

March 28, 2012

Case Study: the Impact of the Great Recession on Mecklenburg County Code Enforcement

1. Introduction/background

Mecklenburg County Code Enforcement (MCCE) is a consolidated authority, providing plan review, permitting and inspections service to the City of Charlotte, NC and the six Towns within Mecklenburg County. Basically, if you build vertically in Mecklenburg County, it goes through MCCE's office. They also manage the integrated construction permitting system for all local governments and agencies. MCCE is fully fee funded (use no Ad Valorem tax money or General Fund support), which means they were especially vulnerable to an economic downturn. As a hedge against this, in 1999, the Mecklenburg Board of County Commissioners (BOCC) created a special reserve fund as a cushion for a possible economic downturn. The reserve fund received any unspent fee revenue at the end of a fiscal year, and over the years grew to \$8.5M in summer 2008.

Since the last recession in 2001, MCCE grew to 242 FTE's supported by a \$24.8M budget. The Department has a long history of using technology to support permitting and inspection work (inspectors have operated from "office" trucks in the field since 1995). When the Great Recession hit, MCCE was focused on moving all customer service to the web and creating an entirely paperless process; short of commercial plan submittal and review, MCCE had achieved that goal.

2. Impact of the downturn

On July 1, 2008, MCCE entered Fy2009 with 242 FTE's and a budget of \$24,816,388; this included a monthly projected permit fee revenue of \$1,728,115 (other miscellaneous revenue totaling about 15% balanced the budget), which compared favorably with our Fy08 average monthly permit fee revenue of \$1,809,564. Our first 3 months of permit revenue included July at \$1,286,621, August at \$2,150,605 and September at 1,143,022. On Oct 2, 2008, upon reviewing the September revenue figures, MCCE suspended all overtime, part time and contract labor work (roughly 7% of code official resources), and ordered a stop to any expenses not absolutely necessary (travel, etc). The only exception to this was technology development, which continued through outside contracts, funded by the reserve fund.

By November, it became obvious that monthly revenue was moving in a significant downward trend, a decline so large that it could not be controlled by managing expenses outside of payroll. Consequently, management began considering strategies to reduce full time staff, if monthly permit fee revenue did not improve. Ultimately, this led to a two year budget odyssey that produced the following;

- Fy2010 budget of \$17,551,587 for 176 FTE's
- Fy2011 budget of \$13,220,555 for 130 FTE's

This represented a reduction in force (RIF) of 112 positions, or 46% of our staff. Because management had difficulty predicting the bottom of the economic downturn (our Fy2010 revenue estimate was too optimistic), the RIF was executed in two stages. The RIF process was blind, bracketing employees in five groups combining longevity and performance. However, the 2nd (Fy11) RIF cut so deeply that several very good employees with up to 20 years with the County were eliminated.

3. A slow recovery

In February, 2011 we noticed the first signs of life in our permit fee revenue numbers. A historically slow month, February monthly permit fees totaled \$1,053,631, 30% above the previous month and 40%+ above February, 2010. Since that time, permit fee revenue has grown at a slow but stable pace, exceeding revenue projections in the 2nd half of Fy11 and 1st half of Fy12 by 22%. In August, 2011 we proposed and the BOCC approved adding 5 inspector positions. In March, 2012 we proposed and the BOCC approved adding another 8 positions, so our total staff level is now up to 142 FTE's.

4. Lasting effects

The following four programs either played a significant role in how we managed the challenge of the Great Recession, or were a direct result of those challenges.

Trades Internet Permits

This program was in development from 2006 to 2007. The design metaphor was to make taking out a trade (non plan review) permit as easy as buying a book from amazon.com. While contractors doing business with MCCE had internet permitting as early as 1999, the office side still had “staff finger prints” all over the process. We introduced TIP in fall 2008, and it was an immediate hit with contractors, operating 24/7 and producing permits in minutes, if the contractor could make the program Q&A tumblers fall. Equally important, as the RIF cut permitting staff almost in half, TIP assumed a critical role of maintaining timely service to customers. Today, TIP carries roughly 30% of our total permit workload.

2010 Reorganization Plan

The recession caused MCCE to completely rethink expenses, moving very close to a true zero based budget process. In January 2010, we asked a parallel question; “if we are shrinking expenses and cutting staff, are we sure our service delivery aligns well with customer needs?”. Consequently, the Department launched an assessment of the entire permitting and inspection process. With extensive input from customers, line staff and management, a number of different options were considered. Ultimately, a change away from the traditional building-electrical-mechanical-plumbing silo structure, and towards team based service delivery was thought to align more closely with AE and GC work in commercial construction, as well as with change tremors in that industry (BIM, IPD, etc). Consequently, on May 5th, 2010, Code Enforcement converted service delivery to the 2010 Reorganization Plan. The Plan includes a number of changes, among them new B-E-M/P Code Administrator positions, focusing full time on interpretations, appeals, consistency and training. Perhaps most significantly, the Plan also introduced the new team based field service delivery approach, with the teams led by Code Enforcement Managers, serving as a “*Key Point of Contact*” for customers interfacing with MCCE on field operations.

Administrative Support Team (AST) consolidation

As the RIF cut deeply into all positions, MCCE faced a problem with individual administrative support groups (residential permits, commercial permits, records, customer service counters) becoming so skeletal that customer service was threatened. A plan was developed to collapse previously independent administrative support groups into one service group. This required extensive cross training, as well as a campaign that staff should “think collectively” in solving customer problems. This conversion continues today, studying how best to mesh a “pooled” administrative support approach, with specific service needs of the 2010 Reorganization Plan.

Technology surcharge

The recession caught MCCE in mid-stream in designing a commercial project electronic plan submittal - electronic plan review system (EPS-EPR). With the reserve fund diverted to support the step down of staff while the RIF was executed, the EPS project completion was threatened by lack of funding. The Department’s advisory board, the Building Development Commission, historically has strongly supported technology development. The BDC shared the Department’s vision that completion of EPS was critical in our drive for a completely paperless process, as well as the need for two key future technology projects, the Single Portal (EPS for any horizontal or vertical construction project, any location, any reviewing agency in the County) and system alignment with future developments in Building Information Modeling – Integrated Project Delivery (BIM-IPD). To their credit, in the teeth of the recession, the BDC voted to support a 4 year – 5% technology surcharge on all commercial project permit fees, to fund the continued development of those three projects. As a result, on January 30, 2012, we installed universal format commercial EPS –EPR, and we are moving on to both work on the Single Portal project and collect programmatic information for the BIM-IPD project thereafter.

For more information on Mecklenburg County Code Enforcement, visit our website www.Meckpermit.com