under the Department's fiscal plan, there will be more than \$24.5 million in claimed funds by the end of FY15 and a little over \$29 million by the end of FY19.

Nothing in the submitted budget documents the purpose of the claim on fund balances. The Department provided the following explanation:

The Department's year end reserves are intended as a policy matter to cushion for the volatility of construction activities so that service delivery can be maintained and the general fund will not need to cover DPS expenses. In contrast, the "other claims on fund balance" are known near term extraordinary expenses that will be incurred for the move to Wheaton and should be reserved for that purpose. DPS intends that use of in-hand receipts will protect against future fee increases attributable to DPS's move to Wheaton and reduce the need for additional long term debt service payments which will have the added benefit of preserving debt capacity.

There is no line in the proposed budget that cumulates claims from prior years; the "claims on fund balance" disappear in future budget years as if the funds were spent.¹⁴

Capital expenses necessary for the Department's functions are a legitimate expense of the fund. The policy question for the Council is whether the applicants for permits in the next two fiscal years should pay for a 50 year investment.¹⁵ Currently, DPS pays \$2.4 million in rent. Presumably, if the Department pays cash for the building, this rent payment would be reduced to only money for energy and maintenance costs. A source of non-general obligation bond financing is needed to make a new office in Wheaton viable.

¹⁴ Neither OMB nor the Department would argue that "claims on fund balance" are equal to an appropriation, but it appears in one fiscal year and disappears in the next fiscal year just like an expenditure. Year end balances, on the other hand, are rolled into the succeeding year's budget.

¹⁵ With a statistical estimate of revenues and no fee reductions, the \$35 million required for the DPS share of the new building total may be accumulated before the building would be ready for occupancy in FY19.

Staff recommends:

- 1) **documenting the use for the claim on funds¹⁶; and**
- 2) **showing cumulative claim on fund totals in the Department’s fiscal plan.¹⁷**

Work Complement

The Council approved DPS for 195 full time positions and 1 part time position for FY14. After adding 3 new positions during FY14, the Executive recommended budget would increase the work complement by another 6 positions in FY15. The total recommended complement would be 201 full time positions and 1 part time position. This is still less than the Department’s high of 226 full time positions and 1 part time position approved in FY10.

Two of the 6 new positions are recommended by the Executive to implement the tree bill (Bill 35-12) and the bill requiring increased consideration of trees in rights-of-way (Bill 41-12). Both bills increase the Department’s work load. These new positions would be for a plan reviewer and an inspector.

Two positions would be to administer the Energy Code. These positions were requested by the Department when the Code was approved but were not recommended or approved by the Council at that time. These positions are also proposed in anticipation of the adoption of the International Green Building Code during FY15.

One new position would be for a fire plans reviewer. This position would dramatically reduce the time required for such reviews from 6 weeks to 2 weeks. This particular performance measure is not identified in the list of performance measures.

One new position for a residential building inspector is recommended.

Given current revenues and flat performance measures, Staff asked the Department how many additional new positions (beyond the 6 requested in the proposed DPS budget) would be required to reduce the average number of days to issue a new construction permit. The Department replied as follows:

Obviously the more people we have the more quickly work can get done. However, we do not want to staff to our peak work volume as our budget becomes unsustainable when volume falls off as we have seen in the past. This past year we filled two plans specialist (plans reviewers) vacancies in commercial construction and a commercial plans manager vacancy. In residential we filled one plans specialist vacancy. We have also put in place an ability to get outside assistance if needed. While we have tested that process and found

¹⁶ This can be accomplished by adding the following footnote to the fiscal plan table:
 “‘Other Claims on Fund Balance’ are to fund DPS’s proportional expenses for a new one-stop-shop complex with M-NCPPC in Wheaton. The DPS share of the building and tenant fit-out costs are estimated to be 25% of the total cost of the building. Fund balance in excess of reserve is set aside for the DPS share of the costs up to an estimated amount of \$35 million. The Department plans to move to the new location in FY19.”

¹⁷ Using numbers in the proposed budget...

	FY14	FY15	FY16	FY17	FY18	FY19
Other claims on fund balance	(4,497,975)	(20,092,418)	(1,760,113)	(884,114)	(291,614)	(1,492,719)
Cumulative claims		(24,590,393)	(26,350,506)	(27,234,619)	(27,526,233)	(29,018,952)

that it required adjusting to meet our objective, we are hopeful that it will provide assistance as needed.

Additionally, there are many factors that affect the average number of days it takes to issue a new construction permit. We expect that ePlans will have a dramatic impact on plans and permits processing. While we would benefit from additional commercial plans reviewers, it makes sense to first get a better understanding of the impacts of ePlans and working with a full staff complement following the years in which we had to hold off filling vacancies due to budget constraints.

Staff recommends approving the work complement as submitted.

Contract Costs for Service Support

The Executive's budget includes \$2.4 million for contract costs for support services. This is \$1,3 million more than last year's request for the same category of work.¹⁸

Contracting funds will be used for:

- Financial consultants to review the cost of permitting, benchmark fees with other jurisdictions, and make recommendation on any appropriate fee revisions.
- IT software and services to assist with the further development and implementation of electronic plans and permitting
- Design for Life consultants
- Temporary employees to assist with administrative tasks in connection with the new cash office and mail handling.
- Plan review consultants associated with new responsibilities from streamlining and for specialty reviews.
- Technical manual consultants to implement the new tree protection legislation
- Public relations contractor to help develop more effective community outreach
- Consultant funds to allow the Department to act on special projects and short term needs without creating additional career positions.

Staff recommends approving the budget as submitted.

Program Performance Measures

Given the anticipated work load and the Executive proposed FY15 staffing (6 additional FTEs and \$.7 million more in contracting support than in FY14), reductions in permit processing time between FY14 estimates and FY15 targets are not anticipated by the Department's stated performance measures.¹⁹ The Department offered the following:

¹⁸ The Department reports the FY14 use of funds as follows:

Professional services	\$947,975
Consultant services	\$61,404
Temp Assistance	\$377,365
Total	\$1,386,744

¹⁹ See © 3 and compare the "estimated FY14 column with the Target FY15 column.

DPS is consistently driving to improve performance and to bring process improvements to our customers, including our move to ePlans. The target measure is an average and covers extremely complex reviews to less complex reviews. It is noteworthy that our current target for commercial permits is an average of 88 days to conclude all of DPS initial reviews – including zoning, which in many jurisdictions is done by a separate process. Other jurisdictions have similar or even longer targets. Chicago, which utilizes ePlans, has 89 days as its average target for completion of initial reviews for commercial buildings similar to the type of construction that we see in Montgomery County. Fairfax estimates a range of 70 to 98 days for its initial reviews of new commercial buildings and construction. At this point an 88 day target is appropriate and reflects metrics discussed in the streamlining work.

The limited number of measures and the use of averages instead of medians for most measures may be hiding the Department's success at streamlining the Development process. The Department is working on new measures, but those measures were not ready for publication in the FY15 proposed budget. The same 10 measures used in its prior year budgets were reported.

Staff recommendations:

Review new performance measures with the Committee when the Department is prepared to release them for use in next year's budget submission.

This packet contains
Executive Recommended DPS Budget

© number
1 – 7

Permitting Services

MISSION STATEMENT

The mission of the Department of Permitting Services (DPS) is to protect the safety and welfare of County residents and businesses through the permitting and inspections process to ensure that the structures in which we live, work, congregate, and recreate are safe, secure and in compliance with zoning and building requirements. DPS contributes to the economic vitality of Montgomery County through the effective and efficient processing of land development and building construction permits and licenses.

BUDGET OVERVIEW

The total recommended FY15 Operating Budget for the Department of Permitting Services is \$32,007,836, an increase of \$2,365,765 or 8.0 percent from the FY14 Approved Budget of \$29,642,071. Personnel Costs comprise 72.5 percent of the budget for 201 full-time positions and one part-time position, and a total of 206.50 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 27.5 percent of the FY15 budget.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ ***A Responsive, Accountable County Government***
- ❖ ***An Effective and Efficient Transportation Network***
- ❖ ***Healthy and Sustainable Neighborhoods***
- ❖ ***Safe Streets and Secure Neighborhoods***
- ❖ ***Strong and Vibrant Economy***
- ❖ ***Vital Living for All of Our Residents***

DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below, with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY14 estimates reflect funding based on the FY14 approved budget. The FY15 and FY16 figures are performance targets based on the FY15 recommended budget and funding for comparable service levels in FY16.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***DPS implemented several streamlining initiative recommendations including publication of Environmentally Sensitive Design guidelines and policy documents; publication of common plan mistakes document; delegation of signature authority for development documents; and elimination of redundant M-NCPPC zoning review for recorded lots less than 40,000 square feet.***
- ❖ ***DPS completed and implemented new performance measures for all divisions.***
- ❖ ***The Department reduced fee structures for mid-rise woodframe multi-family construction, as well as, modified 90 automated systems processes to implement a 50% reduction of the Automation Enhancement Fee.***
- ❖ ***The Department modified all permit system components to implement new regulatory requirements for street trees, tree canopy, sediment control, and special protection areas.***
- ❖ ***DPS implemented revised Design for Life and Urban Forestry programs to include development of technical manuals, and sign sweep program to reduce signs in the Rights-of-Way.***
- ❖ ***Developed and implemented new tree protection programs and Design for Life Tax Incentive Program – two significant new programs that respectively protect the environment and promote increased accessibility options in***

homes.

- ❖ **DPS implemented new residential energy code requirements and received a 92% compliance score from Maryland Energy Administration.**
- ❖ **DPS created the new Division of Zoning and Site Plan Enforcement to protect the quality of life in Montgomery County and the public safety, welfare, health, and comfort of the present and future inhabitants of the County, through the effective application and enforcement of zoning code standards and M-NCPPC certified site plan requirements. This division reviews plans prior to permit issuance and conducts inspections, as well as investigates complaints in order to administer and enforce the zoning standards established by Chapter 59 of the Montgomery County Code. This program regulates size, shape, height, and mass of a building and the uses that are allowed on the property.**
- ❖ **The state adopted the 2012 International Energy Conservation Code (IECC) and the International Green Construction Code (IGCC). The County adopted the IECC 2012; the IGCC will be replacing the Montgomery County Green Building Law. All applications submitted for building permits, residential and commercial, will be checked for the complex requirements, including software modeling.**
- ❖ **As a result of Bills 35-12 and 41-12 establishing requirements for the planting of trees or the payment of a fee for certain construction activities where a sediment control permit is required, DPS will add one Senior Permitting Specialist for the technical review of building, sediment control, and right of way plans and one Senior Permitting Services Inspector for sediment control and right of way inspections.**
- ❖ **Productivity Improvements**
 - **Developed and launched e-permit for: electrical permits, standard residential decks, right-of-way permits, new homes, right-of-way permits, and right-of-way stump removals. The online process now accounts for approximately 46% of all electrical permits, with almost immediate permit issuance. This has resulted in the elimination of backlog for other electrical permits, licenses, and approvals.**
 - **Developed an on-line payment option for various permit processes.**
 - **ePermits and ePlans have expedited permit processing and issuance and resulted in a significant reduction in paper consumption and vehicle trips, while providing time savings for residential and commercial customers.**
 - **Implemented Memorandum of Understanding with the Department of Housing and Community Affairs providing cross delegation of authority for more complete, efficient, and effective code enforcement.**
 - **The Department completed electronic checklists for certain inspections.**
 - **In FY15 and FY16, the Department will develop, test, and launch e-plans for commercial, fire protection, fire alarm, and mechanical permits.**
 - **In addition to focusing on e-plans and e-permits, DPS will be making changes to their website and continue to explore additional uses of technology by inspectors.**

PROGRAM CONTACTS

Contact Barbara Suter of the Department of Permitting Services at 240.777.6244 or Dennis Hetman of the Office of Management and Budget at 240.777.2770 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Land Development

The Land Development program is responsible for ensuring the protection of the County's land and water resources and for the protection of the environment and the safety of residents and businesses through its engineering and inspection functions related to stormwater management, sediment control, floodplain management, special protection areas, well-and-septic systems approval, storm drain design and construction, and work in the public right-of-way.

<i>FY15 Recommended Changes</i>	Expenditures	FTEs
FY14 Approved	6,770,134	58.50
Increase Cost: Land Development Inspectors/Plan Reviewers for Tree Bills 35-12 and 41-12	183,265	2.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	264,345	0.00
FY15 CE Recommended	7,217,744	60.50

Customer Service

The Customer Service program ensures customer service and satisfaction. This division measures customer satisfaction through communication and public outreach. Customer service receives complaints, processes information requests, responds to departmental correspondence, maintains the DPS web site, publishes the DPS newsletter, and coordinates outreach events and seminars for residents, civic organizations and professionals. Customer Service assists applicants with intake and issuance of permits and facilitates the processing of permits for "green tape" projects (i.e., affordable housing and areas such as the Silver Spring, Wheaton, and Long Branch enterprise zones, strategic economic development projects such as White Flint, and faith based institutions). This division develops customer service surveys for the department, analyzes the results, reports findings, and recommends a course of action for improvement.

<i>Program Performance Measures</i>	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Response time on complaint investigations - Average number of days from the complaint being filed to first contact between a Permitting Inspector and the customer	5.01	7.15	5.00	5.00	5.00
Response time on complaint investigations - Average number of days from the complaint being filed to final resolution of the complaint	7.31	11.3	12	12	12
Percent of complaints that are resolved on the first inspection	69.18	13.20	75.00	75.00	75.00

<i>FY15 Recommended Changes</i>	Expenditures	FTEs
FY14 Approved	1,066,657	11.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	4,266	-1.00
FY15 CE Recommended	1,070,923	10.00

Building Construction

The Building Construction program ensures public safety and welfare through the effective enforcement of construction, zoning codes and standards, and site plan requirements. This division reviews engineering plans for permit issuance and conducts construction inspections in the administration and enforcement of building, structural, electrical, mechanical, fire-safety, energy conservation, green building, and accessibility codes and standards. This division assists businesses and applicants through pre-submission meetings and guidance. County zoning standards are maintained by this division through review of building applications for zoning compliance and investigation of zoning complaints. The program is also responsible for conducting county-wide damage assessments during natural and other disasters and incidents and provides assistance in disaster recovery efforts.

<i>Program Performance Measures</i>	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Average number of days to issue a permit - New construction: Commercial permits ¹	160.54	264.51	88	88	88
Average number of days to issue a permit - New construction: Residential permits	88.28	82.03	75	75	75
Average number of days to issue a permit - Additions: Commercial permits	60.95	51.30	52	52	52
Average number of days to issue a permit - Additions: Residential permits	16.02	17.29	18	18	18
Median number of minutes to issue a permit - Permits for commercial alterations obtained using the Department of Permitting Services' Fast Track process	146.50	119	120	120	120
Median number of minutes to issue a permit - Residential permits using the Department of Permitting Services' Fast Track process	58.0	61	55	55	55
Percent of building permits issued that received a final inspection: Commercial permits	20.30	25.15	50	50	50
Percent of building permits issued that received a final inspection: Commercial permits through the Department of Permitting Services' Fast Track process	44.77	46.51	75	75	75
Percent of building permits issued that received a final inspection: Residential new construction	28.81	42.50	60	60	60
Percent of building permits issued that received a final inspection: Residential all construction	40.97	48.57	70	70	70

¹ Measure includes several large applications that reactivated after several years due to County economic relief bills.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	13,086,590	117.90
Increase Cost: Energy Conservation and Green Construction Plan Reviewers	187,218	2.00
Increase Cost: Team II Residential Inspector	112,633	1.00
Increase Cost: Building Construction Plan Reviewer for Fire Protection	76,287	1.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-3,048,816	-29.00
FY15 CE Recommended	10,413,912	92.90

Administration

The Administration program provides policy development and leadership for all programs within the department. Staff specialists are responsible for a full range of administrative, financial, and budgetary tasks, including daily operations, automation, human resources management, training, safety, quality assurance, legislative coordination, space management, historic files management, and management services.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	8,718,690	13.10
Increase Cost: Contract Costs for Service Support	1,300,000	0.00
Increase Cost: Risk Management Adjustment	168,530	0.00
Increase Cost: Office Rent	59,800	0.00
Increase Cost: Maintenance of Information Technology Systems	27,722	0.00
Decrease Cost: IT Replacement Plan	-90,000	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding Adjustment	-712,310	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	40,976	0.00
FY15 CE Recommended	9,513,408	13.10

Zoning and Site Plan Enforcements

The Zoning and Site Plan Enforcement program protects the quality of life in Montgomery County and the public safety, welfare, health, and comfort of the present and future inhabitants of Montgomery County, through the effective application and enforcement of zoning code standards and M-NCPPC certified site plan requirements. This division reviews plans prior to permit issuance and conducts inspections, as well as investigates complaints in order to administer and enforce the zoning standards established by Chapter 59 of the Montgomery County Code. This program regulates size, shape, height, and mass of a building and the uses that are allowed on the property.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	0	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	3,791,849	30.00
FY15 CE Recommended	3,791,849	30.00

BUDGET SUMMARY

	Actual FY13	Budget FY14	Estimated FY14	Recommended FY15	% Chg Bud/Rec
PERMITTING SERVICES					
EXPENDITURES					
Salaries and Wages	14,989,581	15,698,262	15,414,015	16,891,234	7.6%
Employee Benefits	5,874,179	5,944,558	6,189,475	6,314,202	6.2%
Permitting Services Personnel Costs	20,863,760	21,642,820	21,603,490	23,205,436	7.2%
Operating Expenses	6,830,265	7,999,251	7,976,834	8,802,400	10.0%
Capital Outlay	0	0	0	0	—
Permitting Services Expenditures	27,694,025	29,642,071	29,580,324	32,007,836	8.0%
PERSONNEL					
Full-Time	192	195	195	201	3.1%
Part-Time	1	1	1	1	—
FTEs	197.60	200.50	200.50	206.50	3.0%
REVENUES					
Automation Enhancement Fee	3,991,592	2,936,433	2,867,582	1,433,791	-51.2%
Building Permits	19,875,558	14,486,935	21,040,632	17,201,416	18.7%
Electrical Permits and Licenses	4,213,498	2,753,431	4,231,929	3,400,000	23.5%
Fire Code Enforcement Permits	1,723,074	1,544,704	1,911,721	1,544,934	0.0%
Grading/Storm Drains/Paving/Driveway Permits	6,248,681	4,784,370	5,900,448	6,000,000	25.4%
Investment Income	9,889	4,520	12,370	24,000	431.0%
Mechanical Construction Permit	1,655,587	759,187	1,470,207	1,200,000	58.1%
Miscellaneous Revenues	15,737	0	0	0	—
Occupancy Permits	755,328	561,318	663,374	700,000	24.7%
Sediment Control Permits	3,196,740	2,569,000	2,412,869	2,569,000	—
Sign Permits	166,517	196,510	187,123	196,510	—
Special Exception Fee	221,409	232,010	232,010	232,010	—
Stormwater Mgmt and Water Quality Plan Fee	252,517	467,345	253,225	270,000	-42.2%
Well and Septic	235,474	293,870	167,534	200,000	-31.9%
Other Charges/Fees	60,306	72,100	96,408	92,784	28.7%
Other Fines/Forfeitures	65,310	0	95,676	0	—
Other Licenses/Permits	1,077,743	639,030	1,025,801	1,146,180	79.4%
Permitting Services Revenues	43,764,960	32,300,763	42,568,909	36,210,625	12.1%

FY15 RECOMMENDED CHANGES

	Expenditures	FTEs
PERMITTING SERVICES		
FY14 ORIGINAL APPROPRIATION	29,642,071	200.50
Other Adjustments (with no service impacts)		
Increase Cost: Contract Costs for Service Support [Administration]	1,300,000	0.00
Increase Cost: FY15 Compensation Adjustment	886,029	0.00
Increase Cost: Energy Conservation and Green Construction Plan Reviewers [Building Construction]	187,218	2.00
Increase Cost: Land Development Inspectors/Plan Reviewers for Tree Bills 35-12 and 41-12 [Land Development]	183,265	2.00
Increase Cost: Risk Management Adjustment [Administration]	168,530	0.00
Increase Cost: Team II Residential Inspector [Building Construction]	112,633	1.00
Increase Cost: Retirement Adjustment	99,641	0.00
Increase Cost: Building Construction Plan Reviewer for Fire Protection [Building Construction]	76,287	1.00
Increase Cost: Annualization of FY14 Lapsed Positions	68,480	0.00
Increase Cost: Office Rent [Administration]	59,800	0.00
Increase Cost: Group Insurance Adjustment	38,171	0.00
Increase Cost: Maintenance of Information Technology Systems [Administration]	27,722	0.00
Increase Cost: Printing and Mail	8,090	0.00
Decrease Cost: Motor Pool Rate Adjustment	-47,791	0.00
Decrease Cost: IT Replacement Plan [Administration]	-90,000	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding Adjustment [Administration]	-712,310	0.00
FY15 RECOMMENDED:	32,007,836	206.50

PROGRAM SUMMARY

Program Name	FY14 Approved		FY15 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Land Development	6,770,134	58.50	7,217,744	60.50
Customer Service	1,066,657	11.00	1,070,923	10.00
Building Construction	13,086,590	117.90	10,413,912	92.90
Administration	8,718,690	13.10	9,513,408	13.10
Zoning and Site Plan Enforcements	0	0.00	3,791,849	30.00
Total	29,642,071	200.50	32,007,836	206.50

FUTURE FISCAL IMPACTS

Title	(S000's)					
	CE REC. FY15	FY16	FY17	FY18	FY19	FY20
This table is intended to present significant future fiscal impacts of the department's programs.						
PERMITTING SERVICES						
Expenditures						
FY15 Recommended	32,008	32,008	32,008	32,008	32,008	32,008
No inflation or compensation change is included in outyear projections.						
Annualization of Positions Approved in FY15	0	44	44	44	44	44
New positions in the FY15 budget are generally lapsed due to the time it takes a position to be created and filled. Therefore, the amounts above reflect annualization of these positions in the outyears.						
Elimination of One-Time Items Approved in FY15	0	-84	-84	-84	-84	-84
Items approved for one-time funding in FY15, including costs for land development inspectors, plan reviewers, and residential inspectors will be eliminated from the base in the outyears.						
Labor Contracts	0	208	208	208	208	208
These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.						
Labor Contracts - Other	0	-35	-35	-35	-35	-35
These figures represent other negotiated items included in the labor agreements.						
IT Maintenance Costs	0	2	104	78	181	83
Represents additional maintenance costs for the system upgrades and post-warranty maintenance for servers, scanners, and printers.						
IT Replacement Plan	0	-310	-510	-442	119	-92
Key components of Permitting Service's technology replacement plan include: FY15 Printers (\$60,000), Scanners (\$31,500), Database servers and services (\$450,000); FY16 Scanners (\$31,500), Network switch (\$200,000); FY17 Scanners (\$31,500); FY18 Scanners (\$100,000); FY19 Printers (\$60,000), Servers (\$600,000). FY20 Permit DB Servers - Hardware & Software (\$450,000).						
Office Rent	0	60	155	254	357	465
Represents projected rent increase.						
Retiree Health Insurance Pre-Funding	0	-37	-91	-134	-189	-242
These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.						
Subtotal Expenditures	32,008	31,855	31,799	31,897	32,608	32,354

ANNUALIZATION OF PERSONNEL COSTS AND FTEs

	FY15 Recommended		FY16 Annualized	
	Expenditures	FTEs	Expenditures	FTEs
Increase Cost: Land Development Inspectors/Plan Reviewers for Tree Bills 35-12 and 41-12 [Land Development]	131,271	2.00	175,038	2.00
Total	131,271	2.00	175,038	2.00

FY15-20 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Permitting Services					
FISCAL PROJECTIONS	FY14 ESTIMATE	FY15 REC	FY16 PROJECTION	FY17 PROJECTION	FY18 PROJECTION	FY19 PROJECTION	FY20 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	15.69%	15.87%	15.87%	15.87%	15.87%	15.87%	15.87%
CPI (Fiscal Year)	1.6%	2.0%	2.2%	2.5%	2.6%	2.4%	2.3%
Investment Income Yield	0.19%	0.35%	0.95%	1.55%	2.15%	2.85%	3.45%
BEGINNING FUND BALANCE	22,148,902	28,020,208	9,194,163	8,697,464	8,794,418	9,024,157	6,954,685
REVENUES							
Licenses & Permits	39,496,873	34,660,050	35,429,503	36,322,327	37,277,604	38,183,450	39,054,032
Charges For Services	2,963,990	1,520,575	1,560,465	1,599,789	1,641,863	1,681,760	1,720,105
Fines & Forfeitures	95,676	0	0	0	0	0	0
Miscellaneous	12,370	24,000	68,620	117,940	172,330	240,630	306,840
Subtotal Revenues	42,568,909	36,210,625	37,058,588	38,040,055	39,091,797	40,105,840	41,080,977
INTERFUND TRANSFERS (Net Non-CIP)							
Transfers To The General Fund	(3,773,074)	(4,090,186)	(3,919,200)	(3,919,200)	(3,919,200)	(3,919,200)	(3,919,200)
Indirect Costs	(3,395,760)	(3,682,700)	(3,710,180)	(3,710,180)	(3,710,180)	(3,710,180)	(3,710,180)
DCM Replacement	(109,020)	(109,020)	(109,020)	(109,020)	(109,020)	(109,020)	(109,020)
Technology Modernization CIP Project	(168,294)	(198,466)	0	0	0	0	0
DOT Lab Testing Transfer	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Transfers From The General Fund	1,153,770	1,153,770	1,153,770	1,153,770	1,153,770	1,153,770	1,153,770
Payment for Public Agency Permits	1,059,660	1,059,660	1,059,660	1,059,660	1,059,660	1,059,660	1,059,660
Payment for Green Tape Position	94,110	94,110	94,110	94,110	94,110	94,110	94,110
TOTAL RESOURCES	62,098,507	61,294,417	43,487,321	43,972,089	45,120,785	46,364,567	45,270,232
PSP OPER. BUDGET APPROP/ EXPS.							
Operating Budget	(29,580,324)	(32,007,836)	(33,182,516)	(34,502,406)	(35,915,376)	(37,317,086)	(38,720,316)
Labor Agreement	n/a	0	(173,158)	(173,158)	(173,158)	(173,158)	(173,158)
Annualizations and One-Time	n/a	n/a	40,370	40,370	40,370	40,370	40,370
IT Maintenance	n/a	n/a	(1,960)	(103,959)	(77,998)	(180,594)	(83,242)
IT Replacement Plan	n/a	n/a	310,000	510,000	441,500	(118,500)	91,500
Office Rent	n/a	n/a	(59,800)	(155,115)	(254,242)	(357,335)	(464,551)
Retiree Health Insurance Pre-Funding	n/a	n/a	37,320	90,710	133,890	189,140	242,470
Subtotal PSP Oper Budget Approp / Exp's	(29,580,324)	(32,007,836)	(33,029,744)	(34,293,558)	(35,805,014)	(37,917,163)	(39,066,927)
OTHER CLAIMS ON FUND BALANCE	(4,497,975)	(20,092,418)	(1,760,113)	(884,114)	(291,614)	(1,492,719)	0
TOTAL USE OF RESOURCES	(34,078,299)	(52,100,254)	(34,789,857)	(35,177,672)	(36,096,628)	(39,409,882)	(39,066,927)
YEAR END FUND BALANCE	28,020,208	9,194,163	8,697,464	8,794,418	9,024,157	6,954,685	6,203,305
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES							
	45.1%	15.0%	20.0%	20.0%	20.0%	15.0%	13.7%

Assumptions:

- These projections are based on the Executive's recommended budget and include the revenue and resource assumptions of that budget. The projected future expenditures, revenues, and fund balances may vary based on changes not assumed here to fee or tax rates, usage, inflation, future labor agreements, and other factors not assumed here.
- Revenue projections in FY15 and future years assume a gradual increase in construction market activity.
- Key components of Permitting Service's technology replacement plan include:
FY15 Printers (\$60,000), Scanners (\$31,500), Database servers and services (\$440,000);
FY16 Scanners (\$31,500), Network switch (\$140,000);
FY17 Scanners (\$31,500);
FY18 Scanners (\$100,000);
FY19 Printers (\$60,000), Servers (\$600,000)
FY20 Permit DB Servers - Hardware & Software (\$450,000).