

PHED #2
April 27, 2011

MEMORANDUM

April 19, 2011

TO: Planning, Housing, and Economic Development Committee
CHS
FROM: Charles H. Sherer, Legislative Analyst
SUBJECT: FY12 operating budget for the Department of Permitting Services, section 63 in the Executive's budget

The following may attend:

Jennifer Hughes, Acting Director
Alicia Thomas, Hadi Mansouri, Reginald Jetter, Stan Wong, and Tom Laycock: DPS
Amy Wilson, OMB

Relevant pages from the operating budget are attached starting at ©1.

Council staff recommendation: Approve the budget as the Executive recommended.

Overview

The Department of Permitting Services is an enterprise fund, which means it does not get revenue from County taxes but instead is supposed to get sufficient revenue from non-tax sources to cover its costs.

For FY12, the Executive recommends total expenditures of \$25.0 million, up \$877,000 or 3.5% from the FY11 approved budget of \$24.2 million. The number of positions will stay the same at 183, unlike FY11, in which 44 positions were abolished. Workyears will increase 4.8, entirely from the restoration of furloughs, from 173.0 to 177.8.

Personnel costs account for 76% of the budget and operating expenses account for the remaining 24%. See the table below for detail.

Permitting Services

	FY10 Approved	FY11 Approved	FY12 CE Recommended	Change from FY11-12	
				Amount	%
Expenditures	27,067,180	24,151,420	25,028,630	877,210	3.5%
Positions:					
Full time	226	182	182	0	0.0%
Part time	1	1	1	0	0.0%
Total positions	227	183	183	0	0.0%
Workyears	197.1	173.0	177.8	4.8	2.7%

Changes from FY11-FY12 The changes are summarized on ©5 and the major changes are explained below.

+\$522,360 to contribute toward prefunding retiree health insurance (OPEB) in accordance with the County's Fiscal Plan.

+\$344,830 (6.8 WY) to restore personnel costs for furloughs in FY11 that are not budgeted to occur in FY12.

+\$304,880 to increase the budget for rent. DPS's FY11 budget was reduced based on a proposed reduction in space associated with the relocation of several departments/offices which were all tied to the opening of the Public Safety Headquarters. Because of the delay in opening the Public Safety Headquarters, reallocation of space will not occur until late FY12 and funding for rent, based on the current space allocation, was restored.

+\$172,970 for a motor pool rate adjustment. Motor pool rates were adjusted in FY11 to omit the charge for replacement installments for one year. Those charges will be restored in FY12.

+78,720 for a bi-annual maintenance agreement for the server (occurs in every even fiscal year, such as FY12).

-\$150,030 for a decrease in retirement cost and -\$372,280 for a decrease in group insurance costs. These savings result from the Executive's proposal to reduce County costs for retirement and group insurance and to shift some County costs to employees.

Future years As shown on ©5 ("Future Fiscal Impacts"), there will be cost increases starting in FY13 to implement their IT replacement plan, and there may be cost increases to restore positions that were eliminated in FY11. This would occur if the demand for the Department's services increases as the economy improves and the amount of construction increases.

Revenues DPS shows 30 revenue items on ©4. Building permits account for almost half of total revenue and are by far the largest source of revenue. The latest estimate of revenue in **FY11** is \$29.418 million, up \$292,000 from the budget estimate of \$29.127 million.

DPS expects **FY12** revenues to increase \$4.0 million/13.6% from FY11 approved. As the last two columns on ©4 show, the estimated amount of revenue in FY12 and the % change from FY11 vary widely. The 6.8 additional work years from restoring furloughs mentioned above will help the Department manage the additional work implied by the increased revenue estimate.

DPS explained the increase in revenues as follows: “All revenues were increased by 2.4% as an estimate for growth in the construction industry in FY12. Building Permit revenue projection was increased by \$472,620 due to a proposed change to the Executive Regulations to remove the cap from the permit fee for commercial buildings. Building Permit revenue was also increased by \$1,748,820 due to a proposed change to the Executive Regulations to charge 35% of the permit fee at the time of application. This would be a one year increase and would level off in FY13. Sediment Control Permit fees will increase \$528,020, and Grading/Driveway Permit fees will increase \$230,660 due to this same change.”

The Department advertised the two Executive Regulations in April and intends to send them to the Council for review and approval in May.

Fund balance In 2010, the Department developed a Strategic Plan to increase the fund balance, among other objectives. They presented the Plan at a CountyStat meeting on August 13, 2010 and to the PHED Committee on September 20, 2010. (Staff could schedule a follow-up briefing on the Plan after budget, if the Committee has time.) Two of the recommendations were to remove the cap from the permit fee for commercial buildings and to charge 35% of the permit fee at the time of application (instead of later). As noted above, they intend to implement these two changes, pending an Executive Regulation.

The Department explained that two other strategies to increase fund balance were “to increase the transfer from the General Fund to DPS for Agency permit fees and for Complaint Investigation expenses. Due to the condition of the General Fund these strategies are on hold.”

DPS projects a negative fund balance at the **end** of FY11 of \$4.7 million, which is an improvement of \$2.9 million from the negative fund balance at the **beginning** of FY11 of \$7.6 million. They state on ©6 that they have a cost containment plan to reduce expenses. Combined with the expected increase in revenues, DPS expects to have a positive fund balance of \$1.7 million at the end FY12, an improvement of \$6.4 million from negative \$4.7 million at the beginning of FY12. They project continued increases through FY17.

Permitting Services

MISSION STATEMENT

The mission of the Department of Permitting Services (DPS) is to provide the highest quality of public service while ensuring compliance with Montgomery County's development and construction standards.

BUDGET OVERVIEW

The total recommended FY12 Operating Budget for the Department of Permitting Services is \$25,028,630, an increase of \$877,210 or 3.6 percent from the FY11 Approved Budget of \$24,151,420. Personnel Costs comprise 76.4 percent of the budget for 182 full-time positions and one part-time position for 177.8 workyears. Operating Expenses account for the remaining 23.6 percent of the FY12 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***
- ❖ ***Safe Streets and Secure Neighborhoods***
- ❖ ***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 FY11 estimates incorporate the effect of the FY11 savings plan. FY12 and FY13 targets assume the recommended FY12 budget and FY13 funding for comparable service levels.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***DPS developed a solvency plan to address fund balance issues. Two strategies, recommended by the workgroup, are reflected in the recommended budget: changes to the portion of the permit fee collected at time of application, and the adjustment to the fee calculation and "cap" for commercial building permits resulting in fees which are more reasonable and equitable to all parties.***
- ❖ ***In conjunction with the Department of Economic Development and the Fire Marshal, DPS is implementing several changes to streamline the permitting process.***
- ❖ ***In accordance with State law, adopted and implemented all applicable 2009 International Code Council updates.***
- ❖ ***Adopted and implemented the 2009 International Energy Code. To enforce these codes, DPS added a new insulation inspection and modified the framing inspection without adding new inspectors.***
- ❖ ***All projects covered under the Green Building Law have been registered with Leadership in Energy and Environmental Design (LEED), and will be monitored for compliance.***
- ❖ ***DPS has partnered with the Maryland Department of the Environment (MDE) and Canaan Valley Institute (CVI) to provide County homeowners access to the MDE Chesapeake Bay Restoration Fund which provides funding to homeowners to upgrade existing septic systems in order to reduce nitrogen inputs into the Bay.***
- ❖ ***Developed and adopted new County stormwater management legislation, requiring the use of environmentally sensitive design and low impact development practices, in accordance with Maryland Department of the Environment requirements.***
- ❖ ***Productivity Improvements***

- To increase customer access to information, DPS enhanced its website to provide more information and improved search capabilities.
- In 2011, DPS is combining commercial building and mechanical inspections allowing one inspector to conduct both inspections. This reduces Inspector's travel time and expenses, and saves the customer inspection time.
- Created and completed the requirements for an intermediate plan review process for commercial building construction projects resulting in reduced review time for small commercial building projects.
- Participated in the inter-agency Conflict Resolution Work Group to develop methods to improve the development review and approval process and establish Lead Agency protocols for decision making.

PROGRAM CONTACTS

Contact Alicia Thomas of the Department of Permitting Services at 240.777.6392 or Amy Wilson of the Office of Management and Budget at 240.777.2775 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 water resources and the safety of residents through its engineering and inspection functions related to stormwater management, sediment control, floodplain management, well-and-septic systems approval, storm drain design, and work in the public right-of-way.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	6,848,500	55.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-37,550	2.3
FY12 CE Recommended	6,810,950	57.3

Customer Service

The Customer Service program is responsible for ensuring that customer service and satisfaction is measured and successfully achieved through communication and outreach to the public. This program is responsible for the intake of complaints, processing information requests, and responding to departmental correspondence. This division proactively educates residents and the development community about the permitting process by maintaining and improving the DPS web site, publishing the DPS newsletter, coordinating outreach events, organizing educational seminars for residents, civic organizations and professionals, and providing information to applicants via telephone regarding the intake and issuance of permits. This division is also responsible for facilitating "green tape" projects such as affordable housing projects and those in the Silver Spring, Wheaton, and Long Branch enterprise zones by working with other DPS team members to ensure, to the greatest extent possible, an expedited, seamless permitting and inspection process. This division is responsible for developing customer service surveys for the department, analyzing the results, reporting findings, and recommending a course of action for improvement.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Response time on complaint investigations - Average number of days from the complaint being filed to first contact between a Permitting Inspector and the customer	4.8	3.4	5.0	5.0	5.0
Response time on complaint investigations - Average number of days from the complaint being filed to final resolution of the complaint	9.4	6.3	14.0	13.0	13.0
Percent of complaints that are resolved on the first inspection	68.0	83.6	80.0	80.0	80.0

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	1,118,900	11.7
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-173,890	0.4
FY12 CE Recommended	945,010	12.1

Building Construction

The Building Construction program is responsible for ensuring public safety through the effective enforcement of construction and zoning codes and standards. This is accomplished through engineering plan review and construction inspection related to the administration and enforcement of building, structural, electrical, mechanical, fire-safety, energy conservation, and accessibility

codes and standards. In addition, the program is charged with the plan review and inspection of Maryland-National Capital Park and Planning Commission site plans and enforcement of the County's Zoning Ordinance. Zoning enforcement is carried out by reviewing building applications for zoning compliance and investigating zoning complaints. The program is also responsible for conducting damage assessments during natural and other disasters and incidents and provides assistance in disaster recovery efforts.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Average number of days to issue a permit - New construction: Commercial permits	295.8	177.0	160.0	163.0	163.0
Average number of days to issue a permit - New construction: Residential permits	223.4	138.3	110.0	90.0	90.0
Average number of days to issue a permit - Additions: Commercial permits	67.6	117.8	78.0	73.0	73.0
Average number of days to issue a permit - Additions: Residential permits	18.6	22.0	21.0	16.0	16.0
Median number of minutes to issue a permit - Permits for commercial alterations obtained using the Department of Permitting Services' Fast Track process	84.0	137.0	140.0	160.0	160.0
Median number of minutes to issue a permit - Residential permits using the Department of Permitting Services' Fast Track process	48.0	53	60.0	58.0	58.0
Percent of building permits issued that received a final inspection: Commercial permits	48.5	34.8	38.0	50.0	50.0
Percent of building permits issued that received a final inspection: Commercial permits through the Department of Permitting Services' Fast Track process	71.3	57.2	77.0	74.0	74.0
Percent of building permits issued that received a final inspection: Residential new construction		42.9	85.0	83.0	83.0
Percent of building permits issued that received a final inspection: Residential all construction		47.5	70.0	63	63

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	10,641,110	92.3
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	219,950	1.6
FY12 CE Recommended	10,861,060	93.9

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.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	5,542,910	14.0
Increase Cost: Retiree Health Insurance Pre-Funding	522,360	0.0
Increase Cost: Office Rent Adjustment	304,880	0.0
Increase Cost: Bi-annual server maintenance	78,720	0.0
Decrease Cost: Completed Master Lease Payments for financed hardware	-12,260	0.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-25,000	0.5
FY12 CE Recommended	6,411,610	14.5

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BUDGET SUMMARY

	Actual FY10	Budget FY11	Estimated FY11	Recommended FY12	% Chg Bud/Rec
PERMITTING SERVICES					
EXPENDITURES					
Salaries and Wages	16,202,173	13,929,870	14,389,550	14,271,570	2.5%
Employee Benefits	5,632,874	5,376,320	5,360,530	4,847,140	-9.8%
Permitting Services Personnel Costs	21,835,047	19,306,190	19,750,080	19,118,710	-1.0%
Operating Expenses	4,184,093	4,845,230	4,933,660	5,909,920	22.0%
Debt Service Other	64,165	0	0	0	---
Capital Outlay	0	0	0	0	---
Permitting Services Expenditures	26,083,305	24,151,420	24,683,740	25,028,630	3.6%
PERSONNEL					
Full-Time	226	182	182	182	---
Part-Time	1	1	1	1	---
Workyears	197.1	173.0	173.0	177.8	2.8%
REVENUES					
Building Permits	11,210,129	13,896,890	13,413,650	15,950,310	14.8%
Commercial Use & Occupancy Permits	405,888	637,980	337,170	345,260	-45.9%
Electrical Contractors Licenses	162,008	169,620	221,060	226,370	33.5%
Electrical Individual Licenses	265,889	258,380	325,590	333,400	29.0%
Electrical Permits	1,669,990	1,803,910	2,089,280	2,139,420	18.6%
Fire Code Enforcement Fees	444,496	451,760	605,800	620,340	37.3%
Residential Fire Sprinkler Systems	135,355	131,270	159,760	163,590	24.6%
Mechanical Inspection Fees	545,608	610,090	726,790	744,230	22.0%
Grading/SD/Paving/Driveway Permits	2,292,344	2,638,930	4,398,390	4,732,410	79.3%
Sediment Control Permits	5,347,425	3,298,380	2,485,160	3,071,580	-6.9%
Stormwater Management Concept Fees	191,505	203,080	324,110	331,890	63.4%
Flood Plain Permits	25,040	31,580	21,840	22,360	-29.2%
Flood Plain Verification and Study Fees	22,880	8,560	35,010	35,850	318.8%
Preliminary Water Quality Review	27,630	123,500	120,150	123,030	-0.4%
Final Water Quality Fee	24,525	0	0	0	---
Well and Septic	257,826	265,860	284,140	290,960	9.4%
Scavenger (W&S)	18,880	3,000	17,480	17,900	496.7%
Vendor Operations & Licensing Fee	61,243	37,020	36,430	37,300	0.1%
Sign Permits	182,559	243,290	190,000	194,560	-20.0%
Benefit Performances	3,079	2,120	5,430	5,560	162.3%
Overtime Offset Fee	629,740	677,440	558,310	571,710	-15.6%
Special Exception Fee	228,777	803,000	224,330	229,710	-71.4%
Miscellaneous Licenses & Permits	31,640	160	220	230	43.8%
Automation Surcharge	2,385,151	2,603,060	2,678,530	2,742,810	5.4%
Information Requests	40,713	43,210	68,730	70,380	62.9%
Civil Penalties/Fines	93,805	92,720	84,380	86,410	-6.8%
Investment Income	7,552	90,000	4,420	4,530	-95.0%
Miscellaneous	4,940	0	1,120	0	---
Homeowner Electrical Exam	3,215	0	0	0	---
Non-Conforming Use Certification	370	2,050	990	1,010	-50.7%
Permitting Services Revenues	26,720,202	29,126,860	29,418,270	33,093,110	13.6%

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FY12 RECOMMENDED CHANGES

	Expenditures	WYs
PERMITTING SERVICES		
FY11 ORIGINAL APPROPRIATION	24,151,420	173.0
Other Adjustments (with no service impacts)		
Increase Cost: Retiree Health Insurance Pre-Funding [Administration]	522,360	0.0
Increase Cost: Restore Personnel Costs - Furloughs	334,830	6.8
Increase Cost: Office Rent Adjustment [Administration]	304,880	0.0
Increase Cost: Motor Pool Rate Adjustment	172,970	0.0
Increase Cost: Bi-annual server maintenance [Administration]	78,720	0.0
Increase Cost: Printing and Mail Adjustment	11,370	0.0
Increase Cost: Help Desk - Desk Side Support	6,670	0.0
Technical Adj: To Align Lapsed WYs with Dollars	0	-2.0
Decrease Cost: Occupational Medical Services Adjustment	-1,110	0.0
Decrease Cost: Verizon Point to Point T1 Replacement	-2,180	0.0
Decrease Cost: Completed Master Lease Payments for financed hardware [Administration]	-12,260	0.0
Decrease Cost: Risk Management Adjustment	-16,730	0.0
Decrease Cost: Retirement Adjustment	-150,030	0.0
Decrease Cost: Group Insurance Adjustment	-372,280	0.0
FY12 RECOMMENDED:	25,028,630	177.8

PROGRAM SUMMARY

Program Name	FY11 Approved		FY12 Recommended	
	Expenditures	WYs	Expenditures	WYs
Land Development	6,848,500	55.0	6,810,950	57.3
Customer Service	1,118,900	11.7	945,010	12.1
Building Construction	10,641,110	92.3	10,861,060	93.9
Administration	5,542,910	14.0	6,411,610	14.5
Total	24,151,420	173.0	25,028,630	177.8

FUTURE FISCAL IMPACTS

Title	CE REC.					
	FY12	FY13	FY14	FY15	FY16	FY17
(\$000's)						
This table is intended to present significant future fiscal impacts of the department's programs.						
PERMITTING SERVICES						
Expenditures						
FY12 Recommended	25,029	25,029	25,029	25,029	25,029	25,029
No inflation or compensation change is included in outyear projections.						
Associated Operating Costs for Restoration of Positions	0	15	31	41	37	37
Represents the operating costs associated with restoration of positions.						
IT Maintenance Costs	0	-12	113	40	44	148
Represents additional maintenance costs for the system upgrades and post-warranty maintenance for servers, scanners, and printers.						
IT Replacement Plan	0	765	870	703	411	263
Key components of Permitting Service's technology replacement plan include: FY13 Printers (\$60,000), Scanners (\$250,000), Disaster Recovery Server upgrade (\$30,000), UPS and batteries (\$50,000), Software upgrades and maintenance, training, and professional services (\$375,000); FY14 Servers (\$600,000), Software upgrades and maintenance, training, and professional services (\$270,000), FY15 Database Servers and services (\$440,000), Software upgrades and maintenance, training, and professional services (\$263,000); FY16 Network Switch (\$140,000), UPS and batteries (\$7,500), Software upgrades and maintenance, training, and professional services (\$263,000); FY17 Software upgrades and maintenance, training, and professional services (\$263,000).						
Office Rent	0	-92	-18	59	139	139
Represents costs provided by the Department of General Services and adjusted to reflect reduced space requirements.						
Restoration of Positions (Personnel Costs)	0	725	1,595	2,304	2,405	2,510
Represents personnel costs associated with the restoration of positions due to anticipated increase in permitting activities and workload.						
Retiree Health Insurance Pre-Funding	0	-90	-270	-555	-573	-579
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	25,029	26,339	27,349	27,620	27,491	27,546

FY12-17 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Permitting Services					
FISCAL PROJECTIONS	FY11 ESTIMATE	FY12 REC	FY13 PROJECTION	FY14 PROJECTION	FY15 PROJECTION	FY16 PROJECTION	FY17 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	12.59%	12.59%	12.59%	12.59%	12.59%	12.59%	12.59%
CPI (Fiscal Year)	2.0%	2.4%	2.7%	3.0%	3.2%	3.4%	3.6%
Investment Income Yield	0.14%	0.40%	0.90%	2.00%	2.75%	3.50%	4.00%
BEGINNING FUND BALANCE	(7,609,790)	(4,699,560)	1,695,840	4,238,260	5,522,510	6,250,950	6,801,020
REVENUES							
Licenses & Permits	26,580,100	30,187,970	28,427,840	29,280,670	30,217,660	31,245,050	32,369,890
Charges For Services	2,748,250	2,814,200	2,890,190	2,976,900	3,072,150	3,176,600	3,290,960
Fines & Forfeitures	84,380	86,410	88,740	91,400	94,320	97,530	101,040
Miscellaneous	5,540	4,530	4,630	4,760	4,900	5,050	5,200
Subtotal Revenues	29,418,270	33,093,110	31,411,400	32,353,730	33,389,030	34,524,230	35,767,090
INTERFUND TRANSFERS (Net Non-CIP)							
Transfers To The General Fund	(1,824,300)	(1,669,080)	(1,471,990)	(1,479,260)	(1,506,460)	(1,536,180)	(1,536,180)
Transfers From The General Fund	(2,978,070)	(2,822,850)	(2,625,760)	(2,633,030)	(2,660,230)	(2,689,950)	(2,689,950)
	1,153,770	1,153,770	1,153,770	1,153,770	1,153,770	1,153,770	1,153,770
TOTAL RESOURCES	19,984,180	26,724,470	31,635,250	35,112,730	37,405,080	39,239,000	41,031,930
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(24,683,740)	(25,028,630)	(26,086,780)	(27,269,720)	(28,562,710)	(29,976,070)	(31,521,320)
Restoration of Positions	n/a	n/a	(724,540)	(1,595,250)	(2,303,830)	(2,405,060)	(2,510,040)
Restoration of Operating Reductions	n/a	n/a	(15,180)	(30,760)	(40,790)	(36,500)	(36,500)
IT Maintenance	n/a	n/a	11,700	(113,170)	(40,110)	(44,140)	(148,250)
IT Replacement Plan	n/a	n/a	(765,000)	(870,000)	(703,000)	(410,500)	(263,000)
Office Rent	n/a	n/a	92,480	18,240	(58,960)	(138,760)	(138,760)
Retiree Health Insurance Pre-Funding	n/a	n/a	90,330	270,440	555,270	573,050	579,200
Subtotal PSP Oper Budget Approp / Exp's	(24,683,740)	(25,028,630)	(27,396,990)	(29,590,220)	(31,154,130)	(32,437,980)	(34,038,670)
TOTAL USE OF RESOURCES	(24,683,740)	(25,028,630)	(27,396,990)	(29,590,220)	(31,154,130)	(32,437,980)	(34,038,670)
YEAR END FUND BALANCE - UNRESTRICTED NET ASSETS (UNA)	(4,699,560)	1,695,840	4,238,260	5,522,510	6,250,950	6,801,020	6,993,260
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	-23.5%	6.3%	13.4%	15.7%	16.7%	17.3%	17.0%
YEAR END FUND BALANCE-CASH	(511,830)	5,883,570	8,425,990	9,710,240	10,438,680	10,988,750	11,180,990
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	-2.1%	19.0%	23.5%	24.7%	25.1%	25.3%	24.7%

Notes and Assumptions:

1. 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.
2. The year-end unrestricted net asset and cash fund balance are targeted to restore the fund balance to the policy level and to protect against the cyclical downturns in the construction market and related permit fee revenues. Both cash and unrestricted net assets balances are reported above.
3. Revenue projections for FY12 reflect implementation of the proposed changes to the amount of the permit fee that is due at time of application (one-time increase in FY12) and the adjustment to the fee calculation and "cap" for commercial building permits.
4. Revenue increases in FY12 and future years assume a gradual increase in construction market activity.
5. Because of the economic downturn, a significant reduction in revenues occurred in FY09 and FY10. The department has initiated several cost containment measures which will continue into FY12. As a result, the department expects to achieve a positive cash balance at the end of FY12.
6. Key components of the Permitting Service's technology replacement plan include: FY13 Printers (\$60,000), Scanners (\$250,000), Disaster Recovery Server upgrade (\$30,000), UPS and batteries (\$50,000), Software upgrades and maintenance, training, and professional services (\$375,000); FY14 Servers (\$600,000), Software upgrades and maintenance, training, and professional services (\$270,000), FY15 Database Servers and services (\$440,000), Software upgrades and maintenance, training, and professional services (\$263,000); FY16 Network Switch (\$140,000), UPS and batteries (\$7,500), Software upgrades and maintenance, training, and professional services (\$263,000); FY17 Software upgrades and maintenance, training, and professional services (\$263,000).