



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 3, 2007 REPORT NO: 07-087
ATTENTION: Council President and City Council
Agenda of May 10, 2007 (Budget Hearing)
SUBJECT: Development Services Department Business Process Reengineering
and FY 08 Budget

REQUESTED ACTION:

Approve the report on the Development Services Department reengineering effort and approve the Department's FY 2008 budget

STAFF RECOMMENDATION:

Approve the report and the Development Services Department budget

SUMMARY:

The City of San Diego has a set of complex regulations governing all aspects of land use and development of private property. In addition, many complex State and Federal regulations also apply. The Development Services Department (DSD) is charged with implementing those regulations in reviewing, approving, and inspecting private development activity. The efficiency, cost, timeliness and quality of these services have a major impact on the business environment in San Diego and the quality of life of its citizens. Processes need to be continuously updated to reduce costs and increase predictability while balancing the needs of the community (health, life, safety, economic prosperity, and quality of life) with the rights of the property owner (reasonable expectation of outcome of the review process).

The DSD reengineering effort focused on:

1. Opportunities to reorganize and create a more efficient organization.
2. Opportunities to simplify the regulation adoption process to allow greater efficiency in bringing critical regulatory reform forward to City Council.
3. Maximizing the use of technology to increase efficiency.
4. Management of costs and fees that are appropriate for the work performed.
5. Ongoing training programs that allow decision making at the lowest levels.
6. Performance measures for customer service that foster prioritization on what services meet the most important needs of the customer.
7. Opportunities for managed competition to consider utilizing outside services.

The department divided the reengineering study into two phases. The first phase focused on 7 core department functions. The second phase involves 6 support functions that were dependent on recommendations from the first part of the study, were closely related to other citywide reengineering efforts, and were functions that went across all department processes.

The Phase I reengineering effort completed in January 2007 included 7 teams made up of 130 staff members and 20 stakeholders. Thirty-three major processes were reviewed across the following 7 topical areas resulting in 133 separate recommendations (See Attachments 1 - 4):

- Regulatory Reform
- Discretionary Review
- Environmental Review
- Community Input
- Ministerial Review
- Code Compliance
- Records

Phase II of the reengineering effort began in February 2007 and includes implementation of the above recommendations once approved, as well as improvements to the following 6 areas:

- Finance
- Technology
- Training
- Customer Service
- Outside Review
- Project Closeout

The reengineering efforts in these additional 6 areas are being closely coordinated with other citywide reengineering efforts and with the 133 recommendations already identified. Additionally, the department will focus on determining the baseline staffing level that must be maintained after phase recommendations are implemented.

Following is a summary of the findings and recommendations, the budgetary cost savings, and a description of the reengineering process.

Summary of Findings and Recommendations

Below is a high level summary of the findings from the Development Services Department reengineering effort:

- The existing Municipal Code amendment process has numerous, non-mandated, public review and hearing steps and has multiple feedback loops that make the regulation change process unresponsive and overly reactive rather than proactive.
- Multiple City departments and outside agencies are involved in significant portions of the Municipal Code adoption process yet do not share the same budgetary and work priorities for code amendments.
- The department's current preliminary review service needs an option that is more timely and provides a high level, experienced staff to deliver the service.

- Certain work tasks currently performed by staff such as hearing document preparation, conflict resolution management, and project hearing presentation create a perception that staff are project advocates.
- The current environmental appeal process adds an additional hearing and delay for Process 2 and Process 3 actions and frustrates Council's ability to impose project changes to respond to the issues associated with the appeal of the environmental document.
- The City has been following environmental review practices that restrict the CEQA exemption process more than many other California jurisdictions.
- The community planning group input process varies from group to group and changes over time.
- Community planning group members sometimes struggle to understand their role and responsibilities in the project review process.
- The department needs to expand outsourcing to include a broader range of department functions in order to better respond to peaks in work activity.
- Formal project submittal increases the time between the department receiving the application and the staff performing the review.
- Current code enforcement remedies do not recover enforcement costs and do not always encourage timely code enforcement resolution.
- The current code enforcement volunteer program is very successful at resolving many cases and frees up staff time to pursue other more complicated code cases.
- Current records retention and management is outdated, uncoordinated, and does not take advantage of current technology.
- Record storage and public access to records is not cost recoverable.

The department has identified 133 recommendations in response to these findings through the reengineering process. Many of the recommendations would result in savings in time and efficiency for the project applicants and would not result in savings or efficiencies in the department. Following are highlights of recommended changes that will result in savings for the department:

- Expand the department's self certification programs that place the burden of regulatory compliance onto registered professionals.
- Require project applicants and their consultants to prepare materials and presentations used in public hearings for development projects.
- Return to conceptual review on discretionary projects rather than a construction level plan check.
- Reduce the involvement of staff in certain simple project types by cross training staff and consolidating those responsibilities into fewer employees.
- Expand over the counter review services to eliminate the delay between project submittal and review, reduce review cycles, and reduce overall project administration.
- Automate inspection scheduling and results entry in the field to better allocate staff resources and improve communication with inspectors.
- Expand the code compliance volunteer program.

As a result of the reengineering efforts, the department reorganized around their core functions into three separate divisions -- Entitlement, Construction, and Code Compliance. This organizational structure allowed a more efficient use of resources and eliminated 1 department and 5 divisions. This allowed a reduction of 30 positions (2 unclassified management positions and 28 classified positions) because of better allocation of staff resources.

The department has also identified an additional 24 positions that can be reduced based on efficiencies that will be gained through implementation of reengineering proposals noted above.

Budgetary Cost Savings

The department estimates \$5.5 million in savings through the reduction of these 54 positions. As the Phase I reengineering implementation continues and Phase II begins, the department hopes to gain further efficiencies by expanding outsourcing strategies, changing regulatory processing requirements, improving internal training, better measuring of performance, and increasing automation to deliver services.

As a part of the FY 2008 budget process, the following positions have been proposed for elimination due to proposed reengineering and reorganization efficiencies.

| Classification | Position Title | Total |
|-----------------------|--|--------------|
| 1106 | Senior Management Analyst | 1 |
| 1107 | Administrative Aide II | 1 |
| 1153 | Assistant Engineer-Civil | 1 |
| 1162 | Electrical Inspector II | 1 |
| 1184 | Development Project Manager I | 4 |
| 1185 | Development Project Manager II | 3 |
| 1186 | Development Project Manager III | 1 |
| 1194 | Auto Messenger II | 1 |
| 1207 | Assistant Engineer-Traffic | 2 |
| 1218 | Associate Management Analyst | 1 |
| 1227 | Associate Planner | 6 |
| 1231 | Structural Engineering Associate | 2 |
| 1277 | Combination Inspector II | 1 |
| 1348 | Information Systems Analyst II | 1 |
| 1356 | Code Compliance Officer | 1 |
| 1401 | Information Systems Technician | 1 |
| 1423 | Senior Drafting Aide | 2 |
| 1475 | Fire Prevention Inspector II | 3 |
| 1535 | Clerical Assistant II | 1 |
| 1555 | Junior Engineering Aide | 1 |
| 1614 | Organizational Effectiveness Specialist II | 1 |
| 1657 | Plan Review Specialist III | 4 |

| Classification | Position Title | Total |
|------------------------|---|--------------|
| 1727 | Principal Engineering Aide | 1 |
| 1746 | Word Processing Operator | 2 |
| 1776 | Public Information Clerk | 2 |
| 1777 | Public Information Officer | 1 |
| 1855 | Senior Civil Engineer | 1 |
| 1876 | Executive Secretary | 1 |
| 1938 | Land Surveying Assistant | 1 |
| 1939 | Land Surveying Associate | 1 |
| 1978 | Utility Worker I | 1 |
| 1979 | Utility Worker II | 1 |
| 2214 | Deputy Director (One of these Deputy Director positions will be a cut as part of the May revised budget the second position was a transfer to the Real Estate Assets Department and will be reflected in the May revised budget) | 2 |
| Total Positions | | 54 |

Reengineering Process

Over the past 9 months, the department has had 7 different teams working on Phase I of the reengineering effort. Working closely with key stakeholders, project customers, and citizens, the teams have identified and prioritized key concerns with the development and inspection process, mapped out current processes, and conducted benchmarking and stakeholder interviews. Following are highlights of these efforts.

Benchmarking

DSD reviewed business practices at 42 different agencies to evaluate best management practices and compare them with current City practices. The most comparable jurisdictions were:

| | | |
|------------------|----------------------|-----------------|
| Anaheim | Los Angeles | San Jose |
| Long Beach | San Francisco County | Irvine |
| San Diego County | Chula Vista | Portland, OR |
| Bakersfield | Phoenix, AZ | San Antonio, TX |

The 7 teams that conducted the benchmarking studies found:

- That San Diego has a more complex regulatory and political environment for the development review and inspection process than most jurisdictions.
- That DSD offers more services than most other agencies.
- That the development review processing times are the same or better than most other jurisdictions.

- That other jurisdictions have done a better job leveraging technology for code compliance.
- That other jurisdictions have more online services than the City currently offers.

Stakeholder Interviews

In addition to the benchmarking studies, the DSD reengineering teams conducted 318 stakeholder interviews. Residents, elected officials, decision makers, design professionals, industry groups, and planning groups were included in these interviews. The overarching findings were:

- That most stakeholders felt that staff were well qualified and had the expertise to perform their duties.
- That staff provides good customer service.
- That staff had the means to resolve conflicts in the development review process.
- That there is a lack of consistency between staff in their review of similar projects and interpretation of regulations.
- That most stakeholders felt the process still takes too long, despite past improvements made by DSD.
- That the development review process, particularly the discretionary process, is not predictable.
- That better access to building inspectors is needed.
- That more information about project status and regulatory overlays is needed on the City's website.

Phase I Results and Implementation

The key findings from Phase I are that DSD needs to:

- Work on simplification of regulations.
- Refocus services on the core business of DSD.
- Reduce and consolidate cycles of outside input.
- Make processes more transparent and predictable.
- Increase accountability to all stakeholders.
- Provide customers with service options based on their knowledge of the process.
- Improve communication and consistency between staff.

Many of the recommendations that came out of the first phase of the department's reengineering effort focus on changes that would improve outcomes for project applicants. They either reduced time in the process, improve the predictability of the process, reduce the costs of project processing, or offer different processing choices for customers. The importance of these recommendations is that they help property owners reduce carrying costs, better control construction costs, and more quickly increase City revenues by the resulting increases in sales and property taxes.

The other recommendations affect internal outcomes. These would reduce staffing and processing expenses and improve accountability. They would also enhance stakeholder trust in our process and address staff training and morale.

A number of recommendations from Phase I will change the public hearing process. These recommendations deal primarily with hearing procedures and conduct. They include:

- Create three distinct regulation adoption tracks and reduce the multiple public body hearing forums.
- Create a shortened process to obtain City Council direction and input on complex and controversial regulatory reform concepts before going through a lengthy regulation drafting, public review and adoption process.
- Return discretionary review process to a conceptual review and approval rather than the current detailed design review.
- Require decision makers to add more hearings and docket availability for land use items to allow more schedule flexibility for project applicants.
- Make the applicant and their consultants be the primary presenters of their project at public hearings rather than City staff.

Since January 2007, staff has continued to work on Phase I by refining recommendations and studying implementation strategies. DSD is already beginning to implement recommendations from Phase I (Attachment 1). Several recommendations that shift employee work hours, reduce staffing levels, change staff duties, and affect use of personal vehicles are subject to meet and confer with the employee unions and will occur during the remaining fiscal year. Implementation of 94% of the recommendations would occur by FY 2008 (Attachment 2). Eight recommendations have longer term implementation schedules due to the need for state or local regulation changes, acquisition of equipment, or cost (Attachment 3).

There are 14 recommendations to provide premium services for an additional cost (Attachment 4). These will be implemented once the appropriate fees and staffing are established to assure they do not negatively affect the department's core functions.

Additionally, 14 recommendations will require formal City Council approval. These fall in to the Mid- and Long-Term recommendation categories (Attachment Nos. 2 and 3) and are identified by a "yes" in the column labeled "Council Action Required."

Phase II

The 6 subteams in Phase II of the reengineering process will continue to refine the implementation of Phase I and look for ways to increase efficiencies. In addition, DSD will review and refine its performance measures to more strategically align them and balance them with the department's core business and the City Management Program.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Potential stakeholders include community groups, consultants, property owners, development industry, public interest groups, land use professional associations, utilities, and government agencies (including redevelopment agencies). Phase I, when fully implemented should deliver more responsive and efficient review, inspection, and code enforcement services to property owners and the community.

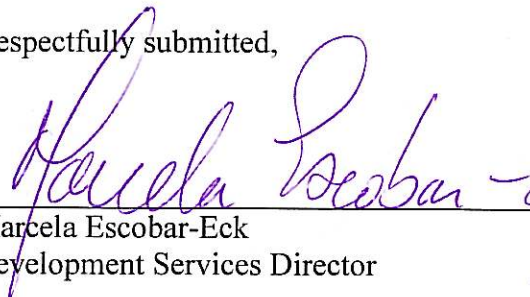
CONCLUSION

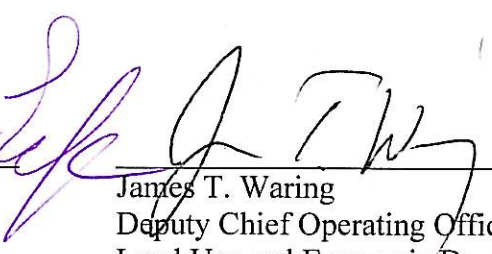
The community, customers, and stakeholders will get significant benefits from the recommendations of DSD's reengineering efforts. Community members and other stakeholder groups will be able to have more electronic access to project information, noticing, and ability to provide input to projects in addition to future municipal code amendments. This will allow them to be involved early in DSD's review processes and to have more meaningful input.

Customers can expect better access to automation, easier access to staff review services, and more options for enhanced services. This will allow them to obtain more timely and predictable decisions from the department. They will also be able to better control the processing of their own projects. The added benefit of shifting some of the responsibilities back to the customer is removing DSD staff from being in a perceived advocacy role.

As the Department moves into implementation of Phase I reengineering recommendations and develops new recommendations through Phase II, we expect to identify additional benefits for all involved in the development review process. Our goal is to maintain a process of continuous improvement. As technology is enhanced and regulations are simplified we hope to continue identifying opportunities for efficiencies.

Respectfully submitted,


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Attachments:

1. Short-Term Reengineering Recommendations
2. Mid-Term Reengineering Recommendations
3. Long-Term Reengineering Recommendations
4. Premium Services Reengineering Recommendations