



Council Meeting: November 15, 2011

SUBJECT: Approval of Budget Modification No. 15 to Recognize and Appropriate Additional Building Permitting Revenue to the Building Safety Program in the Community Development Department

BACKGROUND

The FY 2010/11 and FY 2011/12 operating budget for the Building Safety Division of the Community Development Department eliminated one vacant full-time position and all contract/casual hours. These resources were eliminated because construction activity had dropped below historic levels and the resources were not necessary. However, construction activity has increased significantly since January 2011 and is anticipated to continue to increase during the next year. Staff is requesting approval of Budget Modification No. 15 to recognize and appropriate an additional \$180,000 in building permitting revenue to the Building Safety Program for contract staff, which is necessary to address the high construction activity workload.

DISCUSSION

FY 2010/11 construction activity was at its highest level since FY 2007/08, which was a record-setting year. Building permit revenue totaled over \$5.95 million, which was \$1.7 million above the originally projected amount, and over 18,000 building inspections were performed (2,900 more than the previous fiscal year). For the current fiscal year through mid-October, \$2.5 million in revenue has been received and over 6,800 building inspections have been completed.

In addition to the large number of projects currently under construction, activity is only expected to increase based on the many large projects in the pre-application stages that will likely be under construction in 2012. The increased activity is demonstrated in the following tables showing activity measures for the past two years in six month increments:

Building Division Activity				
Range	July-December 2009	January-June 2010	July-December 2010	January-June 2011
Construction Valuation	\$74.4 million	\$114.2 million	\$179.7 million	\$159.4 million
Building Permit Revenue	\$1,936,443	\$2,311,529	\$3,088,654	\$2,865,451
Building Inspections	7,540	7,843	8,560	9,703

Historically, the Building Division has had contract/casual hours included in the budget to provide the necessary resources to manage the workload during the busy times of the year (typically the summer) and also for specialized services that may be necessary. These hours are purposefully budgeted as contract/casual hours so that they can be used when the construction activity is high and the additional resources are needed. However, when the construction activity decreases and the additional resources are no longer needed, the additional expenditures can be eliminated.

Having adequate resources at highly active years is important in order to maintain our international reputation for a streamlined development permit process and excellent customer service. Historically, Building Division has been able to review more than 90% of all building permits at the counter the same day the customer submits the plans. Only plans for new buildings and second story additions – less than 10% of all permits issued – are taken in for review and are reviewed within 21 days. The One-Stop Permit Center, and the streamlined development process that it has created, has served as a key economic development advantage for the City by allowing customers to start their development projects as quickly as possible. In addition to the One-Stop Permit Center, the next-day inspection scheduling is a great benefit and highly popular with our customers because it eliminates construction delays that are very costly. Sunnyvale is well recognized for its responsive plan checking and construction inspection services. Most recently, Sunnyvale’s development review process was highlighted by the Bay Area Council, which is a business-sponsored organization that advocates for a strong economy and a vital business environment.

FISCAL IMPACT

Through mid-October, building permitting revenues are over \$2.5 million, which is \$900,000 more than at the same time last fiscal year. Based on current construction activity, actual FY 2011/12 building permitting revenue will exceed the amount incorporated into the FY 2011/12 Adopted Budget. Updated projections will not be ready until March for inclusion into the FY 2012/13 Recommended Budget; however, using year-to-date remittances as an indicator, permitting revenues are expected to be significantly higher than original projections. As such, an additional \$180,000 can be appropriated to the Building Safety Program without having a negative impact on the General Fund. Budget Modification No. 15 has been prepared to recognize and appropriate \$180,000 of additional building permitting revenue into the Building Safety Program’s FY 2011/12 operating budget.

**BUDGET MODIFICATION NO. 15
 FISCAL YEAR 2011/12**

General Fund	Current	Increase (Decrease)	Revised
<u>Revenues:</u>			
Building-Related Permits	\$5,560,580	\$180,000	\$5,740,580
<u>Expenditures:</u>			
Program 233 – Building Safety	\$2,629,305	\$180,000	\$2,809,305

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

ALTERNATIVES

1. Approve Budget Modification No. 15 to recognize and appropriate \$180,000 of additional building permitting revenue to the Building Safety Program of the Community Development Department to provide necessary resources to manage the increased construction activity.

2. Approve Budget Modification No. 15 with a modified amount.
3. Do not approve Budget Modification No. 15.

RECOMMENDATION

Staff recommends Alternative #1: Approve Budget Modification No. 15 to recognize and appropriate \$180,000 of additional building permitting revenue to the Building Safety Program of the Community Development Department to provide necessary resources to manage the increased construction activity.

Reviewed by:

Hanson Hom, Director, Community Development
Prepared by: Ali Fatapour, Chief Building Official

Reviewed by:

Grace K. Leung
Director of Finance

Approved by:

Gary M. Luebbbers
City Manager