

PHED #3
April 14, 2009

MEMORANDUM

April 8, 2009

TO: Planning, Housing, and Economic Development Committee
C.H.S.
FROM: Charles H. Sherer, Legislative Analyst
SUBJECT: FY10 operating budget for the Department of Permitting Services, section 63 in the Executive's budget

The following may attend:

Carla Reid, Director
Alicia Thomas, Hadi Mansouri, Reginald Jetter, Stan Wong, and Tom Laycock: DPS
Amy Wilson, OMB

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

Overview

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

For FY10, the Executive recommends total expenditures of \$27,067,190, down \$2,561,330 or 8.6% from the FY09 approved budget of \$29,628,520. Workyears will decrease 19.6, from 216.7 to 197.1 — the decrease is entirely due to assumed lapse, not to a reduction in positions. No positions are proposed to be abolished, and the number of positions is requested to increase by 6, from 221 to 227. Personnel costs account for 79% of the budget and operating expenses account for the remaining 21%. See the table at the top of the next page for detail.

Permitting Services

	FY08 Actual	FY09 Approved	FY10 CE Recommended	Change from FY09-10	
				Amount	%
Expenditures	26,687,531	29,628,520	27,067,190	(2,561,330)	-8.6%
Positions:					
Full time	216	220	226	6	2.7%
Part time	1	1	1	0	0.0%
Total positions	217	221	227	6	2.7%
Workyears	213.9	216.7	197.1	(19.6)	-9.0%

Expenditures The changes are shown on ©5 and the major changes are described below, excluding the changes due to compensation and various charges from other County funds.

1. On April 22, 2008, the Council approved bill 30-07, Buildings- Energy Efficiency. The fiscal impact provided by OMB in a memorandum dated January 16, 2008 was included in the packet of materials the Council had when the Council approved the bill (©8-9). The Department must review each building permit application for compliance with the bill, and must also inspect the building when completed and before issuing an occupancy permit.

The Department stated it would need 7 positions (\$513,300); 4 vehicles (\$46,000); and miscellaneous costs such as computers, office space, and vehicle maintenance (\$99,900). The total annual cost to implement the bill would be \$659,200. The Department projected associated annual revenues of \$680,000 “through fees of affected permits.” **However, the Executive did not propose any fee increases in FY10 to offset the additional expenses.**

The Department proposes to phase in the 7 positions over FY10 so that the budget impact is 3.5 workyears, for an addition to the budget in FY10 of \$286,900 (compensation + operating costs). The Department will fill the positions as needed and will not hire any of the positions until there is sufficient need. In FY11, there could be a \$265,000 increase to reflect the full-year cost of 7 positions.

Issue The Maryland-National Capital Building Industry Association (MNCBIA) raised the following question regarding bill 30-07: “My recollection was that the fiscal impact analysis relied on Bill 30-07, as introduced, not as amended; the Bill originally included new buildings already captured by Bill 17-06 and mandated Energy Star in all residential single-family detached units; the final version of the Bill had a smaller scope. It is unclear if the fiscal impact reflected that change.”

The Council's staff attorney confirmed that the 7-position fiscal impact was based on the bill as introduced. She also explained that the bill as introduced required the Department to review applications for both residential and commercial buildings for compliance with Energy Star standards, but the bill as amended and passed deleted the requirement for commercial buildings.

A question for the Department is whether the reduced scope of the bill would also reduce the number of new positions needed, from 7 to some lesser number. Staff from the Department is analyzing this question and will respond as soon as they complete their analysis. As noted above, the Department will not hire any additional positions until they are needed, based on the number of applications, reflecting the condition of the economy.

2. Office rent will increase \$143,110, the actual pro-rata cost of the space the Department occupies.
3. On November 28, 2006, the Council approved bill 17-06, Buildings – Energy Efficiency and Environmental Design. The FY09 budget included some one-time costs for four new positions, so the Department will reduce FY10 costs by \$36,800.
4. FY09 was the last year of a master lease for some computer hardware, so the FY10 budget will be reduced by \$51,910, the amount of the FY09 payment.
5. Several employees took the early retirement incentive program in FY09, but their costs were in the FY09 budget. The FY10 budget will be reduced \$232,700 for the savings from these positions.
6. The FY09 budget was reduced by \$637,777 and 10.4 positions for normal savings from lapse. As mentioned above, the Department is not abolishing any positions but is assuming **additional** lapse savings of \$2,833,370, equivalent to 22.9 workyears. The total lapse is \$3,471,147 (33.3 positions), which is almost 15% of the FY09 approved compensation cost of \$23.6 million.

The Department notes that turnover is less now than in previous years. However, there were 25 vacant positions on March 26, 2009, so achieving the lapse savings seems feasible.

Revenues and fund balance The FY10-15 Fiscal Plan on ©7 shows both year-end cash balances and year-end unrestricted net assets.

DPS cash balance policy is 20% of revenues in the budget year and 15 to 20% in the outyears. The level of cash balance is intended to protect the fund against drops in revenues (as has occurred in the past several years).

At the end of FY10, cash fund balance is only projected to be \$9,390. Cash fund balance should be \$5.4 million to meet the policy level. Cash fund balance in FY10 could easily be negative if revenues are overstated and expenditures cannot be reduced enough to offset the decrease in revenues, as is happening in FY09. (If the number of positions needed by bill 30-07 as

discussed above were reduced, then the projected fund balance each year in the fiscal plan on ©7 would increase.) **For the 6 year period, the recommended fiscal plan shows that the cash balance falls significantly short of the policy until the last year (©7).**

To increase the cash balance, either expenditures must be reduced and/or revenues must be increased. Expenditures probably cannot be reduced much if at all and still provide a satisfactory service level. How about revenues? For FY09, the budget for DPS revenue was \$31.3 million and the latest estimate is \$26.9 million, which is \$4.4 million less than budget. FY10 revenue is estimated to be the same as the latest estimate, \$26.9 million, and still \$0.2 million less than projected FY10 expenditures of \$27.1 million. Net transfers from the Fund will further reduce fund balance by \$2.5 million. Revenues are too low.

Could revenues be increased? On May 14, 2008, the Council approved resolution 16-551, Increasing Fees Collected by the Department of Permitting Services. "This resolution ... will allow the Department of Permitting Services to increase fees consistent with the existing indexing language [see below] without the need for an Executive Regulation or Council resolution.

"The Director of Permitting Services must adjust each fee included in Table 1 of this resolution by July 1 of each year by a percentage that does not exceed the rate of the increase (if any) in the department's approved personnel costs for the then-current fiscal year compared to the approved personnel costs for the preceding fiscal year." For FY10, the relevant % increase in approved personnel costs is from FY08 to FY09, which the Department calculates was 8.2%. The only requirement is that "The Director must publish the amount of this adjustment not later than July 1 of each year." No Council action is required.

The resolution allows but does not require the Director to increase fees, which can be done without Executive Regulation or Council resolution. **The Executive did not propose any fee increases.** OMB staff explained that "In this economic climate there has been a large downturn in residential and construction development which has had a significant impact on DPS' revenues. The County Executive wants to encourage economic development and not further burden or impede business growth by raising DPS' fees."

The Council is also considering the Executive's bill 5-09 which would defer (not delete) permit fees for new construction, which would result in additional administrative costs and lost interest that the Department would presumably have to absorb, unless the General Fund did. (This Committee had a brief worksession on this bill on March 9 and asked the Executive to consider some amendments.)

Considering the factors just mentioned, Council staff recommends that the Council encourage the Executive to let the Department increase its fees to offset some or all of the increased costs, as permitted in resolution 16-551. The deadline for any increase is July 1. The Department estimates that revenue would increase \$2.1 million if the full 8.2% increase were approved. The Department should have sufficient revenues to cover its costs, to ensure that it can process permits expeditiously, and to have a sufficient fund balance.

Contrary views As noted above, the Executive did not propose any fee increases, due to the potential additional depressing influence additional fees would/could have on the building industry. The MNCBIA opposes any increase for the same reason: “Despite Resolution 16-551, which allows DPS to increase its fees, we cannot support an increase in fees. In the past 12 months, the industry has been forced to ruff its workforce in response to the bottom dropping out of the economy; an informal survey revealed that 23 companies have let go more 1700 employees in the past 10 months -- we would request that the Council not support an increase in fees to offset the drop in revenue.”

Another revenue issue The MNCBIA asked about the 10% fee the Department added to all DPS permits to pay for automation. The fee is still being charged, as shown on ©4, last row, “Automation Surcharge”, with FY10 projected revenue of \$2.5 million. This is a permanent fee to cover the on-going costs the Department incurs for automation software and hardware, enhancements and upgrades. The Council approved this fee on June 30, 1998 in resolution 13-1333 (©10).

Reductions

Council staff recommends none.

Permitting Services

MISSION STATEMENT

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

BUDGET OVERVIEW

The total recommended FY10 Operating Budget for the Department of Permitting Services is \$27,067,180, a decrease of \$2,561,340 or 8.6 percent from the FY09 Approved Budget of \$29,628,520. Personnel Costs comprise 78.7 percent of the budget for 226 full-time positions and one part-time position for 197.1 workyears. Operating Expenses account for the remaining 21.3 percent of the FY10 budget.

LINKAGE TO COUNTY RESULT AREAS

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

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

DEPARTMENT PERFORMANCE MEASURES

This table presents the department's headline measures or submeasures that relate to multiple programs including projections from FY09 through FY11. These estimates reflect funding based on the FY09 savings plan, the FY10 budget, and funding for comparable service levels in FY11.

Measure	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Headline Measures					
Average number of days it took to issue a permit - New construction: Commercial permits	227.0	207.6	253.0	225.0	150.0
Average number of days it took to issue a permit - New construction: Residential permits	160	159.5	124.4	140.0	90
Average days to issue a permit - Additions: Commercial permits	74.6	111.88	65.7	65.0	65.0
Average number of days it took to issue a permit - Additions: Residential permits	18.5	18.74	17.5	17.0	17.0
Average number of days it took to issue a permit - Permits for commercial alterations using Fast Track process ¹	15.0	14.2	16.8	16.0	1.00
Average number of minutes it took to issue a permit - Residential permits using Fast Track process	55.2	55.2	60.0	60.0	90.0
Percent of building permits issued that received a final inspections: Commercial permits	55.6	42.3	33.2	33.2	33.2
Percent of building permits issued that received a final inspection: Residential permits	63.0	60.8	35.6	35.6	35.6
Percent of building permits issued that received a final inspection: Commercial permits through the Fast Track process	74.9	76.6	67.6	67.6	67.6
Response time on complaint investigations - Average number of days from the complaint being filed to first contact between Inspector and customer	4.6	3.1	4.0	2.0	3
Response time on complaint investigations - Average number of days for final resolution of the complaint	22.2	12.2	13.7	12.0	12.0
Percent of complaints that are resolved on the first inspection	56.9	72.3	80.0	80.0	80.0

¹ Data reflects both current and dormant permits. New database to be implemten in FY11 will include only active permit requests.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ *Reorganize the structure of DPS to achieve three main objectives: create a Customer Service Division for customer information and customer outreach; relocate the Zoning and Site Plan Enforcement sections to the Building Construction Division; and move the specialist Permit Technicians into the divisions for which they process permits.*
- ❖ *Implemented a new requirement for contractors to provide license information on permit applications to minimize unlicensed contractors from applying for permits and doing work in Montgomery County.*
- ❖ *Implemented 24x7 access to the DPS Permit System for all customers and residents, and real-time system data to M-NCPPC.*
- ❖ *Implemented the capability to view electronic applications, permits and construction plans via the DPS web site.*
- ❖ *Worked closely with the Code Enforcement Work Group to strengthen and improve code enforcement practices across County departments.*
- ❖ *Participated in the Extreme Makeover Home Edition project.*
- ❖ *Productivity Improvements*
 - *Implemented the "One Map" project to integrate all plan review and inspection responsibilities in a single unified system-based map.*
 - *Implemented the capability to systematically track all construction plans (plan tracking).*
 - *Developed the capability for customers to electronically submit service requests (complaints) to DPS via the DPS web site.*

PROGRAM CONTACTS

Contact Alicia Thomas of the Department of Permitting Services at 240.777.6392 or Amy Wilson of the Office of Management and Budget at 240.777.2775 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Land Development

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

<i>FY10 Recommended Changes</i>	<i>Expenditures</i>	<i>WYs</i>
FY09 Approved	8,414,280	76.5
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-677,510	-9.2
FY10 CE Recommended	7,736,770	67.3

Notes: Decrease in expenditures and workyears are related to an increase in lapse.

Customer Service

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

Program Performance Measures	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Response time on complaint investigations - Average number of days from the complaint being filed to first contact between Inspector and customer	4.6	3.1	4.0	2.0	3
Response time on complaint investigations - Average number of days for final resolution of the complaint	22.2	12.2	13.7	12.0	12.0
Percent of complaints that are resolved on the first inspection	56.9	72.3	80.0	80.0	80.0

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	1,375,250	14.6
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-196,840	-1.5
FY10 CE Recommended	1,178,410	13.1

Building Construction

The Building Construction program is responsible for ensuring public safety through the effective enforcement of construction and zoning codes and standards. This is accomplished through engineering plan review and construction inspection related to the administration and enforcement of building, structural, electrical, mechanical, fire-safety, energy conservation, and accessibility codes and standards. In addition, the program is charged with the plan review and inspection of Maryland-National Capital Park and Planning Commission site plans and enforcement of the County's Zoning Ordinance. Zoning enforcement is carried out by reviewing building applications for zoning compliance and investigating zoning complaints. The program is also responsible for conducting damage assessments during natural and other disasters and incidents and provides assistance in disaster recovery efforts.

Program Performance Measures	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Average number of days it took to issue a permit - New construction: Commercial permits	227.0	207.6	253.0	225.0	150.0
Average number of days it took to issue a permit - New construction: Residential permits	160	159.5	124.4	140.0	90
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Percent of building permits issued that received a final inspection: Commercial permits through the Fast Track process	74.9	76.6	67.6	67.6	67.6

¹ Data reflects both current and dormant permits. New database to be implected in FY11 will include only active permit requests.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	13,633,580	112.7
Add: Building - Energy Efficiency Bill 30-07	286,900	3.5
Technical Adj: Net Workyear Change Due to Department Internal Reorganization	0	-1.0
Decrease Cost: Reduce Operating Expenses Associated with Implementation of the Green Building Bill	-36,800	0.0
Increase Cost: Annualization of FY09 Personnel Costs	-76,720	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY09	-145,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-1,620,810	-11.3
FY10 CE Recommended	12,041,150	103.9

Notes: Decrease in expenditures and workyears are related to an increase in lapse.

Administration

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

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	6,205,410	12.9
Increase Cost: Office Rent Increase	143,110	0.0
Increase Cost: Risk Management Adjustment	55,580	0.0
Increase Cost: IT Maintenance Costs	37,380	0.0
Increase Cost: Printing and Mail Adjustments	5,270	0.0
Increase Cost: Chargeback from Department of Correction and Rehabilitation	870	0.0
Decrease Cost: Central Duplicating Deficit Recovery Charge	-2,820	0.0
Decrease Cost: Occupational Medical Services Adjustment	-5,890	0.0
Decrease Cost: Master Lease Payment for Financed Hardware	-51,910	0.0
Decrease Cost: Motor Pool	-99,400	0.0
Decrease Cost: Equipment repairs and maintenance	-100,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-76,750	-0.1
FY10 CE Recommended	6,110,850	12.8

BUDGET SUMMARY

	Actual FY08	Budget FY09	Estimated FY09	Recommended FY10	% Chg Bud/Rec
PERMITTING SERVICES					
EXPENDITURES					
Salaries and Wages	15,856,891	17,263,350	16,472,580	15,530,040	-10.0%
Employee Benefits	5,569,845	6,358,380	5,490,860	5,784,270	-9.0%
Permitting Services Personnel Costs	21,426,736	23,621,730	21,963,440	21,314,310	-9.8%
Operating Expenses	5,071,393	5,894,790	5,381,630	5,752,870	-2.4%
Debt Service Other	103,818	0	0	0	—
Capital Outlay	85,584	112,000	0	0	—
Permitting Services Expenditures	26,687,531	29,628,520	27,345,070	27,067,180	-8.6%
PERSONNEL					
Full-Time	216	220	220	226	2.7%
Part-Time	1	1	1	1	—
Workyears	213.9	216.7	216.7	197.1	-9.0%
REVENUES					
Building Permits	13,672,654	9,893,450	13,416,640	13,416,640	35.6%
Commercial Use & Occupancy Permits	353,526	274,020	386,930	386,930	41.2%
Electrical Contractors Licenses	171,611	163,810	221,950	221,950	35.5%
Electrical Individual Licenses	267,169	235,130	336,070	336,070	42.9%
Electrical Permits	2,128,815	2,194,690	1,887,080	1,887,080	-14.0%
Fire Code Enforcement Fees	506,105	396,710	596,910	596,910	50.5%
Residential Fire Sprinkler Systems	198,407	209,740	166,190	166,190	-20.8%
Mechanical Inspection Fees	758,774	810,660	815,420	815,420	0.6%
Grading/SD/Paving/Driveway Permits	2,001,845	2,201,510	1,866,790	1,866,790	-15.2%
Sediment Control Permits	2,754,968	3,413,960	2,577,000	2,577,000	-24.5%
Stormwater Management Concept Fees	258,109	243,610	288,310	288,310	18.3%
Flood Plain Permits	21,810	17,080	23,610	23,610	38.2%
Flood Plain Verification and Study Fees	23,849	30,190	37,150	37,150	23.1%
Preliminary Water Quality Review	9,178	9,090	33,230	33,230	265.6%
Final Water Quality Fee	12,743	9,700	0	0	—
Well and Septic	359,612	360,210	368,980	368,980	2.4%
Scavenger (W&S)	14,495	3,780	3,620	3,620	-4.2%
Site Plan Enforcement Surcharge	0	4,198,090	0	0	—
Vendor Operations & Licensing Fee	32,119	20,760	36,020	36,020	73.5%
Green Buildings Related Fee Increases	0	415,000	0	0	—
Sign Permits	130,744	80,590	179,510	179,510	122.7%
Benefit Performances	3,074	2,950	4,310	4,310	46.1%
Overtime Offset Fee	699,820	828,360	726,640	726,640	-12.3%
Special Exception Fee	160,115	141,410	201,440	201,440	42.5%
Miscellaneous Licenses & Permits	13,364	0	0	0	—
Fee Realignment Increases	0	1,214,700	0	0	—
Information Requests	41,569	40,770	35,700	35,700	-12.4%
Automation Surcharge	2,464,448	2,581,850	2,458,050	2,458,050	-4.8%

	Actual FY08	Budget FY09	Estimated FY09	Recommended FY10	% Chg Bud/Rec
Civil Penalties/Fines	113,671	88,070	68,580	68,580	-22.1%
Investment Income	708,737	680,900	180,000	160,000	-76.5%
Non-Conforming Use Certification	385	0	0	0	—
Homeowner Electrical Exam	2,490	0	0	0	—
Credit Card Fee Recovery	0	569,010	0	0	—
Permitting Services Revenues	27,884,206	31,329,800	26,916,130	26,896,130	-14.2%

FY10 RECOMMENDED CHANGES

	Expenditures	WYs
PERMITTING SERVICES		
FY09 ORIGINAL APPROPRIATION	29,628,520	216.7
Changes (with service impacts)		
Add: Building - Energy Efficiency Bill 30-07 [Building Construction]	286,900	3.5
Other Adjustments (with no service impacts)		
Increase Cost: Service Increment	247,390	0.0
Increase Cost: Office Rent Increase [Administration]	143,110	0.0
Increase Cost: Retirement Adjustment	120,970	0.0
Increase Cost: Annualization of FY09 Service Increment	93,190	0.0
Increase Cost: Annualization of FY09 Lapsed Positions	60,920	0.8
Increase Cost: Risk Management Adjustment [Administration]	55,580	0.0
Increase Cost: Group Insurance Adjustment	46,690	0.0
Increase Cost: IT Maintenance Costs [Administration]	37,380	0.0
Increase Cost: Printing and Mail Adjustments [Administration]	5,270	0.0
Increase Cost: Chargeback from Department of Correction and Rehabilitation [Administration]	870	0.0
Technical Adj: Net Workyear Change Due to Department Internal Reorganization [Building Construction]	0	-1.0
Decrease Cost: Central Duplicating Deficit Recovery Charge [Administration]	-2,820	0.0
Decrease Cost: Occupational Medical Services Adjustment [Administration]	-5,890	0.0
Decrease Cost: Reduce Operating Expenses Associated with Implementation of the Green Building Bill [Building Construction]	-36,800	0.0
Decrease Cost: Master Lease Payment for Financed Hardware [Administration]	-51,910	0.0
Decrease Cost: Reduce Education, Tuition and Training	-75,000	0.0
Increase Cost: Annualization of FY09 Personnel Costs [Building Construction]	-76,720	0.0
Decrease Cost: Motor Pool [Administration]	-99,400	0.0
Decrease Cost: Equipment repairs and maintenance [Administration]	-100,000	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY09 [Building Construction]	-145,000	0.0
Decrease Cost: Retirement Incentive Program (RIP) Savings	-232,700	0.0
Decrease Cost: Increase Lapse for all divisions	-2,833,370	-22.9
FY10 RECOMMENDED:	27,067,180	197.1

PROGRAM SUMMARY

Program Name	FY09 Approved		FY10 Recommended	
	Expenditures	WYs	Expenditures	WYs
Land Development	8,414,280	76.5	7,736,770	67.3
Customer Service	1,375,250	14.6	1,178,410	13.1
Building Construction	13,633,580	112.7	12,041,150	103.9
Administration	6,205,410	12.9	6,110,850	12.8
Total	29,628,520	216.7	27,067,180	197.1

FUTURE FISCAL IMPACTS

Title	CE REC. (\$000's)					
	FY10	FY11	FY12	FY13	FY14	FY15
This table is intended to present significant future fiscal impacts of the department's programs.						
PERMITTING SERVICES						
Expenditures						
FY10 Recommended	27,067	27,067	27,067	27,067	27,067	27,067
No inflation or compensation change is included in outyear projections.						
Annualization of Positions Recommended in FY10	0	265	265	265	265	265
New positions in the FY10 budget are generally lapsed due to the time it takes a position to be created and filled. Therefore, the amounts above reflect annualization of these positions in the outyears. This amount reflects the positions associated with the Energy Efficiency Bill 30-07, which is effective January 1, 2010.						
Labor Contracts	0	122	122	122	122	122
These figures represent the estimated cost of service increments and associated benefits.						
IT Maintenance Costs	0	13	26	-9	-19	-47
Represents additional maintenance costs for the upgraded permitting system and post-warranty maintenance for servers and printers.						
IT Replacement Plan	0	60	550	375	0	200
Assumes printer replacement in FY11 (\$60,000); replacement of scanners (\$200,000) and servers (\$350,000) in FY12; database server replacement (\$375,000) in FY13; and network switch replacement (\$140,000) and printer replacement (\$60,000) in FY15. Master lease payments and IT maintenance costs are listed separately.						
Master Lease Payments for Financed Hardware	0	-52	-64	-64	-64	-64
Master lease payments related to financing the FY07 purchase of a network switch and database servers will be paid off in FY10. Master lease payments related to financing the FY08 purchase of a server will be paid off in FY11.						
Office Rent Increases	0	66	135	202	272	272
Represents cost increases provided by the Department of General Services.						
Retiree Health Insurance Pre-Funding	0	801	1,201	1,291	1,386	1,485
These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.						
Subtotal Expenditures	27,067	28,342	29,302	29,249	29,028	29,300

ANNUALIZATION OF PERSONNEL COSTS AND WORKYEARS

	FY10 Recommended		FY11 Annualized	
	Expenditures	WYs	Expenditures	WYs
Add: Building - Energy Efficiency Bill 30-07 [Building Construction]	265,340	3.5	530,680	7.0
Total	265,340	3.5	530,680	7.0

FY10-15 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Permitting Services					
FISCAL PROJECTIONS	FY09 ESTIMATE	FY10 REC	FY11 PROJECTION	FY12 PROJECTION	FY13 PROJECTION	FY14 PROJECTION	FY15 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	12.88%	13.73%	13.73%	13.73%	13.73%	13.73%	13.73%
CPI (Fiscal Year)	4.1%	3.3%	2.8%	2.5%	2.5%	2.5%	2.5%
Investment Income Yield	0.013	0.011	0.0165	0.0255	0.028	0.031	0.0335
BEGINNING FUND BALANCE	2,615,740	(378,000)	(3,448,900)	(3,220,590)	(1,037,090)	847,570	3,296,350
REVENUES							
Licenses & Permits	24,173,800	24,173,800	27,995,880	30,515,530	33,261,910	33,927,160	34,266,430
Charges For Services	2,493,750	2,493,750	2,815,090	3,066,940	3,341,390	3,409,460	3,445,290
Fines & Forfeitures	68,580	68,580	72,010	75,610	79,390	83,360	87,530
Miscellaneous	180,000	160,000	250,000	400,000	450,000	510,000	570,000
Subtotal Revenues	26,916,130	26,896,130	31,132,980	34,058,080	37,132,690	37,929,980	38,369,250
INTERFUND TRANSFERS (Net Non-CIP)							
Transfers To The General Fund	(2,564,800)	(2,499,240)	(2,401,650)	(2,263,740)	(2,032,430)	(2,032,430)	(2,032,430)
Indirect Costs	(3,059,650)	(2,926,450)	(2,926,450)	(2,926,450)	(2,926,450)	(2,926,450)	(2,926,450)
DPW Lab Testing Transfer	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Transfers From The General Fund	1,153,770	1,153,770	1,153,770	1,153,770	1,153,770	1,153,770	1,153,770
Payment for Public Agency Permits	1,059,660	1,059,660	1,059,660	1,059,660	1,059,660	1,059,660	1,059,660
Payment for Green Tape Position	94,110	94,110	94,110	94,110	94,110	94,110	94,110
TOTAL RESOURCES	26,967,070	24,018,890	25,282,430	28,573,750	34,063,170	36,745,120	39,633,170
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(27,345,070)	(27,067,180)	(27,228,260)	(27,376,110)	(27,527,660)	(27,682,990)	(27,842,210)
FFI Lapse (FY10 Reduction)	(3,718,570)	(3,653,010)	(3,555,420)	(3,417,510)	(3,349,890)	(3,483,130)	(3,622,360)
Operating/Capital Expenses (Restoration of FY10 Reductions)			0	0	(155,930)	(321,380)	(321,380)
Annualization of Positions			(265,340)	(265,340)	(265,340)	(265,340)	(265,340)
Labor Contracts			(121,850)	(121,850)	(121,850)	(121,850)	(121,850)
IT Maintenance	n/a	n/a	(12,720)	(26,200)	9,030	19,170	47,280
IT Replacement Plan	n/a	n/a	(60,000)	(550,000)	(375,000)	0	(200,000)
IT Master Lease Payments			51,910	64,170	64,170	64,170	64,170
Office Rent			(66,070)	(134,850)	(202,130)	(271,570)	(271,570)
Retiree Health Insurance Pre Funding			(800,690)	(1,200,660)	(1,291,000)	(1,385,850)	(1,485,450)
Subtotal PSP Oper Budget Approp / Exp's	(27,345,070)	(27,067,180)	(28,503,020)	(29,610,840)	(33,215,600)	(33,448,770)	(34,018,710)
OTHER CLAIMS ON FUND BALANCE	0	(400,610)	0	0	0	0	0
TOTAL USE OF RESOURCES	(27,345,070)	(27,467,790)	(28,503,020)	(29,610,840)	(33,215,600)	(33,448,770)	(34,018,710)
YEAR END FUND BALANCE: UNRESTRICTED NET ASSETS	(378,000)	(3,448,900)	(3,220,590)	(1,037,090)	847,570	3,296,350	5,614,460
END-OF-YEAR RESERVES AS A PERCENT OF UNRESTRICTED NET ASSEST	-1.4%	-14.4%	-12.7%	-3.6%	2.5%	9.0%	14.2%
YEAR END FUND BALANCE: CASH	3,080,290	9,390	237,700	2,421,200	4,305,860	6,754,640	9,072,750
END-OF-YEAR RESERVES AS A PERCENT OF CASH RESOURCES	10.1%	0.0%	0.8%	7.6%	11.5%	16.8%	21.1%

Assumptions:

1. These projections are based on the Executive's Recommended budget and include the revenue and resource assumptions of that budget. The projected future expenditures, revenues, and fund balances may vary based on changes to fee rates, usage, inflation, future labor agreements, and other factors not assumed here.
2. FY10 fees and permitting activity are held at same level as FY09 estimates. Revenue increases in future years assume a gradual increase in construction market activity.
3. Because of the economic downturn, a significant reduction in revenues is estimated in FY09 and to continue into FY10. The department has initiated serious cost containment measures which will be continued into FY10. As a result, the department expects to maintain a positive cash balance.
4. Key components of the Permitting Service's technology replacement plan include: FY11 printer replacement (\$60,000); FY11 servers (\$350,000) and scanners (\$200,000); FY13 Database server replacement (\$375,000); FY15 network switch replacement (\$140,000) and printer replacement (\$60,000).
5. The year-end unrestricted net asset and cash fund balance are targeted to ensure a plan for restoring the fund balance and protection against the current softening of the construction market and related permit fee revenues. Both cash and unrestricted net assets balances are reported above.
6. The labor contract with Municipal and County Government Employees Organization, Local 1994 expires at the end of FY10.



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OFFICE OF MANAGEMENT AND BUDGET

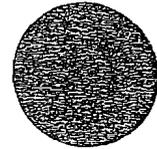
Isiah Leggett
County Executive

032709

Joseph F. Beach
Director

MEMORANDUM

January 16, 2008



2008 JAN 17 AM 9:39

MONTGOMERY COUNTY
COUNCIL

TO: Michael Knapp, Council President
FROM: Joseph F. Beach, Director, Office of Management and Budget
SUBJECT: Council Bill 30-07, Buildings – Energy Efficiency

The purpose of this memorandum is to transmit a fiscal impact statement to the Council on the subject legislation.

LEGISLATION SUMMARY

This legislation requires certain commercial, multi-family residential, and single-family residential buildings to meet certain Energy Star standards; requires the Director of the Department of Public Works and Transportation (DPWT) to develop a baseline, energy unit savings plan, and energy cost savings plan for each County building; requires each energy unit savings plan and energy cost savings plan to include a plan for using an energy performance contract unless the Director finds the cost of using an energy performance contract outweighs the benefit; requires a building owner to pay a Environmental Sustainability Fee if the building does not comply with the Green Building or energy efficiency standards set out in County law; and generally amend the law relating to buildings, energy, and environmental policy.

FISCAL SUMMARY

The Department of Public Works and Transportation states that the development of an energy baseline for each County building can be accomplished with existing staff and resources. The development of an energy savings unit plan and energy cost savings plan for each County building and the cost-benefit determination if an energy performance contract is applicable for each County building will require additional resources. The cost for a consultant's energy audit and energy performance contract cost-benefit determination is approximately \$0.09 to \$0.11 per gross square foot. With 6,055,000 gross feet in the inventory, the estimated one-time cost range is \$544,950 to \$666,050. At this time, it is unknown what operating cost savings would be achieved from the energy performance plans in future years.

The Department of Permitting Services (DPS) states that the proposed energy efficiency legislation as drafted would require each applicant for new commercial, single-family and multi-family residential buildings to submit applications or designs that are likely to meet energy star standards. This would require a review of the submission of each project to insure that the required standards are met
Office of the Director

8 15

prior to issuing a building permit and inspections under the building permit to insure that the "as built" construction meets the required standards and approved plans before occupancy is allowed. The full-year costs to DPS to review the above applications are approximately \$659,200. The costs include seven new staff members (\$513,300), four vehicles (\$46,000) and miscellaneous operating expenses such as computers, phones, office space, and vehicle maintenance (\$99,900). DPS also anticipates additional revenues of \$680,000, through increased fees of affected permits.

It is uncertain in the current draft of the bill what department would administer and collect the revenues associated with the Environmental Sustainability Fee. Because of this, it is difficult to determine the cost to administer this fee. Revenue estimates can not be projected since it is unknown how many building owners will be subject to the fee or the scope of the work needed to reach compliance.

The following contributed to and concurred with this analysis: Stephen Nash, Department of Public Works and Transportation; Hadi Mansouri, Thomas Laycock, and Alicia Thomas, Department of Permitting Services; Stan Edwards, Department of Environmental Protection; and Christopher Mullin, Office of Management and Budget.

jfb: cmm

cc: Timothy L. Firestine, CAO
Rebecca Domaruk, CEX
Art Holmes, DPWT
Carla Reid, DPS
Robert G. Hoyt, DEP
Christopher Mullin, OMB
Brady Goldsmith, OMB

Resolution No: 13-1333
Introduced: June 30, 1998
Adopted: June 30, 1998

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: Approval of Executive Regulation 5-98, Automation Enhancement Fee

Background

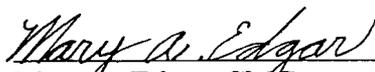
1. On May 26, 1998, the County Council received Executive Regulation 5-98, Automation Enhancement Fee.
2. Under Method (2), the County Council by resolution may approve or disapprove the proposed regulation.
3. On June 22, 1998, the Transportation and Environment Committee reviewed Executive Regulation 5-98 and recommended approval.
4. The County Council reviewed Executive Regulation 5-98 on June 30, 1998.

Action

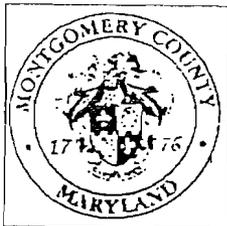
The County Council for Montgomery County, Maryland, approves the following resolution:

Executive Regulation 5-98, Automation Enhancement Fee, is approved.

This is a correct copy of Council action.



Mary A. Edgar, CMC
Secretary of the Council



MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive · 101 Monroe Street · Rockville, Maryland 20850

Subject: Automation Enhancement Fee	Number: 5-98
Originating Department: DEPARTMENT OF PERMITTING SERVICES	Effective Date: July 1, 1998

Montgomery County Regulation on:

ADOPTION OF AN AUTOMATION ENHANCEMENT FEE DEPARTMENT OF PERMITTING SERVICES

Issued by: County Executive
Regulation No. 5-98

Authority: Code Section 8-13, 8-24B, 8-28, 17-2, 17-10, 17-20,
19-6, 19-45, 19-67, 22-13, 27A-5(e), and 49-7

Supersedes: Not Applicable

Council Review: Method 2 under Code Section 2A-15

Register Vol. 15, Issue 4

Comment deadline: May 2, 1998

Effective date: July 1, 1998

Sunset date: None

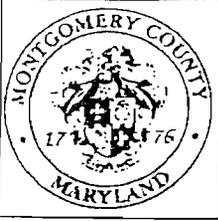
SUMMARY: This regulation adopts a schedule of fees to offset automation costs required to provide computer system enhancements for activities related to the building permitting and construction services which are under the jurisdiction of the Montgomery County Department of Permitting Services.

ADDRESS: Department of Permitting Services
250 Hungerford Drive, Second Floor
Rockville, Maryland 20850-4153

STAFF CONTACT: Robert C. Hubbard, Director
(301) 217-6380

BACKGROUND INFORMATION:

The Department of Permitting Services is the agency mandated to administer and enforce building and construction regulations in Montgomery County. The department provides these services through a system comprised of spreadsheets, manual logs, and an automated computer system which was installed in 1981. This system is antiquated and inadequate for the current needs of the department and its customers. A new fully-integrated, year-2000 compliant, user-friendly computer system has been designed and procured. Implementation is phased to avoid year-2000 failures by the existing system. The cost of this system and subsequent enhancements and modifications will be offset by this schedule of fees.



MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive · 101 Monroe Street · Rockville, Maryland 20850

Subject: Automation Enhancement Fee	Number: 5-98
Originating Department: DEPARTMENT OF PERMITTING SERVICES	Effective Date: July 1, 1998

Sec. 1. Authorization

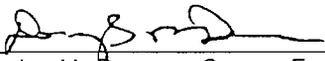
This regulation is adopted pursuant to the authority set forth in Sections 8-13, 8-24B, 8-28, 17-2, 17-10, 17-20, 19-6, 19-45, 19-67, 22-13, 27A-5(e), and 49-7 of the Montgomery County Code, 1994, as amended, in order to establish an automation enhancement fee for those administrative and enforcement activities within the development process for which the department is responsible. The department has not in the past included in its fee schedule the cost it incurs for automation and computer enhancements and upgrades. The department is funded primarily through its schedule of fees for services rendered to its customers in an amount which covers the administration and enforcement costs. It is appropriate to set an automation enhancement fee schedule at a rate which will ensure the department will be able to pay for the automation and computer systems and services.

Sec. 2. Fee Rates

The automation enhancement fee is 10% of the regular fee, which has already been set by Council Resolution or Executive Regulation previously approved, for any permit, license, or activity for which the department is responsible. The automation enhancement fee is in addition to the regular fee and must be paid at the same time that the regular fee is due to the department.

Sec. 3. Effective Date

This regulation becomes effective on July 1, 1998.



Douglas M. Duncan, County Executive

5/27/98

Date

APPROVED AS TO FORM AND LEGALITY.

OFFICE OF COUNTY ATTORNEY

BY A. K. Hart
DATE 3/4/98