

CITYGATE ASSOCIATES, LLC

■ FOLSOM (SACRAMENTO)

MANAGEMENT CONSULTANTS ■

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**ORGANIZATIONAL
ASSESSMENT OF THE
DEVELOPMENT REVIEW
PERMITTING PROCESS
FOR THE**

**CITY OF
MODESTO, CA**

Final Report

December 20, 2006

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CITYGATE ASSOCIATES, LLC

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EXECUTIVE SUMMARY AND ACTION PLAN

A. INTRODUCTION TO THIS REPORT

Citygate Associates, LLC is pleased to present this organizational assessment report of the Planning Division and the development review permitting process to the City’s leadership team. We commend and thank the Community and Economic Development Director and the City Manager for taking the initiative to address the important issues identified in this report.

Citygate Associates is optimistic with regard to the outcomes that should result from this report. We believe the leadership team is dedicated to, and capable of, making the improvements detailed in the Action Plan. To be successful, they will need the active support of the City’s elected officials, both in terms of encouragement and the allocation of resources.

The initial scope of this study was designed to have Citygate Associates provide an organization assessment of City’s Planning Division and a multi-year plan to rebuild the Division into a “best practices” organization. Early on in the assessment, it became apparent that many of the problems perceived as “Planning Department” problems were, in fact, interdepartmental in nature. As a result, the assessment was broadened to take in the overall development review permitting process. Citygate proceeded with the study with the following objectives:

- ◆ To provide an independent, third party analysis of the policies, procedures, management and operations of the Planning Division, as it now exists, and to design a creative strategy to improve organizational efficiency and effectiveness, as needed.
- ◆ To discuss alternative operating models and make recommendations for changes in the Planning Division, if needed.
- ◆ To examine the development review permitting process model and make recommendations for changes, if needed.

B. ORGANIZATION OF THIS REPORT

Citygate’s organizational assessment and report on the performance of the City of Modesto’s development permitting review permitting process is organized in sections as follows:

- ◆ **Study Scope, Objectives, Key Factors and Approach**
- ◆ **Advice to the Reader: How Best to Handle Peer Review**
- ◆ **Introduction to the Planning Division**
- ◆ **The Perfect Storm: How Did the Planning Division End Up in This Situation?**
- ◆ **General Observations**
- ◆ **A New Model: Increasing the Planning Division’s Responsiveness and Organizational Stability for the Long-Term**
- ◆ **Fitting In: Making the Entire Development Process Work**

◆ **Financing: Running the Development Process Like a Business**

C. THE ORGANIZATIONAL SETTING

What ails the development review permitting system is a **process problem**, as opposed to being a personnel problem. That is not to say that there are not attitudes and philosophies that need adjusting in order to better reflect the policies of the City Council and the administrative direction from its appointed leadership team -- there are. However, notwithstanding these human shortcomings, the staff involved in city planning and the overall development review permitting process are more often than not working very hard and in a conscientious manner to do what is in the best interest of the City. Many of them labor under difficult circumstances.

Over the past year or more the Planning Division has been beleaguered and overwhelmed. It is as if the Division was hit by a “*Perfect Storm*.” There are a number of factors that have led to the “*Perfect Storm*” situation. Some of these factors are industry-wide and some are local in nature. They include the following:

- **Budget Reductions**
- **Unstable leadership**
- **Red-hot housing market**
- **Shortage of Planners**
- **Organizational Setting.**

The purpose of this report is to provide a roadmap to the City regarding how best to meet this “Perfect Storm” challenge.

D. GOOD NEWS AND BAD NEWS

Citygate’s organizational assessment revealed good news and bad news with respect to the City’s planning programs and the development permit process under review in this study. To put it in perspective, relative to other public agencies in which we have conducted similar organizational assessments undertaken over the past 15 years throughout the western states, Citygate Associates would give the following grades to Modesto:

Administrative and Clerical Support **A-**

The administrative and clerical support teams involved in planning and the development review permitting process are efficient and effective. Office management, technology applications, administrative infrastructure, and facilities are at or close to “best practices.”

Skills **B**

The skill levels of the professionals involved in the development review permitting process are for the most part solid. Many individuals possess significant skills and abilities. Modesto is now beginning to benefit from the good planning, infrastructure financing programs, and technologies that have been perfected elsewhere in California.

Attitude

C+

Individual attitude is at or above average. Employees are polite, courteous and helpful. Modesto’s permitting problems are process-related, for the most part, as opposed to people-related. The individual attitudes, as good as they might be, are trumped by the negative factors detailed in the “Perfect Storm,” particularly the breakdown in interdepartmental coordination.

Customer Care

C

Customers needs vary considerably depending on the size and complexity of their permit application. The development review permitting process delivers reasonable customer care for smaller, less complex projects. On the other hand, the Planning Division and the other departments involved in the process are not able to provide quality customer care for larger, more complex development projects.

Efficiency and Effectiveness

C-

The efficiency and effectiveness of a city’s development review permitting process can be measured by several important metrics:

- ◆ Does it listen to and hear its customers?
- ◆ Is there an institutionalize mechanism for continual improvement?
- ◆ Is it respectful to its customers?
- ◆ Is innovation encouraged?
- ◆ Does it manage risk based on reasonableness, or does it over react?
- ◆ Does it operate in fear?
- ◆ Is it quick?
- ◆ Does it have and does it meet Cycle-Time standards?
- ◆ Does it use meaningful performance measures?
- ◆ Is it consistent?
- ◆ Is it well coordinated?
- ◆ Is infrastructure in place ahead of demand?
- ◆ Is it reactive versus proactive?
- ◆ Does it regulate towards a desired outcome?
- ◆ Does it instigate towards a desired outcome?
- ◆ Does it abuse its authority?
- ◆ Does it reflect City Council policy objectives?

Modesto’s development review permitting process is efficient and effective on smaller, less complex projects that do not require a great deal of interdepartmental coordination. It is significantly lacking on larger, more complex projects.

Leadership

D

As mentioned previously in this report, leadership of the planning and development review permitting process functions has suffered from a high level of turnover.

Interdepartmental Coordination

F

Coordination between the departments involved in the development reviewing permitting process is very poor. There is little to no collectively understood vision for the process and very little self-accountability. It is not that nobody is trying at all. But the organizational structure and the process work against them.

E. WHAT CAN REALISTICALLY BE EXPECTED FROM MODESTO'S DEVELOPMENT REVIEW PERMITTING PROGRAM?

Citygate must first make the point that, notwithstanding the talent and dedication that is in the organization, which is substantial, things need to change in order to improve the efficiency and effectiveness of the development review permitting process and, most importantly, to manage the ever increasing level of development activity in the community. First, everyone in the planning, engineering/building organization needs to understand this objective and how the development team members are going to get there. This points needs to be reinforced constantly, over and over again, in a manner that is cordial and clear. Reinforcement needs to be institutionalized, as we discuss in detail within the body of the report.

In addition, the City must continue to modernize, improve and strengthen its General Plan. A weak General Plan will undermine all the good intentions set forth in this report. The General Plan serves as the City's land use constitution and it needs to give clear and detailed policy direction in a way that will underpin and enforce high quality urban planner. Communities that institutionalize "best practices" within their development review permitting process also make sure they have a General Plan that is visionary and has meaningful enforcement mechanisms built into it. A well-planned city where citizens can live, work, and play doesn't happen by accident. It takes a strong General Plan.

F. MAJOR RECOMMENDATIONS

The following major recommendations are included in this report:

- ◆ **Flatten the Planning Division organizational structure and use squads and teams to increase responsiveness, flexibility and customer satisfaction**
- ◆ **Hire 2 Senior Planners, 2 Assistant/Associate Planners, and support staff**
- ◆ **Establish a long-term attraction, investment, and retention program for planners**
- ◆ **Institute "Unanticipated Service" practices to increase customer satisfaction**
- ◆ **Re-establish the Deputy City Manager/Development Services position**
- ◆ **Break down the formal and informal walls between Planning, Building, Economic Development, Redevelopment, Engineering, City Attorney, Traffic and Finance**

- ◆ **Establish a powerful Development Review Team (DR-Team) effective immediately**
- ◆ **Establish a Development Services Fund for the Planning, Engineering and Building programs.**

In addition to the major recommendations listed above, this report includes 27 total recommendations to improve the efficiency and effectiveness of the City's development permitting process.

G. ACTION PLAN

A listing of our recommendations and a blueprint for their implementation are presented in the following Action Plan. This Plan contains:

- ◆ The priority of each recommendation
- ◆ The suggested implementation time frame
- ◆ The anticipated benefits of each recommendation
- ◆ The responsible organization.

The legend at the bottom of each page of the Action Plan defines the level of each priority indicated by the letters "A" through "D." It is important to note that priorities have been established independent of the suggested timeframe. For example, a recommendation may have the highest priority (indicated by the letter "A") but may require an estimated six months to implement. Conversely, a recommendation with the letter "C" priority, which indicates that the recommendation is not critical but will improve operations, may have a two month timeframe, since the estimated implementation effort would not require an extended period of time.

It is also important to note that an "A" priority, which indicates that the recommendation is deemed "mandatory or critical," should not be interpreted to mean that the recommendation is "mandated" by a statute or regulation – it is simply an "urgent" recommendation of the highest priority.

The timeframes indicated in the Action Plan do not necessarily mean the anticipated completion dates for the implementation of each recommendation.

ACTION PLAN

<i>Recommendation</i>	<i>Priority A/B/C/D</i>	<i>Time Frame for Implementation</i>	<i>Anticipated Benefits</i>	<i>Responsible Party(ies)</i>
Recommendation No. 1: Consider organizing the Division around <u>three</u> urban planning program activities: current; advanced; and long-range.	A	30 days	Distributes workload more efficiently and effectively	Planning Manager
Recommendation No. 2: Flatten the Planning Division organizational structure and use squads and teams to increase responsiveness, flexibility, and customer satisfaction.	A	60 days	Increases responsiveness, flexibility, and customer satisfaction; Provides job enrichment; increases employee morale.	Planning Manager
Recommendation No. 3: Hire 2 Senior Planners, 2 Assistant/Associate Planners, and support staff.	A	120 days	Increases responsiveness, flexibility, and customer satisfaction; increases employee morale	City Council; Planning Manager; HR Director; C&ED Administrative Officer
Recommendation No. 4: Establish a long-term attraction, investment, and retention program for planners.	A	90 days	Provides stable organization; increases consistency; increases customer service	Planning Manager; HR Director; C&ED Administrative Officer
Recommendation No. 5: Establish a permanent “stable” of at least five planning consultant firms to increase responsiveness, flexibility, and customer service.	B	180 days	Increases responsiveness, flexibility, and customer satisfaction	Planning Manager; C&ED Administrative Officer

LEGEND:

- A Recommendation mandatory or critical
- B Strongly recommended
- C Not critical, but will improve operations
- D Recommended, but additional study required



ACTION PLAN

<i>Recommendation</i>	<i>Priority A/B/C/D</i>	<i>Time Frame for Implementation</i>	<i>Anticipated Benefits</i>	<i>Responsible Party(ies)</i>
Recommendation No. 6: Institute “Unanticipated Service” practices to increase customer satisfaction.	A	30 days	Increases customer service	Planning Manager
Recommendation No. 7: Work to eliminate ALL Planning Division <i>standing meetings</i> except the Development Review Team (DR-Team) and the Division-wide staff meeting.	A	30 days	Increases productivity	Planning Manager
Recommendation No. 8: Schedule ALL Planning Division <i>ad hoc meetings</i> on a mornings-for-internal and afternoons-for-external basis to increase productive work time.	B	60 days	Increases productivity	Planning Manager
Recommendation No. 9: Institute a serious-minded Meeting Management Training program and monitor its performance.	A	60 days	Increases productivity	Planning Manager; HR Director; C&ED Administrative Officer
Recommendation No. 10: Limit planners’ involvement in the processing of professional service agreements.	B	30 days	Increases productivity	C&ED Director; Administrative Officer

LEGEND:

- A Recommendation mandatory or critical
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ACTION PLAN

<i>Recommendation</i>	<i>Priority A/B/C/D</i>	<i>Time Frame for Implementation</i>	<i>Anticipated Benefits</i>	<i>Responsible Party(ies)</i>
Recommendation No. 11: Institute a programmatic approach to Zoning Code Amendments using a team approach.	A	60 days	Increases productivity; increases effectiveness; institutionalizes continual modernization of regulations	Planning Manager
Recommendation No. 12: Go live on electronic permit tracking system in the Planning Division on March 31, 2007.	B	120 days	Increases efficiency and effectiveness; increases productivity and accountability	Planning Manager; I.T. Director
Recommendation No. 13: Move the Fire Marshall offices.	C	180 days	Provides for departmental growth; centralizes workflow	C&ED Director; Fire Chief
Recommendation No. 14: Re-establish the Deputy City Manager/Development Services position.	A	60 days	Increases productivity; increases effectiveness; increases accountability	City Manager
Recommendation No. 15: Break down the formal and informal walls between Planning, Building, Economic Development, Redevelopment, Public Works, City Attorney, Traffic, Parks, Recreation and Neighborhoods, and Finance.	A	Ongoing	Increases productivity; increases effectiveness; increases accountability; increases quality communication; increases customer service	Deputy City Manager; Public Works Director; Finance Director; PR & N Director

LEGEND:

- A Recommendation mandatory or critical
- B Strongly recommended
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ACTION PLAN

<i>Recommendation</i>	<i>Priority A/B/C/D</i>	<i>Time Frame for Implementation</i>	<i>Anticipated Benefits</i>	<i>Responsible Party(ies)</i>
Recommendation No. 16: Establish a powerful Development Review Team (DR-Team) effective immediately.	A	30 days	Increases productivity; increases effectiveness; increases accountability; increases quality communication; increases customer service	Deputy City Manager; Public Works Director; Finance Director; PR & N Director
Recommendation No. 17: Institute a serious-minded team-building training program at the DR-Team (break down the departmental walls).	A	60 days	Increases productivity; increases quality communication	Deputy City Manager; Public Works Director; Finance Director; PR & N Director
Recommendation No. 18: Institute a Continual Improvement Program at the DR-Team.	A	30 days	Increases productivity; increases effectiveness; increases customer service	Deputy City Manager; Public Works Director; Finance Director; PR & N Director
Recommendation No. 19: Move CFF/IMP section out of the City Manager’s Office and into the Public Works Department.	B	60 days	Increases effectiveness; increases financial accountability; better manages infrastructure improvement program	Deputy City Manager; Public Works Director; Finance Director
Recommendation No. 20: Examine workload, span-of-control, and service alternatives for legal support provided to the staff involved in the development review permitting process.	A	60 days	Increases efficiency of workflow; increases morale	City Attorney; City Manager

LEGEND:

- A Recommendation mandatory or critical
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ACTION PLAN

<i>Recommendation</i>	<i>Priority A/B/C/D</i>	<i>Time Frame for Implementation</i>	<i>Anticipated Benefits</i>	<i>Responsible Party(ies)</i>
Recommendation No. 21: Use the DR-Team to collectively establish Cycle-Time standards for Current Planning, subdivision review, subdivision plan check, Traffic studies, legal review, Advanced Planning, and Long Range.	B	60 days	Increases productivity; increases effectiveness; increases accountability	Deputy City Manager; Public Works Director; Finance Director; PR & N Director; Planning Manager; City Engineer
Recommendation No. 22: Use the DR-Team to monitor and report out on Cycle-Times and milestones.	B	90 days	Increases accountability; increases customer service	Deputy City Manager
Recommendation No. 23: Utilize Determinate Processing Agreements for high priority projects.	B	60 days	Increases productivity; increases customer service	Planning Manager
Recommendation No. 24: Develop performance measures for the DR-Team and continuously measure, monitor, evaluate and improve the Development Review Permitting Process.	B	60 days	Increases accountability	Deputy City Manager

LEGEND:

- A Recommendation mandatory or critical
- B Strongly recommended
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ACTION PLAN

<i>Recommendation</i>	<i>Priority A/B/C/D</i>	<i>Time Frame for Implementation</i>	<i>Anticipated Benefits</i>	<i>Responsible Party(ies)</i>
Recommendation No. 25: Prepare a monthly narrative management report for the City Manager, City Council, Mayor and customer stakeholders.	B	90 days	Increases accountability; increases quality communication; increases customer service	Deputy City Manager
Recommendation No. 26: Have the DR-Team prepare written policies and procedures covering all aspects of the Development Review Permitting Process and incorporate into a manual for distribution to all employees involved in the process.	B	Ongoing	Increases effectiveness	Planning Manager; City Engineer
Recommendation No. 27: Consider Establishing a Development Services Fund for the Planning, Public Works and Building programs.	A	180 days	Increases effectiveness; increases accountability; increases financial independence; increases employee morale	Deputy City Manager; Public Works Director; Finance Director

LEGEND:

- A Recommendation mandatory or critical
- B Strongly recommended
- C Not critical, but will improve operations
- D Recommended, but additional study required

FIXING THE DEVELOPMENT REVIEW PERMITTING PROCESS: A REBUILDING PLAN

Citygate Associates, LLC is pleased to present this organizational assessment report of the Planning Division and the development review permitting process to the City’s leadership team. We commend and thank the Community and Economic Development Director and the City Manager for taking the initiative to address the important issues identified in this report.

Citygate Associates is optimistic with regard to the outcomes that should result from this report. We believe the leadership team is dedicated to, and capable of, making the improvements detailed in the Action Plan. To be successful, they will need the active support of the City’s elected officials, both in terms of encouragement and the allocation of resources.

A. STUDY SCOPE, OBJECTIVES, KEY FACTORS AND APPROACH

The initial scope of this study was designed to have Citygate Associates provide an organization assessment of City’s Planning Division and a multi-year plan to rebuild the Division into a “best practices” organization. Early on in the assessment, it became apparent that many of the problems perceived as “Planning Department” problems were, in fact, interdepartmental in nature. As a result, the assessment was broadened to take in the overall development review permitting process. Citygate proceeded with the study with the following objectives:

- ◆ To provide an independent, third party analysis of the policies, procedures, management and operations of the Planning Division, as it now exists, and to design a creative strategy to improve organizational efficiency and effectiveness, as needed.
- ◆ To discuss alternative operating models and make recommendations for changes in the Planning Division, if needed.
- ◆ To examine the development review permitting process model and make recommendations for changes, if needed.

In order to meet the objectives identified above, the following key factors deemed critical to the success of the Planning Division were reviewed in detail:

- ◆ Mission and goals of the Department
- ◆ Mission and policies of the Divisions
- ◆ Communication among the staffs, and between the staff and their customers
- ◆ Current and future performance measures
- ◆ Support systems
- ◆ Organization of the system components
- ◆ Management structure and effectiveness
- ◆ Customer satisfaction
- ◆ Allocation of employees and other resources

- ◆ Personnel management, supervision, and reporting
- ◆ Staffing, budgeting, and training
- ◆ Workload trends
- ◆ Physical layout of the current program location.

The scope of Citygate’s engagement did not include either a financial audit or a compliance audit.

Citygate also set a goal of providing realistic recommendations that can be implemented to help improve the Planning Division and the overall effectiveness of the development review permitting process, while meeting the needs of the City Council and the citizens that they serve.

In executing these study objectives, Citygate engaged in the following processes:

- ◆ Met with and conducted in-depth interviews with the Community and Economic Development Director.
- ◆ Conducted interviews with all Planning Division staff.
- ◆ Conducted interviews with key employees involved in the development review permitting process: Public Works Director; Deputy Director/Traffic; Deputy Director/CIP; Assistant City Attorney; Senior Traffic Engineer; Senior Civil Engineer/Utilities; Senior Civil Engineer/Subdivisions; and Chief Building Official.
- ◆ Performed walkthroughs of offices and facilities.
- ◆ Reviewed available documents and records relating to the management, operation, and budgeting of Planning Division.
- ◆ Compiled and performed analysis on various quantitative and qualitative data regarding Planning Division operations, including customer service records and wait time records, to make recommendations for continuing improvements in the permit intake and review process.
- ◆ Considered best practices in comparable agencies for applicability in the City of Modesto to determine if opportunities exist to enhance the Planning Division’s organizational performance.

Throughout this process, it was our policy to review findings of the study with multiple sources in order to validate findings used in the report. The data also was presented and discussed with management personnel to allow an opportunity to provide evidence concerning aspects of the report that they felt were in error.

B. ADVICE TO THE READER: HOW BEST TO HANDLE PEER REVIEW

From time to time throughout this report we will speak clearly and to the point without pulling any punches. It is not our intent to offend anyone. However, we believe that our client is best served by frankness. The characteristics of the City’s Planning Division and, more importantly, the overall development review permitting process, have evolved over an extended period of

time as a result of many factors. The process has both good and bad characteristics, none of which are the fault of any one person.

What ails the development review permitting system is a process problem, as opposed to being a personnel problem. That is not to say that there are not attitudes and philosophies that need adjusting in order to better reflect the policies of the City Council and the administrative direction from its appointed leadership team. There are. However, notwithstanding these human shortcomings, the staff involved in city planning and the overall development review permitting process are more often than not working very hard and in a conscientious manner to do what is in the best interest of the City. Many of them labor under difficult circumstances.

C. INTRODUCTION TO THE PLANNING DIVISION

The **Planning Division** is in the **Community and Economic Development Department**. The Planning Division develops and maintains City long-range planning documents, such as the General Plan, Master Environmental Impact Report, Specific Plans and the Urban Growth Review. The Planning Division provides information, technical assistance, and comprehensive project review in response to requests for development approvals and development-related proposals. The Division provides staff support to the City Council, City Planning Commission, and various City committees. It supports other City departments, agencies, organizations, and individuals to ensure the free exchange of information on urban planning and environmental issues of local and regional importance.

The Division's **Advance Planning Section** performs updates to the General Plan, processes applications for amendments to the General Plan, and coordinates the implementation of General Plan policies. This Section also processes applications for Specific Plans and their amendments, related changes in zoning, and certain City-initiated projects. In addition, the Advanced Planning Section conducts environmental reviews of all development activities within the City and prepares environmental documents other City-initiated projects.

The Division's **Current Planning Section** processes applications for residential, commercial, and industrial development through a formal review and public hearing process. Applications are reviewed for consistency with the General Plan, compliance with the Municipal Code, conformance with City policies, and agreement with accepted planning practices. Guidance is provided to applicants and the general public to ensure that all proposed development meets community standards and fulfills all legal requirements. This Section also performs site inspections on approved projects, and participates in staffing the One-Stop Development Services Counter.

Budgeted staffing levels include:

- ◆ 1 Planning Manager
- ◆ 2 Principal Planners
- ◆ 3 Senior Planners full-time
- ◆ 2 Senior Planners part-time
- ◆ 2 Contract Planners (1 Senior level, 1 Associate level, both part-time)
- ◆ 4 Assistant/Associate Planners

- ◆ 2 Planning Technicians
- ◆ 2 Planning Assistants
- ◆ 2 Planning Interns
- ◆ 4 Office Supervisor/Administrative Office Assistants.

D. THE PERFECT STORM: HOW DID THE PLANNING DIVISION END UP IN THIS SITUATION?

Before embarking too far into this assessment of the City of Modesto’s Planning Division and the development review permitting process, it would be good to review “Best Practice” **goals of a good municipal planning program:**

Goals for Planning

- ◆ A fair, consistent development review permitting process
- ◆ Responsiveness to elected officials
- ◆ Responsive customer service
- ◆ Involvement of all stakeholders
- ◆ A public that has a good understanding of how the planning processes work
- ◆ Development and implementation of a General Plan
- ◆ Enforcement of the laws of the County, State, and Federal governments
- ◆ Protection of the City in terms of liability
- ◆ A well-trained staff who are treated as professionals, given the tools they need to do their jobs, and the compensation they deserve.

Ultimately, the responsibility of the Planning Division is to ensure that growth and development are well-planned, well-integrated, and meet the goals of the community as adopted by the City Council in the Modesto General Plan and as set forth in the Modesto Municipal Code.

Notwithstanding the above goals for planning, over the past year or more the Modesto Planning Division has been beleaguered and overwhelmed. It is as though the division has experienced a **“Perfect Storm.”** There are a number of factors that have led to the **“Perfect Storm.”** Some of these factors are industry-wide and some are local in nature. They include the following:

Budget Reductions

Beginning in FY 2002-03, the State of California and many cities throughout the State experienced significant budgetary challenges. Municipal revenues were falling at the same time that retirement and health costs were rapidly increasing. The City of Modesto reduced services, cut operational budgets, delayed capital projects, and left many positions in the organization unfilled in order to make it through the difficult times.

Unstable Leadership

Over the past three years, the Planning Division staff has had to adjust to multiple changes in leadership, both at the policy setting level and the upper management level of the organization. Four out of seven of the members of the City Council were newly elected in November 2003. One councilmember was newly elected in November 2005. There was a change in City Managers in 2005. The Department has had 3 directors in 5 years. There have been three Planning Managers in the past year alone! This organizational instability has left staff wondering where they are going as an organization, and it has created a general sense of disarray, frustration and timidity. In some respects, quite understandably, the organization is operating like a turtle with its head pulled inside its shell. It has lost its confidence.

Red-Hot Housing Market

At the same time that budgets were being reduced and staff was adapting as best they could to changing leadership, the housing market had taken off like a rocket. Interest rates were at record lows, money was cheap, and builders were doing everything they could to process entitlement applications. The Planning Division's workload has held steady over the past five years, as indicated in the following table:

Activity	2001	2002	2003	2004	2005
Zoning & Related Applications	63	56	86	54	53
Administrative Plan Reviews	97	96	101	76	109
Tentative Subdivisions/Parcel Maps	22	27	31	31	33
<u>Total Applications</u>	<u>182</u>	<u>179</u>	<u>218</u>	<u>161</u>	<u>195</u>
Number of Units	426	838	470	1,515	295

In addition, in past two years, the City has received **SEVEN** specific plan entitlement applications representing over **12,000 RESIDENTIAL UNITS**. These specific plans include: Kiernan Business Park East, Woodglen, Pelandale-McHenry, Tivoli, Johansen, Fairview Village, and Kansas-Woodland Business Park.

Shortage of Planners

The City has had difficulties attracting and retaining urban planners, particularly highly experienced planners. To some extent, this is an industry-wide problem that cities throughout California are experiencing concurrently. As the housing market cools down, it is likely that some planners now working in the private sector will migrate towards less cyclical employment in the public sector. However, the shortage will remain a long-term challenge for the City. Planners with 10+ years of experience attended college in the 1980's and 1990's at a time when

business administration and information technology majors were the rage, as opposed to urban planning. In addition, the student population at that time was significantly lower than the preceding baby-boomer-generation student population; thus, there are fewer qualified planners moving into and up the urban planning career ladder. The Human Resources Department is not able to attract a sizable pool of qualified applicants for planning-related positions. This causes multiple recruitments and delays.

Organizational Setting

The development review permitting process often involves as many as 7 departments in the City of Modesto organization. Within these 7 departments, to one degree or another, over 15 program areas or divisions participate in the development review permitting process. It is no wonder the system breaks down. Land development is complex, particularly in California. The current organizational arrangement places the primary processing burden on the Planning Division. This is the case even though much of the review takes place in departments in which the Planning Division has no control over administrative policy or workload prioritization. This has been a particular problem in recent years as utility infrastructure planning, design, financing, and construction fell behind the demand for future services. As a result, try as it might, the organization is not very responsive to changing circumstances or to its internal or external customers.

The “Perfect Storm”: Pressures On The Planning Division



E. GENERAL OBSERVATIONS

Our organizational assessment revealed good news and bad news with respect to the City’s planning programs and the development permit process under review in this study. To put it in perspective, relative to other public agencies in which we have conducted similar organizational assessments undertaken over the past 15 years throughout the western states, Citygate Associates would give the following grades to Modesto:

Administrative and Clerical Support* **A-*

The administrative and clerical support teams involved in planning and the development review permitting process are efficient and effective. Office management, technology applications, administrative infrastructure, and facilities are at or close to “best practices.”

Skills* **B*

The skill levels of the professionals involved in the development review permitting process are for the most part solid. Many individuals possess significant skills and abilities. Modesto is now beginning to benefit from the good planning, infrastructure financing programs, and technologies that have been perfected elsewhere in California.

Attitude* **C+*

Individual attitude is at or above average. Employees are polite, courteous and helpful. Modesto’s permitting problems are process-related, for the most part, as opposed to people-related. The individual attitudes, as good as they might be, are trumped by the negative factors detailed in the “Perfect Storm,” particularly the breakdown in interdepartmental coordination.

Customer Care* **C*

Customers needs vary considerably depending on the size and complexity of their permit application. The development review permitting process delivers reasonable customer care for smaller, less complex projects. On the other hand, the Planning Division and the other departments involved in the process are not able to provide quality customer care for larger, more complex development projects.

Efficiency and Effectiveness* **C-*

The efficiency and effectiveness of a city’s development review permitting process can be measured by several important metrics:

- ◆ Does it listen to and hear its customers?
- ◆ Is there an institutionalized mechanism for continual improvement?
- ◆ Is it respectful to its customers?
- ◆ Is innovation encouraged?
- ◆ Does it manage risk based on reasonableness, or does it over react?
- ◆ Does it operate in fear?
- ◆ Is it quick?
- ◆ Does it have and does it meet Cycle-Time standards?
- ◆ Does it use meaningful performance measures?

- ◆ Is it consistent?
- ◆ Is it well coordinated?
- ◆ Is infrastructure in place ahead of demand?
- ◆ Is it reactive versus proactive?
- ◆ Does it regulate towards a desired outcome?
- ◆ Does it instigate towards a desired outcome?
- ◆ Does it abuse its authority?
- ◆ Does it reflect City Council policy objectives?

Modesto’s development review permitting process is efficient and effective on smaller, less complex projects that do not require a great deal of interdepartmental coordination. It is significantly lacking on larger, more complex projects.

Leadership

D

As mentioned previously in this report, leadership of the planning and development review permitting process functions has suffered from a high level of turnover.

Interdepartmental Coordination

F

Coordination between the departments involved in the development reviewing permitting process is very poor. There is little to no collectively understood vision for the process and very little self-accountability. It is not that nobody is trying at all. But the organizational structure and the process work against them.

Specific Observations: Notable Strengths

Support Team

The Planning Division’s administrative and clerical support teams are well organized and well resourced. They are efficient and effective. These functions include budget management, personnel management, facilities and supplies, and preparation of the agenda packets for both the Planning Commission and the City Council.

Working Environment

The Planning Division offices are modern, clean and accommodating. Workstation technologies are up to date and at or above “best practices.”

Staff Attitude and Competencies

As a rule, Planning Division customers report that staff is courteous, helpful and competent. The majority of customer complaints have to do with process rather than with personnel. There are complaints about the lack of experience at the lower levels of the organization.

Specific Observations: Notable Areas for Organizational Change, Growth and Improvement

Strengthening the City's Land Use Constitution: The Modesto General Plan

The City must continue to modernize, improve and strengthen its General Plan. A weak General Plan will undermine all the good intentions set forth in this report. The General Plan serves as the City's land use constitution, and it needs to give clear and detailed policy direction in a way that will underpin and enforce high quality urban planning. Communities that institutionalize "best practices" within their development review permitting process also make sure they have a General Plan that is visionary and has meaningful enforcement mechanisms built into it. A well-planned city where citizens can live, work, and play does not happen by accident. It takes a strong General Plan.

Modesto is now able to attract national credit developers. These new developers want a well thought out General Plan that enhances and protects their real estate investment. They want and expect high-quality development standards, robust infrastructure plans, and consistent processing. They are willing to pay the freight to achieve these qualitative objectives. The City would be well served to leverage this situation for the betterment of the community by continuing to strengthen its General Plan.

Strengthening Organizational Vision

Staff in the Planning Division, understandably, has not been clear about where they are heading as an organization and how they fit into the overall mission, goals and objectives of the City. They're not sure about the values that should govern their day-to-day business activities. They feel pretty much like they're wondering around in the wilderness right now. Thus, the Planning Division lacks confidence.

Strengthening Vertical Communication

Communication from the policy setting level and top-management level of the organization to the front-counter level of the organization is not working efficiently and effectively. It is not that people are not trying to communicate. They are trying, from top to bottom, but it is still not working. This is due in large part to the organizational setting in which the development review permitting process takes place, as is explained in detail later in this report.

Reinforcing Functional Organizational Structure

Developers, applicants and consultants feel a strong need to end-run the development review permitting process by going first to the Mayor, the City Council, the City Manager, or the Community and Economic Development Director in advance of filing application with the City for their projects. This happens to one degree or another in every city. However, it can get out of control when the powers that be do not have a high level of confidence in the official formal process. Such is the case in Modesto. Under current circumstances, elected officials and top City management have little choice but to accommodate the end-run practice. Thus, the system becomes more and more dysfunctional, staff becomes demoralized and discouraged, and the entire process turns into a vicious cycle of poor communications and low quality municipal planning and low quality infrastructure planning, finance and construction.

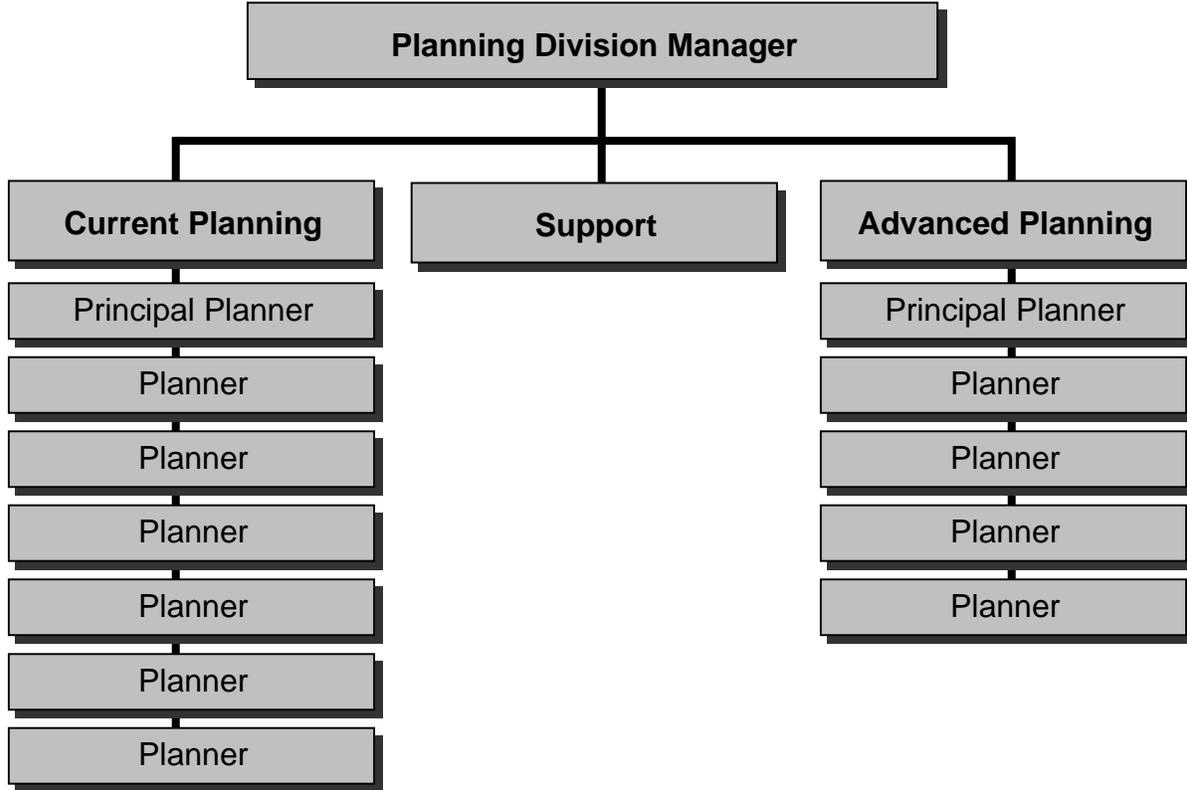
Improving Horizontal Communication Disconnect

Communication between departments involved in the development review permitting process is poor. The system does not get very far beyond “**In-box to In-box**” thinking: plans come into the City, they are date stamped, looked at briefly, assigned to a planner, and then distributed to the reviewing divisions and departments. From that point in the process the planners work independently on their assigned applications, relying upon e-mail and some telephonic communication to ascertain the issues, concerns, comments and conditions of approval from the other reviewing divisions and departments in the City. There is an interdepartmental **Development Review Committee** that meets twice a month to review applications, but it operates as a very weak part of the organization. The committee is not able to vigorously identify and resolve issues. Attendance is not mandatory, so oftentimes the right staff people, or their backups, are not at the meetings. The “In-box to In-Box” approach allows individuals to hide in the organization with little to no interdepartmental internal customer accountability or, for that matter, external customer accountability.

Growing Organizational Flexibility and Nimbleness

The Planning Division is organized along highly traditional organizational lines: current planning and advanced planning. The goals and objectives of the City’s efforts to provide quality urban planning is viewed through these two lenses, irrespective of the outcomes. Although the relationship between the two program areas is friendly, for all intents and purposes they operate independently. The organizational structure is too rigid to be highly efficient, effective and responsive to changing customer needs. This rigidity is a significant contributor to the dysfunctions that plague the Planning Division because it makes it twice as hard to implement the goals and objectives of the City and, more importantly, the values and expectations that govern how the Planning Division will live up to its business practice values. Moreover, it makes it difficult to respond quickly, if at all, to peaks in workload that can appear at different points along the development review permitting process: the City’s General Plan; master infrastructure plans; specific plans; tract maps; planned urban developments; development agreements; design review; parcel maps; second story reviews; zone clearance, etc. The organizational structure institutionalizes short-term and long-term confusion. The “Rigid” organizational model looks like this:

Planning Division- Current “Rigid” Organizational Model*



Creating Financial Independence to Achieve Business-like Environment

Many agencies that aspire to “best practices” have entirely removed their development reviewing permitting process related activities from the City’s General Fund. Doing so achieves benefits for the City:

- ◆ New development pays its own way
- ◆ The development review permitting process operates more on a “run it like a business” basis
- ◆ Good urban planning and good civil engineering no longer have to compete for resources with police and fire services
- ◆ Staff has a stake in operational efficiency and effectiveness
- ◆ Increases financial accountability and compliance with State law.

Mastering a Continual Improvement Program

Modesto has no mechanism to force ongoing improvements in the efficiency and effectiveness of the development review permitting process. Complaints from customers tend to be addressed on a project-by-project, *ad hoc*, emergency basis, which is very disruptive to the organization. Examples include the Kaiser Project and the Tivoli Specific Plan project. Rarely are the lessons learned from these *ad hoc* reviews incorporated into the process in a way that is permanent, consistent and reliable for the public, the elected policy setters, and staff. Good ideas and good

policies far too often drop off the edge of a cliff. Everyone gets frustrated, if not cynical. Highly efficient and effective development review permitting systems include an institutionalized *Continual Improvement Program*. The purpose of the program is provide an ongoing and detailed review of all steps in the development review process to make sure that the process is constantly adapting to changes in City Council policy and constantly improving the quality of its customer service.

Developing Organizational Discipline

Urban planning by its very nature is contemplative and subjective. The profession attracts individuals who are process oriented, as opposed to results oriented, qualitative as opposed to quantitative. Good urban design requires this type of skill set and this type of thinking. However, if left unchecked, these creativity-based values can lead to schedules that are missed, production that is slow, meetings that last too long, and orders from the top that are inadvertently, or intentionally, ignored. In order to maintain efficiency and effectiveness, it is incumbent upon the Division and Department leadership to create a working environment that maximizes innate planner values while at the same time injects results oriented and quantitative values into the process. This form of organizational discipline emphasizes process clarity, consistency, speed, and flexibility. Without this form of organizational discipline, the process will fly in the face of the needs of the City's applicant customers who must be concerned about time and money if they are to survive. Thus, complaints will continue at a dysfunctional level.

Integrating Traffic Review Into the Process

Citygate believes the talents of the individuals in the traffic division can best be brought out and managed within an interdepartmental team setting, as is detailed later in this report under the recommendations regarding formation of a DR-Team. The City's traffic review process often unnecessarily frustrates customers and staff by being too precise and risk averse. Far too often, the process operates on the right-hand side of the decimal point, rather than on the left-hand side. Decisions that are made one day, are too frequently overruled the next. The division needs to work on being consistent and less bureaucratic towards both internal and external customers. Use of the DR-Team format will increase communication and accountability in this regard.

Integrating Legal Services Into the Process

The Planning Division relies heavily upon legal advice provided by in-house attorneys, which is a common practice in cities of Modesto's size. The line between legal advice and business decisions can get blurry even in an agency using "best practices." However, in Modesto it is significantly out of balance. The City's land use legal advisor is knowledgeable and experienced. She enjoys the respect and appreciation of her co-workers in the Planning Division and the other development review divisions. On a day-to-day operational basis, as a result of the leadership turnover, she oftentimes possesses the most corporate memory being brought to task on any given step in the development review permitting process. However, as a result of her filling this leadership void, the review system can be overly legalistic, cumbersome and slow. Oftentimes, planners just "give up." This imbalance in the system provides little to no customer service accountability. Moreover, as a result, risk intolerance sabotages efficiency and effectiveness, particularly during the environmental review (CEQA) process. In addition, serious legal services workload and span-of-control issues exist that if left unattended will continue unacceptable delays in the development review permitting process. We believe her talents can

best be brought out within an interdepartmental team setting, as is detailed later in this report under the recommendations regarding formation of a DR-Team.

Implementing an Attraction, Investment, and Retention Staffing Strategy For Professionals

The City is doing a poor job of recruiting qualified personnel in a timely fashion. Vacant professional positions in the planning and Public Works arena take 4 months or more to recruit. All too often, the pool of qualified applicants is thin at best, which requires the Division leadership to go out again for a time-consuming recruitment. It is not at all unusual for key positions to go unfilled for months at a time. The development review permitting process will always be slow, inconsistent and unresponsive to City Council expectations if the City fails to address attraction, investment and retention of urban planners for the long-term.

Changing From “Project Thinking” to “Program Thinking”

The City’s Planning Division and development review permitting process suffer from “project thinking” as opposed to “program thinking.” For example, when the City Council directed staff to make the Tivoli Specific Plan a priority, staff responded by putting a senior level planner on the project. The planner reported directly to the Planning Manager, and as leadership turned over, eventually directly to the Department Director and the City Manager. The individual worked solely on this high priority project without any meaningful support from his fellow planners. As a result, he has become the sole source of information for the project. Another example of “project thinking” would be the Planning Division’s approach to updating the City’s zoning and development code. Currently, the Division updates the code on an issue-by-issue, catch as catch can basis. During our review, we repeatedly heard staff complain about the zoning code and how it is out of date and cumbersome, yet there is no program in place to continually update and improve the code. Once issues and work items become projects, the chances of them being addressed diminish significantly. A “program thinking” approach to managing issues and work, as detailed later in this report, would eliminate these types of problems.

Managing Meetings More Effectively

The Planning Division is being **“meeting’d to death.”** This was corroborated by our direct observations as well as anecdotally by staff during our interviews. The meetings far too often start late, are poorly run and take too long to conduct business. There exists a sense in the organization of being overwhelmed by the workload, but there is little being done to “get to the point” at meetings.

Formalizing the Deemed Complete Process

Planning agencies that aspire to “best practices” pay close attention to the steps involved in deeming an application complete. This is important because once an application is deemed complete the processing clock starts ticking. It is from this point in the beginning of the review process that cycle-times should be measured. These cycle-times include, for example:

- ◆ How long does it take to get the application distributed to reviewing departments?
- ◆ How long does it take for the reviewing departments to complete their review?
- ◆ How long does it take to prepare the environmental assessment?

- ◆ How long does it take to prepare the staff analysis and agenda report?
- ◆ How long does the item take to get to the Board of Zoning Adjustments or Planning Commission?

Keeping track of the deemed complete step in the process helps keep the organization focused on results. It also helps establish service level benchmarks against which staffing levels can be rationally determined. Without it, you are constantly guessing.

Increasing Responsiveness Through Use of Planning Consultants

Planning agencies that aspire to “best practices” maintain a stable of private sector planning consultants as part of the City’s team. At a minimum, such agencies have at least three firms under contract at any point in time so that the City and its customers reap the benefit of rigorous competition between the firms. The consulting services are used to obtain special expertise and to manage workflow peaks, as needed. The consulting firms should be managed as members of the Planning Division team.

Spending Less Time Processing Contracts

The Planning Division as a matter of course contracts with numerous outside consultants for professional services of one type or another. Examples of these services would include environmental assessment, traffic studies, land use studies, specific plan analysis, General Plan preparation, and staffing. Processing of the contracts from concept to approval by the City Council is complex and time consuming. Planners, if they want to get their work done and meet leadership expectations, are forced to spend an inordinate amount of time pushing these contracts through the approval pipeline in areas of the organization in which they have little to no say in workload priorities. They spend time trying to facilitate negotiations on details of the contract that have nothing to do with the scope, terms or budget for the engagement, much less anything to do with planning. It is a waste of their time and is very inefficient and ineffective.

Maximizing Use of the Electric Permit Tracking System (Tidemark)

The Planning Division is behind industry standards in terms of being able to accurately track planning applications through the development review permitting process. The City’s electronic permit tracking system (Tidemark) is state of the art. The Building Division has fully integrated the system into its daily activities. The Planning Division has initiated integration into the system and, with the help of the City’s I.T. staff, will begin beta testing the system beginning in January 2007. Cut over is scheduled for March 31, 2007.

F. A NEW MODEL: INCREASING THE PLANNING DIVISION’S RESPONSIVENESS AND ORGANIZATIONAL STABILITY FOR THE LONG-TERM

Recommendation No. 1: Consider organizing the Division around three urban planning program activities: current; advanced; and long-range.

Citygate Associates recommends the Planning Division consider adding “Long Range” planning as a third program activity in the Division. The Long Range planning program should include work items that have horizon years in excess of 10 years. Such work items would include, for

example: the General Plan; Urban Growth Review; the Housing Element; Infrastructure Master Planning.

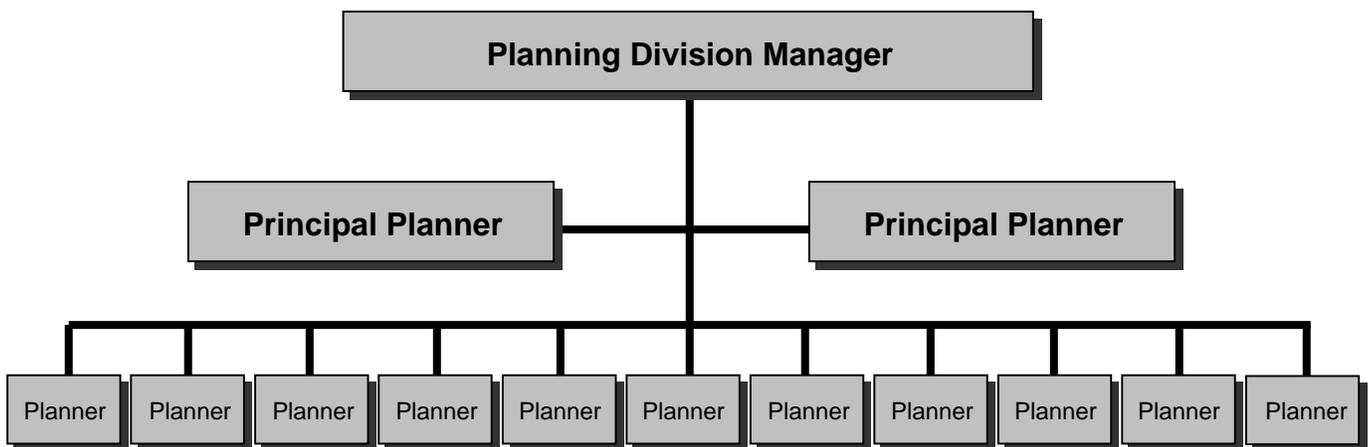
The Advanced Planning Program would focus its activities on mid-term planning efforts that implement the Long Range documents. These work items would primarily involve specific plans and the environmental assessments that go with them.

The Current Planning Program, much as it does currently, would include more immediate work items such as tract maps; planned urban developments; development agreements; design review; parcel maps; second story reviews; zone clearance.

Recommendation No. 2: Flatten the Planning Division organizational structure and use squads and teams to increase responsiveness, flexibility, and customer satisfaction.

Citygate Associates recommends the Planning Division’s organizational structure be flattened so that planners can work in all three of the previously described program activity areas: Current; Advanced; and Long Range. The Planning Division leadership needs to take advantage of this flexibility and “swarm resources” around the ever-changing demand in each of the three program activities by using ad-hoc squads or teams. Workload expectations should be managed around agreed upon performance standards and cycle-time standards, as is discussed later in this report. The “flexible” organizational structure would look like this:

Planning Division
Recommended “Flexible” Organizational Model



The flexible organizational model is based on a high level of teamwork at all times. Accordingly, both Principal Planners are assigned the same roles and responsibilities and, thus, as a leadership team, are expected to set an example based on collaboration. The two individuals assigned to these key positions should back each other up at all times and, in essence, serve as co-leaders. Such an approach will strengthen the organization and improve efficiency and effectiveness.

The Division leaders, the two Principal Planners, should assign planners to work within all three planning program activities. Planners should be expected and encouraged to develop expertise in all three arenas. Assignments should be made on a Team basis. Each team should have a squad or team leader, a backup leader, and support team members.

The characteristics that need to become the trademarks of the organization include:

- ◆ Multi-talented planners
- ◆ Team orientation
- ◆ Flexible to changing demands
- ◆ Results oriented
- ◆ Consistent regulatory enforcement
- ◆ Clear regulatory enforcement
- ◆ Effective implementation of City Council policies
- ◆ Accountable to all stakeholders, applicants and each other
- ◆ Transparent
- ◆ Confident in its judgments
- ◆ A sense of urgency
- ◆ Continual improvement oriented
- ◆ Well disciplined.

Recommendation No. 3: Hire 2 Senior Planners, 2 Assistant/Associate Planners, and support staff.

The Planning Division has significant backlogs in its current, advanced and long-range program areas. Staffing has been patched together by bringing back retired employees and using expensive consultants. The Current Planning Section has made gains in recent months with regard to processing its application workload in a timely fashion, but certain application types, such as second story additions, remain bogged down. Advanced Planning is slowly making headway on the seven specific plans and the various long-range projects that it is trying to manage. At best, the Planning Division is limping along.

The Planning Division has been so decimated it is difficult to identify meaningful workload indices that would, under ordinary circumstances, be used to assess and justify the need for additional staffing. These indices would typically include cases per planner, supervisory span of control, man-hours analysis, and cycle-time standards, all of which are very unclear and not well documented by the organization at this point in time. Consequently, Citygate Associates relied heavily upon our review of the specific plan workflow analysis prepared by staff and presented to the City Council's Economic Development Committee, our review of the Division's long-range planning workload (e.g., General Plan Revisions, Housing Element update, Zoning Code updates, etc) and anecdotal evidence provided by senior staff and our observations.

Moreover, the Commercial/Industrial design guidelines recently approved by the City Council, call for a set of code amendments to require plan review for development proposals within all

commercial and industrial zoning districts. Upon adoption, the workload is expected to increase, placing additional demands and pressures upon the Planning Division.

Citygate Associates recommends the City hire at least 2 Senior Planners, 2 Assistant/Associate Planners, and 2 Administrative Office Assistant IIIs.

These new positions will initially be assigned primarily to advanced and long-range planning items, although they will also maintain a current planning portfolio of work.

Recommendation No. 4: Establish a long-term attraction, investment, and retention program for planners.

For the reasons described previously in the “Perfect Storm” section of this report, the City will continue to suffer from significant organizational instability and turnover for years into the future if it does not make a conscious effort to establish a long-term attraction, investment, and retention program for planners. To do otherwise is like hiding the City’s head in the sand and hoping for a different outcome. It will not happen.

The attraction, investment and retention strategy should have the following goals:

1. Have at least 12 highly qualified applicants for all entry-level professional planner recruitments
2. Have at least 8 highly qualified applicants for all senior-level planner recruitments
3. Have at least 5 highly qualified applicants for management level planner recruitments
4. Reduce turnover in professional planner positions to less than 10 percent per year
5. Retain professional planner personnel for 5 years or more.

Strategies that should be used to achieve these goals should include, but should not be limited to, the following:

- ◆ Maintain salary levels at or above the upper quartile of competing cities at all times
- ◆ Allow the Community and Economic Development Department administrative staff to take the lead on recruitments, asking the Human Resources Department to provide services on an as needed basis
- ◆ Require and pay for continuing education of at least 80 hours per year for all planners
- ◆ Establish an in-house, multi-disciplinary “Planners Academy”
- ◆ Utilize varied team assignments to provide job enrichment for all planners
- ◆ Coach, mentor and/or dismiss individuals that do not meet high performance expectations established by the division.

Recommendation No. 5: Establish a permanent “stable” of at least five planning consultant firms to increase responsiveness, flexibility, and customer service.

Planning agencies in California cities that are experiencing the stresses and strains of urban growth as matter of course maintain a “stable” of planning consulting firms under master professional service agreements. This “best practice” allows the agency to quickly pull in expertise and personnel resources as needs rise and fall from month to month and year to year. Ideally, the City should have five or more firms under contract at all times. At a minimum, it should have three firms under contract so that a highly competitive pricing environment can be maintained. The contracts should be for one-year terms, with two renewable one-year terms based on excellent performance and approval by the City Manager.

Recommendation No. 6: Institute “Unanticipated Service” practices to increase customer satisfaction.

Instituting an “Unanticipated Service” program in the Planning Division is likely to be the single most effective approach to increasing customer satisfaction and reducing, if not eliminating, complaints from applicants.

The Department’s customers are often frustrated by their inability to obtain reliable and timely information about the status of their applications. This frustration, Citygate believes, only adds fuel to customers’ concerns about other aspects of the development review and permitting process. In our experience, when applicants are kept informed, they are less likely to assume the worst. Conversely, when applicants are not kept informed, they assume the worst with regard to what is happening to their applications and their project. Then they complain. It is axiomatic that in the absence of information, people fill in the blank with negative perceptions. This negative perception can take hold and be very difficult to reverse, irrespective of a public agency’s efforts to improve systems and procedures.

The principle of “Unanticipated Service” is a simple one:

“Customer satisfaction increases most dramatically when a customer receives a service they did not expect.”

Examples of how it could be used in the Planning Division include the following:

- ◆ The Planning Manager sends a personal letter or e-mail to the City’s most active applicants and consultants describing to them improvements and changes that are underway in the Department.
- ◆ The squad or team leaders call or e-mail their applicants at least every other Friday to let them know the status of their application and to identify and discuss how issues can best be resolved in a mutually satisfactory manner. The applicant is also asked if he or she has any concerns regarding the application’s status.
- ◆ The developer receives a letter or e-mail from the squad or team leader at the conclusion of the entitlement hearing wherein he or she is asked how the Department might improve their efficiency and effectiveness.

Recommendation No. 7: Work to eliminate ALL Planning Division standing meetings except the Development Review Team (DR-Team) and the Division-wide staff meeting.

The current approach to meetings and meeting management is inefficient and ineffective. It is a serious problem. There exists a sense in the organization of being overwhelmed by the workload, but there is little being done to “get to the point” at meetings. The following is a partial list of the standing meetings that take up a lot of time in the Planning Division:

<u>Current Planning Division Meetings</u>	
Mondays	Planning Support Staff Meeting Current Planning Project Review Staff Meeting Advance Planning Project Review Staff Meeting City Council Agenda Review (Division Manager) Planning Commission Meeting
Tuesdays	Post Planning Commission Staff Meeting (1 st and 3 rd) Process Improvement Task Force City Council Meeting
Wednesdays	Development Review Team Meeting Project Management Team (every other week) Executive Leadership Team Agenda Review Meeting
Thursdays	Project Prioritization Meeting (Monthly) Board of Zoning Adjustments (Monthly) Post BZA Meeting (Monthly) Development Process Team Meeting Sewer Rate Meeting
Fridays	Budget Review T & M Meeting (monthly) Planners Lunch (Monthly)
<p><u>In Addition:</u> specific plan project meetings are held on a weekly basis (Fairview Village, Tivoli) and on a bi-weekly basis (Pelandale-McHenry, Woodglen, Kiernan Business Park).</p>	

As is explained later in this report, the Development Review Team (DR-Team) can and should be empowered and organized to address all the issues currently covered in the multitude of standing divisional meetings. Using the DR-Team venue and improving the approach to meeting management should get the Planning Division more towards a calendar that looks like the following:

Proposed Planning Division Meetings Schedule

Mondays	Planning Support Staff Meeting WORK TIME RESERVE
Tuesdays	City Council Meeting WORK TIME RESERVE
Wednesdays	Development Review Team Executive Leadership Team WORK TIME RESERVE
Thursdays	Board of Zoning Adjustments (Monthly) WORK TIME RESERVE
Fridays	Budget Review T & M Meeting (monthly) Planners Lunch (Monthly)

Recommendation No. 8: **Schedule ALL Planning Division ad hoc meetings on a mornings-for-internal and afternoons-for-external basis to increase productive work time.**

The Division needs to employ more organizational structure and discipline to managing its work times and meeting times. To further this objective, Citygate Associates recommends the Division schedule all ad hoc meetings on a mornings-for-internal and afternoons-for-external basis. Under this system, *ad hoc* meetings among City staff are held in the morning and meetings with customers are held in the afternoon. The only exception would be for meetings that are requested by the City Manager. This approach will keep staff focused on their work and better prepare staff for meetings with its external customers.

Planners block out time on their calendars on a regular basis to focus on project reviews, prepare staff reports, prepare environmental assessments, and work on other written documents.

The Planning Division should continue to utilize planning interns and technicians for phone/counter assistance, to free up valuable time for planning staff to manage their projects, prepare reports, environmental assessments, etc.

Recommendation No. 9: **Institute a serious-minded Meeting Management Training program and monitor its performance.**

If a subject matter or issue is important enough to give rise to a meeting, than it is important enough for the meeting to be managed efficient manner.

Citygate Associates recommends using a "PAL" system:

- ◆ **Purpose:** Define the **purpose** of the meeting in 1 or 2 sentences so everyone knows why they are there, what needs to be done, and how to know if they are successful.
- ◆ **Agenda:** List the items you are going to review or discuss. Assign a time limit to each agenda item and identify the person responsible to speak or moderate the discussion.
- ◆ **Length:** Set an overall **timeframe and** start and end times.

Meetings should start on time. It is inefficient, if not disrespectful, to wait for stragglers to show up. When someone arrives late, do not go back and review what has already been covered. That wastes the time of the people who showed up on time for the meeting. If the meeting organizer/sponsor does not show up on time, consider the meeting cancelled and go back to work. How long to wait for the organizer to show up should be established by the Division as a group decision.

Someone, other than the meeting organizer, should keep minutes of the meeting. How detailed these are depends on the nature of what is being discussed and the skill of the available note taker. The note taker can use the agenda as an outline. The minutes should record who attended, what was discussed, any agreements that were reached, and any action items that were assigned. Within 24 hours the minutes of the meeting should be distributed to all who attended, any invitees who did not attend, and anyone else effected by the discussion. Distributing the minutes informs those not at the meeting of the progress that was made and reminds everyone of their action items.

Every meeting should have a "topic keeper" to make sure the participants stay focused. Ask for a volunteer to serve in this role at the beginning of the meeting. The topic keeper's job is to interrupt whenever the discussion strays from the topic under discussion. These new topics can either be tabled until later or scheduled for their own meeting. There is a fine line between what are amplifying remarks about the topic under discussion and what is a tangential topic. The meeting organizer can decide. It never hurts to say, "let's take that up off-line."¹

Meeting management training programs are offered in various forms and at a various prices by management and human resource consultants. The City should make this investment, provide the training, and closely monitor its use and performance.

Recommendation No. 10: Limit planners' involvement in the processing of professional service agreements.

Currently, planners spend an inordinate amount of time processing professional service agreements back and forth between the City, the vendor/consultant, Finance Department, Risk Management Division, the City Attorney's Office, the City Manager's Office, and eventually to the City Council. This is an inefficient use of the planners' time and forces planners to perform contract negotiation duties for which they are not qualified to fulfill. Citygate Associates

¹ Meeting Management, F. John Reh

recommends that planners' involvement in establishing professional service agreements be limited to four things:

1. The contract Scope of Work
2. The contract compensation (budget)
3. The contract Schedule of Performance (deliverables)
4. The contract term.

The balance of the work associated with processing professional service contracts should be assigned to administrative support staff. It would be helpful to the Planning Division to have professional service contracts standardized such that they could be reduced to routine items handled by paralegal staff.

Recommendation No. 11: Institute a programmatic approach to Zoning Code Amendments using a team approach.

High performance zoning codes need to be continually refreshed and brought up to date to incorporate changes in State law, changes in City Council policy objectives, and changes in modern planning practices. The “best practice” approach to this challenge is to make changes in the zoning code on an every 6-month basis: ZC-2007-A (March) and ZC-2007-B (October). The best way to eat an elephant is one bite at a time. If you wait until the task is too daunting, then it does not get done, and that makes matters only get worse. Zoning code updates should be managed as a Team-based program, rather than a project for a single individual, which is too often the case. All planners should cycle on and off the Team, thus sharing the burden and increasing the likelihood that updates will get done in a meaningful and timely fashion.

Recommendation No. 12: Go live on electronic permit tracking system in the Planning Division on March 31, 2007.

The City's Building Division has been highly successful at getting its electronic permit tracking system up and operational. It is now time for the Planning Division to do the same. It is unusual for a city the size of Modesto not already to have its planning applications and activities managed within an automated tracking system. It is important that this remain a priority so that the Planning Division can improve efficiency, effectiveness and customer satisfaction.

Recommendation No. 13: Move the Fire Marshall offices.

The layout of the Planning Division offices no longer meets the needs of the Department. The support staff is too far away from the planning staff. In addition, more space is needed to accommodate additional planning staff. Ideally, the Fire Marshall staff would be moved to another floor or out of the building to a fire service facility. As an alternative, albeit less desirable, the Fire Marshall staff could trade places with the Planning Division support staff.

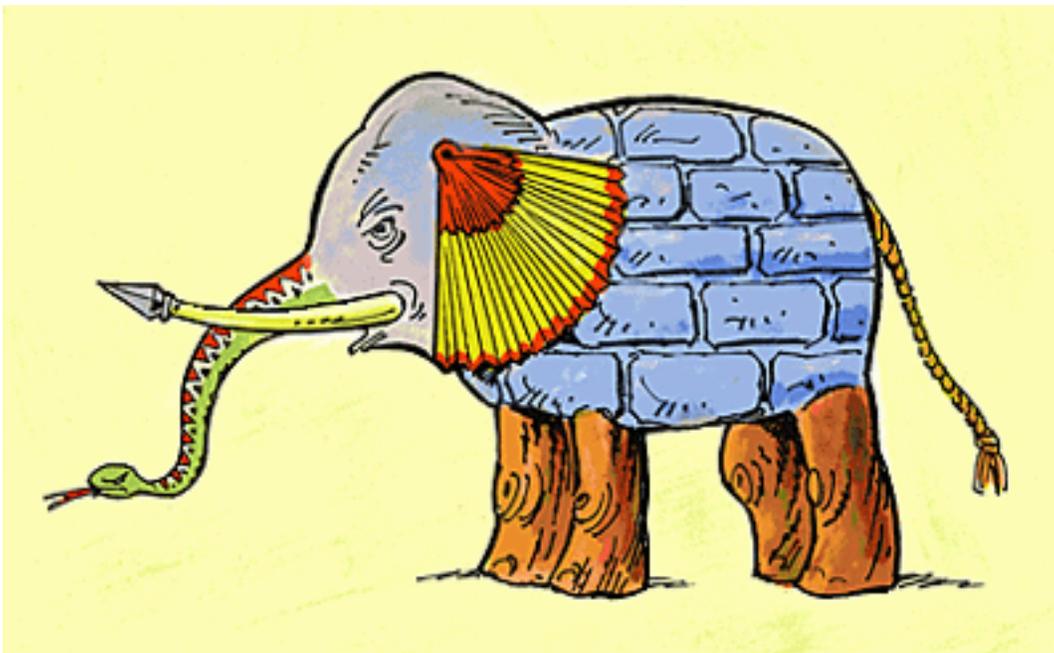
G. FITTING IN: MAKING THE ENTIRE DEVELOPMENT PROCESS WORK

Current Process: Blind Men and the Elephant

Earlier in this report, we indicated the development review permitting process in Modesto suffers from “**In Box to In Box**” thinking, particularly when it comes to interdepartmental communication. Both vertical and horizontal communications in and around the process are working poorly. Logjams and frustrations occur on a regular basis. Each reviewing division and department views development of the City from very different perspectives and with very different objectives. In viewing Modesto’s process, we are reminded of the *Blind Men and the Elephant* fable that was told in India many years ago. It is a good warning about how our perceptions can lead to misinterpretations. Each blind man was quite certain they knew what the elephant was all about, but they each came up with different conclusions: a wall; a snake; a tree; a fan; a rope.

*“And so these men of Indostan
Disputed loud and long,
Each in his own opinion
Exceeding stiff and strong,
Though each was partly in the right,
And all were in the wrong!”*

Modesto’s Development Review Permitting Process



“Best Practice” Process: Pig In A Python

We agreed, during our discussions with staff, that all staff participants need to view the development review permitting process across departmental lines in a similar manner. This is particularly important when the organization is trying to line up its day-to-day work with the policy goals of the City Council. Each step in the process must not be viewed in isolation, be it planning, Public Works, financing, or building inspection. From these discussions with staff, we developed a perspective on the development review permitting process that is more integrated and complete from beginning to end. Applications and projects all fall somewhere along the development review permitting process line. They move through the process much like the *Pig In A Python*:

**General Plan.....Infrastructure Master Plans.....Specific Plans/Zoning.....Planned Unit
Development.....Tentative Subdivision/Parcel Map.....Final Subdivision/Parcel Map.....Public Works
Construction Drawings.....Building Plans.....Zone Clearance.....Building Permits.....Construction
Inspection.....Certificate of Occupancy**

Pig in a Python



Image taken from cover of “The Pig and the Python,” by David Cork.

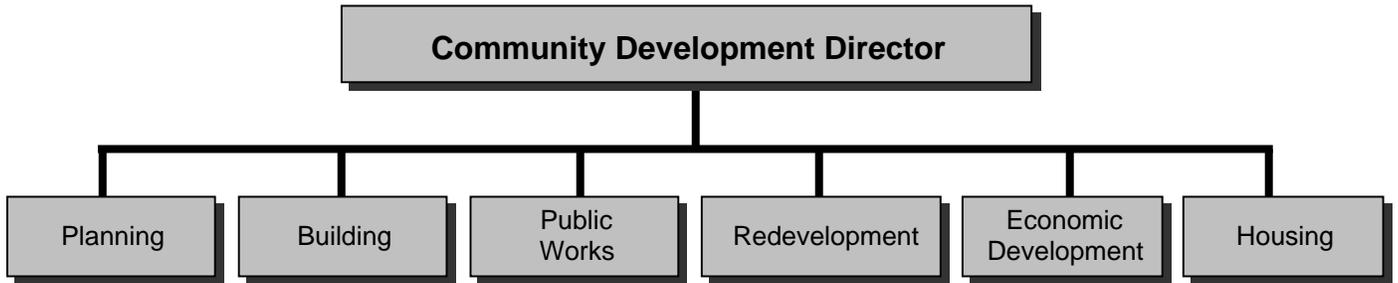
Everyone in the City organization who has a hand in the development review permitting process needs to see and understand the big picture. They need to see and understand how their function fits into the policy goals of the City Council and the administrative expectations of the City’s leadership team.

“Best Practice” Organizational Models That Work

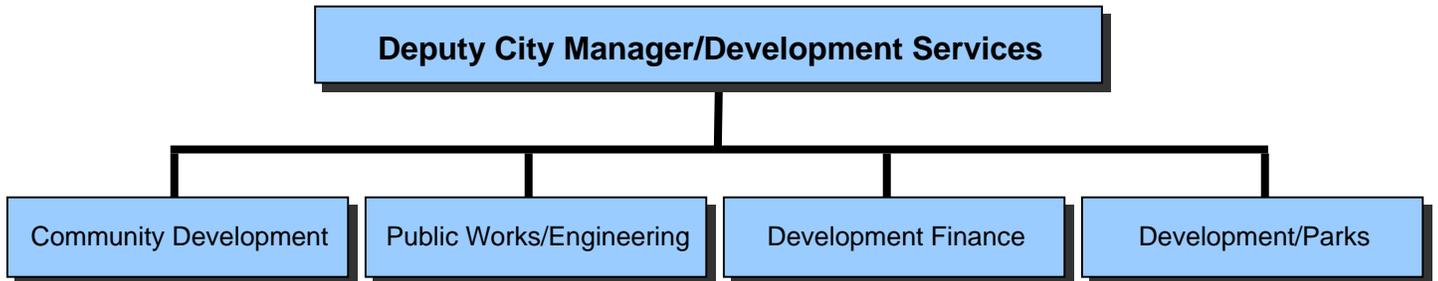
Recommendation No. 14: Re-establish the Deputy City Manager/Development Services position.

There are two “best practice” approaches to managing the development review permitting process that are predominant in California. That is not to say there are not variations or other good ways to get the job done efficiently and effectively. There are. But there are two tried and true models that are most common, as illustrated below:

Community Development Department Model



Deputy City Manager/ Development Services Model



Under the first model, the development engineering functions (Traffic, Subdivisions, CIP, Utilities) are held within one department. Under the second model, the development related functions remain within their traditional departments and the entire development services program is lead by a Deputy City Manager. **Both models can work well.** The larger a city becomes, the more likely it is to evolve towards the second model. Modesto, if it implements the recommendations in this report, could no doubt function well under either model. It depends mostly on the nature of the organization, tradition, the department heads involved, and the particular span of control preferences of the City Manager.

Citygate Associates believes it is best to minimize disruption to the organization whenever possible and to avoid “reorganizations” whenever possible. Such actions can destroy well-established and effective working relationships and break down formal and informal lines of communications. It can be counter-productive.

Prior to the budget cutbacks of the past few years, the City utilized the Deputy City Manager/Development Services model. Citygate Associates recommends returning to that model.

Development Review Team

Recommendation No. 15: **Break down the formal and informal walls between Planning, Building, Economic Development,**

Redevelopment, Public Works, City Attorney, Traffic, Parks, Recreation and Neighborhoods, and Finance.

Recommendation No. 16: Establish a powerful Development Review Team (DR-Team) effective immediately.

Citygate Associates believes the City’s development review permitting process, and all the program activities that dovetail into it, can perform efficiently and effectively in a manner that will meet or exceed the expectations of the City’s fair-minded stakeholders. Many opportunities are in alignment: the City Council is supportive and unified in its commitment to good planning and good land development practices; the residential market, although temporarily flattening, will be strong over the long-term; Modesto is and will continue to be in the path of growth and progress.

Citygate Associates believes Modesto can have the best development review permitting process among the pool of Central California communities with which it competes. Moreover, we believe this is attainable within less than one year.

Citygate Associates must first make the point that things need to change in order to achieve the above objective. The status quo will not get the job done. Everyone in the organization that is involved in the development review permitting process (planners, engineers, attorneys, accountants, etc.) should understand the objectives and how the team members are going to get there. These points need to be reinforced constantly, over and over again, in a manner that is cordial and clear. Reinforcement needs to be institutionalized.

Modesto can increase the effectiveness and efficiency of its development review-permitting program by breaking down the formal and informal walls that exist between development-related departments and divisions in the City. Instituting a highly focused and well-disciplined interdepartmental Development Review Team (DR-Team) will accomplish this objective quickly. Most, if not all, rapidly growing or redeveloping cities have them. It is a “best practice.” At a minimum, representatives from the planning, public works/land development, building, legal, finance, CFF/IMP, and economic development programs should be on the DR-Team.

The DR-Team has ten (10) basic functions, which include the following:

1. Placing conditions of approval on discretionary entitlement applications
2. Tracking development applications to make sure they are processed in a timely manner
3. Holding pre-application conferences with applicants, and institutionalizing a “Red Team” concept for priority projects
4. Managing items going to the Planning Commission and City Council
5. Monitoring for consistent application of planning, Public Works and building standards
6. Identifying and resolving development review permitting problems
7. Effectively managing the tract map finalization and Certificate of Occupancy process

8. Disseminating information regarding development review policies and procedures to other staff members in the City, and provide training as needed
9. Monitoring customer service through all aspects of the development review permitting program (Reminder: customers are internal and external)
10. Celebrating successes.

A mature DR-Team will continually heighten awareness of time frames, produce consistent and clear development standards, and deliver reliable fee cost estimates for the customer.

In a word, the DR-Team will institutionalize highly effective and efficient communication throughout the development review permitting process.

The DR-Team should be lead by a Deputy City Manager. This will facilitate interdepartmental coordination and team building. It will also achieve a sense of urgency and institutionalize re-enforcement of the City Council's growth and development expectations. It is important that the City Manager's Office assists in providing day-to-day guidance and leadership and, most importantly, provide the authority and the resources to keep things moving forward in a timely fashion.

The existing *Development Process Management Team*, which meets every other Thursday, will become redundant; thus, it should be eliminated.

The Deputy City Manager must be given authority, and encouraged to use it, to make decisions at the DR-Team. It is his/her duty to resolve issues, to interface with the City Attorney's Office when necessary, move things along and, most importantly, make sure the City Manager is well informed and does not have to suffer surprises.

The DR-Team should immediately begin work on formulating its agenda for its weekly meetings, identifying categories of permits, existing timelines for each permit type and mechanisms for streamlining the review process for each permit category to meet cycle-time standards. For purposes of an example only, the DR-Team agenda could include:

DR-Team WEEKLY MEETING

AGENDA

Technical Squad: Senior Staff and Division Heads (1 hour)

1. Review and Conditioning of Pending Projects
2. Discussion of Upcoming Commission and Council Action Items
3. Review of new projects
4. Review of Pre-Applications for Priority Projects

Policy Squad: Department Heads and Deputy City Manager (30 minutes)

5. Vision Items: Where We're Heading
6. Review of "Red Team" Projects
7. Review of Performance Measurements
8. Status of DR-Team Continual Improvement Items (process; policies; standards; training; technology: etc.)
9. Around-the-Table Comments and Requests for Help
10. Adjourn.

The precise agenda that would work best in the City of Modesto should be refined and developed collaboratively by the Deputy City Manager, Public Works Director, Community and Economic Development Director, and other participating department heads that may choose to participate. Based on our initial discussions with leadership staff regarding DR-Team logistics, we think a split agenda could work best. Under this approach, the "*Technical Squad*" comprised of the Planning, Public Works, and other staff professionals reviewing active applications would begin the meeting and do their work. Midway through the DR-Team meeting, as noted in the above example, the Directors and the Deputy City Manager would join the meeting as the "*Policy Squad*."

The DR-Team should meet often, should meet briefly, and should meet in a highly organized manner. **Meetings should begin and end on time.** Attendance should be mandatory. As time goes on, it will become clear why this is a requirement.

As the DR-Team matures and establishes a track record of efficiency, it should be encouraged to take on additional responsibilities that are in support of the City's development-related activities and programs.

In short, the DR-Team should become the center stage for development coordination in the City. Operating characteristics of the DR-Team should include the following:

- ◆ Customer Service (constantly, all the time, meaningfully)
- ◆ Review and manage all development proposals including site development applications, subdivisions and specific plans.
- ◆ Inform applicants of conditions of approval UP FRONT

- ◆ A sense of urgency
- ◆ MANDATORY ATTENDANCE, until excused in person by DR-Team leader on a case-by-case basis
- ◆ Shared leadership
- ◆ Adding more functions and skill sets over time
- ◆ Continual improvement process
- ◆ Standard conditions developed, discussed and adopted
- ◆ Issue identification and problem solving
- ◆ Stop re-inventing the wheel
- ◆ Once a week
- ◆ Eliminate 2-bites at the apple
- ◆ Build confidence and a can-do attitude
- ◆ Prepare reliable fee estimates
- ◆ Celebrate accomplishments
- ◆ Reinforce the organizational structure
- ◆ Reinforce “authority” and its limits as vested by City Council
- ◆ Customer Service (repeated for those who are not listening!!)

Recommendation No. 17: **Institute a serious-minded team-building training program at the DR-Team (break down the departmental walls).**

Citygate Associates recommends the staff leadership team formulate and implement ongoing team building. If necessary, team-building consultants should be brought in to help with this work, though it would be more effective if the exercises were designed in-house, if possible. As an alternative, the City could purchase off-the-shelf team building training modules.

Recommendation No. 18: **Institute a Continual Improvement Program at the DR-Team.**

The reconstituted DR-Team, at its first meeting, should establish a Continual Improvement Program. The Team or squad selected to implement the program needs to have authority within, and participation from, all of the development review permitting divisions, including the direct participation of the division managers. In this instance, bigger is better for many reasons – not the least of which is building interdivisional communication and enthusiasm. A group of 10 will work well. Remember, we are trying to break down the walls here!

Citygate Associates recommends the Policy Squad (Deputy City Manager and Department Directors) task the Continual Improvement Team to:

- ◆ Improve customer service across divisional lines

- ◆ Review the development review permitting process used by **competing cities** in the region (e.g. Stockton, Sacramento, Tracy, and Livermore) to ensure that Modesto’s review process is always the most efficient and effective
- ◆ Improve interdivisional cooperation and teamwork
- ◆ Eliminate interdivisional practices that do not work
- ◆ Establish interdivisional work programs
- ◆ Identify and dedicate resources to address needed improvements
- ◆ Accept improvement assignments from leadership staff
- ◆ Establish, monitor, and report out on interdivisional improvement goals and objectives.

There are approaches to constituting and managing the Continual Improvement Team that will enhance its success. It should be broad-based in its makeup and participation. This will ensure meaningful input and ensure that the Team’s tasks do not become overly burdensome to any one division, work group or individual employee. The Team should meet often outside of the DR-Team format, but the meetings should be brief. We suggest meeting every other week for one hour. Working groups should be assigned around specific program tasks. Their work should be done between Committee meetings, not at the meetings. The bi-weekly meetings would be oriented towards identifying tasks, bringing resources to the effort, and reporting out to the DR-Team on progress and successes. A sample agenda would be as follows:

DR-Team’s

CONTINUAL IMPROVEMENT PROGRAM

BI-WEEKLY MEETING AGENDA

9:00 a.m. to 10:00 a.m.

1. Review of goals and objectives and reaffirmation of principles
2. Consensus around newly identified needed improvements
3. Review and status of new Team projects
4. Review and status of ongoing Team projects
5. Around-the-table comments and requests for help

Recommendation No. 19: Move CFF/IMP section out of the City Manager’s Office and into the Public Works Department.

For reasons that are steeped in organizational history, the City’s CFF/IMP section is housed in the City Manager’s Office. This program activity is an essential part of the development review

permitting process and an essential function to building out the City. The CFF/IMP section ensures that public infrastructure is built and in place ahead of demand. The section possesses Public Works, accounting, and financing expertise. Citygate Associates recommends the section be reorganized into the Public Works Department.

Recommendation No. 20: **Examine workload, span-of-control, and service alternatives for legal support provided to the staff involved in the development review permitting process.**

Legal Services and Control: The legal support provided to the staff involved in the development review permitting process needs to be examined because it is not working efficiently or effectively. As indicated previously in this report, the incumbent is diligent, knowledgeable, and competent. However, like most internal support departments, the City Attorney’s Office provides both service and control. Keeping these two functions in balance is not easy. The employee turnover and fresh recruits in the Planning Division and elsewhere in the City organization compound the difficulty in getting the balance right. The challenge is to protect the City from reasonable and credible risk scenarios without forcing the organization to come to a grinding halt. Citygate Associates observed symptoms that indicate the legal advice provided to the development review permitting staff is currently excessively oriented towards the control side of its role. The right to control must be earned through service.

Legal Services Workload: We observed symptoms that indicate too much of the legal workload is being assigned to one attorney. Notwithstanding the diligence of the attorney, the span-of-control and workload problem causes delays.

Legal Services Model: Citygate Associates recommends the City use its in-house attorney staff more along the lines of a private-sector model. That is to say, offer a choice of several attorneys to the staff involved in the development review permitting process so that they will be assured of receiving the service they need in order to be efficient and effective. When necessary and cost effective, the City should consider using outside counsel in specialized areas of the law (e.g., CEQA, NEPA). This would also help solve the workload problem described above.

Recommendation No. 21: **Use the DR-Team to collectively establish Cycle-Time standards for Current Planning, subdivision review, subdivision plan check, Traffic studies, legal review, Advanced Planning, and Long Range.**

Citygate Associates believes that the high customer service expectations of the City Council and City Manager warrant that staff heighten its awareness of Cycle-Times in order to know when staff is doing a great job, to exceed customer expectations and to get important projects approved and built. In addition, cycle-time standards make it much easier to know when you need to add staff. Just saying “We’re all overworked and swamped” is not a very persuasive argument. Using cycle-time standards sets the basis upon which department heads can conduct and present sound and persuasive workload analysis. If you are going to justify full cost recovery fees, you had better be clear to your customers regarding cycle-time standards.

An important point regarding cycle-time standards needs to be made: CYCLE-TIME STANDARDS ARE FUN! They are not effective over the long term if they are used as punitive clubs that cause everyone in the organization to run around in fear. What you might gain in

speed, you will lose in turnover and all the disruption that it brings to an organization. Cycle-time standards will be most effective in Modesto if they are discussed and used in an open, give and take, collaborative environment. The City Attorney's Office should participate in the cycle-time discussions and goal setting. Formation of the DR-Team sets the stage for this to happen.

Cycle-time standards set a foundation upon which the organization can know when it is doing a great job; they allow staff to honestly, with empirical certainty, know that they are delivering a high level of service to the taxpayers.

Citygate Associates recommends that the first order of business for the DR-Team is to do some limited process mapping to establish realistic cycle-time standards for all core development review permitting process activities. Particular attention should be given to interdepartmental Cycle-Time standards. Citygate Associates recommends governing the detail of the process mapping and the setting of cycle-time standards such that the analysis is completed within 60-days. If more time than this is spent on the project, then the Team will be getting lost in the details. The program standards can be refined as the Team goes forward. The key is to go forward.

Recommendation No. 22: Use the DR-Team to monitor and report out on Cycle-Times and milestones.

Once the Cycle-Time standards and milestones have been formally adopted and integrated into DR-Team operations, team leaders should monitor and report out the Cycle-Times and milestones on a regular basis. Cycle-Times and milestones should be discussed at DR-Team meetings and staff meetings held by the reviewing divisions (Planning, Public Works, Traffic, Legal, etc.) so that everyone in the development review permitting process is aware of the standards and has the opportunity to contribute to making the review system work more efficiently. In addition, the DR-Team should report out cycle-time and milestones statistics on a monthly or quarterly basis, as is detailed later in this report.

Recommendation No. 23: Utilize Determinate Processing Agreements for high priority projects.

Successful development review permitting programs are able to provide entitlements and permits in a way that is quick, consistent and predictable. The DR-Team approach to development review permitting will help the City be efficient, effective and competitive. In this regard, an additional tool that can be very effective is Determinate Processing. It is Citygate Associates' understanding that staff has in the past had *ad hoc*, all-hands meetings to go over important development projects, such as the Kaiser Hospital project. Often the project proponent attends these meetings, which is a good thing. Typically, at a minimum, staff will have representatives from Planning, Public Works, and Building at these *ad hoc* meetings. We believe these meetings are valuable and, thus, appreciated by the project proponents.

Citygate Associates recommends that the City use Determinate Processing Agreements for high priority projects. These agreements, which should be used selectively to further the City's economic development objectives, are simple and highly effective. The agreements are non-binding and typically are limited to 2-pages in length. The City could choose, for example, to offer Determinate Processing Agreements for:

- ◆ Commercial projects in downtown Modesto
- ◆ Industrial projects that generate or retain over 50 employment opportunities
- ◆ Commercial projects that generate over \$20,000 per year in new sales tax revenue
- ◆ Affordable housing projects of 10 units or more.

The DR-Team participants and the staff leadership team should discuss and decide which type of projects should be afforded Determinate Processing Agreements and the exact content of the document. Determinate Processing Agreements should include basic project information and a back and forth schedule. It is best to keep it simple, as provided in the following example:

CITY OF MODESTO
DETERMINATE PROCESSING AGREEMENT

Date:

Project Name:

Priority Category:

Proponent Contact:

Location:

Case Manager:

SCHEDULE OF PERFORMANCE

<u>ACTION (RESPONSIBLE PARTIES)</u>	<u>COMPLETE DATE</u>
1. Pre-application Conference (All Hands)	January 5, 2007
2. Submission of Complete Application (Applicant)	January 19, 2007
3. Deemed Incomplete Letter (Case Manager)	February 12, 2007
4. Project meeting (All Hands)	February 14, 2007
5. Second Submission (Applicant)	February 21, 2007
6. Deemed Complete Letter (Case Manager)	March 1, 2007
7. Call for Conditions of Approval (Case Manager)	March 3, 2007
8. Review Conditions at DR-Team (All Staff)	March 24, 2007
9. Discussion with Applicant regarding conditions (Case Manager/Applicant)	March 26, 2007
10. Project Refinements Due (Applicant)	April 1, 2007
11. Staff report prepared (Case Manager)	April 15, 2007
12. Staff report to Director for review (Case Manager/ Director)	April 15, 2007
13. Final service check with applicant (Case Manager/Applicant)	April 16, 2007
14. Post hearing Notice	April 17, 2007
15. Planning Commission Hearing	May1, 2007

Signatures indicating concurrence:

Planning Manager

Applicant

Community & Economic Development Director

Assistant City Manager

NOTE: This Determinate Processing Agreement is intended to increase effective communication between the City of Modesto and the Project Proponent. It is a "good-faith" commitment to cooperate and to advance the subject project in a manner consistent with the public interest.

Recommendation No. 24: Develop performance measures for the DR-Team and continuously measure, monitor, evaluate and improve the Development Review Permitting Process.

Currently the Planning Division and other divisions involved in the development review permitting process only minimally measure results, cost, quality, and customer service. The minimal performance data that is routinely collected is not analyzed and shared constructively with all the participants in the process. Overall process effectiveness and efficiency are not assessed against predetermined targets, standards, or benchmarks over time to determine performance trends. In general, there is minimal information to evaluate what the Planning Division and the other divisions involved in the development review permitting process are accomplishing. The allocation and management of resources are not closely linked with the attainment of specific results.

Reliable performance measures for the DR-Team would enable staff to monitor its activities and programs, identify emerging problems, improve work output and service delivery, enhance accountability and determine resource requirements. A performance management system for the DR-Team would assist in deciding whether services are producing intended results, are competitive, are adding value, are worth retaining, or could best be provided in an alternative way. Performance management for the DR-Team should be an ongoing process that measures actual performance against plans, targets, standards and budgets over a period of time. The following exhibit describes the basic elements of a performance management system for the DR-Team.

<i>Exhibit 1</i>	
City of Modesto DR-Team	
Elements of a Performance Management System	
◆	Mission statement
◆	Goal and objective statements
◆	Performance measures
◆	Performance targets and standards
◆	Performance reports
◆	Performance monitoring

DR-Team performance measures quantify resources used, services provided, results and service costs. Basic categories of measures include:

1. Input measures, which report the resources (financial, personnel, materials, equipment) used to provide a service;
2. Output measures, which report work accomplished;
3. Outcome measures, which report the results and quality of service, including customer satisfaction;

4. Efficiency measures, which report the costs of outputs and outcomes in terms of dollars or employee hours per unit.

The following exhibit provides guidelines for selecting useful measures. DR-Team member involvement in the selection of measures is essential, as are the information needs of the elected officials.

Exhibit 2

**City of Modesto DR-Team
Guidelines For Selecting Performance Measures**

1. Consider customer requirements.
2. Develop multiple measures (input, output, outcome and efficiency) for the same service and objective. A set of measures is necessary to give a complete picture of performance.
3. Balance the measures so that the effect of improving any one or two is weighed in relation to the impact on the others.
4. Select measures for which data are readily available.
5. Involve those who use and collect the data in the development of the measures. They can identify factors that are not within their control and cause unanticipated or unwanted results.
6. Review and revise measures when the mission and objectives change and if they do not adequately measure.
7. Limit the number of measures to a vital few. Too many confuse users and distract from key ones.
8. Obtain information on measures used by other development review agencies.
9. Select measures that collectively provide the most practical and useful information for critical activities that are essential to carrying out the core mission.
10. For knowledge-based services, measure performance in terms of deadlines and cost targets met, quantity of work produced, extent to which work must be revised or corrected and extent to which recommendations are accepted.

Examples of development review permitting performance measures are included in the following exhibit. It is important to note that these are just examples. The actual performance measures should be identified and agreed upon by and within the DR-Team.

Exhibit 3

**City of Modesto DR-Team
Performance Measures**

- Deemed Complete Cycle-Times
- Application distribution Cycle-Times
- Application review and conditioning Cycle-Times (legal, Public Works, utilities, traffic, other)
- Get To Hearing Cycle-Times
- Number of complaints and requests for service
- Unit cost of processing various application types
- Environmental assessment Cycle-Times
- Determinate Processing Agreements Cycle-Times

The DR-Team needs to produce timely (monthly or quarterly) performance reports. The reports should detail what was expected, what actually occurred and the variance. Performance reports should present information in ways that are easy to understand, permit comparison and meet the DR-Team’s information needs, and help the DR-Team to draw meaningful conclusions. Variances should be explained and corrective action described. For example, if the objective was to complete an environmental assessment within six months and the assessment was going to be delayed one month, then the report should estimate the delay and explain the reason for the delay and what corrective action was going to be taken. If the objective was to increase revenue during the fiscal year by 10 percent, then the reports should show monthly target and actual revenue and the variance. Reasons for significant variance such as those over 5 percent or 10 percent should be explained along with proposed corrective action. **Exhibit 4** presents the characteristics of effective performance reports. **Exhibit 5** is a sample performance report format.

Exhibit 4

Characteristics of Effective Performance Reports

1. Describe the activity and objectives.
2. Compare planned to actual results.
3. Show trends over previous periods.
4. Present a mix of key measures for each major objective.
5. Highlight variances.
6. Explain in narrative form the reasons for the variances.
7. Describe the corrective action to be taken.

Exhibit 5

Sample Performance Report

Department		Division/Program						Date		
Performance Objective										
Measures		Last Year			This Month			Year to Date		
		Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance
Output										
Outcome										
Efficiency										
Resources			Explanation of Variances and Proposed Corrective Action							
	Last Year	This Year								
Budget										
Positions										

Recommendation No. 25: Prepare a monthly narrative management report for the City Manager, City Council, Mayor and customer stakeholders.

The Deputy City Manager and Department Directors (DR-Team Policy Squad) should prepare and distribute a monthly narrative report for the purpose of informing the City Manager, City Council, Mayor and customer stakeholders about the status of DR-Team management improvement initiatives. Some suggestions for topics to be covered by the report include:

- ◆ The status of implementing the recommendations in the Citygate report.
- ◆ The status of implementing the DR-Team Action Plan.
- ◆ Significant operating problems and proposed corrective action.
- ◆ The status of Mayor/City Council referred matters.
- ◆ Projected revenue and expenditure problems.
- ◆ DR-Team accomplishments.
- ◆ Actions taken to reduce costs and improve productivity.
- ◆ Status of new or expanded programs and capital improvements.
- ◆ Incidents involving negative publicity.
- ◆ Information on the number and types of complaints and requests for service.
- ◆ Statistics on the number of applications entering the development review permitting process. The statistics should include comparisons with monthly targets and same period the previous year.

The Deputy City Manager should solicit feedback from the readers of the report to determine the extent to which the report is meeting their information needs.

Recommendation No. 26: **Have the DR-Team prepare written policies and procedures covering all aspects of the Development Review Permitting Process and incorporate into a manual for distribution to all employees involved in the process.**

The Planning Division and the other divisions involved in the development review permitting process have little in the way of written policies and procedures that have been agreed upon across departmental lines. The absence of written policies and procedures has resulted in a lack of uniformity and consistency between planners and engineers. During the course of our interviews, we noted that Planning Division employees place a high priority on the need for written policies and procedures.

Written operational policies and procedures are essential to ensuring efficiency, consistency, uniformity and continuity in operations. They provide guidance to the staff, serve as the basis for employee training, orientation and performance appraisal, improve the quality of supervision, and ensure daily operations run as smoothly as possible. Policies are typically broad statements of purpose on intent that outline management’s position on a particular subject. Procedures provide detailed guidelines for the staff to follow in a particular situation.

Employee involvement, through the DR-Team, in the identification and preparation of policies and procedures is important to their acceptance and implementation. Employee feedback should be sought on draft policies and procedures. Results of the citizen and employee surveys should also be considered in drafting policies and procedures. The policies and procedures should be numbered, dated and included in a binder facilitating easy updating. Distribution of the binders should be controlled to ensure that all binders are current and accurate. Written policies and procedures should be periodically reviewed and revised to meet changing needs and conditions.

Written policies and procedures should be part of ongoing training for all employees, not just new employees.

When applicable and informative, copies of the policies and procedures should be made available to the City's development review permitting process customers.

H. FINANCING: *RUNNING THE DEVELOPMENT PROCESS LIKE A BUSINESS*

Recommendation No. 27: Consider Establishing a Development Services Fund for the Planning, Public Works and Building programs.

The Planning Division needs to have financial independence if it is going to achieve any semblance of “best practice” efficiency and effectiveness. It should not have to compete against police and fire services for General Fund resources. That sets the division up for failure.

The City's strong commitment to delivering efficient and effective government service during the development review permitting process would be well served by if the City's development related programs — Planning, Public Works, Building, Redevelopment, Economic Development — were being run in a business-like manner. In the private sector, businesses are constantly focused on the services they provide their customers. This is because their revenues, and thus the fate of the company and its employees, are dependent upon customer satisfaction. It is good, if not essential, to establish in the employees' minds a link between services, revenues, organizational stability and employee paychecks. Everyone in the organization should see and understand this relationship. Heightening staff's awareness in this regard will increase efficiency, effectiveness, and employee pride and satisfaction. This can be accomplished, notwithstanding the fact that the City is in a regulatory business.

The first step in running things like a business is to set up the accounting records so that the Team can clearly see the relationship between the Team's hard work and the Team's revenues and expenditures.

Citygate Associates recommends establishing a Development Services Fund (DSF) for the City's planning, Public Works and building programs. All revenues and expenditures would be accounted for in the DSF. The DSF would include several important features:

- ◆ Beginning Balance
- ◆ Ending Balance
- ◆ Operating Reserve
- ◆ Designated Reserves
- ◆ Fee revenue from both applicants and fees charged to other departments for services rendered, when applicable
- ◆ Annual operating deficits and surpluses, to the extent they are experienced
- ◆ Overhead allocation charges would be adjusted annually and assessed to the DSF according to the City's approved Indirect Cost Ration program
- ◆ More accurate tracking and management of full cost recovery

◆ 3-Year revenue, expenditure, and reserve forecasting.

The DR-Team needs to constantly discuss and be made aware of the status of the DSF. How do revenues look? How do our expenditures look? Our reserves? Can we hire people? Can we increase net revenues and build reserves by using consultants? It should be reported on as a standing agenda item for purposes of creating a sense of urgency and business acumen.

The City's Finance Director should assist and confer with the DR-Team regarding establishment of the DSF. Typically, establishment of a DSF takes a year to set up and a couple of years to perfect.

-End of Report-