



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 15-0988, Version: 1

REPORT TO COUNCIL

SUBJECT

Approval of Budget Modification No.17 to Appropriate Funds to Add Staff Positions in the Departments of Community Development, Public Safety and Public Works for Development Review and Construction Inspection Services and for On-call Building Inspection and Fire Inspection services, and Authority to Establish Contracts

REPORT IN BRIEF

Based on pending development applications and building permit activity, staff expects that the current high level of construction activity will continue for at least several more years. Currently, staff is not meeting performance standards for plan check, inspections, and scheduling projects for public hearings. Development activity is quite varied and ranges from permits for home improvements to large office, residential and hotel projects. In order to effectively respond to the workload needs for development and environmental review, construction permitting and construction inspections, staff recommends that the City Council approve Budget Modification No. 17 to provide funds to hire additional staff in the Community Development, Public Works and Public Safety Departments to respond to the workload needs for development and environmental review, construction permitting and construction inspections; and delegate authority to the City Manager to establish temporary on-call staffing contracts at levels greater than \$100,000 as necessary, so long as the appropriation limit is not exceeded.

This request is a stop-gap measure to address current pressing needs and to modify the current staffing model which has become unsustainable due to the duration of demand for service and the competitive market conditions for development staff. Other adjustments to development services budgets may be presented to the Council with the FY 2016/17 budget. Funding for both the contracts and the staff will be provided through the Development Services Enterprise Fund Reserve (i.e., fees collected for processing development and construction permits). A hallmark of Sunnyvale's development services is fast turnaround times for plan reviews and inspections. We have lost some of our regional competitiveness and customer service edge with the longer timeframes. Staff is requesting this additional budget outside of the normal budget process due to the critical need for staffing; delaying it longer could severely jeopardize the City's reputation for efficient and effective. This action allows for staff to begin the recruitment process for several development related positions so that if the City Council fully funds the positions over the 20 Year Plan, the City will have completed a lengthy recruitment process for these positions and expedite the placement of staff in key positions that will result in more efficient and effective services for residents and businesses.

The additional staff would allow the City to better achieve its performance standards for providing responsive customer service. Since development activity is cyclical, workload needs will be regularly monitored to determine if a future vacant position should be filled when a staff member retires or leaves the City.

BACKGROUND

The development review, permit processing and construction inspection functions in the City have been operating at a heightened level since 2011 when the region emerged from one of the worse recessions in past decades. The economic turnaround in Sunnyvale has been rapid and sustained. Sunnyvale continued to exhibit a modest level of construction permitting activity during the recession years between 2008-2011, but activity in the last four years has been unprecedented in terms of home improvements and development interest as reflected in construction valuation, permits issued, and permit fees. Sunnyvale and adjacent cities were one of the first regions in the nation to experience a pronounced economic recovery, mainly driven by the strength of the innovation-based technology sector in Silicon Valley. Attachment 1 shows the development trend for the past 15 years for construction valuation, permits issued and inspections in Sunnyvale. This data is also indicative of Planning and Engineering activity during the same period.

When the economic recovery began, it was difficult to assess how long the robust level of economic activity would continue. Given historic records, few foresaw the duration of the current economic cycle. The economic forecast for Silicon Valley, while still favorable, is expected to moderate going forward. However, given the current number of projects in process that will take multiple years, and the continued high demand for housing, it is expected that demand for development services will remain strong for at least several more years before subsiding. Several factors suggest that this economic activity will continue in the near term:

- Although there are notable exceptions, Silicon Valley companies continue to prosper with an interest in expanding facilities to meet a growing workforce, building new modern Class “A” offices, and repurposing existing Class “B” and “C” industrial buildings with extensive tenant improvements.
- Residential development will continue to respond to the strong market demand for new for-sale and rental housing, and this demand is reflected in rising home prices and apartment rents.
- Favorable financing continues to be available for both residential and non-residential construction.
- Residential remodeling and additions are continuing at a high pace to meet the growing needs of Sunnyvale families. Additionally, with the brisk sale of homes, new property owners often embark on home improvement projects.

Tangible evidence that development activity is not subsiding is reflected in recent construction activity for the first quarter of FY 2015/16 (July 1 to September 30, 2015). Total building valuation for permits issued in the first quarter of FY 2015/16 was over \$241 million compared to approximately \$174 million for first quarter of FY 2014/15. The number of issued construction permits and amount of fees, which are based on building valuation, are up about 30 percent over the same period last year.

While development activity in Sunnyvale is often associated with the large office and residential complexes in the City, the vast majority of zoning approvals and construction permits actually pertain to residential remodels, additions or new single-family houses which directly serve homeowners/residents. Of the 5,387 building permits issued in FY 2014/15, 63 percent of permits consisted of these types of residential projects. Another 16 percent of permits were related to small commercial tenant improvements, which generally serve the small business community (valuation

less than \$25,000). Additionally, of the 23,232 building construction inspections that were performed in FY 2014/15, 65 percent involved inspection of small residential projects and minor tenant improvements for commercial buildings.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378 (b) (4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

DISCUSSION

The high demands for development review and construction permitting and inspection services have heavily impacted staffing in several City departments and divisions including: Department of Community Development’s Building Safety and Planning Divisions; Department of Public Work’s Engineering and Transportation Divisions; and Department of Public Safety’s Fire Prevention Office.

Performance Standards

Performance standards for Development Services activities have suffered in recent years as construction activity has remained at a high level. Inspections for building, fire and public works projects have especially suffered with longer turnaround times. Whereas a longstanding goal of the City is to offer inspections within one to three days of a requested time, building inspections currently have wait periods of seven to ten days, while Fire inspections are three to four weeks out. The impact is not only felt by larger projects, but also adversely affects homeowners and small businesses which, as noted earlier, constitute a large proportion of inspection stops. Complaints from homeowners, businesses and developers have increased. In response, inspectors have been authorized to conduct after hour and Saturday inspections when requested, but a prolonged reliance on overtime is straining staff and is not cost effective. Plan checks are exceeding the performance goal of 21 days for turnaround times, and there is typically a long wait for customers at the One Stop Permit Center, especially in the morning hours. Planning, Transportation and Engineering staffs are also struggling to process a high volume of development applications. An unprecedented number of environmental impacts reports and traffic impact analyses are concurrently being prepared, which is becoming the norm and not the exception. The delays in meeting performance goals by a day or two were not considered significant; however, as workload increased and staffing options decreased the cumulative effect has been delays as many as three to four weeks in scheduling inspections. To address the issue staff members have worked overtime, part-time were hired and left for full-time positions or reached their annual hour limits and contract staff budgets have run out. This model is not sustainable for staff health and morale.

Development applications have also become more complex at the planning approval and building permit stages. At the planning review stage, expanded community outreach and public noticing and more complex environmental review, particularly with regard to traffic impact analyses, have required more staff hours to process development applications. At the building permit stage, each version of the state building and fire codes (latest version 2013) exhibits more complex regulations which have necessitated more staff time for plan checking and inspections. For instance, the state CalGreen code includes ambitious green building and sustainable requirements that are enforced along with the City’s Green Building Program. Additionally, recently enacted Title 24 energy conservation standards and stormwater reporting and monitoring requirements have placed additional staff demands on plan checking and inspections.

A performance goal for Planning applications is to provide comments for at least 85 percent of non-public hearing applications within 15 days of submittal and that at least 85 percent of public hearing applications receive comments within 20 days. For last fiscal year, 83 percent of non-public hearing applications and only 74 percent of public hearing applications met the goal; this year, to date, the performance is 62 percent of non-public hearing items and 73 percent of public hearing applications. Also, the number of planning applications this fiscal year to date, compared to last year, is up 11 percent (450 vs. 500). Due to the State maximum 30 days to determine application completeness (per the Permit Streamlining Act), other planning reviews such as building plan checks tend to be further delayed.

The goal for preparation and review of traffic studies is 16-18 weeks. This timeframe is inclusive of time required for staff to scope the needed traffic study, contact a city consultant for a quote, collect the funds from the applicant, for consultant to prepare the study, and for staff to review the draft and final. This time frame is currently running about 24 weeks.

The Engineering Division of Public Works also reviews development land use applications and encroachment permits. The goal for review is a three-week turn around for the first review and two-week review for every other review after. However due to the increased number of projects the number of projects that are currently meeting the expected review rates vary from 44 percent and 38 percent respectively.

Contract and Part-time Staffing Solutions

The initial response to the rising workload was to supplement base staffing levels with one-time budget allocations to hire temporary contract/casual staff to assist staff in responding to the high level of development activity. In August 2012, the Council approved a budget modification for \$933,760 (\$343,000 for Building Permitting and \$590,760 for Fire Prevention Construction) to provide supplemental staff support for permitting and construction inspection activities. In September 2014, the Council approved \$300,000 to fund supplemental temporary staffing for the Planning Division. Most recently, in November, the Council appropriated \$300,000 for transportation and traffic staff. While this response was an appropriate short-term response, it is not the most effective long-term solution, especially now that it appears the base staffing level for the development review functions may be higher due to the changing development and regulatory environment.

Limitations with Contract and Casual Staffing

Temporary contract/casual staffing has the following limitations:

- **Availability.** While recruiting temporary staff was easier several years ago when the region was emerging from the recession, finding qualified temporary staff has been extremely challenging in recent years as other cities are competing for that same pool of expertise.
- **Continuity.** Temporary staff does not provide an optimal level of staff stability or continuity and does not develop institutional knowledge in the City. This can ultimately affect customer service and the efficiency of service delivery in the City. In the Community Development Department alone, 24 temporary contract/casual staff have been hired in the last three years (although three have transitioned to permanent staff). When the turnover of permanent staff during this time period is factored in, the result is a transitional staffing condition, which presents management, supervision, and training challenges.

- Cost. Contract staffing is most appropriate when short-term, limited scope assistance is required (e.g., filling in for staff vacancies, or a single large project that requires additional assistance). The hourly rates for contract staff tend to be much higher than regular staff cost (35 percent to 50 percent over budgeted fully loaded hourly rates).
- Staff Supervision and Training. State civil service rules limit the ability for many temporary staff to work full-time (for both City causal part-time or contract staff). This requires hiring more part-time staff to cover workload needs, which further impacts managers and supervisors.
- Succession Planning. A reliance on temporary staff does not provide a full complement of permanent staff to aid in succession planning and staff transitions as employees retire or leave the City.

Concerns with Additional Full-time Staffing

The main concern with adding full-time staff is that departments could be overstaffed during more average or downturn periods. Over the past 25 years the experience is that about 10 percent of the development services staff members leave per year. Staff members leave City of Sunnyvale employment due to retirement, promotional or other opportunities with other agencies or businesses, or family reasons (e.g., spouse has a job that requires relocation, a parent stays home to care for children). During particularly slow years there may be fewer vacancies; when this has occurred in the past, staff members have been reassigned to other departments where there is a need for additional help and the employee's skill set is transferrable. Transfers have been temporary and permanent to other divisions within the same department as well as to other departments. During busier periods there are deferred activities such as permit archiving and data management; as fees have already been collected for these activities, staff resources are available to focus on deferred services. Staff levels also can be managed through attrition, by not filling vacancies that occur during a slow economy.

Staffing Requests

While a certain level of temporary contract/casual staff continues to be recommended to respond to the volatile nature of development activity, staff is recommending a higher number of City positions to promote continuity and enhanced customer service, as well as additional funding for temporary staff until recruitments can be completed. The proposed staffing level responds to an immediate need; staff will continue to assess the workload and if warranted present requests for additional staffing with the FY 2016/17 Recommended Budget. While this high level of activity is expected to subside eventually, staff vacancies and retirements will inevitably occur in the future, which will allow the flexibility to adjust staffing levels as necessary. Funding is recommended to add the six staff positions.

Past recruitments for each of the requested position classifications suggest that the City attracts more applicants for the entry level positions than the more advanced positions. Higher level positions may be filled with promotions. Even recruitments with lower candidate pools have resulted in filled positions. Given the current workload in Human Resources recruiting for the requested additional staff is anticipated to start in February and March with certified lists of qualified candidates available in March and April. Public Safety positions would take longer to fill due to more rigorous background checks. New classifications may take about four months to prepare and process with additional time for recruitment to follow (the one revised classification is anticipated to be filled through closed promotion which would require less time to complete than a new hire).

This request for staff and interim funding is intended to address the most pressing needs of staff, building, fire and construction inspectors, and transportation engineer. Other positions will be presented to the Council as part of the entire budget package for FY 2016/17.

Community Development

Building Inspector I/II (two positions)

These two positions will assist in responding to the heavy demand for construction inspections, but can also provide back-up plan checking services if needed. The goal is to reduce the wait period for inspections and achieve the Building Division's longstanding performance goal of offering next day inspections for 90 percent of customer requests for immediate inspections. One of the inspectors will focus on inspections for small residential and commercial projects.

Public Works

Public Works Construction Inspector

As work in encroachment permits and public right of way improvements continues to increase, the Engineering Division has maintained only one inspector to inspect construction of improvements. This has limited the inspectors focus to only work currently under construction and does not allow for review of plans, problem resolution as part of the design process, and proactive communication with contractors. It also delays projects as only a certain number of inspections can be completed daily.

Senior Transportation Engineer

The increase in development activity has greatly impacted the Transportation Division. Prior to the last two years, the maximum number of Traffic Impact Analysis (TIAs) that the Division had managed at one time was six. Currently staff is managing 14 TIAs and cannot maintain the committed schedules. In addition to TIAs, development projects require review from the Transportation Division and this workload has increased significantly. These reviews included encroachment permits, traffic control plans, signing and striping plans, street lighting plans, and signal plans. Limited staff affects the performance goal of first round plan reviews within 21 days and second round plan reviews within 14 days.

Public Safety

Fire Protection Engineer (two positions)

These two positions will assist in providing plan check services to reduce customer wait times and to help meet Public Safety's performance goal to complete first round plan reviews within 21 days and second round plan reviews within 14 days. These positions will also assist in responding to the heavy demand for construction inspections related to fire protection systems. The goal is to reduce the wait time for inspections, minimize the reliance on contract inspectors and achieve Public Safety's longstanding performance goal of completing 90 percent of customer requests for next available fire safety inspection within two days of the request.

Next and Future Fiscal Years

Staff will present other development services staffing requests as part of the annual budget review in May and June. If additional staffing resources are approved, it would be advantageous to commence the recruitment process in advance of July 1, making it clear that there is not a current vacancy for any of those contemplated positions.

Short Term: On-Call Staffing

Also requested, in addition to the above staffing requests, are funds for on-call contract staffing for

building inspectors and fire inspectors. This funding will allow staff to respond to the backlog of inspection requests needs while recruitment for regular staff is in progress. Staff is requesting \$150,000 for building inspection staffing services and \$350,000 for fire inspection staffing services. At current spending levels these funds could last for about one year.

FISCAL IMPACT

The new positions will be funded by the Development Enterprise Fund. The Development Enterprise Fund accounts for development-related revenues as well as the associated operating budget for development services. In recent years, with development activity at a very high level, revenue from development-related fees such as Building Permits, Fire Prevention Permits, and Plan Check Fees has continually exceeded projections. This has continued into the current year, with revenue in the Development Enterprise Fund at \$8.5 million through only half of the fiscal year against the original projection \$11.43 million for the year.

Budget Modification No. 17 has been prepared to appropriate \$828,922 from the Development Enterprise Fund Reserve to operating programs in the Community Development, Public Works, and Public Safety Departments. This appropriation to the FY 2015/16 operating budget covers three months of budgeted personnel costs and related equipment and vehicles expenses for the six positions identified above. Funding for FY 2016/17 and all following years, pending approval of this Budget Modification, will be included in the FY 2016/17 Recommended Budget. The annual amount for all six positions is approximately \$1.05 million. Budget Modification No. 17 also includes \$500,000 appropriated to two special projects for continued supplemental staffing.

BUDGET MODIFICATION NO. 17 FISCAL YEAR 2015/2016

Current	Increase (Decrease)	Revised
Development Enterprise Fund		
<u>Expenditures:</u>		
CDD Building	\$124,032	\$3,344,479
DPW Land Dev	\$105,836	\$1,403,380
Engineering Pr		
DPS Fire Preve	\$99,054	\$810,964
Program		
829750 - Fire F	\$350,000	\$529,110
829760 - Buildi	\$150,000	\$225,283
Services		
<u>Reserves:</u>		
Development E	(\$828,922)	\$13,936,698
Reserve		

Funding Source

Development related activities are funded by the Development Enterprise Fund.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board

outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Approve Budget Modification No. 17 to provide funds to hire additional staff in the Community Development, Public Works and Public Safety Departments to respond to the workload needs for development and environmental review, construction permitting and construction inspections.
2. Approve Budget Modification No. 17 with modifications.
3. Do not approve Budget Modification No. 17.
4. Delegate authority to the City Manager to establish temporary on-call staffing contracts at levels greater than \$100,000 as necessary, so long as the appropriation limit is not exceeded.

STAFF RECOMMENDATION

Alternatives 1 and 4: Approve Budget Modification No. 17 to provide funds to hire additional staff in the Community Development, Public Works and Public Safety Departments to respond to the workload needs for development and environmental review, construction permitting and construction inspections; and delegate authority to the City Manager to establish temporary on-call staffing contracts at levels greater than \$100,000 as necessary, so long as the appropriation limit is not exceeded.

Staff is concerned that not providing additional resources for staffing will cause review times and inspection schedules to slip even further behind desired timeframes. A key service that Sunnyvale provides to residents and businesses has been the quick turnarounds for plan reviews and inspections. Customers have contacted the City with complaints about the wait times for inspections. This budget modification will address the most pressing needs in Community Development, Public Works and Public Safety.

Prepared by: Trudi Ryan, Director of Community Development

Reviewed by: Timothy J. Kirby, Acting Director of Finance

Reviewed by: Manuel Pineda, Director of Public Works

Reviewed by: Frank Grgurina, Chief of Public Safety

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Building Valuation from 2000 to 2015