



New York City Council

Christine C. Quinn, Speaker

Finance Division

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Hearing on the Mayor's Fiscal Year 2012 Executive Budget

Department of Buildings

May 23, 2011

The Committee on Finance

Hon. Domenic M. Recchia, Jr., Chair

The Committee on Housing and Buildings

Hon. Erik Martin-Dilan, Chair

Latonia McKinney, Deputy Director

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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.

| Department of Buildings Financial Summary | | | | | | |
|--|------------------|------------------|-----------------|-------------------|-------------------|-------------------|
| <i>Dollars in Thousands</i> | | | | | | |
| | 2009 | 2010 | 2011 | | 2012 | Difference |
| | Actuals | Actuals | Adopted | Exec. Plan | Exec. Plan | 2011-2012 |
| Spending | | | | | | |
| Personal Services | \$82,666 | \$83,278 | \$80,439 | \$80,439 | \$76,430 | (\$4,009) |
| Other than Personal Services | 27,012 | 18,252 | 17,979 | 17,529 | 18,043 | 64 |
| Total | \$109,678 | \$101,530 | \$98,418 | \$97,968 | \$94,474 | (\$3,944) |
| Funding | | | | | | |
| City | \$109,678 | \$101,530 | \$98,418 | \$97,968 | \$94,474 | (\$3,944) |
| Total | \$109,678 | \$101,530 | \$98,418 | \$97,968 | \$94,474 | (\$3,944) |
| 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 Executive Plan funding.*

Fiscal 2012 Executive Budget Actions

The Fiscal 2012 Executive Budget totals \$94.4 million, which is \$3.9 million less than the \$98.4 million, Fiscal 2011 Adopted Budget. As part of mandated budget reductions from the Office of Management and Budget, DOB identified cost savings in its Fiscal 2011 and 2012 expense budgets. The agency's Fiscal 2012 Executive Budget includes \$14.1 million in cost savings from a combination of revenue initiatives and expense budget reductions. The revenue initiatives total \$10.5 million, while the expense budget reductions total \$3.6 million and include the following:

Budget Actions in the Executive Plan

| <i>Dollars in thousands</i> | FY 2011 | | | FY 2012 | | |
|--|-----------------|--------------|-----------------|-----------------|------------|-----------------|
| | City | Non-City | Total | City | Non-City | Total |
| Agency Budget as of February 2011 Plan | \$98,218 | \$500 | \$98,718 | \$89,665 | \$0 | \$89,665 |
| New Needs | | | | | | |
| Facilitating Development Project | \$0 | \$0 | \$0 | \$1,400 | \$0 | \$1,400 |
| Total, New Needs | \$0 | \$0 | \$0 | \$1,400 | \$0 | \$1,400 |
| Other Adjustments | | | | | | |
| Cool Roofs Initiative | \$26 | \$0 | \$26 | \$350 | \$0 | \$350 |
| Heat, Light and Power | (25) | 0 | (25) | (89) | 0 | (89) |
| Lease Adjustment | 0 | 0 | 0 | 46 | 0 | 46 |
| OSA Collective Bargaining | 2 | 0 | 2 | 2 | 0 | 2 |
| Private Elevator Contracts | 0 | 0 | 0 | 3,100 | 0 | 3,100 |
| Total, Other Adjustments | \$3 | \$0 | \$3 | \$3,409 | \$0 | \$3,409 |
| Agency Budget as of Executive 2011 Plan | \$99,220 | \$500 | \$99,720 | \$94,474 | \$0 | \$94,474 |

Revenue Initiatives

- Minimum Alteration Application Filing Fee.** Increased costs to the agency have occurred due to new zoning, construction code and energy code changes over the past 15 years that have resulted in additions and enhancements to the plan examination process. DOB therefore proposes to increase the alteration application fee, which is currently \$100, to offset these increased costs. The new fee structure will establish separate filing fees by property type, with 1-3 family homes charged a minimum fee ranging from \$130-\$170 based on the type of alteration they are seeking. All other property types will have fee increases ranging from \$195-\$280 depending on alteration type. The projected revenue from these fee increases is expected to be \$4.4 million in Fiscal 2012 and the outyears. The authority to increase this fee requires legislative approval from the City Council which is still pending.
- Implementation of Hazardous Re-inspection Program.** DOB will generate additional revenue by implementing a new \$85 fee to re-inspect Class 1 hazardous conditions that pose a threat of imminent danger to the public or property. New York State passed a hazardous re-inspection law for a Class 1 violation. DOB can re-inspect a property to make sure hazardous conditions were addressed, requiring 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.

Programs to Eliminate the Gap (PEGs)

- ☑ **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.
- ☑ **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. Certain positions that meet the agency's critical priorities will be exempted from this freeze.

New Needs

The Fiscal 2012 Executive Budget also includes \$1.5 million in Fiscal 2011 and Fiscal 2012 in New Needs:

- ☑ **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. Funding was provided to secure a consultant to mobilize volunteers and manage a workforce training group to apply reflective surfaces to rooftops.
- ☑ **Safe and Compliant Development Project.** As part of the agency's 2010-2013 Strategic Plan, DOB has begun a set of initiatives that are intended to increase the use of technology, increase staff training and improve service levels. One of these initiatives is to utilize innovate technologies that create predictable service level commitments for all transactions and develop tracking methods for key milestones within the agency such as plan examinations and inspections. In Fiscal 2012, DOB will pay the consulting firm, KPMG LLC, \$1.4 million to conduct a study that will examine how the agency can best meet these objectives in the future. This initiative is related to the reduction of 20 employees announced at the Preliminary Plan.

Revenue and Expense Budget Summary

Since Mayor Bloomberg's first year in office in 2002, the Department has increased its budget by approximately \$43 million in response to the booming construction industry and in an effort to strengthen the Department's operations. DOB's Fiscal 2012 Executive Budget is \$94.4 million, which is 45 percent more than the \$51.8 million Fiscal 2003 Adopted Budget. During the same periods, revenues have increased by \$42.12 million as the result of additional revenues from licenses and permits, fees, and fines. The projected revenue for the Fiscal 2012 Executive Budget for the Department is \$132.44 million, which is 46.6 percent more than the \$90.3 million 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 Executive 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 | \$98,418 | \$94,474 |

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 | \$4,700 | \$0 | \$4,700 | \$6,100 | \$0 | \$6,100 |
| Total, New Needs | \$4,700 | \$0 | \$4,700 | \$6,100 | \$0 | \$6,100 |
| 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, Other Adjustments | \$1,700 | \$500 | \$2,200 | \$909 | \$0 | \$909 |
| Agency Budget as of January 2011 Plan | \$98,718 | \$500 | \$99,218 | \$89,665 | \$0 | \$89,665 |