



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Harry Freitas
Barry Ng
Curtis Jacobson
Jennifer Maguire

**SUBJECT: DEVELOPMENT SERVICES
PROCESS IMPROVEMENT
STUDY UPDATE**

DATE: June 2, 2016

Approved

Date

6/2/16

RECOMMENDATION

1. Approve the addition of 1.0 Analyst II (Job Code 1632) in the Planning, Building and Code Enforcement Department.
2. Approve the following adjustments to the 2016-2017 Proposed Budget in the General Fund:
 - a. Increase the Beginning Fund Balance by \$123,021 to reflect the use of existing Development Fee Program Reserves;
 - b. Increase the Personal Services budget in the Planning, Building and Code Enforcement Department by \$99,121 (funded by the Building and Planning Development Fee Programs); and
 - c. Increase the Essential Services Reserve by \$23,900 for allocation during the 2016-2017 budget process.

BACKGROUND

At the May 17, 2016, City Council meeting, the Community and Economic Development Committee forwarded the April 25, 2016, Committee report on the Development Services Process Improvement Workplan and Development Services Staffing for Council's consideration and review. Mayor Liccardo and Councilmembers Jones, Khamis and Peralez also submitted a memorandum which outlined direction to staff to provide additional information. This Manager's Budget Addendum responds to items described and questions raised in their memorandum.

ANALYSIS

In their May 13, 2016 memorandum, the Mayor and three Councilmembers directed staff to deliver the following to Council:

- 1) Report to Council through the budget process regarding the additional resources needed to implement a well-developed "change management" program, specifically to address training needs and implementation of new business processes, and empowering line staff to build and execute on a culture of continuous improvement.
- 2) Develop a revised set of performance metrics to accompany the implementation plan that will become a daily/weekly/monthly tool for managers to celebrate success, capture process improvements, address weaknesses, and incentivize department staff to break down silos between them. In addition, develop a base-line "performance dashboard" by most common project and permit types that Council, senior management, and the public can use to track progress towards process improvement goals.
- 3) Report to Council through the budget process on additional staff needed to implement a plan for code reform that will support the streamlining of current processes—e.g., by eliminating unnecessary permit requirements, eliminating hearing requirements where routinely not desired by the public, and reconciling conflicting mandates to reduce fees and liberate capacity for staff to work on more impactful projects.
- 4) Address the following additional questions during the Council hearing:
 - Management Partners recommends pilot-testing the Special Tenant Improvement (STI) program on select restaurants to assess impacts on timelines and customer service. How will you assess this pilot, and with what control group? If successful, how will you scale it across other project types, and on what timeline?
 - We agree on the need to pilot a self-certification program. To which categories of permits will this apply and what percentage of total permits issued will these account for? How do you plan to measure process improvement, including staff time and workload savings?
 - On page 2, you report that the "Open Data" efforts are complete, but will the Department ensure that performance data from the CSDC software will continuously populate the open data platform to improve transparency and accountability?
 - In light of the challenges of getting a qualified project manager on board (p.4), what is the timeline for doing so?
 - What additional Human Resources staffing does Planning, Building and Code Enforcement (PBCE) need to address its vacancy problems?"

In responding to items 1, 2 and 3, the Development Services Partners (Partners) agree that the current status of the Process Improvement and Fee Study project does not present adequate information to allow a staffing/resources related recommendation at this time.

As the Development Services Fee Study and Process Improvement Analysis report indicates, the Partners are midway through the Study with the following key tasks to accomplish going forward:

- Complete the time analysis study and propose staffing recommendations
- Finalize fee structure and scenarios
- Present process improvement recommendations
- Finalize fee recommendation
- Develop the final report

Working under an ambitious project schedule, the anticipated timeline to accomplish the above-mentioned tasks is to bring the final report back for Council for consideration in November 2016. Following the approval by the Mayor and the City Council, the Partners will be responsible for incorporating the recommendations into the new permitting system that is scheduled to kick off on July 11, 2016 and the new budget system that is scheduled to go-live in October 2016 for use in the development of the 2017-2018 Proposed Budget. Based on the framework of the potential changes planned to perfect the current processes and fee structure, the Partners recognize the need for additional resources/staff to better prepare City staff in the areas of change management, performance metrics revisions and code reforms, as well as to equip staff with needed knowledge and tools to promote a successful project outcome.

The Partners intend to fill positions included in the 2016-2017 Proposed Budget, including the seven positions added to support the new permitting system implementation, as a way to maximize the current resources to best support the Process Improvement/Fee Study project. As developments occur in the implementation of both the new permitting system and the Process Improvement/Fee Study recommendations, it may be necessary for the Partners to request additional or reallocation of resources.

When Management Partner brings the final Process Improvement and Fee Study report to the City Council for review and consideration in November 2016, the Partners plan to revisit the need for staffing the change management, performance metrics revisions and code reforms after the Mayor and the City Council's acceptance and final recommendation. At that time a comprehensive staffing/resource strategy review will be completed to assist staff in identifying steps to best support the Process Improvement/Fee Study project in mid-year 2016-2017.

The following specifically responds to the questions included in item 4:

Small Business Restaurant (SBR) Pilot Program

The existing Special Tenant Improvement (STI) Program makes available coordinated permit review for projects that can be processed in a 60 to 90 minutes timeframe. Restaurant tenant improvements are not included in the STI program because of the need to include staff from the Environmental Services Department (ESD) and staff from Santa Clara County's Department of Environmental Health. Planning, Building and Code Enforcement (PBCE) staff plans to start the

Small Business Restaurant (SBR) pilot program outside of the existing STI Program on selected restaurants beginning in July 2016 for approximately six to eight months, engaging with staff from the Small Business Ally (SBA) program, ESD and the Santa Clara County's Department of Environmental Health, Consumer Protection Division. Staff from the STI Program and Permit Center Express Program will set aside a half day each week for dedicated staff and resources to facilitate the SBR pilot program with selected restaurants on an ongoing basis. The pilot program will start with "mom and pop" type restaurants, who often tend not to hire professional design staff and could benefit the most from a coordinated permit process.

Over the course of the SBR pilot program, PBCE plans to measure time, cost, and customer satisfaction of the expedited permit review process to inform staff on the effectiveness of the program. If the SBR pilot program is successful, the program will be evaluated during the 2017-2018 budget development process to identify any additional resources needed to continue the program for restaurants on an ongoing basis. It is important to note that, if successful, the SBR program would supplement the existing STI, Express, and Over-the-Counter programs that provide coordinated, expedited permit review for all other project types; the SBR program would not need to be applied to other project types as they are already covered under existing programs.

Self-Certification Pilot Program

PBCE staff is currently conducting a national review of "best business practices" and possibly "lessons learned" from other agencies that have implemented a Self-Certification Program. Staff is collecting information from other municipal agencies, such as Sacramento, Chicago and Phoenix. Staff intends to reach out to the Chamber of Commerce to jointly develop eligibility criteria to best design the City's self-certification pilot program. Balancing between enforcing codes that affect the life and safety of our residents and the need to streamline/improve processes, PBCE staff encourages the consideration of non-life and safety related codes, such as Energy Codes, Green Codes and/or Accessibility Codes, to be eligible for the self-certification pilot program. When the pilot program is in place, staff will then be able to explore the methodology in terms of measuring process improvement and possibly savings in terms of staff time and workload. As the pilot program is established, the department will be able to gather information to gain understanding of the percentage of permits that could be eligible for the program.

Open Data

The City Manager's Data Analytics Team (DAT) and the Information Technology (IT) Department's Open Data Architect are responsible for working with departments to make the data open and available. The data from the existing permit system is currently made available through a manual process; however, starting in June 2016, the data will automatically upload on a nightly basis to improve transparency and accountability. The new permitting system implementation team will coordinate with the City Manager's DAT staff and the IT Department Open Data Architect to ensure the performance data from the new permitting system continues to automatically populate the open data platform.

Integrated Permit System Project Manager

Additional outreach and continued efforts to identify a project manager have produced some viable candidates. A number of qualified project managers are being considered for the opportunity and will be interviewed. Given the importance of this multi-year project, it is necessary to find an excellent fit for this critical function. If a project manager is not identified within the next month, PBCE will start the project on July 11, 2016 as planned and continue to search for the best qualified candidate. In the interim, PBCE's Department Information Technology Manager will serve as the project manager to move the project forward and uphold the system implementation timeline.

PBCE Staffing Challenges

It is important to acknowledge the challenging situation PBCE is facing with staffing vacancies. Because of various reasons, the Department has had a high rate of vacancies over the last several years and has spent a lot of time and effort on the recruitment process. To improve the Department's ability to fill vacancies and address the staffing challenges, a temporary Analyst position was approved to assist with recruitment coordination since 2013-2014; however, this position has been primarily filled with a rehired retiree position after several recruitment processes.

In January/February 2016, through the additional resources and strategic recruitment planning efforts, including cascade hiring, revisiting existing qualified candidate groups, various combined recruitment processes and a joint effort between HR and PBCE staff, the City was able to proactively manage vacancies and coordinate recruitments that resulted in the decrease of PBCE's vacancy rate from 18% to 9%. However, the temporary position was vacant from December 2015 through February 2016 and the vacancy rate has subsequently gone back up to 13% as of April 2016. The position was recently filled, and with the increased staff resources, the Department is again better equipped to provide more effective services to our customers. However, the Department's attrition rate continues due to retirements, movements within the organization and separations as result of more competitive compensation from other agencies. Based on discussions with the Administration and taking into consideration the longer term needs of the department, especially in the development fee program areas, the addition of a permanent position is now recommended. This position will be funded by the Development Fee Programs.

The need to fill Department vacancies and establish a well-developed employee retention program through training and development is critical. This permanently funded PBCE Analyst will enable the alternative recruitment model to be deployed in conjunction with Human Resources, allowing the Department the ability to expedite the process to fill vacancies and serve as the dedicated resource to maintain the Department's recruitment demand.

June 2, 2016

Subject: Development Services Process Improvement Study Update

Page 6

COST IMPACT

The Analyst II position will be funded the first year by the Building and Planning Development Fee Programs and focus on addressing position vacancies in those programs. During the 2017-2018 budget process, it will be evaluated to determine if the position should be also be partially funded by Multiple Housing Code Enforcement Program and any costs would be covered the fee for that program.

PROGRAM	POSITION COST	OVERHEAD	TOTAL COST
Building Development Fee Program	\$59,473	\$14,330	\$73,803
Planning Development Fee Program	\$39,648	\$9,570	\$49,218
TOTAL	\$99,121	\$23,900	\$123,021

COORDINATION

This memorandum has been coordinated with the Human Resources Department.

/s/
HARRY FREITAS, DIRECTOR
Planning, Building and Code Enforcement

/s/
CURTIS JACOBSON
Fire Chief

/s/
BARRY NG
Director of Public Works


JENNIFER MAGUIRE
Senior Deputy City Manager/
Budget Director

For questions please contact Planning, Building and Code Enforcement Department Administrative Officer Zoë McChesney at 535-8317 or Director Harry Freitas at 535-7900.