



# City of Morgan Hill

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## CITY COUNCIL STAFF REPORT MEETING DATE: AUGUST 24, 2016

PREPARED BY: Steve Rymer, City Manager

## DEVELOPMENT SERVICES REVIEW PRESENTATION AND RECOMMENDED UPGRADES TO ONE SENIOR PLANNER AND ONE SENIOR CIVIL ENGINEER POSITIONS

### RECOMMENDATION(S)

1. Receive the Development Services Review Report from Zucker Systems;
2. Affirm Creation of the Development Services Department and the Engineering and Utilities Department; and
3. Approve Planning Manager and Deputy Director of Engineering Position Reclassifications.

## COUNCIL PRIORITIES, GOALS & STRATEGIES:

### Ongoing Priorities

Maintaining Fiscal Responsibility  
Fostering a Positive Organizational Culture  
Preserving and Cultivating Public Trust

### 2016 Focus Areas

Developing Our Community  
Planning Our Community  
Enhancing Our Services

## **REPORT NARRATIVE:**

The City of Morgan Hill's Development Services function is responsible for managing the City's entitlement process for economic development and residential projects consistent with mandated regulations and the City's General Plan. Development Services includes three divisions; planning, building, and engineering teams who coordinate and facilitate plan review, inspections, and permit needs for builders, developers, and property owners. Examples of these types of projects include projects from large developer (e.g. new housing developments and business expansion) to homeowner needs (e.g. home remodel). The City routinely reviews its service delivery models to ensure that they are efficient, meet our community and customer needs, and maximize the skills, abilities, and talent of our professional team.

In keeping with the City Council's goal of enhancing services, among others, an operational review of the City's development services process and delivery system was conducted by Zucker Systems. The analysis performed by Zucker Systems included internal and external interviews, team member survey and interviews, and the use of objective measures and industry best practices as guidance to suggest service and organizational changes intended to streamline and improve the development entitlement and review process. Improving review and approval services for commercial, industrial, and residential developers is a key component to the development and enhancement of long-term economic development prospects for the City and for providing sustainable services to the residents of Morgan Hill.

Management of the study was coordinated by the City Manager's Office and involved Leadership Team members from each of the departments under review:

- Leslie Little, Assistant City Manager for Community Development
- Karl Bjarke, Public Works Director
- Andrew Crabtree, Community Development Director
- Ken Deluna, Building Official
- Edith Ramirez, Economic Development Director
- Hilary Holeman, Administrative Analyst

This team has invested a significant amount of time reviewing options to improve the permit review functions, responsibilities, and processes. The primary goal is to improve customer satisfaction by ensuring the appropriate level of resources are dedicated to this important service and involving customers throughout the review process. The basis for the enhancements is grounded in the recommendations contained in the attached (Attachment 1) "Development Services Review" study prepared by Zucker Systems in July 2016.

## **Background:**

Like most jurisdictions in California, the City of Morgan Hill experienced tremendous changes during the Great Recession. The collapse in the residential construction market resulted in significantly less community development activity and the City undertook the painful process of eliminating jobs and shifting responsibilities for various tasks to the remaining staff. Once the economy improved and the development market returned, a backlog of approved predominantly residential development projects quickly made their way through the development process straining City resources dedicated to development services.

The Zucker review process took place during late 2015 - early 2016 when the City reviewed and executed a record number of development, permit, and inspection requests. This provided a prime

opportunity for the consulting team to understand what was working well and what areas could be improved. With development now returning to a more normal activity level, some service levels have changed since the study period. A good example is Building inspection requests that were completed within 3-5 days during the study period, are now back to normal (and expected) next day service.

This staff report summarizes the findings of the Zucker Study, describes service level enhancements and next steps in the implementation process, and presents an organizational re-structuring of the Development Services and Engineering functions.

### **Zucker Systems Study:**

A request for proposals was developed (Attachment 2) and sent to five reputable consulting firms. Three firms submitted proposals and all three were interviewed. Zucker Systems was selected based on their experience with similar studies across the United States, their proposed approach, and positive references.

The scope of the study included a review of the City's land development services (planning, building, and engineering) processes and service delivery methods. The consultants were asked to conduct a review of current conditions and an analysis of opportunities for organizational and process improvements that enhance customer service and achieve efficiencies.

Zucker Systems assembled a team of organizational efficiency experts to conduct the study. The team requested and was provided a number of external documents (e.g. City budget, organizational charts, fee schedules, process flowcharts), internal documents (e.g. policies and procedures), and data (e.g. permit volumes). The team also conducted two employee surveys, individual and group meetings with development services employees, the City Council, the Planning Commission Chair, and City leadership teammates. To gain input from the development community, Zucker reached out to recent or regular development stakeholders to form two focus groups and administered and evaluated results from a customer survey.

### **Major Findings**

The Zucker Report contains a total of 160 recommendations. Zucker Systems approach is to provide very detailed recommendations for their customers to provide clarity and ease of implementation planning. The major findings and priority recommendations are explained in the Executive Summary and include:

#### **1. Financial**

- During the recession the land development functions reduced staffing. With an improved economy, some of those functions have not rebuilt staffing and performance has suffered.
- Zucker Systems recognizes, the City has an excellent approach to funding development activities out of a special revenue fund. However, Zucker did indicate that they thought some support from the General Fund is appropriate to pay for functions not attributable to a development permit, including Code Compliance.

#### **2. Management**

- Zucker Systems identified the need for more proactive management and staff

empowerment in all three key development functions; building, engineering, and planning.

### 3. Performance Standards

- Best practice communities use performance standards to meet customer expectations and to assist staff in management. Zucker recommends updating and adopting performance standards in all three development functions; building, engineering, and planning. The report notes the new TRAKiT permitting system will assist with setting and monitoring performance standards.

### 4. Process

- New requirements being added for subsequent reviews and suggested standard conditions that may not actually apply to a specific project were noted as the primary concern of customers. Zucker recommends the City see the development process as more of a partnership between the City and the applicants. As such, Zucker recommends the applicants be invited to the Development Review Team staff meetings to discuss identified issues with the goal of developing potential solutions to issues.

### 5. Staffing

- The inability to meet acceptable performance standards is partially due to lack of staffing, particularly in the Building Division and in the Engineering Division. Zucker recommends the hiring of a Geographic Information Systems Administrator in FY 2016-17 and suggests that the City adjust staffing levels to meet service demands more frequently than budget cycles.
- The report compliments the City on its use of consultants to supplement staffing needs, but points out that the City has struggled to find qualified consultant services for inspection and some specialties during the economic recovery, as these services were in high demand in the public and private sector.

### 6. TRAKiT

- The report compliments the City on the selection of its permitting system, TRAKiT, although cautions without proper staff resources, management, or staff buy in, the system will fail. Zucker recommends Morgan Hill expands its effort in this area. In particular, Zucker suggests that performance standards be incorporated into the TRAKiT permit system to allow Management to observe building, planning and engineering's on-going ability to meet established performance standards and therefore create an environment to enable management to make timely decisions about the need to adjust staff resources.

As mentioned earlier, the Zucker Systems report reflects the consultant's best professional judgment about Morgan Hill's development conditions during a snapshot in time when the City was processing permits and performing inspections on a backlog of housing units not built during the Great Recession and now under construction. Given what they observed during that time, the Zucker Team applied their extensive experience and formulated recommendations for improving and enhancing services in Morgan Hill.

Each of the Zucker Report's 160 recommendations was reviewed and discussed by the City Manager and development services leadership team. Several strategy sessions have taken place to review processes and structure and identify opportunities for service level enhancements.

### **Service Level Enhancements**

As part of the FY 16-17 and FY 17-18 budgets, a series of recommendations were approved that advanced Zucker's recommendations. These include:

- Allocating an additional 1.4 FTE of land development engineering staff time to development services and away from overseeing capital projects
- Paying for the majority of Code Compliance in the General Fund budget
- Ensuring that resources were budgeted for TRAKiT implementation
- Adding a GIS Administrator position
- Adding a Senior Project Manager for CIP project implementation

With these changes in place, there are many additional service level enhancement opportunities that will be implemented over the coming months. These include, but are not limited to:

1. Inviting applicants to attend Development Review Team meetings.
2. Maximizing the capabilities of the City's new TRAKiT software.
3. Evaluating and streamlining development service processes.
4. Making our development services processes available to applicants and the general public.
5. Implementing a customer satisfaction survey process.
6. Requiring that department leadership and all development services teammates routinely review and discuss customer comments.
7. Developing and implementing performance standards to measure if we are meeting customer expectations and our service delivery expectations.
8. Requiring that department leadership and all development services teammates routinely review actual performance results.
9. Ensuring that teammates have the necessary training, management support, and tools to provide high quality service.
10. Creating a new Development Services Department and a new Engineering and Utilities Department as described below.
11. Recommending Council approval of two position upgrades as also explained below.

### **Development Services and Engineering Re-structuring and Proposed Position Reclassifications**

The proposed organization re-structuring is based on the findings and recommendations in the Zucker study and a careful consideration of the current resources available to the City, including staff, work space, and equipment. The proposed re-organization is meant to provide a more streamlined, efficient, and customer focused development services and engineering and utilities teams.

Currently, development review is performed by the Community Development Department (planning and building) and the Public Works Department (engineering). The two departments will be replaced with two new departments: a **Development Services Department** and an **Engineering and Utilities Department**. The Development Services Department will be the ultimate body responsible for land development services and review and will include the planning, building, and the land development engineering team. Including the land development engineers in a focused development review team is one of the more significant proposed changes and considered an important step in streamlining the

process and ensuring internal and external accountability.

To ensure there is a focus on the holistic development review process and accountability for results, staff is recommending the City bring back the Planning Manager position (Attachment 3) as there was prior to the aforementioned layoffs in 2011. It is proposed a current Senior Planner position be reclassified to Planning Manager and an internal recruitment take place. The Planning Manager will be the point person to manage the Development Review Team and monitor the progress of projects through the review process providing greater customer service to applicants. In addition, Economic Development will be more involved in the entire development process to ensure a more comprehensive review process. Note: The Development Services Department will include Economic Development, Code Compliance, and Housing in addition to the development services team.

The new Engineering and Utilities Department will be responsible for the delivery of the City's robust Capital Improvement Program (CIP) and the Water and Wastewater Divisions. Staff is recommending a Senior Civil Engineer position be reclassified to a Deputy Director for Engineering position responsible for managing the CIP implementation and providing leadership to the engineering team. The new Engineering and Utilities Department will then include the Director and two Deputy Directors responsible for leading the department's two divisions. This will also ensure that the Director has the necessary time to invest in the City's water and wastewater utilities' strategic planning and service delivery review.

### **Next Steps**

1. The Community Development Fund is a special revenue fund entirely supported by fees paid from developers and residents for planning, building, and engineering services. It is imperative the cost to perform these services is recovered through development fees, therefore the City has contracted with NBS to complete a fee study. The study was put on hold while Zucker Systems performed its review to ensure the most up-to-date information was used to determine the appropriate fees. Upon receiving Council direction on the items included in this report, the NBS fee study will resume taking into consideration the changes.
2. It is anticipated the reorganization of Departments and internal recruitments will occur by January 2017 to allow time for cross training and process development.
3. Implementation of the multiple service enhancements described above will continue.

### **COMMUNITY ENGAGEMENT: Collaborate**

To gain input from the development community, Zucker reached out to the development community stakeholders through two focus groups and administered and evaluated results from a customer survey.

### **ALTERNATIVE ACTIONS:**

1. The City Council could choose not to affirm the creation of the Development Services Department and Engineering and Utilities Department.
2. The City Council could choose not to reclassify a Senior Civil Engineer position to Deputy Director for Engineering.
3. The City Council could choose not to reclassify a Senior Planner position to Planning Manager.

### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

On October 7, 2015 City Council approved the Consultant Agreement with Zucker Systems to

conduct an organizational review.

**FISCAL AND RESOURCE IMPACT:**

The net cost per year to reclassify a Senior Planner position to a Planning Manager is approximately \$20,000 in Fund 206. The net cost to reclassify a Senior Civil Engineer position to Deputy Director for Engineering is approximately \$19,000 from various capital improvement funds.

**CEQA (California Environmental Quality Act):**

Not a Project

**LINKS/ATTACHMENTS:**

1. Zucker Development Services Review
2. Request for Proposals
3. City of Morgan Hill Management, Professional, and Confidential Employee Group FY 16-17 Salary Schedule