

Memorandum

**TO: HONORABLE MAYOR
AND CITY COUNCIL**

FROM: Joseph Horwedel
Katy Allen
Darryl Von Raesfeld
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: October 26, 2009

Approved

Date

11/1/09

COUNCIL DISTRICT: City-Wide
SNI AREA: All

**SUBJECT: ADOPTION OF APPROPRIATION ORDINANCE AND FUNDING
SOURCES RESOLUTION AMENDMENTS IN VARIOUS FUNDS FOR
REBALANCING THE PLANNING, BUILDING, PUBLIC WORKS AND
FIRE DEVELOPMENT FEE PROGRAM BUDGETS**

RECOMMENDATION

1. Adoption of the following 2009-2010 Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund:
 - a. Decrease the Licenses and Permits (Building Fee Program) estimate by \$1,811,262;
 - b. Decrease the Licenses and Permits (Fire Fee Program) estimate by \$363,000;
 - c. Decrease the Departmental Charges (Planning Fee Program) estimate by \$722,323;
 - d. Decrease the Departmental Charges (Public Works Fee Program) estimate by \$1,001,335;
 - e. Decrease the Planning, Building and Code Enforcement Personal Services appropriation by \$1,872,242;
 - f. Decrease the Planning, Building and Code Enforcement Non-Personal/Equipment appropriation by \$171,000;
 - g. Decrease the Information Technology Personal Services appropriation by \$307,824;
 - h. Decrease the Information Technology Non-Personal/Equipment appropriation by \$153,800;
 - i. Decrease the Public Works Personal Services appropriation by \$937,611;

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- j. Decrease the Fire Personal Services appropriation by \$217,983;
 - k. Decrease the Fire Development Fee Program Earmarked Reserve by \$80,273;
 - l. Decrease the Public Works Development Fee Program Earmarked Reserve by \$31,528;
 - m. Decrease the Planning Development Fee Program Earmarked Reserve by \$81,692;
 - n. Decrease the Building Development Fee Program Earmarked Reserve by \$37,091;
 - o. Decrease the Salary and Benefit Earmarked Reserve by \$6,876.
2. Adoption of the following 2009-2010 Appropriation Ordinance amendments in the Integrated Waste Management Fund:
 - a. Increase the Information Technology Personal Services appropriation by \$12,654;
 - b. Decrease the Ending Fund Balance by \$12,654;
 3. Adoption of the following 2009-2010 Appropriation Ordinance amendments in the Storm Sewer Operating Fund:
 - a. Increase the Information Technology Personal Services appropriation by \$12,654;
 - b. Decrease the Ending Fund Balance by \$12,654;
 4. Adoption of the following 2009-2010 Appropriation Ordinance amendments in the Water Utility Fund:
 - a. Increase the Information Technology Personal Services appropriation by \$8,436;
 - b. Decrease the Ending Fund Balance by \$8,436;
 5. Adoption of the following 2009-2010 Appropriation Ordinance amendments in the Sewer Service and Use Charge Fund:
 - a. Increase the Information Technology Personal Services appropriation by \$8,436;
 - b. Decrease the Ending Fund Balance by \$8,436;
 6. Elimination of 43.5 positions in Planning, Building and Code Enforcement (29.00), Public Works (11.50), and Information Technology (3.00) Departments included in Attachment A of this memorandum.

OUTCOME

The outcome of these actions will be to rebalance the Development Fee Programs (Planning, Building, Public Works and Fire) by closing an estimated \$3,898,000 gap between projected costs and projected revenues in 2009-2010. If development activity continues at its severely depressed pace, the gap in the Planning Fee Program is estimated to grow an additional \$470,000 and the Building Fee Program by an additional \$600,000 by the end of the fiscal year, which will require additional actions. The proposed budget actions included in this memorandum will bring the Development Fee Programs closer to the Council-approved 100% cost-recovery levels. An additional reduction of \$468,000 from the loss of overhead from the Development Fee Programs

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to the General Fund will be included in the Mid-Year Budget Review scheduled for review in February.

In light of reductions taken in 2008-2009 and 2009-2010, in which the Development Fee Programs realized a total reduction of 97.68 positions (20.53 in Planning, 62.52 in Building, 9.63 in Public Works, and 5.0 in Fire), the incoming volume of relatively small development projects, and the backlog of applications that need to be processed, there will be service declines in the City's development process, especially those that are not full cost recovery. Specifically, customers are likely to experience longer wait times in the Permit Center, longer review cycle times for Planning, Fire and Building Plan review functions, and longer lead times for Fire and Building inspections. The four Development Fee Program Partners (Partners) are continuing to undertake process improvement efforts to provide services more efficiently; however, the capacity to invest in significant, new initiatives is being further eroded by the proposed reductions.

EXECUTIVE SUMMARY

The City provides a wide range of development services including, but not limited to, planning, zoning, permitting, environmental clearance, fire and building plan check, and construction inspection. These services are paid for through fees to cover the City's costs of providing those services at the City Council approved 100% cost-recovery level. The largest portion of fee program dollars traditionally has gone to pay for the salaries and benefits of the City employees who deliver those services to the paying customers.

In addition to rebalancing actions taken last January to resolve a projected revenue shortfall during 2008-2009, the 2009-2010 Adopted Operating Budget assumed a further decline in development activity and additional expenditure reductions were approved; however, it was not anticipated that the extent of the decline would be much steeper. As a result, the Development Fee Programs are currently facing a projected \$5.3 million gap between projected revenues and costs. A small portion of the shortfall was already addressed during the Annual Report with reductions taken in Planning (\$67,000), Building (\$373,000), and Fire's (\$470,000) non-personal/equipment and overtime allocations. At this time, the Administration is recommending additional budget actions that would close the gap by \$3.9 million (and \$0.5 million for overhead loss at Mid-Year), recognizing that additional actions may be required later this fiscal year if the projection of an additional \$1,070,000 shortfall in the Planning (\$470,000) and Building (\$600,000) programs becomes more likely.

This memorandum recommends that the City Council take actions to close the gap, including the elimination of filled and vacant positions, holding positions vacant, reallocating positions to other funding sources, reducing non-personal/equipment allocations, and using a limited amount of reserves. As in the past, the proposed budget actions include the use of the Planning, Building, Public Works, and Fire Fee Reserves, however, the Administration does not recommend bringing the reserves below the proposed amounts included in this memorandum in order to fund current works in progress and to maintain a contingency for unanticipated decreases in revenues in order to maintain a minimum service delivery to development customers.

BACKGROUND

In 2008-2009, the City Council approved reductions in the Development Fee Programs to reflect a significant decrease in development activity associated with the economic downturn. The four Development Fee Program Partners consist of Planning, Building and Code Enforcement (PBCE), Public Works, and Fire. Development fee revenue dropped such that, even with numerous staff vacancies, development fee revenues were projected not to cover that fiscal year's development services expenses. Among other actions, the City Council deleted 28 filled positions and 27 vacant positions, used \$4.5 million in reserves, reduced \$382,000 in non-personal/equipment costs, and saved over \$1.98 million in miscellaneous personal services savings. In all, this represented a reduction of \$8,498,000 for the Development Fee Programs in 2008-2009. At the time of the City Council actions, revenues for the Partners totaled \$34.4 million (Building, \$18.2 million; Planning, \$4.9 million; Fire, \$4.7 million; and Public Works, \$6.6 million).

Although these reductions were estimated to have minimal service delivery impacts, the Development Fee Programs did experience a decline in performance as staff was bumped, and the remaining staff adjusted to new, increased workloads as a direct result of staff reductions. Despite these reductions, however, the pace of development continued to decline and, for fiscal year 2009-2010, the revenue estimate was further reduced to approximately \$3,978,000 for the Planning Fee Program, \$16,959,000 for the Building Fee Program, \$5,388,000 for the Public Works Fee Program, and \$4,126,000 for the Fire Fee Program with no fee increases except for Public Works. A fee restructuring that was approved in 2009-2010 in the Public Works' Fee Program is now helping that program to recover the full cost of services provided. The Partners consequently further reduced staffing levels and currently the Development Fee Programs have a total of 22.11 Planning positions, 104.69 Building positions, 32.7 Public Works positions, and 25.0 Fire positions.

Development activity has continued to decline since the July projections, and, at the current rate of development activity, revenues are now estimated to be approximately \$2,500,000 for the Planning Fee Program, \$14,000,000 for the Building Fee Program, \$4,387,000 for the Public Works Fee Program, and \$3,293,000 for the Fire Fee Program. See Attachment B for information regarding Planning and Building development activity during the first quarter of 2008-2009 compared with 2009-2010.

Throughout 2009, a number of efforts have been implemented to control costs and improve productivity/efficiency. These include, but are not limited to:

1. Annual Report approved by City Council on October 20, 2009 which included reductions of over \$440,000 in the Planning and Building Fee Programs and \$470,000 in the Fire Fee Program by reducing non-personal, overtime and Fire's Earmarked Reserve.
2. Shifted two Building Inspection positions from the Building Fee Program to the Public Works capital program.
3. Shifted seven positions from the Public Works Fee Program to the Public Works capital program.

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4. Focused service delivery to the fee paying customers who file applications and reduced non-cost recovery services (e.g., less staffing of phone service and walk-in inquiries at the Permit Center).
5. Consolidated Permit Center services to the first floor of City Hall to reduce redundancies of specialized staff on two floors.
6. Established online avenues for inspection times and appointments for application submittals to redirect customers to more time and cost efficient ways to access PBCE services.
7. Continued to streamline the review of non-cost recovery permits (e.g., noticing for Tree Removal Permits to code minimums).
8. Increased the workload of line staff given the higher volume of smaller types of development projects.
9. Designed an inspection schedule to balance the furlough with customer service.
10. Tightened cancellation procedures for Inspection and Special Programs (i.e., Industrial Tool Installation and Special Tenant Improvement).
11. Clarified for customers the minimum requirements for Planning application submittals.
12. Reorganized Public Works project teams to facilitate quicker decision making by more experienced staff.

ANALYSIS

The Partners used the following principles to determine the specific actions needed to maintain fiscal health by bringing projected costs as close as possible to projected revenues:

- Focus resources to front-line staff to provide the core development services of plan check, inspection, and planning.
- Maintain sufficient reserves to be able to provide service for which fees have already been paid;
- Communicate openly and frequently with employees, customers, and bargaining units regarding the fiscal situation and potential actions;
- Explore all feasible options for cost savings before considering lay offs, including restructuring service delivery and reducing non-personal expenses;
- Continue strategic, though now much more limited, investments in process improvements/streamlining and training to enable staff to do their best work and meet performance targets;
- Minimize disruptions to the customer and morale impacts to staff;

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- Continue targeted adjustments to fees to cover the cost of specific services without assuming an across the board fee increase; and
- Organize staff resources to respond flexibly to changes in activity, including rapid response to economic recovery.

The Partners applied these principles in the careful evaluation of a variety of cost savings measures, including ideas that came forward from staff and the bargaining units. Specifically, the Partners have assembled a proposed package to close the \$3.9 million gap between costs and reduced revenues, as detailed below. Given that this is the third round of staff reductions within a single calendar year, the opportunities for reductions are severely limited.

This package, particularly the proposed cuts of filled positions, was very difficult to put together and was done thoughtfully and deliberately. For positions in other Departments funded by the Development Fee Programs, Department leadership coordinated closely to arrive at a mutually agreed upon package. Communication has occurred with the employees and bargaining units and will continue to occur as the budget rebalancing actions occur and we prepare for the 2010-2011 operating budget process.

Use of Reserves - \$238,000

The Development Fee Program Earmarked Reserves currently are Planning (\$0.5 million), Building (\$1.5 million), Fire (\$2.3 million), and Public Works (\$31,528). Limited use of these Earmarked Reserves is recommended. During the Annual Report, funding was returned to each Development Fee Program's Earmarked Reserve from the implementation of the employee concessions that were approved to preserve specific services as part of the Mayor's June Budget Message for 2009-2010 and the final approval of the 2009-2010 Operating Budget. These funds are recommended to be used to address the projected shortfalls in each of the programs. For the Planning Program, \$50,000 of the reserve is recommended to be used to extend one Planner proposed in this memorandum for elimination to June 30, 2010 to reduce the backlog (and therefore fee liability) of partially processed Planning applications, and \$32,000 is available from the employee concessions savings. This position temporarily offsets one of the reductions and prepares the Department to have a temporary resource on hand should the economy pick up and the position needs to be extended for some or all of 2010-2011. This is a reasonable use of the reserve because unspent fees are added to the reserve as an offset to the fiscal liability for projects on file that require staff time to complete. For the Building and Public Works Programs, the Departments recommend the use of their employee concessions savings of \$37,000 and \$32,000, respectively. For the Fire Department, \$65,000 of the reserve is recommended to be used for balancing purposes in order to maintain current performance and \$15,000 is available from the employee concessions savings.

The Administration does not recommend bringing the reserves below the proposed amounts. The purposes of the reserves are (1) to fund current works-in-progress for projects whose fees have already been remitted, but the work is not yet completed and (2) to provide a small contingency for unanticipated decreases in revenues in order to maintain a minimum service delivery to development customers. Based on past history of other economic downturns, San José's economic recovery from the current downturn will likely involve new development and/or improvements to existing properties. It is essential that the City has the necessary staff expertise on hand to respond promptly to development applications. The reserves provide that ability.

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Non-Personal/Equipment Reductions - \$324,800

Non-Personal/Equipment budget savings in the Building Fee program of \$171,000 would be realized by reducing purchases to replace the Planning, Building and Code Enforcement Department's technology equipment, such as desktop PCs, scanners, and plotters. In alignment with the reductions in staffing levels, a corresponding decrease in training and supplies budget is also proposed. In addition, the Department is proposing reductions in the travel and other miscellaneous Non-Personal/Equipment expenditures. Funding for hardware and software maintenance for the various development systems is budgeted in the Information Technology Department and is used on a yearly basis to replace the servers and equipment needed to support the permitting, document management and Geographic Information Systems (GIS). Information Technology Non-Personal/Equipment budget savings of \$153,800 would be realized by reducing the number of software licenses to align with current usage and eliminating funding for GIS consulting and corrective programming services. While this funding is not normally essential for providing daily GIS services, should these services be required during the fiscal year for unplanned software repair, funding will need to be reallocated from other essential services in order to maintain critical Integrated Data Tracking System (IDTS) functionality. Additionally, should the City need to increase these limited users levels, the City may be obligated to fund prior years' maintenance costs on the de-funded portion of licenses.

Miscellaneous Personal Services Savings - \$771,000

The Departments have identified the following areas to reduce costs and realize additional savings of \$771,000:

- Reassignment of 3.50 development staff to capital work and rightsizing of capital program staff (\$155,000) The Public Works Department will temporarily reassign 3.50 positions to its capital program to generate Public Works Development Fee Program savings. In addition, the elimination of 9 vacant positions is proposed to facilitate the alignment of staff resources with the anticipated decline in capital activity. Unlike the other Partners, the vast majority of Public Works staff are funded by a still sizeable capital program. Knowing that the capital program will shrink considerably when the Airport and bond programs are completed in 2010-2011, the Department has, for the past year, been cutting positions that are vacated through retirements or resignations rather than filling them. In keeping with this strategy, the Department is recommending the elimination of 8.92 vacant FTE associated with the Public Works capital and utility programs that cannot be supported by project workload in the long-term. This approach allows the short-term reassignment of 3.5 filled positions to capital and utility work for the remainder of the fiscal year to keep capital projects on track and to postpone the budgetary and position rebalancing of its fee program until the 2010-2011 budget process in case development activity rebounds. In addition, two filled Program Manager II positions in the Public Works' capital program are proposed for elimination effective June 30, 2010 when the projects they are overseeing will be substantially completed.
- Vacancy Savings (\$218,000) The Fire Department recommends holding a Division Manager position vacant for one year and a Fire Prevention Inspector vacant for six months. This will allow the Department to minimize service level impacts and to allow flexibility should activity levels improve.

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- Voluntary staff furlough (\$30,000). Several employees in the Planning and Building Fee Programs have signed up for the City's Voluntary Furlough and Special Reduced Work Week programs whereby employees schedule unpaid time at specific points during the fiscal year.
- Staff working across other City departments (\$49,000). A portion of an Information Systems Analyst position in the Information Technology Department that supports the Geographic Information Systems (GIS) application, who is funded by the Development Fee Program, can be reassigned and appropriately funded by Environmental Services Department funds.
- Miscellaneous Program Savings (\$319,000) The Public Works Department is anticipating the generation of savings in its fee program personal services appropriation when staff charge their paid time off to the Department's compensated absence appropriation. The Public Works Development Fee Program was removed from the Department's compensated absence program this year, but will continue to charge their paid time off to the compensated absence appropriation until the funds paid into the reserve in prior years by the fee programs are depleted.

Elimination of Vacant Positions - \$314,000

In order to address the revenue and expenditure imbalance in its Development Fee Program, the Departments have proposed the elimination of both vacant and filled positions. The positions that have been identified for elimination are from all levels of the organization and impact all levels and core services of Planning, Building and Code Enforcement, Public Works and Information Technology Departments, including inspection/plan check/planning, technology, clerical and administrative support, and key leadership positions. The positions proposed for elimination are included and detailed in Attachment A.

Elimination of Filled Positions - \$2,230,000

A total of 34 filled positions are recommended for elimination. Due to the slowdown in development activity that is projected to continue in 2009-2010, the proposed staffing complement matches projected revenue forecast expecting relatively small development projects; however, given the existing applications on file, the overall service to customers is expected to decline as discussed on the next page under "Service Impacts." As discussed earlier, a Planner position is recommended to be retained through the end of the fiscal year to address works-in-progress. The positions proposed for elimination are included and detailed in Attachment A.

The loss of three Information Technology (IT) positions, combined with an additional reduction in Development Services, will reduce support to supporting only essential operations, and stop any progress on improvements and upgrades to the Development Services website and the IDTS permitting system. Initiatives currently in progress such as the Chess Clock, Development Services website redesign, and Planning Fee restructuring will be on hold until such time when information technology resources can again be retained to focus upon these initiatives. Remaining IT staff dedicated to Development Services will focus solely on maintaining current functionality and, as such, IT services need to be carefully prioritized to only include essential operations; the full effect of staff displacements is yet to be determined.

The City's layoff rules, contained in the Civil Service Rules and the bargaining unit Memoranda of Agreement, provide certain rights and options to employees. With the use of these rules, employees

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who are displaced from a job class may not necessarily be laid off from City employment -- they may retain a different City job through the "bumping" process, or be offered the opportunity for "redeployment" in lieu of layoff. The term "layoff" includes situations that result in an employee either leaving City employment involuntarily, or leaving his/her classification involuntarily. Employees whose positions are discontinued may have rights to other positions in their class. If there are no opportunities for reassignment, bumping, or other placement, then the employee may be separated from City service. "Reassignment" is the process for determining which employees may be relocated to different positions in the same classification or possibly to a lower classification. All impacted employees will receive a 30-day notice at the time this memorandum is public. Given the unique circumstances of each affected employee, Department management will be conducting one-on-one meetings with each impacted employee to keep the individuals apprised of their specific situation. All employees impacted by these actions will be evaluated on a case-by-case basis by the Human Resources Department during this time period.

Employees that are at risk of layoff, their co-workers and managers/supervisors will be provided with training and resources from the City's contracted provider for our Employee Assistance Program to assist them in dealing with this difficult situation. They will receive support and have a contact person in Human Resources that will answer any questions and assist them in the redeployment process. In addition, employees for which there are no opportunities for reassignment, bumping, or other placements that are separated from City service will be placed on a reinstatement list for their classification in order of seniority. Reinstatement lists shall be in effect for three (3) years from the date of the layoff from the class, and employees on these lists will have the right to be rehired into vacancies in the classification they held when laid off as they occur in the City. In most cases, the last day of service for employees who may be separated from the City as a result of the actions in this memorandum is November 27, 2009.

The City Administration is balancing compassionate handling of this situation with minimizing disruption of City services. While the direct and indirect effects go beyond the Development Services Partners, the Administration appreciates everyone's patience and understanding as we work through these challenging transitions as seamlessly as possible.

Service Impacts

The reductions recommended in this memorandum will affect service delivery through the loss of overall capacity and flexibility to accommodate unplanned assignments and referrals. While the intention is to continue to meet as many performance targets as possible, it is likely that cycle times for various services will increase due to the number of commitments already made for work activities and the sudden loss of resources. For example, wait times at the Development Services Permit Center will increase for walk-in customers. The reduction in flexibility to assign work and the desire to minimize hand-offs between staff will cause processing time to increase for Planning and Plan Check applications, and it is anticipated that fire and building inspections will have a schedule a couple of days out instead of the next day inspection customers currently experience. Because Public Works completed a thorough Business Model and User Fee Study last year, the revenue is now closely aligned with the workload. The proposed reduction of resources is commensurate with the reduction in permit review and inspection work. This means that the Department anticipates only near term performance level impacts due to the probability of projects being shifted from one project manager to another.

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Development Services management will continue to collect and analyze performance data and make necessary service adjustments to minimize the impacts to our customers. For example, the smaller land use and construction projects typically involve applicants who are unfamiliar with development, requiring extra "handholding" by staff to get them through the process successfully. In the current environment, staff will have less opportunity for such "handholding" and instead will guide applicants to professional contractors, architects, etc. to assist them with their projects. Limited process improvements and training will continue in order to improve efficiencies in operations and continue to develop the remaining talent in the organization. Communication with the staff and customers will be on-going so that changes in service delivery can be discussed openly and ideas for improvement can be explored collaboratively.

EVALUATION AND FOLLOW-UP

The Development Fee Program Partners will continue to monitor development activity and revenues. If activity continues to decline beyond the revised projections discussed in this memorandum, then the City Council will be asked to take additional cost savings measures later this year and/or as part of the 2010-2011 budget process. Conversely, when development activity begins to increase, the Partners will seek to reinstate Engineers, Planners, and Inspectors temporarily in order to respond proactively and promptly to customer needs. If activity picks up substantially and is determined to be sustainable, then the City Council will be asked to take appropriate action to restore positions to ensure staff levels are adequate to respond to the customer demands of an economic recovery. As described earlier in this report, if positions are restored within three years, there is an opportunity for laid off staff to be reinstated.

The Partners are continuing to work together and with their customers to develop strategies to make targeted fee adjustments to improve cost recovery, as well as complete its analysis of services that are not cost recovery. The Partners may propose to modify, suspend, or eliminate such programs. Examples of PBCE programs that are currently not cost recovery include tree removal permits, Small Business Ambassador Program presubmittal consulting, and administrative handling of City taxes paid at building permit issuance.

POLICY ALTERNATIVES

Alternative #1: Reduce the Planning Fee Program by an additional \$465,000 and the Building Fee Program by an additional \$138,000 to match the projected revenue exactly.

Pros: The Planning and Building Fee Program would be sized to meet the projected revenue for the current fiscal year and may not need to make further reductions later.

Cons: At current staffing levels (before the cuts proposed in this memorandum), any absence due to sick time or vacation places burden on the remaining staff to cover not only their own work but also that of a colleague. With even fewer staff, these absences will be more noticeable as customers would not be receiving services because there would not be the resources to back up a colleague.

Reason for not recommending: The proposed cuts are a reasonable effort to close the budget gap while retaining necessary resources to complete works in progress and respond to customers trying to open businesses in the current economy.

Alternative #2: Increase Non-Personal/Equipment reductions in PBCE.

Pros: In view of rapidly declining permit activity, additional savings could be realized by increasing reductions in Non-Personal/Equipment costs, such as training, office supplies, office equipment, and contractual services. Additional savings of \$100,000 could be realized.

Cons: Staff may be limited in their ability to effectively and efficiently perform their jobs.

Reason for not recommending: While it is acknowledged that additional savings could be realized by further reducing the Non-Personal/Equipment budget, the Department firmly believes that additional reductions in this area would negatively impact the ability of the staff to do their daily work. As PCs and other technology equipment experience failures, staff currently is swapping out failed equipment for old equipment that is also barely functional. In addition, if the Department does not invest in even minimal staff training, the capacity to continue to provide efficient and effective service will noticeably decline. Additionally, since the Department currently has a very low Non-Personal/Equipment budget when compared to actual need, the possible reduction of only \$100,000 in this area could not be realized without significant impact.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)
- X **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

For 2009-2010, management has been tracking revenue and activity, and shared these trends with staff in smaller team meetings. An email to all PBCE staff was issued in early October acknowledging that budget adjustments would be coming forward for the City Council's consideration this calendar year. A meeting with all Public Works Development Services staff was held on October 1, 2009 to discuss all of the staff reassignments. Public Works had an all-hands Department Meeting on October 15, 2009 where the Development Services fiscal situation was discussed at length. In PBCE due to the severity of cuts, additionally, all management has had an "open door" to staff ideas, and these suggestions were taken seriously in the development of the proposed package. Communication occurred with the affected bargaining units to inform them of the revenue trends and likelihood of needed action prior to the preparation of this memorandum.

Once this memorandum is public, it will be distributed to employees and customers. City Management will also be talking on a one-on-one basis to all directly impacted staff and will utilizing the City Policy and Ordinances regarding layoffs.

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COORDINATION

The preparation of this memorandum was coordinated with the Office of Employee Relations, City Manager's Office, Human Resource Department, Information Technology Department, and the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

The proposal contained in this memorandum is consistent with the City of San Jose's goal of being fiscally responsible.

COST SUMMARY/IMPLICATIONS

As discussed in this memorandum, a package of cost savings proposals are recommended to close a \$3.9 million gap between projected revenues and costs in the Development Fee Programs. Specifically, if the City Council approves the proposed package, the Departments, will have revised budgets that reflect reduced revenues associated with smaller scale projects and several development activity projections. The Departments will be able to provide development services to new customers and work through older caseloads but with longer processing times. Work will continue to streamline processes to find greater efficiencies and explore other funding options for required activities, such as public records requests and citywide GIS development that have been subsidized by the Development Fee Programs.

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BUDGET REFERENCE

The table below identifies the fund and appropriations that will be impacted from the actions recommended as part of this memo.

Fund #	Appn #	Appn #Name	Total Appn	Amount to Reduce	2009-2010 Adopted Operating Budget (Page #)	Last Budget Action (Date, Ord #)
001	0581	Planning, Bldg & Code Enf Personal Services	23,571,939	(1,872,242)	VIII-202	10/20/2009, 28653
001	0582	Planning, Bldg & Code Enf Non-Personal/Equip	2,602,809	(171,000)	VIII-202	10/20/2009, 28653
001	0431	Information Technology Personal Services	11,724,874	(307,824)	VIII-154	10/20/2009, 28653
001	0432	Information Technology Non-Personal/Equip	5,146,289	(153,800)	VIII-154	10/20/2009, 28653
001	0574	Public Works/Develop Personal Services	3,941,868	(937,611)	VIII-232	10/20/2009, 28653
001	0541	Fire Personal Services	147,395,225	(217,983)	VIII-100	10/20/2009, 28653
001	8636	Fee Supported Reserve-Fire	2,299,969	(80,273)	N/A	10/20/2009, 28653
001	8610	Fee Supported Reserve-Public Works	31,528	(31,528)	N/A	10/20/2009, 28653
001	8637	Fee Supported Reserve-Planning	487,000	(81,692)	N/A	10/20/2009, 28653
001	8609	Fee Supported Reserve-Building	1,483,926	(37,091)	N/A	10/20/2009, 28653
001	8853	Salary and Benefit	6,948,011	(6,876)	IX-52	10/20/2009, 28653
423	8999	Ending Fund Balance	3,213,788	12,654	VIII-154	10/20/2009, 28653
446	8999	Ending Fund Balance	296,937	12,654	VIII-154	10/20/2009, 28653
515	8999	Ending Fund Balance	X296,258	8,436	VIII-154	10/20/2009, 28653
541	8999	Ending Fund Balance	506,472	8,436	VIII-154	10/20/2009, 28653

HONORABLE MAYOR AND CITY COUNCIL

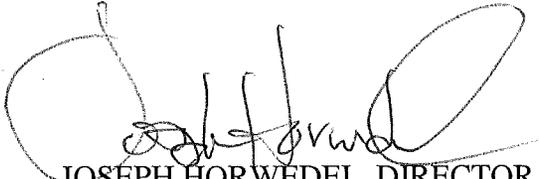
October 26, 2009

Subject: Rebalancing the Planning, Building, Public Works and
Fire Development Fee Program Budgets

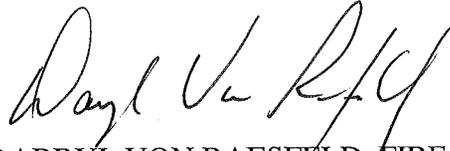
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CEQA

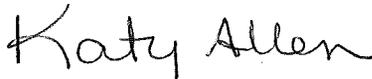
Not a project.



JOSEPH HORWEDEL, DIRECTOR
Planning, Building and Code Enforcement



DARRYL VON RAESFELD, FIRE CHIEF
Fire Department



KATY ALLEN, DIRECTOR
Public Works



JENNIFER A. MAGUIRE, DIRECTOR
City Manager's Budget Office

For questions please contact Joseph Horwedel at 408-535-7900.

Positions Proposed for Elimination

Classification	Filled	Vacant	Total
<i>Planning, Building and Code Enforcement Department</i>			
Associate Architect	(1.00)		(1.00)
Associate Engineer	(1.00)		(1.00)
Building Inspection Manager		(1.0)	(1.00)
Building Inspector	(7.00)		(7.00)
Geographic Systems Specialist Planner	(1.00)		(1.00)
Planner	(4.00)		(4.00)
Planning Technician	(2.00)		(2.00)
Principal Permit Specialist	(1.00)		(1.00)
Principal Planner	(1.00)		(1.00)
Program Manager II	(1.00)		(1.00)
Senior Account Clerk	(1.00)		(1.00)
Senior Office Specialist	(4.00)		(4.00)
Senior Permit Specialist	(1.00)		(1.00)
Senior Planner	(2.00)		(2.00)
Senior Systems Applications Programmer	(1.00)		(1.00)
	(28.00)	(1.00)	(29.00)
<i>Information Technology Department</i>			
Information Systems Analyst	(1.00)		(1.00)
Senior Systems Applications Programmer	(1.00)		(1.00)
Supervising Applications Analyst	(1.00)		(1.00)
	(3.00)	(0.00)	(3.00)
<i>Public Works Department</i>			
Construction Manager		(1.00)	(1.00)
Engineering Technician II		(1.00)	(1.00)
Engineering Trainee PT		(0.50)	(0.50)
Office Specialist	(1.00)		(1.00)
Principal Construction Inspector		(2.00)	(2.00)
Program Manager II	(2.00)		(2.00)
Senior Account Clerk		(1.00)	(1.00)
Senior Construction Inspector		(2.00)	(2.00)
Structure/Landscape Designer II		(1.00)	(1.00)
	(3.00)	(8.50)	(11.50)
GRAND TOTAL	(34.00)	(9.50)	(43.50)