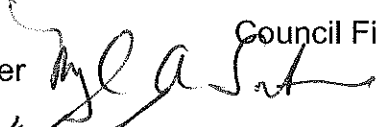


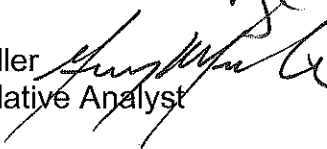
CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-04851-0004

Date: February 20, 2014

To: Honorable Members of the Planning and Land Use Management Committee

From: Miguel A. Santana
City Administrative Officer  Council File No: 13-0046

Gerry F. Miller 
Chief Legislative Analyst

Subject: **DEVELOPMENT SERVICES REFORM**

SUMMARY

On January 28, 2014, the Matrix Consulting Group (Consultant) delivered their analysis (Attachment) of the City's opportunities to improve development services. The Consultant's report includes 329 separate recommendations grouped into 14 chapters. The recommendations fall into eleven main themes: 1) Measured Performance, 2) Managing Workload Demands, 3) Organizational Structure/Integration, 4) Process Ownership, 5) Business Processes, 6) Resource Management Across Departments, 7) Physical Space/Co-Location, 8) People/Work Culture, 9) Regulations, 10) Technology, and 11) Revenue/Cost Recovery. The report outlines recommendations for integrating and improving development review at the Departments of Building and Safety (DBS), City Planning (DCP), Public Works, Bureau of Engineering (BOE), Transportation (DOT), and Fire (LAFD). Each impacted department has had the opportunity to recommend alternative solutions, correct factual errors, and meet with the Consultant to discuss the recommendations. At the culmination of these meetings, the Consultant, as authorized, made the final decision on what to recommend in their report.

The primary intent of this joint report is to present the Consultant's report. However, it is important to begin implementation of the recommendations that are most feasible now and to continue implementation of the more challenging recommendations over the next few years. The recommendations included in this report will facilitate the streamlining of the development services processes and enhance the City's ability to increase economic development and job creation.

The policy to create a single development services department, adopted by the former Mayor and Council in June 2013 (C.F 13-0046), was intended to transform a silo-based system with multiple departments, conflicting objectives, poor coordination across departments, and other issues. Based on the Consultant's findings and recommendations, one General Manager in a consolidated department who can make decisions for the development services system as a whole is the approach that would ultimately move the City to a high functioning development services system. However, creating a single department at this time would not solve every problem within the current system, nor would its creation be without some level of disruption to employees, customers, and residents. The Consultant's report acknowledges that now may not be the time to functionally transfer development services functions to a new department. The

report identifies many interim steps that should be taken to streamline the development review process. These measures will consolidate, through Memorandums of Agreement (MOA), key ministerial functions under the General Manager of the DBS, key discretionary functions under the General Manager of the DCP, and key public improvement (engineering) functions under the General Manager of the BOE.

BACKGROUND

Once the effort to integrate the development services functions of the Departments of DBS, DCP, BOE, DOT, and LAFD into one department began, two questions were frequently asked: 1) What problem are we trying to solve; and, 2) What does success look like? The Consultant's report grapples with both these questions in detail. A succinct answer can be found in a publication from the American Planning Association (APA): *The Development Review Process: A Means To A Nobler and Greater End*. The publication provides some specific ideas on how planning and development services ought to function. Comparing these to how the City's processes function today, both questions are framed and addressed, as follows:

What Does Success Look Like?	What Problem are we Trying to Solve?
Predictability including clear expectations, no surprises, and a clear decision process with decision points.	Unpredictability including "late hits" in the development process, multiple entry and exit points, unclear and unmet timeframes for completing work.
Fair treatment with rules that are the same for everyone with the offering of trust to applicants by the City and the demonstration of trustworthy behavior by the City.	Disparate treatment of applicants wherein one type of project gets approved while another of the same type does not.
Accurate and accessible information that is easy to find and understand, with clear applicant requirements and standards.	Inaccessible information so large customers must hire professionals to navigate the system and smaller job applicants are on their own.
Timely processing that establishes early tentative dates for hearings, guaranteed review turnaround times, and published commission and council meeting dates.	Variable performance depending on department resources, commitment to meeting performance metrics, and level of focus on customer service.
Reasonable and fair costs for application fees, impact fees, and development commitments.	Inconsistent fee structure that varies by department and lacks system wide coordination.
Competent staff with a team that possesses a balance of "hard" technical skills and "soft" people skills.	Undertrained staff with varying levels of experience, expertise, and knowledge outside their immediate area of expertise.
Elegant regulations that fit the circumstances of Los Angeles, are easy to navigate, are rational, and that contain desired outcomes not requiring "herculean" efforts to attain.	Antiquated regulations that add cost and time but low value to the development process.

For these reasons, moving forward with development reform is a wise course. All but one of the Consultant's recommendations can be implemented with or without full integration of development services functions into one department. Given the number of recommendations made by the Consultant, and their complexity, their implementation will require an ongoing process to organize and manage the associated work. The Consultant recommends that the Office of the City Administrative Officer (CAO) lead this effort, reporting to the Mayor and City Council on a regular basis with progress reports and recommendations for further action by the Mayor and Council. The CAO will rely on the existing working group structure to perform this work.

RECOMMENDATIONS

That the Mayor and Council:

1. Instruct the following General Managers, with the assistance of the Office of the City Administrative Officer (CAO), Office of the City Attorney (City Attorney), and the Matrix Consulting Group (Consultant), to develop Memorandums of Agreement (MOA) which grant the authority to design and redesign the designated process, manage these processes across departmental boundaries, and develop and use metrics/measurement systems to assess the success of these processes in serving the customer and designate the General Manager of the:
 - a. Department of Building and Safety (DBS) responsibility for management of the building permit (ministerial) process;
 - b. Department of City Planning (DCP) responsibility for management of the discretionary review process; and,
 - c. Department of Public Works, Bureau of Engineering (BOE) responsibility for management of the public improvement (engineering) permit process;
2. Instruct the General Managers of DBS and DCP, or their designees, with the assistance of the CAO, City Attorney, and the Consultant, to develop a MOA that:
 - a. Establishes the division of roles and responsibilities between DBS and DCP for zoning compliance review during express, counter, and regular plan check and for the Parallel Design-Permitting Program. DBS should continue to work collaboratively with DCP on a transition plan to shift zoning compliance review to DCP; and,
 - b. Establishes the division of roles and responsibilities between DBS and DCP for condition compliance based upon the issuance of the certificate of occupancy or other discretionary review permit. DCP should continue to be involved in code compliance conditional use permit revocations, but should not dedicate full-time staff to code or condition compliance after the certificate of occupancy or other discretionary review permit is issued;
3. In accordance with Revenue Policy III, instruct DBS, DCP, BOE, Department of Transportation (DOT), and Fire Department (LAFD) to review existing and potential development services fees to ensure that the fees levied support the full cost of operations for which fees are charged, including all operating (direct and indirect) and capital costs and report back in 90 days. If fees are not set at 100 percent full cost recovery, then the Departments shall request an increase to the fee schedule set at 100 percent full cost recovery or request the Mayor and Council to specifically recognize the subsidy and take action to appropriate the necessary funds to subsidize the fee for service;

4. Instruct the CAO, with the assistance of the affected Departments, the Department of General Services (GSD), and the Consultant, to report back in 120 days to the Municipal Facilities Committee with a plan to co-locate development services in existing Metro, Van Nuys, and West LA One-Stop Centers, as well as, to study and report back on the feasibility of establishing One-Stop Centers in South Los Angeles and San Pedro;
5. Instruct the Departments of DBS, DCP, BOE, DOT, and LAFD to begin the process to establish contracts with consultants to manage peak workload demands;
6. Request the City Attorney to draft the necessary ordinance changes to effectuate the above recommendations, including modifications of existing ordinances and provisions, as appropriate; and,
7. Direct the CAO, in collaboration with the Offices of the Mayor and Chief Legislative Analyst, to facilitate the development of a City-wide implementation plan with the support of the Departments of DBS, DCP, BOE, DOT, LAFD, and the City Attorney.

FISCAL IMPACT STATEMENT

There is no General Fund or Special Fund impact.

MAS/GFM:PJH/MF:TJM/JLK/RRM:02140069c

Attachment

FINDINGS

1. Background

As part of the 2013-14 Adopted Budget, the Mayor and Council directed staff to functionally integrate development services programs of multiple City departments into a new development services department for the purpose of providing streamlined services and greater accountability for its customers. A joint report from the Departments of Building and Safety (DBS) and City Planning (DCP) provided the conceptual framework for the new department (C.F. 13-0046). The Council approved the functional transfer of DBS, DCP, planning functions from the Department of Transportation (DOT), plan-check functions from the Fire Department (LAFD), and land use planning functions from Public Works, Bureau of Engineering (BOE) into the new department effective January 1, 2014. Additionally, budget Motion 36A directed the Offices of the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA) to retain a management consultant to assist in developing a transition plan, in consultation with the affected departments, to fully integrate the planning and development functions identified in the joint report with additional consideration given to the feedback of the development industry, business community, residents, and Neighborhood Councils. Through a competitive bidding process conducted in July 2013, a review panel made up of one staff from each of the above development services departments, the CAO, CLA, Controller, and Personnel Department selected Matrix Consulting Group, Ltd. for this purpose.

On August 23, 2013, the CAO and the CLA issued an initial status report which outlined the establishment of an executive and sub working group structure, made up of representatives from each of the above departments, to facilitate communication and implementation of development reform, details about the Consultant selected for the project, the plan for collecting stakeholder feedback from Department personnel, labor organizations, elected officials and their staff, the development industry, business community, and Neighborhood Councils, the Peer City Review, and the Frequently Asked Questions document developed in response to over 400 questions from department personnel (C.F. 13-0046). Since the update was issued, these efforts have continued including ongoing meetings of the working group, stakeholder outreach meetings, including meetings with all of the Neighborhood Council alliance organizations, a presentation at the Congress of Neighborhoods, and many meetings with Labor Organizations and industry professionals, as well as analysis by the Consultant of each impacted department's operations, their interactions with each other, and review and comment by the impacted departments on the Consultant's report.

On September 17, 2013, the Council referred a Motion (Price – LaBonge), Council File 13-0046, relative to the work of the Consultant to the Planning and Land Use Management Committee (PLUM) and Budget and Finance Committee (BAFC). On October 8, 2013, the PLUM Committee approved the Motion with four additional recommendations (see below); on October 28, 2013, the BAFC approved the Motion as amended by the PLUM Committee; and, on November 5, 2013, the Council adopted the Motion as amended. The Motion moved that the Consultant be directed to include in their report: 1) Options other than consolidation that would improve the City's development process; 2) best practices of other large municipalities; 3) a cost benefit analysis; 4) pros and cons of consolidation; 5) other viable realignment options; and, 6) an implementation timeline. Additionally, the Motion moved that any actions to implement the functional transfer of the Departments of Planning and Building and Safety be delayed until Fiscal Year 2014-15.

The PLUM Committee amended the Motion to include four additional recommendations which included: 1) Request City Attorney to postpone preparation of Ordinances relative to development reform until the Council has considered and acted on the pending joint CAO/CLA policy report; 2) Direct the CAO to report back within two weeks on what actions need to be taken to ensure the impacted departments can continue to provide services through June 30, 2014 as separate departments and/or functions if implementation of the new department is delayed until Fiscal Year 2014-15; 3) Direct CAO to report back on any changes that would need to be made to the contract with Matrix Consulting Group to ensure they address the issues identified in the Motion; and, 4) Direct the development services departments to continue work with the CAO, CLA, Controller, City Attorney, and Personnel Department to implement Council policy relative to development reform.

The CAO issued its report back relative to the Price – LaBonge Motion on November 22, 2013; the PLUM Committee approved the CAO report on December 3, 2013 and the Council approved it on December 11, 2013. In the report, the CAO included recommendations that restored funding and position authority to each of the development services departments so that they can continue to operate independently through the remainder of the current Fiscal Year. Additionally, the CAO reported that the Consultant has agreed that no change to the Consultant's contract or funding is necessary as a result of the Motion inasmuch as the requested information did not materially change the contract's scope of services. The report also explained that departments have been given the option of addressing recommendations from the Consultant in their 2014-15 budget proposals. Where changes to fees, positions, equipment, and/or other changes are necessary to implement development reform, having departments include them in their budget proposals will be useful as the Mayor and Council consider the policy decisions surrounding reform of the development services system.

On January 28, 2014, the Consultant delivered his analysis (Attachment) of the City's opportunities to improve development services. The Consultant's report includes 329 separate recommendations grouped into 14 chapters spanning eleven themes: 1) Measured Performance; 2) Managing Workload Demands; 3) Organizational Structure/Integration; 4) Process Ownership; 5) Business Processes; 6) Resource Management Across Departments; 7) Physical Space/Co-Location; 8) People/Work Culture; 9) Regulations; 10) Technology; and 11) Revenue/Cost Recovery.

2. The Management Consultant Report and Recommendations

A. Introduction and Executive Summary – Chapter 1 – Three Recommendations

The first chapter introduces the Consultant's analysis, outlines principal objectives of the study, how the analysis was conducted, and presents an Executive Summary.

B. Peer City Review – Chapter 2 – Zero Recommendations

All but one of the eight cities that the Consultant reviewed has transferred much of their development service functions into a single department. Chicago has retained separate Planning and Building and Safety departments while Portland, Oregon and San Diego have retained a separate department for long-range planning while combining the remaining development services functions into one department. In Chicago, the Planning Department is one component of a much larger department which includes Housing and Economic

Development. The cities that have functionally transferred development services to a single department reported that the transfer was successful. All of the cities that functionally transferred development services to a new department reported improved coordination of permit processing, improved customer service, and improved customer satisfaction. Based on the peer city review, functional integration of development services is a prevailing practice, even among large cities.

Cities with combined development services also reported that to effectively integrate previously separate organizations into one department, they relied primarily on executive and top management to make decisions. All of the cities reported challenges with transitioning staff into a unified department due to differences in work culture, turf battles, and/or fear of change, but they found that the key to resolving these issues was effective leadership by the new department head and cooperation by senior managers. Team building efforts, including training, department-wide meetings, interdisciplinary staff meetings and extensive communication after the creation of the new department were some of the tools identified as helpful to support leaders throughout the process.

None of the cities that have created a single development services department reported a reduced focus on safety or pressure to approve projects not compliant with the Building Code. This has been a significant concern raised by employees and other stakeholders, up to and including a concern that not including the word "Safety" in the new department name would cause a loss of focus on safety going forward. It should be noted that none of the cities that were reviewed include the word "safety" in the names of their departments. The peer review of cities conducted by the Consultant provided data on department names and missions that may be found in this Chapter of the Consultant's report.

C. Stakeholder Outreach and Feedback – Chapter 3 – Zero Recommendations

The Consultant has talked to hundreds of stakeholders since early August 2013, including, representatives of the Office of the Mayor and each of the Offices of the City Council, a cross-section of the managers, supervisors, and selected line staff in the departments of DBS and DCP, and related development service functions in the Departments of Fire, Transportation, and Public Works, BOE, representatives of the Personnel Department, labor organizations representing affected employees, various Neighborhood Councils (NCs) and/or neighborhood organizations, each of the five NC Alliance organizations, the PlanCheck NC, the Los Angeles Neighborhood Council Coalition, the Congress of Neighborhoods, the Central City Association, and various business and industry groups and individuals. Comments and feedback from stakeholder groups may be found in this Chapter of the Consultant's report.

D. Development Reform Strategic Plan – Chapter 4 – Two Recommendations

The Consultant reviewed the Mayor's Development Reform Strategic Plan, dated July 20, 2011, which did not contemplate that the City would blend its planning, development services and permitting functions into a single department. In 2011, the City retained KH Consulting Group (KH) to assist with developing the City's Development Reform Strategic Plan. KH solicited input from more than 200 external stakeholders, analyzed 100 City development reports and audits, researched best practices, and worked with more than 200 City employees spanning various departments and management levels to develop an implementation-ready plan. The Development Reform Strategic Plan had nine (9) strategic priorities as noted below.

- Action Plan 1.0 – World Class City – LA Quality of Life. This Action Plan focuses on community planning, including the Department of City Planning’s release of seven Community Plans and strategies to update the General Plan Elements and Community Plans.
- Action Plan 2.0 – Policies and Procedures. The City has developed policy and procedural solutions for quicker inter-Departmental resolution of conflicting conditions via a Land Development Committee and application requirements. These changes will identify necessary entitlement actions early in the application process.
- Action Plan 3.0 – Zoning Codes. Improvements to the City’s Zoning Code involve simplification, a shared manual, communications, and comprehensive Zoning Code Reform – a long over-due effort that the City last accomplished in 1946.
- Action Plan 4.0 – CEQA. This Action Plan updates the City’s CEQA Guidelines for categorical exemptions and maintains staff CEQA training; in the long term, the City will explore other administrative aspects of CEQA that are within its control, such as environmental thresholds; environmental review processes and procedures; and the feasibility of developing a framework for comprehensive programmatic Environmental Impact Reports (EIR) analysis for specific areas within Community Plans.
- Action Plan 5.0 – Communications and Public Outreach. City departments will work together to increase coordination of public information, develop input opportunities, and provide Commissioner training.
- Action Plan 6.0 – Process Improvements. Development Services processes are complex and improvements are outlined for new consultation services for small and medium-sized projects, process roadmaps/documentation, common application forms and case files, report production for quicker turnaround for such items as Letters of Decision, and B-Permit tracking and monitoring. The aim is to eliminate paper intensive processes and the customer having to make so many trips to various City Departments. Performance measurements for monitoring progress are built into the Action Plans.
- Action Plan 7.0 – Customer Service Culture. Creating a customer service-oriented culture is vital for implementing many of these changes. Applicants will see improved customer service through the new Development Services Case Management office. Other changes provide different staffing and organizational configurations, coupled with training and performance standards.
- Action Plan 8.0 – Technology/BuildLA. BuildLA is the vehicle for moving the Development Services technology to a new level of needed sophistication and to enable greater transparency and access to information.
- Action Plan 9.0 – Financial Resources. Financial resources are critical for making many of these initiatives a reality. For the customer, the City will implement a simpler mechanism for making payments, involving credit cards, draw-down accounts, and a single cashier. In addition, the City will document its costs more closely to achieve full cost recovery for services rendered. These fees can help cover staffing, technology, and other investments needed.

E. Technology – Chapter 5 – 25 Recommendations

The City has begun a major effort, through BuildLA, to develop a 21st century technology platform for the processing of permits by the City. BuildLA is a web-enabled technology platform that will be used by multiple City departments to receive, assign, review, process, manage, and track all customer requests for services relating to the use and development of land. As envisioned, the BuildLA system will include an interactive customer web portal, a workflow management platform, electronic plan review capabilities, a supporting database, and integration or data sharing with several existing City systems. The City issued a Request for Proposals for BuildLA on March 20, 2013, and rejected the proposals. A second Request for Proposals was issued on June 27, 2013, those proposals have already been received, and are in the evaluation process.

The completion of the BuildLA permit, inspection, and enforcement system will require three to four years. The creation of a more efficient, transparent, and predictable development system depends heavily on the application of this technology.

F. Discretionary Review Functions and Processes – Chapter 6 – 85 Recommendations

This Chapter presents an analysis of the discretionary review functions and processes including the following:

- The common functions and processes that require inter-departmental cooperation and coordination;
- Recommended adjustments to business processes to enhance customer service;
- The identification of business processes where the use of memorandums of agreement between departments will be necessary; and,
- The identification of how the existing management and organization of these functions and business processes either support or detract from the goals, objectives, and mission of the City.

This chapter seeks to clarify process ownership, empower the process owner to meet performance metrics, and shift the responsibility for navigating the City's development services system from the customer to process owner. The General Manager of DCP should be responsible for the end-to-end discretionary review process.

G. Ministerial Functions and Processes – Chapter 7 – 55 Recommendations

This Chapter presents an analysis of the ministerial permitting functions and processes including the following:

- The common functions and processes that require inter-departmental cooperation and coordination, paying particular attention to the management and organization of the work;
- Recommendations that modify functions and business process to enhance customer service;

- The identification of business processes where the use of memorandums of agreement between departments will be necessary; and,
- The identification of how the existing management and organization of these functions and business processes either support or detract from the goals, objectives, and mission of the City.

The Consultant gave priority to related and overlapping functions, including but not limited to the following:

- Building and Safety related and overlapping functions including clearances, public counter services, condition compliance, development services case management, plan check, code enforcement, inspection, administration, and technology; and,
- Fire related and overlapping functions including Plan Check and Case Management.

This chapter seeks to clarify process ownership, empower the process owner to meet performance metrics, and shift the responsibility for navigating the City's development services system from the customer to process owner. The General Manager of DBS should be responsible for the end-to-end ministerial process.

H. Public Improvement Functions and Processes – Chapter 8 – 30 Recommendations

This Chapter presents an analysis of the public improvement/engineering permitting functions and processes including the following:

- The common functions and business processes that require inter-departmental cooperation and coordination, paying particular attention to the management and organization of the work;
- Recommendations that modify functions and business processes to enhance customer service;
- The identification of business processes where the use of memorandums of agreement between departments will be necessary; and,
- The identification of how the existing management and organization of these functions and business processes either support or detract from the goals, objectives, and mission of the City.

This chapter seeks to clarify process ownership, empower the process owner to meet performance metrics, and shift the responsibility for navigating the City's development services system from the customer to process owner. The General Manager of BOE should be responsible for the end-to-end public improvement/engineering process.

I. Code Enforcement – Chapter 9 – 29 Recommendations

This Chapter presents an analysis of the code enforcement function, or the effective enforcement of zoning and property maintenance regulations. This is a major theme that the Consultant heard consistently in his meetings with Neighborhood Councils. This chapter presents an analysis of the Code Enforcement Bureau, Department of Building and Safety, and opportunities to enhance enforcement. Effective code enforcement is essential to revitalizing a distressed neighborhood. Problem properties can “deter investors, frustrate existing residents and generally contribute to an environment of fear, disorder, and crime” in a neighborhood.

J. Regulations – Chapter 10 – 28 Recommendations

This Chapter presents an analysis of land use regulations which are the policies and support documents that drive the review and construction process. Both categories should be understandable, objective, and reasonable. The City is already updating the City’s Zoning Code and is in the second of a five year update schedule. The City is also updating several Community Plans including Granada Hills – Knollwood, Sylmar, Boyle Heights, Silver Lake-Echo Park-Elysian Valley, South Los Angeles, Southeast Los Angeles, West Adams-Baldwin Hills-Leimert, and San Pedro. However, other challenges remain including the ability of the DCP to sustain its efforts in community planning, CEQA, and urban design, and the effectiveness of project management in the updating of Community Plans.

K. Co-Location of Development Services – Chapter 11 – 14 Recommendations

This Chapter presents an analysis of opportunities to co-locate the City’s development services staff to better serve the residents and businesses of Los Angeles. The overarching intent of this plan is to meet the following goals, wherever feasible:

- Improve the City’s operational efficiency;
- Improve the City’s ability to provide consistent levels of service to all of its constituents;
- Locate staff so that they can be more conveniently accessed by the public, where workload warrants the location;
- Co-locate like types of services to achieve economies of scale; and,
- Leverage the use of existing sites and facilities where logical.

Co-location will not only ensure customers have a true one-stop experience when accessing services across the City, it will allow staff to be more efficient, more integrated into cross-disciplinary teams, and support the long-term strategy of implementing a single, development services department in the future.

L. Culture of Development Service Functions – Chapter 12 – 12 Recommendations

In the Consultant’s experience, the City’s employees in its development services functions will be the key to the successful transformation of development services. The success of this transformation requires that the concerns of the employees need to be identified and incorporated from the start and revisited consistently throughout the implementation process.

The Consultant found that before the City should consider the functional transfer of development services to a new department, it should first consider the readiness of the City's workforce to implement the new department. The Consultant requested that the Personnel Department develop a training plan relative to addressing work culture issues.

M. Plan of Organization – Chapter 13 – 34 Recommendations

This Chapter presents a proposed plan of organization of the development services functions. The Consultant recommends that development services functions be transferred to a new department, just not now and not all at once. There are a number of steps the City should take, incrementally, before the development service functions are transferred to a new department.

This Chapter does not only look at the functional transfer. It also evaluates opportunities to enhance the service delivery through the use of "process owners" for the three core processes to provide end-to-end accountability for those processes; enhance the service delivery within the DCP assigning its development services to specific geographical areas and not a mix of functional and geographical assignments; and the use of contractors or other flexible staffing solutions to provide "peaking" service for plan checking for DBS, DCP, DOT, BOE, and LAFD.

N. Cost Recovery for Development Services – Chapter 14 – 12 Recommendations

The City has adopted revenue policies within its Financial Policies; the most current version dates from April 2005. That policy states that the "City will charge fees for services where such an approach is permissible by state and federal law, and where a group of beneficiaries who can pay such fees is identifiable." The revenue policy further states that "sufficient user charges and fees shall be pursued and levied to support the full cost of operations for which fees are charged, including all operating (direct and indirect) and capital costs. All user charges and fees for the City shall be monitored annually to determine that rates are adequate and each source is maximized. If fees or charges are not set at 100 percent full cost recovery, the Mayor and Council will specifically recognize the subsidy and shall take specific action to appropriate the necessary funds to subsidize the fee for service." This Chapter presents an analysis of cost recovery and revenue for development services in those instances in which issues were apparent.