



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Joseph Horwedel  
Jennifer Maguire  
David Sykes  
William McDonald

**SUBJECT: DEVELOPMENT SERVICES  
STAFFING NEEDS**

**DATE:** January 12, 2012

Approved

Date

1/17/12

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

1. Adoption of the following Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund:
  - a. Increase the revenue estimate for Licenses and Permits by \$2,112,070;
  - b. Decrease the Fee Supported Reserve – Planning appropriation by \$138,505;
  - c. Increase the Personal Services appropriation to the Planning, Building and Code Enforcement Department in the amount of \$1,909,815;
  - d. Increase the Personal Services appropriation to the Fire Department in the amount of \$141,321; and
  - e. Increase the 2012-2013 Future Deficit Reserve appropriation by \$199,439
2. Approve the following position additions effective February 6, 2012:

### **Planning, Building and Code Enforcement Department**

#### *Building Fee Program:*

<u>Job Code</u>	<u>Job Classification</u>	<u>FTE</u>
3915	Building Inspector/Combo Cert FT	11.00
3919	Building Inspector Supervisor	1.00
3814	Associate Engineer	2.00
4122	Planner I/II	1.00
3844	Senior Architect	1.00
<i>Subtotal Building Fee Program</i>		<i>16.00</i>

#### *Planning Fee Program:*

<u>Job Code</u>	<u>Job Classification</u>	<u>FTE</u>
4122	Planner I/II	1.00
<i>Subtotal Planning Fee Program</i>		<i>1.00</i>

**Public Works Department**

*Public Works Fee Program:*

<u>Job Code</u>	<u>Job Classification</u>	<u>FTE</u>
3813	Engineer I/II	1.00
<i>Subtotal Public Works Fee Program</i>		<i>1.00</i>

**Fire Department**

*Fire Fee Program:*

<u>Job Code</u>	<u>Job Classification</u>	<u>FTE</u>
3814	Associate Engineer	2.00
2322	Hazardous Materials Inspector I/II	1.00
<i>Subtotal Fire Fee Program</i>		<i>3.00</i>

**TOTAL** **21.00**

**OUTCOME**

The outcome of these actions will add 21 new positions (16.0 FTE in the Building Fee program, 1.0 FTE in the Planning Fee program, 1.0 FTE in the Public Works Development Fee program, and 3.0 FTE in the Fire Fee program). These actions are necessary in order to operate San José Development “at the speed of business,” and to raise performance back to the level necessary to meet customer demand.

Building, Fire, and Public Works fee revenues are currently well above base revenue estimates. This memorandum recommends increasing the estimate for these programs over the initial 2011-2012 estimate, in order to provide staffing to meet increased demand. The Planning Fee program will use fee reserves, set aside for future work on projects that were paid by fees, to fund an additional position in Planning Development.

**BACKGROUND**

On October 14, 2011, the Council approved the memorandum from Mayor Reed, Vice Mayor Madison Nguyen and City Council Members Rose Herrera, Donald Rocha, and Nancy Pyle which directed the “Top 5 highest priorities” on which staff should be spending 80% of their efforts in 2011-2012 to implement the City’s Economic Development Strategy. The first of these priorities is for staff to “work at the speed of business on major development projects that can have a measureable impact on job creation or revenues within the next 18 months.” In order to advance this directive, staff was asked to present a strategy to City Council on how the City’s Development Services Team intends to provide the staffing capacity needed to keep up with current and future demand for permitting services.

This memorandum responds to the Council's direction. During the current fiscal year, Development Services activity has continued to increase at a sustained pace, and revenues have matched that pace accordingly. However, in order to continue to operate efficiently, attract further development to the City, and generate greater revenue, the Development Services Partners (Planning, Building, Public Works, and Fire) must be able to efficiently and nimbly add and maintain additional capacity, as well as ramp up for additional coordinated Special Tenant Improvement lines through the addition of permanent positions.

While the City Council typically considers appropriation and position adjustments during the annual budget process, it is critical that the Development Services budget actions be considered in advance in order to respond to the demand for services and meet performance goals.

## **ANALYSIS**

### **Planning Building and Code Enforcement Department**

#### *Building Fee Program*

Over the last year, Development Services has seen a steady increase in inspection activity; Building inspections have increased from a monthly average in 2010-2011 of 8,423 to a monthly average of 11,390 (increase of 35%) in 2011-2012. In order to provide efficient and effective customer service, Development Services strives to maintain its performance target for scheduling inspections within 24 to 48 hours of request. Meeting this target is highly dependent upon having enough Building Inspectors available to go out into the field as permits are issued. The Department currently is able to schedule only 44% of inspections within 24 hours (compared to 72% average last year), and only 58% within 48 hours (compared to 92% average last year). The performance measurement goal for Building inspections is 80% scheduled within 24 hours, and 100% scheduled within 48 hours. The Building Division currently has 38 permanent Building Inspector positions and eight permanent Building Inspector Supervisors. In addition, the Building Division has six temporary Building Inspectors and one temporary Building Inspector Supervisor. The temporary positions have been approved through the Budget Office based on the increased demand for inspections and the subsequent increase in revenues.

The Plan Review section of the Building Division has also seen a steady increase in activity over the last year, and has been approved to add two temporary Associate Engineers based on this increase. The number of plan reviews conducted has grown from an average of 750 per month in 2010-2011, to an average of 817 per month in 2011-2012 (a 9% increase). Based on this increase in activity, cycle time performance has fallen; in 2010-2011 90% of plan reviews were completed within cycle time, and currently only 82% (compared to the performance measurement goal of 86%) are completed within cycle time. Although two temporary Associate Engineer positions were approved for Plan Review, the Department had difficulty filling the positions due to a majority of the engineers on the reinstatement list lacking the qualifications to conduct plan review activities. A recruitment is currently in progress to fill the approved temporary positions; however, there has been very low interest by qualified candidates.

Based on the increased activity seen in Development Services, revenues have steadily increased over the last two years. The Building Fee program is currently projecting to bring in \$18.5 million in 2011-2012, approximately \$2.0 million more than the 2011-2012 estimate of \$16.6 million. As a result of the increased revenue, the Department of Planning, Building and Code Enforcement (PBCE) recommends making the ten temporary positions described above permanent and the addition of six permanent positions, increasing the Building Fee Program by a total of 16 positions.

#### *Planning Fee Program*

While the Planning Fee program has not seen a steady revenue increase comparable to the other fee programs, PBCE is anticipating a spike in Planning Fee revenue within the next six to eight months based on North San Jose activity. The Department further believes this activity will be sustained through 2012-2013, and therefore requests to make the temporary Planner II in Planning Development permanent. However, because there is a backlog of projects and the Department is having a difficult time meeting the timeliness performance measure, it is recommended that this temporary position be made permanent now and will be funded by the Fee Supported Reserve for Planning for the current year.

#### **Public Works Department**

##### *Public Works Fee Program*

Public Works has seen a significant increase in revenue and associated workload activity starting in 2010-2011 and continuing into this fiscal year. This increased activity has impacted service delivery timelines. During 2010-2011, the percentage of project reviews completed in a timely manner started to deteriorate, declining from 87% during the first quarter (85% target) to only 71% by the fourth quarter. Not surprisingly, project review requests increased during the same time period, from 141 in the first quarter to 190 in the last quarter, representing a 35% increase in demand.

To address this increased workload, a temporary Engineer in Public Works was approved in July 2011. The addition of this position has already had a positive impact on performance, improving the percentage of project reviews completed in a timely manner to 76% in 2011-2012. Funding of \$312,000 was approved as part of the 2010-2011 Annual Report to be shifted from the Fee Supported Reserve-Public Works to the Public Works Development Fee Program Personal Services appropriation to cover the costs of the temporary engineer position as well as other capital funded staff that were reallocated to work on Development Services. Public Works Development is requesting to make this Engineer I/II position permanent as this is a critical position directly responsible for the timely review of development projects. By making these positions permanent, Development Services will be able to improve its project turn-around time commitments to the target level expected by its customers.

In the Public Works Fee program, revenue has also exceeded expectations, as revenue is projected to end the year \$600,000 above the 2011-2012 estimate of \$2.9 million. Since it is believed that this increased workload will continue into 2012-2013, the temporary Engineer position is recommended to be made permanent in order to ensure continued service delivery improvement moving forward.

**Fire Department**  
*Fire Fee Program*

Increases in workload activities experienced by the Fire Department in 2010-2011 continue in 2011-2012. Current staffing levels did not anticipate this continued increase in activity, and as a consequence, Fire Department staff have fallen behind in their turnaround time commitments. Although the Department has created some efficiencies, additional staffing is necessary to improve plan review and inspection turnaround times. Currently, Fire inspection and plan review services are six to eight weeks behind.

Through November, revenues for the Fire Development fee program were at 60% of budget (par level would have been 33%). The Fire Department conservatively estimates that 2011-2012 year-end revenues will exceed the budgeted estimate of \$3.9 million by approximately \$200,000.

**Development Services Staffing Challenges**

At the same time Development Services is experiencing increased revenue and activity, staff turnover rates have been unprecedented, making "working at the speed of business" extremely challenging. In its inspection services alone, PBCE has lost 16% of its inspectors and 13% of its supervisors since July 2011. In the Permit Center there has also been a large turnover in the Planning staff based on temporary positions in Planning Development being filled with reinstatements from the Planning staff located in the Permit Center.

While the Administration is responding to the Departments' needs to hire qualified temporary candidates quickly, the Development Service partners are experiencing difficulty filling these positions due to the reluctance of internal and external job candidates to take a temporary position. Those who have passed a qualifying exam are reluctant to take a temporary position given the uncertainty surrounding the City's financial future; those who eventually fill the temporary positions frequently leave at the first opportunity for permanent, more stable positions in other departments when possible. In addition, City employees on reinstatement lists are averse to leaving a permanent position to transfer to another department unless a permanent position is available.

Based on the difficulty in hiring qualified employees, as well as the continued strong revenue receipts projected into 2012-2013, the Development Services partners are requesting to add the permanent positions identified above.

**EVALUATION AND FOLLOW-UP**

No additional follow up actions with the Council are expected at this time.

**POLICY OUTREACH/INTEREST**

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 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)**
- Criterion 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)**

This item meets Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater. This memorandum will be posted on the City’s website for the January 31, 2012 Council agenda. In addition, staff will be meeting with the Chamber of Commerce’s Development Subcommittee to discuss overall service delivery and the proposals contained in this memorandum will be shared with them. Staff will provide the Council with an update of the development community’s response to the proposals as part of its verbal presentation.

**COORDINATION**

This memorandum has been coordinated with the City Attorney’s Office.

**COST SUMMARY/IMPLICATIONS**

The table below summarizes the estimated revenues and expenditures related to the actions recommended in this memorandum.

	2011-2012		Ongoing	
	FTE	Funding	FTE	Funding
<b>Revenues</b>				
Licenses and Permits				
- Building		\$1,940,479		\$2,578,652
- Fire		\$171,591		\$478,987
<i>Subtotal Licenses and Permits</i>	0.00	\$2,112,070	0.00	\$3,057,639
Departmental Revenues				
- Planning		\$0*		\$138,505
- Public Works		\$0**		\$121,685
<i>Subtotal Departmental Revenues</i>	0.00	\$0	0.00	\$260,190
<b>Total Revenues</b>	<b>0.00</b>	<b>\$2,112,070</b>	<b>0.00</b>	<b>\$3,317,829</b>

	2011-2012		Ongoing	
	FTE	Funding	FTE	Funding
<b>Expenditures</b>				
PBCE Personal Services	17.00	\$1,909,815	17.00	\$2,496,060
Public Works Personal Services	1.00	\$0**	1.00	\$109,026
Fire Personal Services	3.00	\$141,321	3.00	\$383,635
Fee Supported Reserve – Planning	0.00	(\$138,505)		\$0
2012-2013 Future Deficit Reserve***	0.00	\$199,439	0.00	\$329,108
<b>Total Expenditures</b>	<b>21.00</b>	<b>\$2,112,070</b>	<b>21.00</b>	<b>\$3,317,829</b>

\* No increase to the revenue estimate is recommended in 2011-2012 because the position for Planning will be funded through the Fee Supported Reserve – Planning for 2011-2012 only. The position will be funded by revenues in 2012-2013 and ongoing.

\*\* No budget actions related to the position add for Public Works are recommended in 2011-2012 because funding and increased revenue estimates were already approved by City Council on October 18, 2011 as part of the 2010-2011 Annual Report. The position will be funded by revenues in 2012-2013 and ongoing.

\*\*\* The recommended increase to the 2012-2013 Future Deficit Reserve reflects the overhead reimbursement to the General Fund to recover the estimated fair share of indirect General Fund support service costs that benefit development services.

**BUDGET REFERENCE**

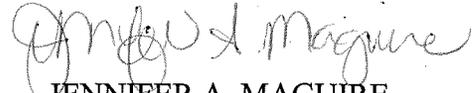
Fund #	Appn #	Appropriation Name	Total Appropriation	Recommended Change	2011-2012 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
001	8637	Fee Supported Reserve – Planning	\$1,084,491	(\$138,505)	IX - 47	10/18/11 Ord. No. 28979
001	0581	PBCE Department Personal Services	\$24,457,447	\$1,909,815	VIII - 282	10/18/11 Ord. No. 28979
001	0541	Fire Department Personal Services	\$148,669,512	\$141,321	VIII - 146	10/18/11 Ord. No. 28979
001	8319	2012-2013 Future Deficit Reserve	\$11,747,987	\$199,439	N/A	12/13/11 Ord. No. 29008

**CEQA**

Not a Project, File No. PP10-069, City Organizational and Administrative Activities.

/s/

JOSEPH HORWEDEL, DIRECTOR  
Planning, Building & Code Enforcement Director

  
JENNIFER A. MAGUIRE  
Budget Director

/s/

WILLIAM McDONALD  
Fire Chief

/s/

DAVID SYKES  
Public Works Director

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2011-2012 moneys in excess of those heretofore appropriated therefrom, said excess being at least \$2,112,070.

  
JENNIFER A. MAGUIRE  
Budget Director

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