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Report to the Committee on Finance and the
Committee on Housing and Buildings on the
Fiscal 2024 Executive Plan for the

Department of Buildings

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Department of Buildings Budget Overview

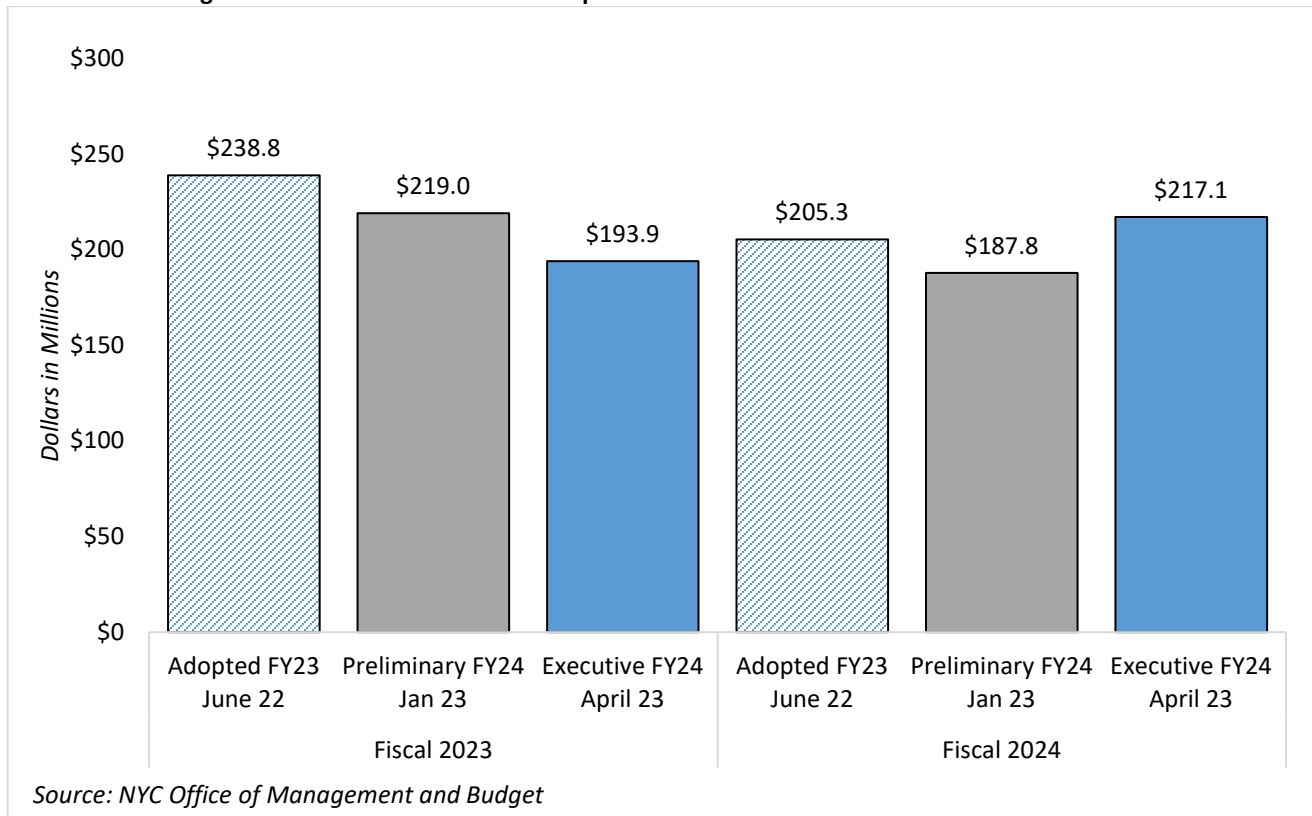
On April 26, 2023, the Administration released the Executive Financial Plan for Fiscal 2023-2027 (Executive Plan) which includes a proposed Fiscal 2024 budget of \$106.7 billion. This report offers a review of the Fiscal 2024 Executive Budget for the Department of Buildings (the Department or DOB), including proposed budget actions taken in the Executive Plan.

DOB’s projected Fiscal 2024 budget of \$217.1 million is less than one percent of the City’s proposed Fiscal 2024 budget in the Executive Plan. For additional information on DOB’s Preliminary Budget, please refer to the Fiscal 2024 Preliminary Budget report at: <https://council.nyc.gov/budget/wp-content/uploads/sites/54/2023/03/DOB-2.pdf>.

The Department’s Fiscal 2024 budget increased by \$29.3 million (15.6 percent), from the \$187.8 million budgeted in the Fiscal 2024 Preliminary Financial Plan (Preliminary Plan) presented in January. The increase is driven by rolls of contractual spending for DOB NOW and other services (\$23.4 million total), \$4.8 million for District Council 37 (DC 37) collective bargaining adjustments, and a one-time new need of \$1.8 million for sidewalk sheds. The Executive Plan also includes a Program to Eliminate the Gap (PEG) that raises \$6.8 million in revenues and reduces spending by \$750,000.

DOB’s current Fiscal 2023 budget of \$193.9 million is \$44.9 million (18.8 percent) smaller than the agency’s Fiscal 2023 Adopted Budget of \$238.8 million, and \$25.2 million (11.5 percent) smaller than the budget presented in the Preliminary Plan.

Chart 1: DOB Budget for Fiscals 2023 and 2024: Comparison of the Last Three Financial Plans



Personal Services and Headcount

DOB’s Executive Plan includes funding for a total of 1,884 full-time positions in the current year, decreasing to 1,833 in Fiscal 2024. The Fiscal 2024 budgeted headcount in the Executive Budget 133 less than the Fiscal 2023 headcount at adoption. As of March 2023, there were 1,545 active positions at DOB resulting in an 18 percent vacancy rate.

In the Executive Plan, funding for DOB’s personal services (all agency staffing related expenses) comprises \$142.2 million of the agency’s total Fiscal 2023 budget, increasing to \$159.2 million in Fiscal 2024. However, as a percentage of the entire agency budget PS funding remains stable between the two years at approximately 73.3 percent. Other than Personal Services (OTPS) expenses comprise \$51.6 million of the Department’s budget in Fiscal 2023 and \$57.9 million in Fiscal 2024.

<i>Dollars in Thousands</i>	2021 Actual	2022 Actual	2023 Adopted	Executive Plan		*Difference 2024 - 2023
				2023	2024	
Spending						
Personal Services	\$138,492	\$134,373	\$172,996	\$142,207	\$159,216	(\$13,780)
Other Than Personal Services	58,843	62,051	65,777	51,644	57,875	(7,902)
TOTAL	\$197,335	\$196,424	\$238,773	\$193,851	\$217,091	(\$21,682)
Budgeted Headcount						
Full-Time Positions - Civilian	1,631	1,535	1,966	1,884	1,833	(133)
TOTAL	1,631	1,535	1,966	1,884	1,833	(133)

**The difference of Fiscal 2023 Adopted Budget compared to Fiscal 2024 Executive Budget.*

Source: NYC Office of Management and Budget

Funding Sources

DOB’s budget is financed by City funds and intra-City exchanges. The \$21.7 million difference in DOB’s budget between the Fiscal 2023 Adopted Budget and the Fiscal 2024 Executive Budget is comprised entirely of City funds.

The Fiscal 2023 budget as of the Executive Plan includes \$930,000 in intra-City funds (less than one percent of the total), however there was no intra-City funding at Fiscal 2023 Budget Adoption nor are there intra-City funds in the Fiscal 2024 Executive Budget.

Executive Plan Changes

Each financial plan is comprised of changes to an agency’s budget from the prior plan. These changes are comprised of new needs that have not previously been included in the agency’s budget, other adjustments to existing spending (these adjustments can involve adding or removing funding), savings programs which provide additional resources either through reduced spending or increased revenue, and savings restorations which include the restoration of expenditures that had been reduced in prior financial plans.

A summary of all changes made to DOB’s financial plan since adoption can be found in Appendix A.

New Needs

DOB’s Executive Plan includes one new need of \$1.8 million in Fiscal 2024 only.

- **Sidewalk Sheds** (\$1.8 million in Fiscal 2024). City funds are added for a contract to develop three to four alternative sidewalk shed designs as a step towards updating relevant sections

of the City's Administrative Code. An RFP was expected before the Executive Plan however it is delayed. Using other resources, DOB has assigned 13 inspectors to actively enforce sidewalk shed rules, especially with longstanding sheds (five or more years).

Other Adjustments

DOB's Executive Plan includes other adjustments that decrease the Fiscal 2023 budget by \$20.2 million and increase the remaining years by \$28.3 million in Fiscal 2024, \$8.6 million in Fiscal 2025, and \$8.2 million in Fiscals 2026 and 2027. The major adjustments include the following.

- **DC 37 Collective Bargaining Agreement** (\$5.1 million in Fiscal 2023, \$4.8 million in Fiscal 2024, \$6.4 million in Fiscal 2025, and \$8 million in Fiscal 2026 and 2027). The Plan reflects additional funding to cover the costs associated with the settlement of the collective bargaining agreement between the City and DC37. These City funds are provided for the wage increases for approximately 660 employees represented by DC 37.
- **DOB NOW Roll** (\$11.6 million rolled from Fiscal 2023 into Fiscal 2024). The Executive Plan reflects project delays for the Department's user-facing online platform, DOB NOW. The Office of Technology and Innovation (OTI) is currently reviewing the project, due to concerns over cost and the ability of the platform to incorporate and comply with applicable legislation, major development fees, sustainability regulations, and other needs.
- **Contract Rolls** (\$13.8 million rolled from Fiscal 2023, \$11.8 million to Fiscal 2024 and \$2 million to Fiscal 2025). The Plan reflects additional rolls of planned contractual spending, reflecting contracts in areas such as record management, facilities, waterfront code contract, and IT. Most funding is rolled from Fiscal 2023 into Fiscal 2024, although \$2 million is pushed to Fiscal 2025.
- **Heat, Light and Power** (\$31,000 in Fiscal 2023 and \$174,000 baselined from Fiscal 2024). In light of higher-than-anticipated spending on heat, light and power, the Executive Plan includes an additional \$31,000 in Fiscal 2023 and baselines an additional \$174,000 in Fiscal 2024 and the outyears.

Program to Eliminate the Gap (PEG)

DOB's Executive Plan includes \$34.6 million in additional resources over the plan period as part of the citywide PEG. This includes \$5.0 million in Fiscal 2023, \$7.6 million in Fiscal 2024, \$7.4 million in Fiscal 2025, and \$7.3 million in Fiscals 2026 and 2027. The agency was able to locate additional resources across five initiatives, listed below. This includes two revenue-generating PEGs that reduced the need for DOB to cut expense funding to meet the Administration's four percent PEG target.

- **Failure to File Penalties** (\$4.3 million in Fiscal 2024 decreasing to \$3.1 million in 2027). The Executive Plan includes an expected increase in penalty revenue. DOB will address prior years' failure to file penalties for boiler and elevator inspection reports. Revenue generated includes \$4.3 million in Fiscal 2024, \$4.1 million in Fiscal 2025, and \$3.1 million in Fiscals 2026 and 2027 – as the initial wave of recoups recedes, the Plan reflects a lower increase to the baseline.
- **Site Safety Plan Reviews and Updated Cost Validation Index** (\$2.5 million in Fiscal 2024 and the outyears). The Executive Plan reflects additional revenue as the result of the implementation of a site safety plan review fee for 10-plus story buildings undertaking either new construction or major alterations and updating of DOB's cost validation index (a technical construction financing guide). The additional revenue is \$2.5 million each year from Fiscal

2024, with \$1.2 million derived from the site safety plans and \$1.3 million from cost validation. The revenue initiatives are combined because they enhance the same revenue source, construction permits.

- **Re-estimate of PS Spending** (\$5 million in Fiscal 2023) Savings as a result of less than anticipated Personal Services (PS) spending due to vacancies. Despite the previous Fiscal 2023 PS reductions of \$3.3 million in the November Plan and \$7.6 million in the January Plan (which included savings of \$4.9 million and \$11.9 million in Fiscal 2024 and in the outyears respectively), DOB has continued to have a large number of vacancies due to issues related to hiring and retaining staff. The current year’s PS budget of \$142.2 million is \$30.8 million less than the budget at adoption, and \$17 million less than the amount budgeted for Fiscal 2024 in the Executive Budget.
- **OTPS Savings.** (\$908,000 in Fiscal 2026 and 2027) Savings is derived from reducing projections for fleet expenses.
- **Temp Contract Savings** (\$750,000 in Fiscal 2024 and the outyears) Savings as a result of the lowering of projected spending on temporary workers. DOB makes use of temporary contracted workers for a number of clerical and administrative roles. The PEG reduces the Fiscal 2024 contract budget for temporary services to \$2.1 million from \$2.8 million.

Fiscal 2024 Preliminary Budget Response

In the City Council’s Fiscal 2024 Preliminary Budget Response (Budget Response)¹ the Council identified several areas of concern relating to the Department of Buildings. The Administration did not provide essential investments for these programs in the Executive Plan.

#	Response Priorities	Amount Requested	Amount in Exec Budget
1	Office of the Tenant Advocate (OTA)	\$570,000	\$0
2	Reverse Vacancy Reductions and Address High Vacancy Rate	Call to Action	(\$5,000,000)

- **Office of Tenant Advocate** (Council proposal: \$570,000). The Office of the Tenant Advocate (OTA) enforces Tenant Protection Plan requirements and offers support for tenants subjected to unsafe living conditions. In 2020, the OTA received 2,236 inquiries from the public, a 28 percent increase from 2019, which resulted in the Department of Buildings conducting 553 inspections and sending over 1,500 referrals to other local and state agencies. DOB is expanding the OTA to include a Plan Exam Unit which will audit Tenant Protection Plans in occupied residential and mixed-use buildings.

In order to meet the ever-expanding role of this office, in the Budget Response the Council called upon the Administration to baseline \$570,000 for the Office of Tenant Advocate.² However, the Executive Plan did not include any additional funding for OTA.

- **Reverse Vacancy Reductions and Address High Vacancy Rate** (Council proposal: Call to Action). In recognition of the need for sufficient administrative, inspectorial, and technical

¹ The full response can be found at: <http://council.nyc.gov/wp-content/uploads/2023/04/Fiscal-2024-Preliminary-Budget-Response.pdf>.

² OTA was awarded a one-time allocation of \$569,905 at Fiscal 2023 Budget Adoption.

staff to ensure safety and compliance in all facets of DOB activity, the Council called on the Administration to reverse recent vacancy reductions, allow greater hiring flexibility, provide remote work, and increase compensation. These efforts would provide municipal employees with the resources and support they need to deliver shared goals.

The Executive Plan did not include funding to restore any of the 94 positions removed from DOB's baseline as part of the \$11.9 million Fiscal 2024 Preliminary Plan PEG. Instead, the Executive Plan includes a \$5 million reduction in PS spending resulting from PS accruals savings. The Administration should examine how to reinvest PS underspending toward staff recruitment and retention efforts that would make further progress to address the City's vacancy crisis.

Federal and State Budget Risks

The budget for the Department of Buildings is, with rare exceptions, City tax-levy funded, and as a result, exposure to State and federal budget risks are limited.

At the State level, the Fiscal 2024 Enacted State Budget did not include any major housing or buildings policies. Measures to support the legalization of basement apartments, adjusting the floor-to-area ratio cap, and aiding the conversion of office buildings to residential were all excluded from the enacted budget. These and other pro-development measures were included in Governor Hochul's "Housing Compact" in the Fiscal 2024 Executive Budget.

Appendix A: Budget Actions since Fiscal 2023 Adoption

<i>Dollars in Thousands</i>	Fiscal 2023			Fiscal 2024		
	City	Non-City	Total	City	Non-City	Total
DOB Fiscal 2023 Adopted Budget	\$238,773	\$0	\$238,773	\$205,305	\$0	\$205,305
New Needs – Nov.						
None	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal, New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Other Adjustments – Nov.						
DOB FY23 Sustain Help Center	\$0	\$28	\$28	\$0	\$0	\$0
FY23 SRS DOB Mod	0	528	528	0	0	0
I/C DOB FY23	0	375	375	0	0	0
Waterfront Code Contract Realignment	(2,600)	0	(2,600)	1,300	0	1,300
Subtotal, Other Adjustments	(\$2,600)	\$930	(\$1,670)	\$1,300	\$0	\$1,300
Savings Program – Nov.						
Elevator Contract Re-estimate	(\$3,900)	\$0	(\$3,900)	(\$4,850)	\$0	(\$4,850)
Re-estimate of PS Spending	(3,263)	0	(3,263)	(4,902)	0	(4,902)
Telecommunication Savings	(66)	0	(66)	(199)	0	(199)
Subtotal, Savings Program	(7,229)	0	(7,229)	(9,951)	0	(9,951)
TOTAL, All Changes - Nov.	(\$9,829)	\$930	(\$8,899)	(\$8,651)	\$0	(\$8,651)
DOB Fiscal 2023 November Plan	\$228,943	\$930	\$229,874	\$196,654	\$0	\$196,654
New Needs – Prelim.						
None	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal, New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Other Adjustments – Prelim.						
Existing Buildings Code Contract	(\$2,600)	\$0	(\$2,600)	\$2,600	\$0	\$2,600
Heat, Light and Power	56	0	56	0	0	0
Lease Funding Adjustment	(724)	0	(724)	362	0	362
Subtotal, Other Adjustments	(\$3,268)	\$0	(\$3,268)	\$2,962	\$0	\$2,962
Savings Program – Prelim.						
Vacancy Reduction (-94 HC)	(\$7,557)	\$0	(\$7,557)	(\$11,866)	\$0	(\$11,866)
Subtotal, Savings Program	(\$7,557)	\$0	(\$7,557)	(\$11,866)	\$0	(\$11,866)
TOTAL, All Changes - Prelim.	(\$10,825)	\$0	(\$10,825)	(\$8,903)	\$0	(\$8,903)
DOB Fiscal 2024 Preliminary Budget	\$218,118	\$931	\$219,049	\$187,750	\$0	\$187,750
New Needs – Exec.						
Sudewalk Sheds	\$0	\$0	\$0	\$1,800	\$0	\$1,800
Subtotal, New Needs	\$0	\$0	\$0	\$1,800	\$0	\$1,800
Other Adjustments – Exec.						
Contract Rolls	(\$13,786)	\$0	(\$13,786)	\$11,786	\$0	\$11,786
DC37 collective bargaining adjustment	5,134	0	5,134	4,754	0	4,754
DOBNOW Roll	(11,577)	0	(11,577)	11,577	0	11,577
Heat, Light and Power	31	0	31	174	0	174
Subtotal, Other Adjustments	(\$20,198)	\$0	(\$20,198)	\$28,292	\$0	\$28,292
Savings Program – Exec.						
OTPS Savings	\$0	\$0	\$0	\$0	\$0	\$0
Re-estimate of PS Spending	(5,000)	0	(5,000)	0	0	0
Temp Contract Savings	0	0	0	(750)	0	(750)
Subtotal, Savings Program	(\$5,000)	\$0	(\$5,000)	(\$750)	\$0	(\$750)
TOTAL, All Changes - Exec.	(\$25,198)	\$0	(\$25,198)	\$29,342	\$0	\$29,342
DOB Fiscal 2024 Executive Budget	\$192,920	\$931	\$193,851	\$217,091	\$0	\$217,091