

THE COUNCIL OF THE CITY OF NEW YORK

Speaker of the Council  
Christine C. Quinn



Hon. Erik Martin-Dilan, Chair, Housing and Buildings Committee

## Hearing on the Mayor's Fiscal 2013 Preliminary Budget & the Fiscal 2012 Preliminary Mayor's Management Report

Department of Buildings

**March 26, 2012**

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## Agency Overview

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.

This report provides a review of DOB's Preliminary Budget for Fiscal 2013. In the first section, the highlights of the Fiscal 2013 Expense Budget are presented, along with a discussion of the Mayor's PEGs (Program to Eliminate the Gap), New Needs, and the Department's Revenue Budget. The report then presents the Department's budget by Units of Appropriation (U/A) and provides an analysis of the Preliminary Mayor's Management Report (PMMR) for Fiscal 2012. The appendices highlight the budget actions in the November and February Plans and the Contract Budget.

## Fiscal 2013 Preliminary Plan Highlights

<i>Dollars in Thousands</i>	2011 Actual	2012 Adopted	2012 Feb. Plan	2013 Feb. Plan	*Difference 2012 - 2013
Personal Services	\$78,209	\$76,430	\$77,630	\$79,630	\$3,200
Other Than Personal Services	20,765	18,185	18,285	11,994	(6,191)
<b>Agency Total</b>	<b>\$98,974</b>	<b>\$94,615</b>	<b>\$95,915</b>	<b>\$91,624</b>	<b>(\$2,991)</b>

*\*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan funding.*

- DOB's Fiscal 2013 Preliminary Budget reflects a \$3 million, or 3.16 percent, decrease when compared to the Fiscal 2012 Adopted Budget (see page 2).
- As part of the November 2011 Mayor's PEGs (Program to Eliminate the Gap), there is 27 unfunded headcount reduction in Fiscal 2013 and in the out years (see page 2).
- DOB also has \$6.69 million in Fiscal 2013 and in the out years in Revenue PEGs, which allow an agency to reduce its City tax-levy budget in anticipation of additional revenues (see pages 3-4).
- DOB has a New Need for the HUB Expansion, which would cost \$2 million in Fiscal 2013 and in Fiscal 2014 (see page 2).

## Department of Buildings Financial Summary

<i>Dollars in Thousands</i>	2011 Actual	2012 Adopted	2012 Feb. Plan	2012 Feb. Plan	*Difference 2012 - 2013
<b>Budget by Program Area</b>					
Personal Services	\$78,209	\$76,430	\$77,630	\$79,630	\$3,200
Other than Personal Services	20,765	18,185	18,285	11,994	(6,191)
<b>TOTAL</b>	<b>\$98,974</b>	<b>\$94,615</b>	<b>\$95,915</b>	<b>\$91,624</b>	<b>(\$2,991)</b>
<b>Funding</b>					
City Funds	N/A	\$94,615	\$95,915	\$91,624	(\$2,991)
<b>TOTAL</b>	<b>N/A</b>	<b>\$94,615</b>	<b>\$95,915</b>	<b>\$91,624</b>	<b>(\$2,991)</b>
<b>Positions</b>					
	1070	1127	1100	1100	(27)
<b>TOTAL</b>	<b>1070</b>	<b>1127</b>	<b>1100</b>	<b>1100</b>	<b>(27)</b>

*\*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan funding.*

DOB's Fiscal 2013 Preliminary Budget reflects a \$3 million, or 3.16 percent, decrease when compared to the Fiscal 2012 Adopted Budget. At the time of Adoption in June 2011, the Fiscal 2013 Estimated Budget was \$89.62 million, which was \$4.99 million less than the Fiscal 2012 Adopted Budget of \$94.62 million. The Fiscal 2013 February Financial Plan added \$2 million in New Needs for the DOB HUB Expansion to the Fiscal 2013 Preliminary Budget. The net \$2.99 decrease between the Fiscal 2013 Preliminary Budget and Fiscal 2012 Adopted Budget is, thus, a reflection of this budget action (see Appendix A).

The \$6.2 million decrease in DOB's Other than Personal Services (OTPS) budget is the result of contractual services, which include \$3.1 million in Private Elevator Contract, \$1.91 million in OTPS Facilitating Safety and Complaint Development Services, \$688,000 in Strategic Planning and Operations Redesign, and \$526,000 in office equipment and vehicle maintenance.

Currently, DOB's New Need for the Development HUB Expansion will cost \$2 million in Fiscal 2013 and in Fiscal 2014. The HUB accepts online construction plan applications for new buildings and major alterations. Once digital construction plans are submitted, they will be uploaded to a shared, secure website so City officials, including those from City Planning, Fire Department, Department of Environmental Protection (DEP), Department of Transportation (DOT), Landmarks, and the Department of Parks, and design professionals can review them online. The \$2 million funds would be used to hire 31 new inspectors in order to decrease the agency's current back log, and to reduce the wait time to receive an inspection within 10 days for plumbing, electrical, and construction. The funding would be offset by revenue from DOB construction permit revenue.

DOB reduced its unfunded headcount by 27 to account for unfunded vacancies. Dollar savings have been achieved through attrition, associated with the Fiscal 2012 November Plan PEG. DOB has been reducing headcount as attrition occurs. The 27 positions correspond with actual departures between March and November 2011 that will not be replaced.

## Revenue Budget

### Department of Buildings Revenue & Expense Budget Summary

*Dollars in thousands*

	FY03 Actual Budget	FY08 Modified Budget	FY09 Modified Budget	FY10 Modified Budget	FY11 Adopted Budget	FY12 Adopted Budget	FY13 Preliminary Budget
<b>REVENUE</b>							
LICENSES and PERMITS	\$59,868	\$82,496	\$98,091	\$88,601	\$77,196	\$96,701	\$99,046
FEES	21,484	22,320	21,700	23,020	31,998	34,236	31,351
FINES	8,969	6,250	24,000	11,250	16,000	16,000	22,689
<b>TOTAL</b>	<b>\$90,321</b>	<b>\$111,066</b>	<b>\$143,791</b>	<b>\$122,871</b>	<b>\$125,194</b>	<b>\$146,937</b>	<b>\$153,086</b>
<b>EXPENSE</b>							
<b>TOTAL</b>	<b>\$51,800</b>	<b>\$99,295</b>	<b>\$110,951</b>	<b>\$103,461</b>	<b>\$98,918</b>	<b>\$94,615</b>	<b>\$91,624</b>

Since Mayor Bloomberg's first year in office in 2002, the Administration has increased DOB's budget in an effort to strengthen the Department's operations. At the height of the construction industry boom, DOB's budget was \$59.2 million more in Fiscal 2009 when compared to Fiscal 2003. The Fiscal 2013 Preliminary Budget for the Department is \$91.62 million, which is approximately 77 percent more than the \$51.8 million appropriated in the Fiscal 2003 Adopted Budget. During the same fiscal periods, revenues have also increased by \$62.77 million as the result of additional revenues from licenses and permits, and fines. The current projected revenue for the Fiscal 2013 Preliminary Budget for the Department is \$153.09 million, which is 69.49 percent more than the \$90.32 million the Department generated in Fiscal 2003.

### Revenue PEGs

In the November 2011 Plan, DOB will generate additional revenues of \$6.7 million in Fiscal 2013 through the out years by increasing the civil penalties for Work Without a Permit, Elevator violations and Boiler violations. These penalties are already in effect. But the Department is only able to collect on these fines when the property owner is applying for a permit, obtaining a change of occupancy or changing ownership. DOB cannot collect on these fines until the owner comes to DOB with these requests. Below is an explanation of each penalty, including the Legislation and Rule that created the new penalty structure:

- Work Without a Permit Penalties.** Local Law 48 of 2006 was adopted in 2007 and changed the calculation of the Work without a Permit (WWP) penalty structure. The WWP penalty structure for 1 or 2 family dwelling penalties changed from 2X the filing fee (but not less than \$100) to now 4X the filing fee (but not less than \$500) and for all other properties, it went from 10X the filing fee (but not less than \$1,000) to 14X the filing fee (but no less than \$5,000). Total Revenue PEG is \$4 million in Fiscal 2013 through the out years.

- **Elevator Penalties.** Rule §103-02 was adopted in July 2010 that changed the calculation of the Elevator penalty structure. DOB issues an elevator violation for any property owner failing to file the annual elevator report. The penalty was \$1,000 per elevator for all properties. The new Rule states that the elevator violation penalty will increase to \$3,000 per elevator for all properties. Annually, there are 5,000 elevator violations issued. Total Revenue PEG is \$1.7 million in Fiscal 2013 through the out years.
- **Boiler Penalties.** Rule §103-01 was adopted in April 2010 that changed the calculation of the Boiler penalty structure. DOB issues a boiler violation for property owners failing to file the annual boiler report. The penalty was \$500 if the building was six stories or less and \$1,500 if the building was greater than six stories. The new Rule states that the boiler violation will be issued per boiler, and the penalty will be \$1,000 per boiler. There are currently about 92,308 buildings with multiple boilers. These buildings are only six or more units. Total Revenue PEG is \$1 million in Fiscal 2013 through the out years.

## Units of Appropriation (U/A)

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 2011 Actual to the Fiscal 2013 Preliminary Budget.

<b>Financial Summary</b>					
<i>Dollars in Thousands</i>	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>*Difference</b>
	<b>Actual</b>	<b>Adopted</b>	<b>Feb. Plan</b>	<b>Feb. Plan</b>	<b>2012 - 2013</b>
<b>Budget by Program Area</b>					
<b>Personal Services</b>					
Full-Time Salaried - Civilian	\$71,879	\$71,314	\$72,514	\$74,514	\$3,200
Other Salaried and Unsalared	645	858	858	858	0
Overtime - Civilian	3,142	3,200	3,200	3,200	0
Additional Gross Pay	2,509	1,055	1,055	1,055	0
Fringe Benefits	30	3	3	3	0
P.S. Other	4	0	0	0	0
<b>Subtotal PS</b>	<b>\$78,209</b>	<b>\$76,430</b>	<b>\$77,630</b>	<b>\$79,630</b>	<b>\$3,200</b>
<b>Other than Personal Services</b>					
Contractual Services	\$14,132	\$11,042	\$11,606	\$4,652	(\$6,389)
Fixed and Misc. Charges	8	0	2	0	0
Other Services and Charges	4,495	3,960	4,203	4,224	264
Property and Equipment	522	1,101	882	1,035	(66)
Supplies and Materials	1,608	2,083	1,592	2,083	0
<b>Subtotal OTPS</b>	<b>\$20,765</b>	<b>\$18,185</b>	<b>\$18,285</b>	<b>\$11,994</b>	<b>(\$6,191)</b>
<b>TOTAL</b>	<b>\$98,974</b>	<b>\$94,615</b>	<b>\$95,915</b>	<b>\$91,624</b>	<b>(\$2,991)</b>
<b>Funding</b>					
City Funds	N/A	\$94,615	\$95,915	\$91,624	(\$2,991)
<b>TOTAL</b>	<b>N/A</b>	<b>\$94,615</b>	<b>\$95,915</b>	<b>\$91,624</b>	<b>(\$2,991)</b>
<b>Positions</b>					
	1070	1127	1100	1100	(27)
<b>TOTAL</b>	<b>1070</b>	<b>1127</b>	<b>1100</b>	<b>1100</b>	<b>(27)</b>

\*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan funding.

## Fiscal 2012 Mayor's Management Report Performance Measures

The following performance measures were reported in the Fiscal 2012 Preliminary Mayor's Management Report (PMMR) for DOB.

	FY 09	FY 10	FY 11	4 Month Actual FY 12
<b>DOB INSPECTIONS:</b>				
Construction inspection completed	244,585	212,038	171,547	48,186
Number of Priority A (emergency) complaints received by 311	22,114	18,828	15,182	4,991
Number of Priority B (non-emergency) complaints received by 311	89,134	76,485	67,228	22,510
Number of Priority A complaints responded to	22,145	18,535	15,075	4,898
Number of Priority B complaints responded to	89,217	74,708	63,219	19,890
<b>VIOLATIONS, INJURIES, and DOB RESPONSE:</b>				
Percent of incident inspections resulting in violations	75.9%	77.0%	76.5%	75.8%
Number of construction related incidents	529	614	420	121
Number of construction related injuries	223	206	128	68
Number of construction related fatalities	5	4	4	1
Environmental Control Board violations issued	81,287	74,163	62,070	17,614
<b>DOB PERMITS ISSUED:</b>				
Licenses and registration issued (new and renewal)	15,280	15,876	11,055	3,044
New Buildings	3,039	1,427	1,726	533
Alterations I (major renovation)	4,924	4,181	4,127	1,366
Alterations II (minor renovation)	56,479	54,627	59,505	21,507
<b>DOB CERTIFICATION:</b>				
Certificate of Occupancy issued	9,219	7,672	7,044	2,202
Jobs professionally certified (%)	45.5%	45.1%	47.6%	52.1%
Jobs professionally certified that were audited (%)	24.2%	24.4%	20.3%	20.1%
Audits of professionally certified jobs resulting in renovation notices (%)	26.0%	20.1%	14.8%	11.9%

Source: Fiscal 2012 Preliminary Mayor's Management Report (PMMR)

DOB saw a decrease in construction inspection completed. Between Fiscal 2009 and Fiscal 2011, inspections decreased by roughly 30 percent. The decrease in construction activity has led to a huge decrease in Priority A emergency complaints at 31.35 percent. The number of construction related injuries is also down approximately 43 percent between Fiscal 2009 and Fiscal 2011. The Preliminary Mayor's Management Report (PMMR) attributes this to the Department's educational outreach efforts and increased enforcement. However, between the same fiscal years, the percent of incident inspections resulting in violations is, on average, 76.5 percent. DOB licenses and registration issued are down 27.65 percent with new buildings permit issued down 43.21 percent and alterations 1 (major renovation) down 16.19 percent. Finally, violations and summonses issued by the Environmental Control Board (ECB) have decreased by 23.64 percent.

## Appendix A: Budget Actions in the November and February Plans

<i>Dollars in Thousands</i>	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
<b>Agency Budget as of June 2011 Plan</b>	<b>\$94,615</b>	<b>\$0</b>	<b>\$94,615</b>	<b>\$89,624</b>	<b>\$0</b>	<b>\$89,624</b>
<b>Revenue Program to Eliminate the Gap (PEGs)</b>						
Increased Civil Penalties	(\$2,297)	\$0	(\$2,297)	(\$6,689)	\$0	(\$6,689)
<b>TOTAL Revenue PEGs</b>	<b>(\$2,297)</b>	<b>\$0</b>	<b>(\$2,297)</b>	<b>(\$6,689)</b>	<b>\$0</b>	<b>(\$6,689)</b>
<b>Less PEG Program Reflected in Revenue Budget</b>						
Increased Civil Penalties	\$2,297	\$0	\$2,297	\$6,689	\$0	\$6,689
<b>TOTAL Less PEG Program Reflected in Revenue Budget</b>	<b>\$2,297</b>	<b>\$0</b>	<b>\$2,297</b>	<b>\$6,689</b>	<b>\$0</b>	<b>\$6,689</b>
<b>New Needs</b>						
HUB Expansion	\$0	\$0	\$0	\$2,000	\$0	\$2,000
<b>TOTAL New Needs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,000</b>	<b>\$0</b>	<b>\$2,000</b>
<b>Other Adjustments</b>						
NYC Service Program - DOB Cool Roofs	\$100	\$0	\$100	\$0	\$0	\$0
Private Elevator Inspection Contract	1200	0	1200	0	0	0
<b>TOTAL Other Adjustments</b>	<b>\$1,300</b>	<b>\$0</b>	<b>\$1,300</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL All Changes</b>	<b>\$1,300</b>	<b>\$0</b>	<b>\$1,300</b>	<b>\$2,000</b>	<b>\$0</b>	<b>\$2,000</b>
<b>Agency Budget as of February 2012 Plan</b>	<b>\$95,915</b>	<b>\$0</b>	<b>\$95,915</b>	<b>\$91,624</b>	<b>\$0</b>	<b>\$91,624</b>

## Appendix B: Contract 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	Budgeted	Percentage of DOB Total
Contract Services General	2	\$2,375,779	51.07%
Office Equipment Maintenance	1	252,000	5.42%
Data Processing Equipment	1	679,620	14.61%
Security Services	1	185,000	3.98%
Training Program for City Employees	1	525,000	11.28%
Professional Services: Computer	1	300,000	6.45%
Professional Services: Other	1	335,000	7.20%
<b>Preliminary Budget</b>	<b>8</b>	<b>\$4,652,399</b>	<b>100%</b>