

Permit Service Center Fund Update & Projection

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Planning & Development Department

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Permit Service Center (PSC) Fund Overview

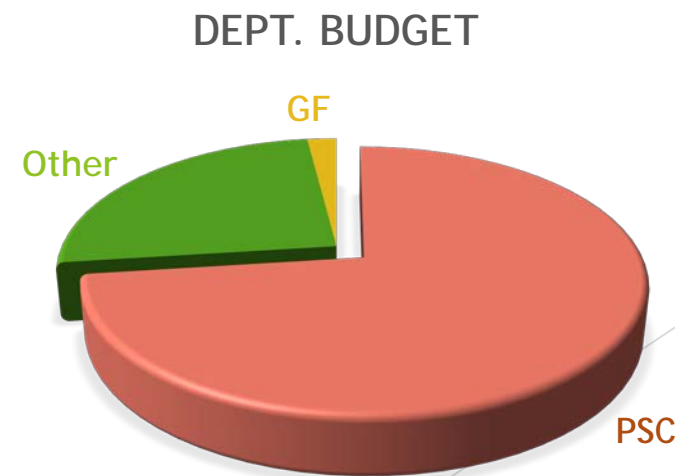
- ▶ Enterprise Fund created in 1997
- ▶ Planning Department's Building & Safety Division
- ▶ State laws authorize permit fees for services
- ▶ Spending is restricted to a limited set of expenditures related to construction permits and land use entitlements

PSC Services

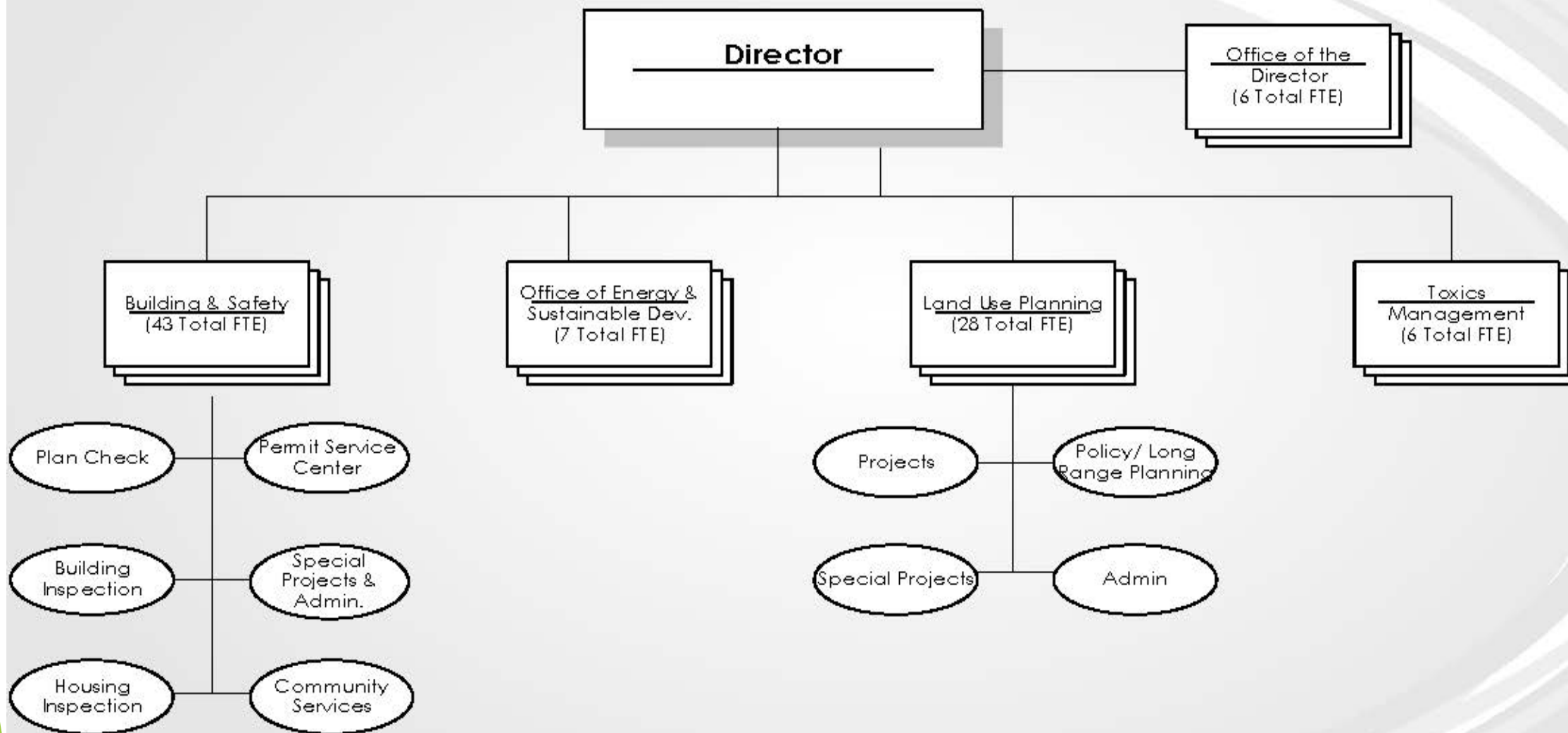
- ▶ One-stop-shop for issuing:
 - Building permits
 - Zoning permits
 - Fire permits
 - Public works permits and more
- ▶ Multi disciplinary team to deliver services
- ▶ Ensure safe development and construction

PSC Fund Overview

- ▶ Approx. 70-75% of the Planning Department budget
- ▶ Provides funding for approx. 90% of FTEs in the Dept.; 43 FTEs B&S Div.
- ▶ Approx. 9 FTEs non-Planning Dept.
(PW:5; Fire:3; HR:1)
- ▶ FY20 Revenue: \$20.5M
- ▶ FY20 Expenses: \$17.8M



Planning and Development Department
ALL DIVISIONS
(90 Total Career FTE)



Fund Balance

- ▶ Much of our fund balance consists of fees for outstanding services to be provided
- ▶ Healthy reserve is essential to department operations
- ▶ Zucker Report (2017) recommended PSC Fund maintain reserves equal to 1 year of expenses
- ▶ FY20 Expenditures: \$17.8M
- ▶ FY08-FY20 (13yr Average) Expenditures: \$12M
- ▶ FY20 Ending Fund Balance: \$14.8M
- ▶ Goal: \$15M

Methodology & Forecasting

- ▶ Analyzing past & present performance, performance during the 2009-11 downturn
- ▶ Analyzing how COVID-19 is impacting us / the development economy now
 - ❖ Significant drop in Land Use Permit applications
- ▶ Communicating w/ clients and partners
- ▶ Communicating w/ other municipalities



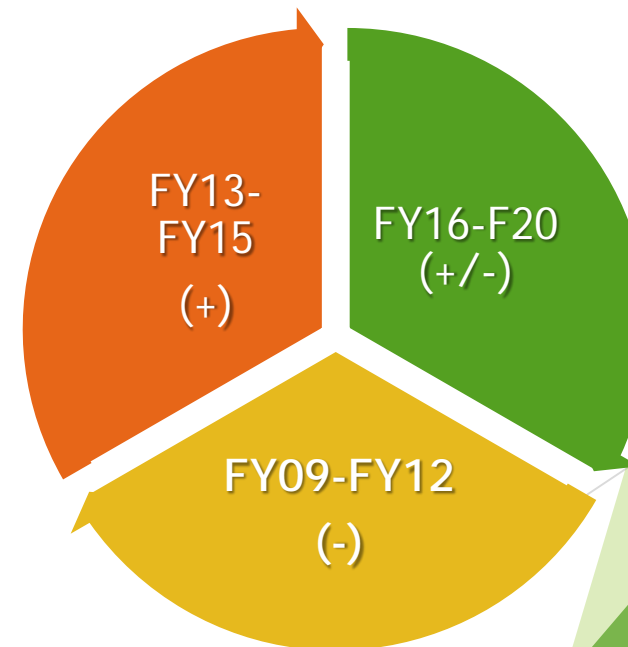
Regional Projections (FY22)

- ✓ Oakland/Alameda area
- ✓ Walnut Creek
- San Jose
- Santa Clara
- Palo Alto
- ✓ Hayward



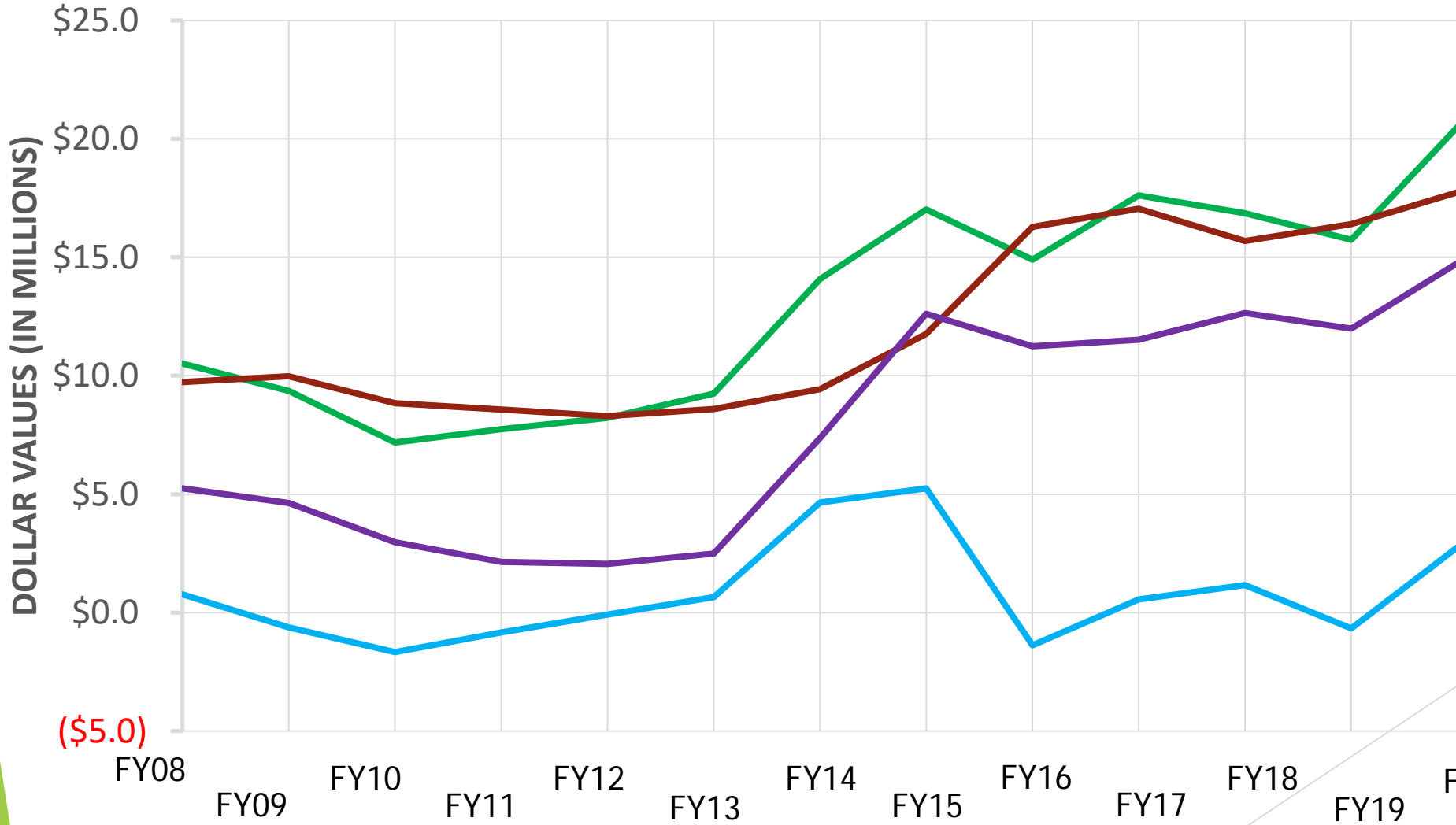
PSC Fund Historical Performance

- ▶ Development and Construction Industry: historically experiences 7- to 10-year activity cycles
- ▶ FY09-FY12: Last economic downturn (Annually: Shortfalls)
- ▶ FY13-FY15: Upswing (Annually: Surplus)
- ▶ FY16-FY20: Mixed recovery (Annually: Mix of surplus & shortfalls)



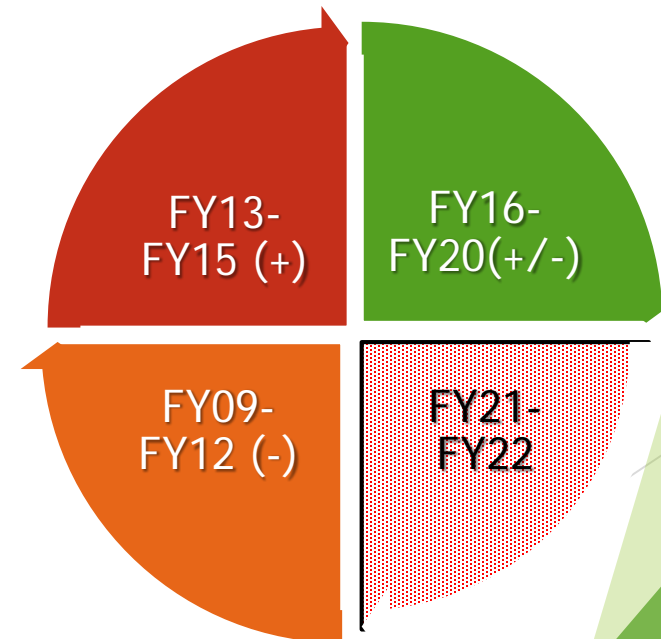
PSC FUND (FY08-FY20)

Revenue Expenses Annual (+/-) Fund Balance



PSC Fund Historical Performance

- ▶ Development and Construction Industry: historically experiences 7-10 yr. activity cycles
- ▶ FY09-FY12: Last economic downturn (Annual: Shortfalls)
- ▶ FY13-FY15: Upswing (Annual: Surplus)
- ▶ FY16-FY20: Soft revenues (Annual: Mixed)
- ▶ FY21-FY22: Now?



PSC Fund, Five-Year Projections

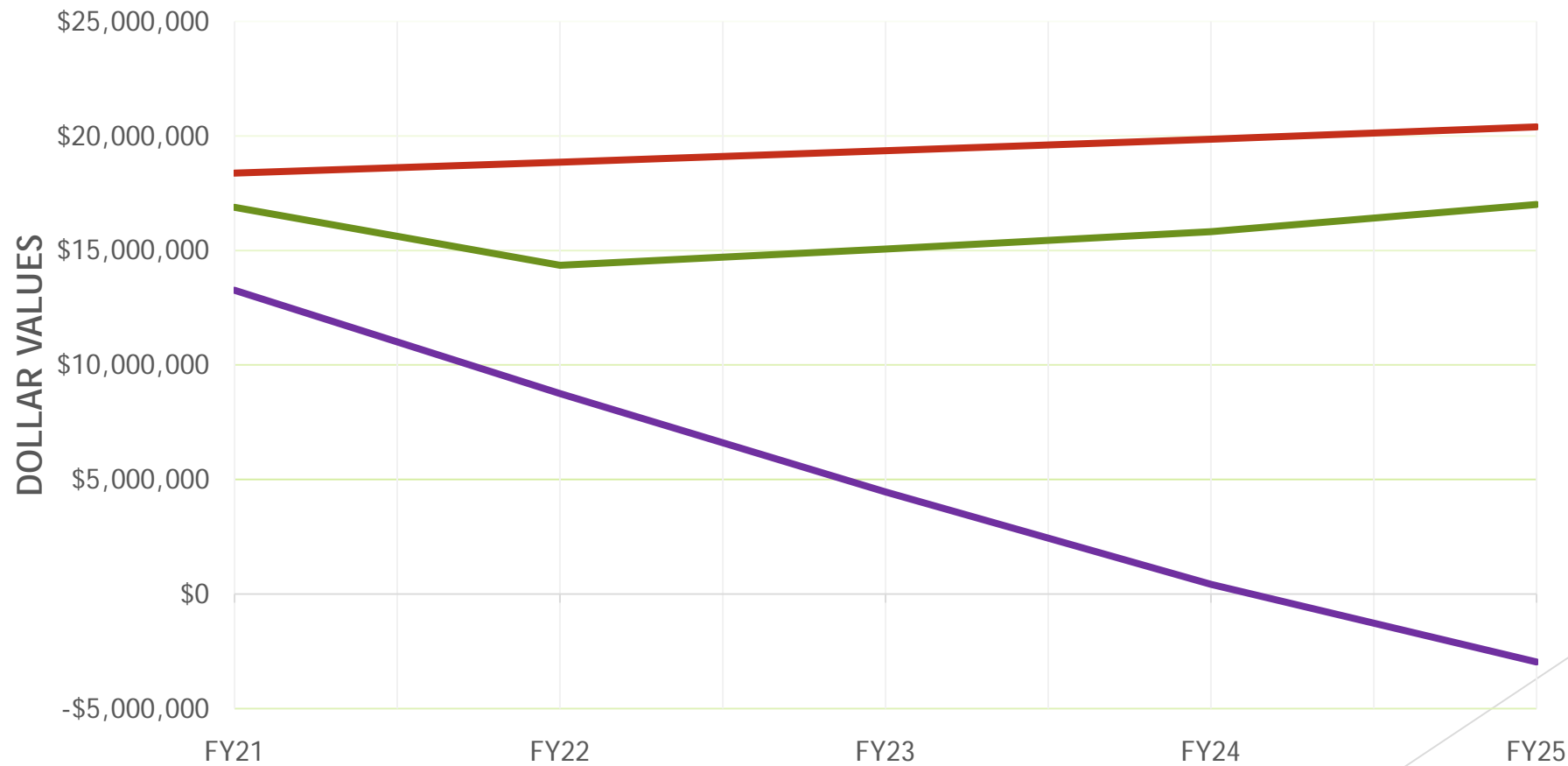
- ▶ Three Scenarios for What the Future Holds
 - ▶ Mid-Range
 - ▶ Conservative
 - ▶ Optimistic



Projections: Scenario 1 (Mid-Range)

PSC FUND PROJECTIONS (FY21-FY25)

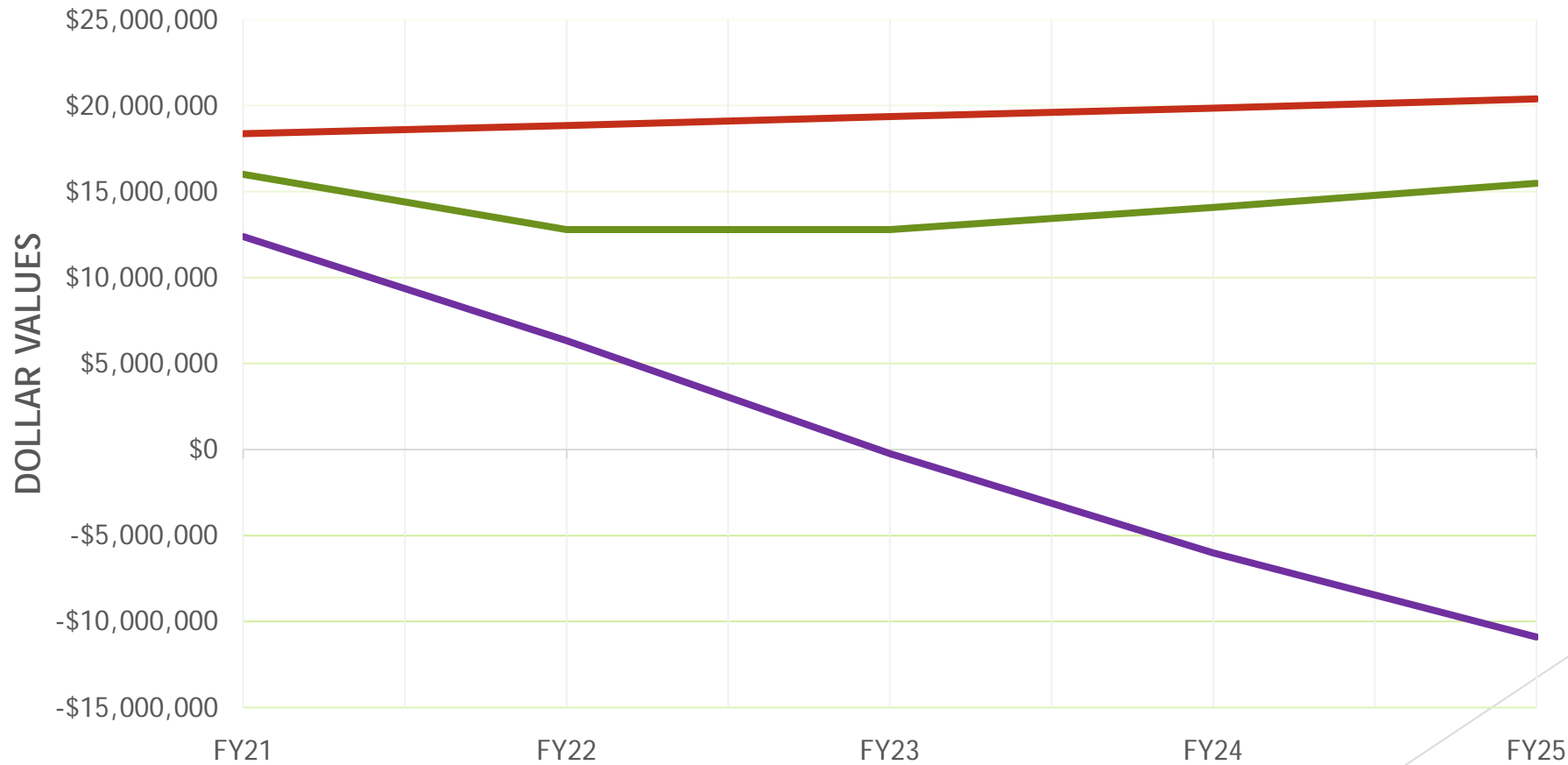
Revenue Expenses Fund Balance



Projections: Scenario 2 (Conservative)

PSC FUND PROJECTIONS (FY21-FY25)

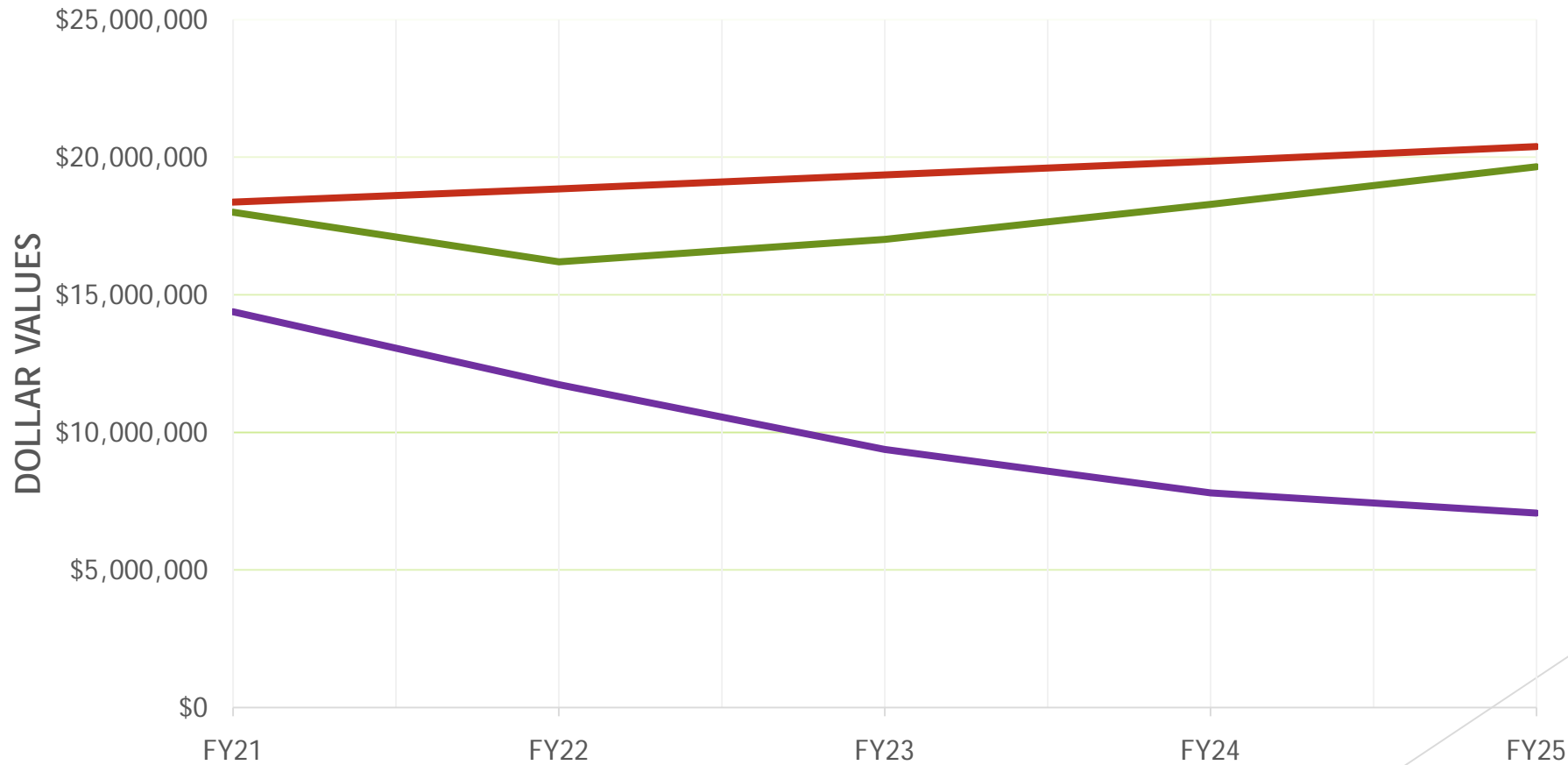
Revenue Expenses Fund Balance



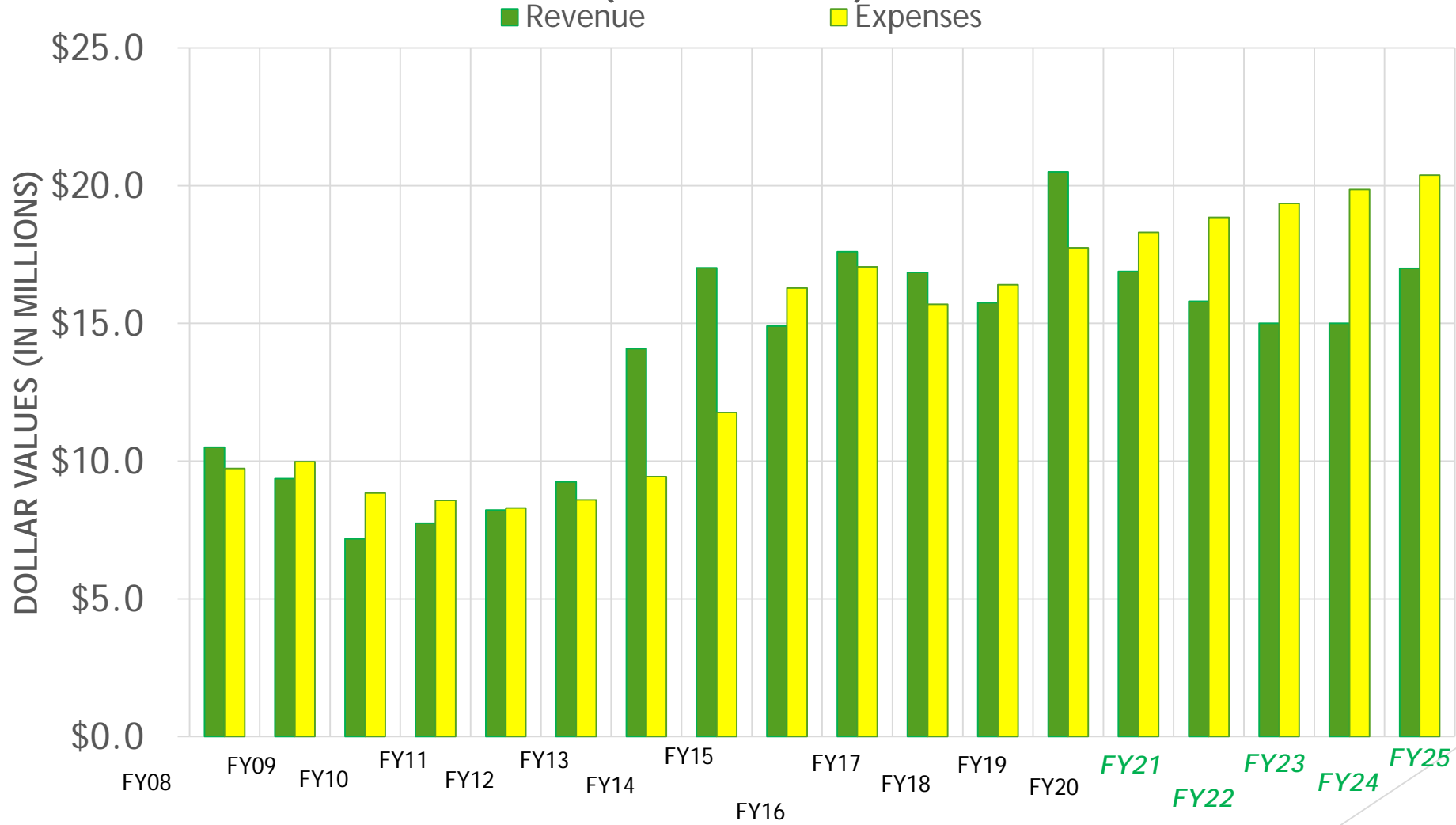
Projections: Scenario 3 (Optimistic)

PSC FUND PROJECTIONS (FY21-FY25)

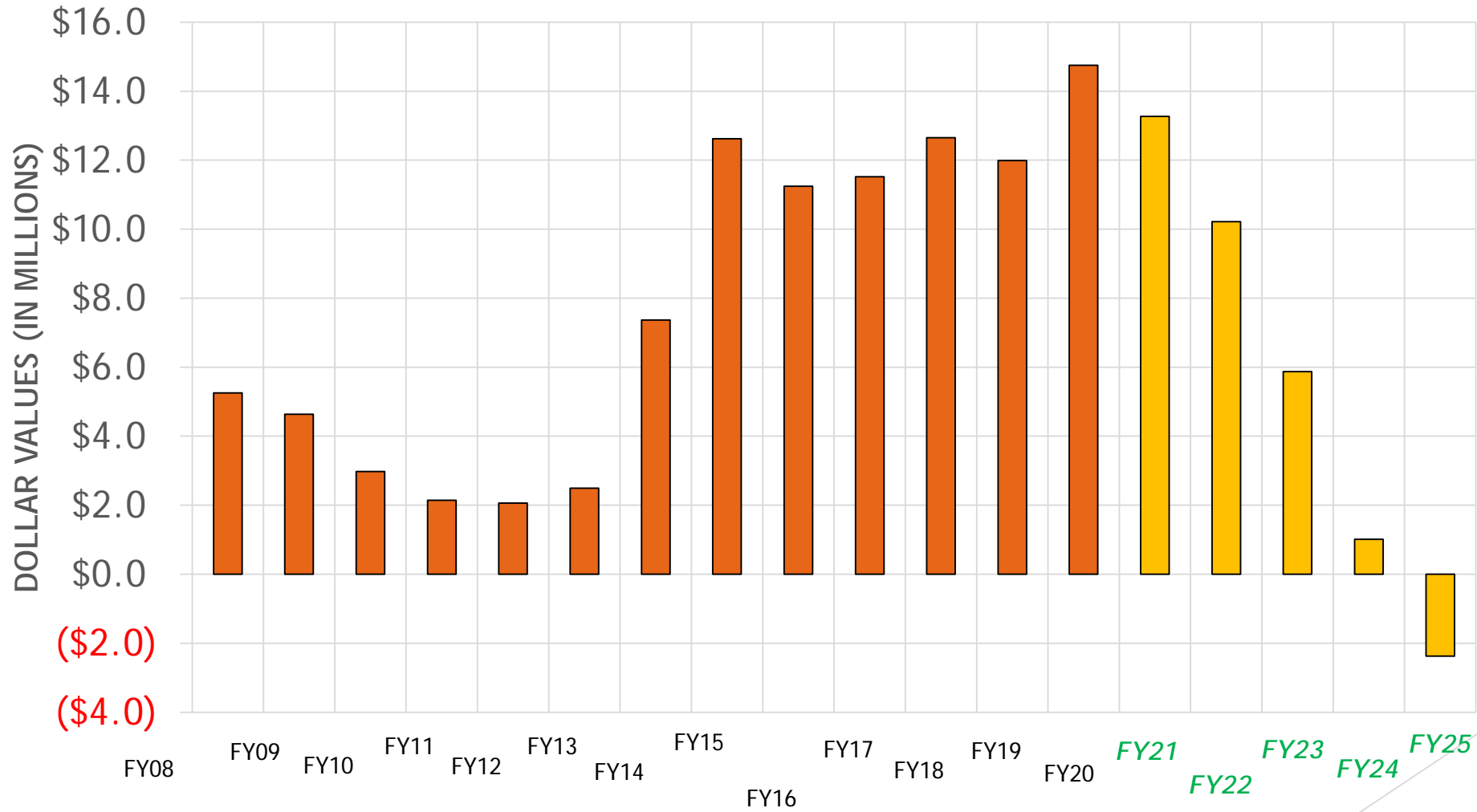
— Revenue — Expenses — Fund Balance



PSC FUND (REVENUE & EXPENSE) W/MID RANGE PROJECTIONS (FY08-FY25)



PSC FUND (FUND BALANCE): W/MID RANGE PROJECTIONS (FY08-FY25)



Summary of Scenarios

- ▶ Reserves help balance the fund in difficult economic times
- ▶ Reserves would hit \$0 balance within the next 5 years
(in 2 of the 3 scenarios)
- ▶ Revenues dependent on rate of incoming sizeable projects

Balancing Strategy

- ▶ Reduce expenditures to minimize use of reserves
- ▶ Reduce contract services for permit review
- ▶ Defer Digital Permitting Software (~\$4M)
- ▶ Avoid new capital expenditures
- ▶ Ensure fee waivers and long-term deferrals are back-filled by other sources
- ▶ Leverage natural attrition as application volume declines to temporarily hold positions vacant
- ▶ Conduct fee analysis & update fee schedule

Next Steps

- ▶ Regularly update projections with newer information regarding pipeline projects and status of pandemic, to inform planned expenditures
- ▶ FY22 Budget Presentation in April

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Q & A