
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Development Services Department Business Process Reengineering (BPR)

OVERVIEW

On Tuesday, October 14, 2008 the City Council will hear the Development Services Department's (DSD) Business Process Reengineering (BPR) study. Starting in July 2006 the DSD department conducted a comprehensive assessment of development services core functions and processes in order to identify operational efficiencies and streamline business processes.

The DSD BPR was initially discussed at the May 10, 2007 Council Budget Hearing. As part of the Fiscal Year 2008 budget, DSD proposed the elimination of 54.00 positions due to reengineering and reorganization efficiencies. Additionally, DSD provided the City Council with 133 BPR recommendations for informational purposes. The requested actions before the City Council on October 14, 2008 is to accept 125 of the 133 recommendations originally presented to the City Council on May 10, 2007. It should be noted that the 125 recommendations before the City Council have completed the meet-and-confer process.

FISCAL/POLICY DISCUSSION

Fiscal Impacts

In our April 29, 2008 review of the Mayor's Fiscal Year 2009 Proposed Budget (Report #08-41), the IBA pointed out that the DSD Enterprise fund faces unique challenges due to the fact that they serve the construction industry and the health of that industry has a direct impact on the department. In a good economy, more commercial and residential construction occurs resulting in an increased workload and revenue for the department. A downturn in the economy results in a decrease in workload and a negative impact to revenue. Over the last two years the department has seen a slowdown in building permits which has caused a decrease in workload and revenue to the department. To offset the decrease, the department has implemented the following changes:

1. In Fiscal Year 2008 the department reduced 115.00 positions (54.00 related to the department's BPR and 61.00 related to reduction in force due to a downturn in the economy).
2. In Fiscal Year 2009 the department reduced 10.00 vacant positions and will keep 91.00 positions vacant.

In addition to the actions listed above, the department is proposing the implementation of the 125 BPR recommendations. Staff states in their October 8, 2008 Report to the City Council (Report #08-140) that the combination of the 54.00 reduced positions related to the BPR and the 125 recommendations, if approved by Council, will result in an annual savings of \$5.1 million. However, it is important to note that almost all of the \$5.1 million in anticipated savings is already reflected in the department's annual operating budget. It is unlikely that the implementation of the 125 recommendations will significantly increase savings to the department. However, the recommendations will better position the department to handle future increases in workload and provide better customer service without the addition of new staffing or additional funding.

Overview of recommendations

The 125 BPR recommendations address the department's seven core functions. As noted in staff's October 8, 2008 report, 12 of the proposed changes will require a public review process and City Council approval at a later date. Other recommendations call for new enhanced services where DSD customers would pay additional fees for increased services. Examples include a guaranteed inspection time (Recommendation #61) or an Express Over-The-Counter review (Recommendation #63). Staff has indicated that these increased services could require additional staff. If needed, department management would fill vacant positions already budgeted in the department to cover the increased workload and costs would be covered through the additional fees.

Many of the recommendations are operational and although included in the department's BPR, fall under the department management's operational authority. Examples include the automation of communication between City inspectors and customers, development of on-line application systems, and enhanced information on Neighborhood Code Compliance's website. Some of the operational changes will require the purchase of new equipment or the implementation of new software. Staff has indicated that these expenditures will be funded using existing department budgetary funds as they become available.

One recommendation of note that could have a substantial impact on City Planning Commission and City Council hearings is the requirement that applicants and their consultants present and defend their project at the hearings (Recommendation #12). The current process requires DSD staff to present projects to the Hearing Officer, City

Planning Commission, and the City Council. For some projects this has resulted in the perception of DSD staff being a proponent of the project. If this recommendation is approved, staff would still be available for questions and to offer their professional opinion at the hearings but would not give the project presentation. By changing this process, the perception that DSD staff is a proponent of certain projects could be eliminated.

Finally, DSD staff is requesting that, if the City Council has concerns or needs additional time to consider any of the recommendations proposed in the BPR, that they refer them to the Land Use & Housing Committee for further discussion. At the Land Use & Housing Committee, staff will be able to obtain more detailed direction on the recommendation.

Fee study

In our April 29, 2008 review of the Mayor's Fiscal Year 2009 Proposed Budget (Report #08-41), we noted that the last fee study for DSD was completed five years ago. Since that time, expenditure costs have increased and many of the department's functions are not fully cost recoverable. One of the recommendations proposed by DSD is to undergo a fee study. Staff has indicated that they started a comprehensive fee study in June 2007 and need to have it completed prior to the Fiscal Year 2010 budget process. Staff has also indicated that new fees related to enhanced or premium services will be included in the study. It is very important to note that the completion of a fee study is necessary to ensure the fiscal integrity of the fund.

Follow-up on outcomes of the BPR

If approved, staff proposes to use multiple tools to gauge the effectiveness of the department's BPR recommendations. The department has developed performance measures that evaluate workload data and savings to the department from the implementation of the BPR. Some of the performance measures were included in the Fiscal Year 2009 Annual Budget. In addition to the performance measurements, the department will continue to undergo an independent customer service study. The department is planning on commissioning their next customer service study after the BPR recommendations and changes in fees from the fee study have been implemented. *The IBA recommends that the DSD department include information on the effectiveness of the BPR as part of their annual budget presentations.*

CONCLUSION

The IBA supports the approval of the DSD BPR. The anticipated efficiencies resulting from the implementation of this BPR will better position the department to handle future increases in workload and provide better customer service without an increase in staffing or additional funding. The proposed recommendation to have project applicants present their projects instead of DSD staff will help to alleviate the perception of staff being

proponents of projects. The IBA will continue to follow-up with DSD on the status of the BPR and the comprehensive fee study.

[SIGNED]

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