

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Corey Johnson
Speaker of the Council

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Chair, Finance Committee

Hon. Robert Cornegy, Jr.
Chair, Committee on Housing and Buildings



Report to the Committee on Finance and the Committee on Housing and Buildings
on the Fiscal 2019 Executive Budget for the

Department of Buildings

May 14, 2018

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Department of Buildings Executive Budget Overview

\$202.5 million – Fiscal 2019 Executive Budget

\$202.5 million in City funds
Less than 1% of the City’s Budget

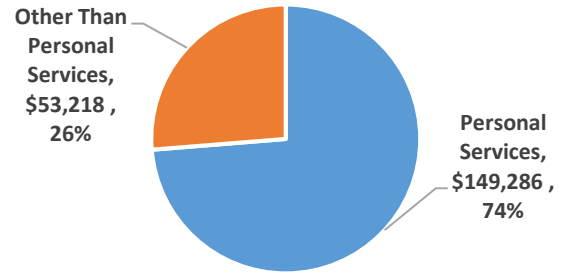
1,849 Full-time headcount

\$301.2 million in Revenues

\$3 million in Overtime Expenses

27 Contracts totaling \$34.4 million

DOB PS v OTPS Budget- Fiscal 2019
(\$ in millions)



Executive Budget Changes

- New Needs total \$2.2 million in Fiscal 2019 and in the outyears:
 - DOB After Hours Variance;
 - DOB Construction Safety;
 - DOB Investigators; and
 - DOB Waterfront Code.
- Other Adjustments decrease DOB’s budget by \$23.9 million in Fiscal 2018 but increase DOB’s budget by \$17.3 million in Fiscal 2019.
- Savings totals \$11.5 million in Fiscal 2018 and \$8.6 million in Fiscal 2019 as a result of:
 - Attrition and delayed hiring; and
 - Cost validation index update.

Council’s 2019 Budget Response

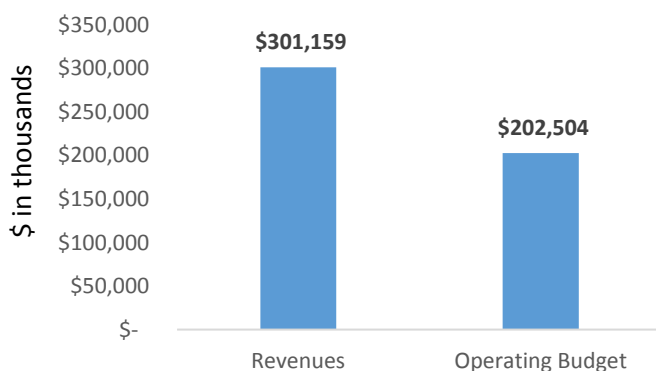
Not Included in the Executive Budget

- \$2 million for the Expansion of the Office of Special Enforcement
- Additional Units of Appropriation for budget transparency

Major Agency Issues

- **Construction Safety.** In recent years, DOB has seen a large increase in the number of construction-related incidents, accidents and fatalities.
- **Budget Transparency.** The Fiscal 2019 Executive Budget currently appropriates \$149.3 million, or 74 percent, of DOB’s total budget in only one unit of appropriation (001-Personal Services).

Fiscal 2019 Revenue and Operating Budget



Revenue

- DOB collects revenue from the issuance of licenses and permits, charges for services such as inspection fees, and fines for late filings.
- In Fiscal 2019, the agency expects to generate \$301.2 million in revenue, while total expenditures are projected to be \$202.5 million.
- Construction permits are projected to account for 54 percent of the Department’s total miscellaneous revenue generated in Fiscal 2019, totaling \$163.7 million.

Department of Buildings Overview

This report presents a review of the Department Building's (DOB or the Department) Fiscal 2019 Executive Budget. The section below presents an overview of the Department's budget and how it has changed during the course of Fiscal 2018, followed by a review of the significant budget actions introduced in the Fiscal 2019 Executive Budget. Major issues related to the Department's budget are then discussed. Appendix 1 reports the changes made to the Fiscal 2018 and Fiscal 2019 Budgets since Adoption of the Fiscal 2018 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2019 Preliminary Budget Report for DOB at: <https://council.nyc.gov/budget/wp-content/uploads/sites/54/2018/03/FY19-Department-of-Buildings.pdf>

Below is a summary of key funding changes by spending area and source when comparing DOB's Fiscal 2019 Executive Budget to its Fiscal 2018 Adopted Budget.

DOB Financial Summary						
<i>Dollars in Thousands</i>	2016	2017	2018	Executive Plan		*Difference
	Actual	Actual	Adopted	2018	2019	2018 - 2019
Spending						
Personal Services	\$97,392	\$116,102	\$132,242	\$130,242	\$149,286	\$17,044
Other Than Personal Services	37,332	34,249	52,475	38,746	53,218	743
TOTAL	\$134,725	\$150,351	\$184,717	\$168,988	\$202,504	\$17,787
Personal Services						
Additional Gross Pay	\$2,195	\$3,535	\$1,072	\$1,138	\$1,138	\$66
Additional Gross Pay - Labor Reserve	57	0	0	0	4,376	4,376
Amounts to be Scheduled	0	0	0	0	2,042	2,042
Fringe Benefits	35	44	3	3	3	0
Full-Time Salaried - Civilian	85,997	103,628	126,867	124,911	137,867	11,000
Overtime - Civilian	8,323	7,857	3,432	3,322	2,992	(440)
P.S. Other	4	3	0	0	0	0
Unsalariated	781	1,035	868	868	868	0
SUBTOTAL	\$97,392	\$116,102	\$132,242	\$130,242	\$149,286	\$17,044
Other Than Personal Services						
Contractual Services	\$8,985	\$9,419	\$13,014	\$10,268	\$13,796	\$782
Contractual Services - Professional Services	11,347	12,198	27,053	15,197	20,648	(6,405)
Fixed & Misc. Charges	130	275	0	105	0	0
Other Services & Charges	7,287	5,553	6,753	8,025	9,195	2,441
Property & Equipment	6,203	3,912	2,692	2,654	4,556	1,864
Supplies & Materials	3,381	2,893	2,963	2,497	5,024	2,061
SUBTOTAL	\$37,332	\$34,249	\$52,475	\$38,746	\$53,218	\$743
TOTAL	\$134,725	\$150,351	\$184,717	\$168,988	\$202,504	\$17,787
Funding						
City Funds	\$134,725	\$150,351	\$183,717	\$166,569	\$202,504	\$18,787
Federal - Community Development	0	0	1,000	1,000	0	(1,000)
Intra City	0	0	0	1,419	0	0
TOTAL	\$134,725	\$150,351	\$184,717	\$168,988	\$202,504	\$17,787
Budgeted Headcount						
Full-Time Positions	1,311	1,497	1,664	1,791	1,849	185
TOTAL	1,311	1,497	1,664	1,791	1,849	185

*The difference of Fiscal 2018 Adopted Budget compared to Fiscal 2019 Executive Budget.

DOB's expense budget is organized by two units of appropriation (U/A), Personal Services (PS) and Other Than Personal Services (OTPS), each of which represents a function of the Department.

The Department's Fiscal 2019 Executive Budget totals \$202.5 million, comprised of all City funds and remains relatively flat when compared to the Fiscal 2018 Adopted Budget. In Fiscal 2019, spending on PS costs increases by a net of \$17 million for an additional 185 positions to support core functions, with overtime pay remaining flat at \$3 million and OTPS spending increasing marginally due to various plan adjustments and expenses that are not yet baselined. The Fiscal 2019 Executive Budget supports a workforce of 1,849 full-time positions, an increase of 185 positions from the Fiscal 2018 Adopted Budget. As of March 2018, the Department was operating with a seven percent staff vacancy rate.

New in the Executive Budget

The Fiscal 2019 Executive Budget includes \$2.2 million for new needs in Fiscal 2019 and a net increase of \$17.3 million in other adjustments. These changes include the following.

- **After Hours Variance Staff.** City funds of \$725,000 are added in Fiscal 2019 for the hiring of 10 positions, including eight inspectors and two administrative support staff to support audits for After Hours Variance permits. The annualized cost of these 10 positions is \$680,000, which is baselined through Fiscal 2022.
- **Construction Safety Staff.** City funds of \$205,000 are added in Fiscal 2019 for the hiring of two administrative positions to support construction site safety compliance pursuant to Local Law 196 of 2017. Under the legislation, beginning March 1, 2018, permit holders will be required to ensure that all construction and demolition workers and subcontractors employed or engaged at a permitted site have completed a U.S. Department of Labor Occupational Safety and Health Administration (OSHA) 10-hour training course, an OSHA 30-hour training course, or a 100-hour program of OSHA training. Once fully phased-in, Local Law 196 will require that by 2019, construction workers at certain job sites receive a minimum of 40 hours of safety training and construction supervisors receive a minimum of 60 hours of safety training. The annualized cost of expanding Construction Site Safety and Training Compliance and related personnel at DOB is \$15 million and 194 positions, which are baselined through Fiscal 2022.
- **DOB Investigators.** City funds of \$115,000 are added in Fiscal 2019 for the hiring of two administrative positions to support employee disciplinary functions. The annualized cost of these two positions is \$110,000, which is baselined through Fiscal 2022.
- **DOB Waterfront Code.** City funds of \$1.2 million are added in Fiscal 2019 and \$3 million in Fiscal 2020 for contracting expenses related to the development of a Waterfront Code for the City of New York.
- **Citywide Savings Program.** In conjunction with the Fiscal 2019 Executive Plan, the Office of Management and Budget (OMB) released a Citywide Savings Program that outlines plans to reduce City spending by \$753 million in Fiscal 2018 and Fiscal 2019 combined. To develop the program, OMB asked all agencies to identify efficiencies, alternative funding sources and programmatic changes that would yield budgetary savings without reducing service levels. DOB has proposed additional savings totaling \$6 million in Fiscal 2018 only through attrition and delayed hiring and \$3.7 million in Fiscal 2019 and in the outyears from increased collection of building alteration compliance filing fees achieved through technological efficiencies.

Budget Issues

The following section provides issues and concerns as it pertains to DOB's Executive Budget.

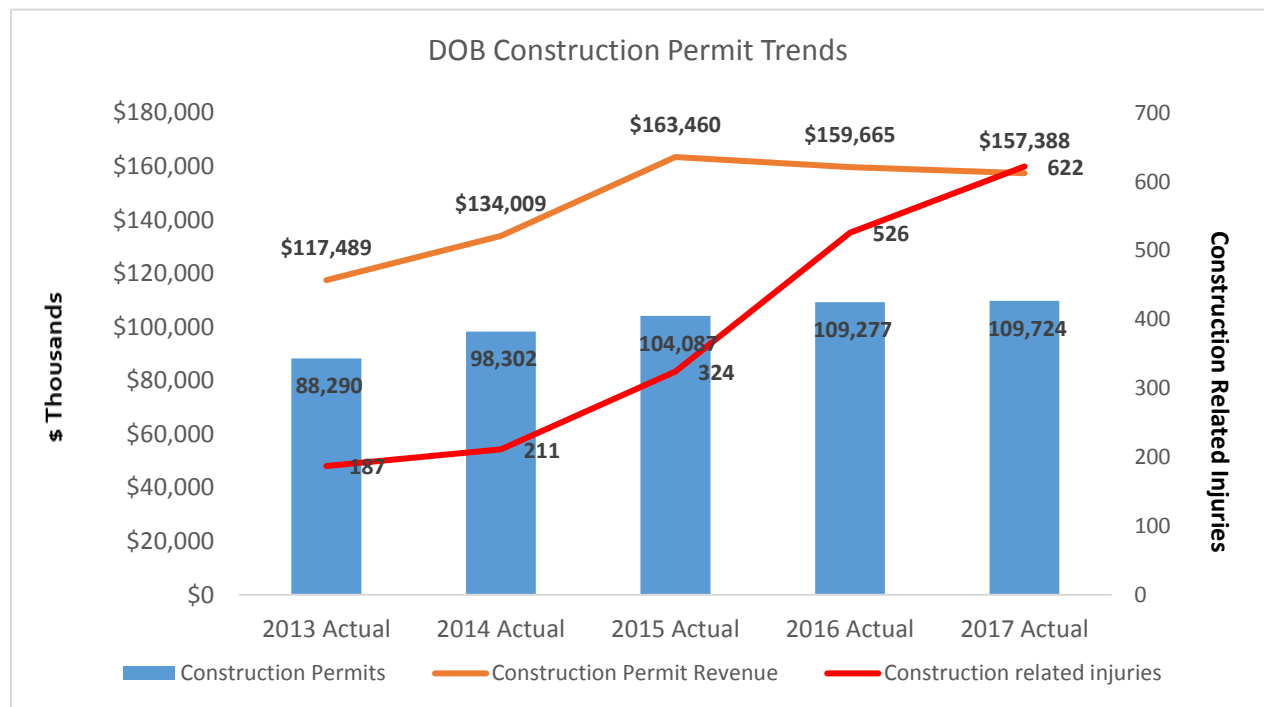
Fiscal 2019 Preliminary Budget Response

The Council's response to the Administration's Fiscal 2019 Preliminary Budget called for two budgetary changes for DOB, including additional inspectors for the Office of Special Enforcement and additional budget transparency. The Fiscal 2019 Executive Budget does not add any additional funding or actions to address the Council's proposals.

- **Units of Appropriation and Transparency.** The Council renewed its call for greater budget transparency within the DOB's budget. The Department's Fiscal 2019 Executive Budget currently appropriates \$149.3 million of the Department's \$202.5 million total budget in unit of appropriation 001-Personal Services. The Council suggested including more units of appropriation to achieve greater budget transparency. DOB's Fiscal 2019 Executive Budget includes no actions to address transparency concerns within public budget documents.
- **Expand the Office of Special Enforcement.** The Council called for \$2 million for 20 additional positions for the Office of Special Enforcement (OSE), which conducts citywide enforcement concerning fire and building code violations. As of December 2017, the overall headcount for OSE totals 27 positions comprised of staff from the Mayor's Office of Criminal Justice (MOCJ), the New York Police Department (NYPD), the Law Department, DOB, the Fire Department (FDNY), and the Department of Finance (DOF) at a total cost of \$4.8 million. As of the Fiscal 2019 Executive Budget, there are seven building inspectors at DOB assigned to conduct enforcement inspections as part of OSE at a total annual cost of \$479,000.

Construction Permit Trends

In August 2016, DOB launched the first phase of DOB NOW, a new electronic system designed to digitize job filings, building inspections and complaints. This new system, along with the use of e-filing, has accelerated the construction project approval process and has resulted in revenue gains from licenses and permits, charges for services and fines. As such, the number of building permits issued has steadily increased in recent years from 88,290 in 2013 to a ten-year high of 109,724 in 2017. In 2017, DOB generated \$157.4 million in construction permit revenue. Overall, construction permits are projected to account for 54 percent of the Department’s total miscellaneous revenue generated in Fiscal 2019, totaling \$160 million. In line with these trends, DOB has also seen a large increase in the number of construction-related incidents, accidents and fatalities. In 2017, DOB reported 622 construction-related injuries, a five-year high. In response to these trends, the Council and the Administration passed Local Law 196 of 2017, which mandates new construction site safety training requirements for workers of construction job sites. These actions are reflected in the Fiscal 2019 Preliminary and Executive Plans (see Appendix 1 for additional information).



Appendix 1: Fiscal 2019 Budget Actions since Fiscal 2018 Adoption

<i>Dollars in Thousands</i>	FY 2018			FY 2019		
	City	Non-City	Total	City	Non-City	Total
DOB Budget as of the Adopted 2018 Plan	\$183,717	\$1,000	\$184,717	\$164,401	\$0	\$164,401
New Needs- Prelim. 2019						
Construction Site Safety	\$1,000	\$0	\$1,000	\$0	\$0	\$0
Build it Back	1,308	0	1,308	0	0	0
Basement Apartment Program	205	0	205	215	0	215
Construction Site Safety and Training Compliance	2,615	0	2,615	13,166	0	13,166
Tenant Protection Legislation	1,609	0	1,609	5,207	0	5,207
Subtotal, New Needs	\$6,737	\$0	\$6,737	\$18,588	\$0	\$18,588
Other Adjustments- Prelim. 2019						
FY18 IC Mod with DOB for SRS	\$0	\$1,168	\$1,168	\$0	\$0	\$0
FY18 IC Mod w DOB for SRS 2	0	251	251	0	0	0
Subtotal, Other Adjustments	\$0	\$1,419	\$1,419	\$0	\$0	\$0
TOTAL, All Changes Prelim. 2019	\$6,737	\$1,419	\$8,155	\$18,588	\$0	\$18,588
DOB Budget as of the Preliminary 2019 Plan	\$190,454	\$2,419	\$192,872	\$182,989	\$0	\$182,989
New Needs- Exec. 2019						
After Hours Variance	\$0	\$0	\$0	\$725	\$0	\$725
Construction Safety	0	0	0	205	0	205
Investigators	0	0	0	115	0	115
Waterfront Code	0	0	0	1,200	0	1,200
Subtotal, New Needs	\$0	\$0	\$0	\$2,245	\$0	\$2,245
Other Adjustments- Exec. 2019						
DOB Agency Savings	(\$6,000)	\$0	(\$6,000)	\$0	\$0	\$0
DOB Collective Bargaining	66	0	66	66	0	66
DOB EV Citywide Savings	0	0	0	(108)	0	(108)
DOB Fleet Optimization	0	0	0	0	0	0
DOB OT Savings	(110)	0	(110)	(440)	0	(440)
DOB Procurement Savings	0	0	0	(293)	0	(293)
DOB Reallocations	(17,860)	0	(17,860)	17,860	0	17,860
DOB Travel Citywide Savings	0	0	0	(18)	0	(18)
Heat, Light and Power	19	0	19	37	0	37
Lease Adjustment	0	0	0	165	0	165
Subtotal, Other Adjustments	(\$23,884)	\$0	(\$23,884)	\$17,270	\$0	\$17,270
TOTAL, All Changes Exec. 2019	(\$23,884)	\$0	(\$23,884)	\$19,515	\$0	\$19,515
DOB Budget as of the Fiscal 2019 Executive Plan	\$166,569	\$2,419	\$168,988	\$202,504	\$0	\$202,504