COUNTY OF SONOMA
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To: Board of Supervisors

From: Pete Parkinson, PRMD Director

Subject: PRMD Fee Ordinance – Continued Discussion

Date: May 11, 2010

On May 4, 2010 your Board conducted a public hearing on PRMD's proposed fee ordinance for FY 2010-11. Following the close of the hearing, the Board directed staff to return on today's agenda with additional information about the service impacts that would occur if the significant fee increases (those shown in Attachment "B" to the May 4 staff report) are not approved, or approved at 50 percent of the requested level. This memo also discusses several other issues raised at the May 4 hearing and provides other options the Board may wish to consider.

Summary and Recommendations

As discussed in more detail below, reduced fee revenue will reduce permit processing capacity and result in permit applicants spending additional time in the approval process. This additional time has a very real financial cost for project applicants, mainly in the form of interest and other financing costs; time is indeed money in this business. The dollar cost of these additional delays is impossible to quantify without looking at specific projects, but it must be weighed against the relatively small savings achieved by avoiding fee increases. Without meaning to diminish the industry's concern about fee increases, the consistent message we have heard from permit applicants over the years is that getting things done faster is far more important and valuable than getting them done cheaper.

Further staff reductions will also have impacts beyond permit processing. Long-range planning activities will be substantially reduced and staff will have less time for community relations activities. This includes working with community groups that are interested in the development process and providing educational outreach. Staff will also have limited capacity to coordinate with outside agencies on planning programs or project permitting. This is particularly important for resource-related projects like mining, where coordination with state and federal agencies is essential to a successful outcome.

PRMD will also have less staff time available for various policy initiatives and special projects. For example, staff time would generally not be available for new legislative initiatives like vacation rentals, medical cannabis dispensaries, AB 885, green building and mobile home park condo conversions, all of which have consumed considerable staff time in the past few years. Staff would also lack the capacity to implement some of the service improvements recommended in the May 4 staff report. In particular, the expanded project manager function and code enforcement penalty relief are both expected to demand additional staff time that simply will not be available with further workforce reductions. Permit streamlining efforts will continue but will be more limited in scope and take much longer to implement.

Staff continues to support all of the recommendations set forth in the May 4 staff report. In addition, staff recommends the following:

1. Direct staff to implement an ongoing customer satisfaction survey program no later than June 1, 2010.

2. Direct staff to engage the construction industry and other interested stakeholders to outline options for process improvement and/or regulatory reform, with a report back to the Board with recommendations no later than August 24, 2010.

3. Direct staff to accelerate the review of the pending nexus study of Affordable Housing in-lieu fees for Board consideration as soon as possible.

<u>Discussion of Service Impacts</u>

The following table summarizes: 1) the staffing reductions that are already included in PRMD's proposed budget for FY 2010-11, 2) the reductions that would be needed if the significant fee increases are approved at 50 percent of the requested level, and 3) the reductions needed if the significant fee increases are disapproved entirely. These numbers assume that your Board will approve a 1.4 percent increase across the board as well as all of the new fees that are recommended.

Position Classification	***Reductions Proposed in FY 2010-11 Budget****	***Reductions Needed if Fee Request Reduced 50%***	***Reductions Needed if Fee Request Disapproved***
Planner III	2	2	3
Building Inspector II	1		
Engineering Technician III	1	1	1
Engineer	1		
Building Plans Examiner II	1		
Senior Office Assistant	1		1
Engineering Technician IV	1		
Code Enforcement Supervisor	1		
Office Assistant II	1		1
Environmental Health Specialist II	1		
Department Information Specialist II	0.5		
Geographic Information Specialist II	1		
Department Analyst		1	1
Secretary			1
Totals	**12.5**	**4**	**8**

*Does not include 3 additional vacant positions to be eliminated

As discussed at the May 4 hearing, PRMD has already reduced the size of its workforce in response to the drop in permit activity. Even if all the proposed fees are approved by the Board, PRMD will reduce its staffing to 123.5 positions in 2010-11, a staffing reduction of 25 percent (41.5 positions) compared to FY 2008-09. This reduction roughly correlates with the 23 percent reduction in overall department workload over the past 3 years (see attached chart and table). Thus, although the reductions currently proposed for next year will cause some service impacts while staff gets trained in new assignments, we believe these impacts are manageable at current workload levels.

What is under discussion now is how PRMD will manage the *additional* revenue reduction resulting from an over $2 million reduction in general fund support over the past two years. Without the requested fee increases, PRMD's reduced general fund allocation will continue to subsidize a portion of permitting activities but with the further workforce reductions that will be necessary, overall permit processing capacity will decline. As discussed in more detail below, we believe that this will result in service impacts that are likely to be unacceptable to the public and to the Board.

The most serious impacts will occur in the Project Review Division. Some context for this discussion is important. Eleven planners are assigned to Project Review, including two supervising planners who also process complex applications. The staff time available for permit processing in the current fiscal year is shown below:

Total Staff Hours	22,880
Front Counter Work	-1,448
Vacation Time	-1,280
Admin/Training	-2,124
MTO/Sick Leave	-1,152
Non-billable Customer Service	-2,695
Supervision (Supervising Planners only)	-400
Total Hours Available for Permit Processing	**13,781**

Based on current year workload, staff estimates that approximately 9,800 staff hours are needed to process applications with "flat-rate" fees, and approximately 4,900 hours are needed for at-cost projects, for a total of 14,700 hours of workload "demand." However, since 5 to 10 percent of planning files are inactive at any given time (based on actions of the applicant), we consider the workload demands and available staff time to be roughly balanced at current staffing levels.

Another important factor in analyzing Project Review workload is that the time needed of individual projects varies tremendously based on the technical issues and level of controversy. For example, two recent winery projects that were processed with Mitigated Negative Declarations together consumed over 900 hours of planner time. The Dutra asphalt plant project has taken more than 1,000 planner hours, not including Environmental Review staff time.

Service Impacts if Fees Approved at 50% of Requested Level. This would result in a decline in permit revenue of about $400,000, mainly in the Project Review and Engineering Divisions. This would necessitate four additional layoffs: 2 Planner III, 1

Engineering Technician III and 1 Department Analyst. The following impacts would occur:

- Due to seniority rules the elimination of two additional planner positions would result in layoff of two planners currently assigned to Project Review (for a total of 4 planner positions eliminated). Since these positions are revenue-supported, other planning staff would be transferred from Comprehensive Planning to take over this work. With less training and experience in permit processing, these staff will not be as productive as the staff they are replacing. These staff will also require more supervision and guidance from senior staff, impacting the productivity of the entire division. In addition, with reduced staffing levels, more of each planner's time would be diverted to customer service at the front counter, answering the zoning information phone and covering vacation and sick leave time, such that overall team productivity is reduced by approximately 400 hours per position lost, per year. Therefore, this reduction will result in extending planning permit processing time lines by an estimated 15 percent, with delays ranging from two weeks to 1 month or more depending on project complexity.

  Reduced capacity in Project Review will also impact other permitting activities that rely on planning clearances, including grading permits and septic permits in certain areas. This impact cannot be quantified at this time.

  The reduction of staff assigned to Comprehensive Planning activities will seriously delay or eliminate several important planning programs. The following General Plan implementation programs would be delayed indefinitely: Local Coastal Plan, Biotic Resources (BR) zoning, Scenic Resource (SR) protection zoning, Airport Safety Zones, Sonoma Valley event coordinator, and Water Resources Element implementation. The Development Code Update will continue but at a much slower pace. Delaying the Development Code is particularly problematic since the County's zoning code is significantly outdated (1968) and there are many opportunities to streamline permit processing as part of the update process. The Code update consists of two phases: Phase I to reformat the existing code and update procedures and Phase II to streamline permitting with updated standards. Two of the three positions devoted to the Code update would be lost, so Phase II would be delayed for another year or more. Grant funds received for code work on energy efficiency may be jeopardized as remaining staff may not be able to meet federal deadlines.

- The additional Engineering Technician reduction (for a total of 6 Engineering Division positions eliminated in FY 09-10 and 10-11) will impact the County's storm water program and the timeliness of inspections for public improvements that are required for private development projects (roads, sidewalks, utilities, etc.). Storm water coordination activities under the County's NPDES permit (issued by the Regional Water Boards) will be taken on by the Division Manager and Senior Engineer, making less time available for management, supervision and problem resolution. Lower priority tasks under the NPDES permits will not be completed, exposing the County to potentially costly enforcement actions by the Regional Boards. This reduction will also reduce the Engineering Division's plan review and inspection capacity by nearly 10 percent. This will cause corresponding delays in responding to inspection requests which will in turn result in longer completion times for the affected construction projects.

- Reduction of the Department Analyst position does not directly impact service delivery to the public. However, this position is responsible for several mandatory administrative duties that will have to be absorbed elsewhere in the organization. These include departmental safety coordination (a high priority for your Board), employee leave management, recruitments and contract management and compliance with the County's new ADA Transition Plan. Most of these duties will need to be absorbed by Division Managers, leaving them with less time for management activities that *do* affect services to the public, including staff training and coaching, process improvement activities, inter-divisional coordination and problem solving on difficult cases.

Service Impacts if Requested Fees are Not Approved. Complete non-approval of the fees would result in an additional $400,000 revenue reduction and layoff of the following four positions, for a total of eight additional layoffs: 1 Planner III, 1 Sr. Office Assistant, 1 Office Assistant II, and 1 Secretary. The following impacts would occur, in addition to those described above.

- The reduction of an additional planner position (for a total of 5 planner positions eliminated) would leave only one position for long range planning assignments and that position would be devoted to ARM Plan and ALUC activities. The main impact would be an even greater delay for the Development Code Update, with Phase II of the update (streamlining) delayed indefinitely. Additionally, grant funds received for code work on energy efficiency would likely be forfeited with staff unavailable to do the work.

- The remaining three reductions are all clerical support staff. Two of these positions are assigned to PRMD's heavily used records section, meaning that hours of service for that function would need to be reduced by 25 to 30 percent (10 to 15 hours per week) unless coverage is provided from staff in other divisions or by Permit Technicians. PRMD's public records, which must by law be available to the public during our business hours, will be less available to people who are planning or researching projects or real estate investments and will result in delays for those customers. Covering the records function with Permit Technicians will directly result in increased waiting times for our other in-office customers. Other impacts will be felt in the divisions where clerical staff is currently assigned. Duties such as filing, correspondence (including courtesy notices to customers about soon-to-expire permits), file preparation and distribution will need to be taken over by professional staff, which will impact their productivity even further. The precise impact of these reductions cannot be quantified, but is estimated at a 10 to 15 percent productivity decrease for the each affected division.

Other Issues

Appeal Fees. Your Board expressed reluctance to move all planning appeals to an at-cost basis. The reason for this recommendation is that some appeals can be extremely time consuming for staff and County Counsel and if those costs are not borne by the applicant, they are borne by the County. Currently, appeals of at-cost projects are already handled on an at-cost basis, so this proposal would only affect appeals of applications processed under a flat-rate fee. Under the staff recommendation, the appellant would still pay the basic appeal fee of $1,052, but costs above that amount would be billed to the project applicant. As County Counsel mentioned during the May 4 hearing, charging the appellant for the actual cost raises due process concerns and practical difficulties and is not recommended. This matter is a policy call for your Board and you have the option to leave the appeal fee at the flat rate of $1,052.

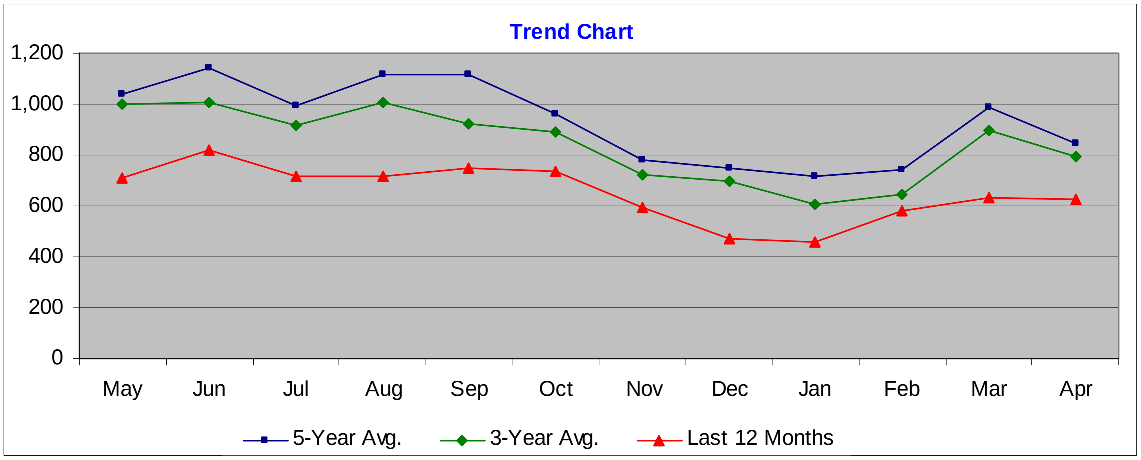
Customer Satisfaction Survey. The Board asked that this survey be up and running by the end of this month. Staff will ensure that this happens.

Process Streamlining and Regulatory Reform. Board members expressed interest in a collaborative effort between staff and the construction industry to evaluate steps that can be taken to streamline permitting processes, including potential regulatory reform. No specific suggestions were advanced, but staff has already spent considerable time evaluating methods for permit streamlining as part of the Development Code update and is very willing to work on this. As discussed on May 4, we propose a report back on this effort by the end of August.

Affordable Housing Fees. As mentioned in the May 4 staff report, a new nexus study for the County's Affordable Housing in-lieu fee program has been underway since February. This study will provide the Board with an opportunity to review these fees and make policy decisions regarding the level of the fee. Staff recommends that this effort be accelerated so that the policy issues can be considered at the earliest opportunity.

Other Fee Options. Board members expressed an interest in hearing any other fee proposals from staff that would address some of the concerns raised. Clearly deeper reductions in staffing levels may have consequences and costs to the development community as outlined above. One alternative to an across the board reduction in the requested fees would be to eliminate the increases associated with at-cost projects but retain those associated with the flat fee permits. Eliminating the increases in at-cost deposits has little revenue impact in the long run since these projects are charged on an actual cost basis, but this approach would reduce the applicant's outlay at the very beginning of the planning process. It will, however, increase administrative work for planning and engineering staff when additional at-cost deposits are needed later in the process.

PRMD Workload Metrics



PRMD Workload

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	3-Year Avg.	5-Year Avg.	Last 12 Months
May	1177	1031	1109	1037	845	997	1040	712
Jun	1400	1288	1246	941	824	1004	1140	820
Jul	1149	1059	996	957	803	919	993	717
Aug	1247	1309	1268	1041	717	1009	1116	713
Sep	1181	1627	1104	827	836	922	1115	746
Oct	1027	1097	1045	896	734	892	960	736
Nov	830	902	804	801	555	720	778	592
Dec	832	817	610	934	545	696	748	470
Jan	861	905	794	534	490	606	717	460
Feb	917	863	702	711	523	645	743	582
Mar	1189	1044	1077	806	814	899	986	632
Apr	986	860	896	845	635	792	844	625
	12796	12802	11651	10330	8321	10101	11180	7805
					-6% over 08-09	-23% over 3yr avg	-30% over 5yr avg	