

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 22, 2015

CAO File No. 0220-04851-0009

Council File No. 13-0046

Council District: All

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer *MSH*

Reference: Council adopted quarterly report backs under Council File No. 13-0046 on April 2, 2014

Subject: **DEVELOPMENT SERVICES REFORM INITIATIVE – STATUS REPORT**

SUMMARY

On January 28, 2014, the Matrix Consulting Group (Consultant) delivered their analysis of the City's opportunities to improve development services functions. The Consultant's report included 329 separate recommendations. On April 2, 2014, the Council adopted a Planning and Land Use Management (PLUM) Committee Report (C.F. 13-0046) which instructed our Office to regularly report back on the progress made by departments implementing actions taken by the Council and the Mayor relative to the Development Services Reform Initiative.

Our Office supports approval of the recommendations included in this report which will: 1) allocate special fund monies to continue the Consultant's contract for an additional year to support the implementation of the Development Services Reform Initiative; 2) allocate special funds to create a public counter for the Office of Historic Resources; 3) postpone implementation of direct billing for bank and merchant fees for the Department of Building and Safety (DBS) until convenience fees are established for non-Enterprise Fund activities; 4) allocate special funds to the Office of Finance to cover bank and merchant fees associated with Enterprise Fund activities; 5) continue the City's effort to achieve full-cost recovery for special purpose activities; and 6) instruct Departments to provide status reports on major development reform initiatives that were funded in 2015.

BACKGROUND

Our Office requests funding to continue the City's relationship with the Consultant for an additional year. As part of the 2013/14 Adopted Budget, the Mayor and the Council instructed our Office to hire an independent firm to assist the City in functionally integrating development services functions. The procurement process was exempted from the 1022 process since an independent firm was necessary to properly implement the Mayor and the Council's instructions. The Consultant has been integral in implementing recommendations relative to the Development Services Reform Initiative. If funding is approved, the Consultant will: 1) complete a workload analysis and fee study for the development services processes provided by the Department of Public Works, Bureau of Engineering (BOE), including B-Permits; 2) complete a workload analysis and fee study for the development services processes provided by the Department of Transportation; 3) prepare and

present an individual status report card to the PLUM Committee for each of the Departments involved in the Development Services Reform Initiative; and 4) assist in developing a strategic plan to assist the City in achieving the goal of 100,000 new housing units by 2021.

The Department of City Planning (DCP) requests funding to create a public counter in City Hall Room 559 to serve applicants that interact with the Office of Historic Resources (OHR). The OHR processes all requests related to designated historic resources across the City. The OHR is responsible for providing historic preservation clearances/sign-offs for all permits affecting designated historic resources, including over 1,000 Historic-Cultural Monuments, 700 properties in the Mills Act Historical Property Contract program, and several thousand additional properties listed in or formally determined eligible for the National Register of Historic Places and the California Register of Historical Resources.

The Adopted Budget authorized the Office of Finance to place the DBS on a direct billing schedule for their bank and merchant fees. Unfortunately, the banks are unable to provide the DBS with invoices that contain only those fees that are attributed to the Building and Safety Building Permit Enterprise Fund (Enterprise Fund). In addition to eligible Enterprise Fund charges, the invoices contain fees associated with the Los Angeles Unified School District, State of California, Fire Department, Cultural Affairs Department, Office of Finance, DCP, Police Department, BOE, Department of Recreation and Parks, and Department of Public Works. Our Office recommends that the Office of Finance continue to be responsible for processing invoices for bank services associated with accounts assigned to the DBS until a new cashiering system which will differentiate transactions and corresponding merchant fees by department is implemented. The DBS expects for a new system to be implemented next Fiscal Year. Our Office further recommends that the \$1.4 million appropriation for bank fees in the Enterprise Fund be transferred to the Office of Finance to cover eligible Enterprise Fund costs.

The Consultant has completed their analysis of the workload and cost of service relationships that exist between fees for service activities in the Fire Department's Fire Prevention Bureau (FPB). Included in their analysis of the Fire Department are the following programs: 1) plan check and inspection for building standards; 2) hydrants and access; and 3) special fire and engineering permits. Overall, the Consultant concluded that the FPB is under-recovering for fee-related services. In addition to personnel and overhead costs, the FPB also has costs associated with technology upgrades, cross-departmental support, and bank processing fees which are not captured by existing fees. To be consistent with other City Departments, our Office recommends that the FPB incorporate percentage-based surcharges to account for these additional costs. Currently, DBS, DCP, and BOE assess a seven percent systems development/technology fee surcharge to recover costs associated with permitting system software, maintenance, and support. Additionally, the FPB should assess the applicable surcharges to support the Development Services Centers and Universal Cashiering.

The 2015/16 Adopted Budget provided funding for a number of programs which directly support the Development Services Reform Initiative. Funding was provided to: 1) implement the Monitoring, Verification, and Inspection Program (MViP) and the Beverage and Entertainment Streamlined Program (BEST) to address community complaints and streamline the response of Code Enforcement staff to complaints; 2) implement Phase 1 of the BuildLA project which is a series of interconnected systems that will collectively deliver development services citywide through a single Development Services online portal which includes a workflow management platform, electronic plan review, a supporting database, and integration or data sharing with several existing City systems;

3) develop a Development Services Cashiering Strategy to be incorporated into the BuildLA framework; and 4) establish geographic divisions and geographic teams within the DCP to provide project planning and case processing functions based on the unique needs of each geographic area.

RECOMMENDATIONS

That the Mayor and Council:

1. Authorize the Controller to:

a) Establish new Account 50M110 City Administrative Officer and appropriate \$272,169 within the Construction Services Trust Fund No. 438/50;

b) Transfer appropriation, as follows:

TRANSFER FROM:

<u>Fund</u>	<u>Dept.</u>	<u>Account</u>	<u>Account Title</u>	<u>Amount</u>
438	50	50M110	City Administrative Officer	\$272,169

TRANSFER TO:

<u>Fund</u>	<u>Dept.</u>	<u>Account</u>	<u>Account Title</u>	<u>Amount</u>
100	10	003040	Contractual Services	\$272,169

c) Transfer appropriation, as follows:

TRANSFER FROM:

<u>Fund</u>	<u>Dept.</u>	<u>Account</u>	<u>Account Title</u>	<u>Amount</u>
48R	08	08M607	Bank Fees	\$1,400,000
48R	08	08L200	Reserve for Future Costs	306,228

TRANSFER TO:

<u>Fund</u>	<u>Dept.</u>	<u>Account</u>	<u>Account Title</u>	<u>Amount</u>
100	39	004040	Bank Fees	\$1,400,000
48R	08	08L139	Finance	306,228

d) Appropriate \$14,940 to Account 50M168 Planning within the Construction Services Trust Fund No. 438/50; and,

e) Transfer appropriation, as follows:

TRANSFER FROM:

<u>Fund</u>	<u>Dept.</u>	<u>Account</u>	<u>Account Title</u>	<u>Amount</u>
438	50	50M168	Planning	\$14,940

TRANSFER TO:

<u>Fund</u>	<u>Dept.</u>	<u>Account</u>	<u>Account Title</u>	<u>Amount</u>
100	40	001014	Salaries, Construction	\$10,620
100	40	003180	Construction Materials & Supplies	4,320

2. Request the City Attorney, with the assistance of the Fire Department and Office of the City Administrative Officer (CAO), to draft the necessary ordinance to effectuate the recommended fees contained in Attachment A and Attachment B of this report;
3. Instruct the Office of Finance to continue processing invoices for bank services associated with accounts assigned to the Department of Building and Safety (DBS);
4. Instruct the General Manager of the DBS, or designee, with the assistance of the Office of Finance and the CAO, to report back in 90 days on the status of implementing convenience fees;
5. Instruct the General Managers of the DCP and the DBS, or their designees, to report back in 90 days on the success of the Monitoring, Verification, and Inspection Program (MViP) and the Beverage and Entertainment Streamlined Program (BEST) in addressing community and streamlining the response of Code Enforcement staff to community complaints;
6. Instruct the General Manager of the DBS, or designee, to report back in 30 days on the status of universal cashing for development related activities;
7. Instruct the General Manager of the DBS, or designee, to report back in 30 days on the status of BuildLA;
8. Instruct the General Manager of the DCP, or designee, to report back in 60 days on the implementation status of project planning teams to support project planning and case processing functions within the newly established geographic teams; and,
9. Authorize the CAO, or designee, to prepare Controller instructions and/or make any necessary technical adjustments consistent with the Council action on this matter and authorize the Controller to implement those instructions.

FISCAL IMPACT STATEMENT

There is no General Fund impact. The Construction Services Trust Fund (Fund No. 438) and the Building and Safety Building Permit Enterprise Fund (Fund No. 48R) have sufficient funds to finance these eligible requests. These expenditures comply with the City's Financial Policies in that special funds will be used to support eligible activities.

The proposed fee increases and new fees have the potential to increase permit revenues to the level of full cost recovery, as directed during the Fiscal Year 2015/16 budget hearings. It is estimated that the proposed fees will result in the Department's achieving full cost recovery for the services provided to private developers, reducing future burden on the General Fund.

Attachments

- A. Total Cost – New Construction Plan Check & Inspection
- B. Proposed Fee Schedule – Flat Fees