



New York City Council

Christine C. Quinn, Speaker

Finance Division

Preston Niblack, Director

Jeffrey Rodus, First Deputy Director

Hearing on the Mayor's Fiscal Year 2012 Preliminary Budget & the Fiscal Year 2011 Preliminary Mayor's Management Report

Department of Buildings

March 22, 2011

Committee on Housing and Buildings

Hon. Erik Martin-Dilan, Chair

Latonia McKinney, Deputy Director, Finance Division
Ralph P. Hernandez, Principal Legislative Financial Analyst

Department of Buildings

The Department of Buildings (DOB) ensures the safe and lawful use of over 950,000 buildings and properties by enforcing the City's Building Code, Electrical Code, Zoning Resolution, New York State Labor Law, and New York State Multiple Dwelling Law. The Department performs plan examinations, issues construction permits, inspects properties, licenses trades, and issues Certificates of Occupancy and Place of Assembly permits. Anyone who intends to demolish, alter, build an addition, or erect a new structure must obtain a building permit from the Department to ensure that the resulting property structure complies with all applicable laws.

Key Public Services Areas

- Ensure the safe and lawful use of buildings and properties by enforcing the Building Code, Zoning Resolution, and other applicable laws.
- Facilitate compliant construction through the timely delivery of services.

Critical Objectives

- Protect public safety by inspecting construction and buildings to ensure compliance.
- Prevent construction-related injuries and fatalities.
- Enforce Building Code and zoning regulations.
- Improve the enforceability of violations issued.
- Respond to public complaints in a timely manner.
- Ensure that individuals have proper qualifications to perform regulated work.
- Improve the timeliness of construction plan reviews, permit issuance, and related inspections.

SOURCE: Mayor's Management Report

Department of Buildings Financial Summary

Dollars in Thousands

	2009 Actuals	2010 Actuals	2011 Adopted	2011 Feb Plan	2012 Feb Plan	*Difference 2011-2012
Spending						
Personal Services	\$82,666	\$83,278	\$80,439	\$79,612	\$77,628	(\$2,811)
Other than Personal Services	27,012	18,252	17,979	20,106	12,037	(5,942)
Total	\$109,678	\$101,530	\$98,418	\$99,718	\$89,666	(\$8,753)
Funding						
City	\$109,678	\$101,530	\$98,418	\$99,218	\$89,666	(\$8,753)
Federal-Other	0	0	0	500	0	0
Total	\$109,678	\$101,530	\$98,418	\$99,718	\$89,666	(\$8,753)

*The difference of Fiscal 2011 Adopted compared to Fiscal 2012 February Plan funding.

Preliminary Budget Action Analysis

The Department of Building's (DOB) Fiscal 2012 Preliminary Budget is 9 percent less than its Fiscal 2011 Adopted Budget. The \$8.75 million decrease consists of \$2.8 million in Personal Services (PS) and \$5.94 million in Other Than Personal Services (OTPS).

Programs to Eliminate the Gap (PEG)

As part of the citywide PEG program, the Department was required to come up with cost savings in its Fiscal 2011 and 2012 Expense Budget. The agency's Fiscal 2012 Preliminary Budget includes \$900,000 in PEGs for Fiscal 2011 and \$3.86 million in Fiscal 2012:

- **Borough Operations Support Staff Savings.** DOB will reduce the number of administrative and clerical staff from Borough operations by 20. This will generate savings of \$1.66 million in Fiscal 2012, \$1.68 million in Fiscal 2013, and \$1.7 million in the outyears.
- **Unfunded Headcount Reduction.** Unfunded headcount was reduced by 46 to align DOB's headcount authorization to match its Personal Services (PS) funding. DOB has also funded vacancies, and authorized headcount would be maintained to support those positions.
- **Attrition Savings from Hiring Freeze.** DOB will achieve savings from attrition as a result of a hiring freeze, generating \$900,000 in Fiscal 2011, \$2 million in Fiscal 2012 and \$2.1 million in the outyears. The hiring freeze that DOB has been under since September 2010 will continue until the identified savings have been achieved. Savings will be achieved by not replacing staff that has departed as a matter of attrition. Certain positions that meet the agency's critical priorities will be exempted from this freeze. Additionally, DOB, in conjunction with the Deputy Mayor of Operation's office, is currently looking at operational efficiency. Attrition savings generated will be \$900,000 in Fiscal 2011, \$2 million in Fiscal 2012 and in the outyears.

Revenue PEGs

As a result of the agency's revenue generating ability, DOB was able to meet its PEG target through the implementation and increase of several fees. The agency's Fiscal 2012 Preliminary budget includes \$5.8 million in additional revenue for Fiscal 2011 and \$6.1 million in Fiscal 2012:

- **Implementation of Hazardous Re-inspection Program.** DOB will generate additional revenue by implementing a new \$85 fee to re-inspect Class 1 hazardous conditions which pose a threat of imminent danger to the public or property. New York State passed a hazardous re-inspection law for Class 1 violation. DOB can re-inspect a property to make sure hazardous areas were addressed. DOB will require an \$85 re-inspection fee. DOB anticipates \$700,000 in Fiscal 2011 and \$1.7 million in Fiscal 2012 and in the outyears.
- **New Construction Fee Estimation Tools.** DOB will generate additional revenue by implementing new fee estimation protocols, establishing a Cost Estimation Unit of auditors, and developing new software for determining and validating construction costs to ensure that fees are the same and applied consistently. DOB anticipates \$4 million in Fiscal 2011 and \$4.4 million in Fiscal 2012 and in the outyears.
- **Private Elevator Inspection Contract.** DOB will collect additional revenue of \$1.1 million in Fiscal 2011 because of the changes in elevator inspection fees and the private elevator inspection contract.

New Needs/Other Adjustments

The February 2010 Plan for DOB contains \$600,000 in Fiscal 2011 in New Needs/Other Adjustments:

- **Cool Roofs Initiative.** DOB is allocating \$100,000 in Fiscal 2011 for the NYC Cool Roofs Initiative to encourage building owners to reduce energy by cooling their rooftops by applying a reflective white coating. CoolRoofs support New York City's goal to reduce greenhouse gas emissions by 30 percent by 2030, as outlined in the Mayor's PlaNYC Program. Funding was provided to secure a consultant to mobilize volunteers and manage a workforce training group to apply reflective surfaces to rooftops.
- **Energy Code Compliance Study.** DOB received \$500,000 in Fiscal 2011 from the Energy Conservation Block Grant of the American Recovery and Reinvestment Act (ARRA) of 2009 to conduct an Energy Code Compliance Study. The funding is for an expert energy consultant to evaluate gaps between performance and code compliance, and recommend solutions for professionals, builders and the Department.

Fiscal 2012 Preliminary Contracts Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services, which are defined as any technical, consultant or personal service provided to the City by means of a contract. The Contract Budget is actually a subset of the Other Than Personal Services (OTPS) portion of the City's Expense Budget. The Administration prepares a Contract Budget twice each fiscal year. In January, it is prepared with the Departmental Estimates, and in late April it is submitted to the Council with the Executive Budget.

Category	Number of Contracts	2012 Preliminary Amount	Percentage of DOB Total
Contractual Services General	2	\$2,375,779	2.65%
Office Equipment Maintenance	1	252,000	0.28%
Data Processing Equipment	1	944,000	1.05%
Security Services	1	185,000	0.21%
Training Programs for City Employees	1	525,000	0.59%
Professional Services: Computer Services	1	300,000	0.33%
Professional Services: Other	1	335,000	0.37%
TOTAL	8	\$4,916,779	5.48%

Personal Services (PS-001) and Other Than Personal Services (OTPS-002)

The operating budget of an agency is structured into several levels, each of which provides varying levels of detail on an agency's spending plans. The City Charter requires that U/A's (Units of Appropriation) represent the amount appropriated for Personal Services (i.e. salaries) or Other Than Personal Services (i.e. supplies) for a particular program, purpose, activity, or institution. The table below presents the Department's budget from the Fiscal 2009 to the Fiscal 2012 Preliminary Budget.

Department of Buildings Financial Summary						
<i>Dollars in Thousands</i>						
	2009 Actuals	2010 Actuals	2011 Adopted	2011 Feb Plan	2012 Feb Plan	*Difference 2011-2012
Spending						
Personal Services	\$82,666	\$83,278	\$80,439	\$79,612	\$77,628	(\$2,811)
Other than Personal Services	27,012	18,252	17,979	20,106	12,037	(5,942)
Total	\$109,678	\$101,530	\$98,418	\$99,718	\$89,666	(\$8,753)
Funding						
City	\$109,678	\$101,530	\$98,418	\$99,218	\$89,666	(\$8,753)
Federal-Other	0	0	0	500	0	0
Total	\$109,678	\$101,530	\$98,418	\$99,718	\$89,666	(\$8,753)
Headcount						
Full-time Positions	1,183	1,143	1,211	1,165	1,145	(66)

**The difference of Fiscal 2011 Adopted compared to Fiscal 2012 February Plan funding.*

Revenue and Expense Budget Summary

Since Mayor Bloomberg's first year in office in 2002, the Department has increased its budget by approximately \$38 million in response to the booming construction industry and in an effort to strengthen the Department's operations. The Fiscal 2012 Preliminary Budget for the Department is \$89.6 million, which is 73 percent more than the \$51.8 million appropriated in the Fiscal 2003 Adopted Budget. During the same fiscal periods, revenues have also increased by \$42.12 million as the result of additional revenues from licenses and permits, fees, and fines. The current projected revenue for the Fiscal 2012 Preliminary Budget for the Department is \$132.44 million, which is 46.6 percent more than the \$90.3 million the Department generated in Fiscal 2003.

Department of Buildings Revenue & Expense Budget Summary

Dollars in thousands

REVENUE	FY03 Actual Budget	FY08 Modified Budget	FY09 Modified Budget	FY10 Modified Budget	FY11 Adopted Budget	FY12 Preliminary Budget
LICENSES and PERMITS	\$59,868	\$82,496	\$98,091	\$88,601	\$77,196	\$85,301
FEES	\$21,484	\$22,320	\$21,700	\$23,020	\$31,998	\$31,135
FINES	\$8,969	\$6,250	\$24,000	\$11,250	\$16,000	\$16,000
TOTAL	\$90,321	\$111,066	\$143,791	\$122,871	\$125,194	\$132,436
EXPENSE						
TOTAL	\$51,800	\$99,295	\$110,951	\$103,461	\$98,918	\$89,666

Performance Measures

The following performance measures were reported in the Fiscal 2011 Preliminary Mayor's Management Report (PMMR) for DOB.

	FY 08	FY 09	FY 10	4 Month Actual FY 10	4 Month Actual FY 11
DOB INSPECTIONS:					
Construction inspection completed	229,157	244,585	212,038	76,963	64,944
Number of Priority A (emergency) complaints received by 311	24,457	22,114	18,828	6,90	5,539
Number of Priority B (non-emergency) complaints received by 311	92,509	89,134	76,485	29,613	24,149
Number of Priority A complaints responded to	24,185	22,145	18,535	6,813	5,498
Number of Priority B complaints responded to	92,786	89,217	74,708	26,912	23,433
VIOLATIONS, INJURIES, and DOB RESPONSE:					
Percent of incident inspections resulting in violations	75.1%	74.1%	76.0%	77.3%	73.2%
Number of construction related incidents	474	543	649	213	194
Number of construction related injuries	167	233	254	88	93
Number of construction related fatalities	25	5	5	1	1
Environmental Control Board violations issued	63,575	76,870	70,569	26,338	23,753
DOB PERMITS ISSUED:					
Licenses and registration issued (new and renewal)	16,426	15,280	15,876	5,168	3,201
New Buildings	4,543	3,039	1,427	461	609
Alterations I (major renovation)	6,378	4,924	4,181	1,379	1,353
Alterations II (minor renovation)	64,605	56,479	54,627	18,366	21,099
DOB CERTIFICATION:					
Certificate of Occupancy issued	11,307	9,219	7,672	2,711	2,514
Jobs professionally certified (%)	47.5%	45.5%	45.1%	47.6%	48.6%
Jobs professionally certified that were audited (%)	26.3%	24.2%	24.4%	20.0%	20.5%
Audits of professionally certified jobs resulting in renovation notices (%)	35.2%	26.0%	20.1%	21.7%	12.7%

Source: Fiscal 2011 Preliminary Mayor's Management Report (PMMR)

Because of the current economic recession, DOB saw a decrease in the number of construction inspections. Between Fiscal 2008 and Fiscal 2010, inspections decreased by 7.5 percent. The decrease in construction activity has led to a huge decrease in Priority A emergency complaints at 23 percent; however, there is a 52 percent increase in construction injuries. DOB licenses and registration issued are down 3.3 percent with new buildings permit issued down 69 percent and alterations 1 (major renovation) down 34 percent. Furthermore, violations and summonses issued by the Environmental Control Board (ECB) have increased by 11 percent. Finally, DOB's certification of occupancy is down 32 percent.

Appendix A: Budget Actions in the November and February Plans

<i>Dollars in thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2010 Plan	\$98,418	\$0	\$98,418	\$92,448	\$0	\$92,448
Program to Eliminate the Gap (PEGs)						
Borough Operations Support Staff Savings	\$0	0	\$0	(\$1,662)	0	(\$1,662)
Attrition Savings from Hiring Freeze	(900)	0	(900)	(2,029)	0	(2,029)
Unfunded Headcount Reduction	0	0	0	0	0	0
Implementation of Hazardous Re-inspection Program	(700)	0	(700)	(1,700)	0	(1,700)
New Construction Fee Estimation Tools	(4,000)	0	(4,000)	(4,400)	0	(4,400)
Unfunded Headcount Reduction	0	0	0	0	0	0
Total, PEGs	(\$5,600)	\$0	(\$5,600)	(\$9,791)	\$0	(\$9,791)
Less PEG Program Reflected in Revenue Budget						
Less PEG Program Reflected in Revenue Budget	\$4,700	\$0	\$4,700	\$6,100	\$0	\$6,100
Total, Less PEG Program Reflected in Revenue Budget	\$4,700	\$0	\$4,700	\$6,100	\$0	\$6,100
New Needs and Other Adjustments						
Cool Roofs Initiative	\$100	\$0	\$100	\$0	\$0	\$0
Energy Code Compliance Study	0	500	500	0	0	0
Private Elevator Inspection Contract	1,100	0	1,100	0	0	0
Additional Attrition Savings	471	0	471	525	0	525
Fringe Benefit PEG Credit	0	0	0	356	0	356
DOB-DOI Technical Adjustment	28	0	28	28	0	28
Total, New Needs and Other Adjustments	\$1,700	\$500	\$2,200	\$909	\$0	\$909
Agency Budget as of February 2011 Plan	\$98,718	\$500	\$99,218	\$89,665	\$0	\$89,665