Baseline Performance Measures to Monitor the Reorganization of the Department of Permitting Services

Office of Legislative Oversight
Memorandum Report

January 19, 1999
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*Office of Legislative Oversight January 1999*
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Executive Summary

On July 2, 1996, the County Council approved legislation (Emergency Bill 20-96, Permitting Services – Reorganization) to create a new Department of Permitting Services (DPS). The major goals of the reorganization were:

- To improve productivity,
- To provide faster, friendlier, more consistent service, and
- To provide substantially fee-supported operations.

Before enacting Bill 20-96, the County Council added sunset language that returned the authority for each of the permits in the new department to the department it came from as of July 1, 1998. On June 16, 1998, the County Council voted to extend the effective date of the sunset language to July 1, 2001.

On November 24, 1998, the Council adopted Resolution 13-1488 to articulate the Council’s expectations regarding the development and use of performance measures. The Council intends to use performance measurement information to maintain oversight of and accountability for programs and other activities.

In keeping with the Council’s guidance in Resolution 13-1488, this report presents productivity and service quality performance measures tied to the goals of the reorganization. The data for the productivity measures comes from a mix of manual and automated systems. The data for the service quality measures comes from survey work by the Market Research Group. These measures provide baseline information that will help the Council maintain oversight and accountability for the reorganization over a multi-year period.

OLO recommends that the Council and DPS review and discuss the measures in this report so that the department can identify the specific areas it expects to target for improvement. OLO recommends that the Council and DPS discuss how the department’s new automation system will affect the collection and reporting of performance measurement data. Finally, OLO recommends that the Council and County Executive address the policy issues related to using the Permitting Services Enterprise Fund.
Introduction

A. Authority


B. Background

On July 2, 1996, the County Council approved legislation (Emergency Bill 20-96, Permitting Services – Reorganization) to create a new Department of Permitting Services (DPS). The department consolidated services from portions of four existing departments – the Department of Environmental Protection, the Department of Public Works and Transportation, the Department of Health and Human Services, and the Department of Fire and Rescue Services.

Before enacting Bill 20-96, the County Council added sunset language that returned the authority for each of the permits in the new department to the department it came from as of July 1, 1998. On June 16, 1998, the County Council voted to extend the effective date of the sunset language to July 1, 2001.

When the Council adopted Emergency Bill 20-96, it asked the Office of Legislative Oversight (OLO) to evaluate implementation of the reorganization. In November 1997, OLO proposed that the Council use performance measures to monitor the reorganization over a multi-year period.

In May 1998, OLO reported preliminary data to the Transportation and Environment Committee. One month later, the Council approved a supplemental appropriation to renovate office space for DPS. Before approving the appropriation, the Council asked OLO to track the cost of the building renovations and the amount of general fund support provided to the department since the reorganization.

On November 24, 1998, the Council adopted Resolution 13-1488 to articulate the Council's expectations regarding the development and use of performance measures. (See the appendix for a copy of the resolution.) The resolution states that the Council intends to use performance measurement information to help support agency efforts to continuously improve management and service delivery and to maintain oversight of and accountability for programs and other activities. The Council requests
that measures be based on goals and objectives tied to mission statements and that agencies report a combination of measures. Finally, the resolution adopts definitions for performance measurement terms such as results, service quality, outputs, inputs, and efficiency.

C. Scope and Organization of the Report

In keeping with the Council's guidance in Resolution 13-1488, this report presents a collection of performance measures for DPS tied to the goals of the reorganization. The major goals of the reorganization are:

- To improve productivity,
- To provide faster, friendlier, more consistent service, and
- To provide substantially fee-supported operations.

OLO relied on DPS records and budget data to develop the input and output measures. OLO entered into a contract with the Market Research Group to conduct a stakeholders' focus group and to develop and administer employee and customer surveys. The results of these studies are the basis for the service quality measures.

This report presents the performance measurements as follows:

- Chapter I - Reports input, output and productivity data
- Chapter II - Presents the results of customer satisfaction studies,
- Chapter III - Summarizes general fund support to DPS, and
- Chapter IV - Presents OLO's findings and recommendations.

D. Acknowledgments

This project was conducted by Sue Richards, Program Evaluator in the Office of Legislative Oversight. OLO received excellent cooperation from everyone involved in this study. OLO would like to commend staff in DPS for their commitment to the performance measurement approach and their open-minded consideration of the results. Robert Hubbard, Director of DPS, and Bill Boyajy, Harold Adams, Tom Laycock, and Reginald Jetter deserve special thanks for their contributions.

OLO would like to acknowledge of Darshan Metha and Lynda Maddox of the Market Research Group. OLO would also like to thank those who participated in the focus group and surveys.
Chapter 1
MEASURING PRODUCTIVITY

Council Resolution 13-1488 contains the following definitions of output and input measures.

**Output measures** are the number of units produced or the amount of service provided by an organization or program. Examples of output measures are the number of road miles resurfaced, the number of children immunized, the number of permits issued, or the number of library books checked out.

**Input measures** are the value of resources used to provide a particular service or program. Examples of input measures are dollars spent or staff hours or workyears used.

A. DPS Organization and Operations

This chapter reports output, input and productivity measures for the Department of Permitting Services (DPS). The organizational chart shows the divisions in the department – Land Development, Casework Management and Building Construction - and the key programs for each.

| Office of the Director |
| Management |
| Support |
| Information Systems |

- **Land Development**
  - Sediment Control & Stormwater Management
  - Well and Septic Systems
  - Subdivision Roads
- **Casework Management**
  - Licenses and Permit Processing
  - Land Use Compliance
- **Building Construction**
  - Residential & Commercial Plan Reviews
  - Residential & Commercial Inspections

The responsibilities of each division are as follows:

**Building Construction**—reviews engineering plans and inspects projects under construction for compliance with the building, electrical, mechanical, accessibility, fire, and energy codes.
Land Development—reviews engineering plans and inspects projects related to storm water management, sediment control, floodplain management, well and septic systems, storm drainage, and work in the public rights-of-way.

Casework Management - receives clients, processes applications, develops teams, schedules inspections and investigates land use complaints.

B. Output measures

Exhibit 1 shows the major outputs for DPS from FY 93 through FY 98. OLO selected FY 93 as the base year because this is the first year services were co-located in one building.

The outputs (rounded to the nearest hundred) include plan reviews and inspections for building construction and land development activities plus zoning complaints and the number of permits processed. OLO and DPS jointly selected these measures to capture the major activities of DPS. The measures represent at least 80 percent of the department’s workload; however, they do not count every activity. (See The Guide to Permitting Services for a complete description of all the department’s activities.)

The data show that DPS outputs averaged 191,000 over the six-year period, ranging from 185,000 in FY 96 to 200,000 in FY 98. The outputs of the Building Construction division represent three-fourths of the department’s workload.

<table>
<thead>
<tr>
<th>EXHIBIT 1. DPS OUTPUTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY93</td>
</tr>
<tr>
<td>Building Construction</td>
</tr>
<tr>
<td>Building Plan Reviews</td>
</tr>
<tr>
<td>Building Inspections</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>Land Development</td>
</tr>
<tr>
<td>Permits and Plan Reviews</td>
</tr>
<tr>
<td>Inspections</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>Casework Management</td>
</tr>
<tr>
<td>Processing</td>
</tr>
<tr>
<td>Zoning Complaints</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
</tr>
</tbody>
</table>

C. Input measures

Exhibit 2 shows workyears at the division and program levels for FY 93 through FY 98. (Note: The workyears reflect only the resources of the divisions. They do not include staff in the Director's office.) Over the six years, the data show a slight increase in the workyears for the department as a whole. The data also show an internal transfer of workyears from Building Construction and Land Development to Casework Management in FY 98. This represents the initial implementation of the casework management concept. The data also show a decline in workyears allocated to the building construction division over the six years.

**EXHIBIT 2. DPS INPUTS**

<table>
<thead>
<tr>
<th></th>
<th>FY93</th>
<th>FY94</th>
<th>FY 95</th>
<th>FY 96</th>
<th>FY 97</th>
<th>FY 98</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building Construction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Plan Reviews</td>
<td>27</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Building Inspections</td>
<td>39</td>
<td>36</td>
<td>35</td>
<td>35</td>
<td>27</td>
<td>29</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>66</td>
<td>60</td>
<td>59</td>
<td>59</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td><strong>Land Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Well and Septic</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Stormwater Management</td>
<td>14</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>19</td>
<td>10</td>
</tr>
<tr>
<td>Sediment Control</td>
<td>15</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Public Right of Way</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>65</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>80</td>
<td>66</td>
</tr>
<tr>
<td><strong>Casework Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permit Processing</td>
<td>17</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td>Zoning</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>24.5</td>
<td>23.5</td>
<td>23.5</td>
<td>23.5</td>
<td>24.5</td>
<td>40.5</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>155.5</td>
<td>152.5</td>
<td>151.5</td>
<td>151.5</td>
<td>156.5</td>
<td>158.5</td>
</tr>
</tbody>
</table>


D. Productivity

Output and input measures provide a description of DPS operations. They can also be used to determine productivity or the ratio of outputs to inputs. Exhibit 3 on the next page shows the workyears, outputs and productivity data for DPS from FY 93 through FY 98.
Productivity or output per workyear has increased from 1,220 outputs per workyear in FY 96 to 1,260 outputs per workyear in FY 98. Over the six-year period, the productivity of the department averaged 1,237 outputs per workyear.

**EXHIBIT 3. DPS PRODUCTIVITY**

<table>
<thead>
<tr>
<th>Year</th>
<th>Outputs</th>
<th>Workyears</th>
<th>Productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 93</td>
<td>190,000</td>
<td>155.5</td>
<td>1,222</td>
</tr>
<tr>
<td>FY 94</td>
<td>187,100</td>
<td>152.5</td>
<td>1,227</td>
</tr>
<tr>
<td>FY 95</td>
<td>190,100</td>
<td>151.5</td>
<td>1,255</td>
</tr>
<tr>
<td>FY 96</td>
<td>184,800</td>
<td>151.5</td>
<td>1,220</td>
</tr>
<tr>
<td>FY 97</td>
<td>193,800</td>
<td>156.5</td>
<td>1,238</td>
</tr>
<tr>
<td>FY 98</td>
<td>199,700</td>
<td>158.5</td>
<td>1,260</td>
</tr>
<tr>
<td>Average</td>
<td>190,917</td>
<td>154.3</td>
<td>1,237</td>
</tr>
</tbody>
</table>


**E. Productivity Index**

Productivity is an analytical measure that indicates whether operations are becoming more or less efficient over time. To display these trends more easily, productivity ratios can also be used to calculate a productivity index. A productivity index measures changes in productivity compared to a base year, FY 93, which is given a weight of 100.

Exhibit 4 shows the productivity trend of the department from FY 93 to FY 98. The productivity has held steady throughout the six years with moderate increases in FY 95 and FY 98.

**EXHIBIT 4. DPS PRODUCTIVITY INDICES**

<table>
<thead>
<tr>
<th>Year</th>
<th>Outputs</th>
<th>Workyears</th>
<th>Productivity</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 93</td>
<td>190,000</td>
<td>155.5</td>
<td>1,222</td>
<td>1.00</td>
</tr>
<tr>
<td>FY 94</td>
<td>187,100</td>
<td>152.5</td>
<td>1,227</td>
<td>1.00</td>
</tr>
<tr>
<td>FY 95</td>
<td>190,100</td>
<td>151.5</td>
<td>1,255</td>
<td>1.03</td>
</tr>
<tr>
<td>FY 96</td>
<td>184,800</td>
<td>151.5</td>
<td>1,220</td>
<td>1.00</td>
</tr>
<tr>
<td>FY 97</td>
<td>193,800</td>
<td>156.5</td>
<td>1,238</td>
<td>1.01</td>
</tr>
<tr>
<td>FY 98</td>
<td>199,700</td>
<td>158.5</td>
<td>1,260</td>
<td>1.03</td>
</tr>
<tr>
<td>Average</td>
<td>190,917</td>
<td>154.3</td>
<td>1,237</td>
<td>1.01</td>
</tr>
</tbody>
</table>

F. Productivity Measures by Division

Exhibit 5 shows productivity improvements have varied among the divisions in DPS. Building Construction Services has experienced the highest productivity improvements, followed by Land Development Services. Casework management saw a decline in productivity in FY 98 due to the internal transfer of 16 workyears.

EXHIBIT 5. DPS PRODUCTIVITY BY DIVISION

<table>
<thead>
<tr>
<th></th>
<th>FY93</th>
<th>FY94</th>
<th>FY95</th>
<th>FY96</th>
<th>FY97</th>
<th>FY98</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building Construction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outputs</td>
<td>144,900</td>
<td>139,700</td>
<td>141,200</td>
<td>135,800</td>
<td>146,000</td>
<td>150,900</td>
</tr>
<tr>
<td>Inputs</td>
<td>66</td>
<td>60</td>
<td>59</td>
<td>59</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td>Productivity ratio</td>
<td>2,195</td>
<td>2,328</td>
<td>2,393</td>
<td>2,302</td>
<td>2,808</td>
<td>2,902</td>
</tr>
<tr>
<td>Index</td>
<td>1.00</td>
<td>1.06</td>
<td>1.09</td>
<td>1.05</td>
<td>1.28</td>
<td>1.32</td>
</tr>
<tr>
<td><strong>Land Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outputs</td>
<td>18,300</td>
<td>21,200</td>
<td>21,600</td>
<td>22,100</td>
<td>20,200</td>
<td>20,700</td>
</tr>
<tr>
<td>Inputs</td>
<td>65</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>80</td>
<td>66</td>
</tr>
<tr>
<td>Productivity ratio</td>
<td>282</td>
<td>307</td>
<td>313</td>
<td>320</td>
<td>253</td>
<td>314</td>
</tr>
<tr>
<td>Index</td>
<td>1.00</td>
<td>1.09</td>
<td>1.11</td>
<td>1.14</td>
<td>0.90</td>
<td>1.11</td>
</tr>
<tr>
<td><strong>Casework Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outputs</td>
<td>26,800</td>
<td>26,200</td>
<td>27,300</td>
<td>26,900</td>
<td>27,500</td>
<td>28,100</td>
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<tr>
<td>Inputs</td>
<td>25</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td>25</td>
<td>41</td>
</tr>
<tr>
<td>Productivity ratio</td>
<td>1,094</td>
<td>1,115</td>
<td>1,162</td>
<td>1,145</td>
<td>1,122</td>
<td>694</td>
</tr>
<tr>
<td>Index</td>
<td>1.00</td>
<td>1.02</td>
<td>1.06</td>
<td>1.05</td>
<td>1.03</td>
<td>0.63</td>
</tr>
</tbody>
</table>


G. Productivity Measures by Program

Productivity improvements have also varied among the programs in DPS. Exhibit 6 on the next page shows steady improvements in Building Construction Services inspections that represent over half of the department’s workload. The productivity of other programs has fluctuated or declined.
## EXHIBIT 6. PRODUCTIVITY INDICES BY PROGRAM (CORRECTED)

<table>
<thead>
<tr>
<th></th>
<th>FY93</th>
<th>FY94</th>
<th>FY95</th>
<th>FY96</th>
<th>FY97</th>
<th>FY98</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Permit Processing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permits Issued</td>
<td>25,700</td>
<td>24,900</td>
<td>26,000</td>
<td>25,500</td>
<td>26,100</td>
<td>26,700</td>
</tr>
<tr>
<td>Workyears</td>
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<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Outputs/WY</td>
<td>1,512</td>
<td>1,556</td>
<td>1,625</td>
<td>1,594</td>
<td>1,631</td>
<td>834</td>
</tr>
<tr>
<td>Index</td>
<td>1.00</td>
<td>1.03</td>
<td>1.07</td>
<td>1.05</td>
<td>1.08</td>
<td>0.55</td>
</tr>
<tr>
<td><strong>Zoning Complaints</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permits Issued</td>
<td>1,200</td>
<td>1,400</td>
<td>1,300</td>
<td>1,400</td>
<td>1,500</td>
<td>1,400</td>
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<tr>
<td>Workyears</td>
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<td>8</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Outputs/WY</td>
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<td>187</td>
<td>173</td>
<td>187</td>
<td>176</td>
<td>165</td>
</tr>
<tr>
<td>Index</td>
<td>1.00</td>
<td>1.17</td>
<td>1.08</td>
<td>1.17</td>
<td>1.10</td>
<td>1.03</td>
</tr>
<tr>
<td><strong>Building Services Plan Reviews</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permits Issued</td>
<td>38,600</td>
<td>36,400</td>
<td>37,500</td>
<td>35,800</td>
<td>36,300</td>
<td>41,100</td>
</tr>
<tr>
<td>Workyears</td>
<td>27</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
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<td>1,563</td>
<td>1,492</td>
<td>1,452</td>
<td>1,787</td>
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<td>1.00</td>
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<td>103,200</td>
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<td>109,700</td>
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<tr>
<td>Workyears</td>
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<td>2,963</td>
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<tr>
<td>Permits Issued</td>
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<td>800</td>
<td>1,100</td>
<td>1,100</td>
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<td>16</td>
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<td>10</td>
</tr>
<tr>
<td>Outputs/WY</td>
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<td>50</td>
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<td>58</td>
<td>120</td>
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<tr>
<td>Permits Issued</td>
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<td>14,900</td>
<td>13,700</td>
<td>13,600</td>
<td>13,700</td>
</tr>
<tr>
<td>Workyears</td>
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<td>17</td>
<td>17</td>
<td>17</td>
<td>22</td>
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<td>806</td>
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<td>Index</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Permits Issued</td>
<td>1,700</td>
<td>1,600</td>
<td>1,200</td>
<td>1,400</td>
<td>800</td>
<td>1,000</td>
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<tr>
<td>Workyears</td>
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<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>9.0</td>
</tr>
<tr>
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<td>160</td>
<td>120</td>
<td>140</td>
<td>80</td>
<td>111</td>
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<td>0.82</td>
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<td>0.65</td>
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</tr>
<tr>
<td>Permits Issued</td>
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<td>3,700</td>
<td>4,400</td>
<td>5,900</td>
<td>4,700</td>
<td>4,800</td>
</tr>
<tr>
<td>Workyears</td>
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<td>26</td>
<td>26</td>
<td>26</td>
<td>29.0</td>
<td>28</td>
</tr>
<tr>
<td>Outputs/WY</td>
<td>150</td>
<td>142</td>
<td>169</td>
<td>227</td>
<td>162</td>
<td>171</td>
</tr>
<tr>
<td>Index</td>
<td>1.00</td>
<td>0.95</td>
<td>1.13</td>
<td>1.51</td>
<td>1.08</td>
<td>1.14</td>
</tr>
</tbody>
</table>

Chapter 2

MEASURING SERVICE QUALITY

Council Resolution 13-1488 defines service quality measures as customer satisfaction with a service or program, or how accurately or timely a service is provided. Examples include the percent of clients satisfied with home health aide services, the average number of days it takes to complete a work order, or meter reading error rates.

A. Survey Planning

In July 1998, OLO contracted with The Market Research Group to identify the key customer satisfaction attributes for DPS services and to recommend an approach to surveying customer attitudes. The Market Research Group conducted individual interviews with stakeholders, permitting customers and DPS employees and reported the following general findings from these interviews:

**Customer satisfaction and the reorganization of DPS are very related.** – The Market Research Group found that uncertainty among the DPS staff is causing a considerable amount of confusion and anxiety within the organization. This manifests itself in the attitudes and behavior of the staff. Customers, in turn, often perceive the employees’ anxiety as “unfriendly service.”

Both customer groups interviewed – i.e., those seeking permits and those seeking enforcement of land use standards – equate satisfaction with consistent, fast and friendly service – The Market Research Group found even though DPS has distinct customer groups, the customers in these groups use a common set of attributes – consistent, fast, friendly service - to define customer satisfaction. These elements closely reflect the goals identified with the reorganization.

**DPS employees also identified consistent, fast, friendly service as important attributes of customer satisfaction** – The Market Research Group found both employees and customers anticipate that DPS would rank in the “good” but not “excellent” range in terms of customer satisfaction.
There is a strong relationship between employee satisfaction and customer satisfaction. Given this relationship, the Market Research Group predicted that, over time, increases in employee satisfaction would parallel increases in customer satisfaction. The Market Research Group recommended using both an employee survey and a customer survey to measure customer satisfaction within DPS.

B. Survey Administration

In the Fall of 1998, the Market Research Group conducted two separate customer and employee surveys and a stakeholders' focus group. The Market Research Group structured the survey questionnaires to solicit opinions on the customer satisfaction attributes identified in the background interviews. For most questions, respondents rated their level of satisfaction on a five point scale where a score of one represented a low level of satisfaction, a score of five represented a high level of satisfaction, and a score of three was neutral.

The customer telephone survey was administered to a random sample of people who had completed a project requiring a building, electrical, sediment control, well or septic permit. (Note: The survey was limited to these permit types because these were the only permits types easily available for random automated sampling.)

The survey produced a sample of 452 complete respondents and a sampling error rate of +/- 4.7 percentage points at the 95 percent confidence level. The sample represented:

- Contractors (31 percent),
- Property owners (29 percent),
- Homeowners (21 percent),
- Architects (10 percent), and
- Engineers, public agency representatives, developers, and others (10 percent).

The employees filled out questionnaires on-line at DPS. The employee survey asked questions about how satisfied employees were with their jobs, how employees perceived DPS as an employer and how employees perceived DPS customers. Employees were asked to rate themselves on their interactions with customers. Employees also were asked their opinion of the permitting process and how they would compare Montgomery County's permitting process to other jurisdictions.
The 143 employee respondents included plan reviewers, permit technicians, inspectors, managers or supervisors and others. On average, those who responded had worked for Montgomery County for ten years.

C. Highlights from the Customer and Employee Surveys

This section highlights themes and findings from the customer and employee surveys. According to the Market Research Group, the overall attitudes and perceptions are positive among customers and employees of the department. In fact, customer satisfaction is not only high, but in many cases, the department's services are higher than customers' expectations.

Employee attitudes are more mixed than those of customers. Employees are very sure their treatment of customers is good. Their perception of customers, however, is more negative. Additionally, employees have very mixed opinions about their work environment with few holding neutral views.

Customers' overall experience with DPS – Both customers and employees rated the customer's overall experience with DPS. Customers were asked to rate their experience directly. Employees were asked how they thought customers would rate their experience.

Exhibit 7 shows 73 percent of the customers rated their overall experience as "excellent or somewhat good." This level of favorable response was higher than the employee respondents had anticipated. Employees predicted that about half of the customers would give a neutral rating and 20 percent would give a negative rating.

<table>
<thead>
<tr>
<th>EXHIBIT 7. OVERALL CUSTOMER SATISFACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CUSTOMERS' OVERALL EXPERIENCE WITH DPS</strong></td>
</tr>
<tr>
<td>HOW WOULD YOU RATE YOUR OVERALL EXPERIENCE?</td>
</tr>
<tr>
<td>EXCELLENT OR SOMEWHAT GOOD</td>
</tr>
<tr>
<td>NEITHER GOOD NOR BAD</td>
</tr>
<tr>
<td>SOMEWHAT POOR OR POOR</td>
</tr>
</tbody>
</table>

Comparison of Montgomery County’s permitting process with other jurisdictions – Both customers and employees were asked to compare Montgomery County’s permitting process with other local jurisdictions. Customers were also asked if they had completed a permit in another jurisdiction.

Exhibit 8 shows the responses for all employees and for two customer groups – those who had actually applied for permits elsewhere and those who had not. Approximately half or more of each group thought Montgomery County’s permitting process was somewhat better or much better than elsewhere.

EXHIBIT 8. COMPARISON WITH OTHER JURISDICTIONS

<table>
<thead>
<tr>
<th>HOW DOES MONTGOMERY COUNTY’S PROCESS COMPARE WITH OTHERS?</th>
<th>CUSTOMERS WITH EXPERIENCE ELSEWHERE</th>
<th>CUSTOMERS WITHOUT EXPERIENCE ELSEWHERE</th>
<th>EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUCH BETTER OR SOMewhat BETTER</td>
<td>50%</td>
<td>48%</td>
<td>56%</td>
</tr>
<tr>
<td>ABOUT THE SAME</td>
<td>25%</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>SOMEWHAT WORSE OR WORSE</td>
<td>25%</td>
<td>18%</td>
<td>7%</td>
</tr>
</tbody>
</table>


Opinions of the permitting process – Both customers and employees were asked their opinion of the permitting process. The interviewer read five general statements and the respondents were asked which one most closely reflected their views.
Exhibit 9 summarizes the responses for both surveys. About half of the customers and the employees thought the process was either important and fairly efficient or extremely important, efficient and well run. An additional 34 percent of the customers and 24 percent of the employees characterized the experience as about what they would have expected. A higher share of employees than customers described the process as a necessary evil plagued by inefficiency.

EXHIBIT 9. OPINIONS OF THE PERMITTING PROCESS

<table>
<thead>
<tr>
<th>WHICH OF THE FOLLOWING ... BEST DESCRIBES YOUR OPINION OF THE PERMITTING PROCESS?</th>
<th>CUSTOMER SURVEY</th>
<th>EMPLOYEE SURVEY</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXTREMELY IMPORTANT, EFFICIENT AND WELL RUN</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>IMPORTANT PROCESS AND FAIRLY EFFICIENT</td>
<td>39%</td>
<td>49%</td>
</tr>
<tr>
<td>WHAT YOU WOULD EXPECT FROM GOVERNMENT</td>
<td>34%</td>
<td>24%</td>
</tr>
<tr>
<td>NECESSARY EVIL PLAGUED BY INEFFICIENCY</td>
<td>11%</td>
<td>22%</td>
</tr>
<tr>
<td>UNNECESSARY AND INEFFICIENT</td>
<td>3%</td>
<td>0%</td>
</tr>
</tbody>
</table>


Customers' perceptions of DPS employees - Both surveys asked for opinions about the attitudes of DPS staff – for example, whether staff were friendly, polite, helpful and showed respect. The customer survey asked for customer opinions based on their experience while the employee survey asked employees to rate themselves.
Exhibit 10 presents opinions on the friendliness of DPS staff throughout the process. The responses indicate four out of five customers rated the friendliness of staff throughout the process as excellent or good. In comparison, 92 percent of the employees rated their own performance of "friendliness in dealing with customers" as excellent or good.

**EXHIBIT 10. FRIENDLINESS OF THE STAFF**

<table>
<thead>
<tr>
<th>FRIENDLINESS OF STAFF THROUGHOUT THE PROCESS</th>
<th>CUSTOMER SURVEY</th>
<th>EMPLOYEE SURVEY</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXCELLENT OR SOMEWHAT GOOD</td>
<td>80%</td>
<td>92%</td>
</tr>
<tr>
<td>NEITHER GOOD NOR BAD</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>SOMEWHAT POOR OR BAD</td>
<td>5%</td>
<td>1%</td>
</tr>
</tbody>
</table>


*Employees' perceptions of DPS customers* – The employee survey asked employees to rate the attributes of the customers who come to DPS. The employees provided opinions about whether customers were friendly, courteous or polite to staff.
Exhibit 11 shows employees rated 42 percent of the DPS customers favorably (excellent or good) in their friendliness to staff. Employees gave a neutral rating 51 percent of the time and an unfavorable rating eight percent of the time.

EXHIBIT 11. FRIENDLINESS OF CUSTOMERS

<table>
<thead>
<tr>
<th>FRIENDLINESS OF CUSTOMERS THROUGHOUT THE PROCESS</th>
<th>EMPLOYEE SURVEY</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXCELLENT OR GOOD</td>
<td>42%</td>
</tr>
<tr>
<td>NEITHER GOOD NOR BAD</td>
<td>51%</td>
</tr>
<tr>
<td>SOMEWHAT BAD OR POOR</td>
<td>8%</td>
</tr>
</tbody>
</table>


Employees' satisfaction with DPS - The preliminary survey work found uncertainty among employees was causing anxiety which in some cases affected staff attitudes. This, in turn, affected customer service. In light of this finding, the employee survey asked several questions about the employees’ opinions of DPS.

Exhibit 12 presents responses to a question that asked how fulfilling employees find their jobs. The data indicate 59 percent of those who responded find their jobs fulfilling or very fulfilling. About 23 percent stated their jobs are unfulfilling or very unfulfilling. About 18 percent described their jobs as neither fulfilling nor unfulfilling.

EXHIBIT 12. EMPLOYEE FULFILLMENT AT DPS

<table>
<thead>
<tr>
<th>HOW FULFILLING DO YOU FIND YOUR JOB AT DPS?</th>
<th>EMPLOYEE SURVEY</th>
</tr>
</thead>
<tbody>
<tr>
<td>VERY FULFILLING OR FULFILLING</td>
<td>59%</td>
</tr>
<tr>
<td>NEITHER FULFILLING NOR UNFULFILLING</td>
<td>18%</td>
</tr>
<tr>
<td>VERY UNFULFILLING</td>
<td>23%</td>
</tr>
</tbody>
</table>

D. Highlights from the Stakeholders Focus Group

The Market Research Group conducted a focus group in December 1998 to obtain stakeholders perceptions of DPS. Representatives from twelve associations and interests groups were invited. Representatives participated from the Montgomery County Civic Federation, the Allied Civic Federation, the Suburban Maryland Building Industry Association, the Potomac Valley Chapter of the American Institute of Architects, and the Montgomery County Builders Association. This section reports the participants’ impressions and anecdotal comments about DPS.

**Overall Impression of DPS** - All agreed that DPS performs an essential regulatory function and that it needs to work as efficiently as possible. The participants also recognized that DPS has gone through a transformation from an old way to a new way of doing things. One participant said, “DPS has gotten drastically better but still has a ways to go.”

In response to the same question, focus group participants also characterized DPS as an “inconsistent” “confusing place” with a lot of red tape or as “an amorphous bureaucracy with high points and low points.” One participant recognized that as a “bureaucracy that answers to everybody.” DPS will always be inconsistent because it gets pulled in so many directions.

**Comparisons to other Washington area jurisdictions** - Focus group participants used different criteria to compare the performance of the Department of Permitting Services to that of other jurisdictions. Civic participants looked more broadly at the land development process and permitting process as a whole. Civic participants were concerned that an overregulated land development process has led to the use of more special exceptions. This has created confusion about how the system works because there are too many access points into the system, too many opportunities for “collateral attacks,” and uncertainty for everyone.

Building representatives looked more narrowly at the inspection, permitting and plan review responsibilities at DPS. They gave Arlington County and the cities of Gaithersburg and Rockville high marks for being more helpful and friendlier than Montgomery County. One participant said, “You walk into an Arlington County office, somebody looks up, sees you at the counter, walks up, and says “How can I help you?” You walk into Montgomery County ... and at best it’s “Next?” Another added, “Or (in Montgomery County) there are a lot of people bustling around and no one
makes eye contact. There will be 10 people waiting in line and 10 people behind the counter and nobody makes a move to help anybody."

Participants said Fairfax County may be "a wee bit" better. One participant noted Fairfax made good use of technology. Another said that Fairfax County's plan review and permitting seem much more simplified. One participant noted that in the last six months, Fairfax had set up a system that embodied a more administrative approach and increased certainty in the process.

Another participant said in both Montgomery County and Fairfax there is an obstructionist feeling, whether from civic associations or people reacting to civic associations. There is a fear of making a decision because someone will second-guess you.

**The most positive thing about DPS** - Some focus group participants identified the building inspection program and the ability of employees to maintain their integrity in pressure situations as two positive aspects of DPS. Other participants mentioned individual positive experiences but had a difficult time answering the question. As one participant explained it, "While we see spots of good people doing good things and we think things have improved, we don't really see DPS doing big things very consistently and very efficiently like some agencies."

**The worst thing about DPS** - The participants identified the relationship with Park and Planning (the Montgomery County Park and Planning Department), the lack of priorities and the fee increases as the worst things about DPS. The relationship with Park and Planning was cited because DPS can't resolve a problem without going to a different agency. Another participant saw a lack of priorities because small renovations seem to require a higher standard of review than large residential projects.

Another participant noted that the fees have gone up every year and that this year DPS put a ten percent automation charge on top of the fee increases. One participant added that having fees as high as they are seemed to raise an issue about whether DPS allocates resources efficiently.

**The mandate of DPS** - The participants had several answers to a question about the mandate of DPS. All agreed that it was difficult to identify one single mandate because DPS has several very different regulatory functions with different public interest considerations. One participant added that when you bring so many different activities under one roof you sacrifice something. In this situation, one participant expressed that it is important to have a stable manager who really
understands builder and citizen concerns. The participants identified the mandate of the Department of Permitting Services as follows:

- To be an efficiently run organization,
- To protect the public interest in terms of health and safety
- To give everyone an equal voice in the process and avoid deals and cronyism, and
- To provide top-notch customer service.

Reorganization changes - Some participants noted they have not seen big changes because of the reorganization. One said, "In dealing with them (DPS), I wouldn't have known that they have reorganized at all. Physically, it looks pretty much the same." Another said, "When I walk in there, there is chaos. They are not user friendly, but they have come a long way."

Objectives for the reorganization to have met a year from now - Participants were surprised to find that they agreed with each other about the need to re-write the Zoning Ordinance. Participants would like to make the zoning ordinance simpler and to get rid of all the special exceptions. One participant said a goal could be to allow innovative development that would not only bring tax dollars to the County but also satisfy the civic associations.

Another participant said an objective should be to streamline the plan review and permit process so that there are clear goals, clear timeframes and a clear set of submission guidelines. The participant asked for "a streamlined process that everybody in the industry and everybody anywhere can understand."

Enforcement at DPS – When asked to discuss enforcement at DPS, participants differentiated between enforcement of the building codes and enforcement of the zoning ordinance. In terms of building code enforcement, the sense was that there is a lot of enforcement and in some cases it has been stretched too far.

There was a concern that DPS is missing the forest for the trees and that they should set some priorities. In addition to setting priorities, one participant added that it would be helpful to have clear, internal guidelines for when waivers would be granted. This participant felt clear, internal standards would probably make builders' lives simpler and would not threaten the civic associations because the standards would be understood.
In terms of land use compliance and zoning enforcement, the participants noted that previously the perception was that DPS was unresponsive to complaints. The participants credited current management with a genuine desire to be more responsive and with increasing the quality of enforcement. One participant said that since enforcement has changed so much for the better, it would be unfair to make negative comments.

One participant added that DPS needs to ask how it can develop ways to change its internal practices and its rules and regulations so that it doesn’t get stuck in the past. The County has turned into a big city which is becoming more congested and it needs to be able to change with the times.

Vision for the ideal DPS - The participants provided specific, complete answers to a question about their vision for DPS. Some of the visions could be delivered by DPS while others would require contributions from others, including the County Council and Park and Planning. In their answers, many of the participants acknowledged again the progress that has been made but they are still looking for further improvements.

One participant said, “Right now we spend a lot of time going everywhere ourselves from station to station trying to work out problems. I’d like an organization where you could walk through the front door and talk to one person and that one person would be your lead person. That person could deal with problems that you have from both a plan review standpoint and a permitting standpoint. I think that if DPS had a central point person for plan processing and for permitting that would streamline the whole process. That would give you a feeling of better customer service and a customer friendly attitude. When you are bounced around from person to person to person that starts to wear on you.”

Another person identified four aspects to be improved. This participant requested:

- A better voice-mail system,
- Customer service equal to that of Arlington County or Gaithersburg,
- More consistency in interpreting gray areas in the Code, and
- A revised Zoning Ordinance.

Another participant agreed that change should start with the Zoning Ordinance and added the relationship with Park and Planning also needs to be addressed because “it’s a fundamental weakness beyond the
department's control." The participant would also like to see "consistency in regulatory guidelines whatever the issue is."

Another participant's ideal vision was "a place where I would walk in and meet with the final authority on all the issues involving my project so that (the department) delivers what I need to do my work in no more than five days." One participant questioned whether five days was realistic but did request that DPS identify specific timeframes. The participant said, "It would be so much easier if you knew this process took thirty days or five days or whatever it is. If you knew that you could plan around that rather than a nebulous 'whatever it takes.'"

A final participant identified recordkeeping as a problem to be fixed. The participant noted that you can't find a complete file on a project, even if it is only a year old. He said, "If we can track a package with UPS from the moment it leaves our home to where it is delivered, we should be able to track a project."
Chapter 3
GENERAL FUND SUPPORT

Several building departments across the country use an enterprise fund to pay for their operations. Under this approach, a building department’s revenues are based on fees generated by code enforcement activities. Some of the advantages of this approach are that the people who use (and benefit from) the services pay for the services. The department avoids competing with other services (such as education or public safety) for tax dollars from the general fund. Additionally, an enterprise fund requires the department to carefully monitor the costs of its services.

Some of the issues that must be addressed when an enterprise fund is established include:

- Whether the enterprise fund needs start-up seed money and, if so, how much,
- Whether the enterprise fund should pay for non-revenue programs in the department, and
- Whether the enterprise fund should be permitted to borrow from the General Fund.

When the County created the Department of Permitting Services, it also established the Permitting Services Enterprise Fund. This chapter examines the legislative history of the Permitting Services Enterprise Fund and the types of General Fund support provided since the Permitting Services Enterprise Fund was set up. The last section addresses how much of the General Fund support represents a subsidy of the operations of the Department of Permitting Services.

A. Legislative History

The County Executive’s original concept for a one-stop shop permitting department proposed that the County shift the source of funding for the Department of Permitting Services from the tax-supported general fund to a fee-supported enterprise fund. The Executive suggested this approach so the department would have the flexibility to raise fees and increase revenues to improve service. The intent was that the users of the services would pay the costs of providing the permitting services and that those...
who would benefit most from automation improvements and other
customer service enhancements would pay for them. (See the appendix
for an article that discusses the use of building department enterprise
funds.)

The legislative record shows that the Council raised several questions
about the use of an enterprise fund to support permitting services. Issues
raised by the Council included:

- Whether an enterprise fund was an appropriate funding source,
- Whether an enterprise fund should be legislated in terms of what it
  should fund,
- Whether code enforcement programs should also be funded by the
  enterprise fund, and
- How DPS would produce accurate revenue estimates given the
cyclical nature of construction activities.

According to the legislative record, the Council endorsed the principle of
funding the department's functions through an enterprise fund. The
Council did not exclude general fund support for the new department but
did not prescribe a specific subsidy level either.

B. General Fund Expenses Incurred by the Permitting Services
Enterprise Fund

On May 22, 1996, the County Council adopted the budget resolution for
the Fiscal Year 1997 Operating budget. In this resolution, the Council
appropriated $11.4 million to establish the Department of Permitting
Services. The initial appropriation accounted for the personnel and
operating expenses for eight programs transferred from the department of
Environmental Protection, and one program each from the departments of
Public Works and Transportation, Health and Human Services and Fire
and Rescue Services.

Since the initial appropriation, the Office of Management and Budget
(OMB) and DPS identified three types of start-up expenses that the initial
appropriation did not address.

Program Revenue Shortfalls - The initial appropriation did not address a
revenue shortfall among the programs transferring into the Permitting
Services Enterprise Fund. The fee revenues for some of the programs
transferred into the enterprise fund were less than projected and the new
enterprise fund absorbed the shortfall. The Sediment Control and Stormwater Management program, for example, was in the third year of phased fee increases to move its cost recovery to 100 percent.

**Accrued Work for Outstanding Permits** - As of July 1, 1996, there were a substantial number of active outstanding permits. The initial appropriation did not include the cost of the work to complete these permits although the permit revenues had previously been paid to the General Fund. As a result, the new Permitting Services Enterprise Fund absorbed the labor costs to prepare, inspect and finalize these projects. DPS and OMB estimate these labor costs totaled $5.78 million.

**Employee Leave Liability** - The initial appropriation for the Department of Permitting Services also did not account for the leave liability (annual and compensatory time) of employees transferred into the Permitting Services Enterprise Fund. The unfunded leave liability amounted to $960,000.

In sum, the initial appropriation did not take into account more than $7.8 million in expenses for outstanding permits, accrued leave liability, and a revenue shortfall for programs transferred into DPS. As the Council became aware of these expenses, the Council authorized the transfer of approximately $4 million from the General Fund to the Permitting Services Enterprise Fund to address these issues. Specifically:

- In FY 97, the Council transferred $1.1 million from the General Fund into the new Permitting Services Enterprise Fund to address these revenue shortfalls.
- In FY 98, the Council authorized a one-time transfer of $2 million from the General Fund to repay a portion of the labor costs the Permitting Services Enterprise Fund incurred to process these outstanding permits.
- In FY 99, the Council authorized a transfer from the General Fund to repay this unfunded leave liability. Three payments of approximately $320,000 each will be made in FY 99, FY 00 and FY 01.

**C. General Fund Support Since the Reorganization**

There are two types of General Fund support for the Permitting Services Enterprise Fund since the reorganization. They are an annual transfer to cover the cost of some public agency permits and a reduced payment for the enterprise fund overhead charge.
Waived Fees for Public Agency Permits - When the Council reviewed the department's proposed budget for FY 98, the Council staff identified a shortfall in the revenue estimates. Council staff indicated part of the shortfall was due to the department's inability to collect permitting fees from some public agencies. DPS had mistakenly believed it had the legal authority to collect fees from all public agencies that apply for permits. DPS found, in practice, it could legally collect fees from the County Government but not from state-enabled agencies including the Washington Suburban Sanitary Commission, the Maryland-National Capital Park and Planning Commission, Montgomery County Public Schools and Montgomery College.

To address this issue, in 1997, the Council approved a transfer of $650,000 from the General Fund to the department's Permitting Services Enterprise Fund in the appropriation for the FY 98 budget. A year later, in 1998, the Council approved a transfer of $814,000 for the FY 99 budget. This amount represents the actual amount of public agency fees waived in FY 97. In 1999, DPS expects to request a transfer of $841,000 for the FY 00 budget. This request reflects the amount of public agency fees waived in FY 98.

Subsidy Payments for the Enterprise Fund Overhead Charge – Every enterprise or special fund pays an annual overhead charge to the General Fund equivalent to 11.45 percent of the approved operating budget for the department. The overhead charges for DPS amounts to approximately $1.4 million annually. In FY 97 and FY 98, the Council approved a General Fund overhead charge subsidy equal to the total amount of the charge. In FY 99, the Council approved a subsidy for all but $50,000 of the proposed charge. The Council indicated its intent to phase-out the subsidy for the overhead charge over time.

D. Renovations to 255 Rockville Pike

The Council has approved two appropriations to pay for renovations to 255 Rockville Pike (formerly 250 Hungerford Drive), which houses the offices of the Department of Permitting Services. The Council appropriates this money to the Division of Facilities and Services (DFS) in the Department of Public Works and Transportation. Although this cost does not represent a General Fund transfer to the Permitting Services Enterprise Fund, it does represent General Fund support for DPS.

In June 1997, the Council appropriated funds to renovate the first floor plus core areas for the second floor. DFS estimates the department's share of the core area costs at $199,000. In June 1998, the Council approved a supplemental appropriation request for $3.2 million. The
department's pro-rated share of this cost was $1,098,000. The Council also approved $780,000 for the department to purchase and furnish the public space within the DPS offices. The total estimated cost to renovate the DPS offices was $1.876 million.

E. General Fund Subsidy Level

Exhibit 13 summarizes the amount and types of General Fund transfers to the Permitting Services Enterprise Fund for FY 97 – FY 99. The data show:

- Reimbursements from the General Fund have totaled $3.1 million,
- Support from the General Fund for building renovations has totaled $2.1 million, and
- Forgiveness of the overhead charges has totaled $4.5 million.

**EXHIBIT 13. GENERAL FUND SUPPORT (000S OF $)**

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<tr>
<th>ITEM</th>
<th>FY 97</th>
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<td><strong>GENERAL FUND REIMBURSEMENTS</strong></td>
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<td>Program Revenue Deficits</td>
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<td>Unfunded Leave Liability</td>
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<td>Building Renovations</td>
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<tr>
<td>Overhead Charge Subsidy</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,450</td>
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</tbody>
</table>


The forgiveness of the overhead charge expense which is 11.45 percent of the department's budget represents the only direct subsidy of the General Fund to the Permitting Services Fund.

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1 The request included $1.3 million to renovate the second floor to provide offices for the Department of Permitting Services (50,600 GSF), the Licenses and Regulatory Section of the Department of Health and Human Services (6800 GSF), and the Fire Marshall's Office in the Department of Fire and Rescue Services (2,600 GSF).
Chapter 4

FINDINGS AND RECOMMENDATIONS

On July 2, 1996, the County Council approved legislation (Emergency Bill 20-96, Permitting Services – Reorganization) to create a new Department of Permitting Services (DPS). The department consolidated services from portions of four existing departments – the Department of Environmental Protection, the Department of Public Works and Transportation, the Department of Health and Human Services, and the Department of Fire and Rescue Services.

Before enacting Bill 20-96, the County Council added sunset language that returned the authority for each of the permits in the new department to the department it came from as of July 1, 1998. On June 16, 1998, the County Council voted to extend the effective date of the sunset language to July 1, 2001.

When the Council adopted Emergency Bill 20-96, it asked the Office of Legislative Oversight (OLO) to evaluate implementation of the reorganization. In November 1997, OLO proposed that the Council use performance measures to monitor the reorganization over a multi-year period.

On November 24, 1998, the Council adopted Resolution 13-1488 to articulate the Council's expectations regarding the development and use of performance measures. This report presents a collection of performance measures for the Department of Permitting Services.
FINDING #1

The performance measures in this report provide baseline information that will help the Council maintain oversight and accountability for the reorganization over a multi-year period.

When the Council established the Department of Permitting Services on July 2, 1996, it included language that sunsets the permitting authority of the new department. In June 1998, the Council extended the effective date of this sunset provision to July 1, 2001.

Council Resolution 13-1488 states that the Council intends to use performance measures to maintain oversight and accountability of certain programs and activities. The measures in this report provide information that will help the Council maintain oversight and accountability of the reorganization and ongoing operations of the Department of Permitting Services.

RECOMMENDATION #1

OLO recommends that the Council provide DPS with feedback on the measures it sees as most useful for monitoring the reorganization. OLO also recommends that Council and the department discuss the department’s schedule for collecting, compiling and reporting these data in the future.

OLO believes the annual reporting of this data will not only provide DPS with valuable information, but will also allow the Council to track the progress of the DPS reorganization. OLO recommends that the department compile and report these measures every 12 months. In addition to the workload and productivity measures, this would entail re-administering the customer and employee surveys and re-convening the stakeholders’ focus group. This would mean four years of workload data and three years of service quality data could be available when the Council considers the sunset language in the spring of 2001.
FINDING #2

The data for the department's performance measures comes from a mix of manual and automated systems.

The Office of Legislative Oversight and the Department of Permitting Services jointly selected performance measures for this report. DPS compiled the workload measures from a mix of manual and automated records. OLO developed the presentation of the data and calculated the productivity measures. OLO administered a contract with the Market Research Group to conduct two surveys and a focus group. This work forms the basis of the service quality measures.

DPS' record-keeping systems generally pre-date the reorganization. The hybrid system for multiple, stand-alone programs makes the current data collection and reporting process very cumbersome and time consuming. The lack of an automated system to track permits in the land development services division also limited the scope of customer survey.

RECOMMENDATION #2

OLO recommends that the Council and DPS discuss how the department's new automation system will affect the collection and reporting of performance measurement data.

OLO believes that the computer system which is presently being designed and installed will support the automated collection and compiling of performance measures and also support performance measurement reporting. This should significantly improve the compiling and reporting of the performance measurement data. It should also improve the administration of the satisfaction surveys. In addition to these automation improvements, there may be other steps the department could implement now to improve the administration and scope of next year's survey.
FINDING #3

The baseline measures indicate productivity has held steady with a moderate increase in FY 98. The survey research shows attitudes and perceptions are positive among employees and customers. While stakeholders perceive DPS has changed from an old way to a new way of doing business, they also believe there are areas where DPS could continue to improve.

WORKLOAD AND PRODUCTIVITY

Productivity for the department as a whole has held steady over the last six years with moderate increases in FY 95 and FY 98. The increase in FY 98 reflects the fact that the department achieved a higher level of outputs with the same level of staff resources. Exhibit 14 shows input, output and productivity measures for the department and its divisions.

EXHIBIT 14. DPS WORKLOAD AND PRODUCTIVITY MEASURES

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<thead>
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<th>FY93</th>
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Office of Legislative Oversight

29

January 1999
The workyears allocated to the department have stayed steady over the last six years. Internally, the department has transferred workyears to casework management, reflecting its commitment to a new casework approach to customer service.

At the division level, the productivity of Building Construction Services, which accounts for three-fourths of the department's workload has increased 32 percent.

SERVICE QUALITY

The Market Research Group reports that, in general, attitudes and perceptions are positive among customers and employees of the department. In fact, customer satisfaction is not only high but in many cases is higher than customers' expectations. Employee attitudes are more mixed than those of customers. Employees are very sure their treatment of customers is good; however, their perception of customers is more negative. Additionally, employees have very mixed opinions about their work environment with few holding neutral views.

73 percent of the customers who used the services of the department rated their experience as excellent or somewhat good. Less than 10 percent of the respondents rated their experience as somewhat poor or poor.

In comparing Montgomery County with other jurisdictions, over half of the respondents said the County's permitting process was better or somewhat better than other jurisdictions.

Approximately 80 percent of the customers surveyed said the friendliness of the department staff was excellent or somewhat good.

The focus group of stakeholders identified the mandates of DPS to be an efficiently run organization that protects public health and safety, that guards against cronyism, and that delivers top-notch customer service.
The focus group of stakeholders said DPS has gone through a transformation from an old way to a new way of doing business. Focus group participants added, however, that DPS still could improve its operations and service delivery. Some of the improvements that the focus group participants would like to see as a result of the reorganization include:

- Specific project timeframes,
- Consistent enforcement standards and more consistent code interpretations,
- A revised Zoning Ordinance, and
- A better voice mail system and project tracking system.

RECOMMENDATION #3

OLO recommends that the Council and DPS review and discuss the measures in this report and that the department identify the specific performance areas it expects to target for improvement over the next two to three years.
FINDING #4

The forgiveness of the overhead charge expense represents the only direct subsidy of the General Fund to the Permitting Services Enterprise Fund. The subsidy represents about 12 percent of the department’s budget.

Exhibit 15 summarizes the amount and types of General Fund transfers to the Permitting services Enterprise Fund for FY 97 – FY 99. The data show:

- Reimbursements from the General Fund have totaled $3.1 million,
- Support from the General Fund for building renovations has totaled $2.1 million, and
- Forgiveness of the overhead charges has totaled $4.5 million.

**EXHIBIT 15. GENERAL FUND SUPPORT (000s OF $)**

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<td>Building Renovations</td>
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<td>Overhead Charge Subsidy</td>
<td>$1,500</td>
<td>$1,500</td>
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RECOMMENDATION #4

OLO recommends that the Council address the policy issues related to using the Permitting Services Enterprise Fund to operate the Department of Permitting Services.
One goal of establishing a new Department of Permitting Services was to provide "substantially fee-supported" operations through a Permitting Services Enterprise Fund. When the Permitting Services Enterprise Fund was established, however, some policy issues were left unresolved.

Now that DPS has a few years of operational experience, OLO recommends that the Council revisit these policy issues to clarify the meaning of "substantially fee-supported" operations. Some of the specific questions to address include:

- Whether the Permitting Services Enterprise Fund should continue to subsidize the land use code enforcement program and other department activities which benefit the general public,
- Whether there is a more efficient way to structure the repayment of waived public agency fees, and
- Whether to add a measure such as fee increases to the performance measures used to monitor the effectiveness of the reorganization.
Appendices


COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By County Council

SUBJECT: Council Expectations Regarding the Development and Use of Performance Measures

Background

1. The County Council is increasingly interested in the potential uses of performance measures. The Council believes that measuring and reporting the performance of publicly funded activities can enhance communication, encourage continuous improvement, increase accountability, strengthen oversight, and improve decision making.

2. The Council wants to support and encourage agency efforts to develop, report, and use performance measures.

3. The Council intends to provide clear guidance and feedback to the agencies regarding their respective measurement efforts and the Council’s performance information needs.

Action

The County Council for Montgomery County, Maryland, approves the following resolution:

The Montgomery County Council hereby adopts the following goals, expectations, and principles for the development and use of performance measures by agencies for which funds are appropriated or approved by the Council. For purposes of this resolution, “agencies” is defined to include the County Government, Montgomery County Public Schools, Montgomery College, Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission and the Montgomery County Housing Opportunities Commission.
Development of Performance Measures and Reports

1. The Council calls on the agencies to assume the lead responsibility for developing and reporting performance measures for their respective activities. The Council asks the agencies to report performance measures to agency staff, agency decision-makers, the Council, and the general public. The Council anticipates that the measures an agency reports externally will be a subset of more comprehensive measurement data that the agency collects for internal management purposes.

2. The Council adopts the following performance measurement definitions.1 For consistency, the Council requests that the agencies use the same terms and definitions when reporting performance measures to the Council.

- **Results (outcome) measures** - the outcome or accomplishments associated with a service or program. Examples: change in students' test scores, reduction in fire deaths/injuries.

- **Service quality measures** - customer satisfaction with a service or program, or how accurately or timely a service is provided. Examples: percent of clients satisfied with home health aide services, average number of days it takes to complete a work order, meter reading error rates.

- **Output measures** - the number of units produced or amount of service provided by an organization or program. Examples: number of road miles resurfaced, number of children immunized, number of permits issued, number of library books checked out.

- **Input measures** - the value of resources used to provide a particular service or program. Examples: dollars spent, staff hours/workyears used.

- **Efficiency measures** - the cost, either in dollars or employee-hours, per unit of output or outcome. Examples: cost per community center visit, investigator hours per case solved, cost per million gallons of clean drinking water produced.

3. The Council believes that performance measures should be:

- **Based on goals and objectives that tie to a statement of program mission** - Performance measures should clearly relate to an agency’s mission, goals, and objectives and should allow for comparisons over time.

- **Understandable, reliable, and used in decision-making** - Agencies should report performance measures that are reliable, easy to read and understand, and free from jargon and technical terms. Performance measures should also be relevant and used in decision-making.

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1 Adapted from the Governmental Accounting Standards Board’s Service Efforts and Accomplishments Reporting: Its Time Has Come (1990), the State of Maryland’s Managing for Results Guidebook (1997) and Fairfax County’s Fairfax County Measures Up (1997).
• **Reported as a combination of different types of performance measures, i.e., results, service quality, output, input, and efficiency measures** - The Council requests that the agencies report a combination of these different types of performance measures. Together, the combination of measures should educate the reader about each agency's principal contributions, accomplishments, costs, and challenges.

• **Cost-effective** - The cost of gathering, verifying, reporting, and using performance information should not exceed its value for management and decision-making.

4. The Council also encourages the agencies to accompany measurement reports with explanatory information about factors that might bear upon an organization's performance, e.g., general economic conditions, demographic data, recent initiatives or program changes.

**Use of Performance Measures and Reports**

5. Over time, the Council intends to use performance measurement information to help:

• Enhance communication with the agencies and the public about the costs and performance of programs and services;

• Establish a basis for developing strategic objectives and clarifying program goals and policies;

• Support agency efforts to continuously improve management and service delivery;

• Maintain oversight of and accountability for programs and other activities;

• Identify areas of weakness that require special attention or remedial action; and

• Provide a context for budget discussions and identify opportunities for changes and trade-offs in resource allocation.

6. As part of the annual budget review process, the Council Committees want to review a summary of performance data for each agency. The Council calls upon the agencies to consider performance information an important element of each agency's annual budget submission. Recognizing the limited time available during budget work sessions, the Council Committees may also decide to hold comprehensive work sessions at other times during the year on the performance of selected programs, activities, or organizational units within an agency.

7. To facilitate the Council's ability to incorporate discussion of agency performance into the Council's annual budget review, the Council asks agencies to report a summary of performance data in the same document as the agency's budget submission to the Council or in an accompanying document.
8. Each agency should present the summary of performance data in a format that parallels how the agency presents and the Council reviews the agency's operating budget request. In some cases, the agency should also indicate incremental results associated with specific reductions or increases in funding.

9. The Council's operating budget public hearings, held in April, will provide an opportunity for public input on the summary performance measures provided in each agency's budget request.

10. Over time, as agencies develop better measures and collect more data, the Council expects to use performance information more extensively in decision-making. The Council recognizes that it will take agency staff time to collect and report valid, meaningful, and reliable performance data. The Council adopts the following steps to promote steady progress toward further institutionalizing the development and use of performance measures:

   - The Council requests that each agency's FY 2000 operating budget submission include a summary of performance measurement data developed to date. In addition, the Council asks each agency to propose a schedule that specifies what additional performance information the agency will include in the FY 2001 and FY 2002 budget requests.
   - During the Council's review of the FY 2000 budget, Council staff will incorporate review of the performance measurement data developed to date and proposed schedules into the Council Committees' work sessions. Council Committees will provide feedback and reach agreement with the agencies on each agency's respective approach to performance measurement, the measures developed to date, and the proposed schedule.
   - Each agency's FY 2001 and FY 2002 budget submission to the Council should include the summary performance data, as identified and agreed upon in the schedule. For subsequent budget submissions, the Council calls upon each agency to continue refining summary performance data consistent with Council feedback.

The Office of Legislative Oversight's Role in Supporting the Council's Performance Measurement Efforts

11. To assist the Legislative Branch and agency staff in developing and using performance and outcome measures, in FY 99 the Office of Legislative Oversight will:

   - Compile a library of performance measurement resources available for use by Legislative Branch and agency staff;
   - Identify performance measurement training opportunities for Legislative Branch and agency staff, and
   - Compile a list of and facilitate access to consultants who provide services related to developing, reporting, and using performance measures.
12. In addition, OLO will design a model Service Efforts and Accomplishments (SEA) report. A SEA report communicates the performance of key service areas across the agencies. The Council will use the model report to determine whether to pursue production of a full SEA report in the future. OLO will work with the County Government to assure that the model SEA report can also be used as a resource for meeting any future performance reporting requirements by the Governmental Accounting Standards Board.

13. In addition, the Council expects OLO to continue tracking the agencies' efforts to develop and use performance measures. OLO will provide the Council with an annual status report of agency progress.

This is a correct copy of Council action.

Mary A. Edgar, CMC
Secretary of the Council
Enterprise Funds: the Good, the Bad and the Brave

By Gordon W. Murdoch, P.E., P. Eng., C.B.O.

The Brave:

Once upon a time (in the West), there was a building department whose brave employees struggled through their work lives from day to day, running from one crisis to the next. Although they were very good employees, they felt unappreciated and overworked compared to staff in other departments.

This building department had the lowest permit fees in the region. It also had overcrowded office facilities with outdated and overused equipment and furniture. There were long waits at the public counter (5 hours was not unusual), and 5- to 10-week backlogs in plan review. Sometimes it would take two or three days to get an inspection. Because of low pay and high stress at the permit counter, staffing there was like a revolving door. They regularly checked the bulletin boards for better job opportunities elsewhere (and often found them). Not the most rewarding place to work!

The department was under severe criticism for a number of reasons, but mainly for the lengthy delays in responding to the workload. Because of these delays, most construction applicants were submitting substantially incomplete plans in order to quickly get their "foot in the door" to try to beat the long processing times. Of course, that just clogged the system even more. Sections within the department couldn't even communicate with themselves, let alone the public. Inspectors and plan reviewers vied among themselves to see who could find more wrong with each others' work. You say that life is tough in building departments and much of this can be expected? Read on.

Our brave department:

- Had woefully insufficient staffing to handle the incoming volume of work in the way expected by the legislative body and the public (and the employees themselves);
- Had a 1950's style of management in which one person was expected to make all the decisions;
- Had no annual business plan or any goals for the future (or for the next week, for that matter);
- Had a training budget of only $2.60 per employee per year;
- Had no recognition system for high-performing employees;
- Had a system which required permit applicants to deal with staff in several different departments, each of which had its own policies; and
- Had an antiquated and overloaded telephone system.

After years of unsuccessful attempts to get needed resources, department management was, not surprisingly, dispirited. The real culprit in all of this misfortune was the jurisdiction's own system. Its funding system. And its budget system. A fee-based operation was lumped in with tax-supported operations.

Our brave department, embattled as it was from all sides, was funded through the jurisdiction's general fund, and was forced to compete for budget money with all other general fund departments (such as police and fire), even though it had usually contributed portions of its permit revenue year after year to other operations within the general fund. Sound familiar?

It's now summer of 1984. A new building official for our embattled department. Dauntless. Has a meeting with hard-nosed building industry chief. Chief says, "What you need is an enterprise fund!" Our dauntless building official does not know the difference between enterprise fund and entertainment fund. Chief patiently explains.

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The real culprit in all of this misfortune was the jurisdiction's own system. Its funding system. And its budget system. A fee-based operation was lumped in with tax-supported operations.
Here's what the building officials contacted in the survey said about the positive aspects of their enterprise fund experience. These are their own words.

- It forces you to look at the services you provide and how much they really cost.
- Less scrutiny (at budget time) than being in the general fund.
- We can add people quickly for increased workload.
- It smooths out the inability to react quickly to construction workload cycles.
- It forces you to see the real costs of doing business.
- We're above the normal hiring and firing vagaries.
- We have more freedom to raise fees for a specific level of service.
- Permit money doesn't disappear (into the general fund).
- We're not competing for general fund resources.
- The travel/training budget is relatively untouched.
- We're protected from city-wide across-the-board cuts.
- We have a better working relationship with the construction industry.
- We can respond quickly to jumps in workload.
- It's a great feeling to control our own destiny.
- No more cutting to pay for police and fire.
- Getting the interest (money) on the fund.
- Staff morale is better; there's no pink slips.
- We have it much easier at budget time.
- Can run the department like a business.
- We can maintain key staff.
- I have a reserve for bad years.
- No more feast or famine.
- Travel is easier.
- We had union support.
- We have construction industry support.
- Employee career ladders were developed and an employee recognition program was funded.
- Staffing was authorized and funded for developing and maintaining customer and employee newsletters, as well as handouts and brochures (all to improve communication).
- Permit application "intake standards" were developed to weed out incomplete submittals.
- A new phone system was installed.
- A training budget of around $100 per employee per year was approved.
- Staffing for public assistance counters was funded.

In short, the creation of the enterprise fund put into place a system that dramatically changed the way our now-reborn building department operated. Its fiscal carryover (or operating reserve) at the end of the fiscal year was, at times, equivalent of nine months budget appropriation. It ran as much like a business as the governing bureaucracy would let it. The council still approved its budget. But cutting its budget could no longer help other departments. It could only limit our reborn department's ability to serve its customers. You see, the construction industry had said that it didn't care as much what the fees were, more that it should get the service it was paying for. "If you lower the service level," said the industry, "then lower the fees."

So the service was improved and the users-paid. And any unused permit revenue in one fiscal year rolled into the next. Just like a business. And was available for future business improvements. Just like a business. Read on.

The Good:

Building inspection and plan review agencies, whatever they are called in different cities and counties (for this article we'll call them building departments), are today typically

(Continued on next page)
Enterprise Funds
(Continued from preceding page)

beleaguered on a number of fronts: fees kept low for political purposes, very little expenditure allowed for training and education, and no opportunity to set money aside for future needs because excess revenue at the end of a fiscal year drops into the general fund to help pay for other "essential" services. They must computerize more, become more "customer-friendly," and react to steady streams of legislation expanding their field of responsibilities. Add to that the effects of changing to national model codes and the spectre of future "performance-based" codes with the drastic effect those may have on the way building departments do business, and it's a wonder that people still want to be building officials.

Building department staffing levels always seem to lag behind workload in busy times, and yet always get cut along with those of other departments in bad times, even though staffing never seems to catch up to the workload. Building departments are told to change with the times, but are often not provided with enough resources to do so.

Out of this unfortunate scene, however, has arisen a phenomenon known loosely as "enterprise funds." They can take slightly different forms and be called different things, such as special funds or reserve funds, but they all have some common features. Last year, some building departments in the western United States (in the West) that had enterprise or enterprise-like funding were surveyed to see how the funds were created and what differences the building officials had experienced in their operations. The results of the survey for 14 of these jurisdictions are shown in Figure 1 at the end of this article. One common thread among all of the building officials contacted was that absolutely none of them would ever choose to return to their jurisdiction's general fund.

• increase building regulation program control by the building official (who should be the fund manager);
• separate the building regulation program from tax-funded programs so that it can become independently funded by user fees;
• eliminate annual budget competition for scarce tax dollars. Building regulation needs are not directly weighed against needs for more police, librarians or pothole repairs;
• allow year-end carryover so that permit revenues can pay for inspections that need to be made oftentimes many months later, and so that multi-year planning can be done for future major expenditures (upgrading computer systems or purchasing cellular phones, for instance);
• improve the working relationship with the building industry by directly relating fees to service. Permit fees don't subsidize other jurisdiction functions. The industry generally gets the service it pays for, and should understand that demands for increased service may mean increased fees, speed up the addition of staff and other resources to meet the demands of an increasing workload;
• help pay for necessary staff development and training as the regulations change (as they always do);
• improve the quality of "customer service" by helping instill a business attitude in employees;
• improve employee and management accountability for delivering the level of service that is supposed to be delivered; and
• last, but certainly not least, improve employee morale.

The Bad:
Many of the building officials polled, however, also talked about the "down" side of enterprise funds. There are pitfalls for the unwary. Read on.
• The building official/fund manager must have or acquire business and management skills, as well as technical skills.
• Proper management of the fund requires that time and resources must be put into management reports, revenue and expenditure projections and timely decisions on staffing.
• Permit revenue is almost completely tied to construction cycles. Permit activity, and revenue are not nearly as predictable as tax revenue or water utility revenue.
• The building official/fund manager may have to reduce staff and curtail service when revenue decreases, even if actual workload stays high.
• Proper fund management requires careful pricing of permit fees to maximize revenue without causing encouragement of "bootleg" work.
• Full cost recovery for homeowner and other small valuation permits may not be politically acceptable. Permit revenue subsidies must come from other permit revenue sources.
• Overhead/indirect operating expenses must be added to direct expenses as a cost of providing service.
• Decisions may have to be made for economic reasons, rather than for only safety reasons (e.g., a decision that a program to inspect water heaters is too costly).
Still on the negative side, the surveyed building officials offered some cautions. Here's what they said.

- You're liable to get nonrevenue-supported functions pushed into the (enterprise) fund.
- I have to have good administrative help to manage the fund.
- Starting an enterprise fund in a declining economy (is a problem).
- The city tries to stick money losers into the fund.
- Having to train budget analysts not to treat you like a general fund department (is a problem).
- When the fund was new, we really didn't know how it was supposed to work.
- (The building official) must react quickly to major work-load changes.
- Some city staff had no idea how to operate like a business.
- The city auditor (or financial officer) may look at an enterprise fund as extra work.
- General fund department heads that think we are being treated with favoritism (are a problem).
- I have to pay for city odds and ends that have slim connection to the enterprise fund.
- The fund is raided for city equipment, money for trips, (etc.).
- (You) must reduce staff when the revenue isn't there.
- It's hard to say "No" to the city manager.
- We're held more accountable (mentioned by several).
- My boss tries to grab the fund money.
- Much higher accountability.
- The layoffs or downsizing in a recession is a problem.
- Higher overhead.

Case Histories

Discussions with the building officials/representatives (let's just say "building officials") in the surveyed jurisdictions brought out not only interesting case histories of the funds, but also some very important considerations in setting up and living with an enterprise fund. Before any discussion on setting up such a fund with the administrative authorities of a city or county, a building official might want to be armed with the following information.

Reason for the Fund

There would have to be a very good reason for a jurisdiction to want to go to the trouble of creating a separate fund. One of the most common reasons given for enterprise funds coming into being was that local construction groups (in Salem, San Francisco and Sacramento County) wanted accountability and a reasonably good service level for the fees paid to the jurisdiction. Another reason (in Saint Paul and Dallas) was that the jurisdictions wanted to separate fee-supported departments from tax-supported departments. Because state legislation in Nevada said that fees could not be increased unless the related program was in an enterprise fund, the City of Reno created one. Fremont did it to conform to California law, which said that fees cannot exceed the cost of the service provided.

Initial Seed Money

An enterprise fund has to be run like a business. But it's hard to start a business without some up-front capital. Dallas and San Francisco did, but with difficulty. Dallas, in particular, started their fund in a "down" economy. Some jurisdictions, like Saint Paul and San Diego, gambled on a good first year's revenue. And won. Some, like Reno, started with six months worth of revenue up front. Most building officials contacted in the survey voiced the opinion that initial seed money to start the fund should amount to at least one-fourth the annual budget, and preferably one-half. Building departments have continuing obligations, such as inspections yet to be made for permits already issued, and vacation and retirement payouts to employees.

Higher Overhead

Expect to pay a much more realistic overhead as an enterprise fund than is customary as part of a general fund. Overhead could include items such as office space lease costs, telephone, light and heat, vehicles and vehicle maintenance, building maintenance, risk insurance, employee benefits, and a pro-rated portion of the costs of other county or city functions such as county counsel/city attorney, personnel/human resources, CAO/city manager staff, and the list goes on. The jurisdiction's financial staff are liable to take every opportunity to treat an enterprise fund department/division like a real tenant.

It seems that no two jurisdictions pay exactly the same percentage of overhead to their general funds. Some pay a lot, such as San Francisco (around 100 percent). Dallas pays 40 percent plus employee benefits. Contra Costa County paid around 6 percent plus any major costs (another 30 percent), including $300,000 in data processing charges. Several years ago, San Diego paid over $1 million per year just for the city's computer services support. Some funds pay very little, such as in
Enterprise Funds
(Continued from preceding page)

Beaverton, Oregon (6 percent). In Medford, Oregon, the interest gained on the fund balance almost pays for the department’s overhead.

Costs for leasing of floor space sometimes are included (Clark County, Nevada), sometimes not (Beaverton). In Sacramento County, the building inspection reserve fund pays $300,000 in addition to its $1.3 million overhead. Cars and radios can be expensive items. The fund in Fremont purchased cars for inspectors, and then leased them back to the department so that there would be money for future replacements.

Run the Fund Like a Business

Make sure the interest on the fund balance is retained in the fund. Thirteen of the 14 jurisdictions shown in Figure 1 at the end of this article do retain the interest. After all, it is the permittees’ money. Also, get the best interest rate available. San Diego’s fund, for interest purposes, is pooled with the rest of the city’s huge money reserve, and two years ago earned $300,000.

Quite a few building departments charge other city and county departments for services provided. Saint Paul, which has a design section, charges other departments a design fee. Dallas’ building department charges other departments at the rate of $50 per hour for any services it provides. Similarly, Salem charges a $7.50 “transaction fee” for collecting fees for other departments. San Diego’s fund charges the engineering department for plan checks of City buildings. To “waive” fees would be the same as having permittees subsidize other city/county services.

Upon setting up an enterprise fund, the issue of possible borrowing from and paying back to the general fund needs to be addressed. An option to borrow in time of severe recession may be an asset.

Carry the Fund Balance Over from Year to Year

One of the most important advantages of the enterprise fund system is to have money available to maintain the service level. That is unlikely to be achieved by releasing the fund balance to the general fund at the end of every fiscal year. The fund balance must roll into the next fiscal year. The money is needed to fulfill obligations, such as providing inspections perhaps many months after the permits are paid for.

It’s also needed for “R&D” (research and development), such as replacement of worn equipment, office space needs, remodels, replacement vehicles, or new technology such as imaging, just like any normal business. Sacramento County has taken the further step of identifying exactly what the carryover is for. Certain amounts are placed in “sub funds” for such items as capital improvements, future space needs and inspections yet to be provided.

The surveyed building officials all agreed that a minimum fund balance should be maintained, but did not agree on the amount. Saint Paul suggested one-fourth of the annual operating budget, San Francisco one-third, Contra Costa County one-half, and Clackamas County the annual budget amount. One building official cautioned that the carryover is not a “surplus.” It’s an operating reserve.

Oversight of the Fund

Most of the building officials contacted had the responsibility for their own enterprise funds, with general oversight by the city manager/CAO and the legislative body. San Diego also has oversight by a city manager-appointed industry committee, a system that has worked well in that city. Some departments meet with industry. Contra-Costa County meets with the Building Industry Association, Sacramento County with a “Builders’ Task Group,” and Reno with a construction industry committee. However, some of the building officials contacted had reservations about fund oversight by management representing nonrevenue-producing departments. In that situation, they said, there would be temptation for the oversight authority to divert fund money to other city or county functions.

Be Careful of What Programs are in the Fund

Nonrevenue-producing programs should be supported from general fund. In Eugene, Oregon, for instance, 20 percent of the annual operating budget of the building inspection agency is supported this way. The rest, supported by fees, is in an enterprise fund. Having programs with little or no revenue in an enterprise fund should be avoided, as should the situation of having staff supported by the fund but not under the supervision of the fund manager. Programs in the fund should be self-supporting, or else
either kept out of the enterprise fund or paid for by the general fund. For instance, one jurisdiction had its subsurface sewage disposal program in the enterprise fund. It was a $100,000-per-year loser. Another jurisdiction had housing inspection, vehicle abatement and weed abatement in its enterprise fund. Those programs should more reasonably be the responsibility of a general fund.

Workload and Revenue Projection

The surveyed building officials all agreed that, under the enterprise fund system, arriving at reasonably realistic workload and revenue projections was even more important than before. Their advice was to spend more time on the issue and to use every available resource. Four building officials said, “Get good staff help.”

Rapid Changes in Workload

In the enterprise fund system, it is important to have a plan ready in the event of rapid increases or declines in the department’s workload. San Diego uses approved consultants for peak plan check workload. Sacramento County has a core of permanent staff, supplemented by two tiers of nonpermanent staff—limited term employees (with benefits) and temporary employees (without benefits). In a downturn in workload, any necessary cuts would start with the temporary employees first. Overtime, while being a solution for short-term peaks, is not effective for a long-term heavy workload. Many employees can suffer from burn-out. Some employees become dependent on the overtime pay, and try to find ways to prolong the overtime.

Raids on the Fund

Perhaps the most significant problem confronting an enterprise fund manager is the situation where the administration of the jurisdiction may justify diverting the fund resources to other “priority” programs. For instance, in one jurisdiction surveyed, the entire carryover each year was transferred to the planning department budget. In another, the carryover was used to fund “business promotion,” “business retention” and something called “infrastructure development.” Enterprise fund managers should therefore make sure their permittees, the public and the construction industry understand how the fee revenue is being used, and should solicit input as to what level of service these groups want. Oversight by individuals outside of the jurisdiction can also help.

On the other hand, another potential problem is where the fund manager ties the purse strings too tightly. The experience of the building officials surveyed is that there are situations where mild generosity on the part of the fund manager is the right approach. There may be situations where fund-financed capital improvements would also help other departments, or where funding minor equipment for the treasurer’s staff or funding one-half of a staff position for the CAO, for instance, might dissipate “opposition” to the fund.

CONCLUSION

In the constantly changing world confronting building officials, the system that seems to have the most likelihood of success in allowing building departments to have the resources necessary to provide a decent level of service and safety for the public is the enterprise fund system. In that system, a building official has a great opportunity to show how a governmental agency can be well managed and provide great service. Although the system is not without its challenges and pitfalls, building officials who have these funds say that resources are easier to obtain, and that they are much more “in control of their own destiny.” The fact that none of them would ever, by choice, go back to a general fund system says it all.

Editor’s Note: A table showing the results of the recent survey regarding building department enterprise funds appears on the following two pages.

About the Author

Gordon W. Murdoch, P.E., P. Eng., C.B.O., is presently the Code Development Engineer with the City of Vancouver, British Columbia, Canada. In the 1980s, during the time he was a building official for the City of San Diego, California, the city’s building department budget was transferred to an enterprise fund. The fund was an immediate success, and continues to operate very successfully to this day.

The author wishes to thank all of the city and county representatives who responded to the survey, and, in particular, Alan Olson, building official for the City of Phoenix, Arizona.
Figure 1

Examples of Governmental Enterprise

<table>
<thead>
<tr>
<th>Clark Co</th>
<th>St Paul</th>
<th>Fremont</th>
<th>Reno</th>
<th>Saors Co</th>
<th>Medford</th>
<th>San Fran</th>
</tr>
</thead>
<tbody>
<tr>
<td>NV</td>
<td>Mo</td>
<td>NV</td>
<td>NV</td>
<td>NV</td>
<td>Or</td>
<td>NV</td>
</tr>
<tr>
<td>Years EF in existence</td>
<td>16</td>
<td>10</td>
<td>at least 12</td>
<td>4</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Reason created</td>
<td>Bob Weber asked for it</td>
<td>Fee supported Depts to be separate</td>
<td>Comply w/State Law</td>
<td>State banned fee increases except Ent Funds</td>
<td>Const Industry wanted better service</td>
<td>Council wanted accountability for fees</td>
</tr>
<tr>
<td>Initial &quot;seed&quot; $</td>
<td>-</td>
<td>1st yrs excess</td>
<td>-</td>
<td>6 mo revenue from GF</td>
<td>-</td>
<td>1 yrs excess</td>
</tr>
<tr>
<td>Is Overhead paid to GF?</td>
<td>$350,000</td>
<td>Yes 25-30%</td>
<td>Yes</td>
<td>$1.3 Million</td>
<td>11 ½ incl rent</td>
<td>94 - 114%</td>
</tr>
<tr>
<td>Is Rent paid to GF?</td>
<td>Incl in O/H</td>
<td>Paid separately</td>
<td>Yes</td>
<td>Facil use charge @ $300,000 yr</td>
<td>Incl in O/H</td>
<td>Incl in O/H</td>
</tr>
<tr>
<td>Are other depts charged for EF services provided?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>-</td>
<td>Yes</td>
<td>-</td>
</tr>
<tr>
<td>Is interest retained in EF?</td>
<td>No yet</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Ability to borrow from GF</td>
<td>Yes, &amp; did</td>
<td>Yes, &amp; did w/ int</td>
<td>No</td>
<td>Only in theory</td>
<td>Yes, did borrow</td>
<td>Unknown</td>
</tr>
<tr>
<td>Who oversees EF in add to Dept staff?</td>
<td>None</td>
<td>None</td>
<td>Commun Devel Director</td>
<td>Const Ind reps</td>
<td>Pub Wtr Fiscal &amp; Bids Task Group</td>
<td>None</td>
</tr>
<tr>
<td>Ent Fund $ limit?</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>1 budget year</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>EF carried over yr to yr?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes, up to limit</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Present Ent Fund balance</td>
<td>$6 million</td>
<td>$560,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Auto yearly adjustmnt?</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Ent Fund functions in add to plan review, insp, permit issuance, &amp; admin</td>
<td>Zoning, grading</td>
<td>Design services</td>
<td>Hazmat</td>
<td>Housing Inspl Complaints</td>
<td>Veh &amp; Weed Abt</td>
<td>Subdiv P/C</td>
</tr>
<tr>
<td>EF revenue sources in add to permit &amp; P/C fees</td>
<td>Design fees, Trades Compet fees</td>
<td>Vac bldg deposits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Subdiv P/C direct bill</td>
</tr>
<tr>
<td>Method of workload/revenue projection in add to staff assessment</td>
<td>Constr Industry</td>
<td>Dodge Report</td>
<td>Historic data</td>
<td>City projections W/d Dodge Co Lending instit</td>
<td>Historic data</td>
<td>Meetings w/ Const industry</td>
</tr>
<tr>
<td>Business Plan?</td>
<td>In draft form</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>-</td>
</tr>
<tr>
<td>Ent Fund Budget</td>
<td>$12 million</td>
<td>-</td>
<td>$3 million</td>
<td>$1.3 million</td>
<td>$13 Million</td>
<td>$700,000</td>
</tr>
<tr>
<td>Staffing in the Fund</td>
<td>160</td>
<td>65</td>
<td>59</td>
<td>43</td>
<td>130</td>
<td>14</td>
</tr>
<tr>
<td>Population of jurisdiction</td>
<td>460,000</td>
<td>272,000</td>
<td>175,000</td>
<td>280,000</td>
<td>-</td>
<td>55,000</td>
</tr>
</tbody>
</table>

* Information from 1993
** Information from 1994
## Funds for Building Regulatory Agencies

<table>
<thead>
<tr>
<th></th>
<th>Dallas TX</th>
<th>San Diego CA</th>
<th>Eugene OR</th>
<th>Contra Costa Co CA</th>
<th>Clackamas Co OR</th>
<th>Salem OR</th>
<th>Beaverton OR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Years EF in existence</strong></td>
<td>11</td>
<td>10</td>
<td>2</td>
<td>-</td>
<td>24</td>
<td>At least 15</td>
<td>3</td>
</tr>
<tr>
<td><strong>Reason created</strong></td>
<td>To be self-supporting w/o tax $</td>
<td>Industry wanted accountability for BD revenue</td>
<td>Retain trained staff in down yrs</td>
<td>-</td>
<td>Contractors wanted Dept to be run as business</td>
<td>Accountability for service</td>
<td>Building Official convinced the City</td>
</tr>
<tr>
<td><strong>Initial &quot;seed&quot; $</strong></td>
<td>None</td>
<td>1 yrs excess</td>
<td>1 yrs excess</td>
<td>-</td>
<td>GF help / 2 yrs</td>
<td>Unknown</td>
<td>$30,000</td>
</tr>
<tr>
<td><strong>Is Overhead paid to GF?</strong></td>
<td>40% + benefits</td>
<td>Yes, $0.5 Million not incl rent</td>
<td>Yes, Approx 30% plus veh &amp; cmptrs</td>
<td>Yes, Approx 30%</td>
<td>$160,000</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Is Rent paid to GF?</strong></td>
<td>Yearly remodel payment</td>
<td>$1.2 Million @ $1.30 /GF</td>
<td>Incl w/ O/H</td>
<td>Yes, incl utilities</td>
<td>Own the Bldg</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Are other depts charged for EF services provided?</strong></td>
<td>Yes @ $50 / hr</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Is interest retained in EF?</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Ability to borrow from GF</strong></td>
<td>Yes</td>
<td>Not an option</td>
<td>Yes</td>
<td>in theory only</td>
<td>from Road Fund</td>
<td>Probably</td>
<td>Unknown</td>
</tr>
<tr>
<td><strong>Who oversees EF in add to Dept staff?</strong></td>
<td>Bus./Commerce Council Comm</td>
<td>City Mgr Indus Committee</td>
<td>City Budget Committee</td>
<td>Yearly, meet with BIA</td>
<td>Devel Liaison Grp (periodically)</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td><strong>Ent Fund $ limit?</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>1 budget year</td>
</tr>
<tr>
<td><strong>Ent Fund functions yr to yr?</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Present Ent Fund balance</strong></td>
<td>$2 million</td>
<td>$8.0 Million</td>
<td>$800,000</td>
<td>$1.5 Million</td>
<td>$3.2 million</td>
<td>$870,000</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Auto yearly adjust?</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Ent Fund functions in plan to reviue, insp, permit issuance, &amp; admin.</strong></td>
<td>Yearly</td>
<td>Yearly</td>
<td>Yearly</td>
<td>Yearly</td>
<td>Yearly</td>
<td>Yearly</td>
<td>Yearly</td>
</tr>
<tr>
<td><strong>Method of workload revenue projection in add to staff assessment</strong></td>
<td>Historic data</td>
<td>Historic data</td>
<td>Historic data</td>
<td>Grading Code Enforcement</td>
<td>Dangerous Bldgs Grading Sewage Disposal</td>
<td>Code Enforcement</td>
<td>Zoning</td>
</tr>
<tr>
<td><strong>EF revenue sources in add to permit &amp; FIC fees</strong></td>
<td>-</td>
<td>Charges to other Depts</td>
<td>Inspection cap fee</td>
<td>Charges to other Depts</td>
<td>Permits to other Depts, Insps at $82 / hr</td>
<td>Sign fees, Applic transaction fees at $ 7.50 /trans</td>
<td>-</td>
</tr>
<tr>
<td><strong>Business Plan?</strong></td>
<td>-</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Ent Fund Budget</strong></td>
<td>$8 million</td>
<td>$20 million</td>
<td>$3.3 million</td>
<td>$4.25 million</td>
<td>$3.6 million</td>
<td>$1.75 million</td>
<td>$1.3 million</td>
</tr>
<tr>
<td><strong>Staffing in the Fund</strong></td>
<td>150</td>
<td>236</td>
<td>40</td>
<td>50</td>
<td>48</td>
<td>33</td>
<td>16</td>
</tr>
<tr>
<td><strong>Population of jurisdiction</strong></td>
<td>1 million</td>
<td>1 million</td>
<td>140,000</td>
<td>300,000</td>
<td>265,000</td>
<td>120,000</td>
<td>65,000</td>
</tr>
</tbody>
</table>
Running a Building Department Like a Business

By the year 2000, the insurance industry plans to complete evaluations of building department operations and code enforcement effectiveness in some 54,000 communities across the United States. The evaluations are being conducted by the industry’s Insurance Services Office (ISO).

ISO is using a variety of measures to grade a given community’s code enforcement effectiveness. Is a current model code adopted and being enforced? Is the building department adequately staffed, and are personnel adequately trained and certified? What is the quality of the department’s plan review and field inspection processes?

ISO is grading a community’s code enforcement effectiveness on a one-to-ten scale, with one being the best and ten representing virtually no codes or enforcement. The compiled ratings will be available as reference information for use by individual insurance companies in setting their property insurance rates for a given community.

The insurance industry’s energetic interest in establishing the grading system, as well as taking other measures to promote effective code enforcement, came after it was stung by all-time-high record losses in Hurricane Andrew’s 1992 destruction. The industry asserts that its losses due to Andrew were greatly increased by shoddy residential construction and lax code enforcement in the south Florida area.

For decades, ISO has maintained a rating system for individual communities’ fire protection and fire service effectiveness, and individual insurance companies have referred to this information in establishing their fire insurance rates for localities. The natural disaster losses resulting from Hurricane Andrew prompted the industry to undertake rating building department effectiveness as well.

A Boost for Code Professionals

These developments are good news to the professional code practitioner, who now benefits from the support of a powerful and influential insurance industry ally. Local elected officials are much more likely to be motivated to come across with the resources necessary to provide effective code enforcement when they realize that their constituents’ — i.e., the voters — property insurance rates could be favorably influenced. Voter realization and awareness of the building department rating system creates an opportunity to increase the political and resource support that a code professional needs to do the job.

But a rating system is a rating system. Obviously, some building departments will fare better in their evaluations than others. Those that fare less well will feel pressure and have incentive to expand and improve their code enforcement operations — increased staff, staff training, pursuit of certification, etc.

Such measures will require resources, i.e., funding. And while less-than-highly-rated departments can likely expect some political support from the community for increasing code enforcement funding and effectiveness, there’s an alternative approach to running and funding code enforcement agencies which merits attention.

Enterprise Funds

Beginning on Page 42 of this issue, there appears an article on building department enterprise funds authored by Vancouver, British Columbia, building official Gordon Murdoch, P.E., P.Eng., C.B.O. Under the enterprise fund approach, a building department’s revenues are based on fees generated by code enforcement activity and not drawn from the local government’s general (tax revenue) fund. The enterprise fund is based on the established premise that those using building department services — builders — should pay for those services. To do otherwise is asking all citizens to subsidize the for-profit activities of a particular group.

While Mr. Murdoch discusses in detail the pros and cons of establishing and maintaining an enterprise fund, his central point is that this approach entails running a building department like a business. Services provided by the department and their costs must be examined. Fees must be founded on the quality of service provided to the customer. With its independent funding base, the building department with an enterprise fund is spared the political burden of competing with fire, police, etc., for tax dollars from the jurisdiction’s general fund.

Mr. Murdoch also provides detailed information from a survey recently conducted among 14 local government jurisdictions which operate building departments with enterprise funds. He reports that the building officials who have these funds say resources are easier to obtain and that they are much more “in control of their own destiny.” He further reports that none of the building officials surveyed would, by choice, go back to a general fund system.

We urge our readers’ attention to this article. For building departments needing to expand/upgrade in the wake of the ISO evaluations, an enterprise fund approach may provide a useful frame of organizational reference. Even well-evaluated departments presently supported from a local government general fund would benefit from examining the enterprise fund approach on its merits.