



Final Report

# Performance Audit of Planning and Development Services



July 20, 2009

Office of the  
Performance Audit Director



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## Executive Summary

### Preface

Supervisors Bates and Campbell, in response to constituent concerns and the identification of OC Public Works/Planning & Development Services (PDS) as an area of interest in the performance audit risk assessment process, directed the Office of the Performance Audit Director, with full Board approval, to conduct a performance audit of PDS' customer service and Time & Materials charging system.

Based upon interviews, observations, and review of strategic documents, the audit team concluded that the essence of PDS' mission is to protect the environment and enhance public health and safety by ensuring that land use planning and building regulations are followed in the development of the unincorporated areas of the County.

The overall conclusion of this audit is that PDS is in critical condition. This conclusion was validated at multiple points during the audit: quantitatively by surveys, performance/financial data, and statistics; and qualitatively by interviews with management, employees, customers, and peer organizations, as well as by operational observations. This assessment is also confirmed by the volume and significant nature of findings included in this audit, and through consideration of the following:

- PDS operates in an extremely challenging business environment. PDS has little or no ability to generate customers, and thus has been drastically impacted by the continuing decline in demand for services. The workload declines over the past two years have been particularly stark, and the concomitant declines in revenue are having and will continue to have dramatic impacts on PDS' operational sustainability.
- Avoiding an operating deficit continues to be, by far, the top priority for the PDS organization. In response to drastically declining revenues, PDS has made significant operational changes to achieve financial solvency, in many cases at the expense of customer service.
- PDS has been hindered by a demonstrable lack of executive-level leadership in its day-to-day operations, and a dismissive attitude toward past paid consultants

who both identified legitimate operational deficiencies and structural challenges, as well as provided sound recommendations for improvement.

- PDS utilizes a charging structure (Time & Materials) that has exacerbated existing problems in PDS' provision of quality customer service.
- PDS has ineffectively/inefficiently utilized a mission critical IT system.
- PDS has inconsistently enforced and inadequately documented the performance of mandated regulatory activities.
- PDS has provided poor or non-existent transition/succession planning as employees leave or are transferred out of the organization.
- Past-due fee collection activities for building permits are not sufficient.

The cumulative effect of these problems is an organization that is unable, in its current state, to achieve one of the County's Guiding Principles: the provision of quality customer service on a consistent basis.

To address this situation, it is incumbent upon Departmental Executive Management (i.e., OC Public Works Director and PDS Director) to take decisive action, in collaboration with the County Executive Office. Time is of the essence in order for PDS to address its current financial issues, ensure readiness to meet the construction processing needs of the future Rancho Mission Viejo ("Ranch Plan") development, and to improve customer service to residents of the County unincorporated areas. Some of the issues and recommendations identified in this audit also require Board policy consideration prior to implementation.

On a positive note, the CEO has recently assigned a new PDS Director with the requisite leadership and management acumen to address the types of issues identified in this report. In addition, PDS and the CEO have already taken actions to remedy some of the deficiencies noted during the course of this audit.

### **Audit Scope and Objectives**

Per Board direction, the objectives of the audit are to:

1. Assess customer service issues which include, but are not limited to:

- a. The amount of time required to review proposed projects
  - b. The amount(s) charged by PDS for that review
  - c. The ability of customers to establish realistic project schedules and cost estimates based upon PDS review times and charging practices
  - d. PDS permit and plan check processing protocols
  - e. An evaluation of customer service delivery
2. Examine the impacts of the current Time & Materials Ordinance and alternatives that would increase operational outputs and customer service.

### **Audit Methodology**

This audit included a detailed analysis of multiple data sets; review and observation of various systems and workflow processes used by PDS that impact organizational effectiveness and customer service; formal survey of both PDS employees and PDS customers; review of past PDS consultant studies; examination of contractor operations; and benchmarking of southern California regional planning department charging systems.

### **Background Information**

Due to the relatively complex nature of planning processes/activities, this audit report includes a significant amount of background information to provide a contextual basis for the findings and recommendations that follow. A brief summary of this background information follows:

#### **Important Historical Events**

The past several years for PDS have been marked by significant and tumultuous change. A partial listing of events that have notably impacted PDS during this time period include:

- Several major reorganizations and changes in leadership
- Litigation that resulted in multiple changes to departmental operations including the implementation of a Time & Materials (T&M) fee system

- ❑ An operating deficit in 2002 that led to a \$8M bailout from the General Fund
- ❑ Continual diminishment of County unincorporated service area, and a 43% reduction in customer population from 209,210 in 1999 to 119,480 in 2009
- ❑ Large fluctuations in workload which have resulted in on-going revenue stream volatility
- ❑ A 80% reduction in staffing (204 to 39 positions) over the past seven years due to declines in workload and revenue
- ❑ Retirements of key personnel with institutional knowledge and considerable experience
- ❑ Four major financial/operational reviews of various aspects of PDS

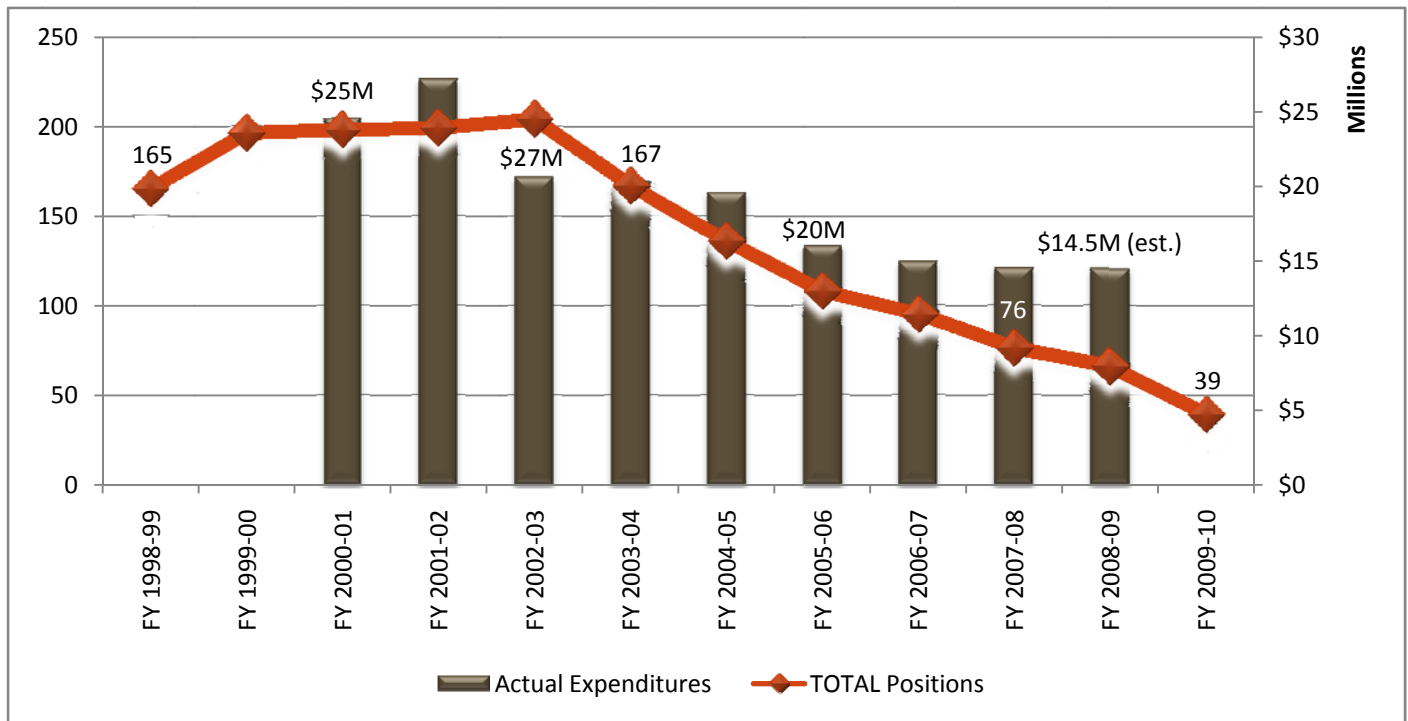


**Staffing & Budget History**

PDS is comprised of two budgetary components: General Fund 100 Agency 080-8000 for County-wide planning activities (“Planning”), and Fund 113 for Building & Safety activities (“Building & Safety”). Fund 113 is a Special Revenue Fund, and as such, is self-balancing (i.e., revenues must be equal to or exceed expenses) and its fees can only be used to support Building & Safety operations. The Planning operation, however, does receive a Net County Cost (NCC) allocation from the General Fund, which it uses to defer operational costs, as many of its activities are county-wide responsibilities (e.g., General Plan, Code Enforcement, Demographics, Water Quality.)

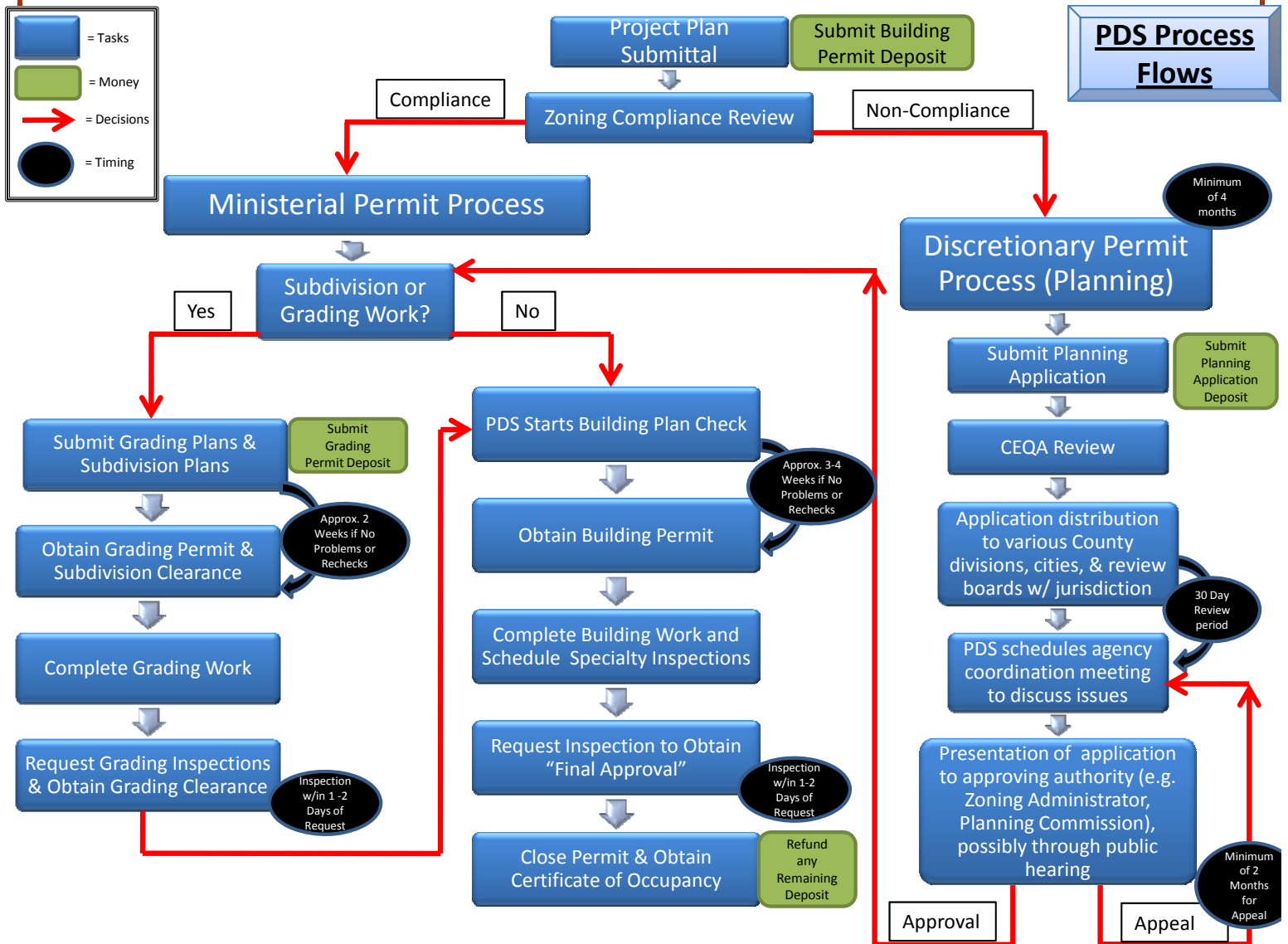
The chart below shows the significant decrease in both staffing and expenditures for PDS as a whole, over the last 11 years, due to the overall economic slowdown and reduction in development activities.

**PDS STAFFING AND SPENDING FROM FY 1998-99 TO FY 2009-10**



**Permit Process Flows**

The following graphic presents, in very general terms, the major permitting process flows in PDS:



### PDS Use of Contracted Services

PDS engages the services of three consultants (VCA Code Group, Willdan Engineering, and Norris Repke) to supplement staff performing building plan checks and zoning clearances.

### General Permit Metrics

The following two charts provide a snapshot of (1) the stark decline in workload at PDS over the past 2 years, and (2) the average total cost to customers for obtaining required major permits to begin development/construction.

#### CLOSED-COMPLETE PERMITS BY PERMIT TYPE, JANUARY 2005 THROUGH MAY 2009

| PermitType            | 2005         | 2006         | 2007         | 2008         | 2009<br>(through<br>May 1st) |
|-----------------------|--------------|--------------|--------------|--------------|------------------------------|
| Residential Structure | 1,739        | 1,438        | 1,172        | 704          | 106                          |
| Electrical            | 622          | 593          | 754          | 417          | 77                           |
| Non-Residential       | 213          | 491          | 392          | 174          | 10                           |
| Non-Structural        | 196          | 313          | 203          | 174          | 16                           |
| Retaining Wall        | 390          | 472          | 479          | 153          | 1                            |
| Swimming Pool         | 362          | 369          | 291          | 114          | 0                            |
| <b>SUBTOTAL</b>       | <b>3,522</b> | <b>3,676</b> | <b>3,291</b> | <b>1,736</b> | <b>210</b>                   |

**AVERAGE TOTAL CHARGES FOR MAJOR PERMIT CATEGORIES AND SELECT PERMIT SUBTYPES,  
SEPTEMBER 2006 THROUGH MAY 2009**

| Permit Type                  | Sample of Permit Subtypes          | Number of Closed-Complete Permits | Average Total Charge | Average Plan Check Charge | Average Inspection Charge |
|------------------------------|------------------------------------|-----------------------------------|----------------------|---------------------------|---------------------------|
| <b>Electrical</b>            |                                    | <b>1,324</b>                      | <b>\$329</b>         | <b>\$44</b>               | <b>\$286</b>              |
| <b>Non-Residential</b>       |                                    | <b>702</b>                        | <b>\$1,346</b>       | <b>\$806</b>              | <b>\$539</b>              |
|                              | Other                              | 230                               | \$1,104              | \$652                     | \$451                     |
|                              | Footings for Light Pole            | 130                               | \$308                | \$152                     | \$156                     |
|                              | Occupancy Only                     | 74                                | \$1,292              | \$830                     | \$461                     |
| <b>Non-Structural</b>        |                                    | <b>498</b>                        | <b>\$366</b>         | <b>\$71</b>               | <b>\$295</b>              |
| <b>Residential Structure</b> |                                    | <b>2,239</b>                      | <b>\$1,140</b>       | <b>\$477</b>              | <b>\$663</b>              |
|                              | Reroofing                          | 794                               | \$325                | \$37                      | \$288                     |
|                              | Patio Covers                       | 360                               | \$985                | \$474                     | \$512                     |
|                              | Room Additions (Minor)             | 244                               | \$2,200              | \$977                     | \$1,223                   |
|                              | Room Remodel (Minor)               | 189                               | \$1,048              | \$359                     | \$689                     |
|                              | Other                              | 146                               | \$826                | \$260                     | \$566                     |
|                              | Room Additions (Major)             | 94                                | \$3,676              | \$1,835                   | \$1,841                   |
|                              | Free Standing Fireplace            | 90                                | \$969                | \$411                     | \$558                     |
|                              | Skylights, Window, etc.            | 88                                | \$370                | \$94                      | \$277                     |
|                              | Room Additions and Remodels (Loft) | 70                                | \$1,602              | \$826                     | \$776                     |
|                              | Custom Single-Family Dwelling      | 65                                | \$5,230              | \$2,660                   | \$2,570                   |
| <b>Retaining Wall</b>        |                                    | <b>746</b>                        | <b>\$681</b>         | <b>\$304</b>              | <b>\$378</b>              |
| <b>Swimming Pool</b>         |                                    | <b>506</b>                        | <b>\$1,332</b>       | <b>\$353</b>              | <b>\$978</b>              |

### **Planning Accomplishments**

During the course of the audit, the following areas were identified where PDS (and past County planning departments) have provided quality services that have significantly improved the quality of life in Orange County:

- Regional planning and development efforts
- County stewardship and maintenance of open space
- Positive working relationships with large land developers
- Improved financial monitoring and controls

## Key Audit Findings

The audit team comprehensively examined all aspects of PDS that impact the provision of customer service, as well as the Time & Materials fee charging system. This examination yielded a considerable number of issues (40+ findings), the most notable of which are summarized below.

### Customer Service

There are a variety of factors that impact PDS' ability to provide quality services. These include:

#### *Leadership/Management*

Over the past several years, significant leadership/management deficiencies have negatively impacted PDS operations. Some of the major deficiencies, each of which diminishes PDS' ability to provide quality customer service, include:

- There is no uniformly articulated and accepted mission/vision that guides PDS activities.
- Executive Management has been disconnected from day-to-day operations.
- The PDS organizational culture has impeded the achievement of the organization's mission and the provision of quality customer service.
- Management has generally neglected its responsibility to address employee performance deficiencies.
- Transition/succession planning activities have been largely inadequate.
- Executive Management has dismissed information and failed to implement recommendations from previous management consultant reports.

### *Customer Service Survey Results*

The audit team used two different survey instruments to gauge both internal employee and external customer attitudes toward PDS, including their provision of customer service. These surveys are included as Exhibits 1 and 2 to this report.

Both surveys, as well as other audit findings, confirm that PDS customer service remains mediocre, at best.

### *Internal Customer Service Initiatives*

The audit team's evaluation of PDS' recent customer service initiatives revealed significant deficiencies that have impeded the accomplishment of intended goals.

### *Performance Management and Customer Service*

PDS efforts in this area have also been largely ineffective and contributed to the continuation of inadequate customer service. A summary of key findings include:

- Customer deposit refunds are not always processed in a timely manner.
- Customer wait times are not monitored, and daily inspection performance goals are not consistently achieved.
- Plan check performance measurement data is not accurate.
- There are no regular quality assurance reviews performed of PDS consultant work to ensure compliance with the applicable Building Codes, adopted County ordinances, Specific Zoning Codes, or contractually-required work turnaround times.

### *Information Technology (APPS) and Customer Service*

APPS (Automated Permit & Planning System) is a comprehensive, custom-developed application used by PDS to track ministerial and discretionary permits. System development began in 1997 and was completed by 2003. APPS has been a source of controversy over the years due to the amount of time and resources spent during its development and in subsequent application enhancement decisions.

Major APPS-related findings include:

- PDS management has been unable to reach consensus on what information is needed from APPS to effectively monitor operations.
- Many technological enhancements to APPS were never implemented due to monetary constraints.

### ***Regulatory Enforcement and Customer Service***

The audit team also examined four functions directly related to regulatory enforcement, which is meant to ensure the public's health and safety. These include the Building Official, Code Enforcement, NPDES inspection compliance, and oil well inspection compliance. Major findings in this area include:

- The Building Official position has been utilized inappropriately and ineffectively by PDS.
- Management has failed to adequately address known confusion among inspectors in regard to the reporting of unsafe conditions noted on properties other than those listed on their daily inspection assignments.
- PDS is unable to demonstrate that all NPDES inspections are performed as required by the San Diego and Santa Ana Regional Water Quality Control Boards.
- PDS had discontinued the performance of required oil well inspections up until early 2009 because the flat fee assessed was insufficient to achieve full cost recovery.

### **Examination of the PDS Time & Materials (T&M) System**

The second major component of this audit is to address issues stemming from PDS' current use of the T&M system for charging customers who request planning and construction permitting/inspection services.

### *Background of the T&M System*

In April 2003, the Flat Fee charging system used by PDS was replaced with the current T&M system. T&M was implemented directly in response to the claims made by Barratt American, a developer, in their litigation against the County. Barratt alleged that PDS was overcharging customers for the services it provided. The trigger for this allegation was the sizeable accumulated cash reserve in Building & Safety Fund 113, which had grown significantly during the development boom of the late 1990s. The surplus revenue accumulated in this account was estimated between \$13 million and \$18 million. After years of litigation (1999 to 2008), the court determined that the County failed to establish how \$4 million of the surplus was spent, and thus found that the County owed PDS customers \$4 million. In short, the problem was not with the former Flat Fee charging system, but rather with the faulty record keeping on the part of PDS.

### *T&M Basics*

The T&M system is intended to precisely track the amount of time spent by PDS staff working on customer-proposed development/construction projects and to bill customers for that work, thereby providing justification for all PDS charges.

T&M Billing Rates incorporate revenue projections based on staff assessments of building activity, the cost to provide the services, and PDS's estimate of staff hours that will be billed to permits based on historical APPS data. Billable rates are intended to provide full cost recovery for services provided. As noted in the chart on the following page, the Total Billable Salaries and Benefits from PDS Employees was estimated at only \$2,307,761, which is approximately one-third of the Total Non-Billable Expenses (\$6,865,573).



## FY 2008-09 Rate Calculation Estimates, Fund 113 &amp; Agency 080-8000

| EXPENSE CATEGORY  | AMOUNTS            | % of NON-BILLABLE | DESCRIPTION  |
|---|--------------------|-------------------|--|
| Non-Billable Employee Leave Time                                  | \$1,175,077        | 17%               | Includes estimates of leave for all employees, including annual leave, workers' compensation leave, holiday leave, etc.  |
| Non-Billable Employee Administrative Time                         | \$920,404          | 13%               | Includes estimates of time for various administrative activities, such as training and non-project-based meetings or work.   |
| PDS Management  | \$912,941          | 13%               | Includes salaries, benefits, and services and supplies for the PDS Director, the PDS Assistant Director, One Secretary/Staff Specialist for both the Director and Assistant Director, and a Manager handling various administrative (i.e. budget, human resources, etc.) tasks   |
| County and OCPW Overhead Charges                                  | \$1,849,980        | 27%               | Includes a variety of overhead charges assessed to PDS from: (1) Countywide support functions paid for through CWCAP, and (2) a portion of the OCPW Indirect Cost Pool, which includes the OCPW Director, OCPW IT, the OCPW-Public Works Director, the OCPW-Director of Administration, the OCPW-Internal Services Director, the Flower Street Building Costs, Accounting Services, Human Resources, Financial Services, Purchasing Services, and a variety of other costs. Of the \$1.849 million included in this line item, approximately 1/3 is the Countywide CWCAP charge and 2/3 is the PDS portion of the OCPW Indirect Cost Pool. |
| Net Services and Supplies Costs                                   | \$2,007,171        | 29%               | Includes services and supplies that are not directly billable to customers.  |
| <b>TOTAL NON-BILLABLE EXPENSES COVERED BY OVERHEAD MULTIPLIER</b> | <b>\$6,865,573</b> | <b>100%</b>       |  |
| <b>TOTAL BILLABLE SALARIES AND BENEFITS FROM PDS EMPLOYEES</b>    | <b>\$2,307,761</b> | <b>34%</b>        |  |

PDS collects deposits from applicants at various stages of the customer-proposed project (e.g., zoning review, building plan check, inspection), and as staff time is charged to the project, the deposit is drawn down.

### *Evaluation of the PDS T&M System*

There are definitive pros and costs of the T&M system, which have been both acutely and chronically experienced by PDS since the system's implementation in 2003.

### Pros of the System

- Provision of an affirmative defense against future litigation claims
- Ability to determine the precise cost of providing services
- Increased transparency to the customer of precise costs
- Provision of a mechanism to hold revenue for multiple year projects
- Opportunity for enhanced employee accountability and greater scrutiny of employee productivity

### Cons of the System

In order for the T&M system to be effectively utilized at PDS, it will require major improvement. The more significant findings in this area are provided below. It should be noted, however, that while these findings are made to address the current T&M system, the audit team ultimately recommends, as all previous consultants have recommended, that PDS, over the next few years, move away from this system to a hybrid system incorporating both Flat Fees and T&M.

- The T&M billing rate calculation does not build in an estimate of the time necessary to perform customer service activities. As a result, there is a disincentive for staff to spend time on non-billable activities such as preparing and communicating thorough, helpful information to the public regarding PDS' permitting processes.
- The T&M methodology is administratively less efficient than other charging systems as it requires significant amounts of time for County staff to track, record, and adjust multiple minor processing activities recorded to permits.
- The process for estimating future billable hours for each employee has several deficiencies, some inherent to T&M and some due to PDS practices.
- T&M deposits for high threat NPDES priority construction sites in the San Diego Regional Water Quality region are not adequate to perform required weekly inspections.

### *Alternatives to a T&M System*

Planning jurisdictions typically use one of three general charging methodologies, but adjust them to meet their specific needs and policy goals. The three charging methodologies include: Graduated Flat Fee, T&M, and a Hybrid structure. Benchmarking of permit charging/fee systems with southern California counties and cities found that a graduated flat fee, calculated based on the project's valuation, is the most common system used.

### *Other Important Considerations*

One of the more important considerations when determining what kind of fee structure to use is the future of the PDS environment. In that regard, there are several firm assumptions that can be made:

- PDS will have minimal staffing and will supplement its workforce by using contractors to address workload fluctuations.
- PDS customers will primarily be individual residents and commercial businesses rather than large land developers.
- Additional annexations of the unincorporated areas will occur, further diminishing PDS' customer base.
- PDS customer/planning requests have declined to a level that is insufficient to generate enough revenue to cover a baseline level of staffing and subsequent operating costs, barring an increase to fees.
- The NCC allocation to Planning (Agency 080-8000) requires reassessment, regardless of the charging system in place, and possible Board policy direction. In discussions with OCPW financial staff, they have acknowledged that NCC is most likely subsidizing activities that the Board originally intended to be fully covered by charges for services. Staff also expressed a legitimate concern that if some of this subsidization were eliminated, the overhead portion of the chargeable rates would increase and result in additional customer complaints.
- Increased environmental regulations will add to the cost of processing planning/development applications.

Another aspect to consider when determining the PDS charging structure is legal requirements. These include the following:

- The Mitigation Fee Act requires that fees “not exceed the estimated reasonable cost of providing the service for which the fee charges, unless a question regarding the amount of the fee charged in excess of the estimated reasonable

cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issues.”

- Compliance with this statutory mandate requires the County at some level to accurately track the estimated reasonable cost of providing the services for which fees are charged. If the T&M billing system is replaced, the County should implement or preserve mechanisms to track the costs of providing regulatory services for which fees are charged that includes both direct and indirect costs.
- No Mitigation Fee Act case has required a local agency to achieve revenue neutrality on a permit by permit basis.

### Summary of Key Recommendations

- The new PDS Director should adopt a new approach to managing PDS; one that is proactive, strategically aligned, involved in day-to-day operations, sensitive to customer service, and collaborative with line staff.
- Throughout PDS, performance standards should be established, communicated and enforced.
- Management consultants should only be hired if there are opportunities for them to add significant value and advice, and only if Executive Management will be receptive to the advice, especially when these findings and recommendations are strongly supported by operational realities.
- PDS needs to determine, with CEO concurrence, the minimum level of staffing needed to meet basic operational requirements and to provide a baseline level of customer service. Once this minimum level of staffing is established, PDS should formally prepare contingency plans to prepare for future financial shortfalls.
- PDS Management should completely reevaluate and redesign a Customer Service Plan that will work efficiently/effectively for PDS. This would include developing an adequate tracking system for customer comments and complaints, a timely follow-up process, and adequate reporting tools.
- PDS should continue efforts to improve the tracking and monitoring of discretionary planning applications through the APPS system.

- PDS should improve the permit “close-complete” process to expedite the customer deposit refund process.
- PDS should ensure that consultant performance can be accurately monitored through APPS, and that performance outcomes are accurately reported to the public and CEO in business plans.
- Given current financial constraints, PDS should: (1) in the short term, pursue cost effective modifications to APPS that will streamline the user interface for management, and (2) in the medium/long term, prepare a thorough comparison of costs and capabilities for keeping and/or enhancing APPS versus pursuing the purchase and implementation of a replacement system.
- PDS should ensure that a Building Official is available on a full time basis in the appropriate organizational capacity to establish, direct and enforce all provisions of the building codes and County ordinances. The Building Official position should report directly to the PDS Director to ensure these requirements are interpreted by an independent, qualified employee in a timely manner.
- PDS should clarify and formally notify inspectors that significant unsafe building conditions observed during the course of their assigned duties must be reported to Code Enforcement, regardless of where the unsafe condition exists. PDS should also ensure compliance with this policy.
- PDS should ensure that all fees allowable or required by County ordinances are charged and collected.
- PDS should immediately determine if any NPDES inspections from the most recent rainy season have not occurred. In addition, PDS should ensure that all required NPDES inspections are performed and documented accurately in the future. The APPS system reports should be used to record and monitor this activity.
- PDS should ensure that oil well inspections are performed annually as required. The oil well inspection fee should be reviewed and revised to appropriately cover the cost of performing this mandated inspection, per the Board policy of full cost recovery.
- PDS should establish estimates of staff time needed to perform customer service activities, assign these tasks to specific personnel, and monitor these activities to

ensure they are performed as required. This will require a predetermined amount of non-billable hours included as overhead in the billable rate.

- PDS should update current and develop new user-friendly customer service information, including but not limited to items such as the website, flow charts, forms, and instructions.
- PDS needs to improve, formalize, and better document the process for estimating future employee billable hours as part of the rate calculation.
- PDS should consider standardized hourly rates for major categories of service, if a T&M system is retained.
- PDS should establish procedures to immediately notify Auditor-Controller (A-C) staff of any unpaid balances that still remain and request that the A-C proceed with collection efforts to recover revenue for billed services on both discretionary planning applications and ministerial/grading permits.
- The audit team has four overall recommendations related to the T&M system:
  1. PDS should move toward a hybrid charging structure over the next couple of years for building plan checks and inspections. T&M would continue to be used for discretionary planning applications, building plan rechecks, re-inspections, and uniquely complex development.
  2. It would be more efficient if only CEO approval was necessary to draw down Fund 113 Reserves rather than approval from the Board, as is currently the case. While this control was previously necessary in response to financial control breakdowns in 2002, new financial monitoring and control procedures now in place at PDS should ensure that the Reserve is utilized effectively and appropriately, under the supervision of the CEO's Office. Of course, any significant and sustained resource shortage should continue to be elevated to the Board of Supervisors.
  3. Because General Fund subsidization of chargeable services is occurring in Planning (Agency 080-8000), CEO-Budget should work with PDS and OCPW staff to determine the specific activities that the Board intends to be covered by General Fund resources, and determine the true cost of those services, rather than providing an annual allocation that is not tied to or tracked by specific

activity. The Board should be presented with the costs and impacts of the following options:

- a. Continuing the current level of General Fund subsidization in Agency 080-8000 for services that can be billed.
  - b. Enhancing the General Fund subsidization of both Agency 080-8000 and Fund 113 in order to ensure a baseline level of customer service.
  - c. Discontinuing any subsidization of billable services and raising chargeable rates to compensate for such a change.
4. The CEO's Office, in conjunction with OCPW Management, should consider the merits of combining Agency 080-8000 and Fund 113 into one General Fund organization. Such a combination would allow NCC dollars to be used to support the highest priorities across the entire PDS organization, not just in Planning Agency 080-8000, which is currently the case.

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# PERFORMANCE AUDIT OF PLANNING AND DEVELOPMENT SERVICES

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## Introduction

The past several years at OC Public Works (OCPW)/Planning & Development Services (PDS) have been marked by significant and tumultuous change. A partial listing of events that have notably impacted PDS during this time period include:

- ❑ Several major reorganizations and changes in leadership
- ❑ Litigation that resulted in multiple changes to departmental operations including the implementation of a Time & Materials (T&M) fee system
- ❑ An operating deficit in 2002 that led to a \$8 million bailout from the General Fund
- ❑ Continual diminishment of County unincorporated service area, and a 43% reduction in customer population from 209,210 in 1999 to 119,480 in 2009
- ❑ Large fluctuations in workload that have resulted in on-going revenue stream volatility
- ❑ A 80% reduction in staffing (204 to 39 positions) over the past seven years due to declines in workload and revenue
- ❑ Retirements of key personnel with institutional knowledge and considerable experience
- ❑ Four major financial/operational reviews of various aspects of PDS: one conducted by the County Internal Audit Department and three conducted by external consultants

These events, combined with recent customer service issues, qualify PDS as a high risk operation in County government. As such, Supervisors Bates and Campbell, with full Board approval, directed this performance audit of PDS.

### **Audit Scope and Objectives**

Per Board direction, the objectives of the audit are to:

1. Assess customer service issues, which include, but are not limited to:
  - a. The amount of time required to review proposed projects
  - b. The amount(s) charged by PDS for that review
  - c. The ability of customers to establish realistic project schedules and cost estimates based on PDS review times and charging practices
  - d. PDS permit and plan check processing protocols
  - e. An evaluation of customer service delivery
2. Examine the impacts of the current Time & Materials Ordinance and alternatives that would increase operational outputs and customer service.

### **Audit Methodology**

This audit included a detailed analysis of multiple data sets; review and observation of various systems and workflow processes used by PDS that impact organizational effectiveness and customer service; formal survey of both PDS employees and PDS customers; review of past PDS consultant reports; examination of contractor operations; and benchmarking of regional planning department charging systems.

### **Survey Methodology**

Two survey instruments were developed as part of this audit in order to solicit and quantify both employee and customer feedback. The first survey was distributed to the entire population of PDS employees, and covered both strategic-level concepts such as mission and organizational culture, as well as concrete, day-to-day operational issues, such as training and resources. There were 54 employee respondents to this survey, which represents nearly all PDS employees. The second survey was distributed to all

customers of PDS over the past two years (May 2007 to May 2009) who provided an email address. This list included over 1,300 email addresses. Approximately 300 of the original 1,300 email addresses were no longer valid, resulting in roughly 1,000 PDS customers receiving the email requesting their feedback. Of those approximately 1,000 customers, 163 completed the survey. The survey asked respondents to provide feedback about their overall customer experience with PDS, as well as specific opinions regarding different phases of the development and permitting process. Respondents to the customer survey represent a diverse group of customers including 36 Individual Applicants, 18 Developer/Builders, 26 Development Consultants, 48 General or Subcontractors, and 35 Others who did not fall into one of the other four categories. In addition, 94 of the 163 respondents categorized themselves as Infrequent customers and 69 of the 163 categorized themselves as Frequent customers.

### Information Reviewed

Information gathered included:

- Budget information for two Planning funds: Building & Safety Fund 113 and Planning Fund 100/Agency 080-8000
- OCPW Business Plans
- OCPW and PDS Web sites
- PDS organizational charts
- Applicable State and Local Planning Codes/Ordinances
- Internal staff and external customer surveys
- PDS policies and procedure manuals
- October 27, 2008 Orange County Chapter of Building Industry Association (BIA) memo to the Orange County Fire Authority
- Past consultant studies by LML, Maximus, Management Partners, LMS
- February 2003 Internal Audit Report on PDS
- Time & Materials documentation
- Individual PDS section Work Manuals
- Specific Plans that govern development in individual unincorporated areas
- December 28, 2008 Planning stakeholder memo regarding PDS
- PDS/OCEA agreement on workforce reductions
- Benchmarking of planning functions in Southern California local government agencies, where relevant and possible
- Workload and relevant permit data from the APPS system
- OC Planning Erosion and Sediment Control Plans (ESCP) Instruction Manual
- Orange County Stormwater Program, Construction Runoff Guidance Manual

## Interviews

Interviews/discussions/correspondence with:

- OCPW Executive staff and Function Directors
- PDS Division/Section Managers
- PDS line staff
- Development Processing and Review Committee (DPRC) members
- PDS Contractors
- County Counsel staff
- Auditor-Controller
- Large Orange County land developers
- CEO staff
- PDS customers
- Orange County Chapter of Building & Industry Association
- Orange County Fire Authority staff
- Regional planning jurisdictions

## Data Analysis and Review

Substantial efforts were made to review, analyze and validate all data received. At several points during the engagement, audit staff met with OCPW/PDS staff to ask questions, verify information, and discuss findings. In addition, audit staff examined data sets and conducted internal checks of all quantitative information to evaluate the accuracy and integrity of the data provided.

The audit team also attempted to conduct meaningful benchmarking of customer service performance metrics among Southern California planning jurisdictions. However, as OCPW acknowledges, making one-to-one comparisons of costs with most other planning jurisdictions is difficult or impossible, because: (1) the Time & Materials billing system used by PDS is not common among other jurisdictions; and (2) most surrounding benchmark jurisdictions subsidize building and safety activities with general fund revenues, while PDS does not. In addition, finite time-in-motion statistics are not tracked in the APPS system, making turnaround time comparisons problematic. Lastly, as several findings in this report describe, the performance data collected by PDS is in some cases not accurate or comprehensive, rendering comparisons to other planning jurisdictions unreliable.

## Background Information

### PDS Mission

Based upon interviews, observations, and review of strategic documents, the audit team concluded that the essence of PDS' mission is to protect the environment and enhance public health and safety by ensuring that land use planning and building regulations are followed in the development of the unincorporated areas of the County.

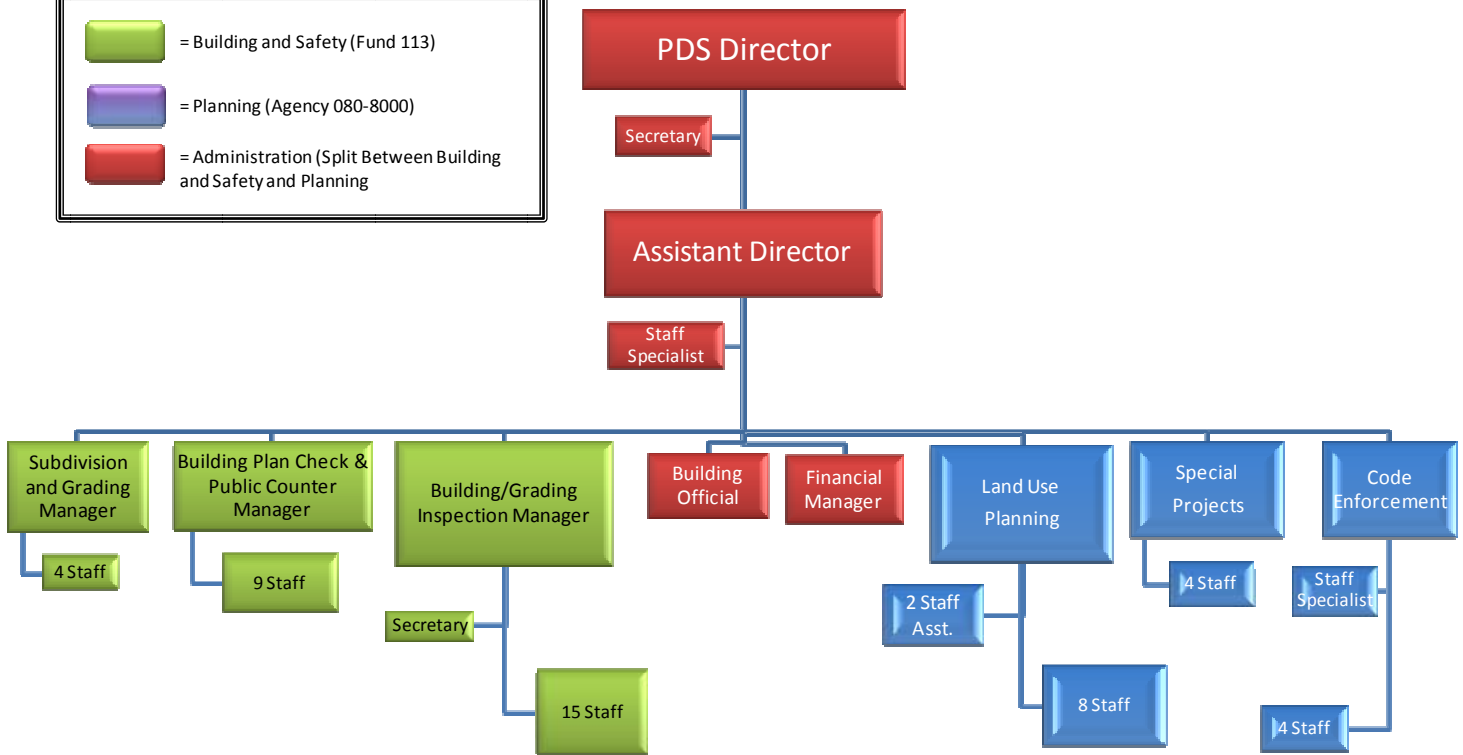
PDS manages four main areas in furtherance of this mission:

- ❑ General Plan and Amendments -- Maintain and enforce, or revise, the overall strategic development criteria for the unincorporated areas of the County.
- ❑ Zoning Administration – ensure that all proposed development in the unincorporated areas of the County conforms to General and Specific Development Plans.
- ❑ Building Code Administration – ensure that proposed and in-construction development is done according to State Code and local building Ordinances to protect the health and safety of residents.
- ❑ Grading Code Administration – ensure that proposed and in-construction soil grading is done according to State Code and local grading Ordinances to protect the environment and the health and safety of residents.

### Staffing & Budget History

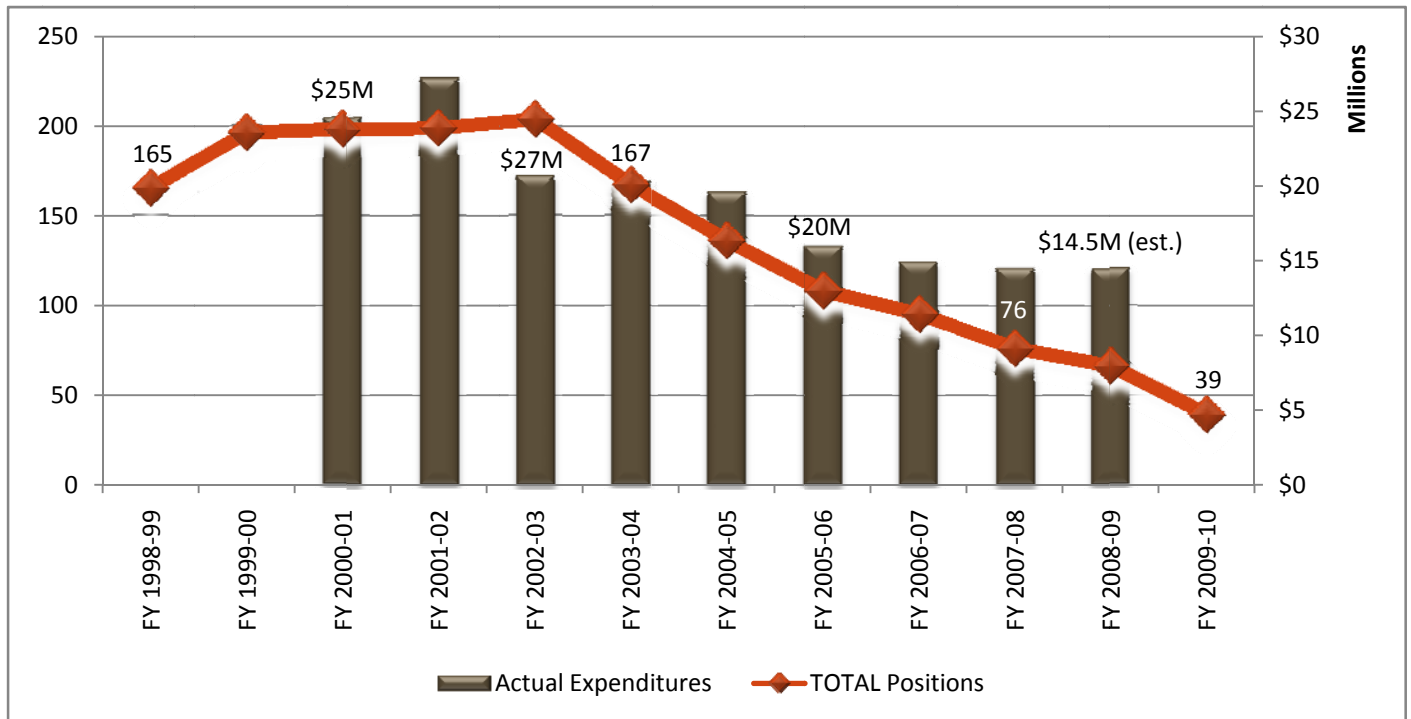
PDS is comprised of two budgetary components: General Fund 100 Agency 080-8000 for County-wide Planning activities (“Planning”), and Fund 113 for Building and Safety activities (“Building & Safety”). Planning is the smaller of the two components, and it includes activities such as Land Use Planning, Special Projects and Code Enforcement. Building and Safety has three main activities: Subdivision and Grading, Building Plan Check & the Public Counter, and Building/Grading Inspection. An organizational chart of PDS is presented on the following page:

= Building and Safety (Fund 113)  
 = Planning (Agency 080-8000)  
 = Administration (Split Between Building and Safety and Planning)



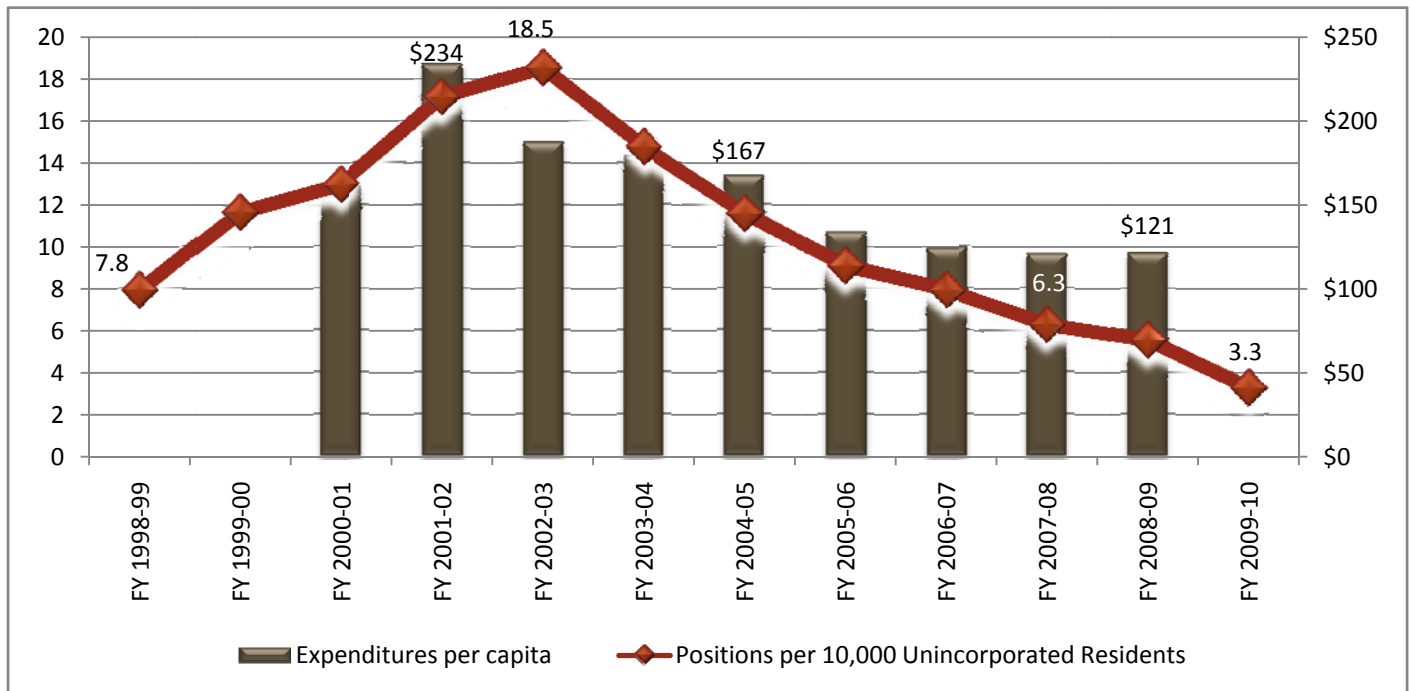
The chart below shows the significant decrease in both staffing and expenditures for PDS as a whole over the last 11 years, due to the overall economic slowdown and reduction in development activities.

**PDS STAFFING AND SPENDING FROM FY 1998-99 TO FY 2009-10**



The next chart demonstrates to an even greater extent the reduction in resources available to PDS to accomplish its mission. Even after controlling for the significant decrease in County Unincorporated population, resources have been dropping more quickly than population, resulting in fewer financial and human resources to cover a proportionately greater customer base.

**POPULATION-ADJUSTED STAFFING AND SPENDING FOR PDS, FY 1998-99 TO FY 2009-10**



**Sources of Revenue**

Both components of PDS (Planning and Building & Safety) rely on permit fees to fund all or part of the operation. The Building and Safety Fund 113 is a Special Revenue Fund, and is required to be self-balancing (i.e., revenues are equal to or exceed expenses), and its fees can only be used to support Building and Safety operations. In addition, because the Building and Safety Fund is required to be self-sufficient, it does not receive any Net County Cost (NCC) allocation from the General Fund. The Planning operation, however, does receive an NCC allocation, which it uses to defer operational costs, as many of its activities are county-wide responsibilities (e.g., General Plan, Code Enforcement, Demographics, Water Quality). In the FY 2008-09 Modified Budget, \$3.2 million of the \$6.6 million in expenditures for the Planning operation (Agency 080-8000) are projected to be NCC-funded.

As previously noted, significant cuts have been made in PDS due to declines in workload and corresponding fee revenues. The reductions in the Building & Safety operation have been more severe because they are completely reliant on charges for services to sustain the operation. If revenues come in below projections, creating an operational deficit, then reductions in either staff or supply spending must mirror this operational deficit and be implemented within that fiscal year. In Planning, however, NCC dollars are guaranteed through the General Fund, and they can be moved around within Agency 080-8000 to cover the highest priorities and bolster revenues from charges for services.

### **PDS Operating Environment**

Specific characteristics of the PDS operating environment include:

- ❑ *Type of Service Provided* – PDS performs land use planning and building regulation services, which can be politically challenging.
- ❑ *Market* – PDS is responsible for planning and building activities in the County unincorporated areas, which have been diminishing in number over the past several years as communities incorporate or are annexed. Consequently, PDS' customer base has proportionally shifted away from large developers and is now comprised mainly of individual residents and business owners.
- ❑ *Service Area* – the County unincorporated areas are geographically dispersed, have varying topographies, and are governed by multiple planned communities and individual Specific Plans which regulate development activities in each area. As a result of this diversity, project complexity varies greatly.
- ❑ *Demand for Services & Revenue Stream* -- PDS has little, if any, control over client demand, which is driven largely by the building industry and other exogenous factors. As a result, its revenue stream is highly unstable due to cyclical economic conditions.
- ❑ *Fee Structure* – a Time & Materials system where customers are charged for all staff time on projects.
- ❑ *Budget/Fund Types* – As mentioned earlier, PDS prepares a budget for two different types of Funds: (1) a Special Revenue Fund for Building & Safety Fund 113, which



requires revenue vs. expense self sufficiency, and (2) the County General Fund (Fund 100 Agency 080-8000) for countywide planning activities and compliance with federal and State planning requirements.

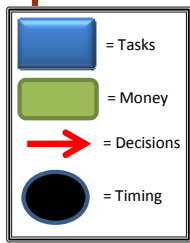
- ❑ *External Stakeholders* – many stakeholders with significant input and influence such as developers, cities, Orange County Fire Authority, Local Agency Formation Commission (LAFCo), and regulators.

### Internal Process Flows

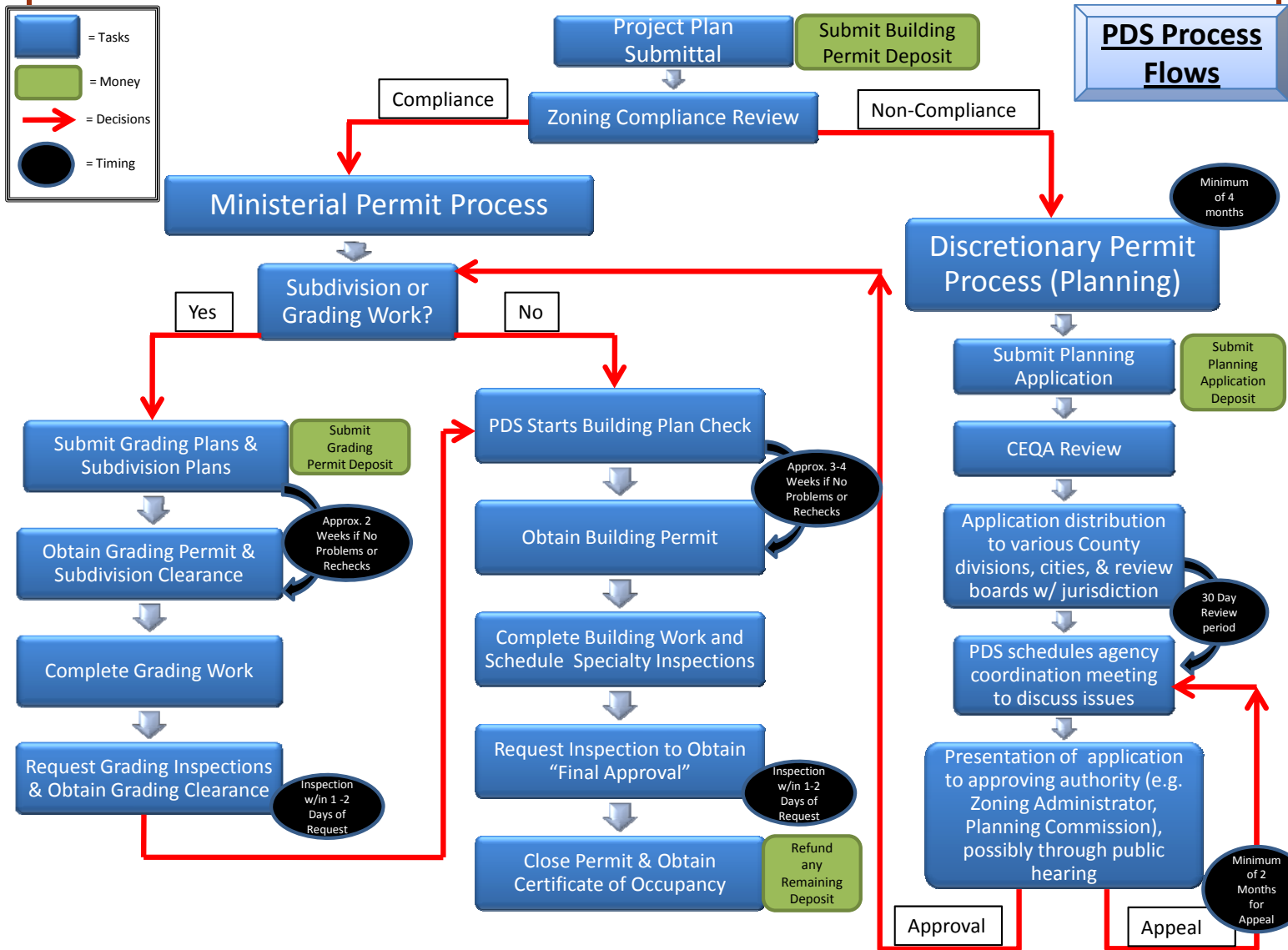
The permitting process varies depending on the type of permit requested. PDS has five permit application categories:

- 1) Express permits used for projects that do not require a review of plans (e.g. water heaters)
- 2) Simple building permits for projects such as swimming pools and small room additions
- 3) Complex building permits for new construction and major remodels
- 4) Grading permits to make significant changes to land contours
- 5) Discretionary Permits (Planning Applications) that are required for site development, variances, use permits, coastal development and zone changes

To gain a basic understanding of the permit process as it pertains to the primary activities performed and billed by PDS as well as the minimum time that is required to obtain these permits, a brief description of the main permitting processes are provided below. The graphic on the next page demonstrates, in very general terms, the major permitting process flows in PDS.



**PDS Process Flows**



**Ministerial Permit Process**

Building and Grading permits, or ministerial permits, are required prior to the construction and alteration of structures, additions, and retaining walls. A ministerial permit is a permit that is granted based upon determinations that the proposed project fully complies with established standards set forth by County Ordinances. The Building Plan Check section is responsible for reviewing building plans for compliance with County building ordinances and applicable state building regulations. This section

issues building permits and ancillary permits such as plumbing, mechanical, and electrical.

To begin the building plan check process, an applicant is required to submit structural calculations, geotechnical (soils) reports, energy calculations, acoustical reports, a water quality management plan, and erosion and sediment control plans if applicable. Plans are reviewed for compliance with county building ordinances and other applicable building regulations. In addition to the plan check review, several other clearances must be obtained in the following order:

- All projects require clearance with zoning requirements. A zoning review ensures compliance with property line setback requirements for the proposed structure and required distances from public right-of-way and easements. Also covered by these regulations are the heights and locations of buildings, fences and walls; easements; and land uses permitted in the zoning district. Planning staff review each plan for zoning requirements at the same time plans are reviewed for building requirements. If any zoning issues are identified, the building plan check process can only proceed if the customer signs a waiver acknowledging that if any changes are needed due to zoning non-compliance, they may be required to have the new plans checked before a permit will be issued. If the plans are not in accordance with zoning requirements, then the applicant may be required to file a planning application to request a discretionary permit that allows the applicant to deviate from zoning requirements.
- Prior to the issuance of a building permit, PDS must also determine if a grading permit is required. A permit is generally required when the grading involves an excavation or fill exceeding 50 cubic yards, when cut and fill slopes are created, or in locations where geologic stability is suspect. If a grading permit is required, the associated building permit(s) cannot be issued until the rough grading work is completed, approved, and released by the Grading Inspection section.
- If applicable, a review of certain additional documentation pertinent to the project may be done. These include such things as water quality management plans (WQMP), geotechnical reports, environmental impact plans, subdivision plans, drainage plans, traffic management, landscaping plans, street improvement plans, parcel/tract maps and conditions of approval.
- New dwellings, additions, and other structures are also subject to review by the Orange County Fire Authority (OCFA) for the possibility of requiring fire sprinklers or a specific fire rated material. This is a separate submittal to the OCFA and is the responsibility of the applicant.

An applicant may receive a building permit within approximately three to four weeks if there are no zoning problems and a grading permit is not required. This time does not include time spent by the applicant correcting building plans (rechecks) as a result of non-compliance with building codes or county building ordinances.

If proposed construction is not in compliance with the Zoning Code, then a planning application must be submitted, which will typically add a minimum of four months to the process (discussed in more detail below). If a grading permit is also required, an applicant can expect to add another two weeks for staff to conduct the initial plan check. This time does not include time spent by applicants or their representatives (e.g., engineers) correcting grading plans as a result of non-compliance with the County Grading Code or for time needed by the applicant to perform rough grading work.

Once plans are approved and all required clearances and fees are paid, a building permit is issued allowing construction to begin. Inspections are then performed by PDS to ensure that structures are built according to plan and are in compliance with applicable codes and ordinances. Inspections are typically performed and approved within one to two business days of receiving a request. If the project is not in accordance with the approved plans and building code requirements, a correction notice is issued.

After all required inspections are performed, the permit is closed and a certificate of occupancy is issued.

### **Discretionary Permit Process**

If a proposed building project is not in accordance with zoning requirements, an applicant must apply for a discretionary zoning permit. Examples of discretionary permits include: Conditional Use Permits, Zone Changes, Variances, Coastal Development Permits, Site Development Permits, and General Plan Amendments.

The process for obtaining a discretionary permit is to file a formal planning application to request a variance to the Orange County Zoning Code and/or zoning requirements of Specific Plans.

Following is a brief overview of the discretionary permit application review process:

- The application is assigned to a planner for an assessment which first includes ensuring the submittal is complete and sufficient information was provided.
- Applications are reviewed for CEQA (California Environmental Quality Act) compliance. Projects are reviewed to determine if the project is exempt or if environmental documentation is needed.
- Plans are distributed to various County Divisions, as well as cities within the Sphere of Influence for the proposed project and Review Boards who have jurisdiction. A Review Board is an advisory committee that represents a Specific Plan Area (unincorporated areas that have their own unique zoning requirements). After a 30-day review period, the assigned Planner schedules a coordination meeting to discuss issues on the project.
- A staff report, including environmental documentation, is prepared for the approving authority (i.e. Zoning Administrator or Planning Commission).
- For discretionary permits in which the approving authority is the Zoning Administrator or Planning Commission, a public hearing is required. The approving authority can approve, disapprove, or conditionally approve a project. Planning applications subject to a public hearing require a ten calendar day public notification period. A Notice of Public Hearing is sent to all property owners within 300 feet of the proposed project.

To receive an approved planning application will generally take 4 months at a minimum. This does not include decisions to appeal the Zoning Administrator or Planning Commission decision that may take an additional two months.

### **PDS Use of Contract Services**

PDS engages consultants to supplement staff performing building plan checks and zoning clearances. The use of consultants began in 2006 and provides PDS the ability to respond to peak plan check demands that exceed base level staffing. At the time of our audit, PDS had the following contracts:

- On-call plan check services with three consultants (VCA Code Group, Willdan Engineering and Norris Repke). The plan check services include: building, street improvements, landscape improvement plans, preliminary and precise grading,

geotechnical report reviews associated with grading permits and special projects and grading drainage and offsite improvements.

- Zoning clearances, through a subcontract with Norris Repke.

### General Permit Metrics

The chart below demonstrates the decline in workload for the six highest-volume permit types for each of the calendar years 2005 through 2008. The chart also provides the workload level for the first four months of calendar year 2009. The number of permits represented is only those with a “Closed-Complete” status. The declines between 2007 and 2008, as well as the declines experienced in the first four months of CY 2009, are particularly stark, and the concomitant declines in revenue are having (and will continue to have) dramatic impacts on PDS’ operational sustainability.

#### CLOSED-COMPLETE PERMITS BY PERMIT TYPE, JANUARY 2005 THROUGH MAY 2009

| PermitType            | 2005         | 2006         | 2007         | 2008         | 2009<br>(through<br>May 1st) |
|-----------------------|--------------|--------------|--------------|--------------|------------------------------|
| Residential Structure | 1,739        | 1,438        | 1,172        | 704          | 106                          |
| Electrical            | 622          | 593          | 754          | 417          | 77                           |
| Non-Residential       | 213          | 491          | 392          | 174          | 10                           |
| Non-Structural        | 196          | 313          | 203          | 174          | 16                           |
| Retaining Wall        | 390          | 472          | 479          | 153          | 1                            |
| Swimming Pool         | 362          | 369          | 291          | 114          | 0                            |
| <b>SUBTOTAL</b>       | <b>3,522</b> | <b>3,676</b> | <b>3,291</b> | <b>1,736</b> | <b>210</b>                   |

The next chart shows what an average customer can expect to pay for different types of permits, as well as the variability in some of the bigger permit categories (e.g. Non-

Residential, Residential Structure). To that end, the chart lists the average Total Charges for the six highest-volume permit types initiated with PDS from the end of September 2006 to the end of May 2009. These charges are averaged only from permits that currently have a “Closed-Complete” status in order to provide the best estimate of costs for the entire process. Under the major categories “non-Residential” and “Residential Structure” there are a number of permit subtypes, which, as noted, vary significantly in complexity and cost. To demonstrate this variability, the chart also provides the highest volume of subtypes within those two major permit categories. It is important to note that these sample, high-volume subtypes do not comprise all the subtypes in these two major categories. In addition to Average Total Charges, the chart also illustrates the two component parts of the Total Charge for each major permit category and sample subtype: Average Plan Check Charge and Average Inspection Charge.

**AVERAGE TOTAL CHARGES FOR MAJOR PERMIT CATEGORIES AND SELECT PERMIT SUBTYPES,**  
**SEPTEMBER 2006 THROUGH MAY 2009**

| Permit Type                  | Sample of Permit Subtypes          | Number of Closed-Complete Permits | Average Total Charge | Average Plan Check Charge | Average Inspection Charge |
|------------------------------|------------------------------------|-----------------------------------|----------------------|---------------------------|---------------------------|
| <b>Electrical</b>            |                                    | <b>1,324</b>                      | <b>\$329</b>         | <b>\$44</b>               | <b>\$286</b>              |
| <b>Non-Residential</b>       |                                    | <b>702</b>                        | <b>\$1,346</b>       | <b>\$806</b>              | <b>\$539</b>              |
|                              | Other                              | 230                               | \$1,104              | \$652                     | \$451                     |
|                              | Footings for Light Pole            | 130                               | \$308                | \$152                     | \$156                     |
|                              | Occupancy Only                     | 74                                | \$1,292              | \$830                     | \$461                     |
| <b>Non-Structural</b>        |                                    | <b>498</b>                        | <b>\$366</b>         | <b>\$71</b>               | <b>\$295</b>              |
| <b>Residential Structure</b> |                                    | <b>2,239</b>                      | <b>\$1,140</b>       | <b>\$477</b>              | <b>\$663</b>              |
|                              | Reroofing                          | 794                               | \$325                | \$37                      | \$288                     |
|                              | Patio Covers                       | 360                               | \$985                | \$474                     | \$512                     |
|                              | Room Additions (Minor)             | 244                               | \$2,200              | \$977                     | \$1,223                   |
|                              | Room Remodel (Minor)               | 189                               | \$1,048              | \$359                     | \$689                     |
|                              | Other                              | 146                               | \$826                | \$260                     | \$566                     |
|                              | Room Additions (Major)             | 94                                | \$3,676              | \$1,835                   | \$1,841                   |
|                              | Free Standing Fireplace            | 90                                | \$969                | \$411                     | \$558                     |
|                              | Skylights, Window, etc.            | 88                                | \$370                | \$94                      | \$277                     |
|                              | Room Additions and Remodels (Loft) | 70                                | \$1,602              | \$826                     | \$776                     |
|                              | Custom Single-Family Dwelling      | 65                                | \$5,230              | \$2,660                   | \$2,570                   |
| <b>Retaining Wall</b>        |                                    | <b>746</b>                        | <b>\$681</b>         | <b>\$304</b>              | <b>\$378</b>              |
| <b>Swimming Pool</b>         |                                    | <b>506</b>                        | <b>\$1,332</b>       | <b>\$353</b>              | <b>\$978</b>              |

## Planning Accomplishments

The audit team identified the following areas where PDS (and past County Planning departments) has provided quality services:

- ❑ Regional Planning and Development Efforts – Over the past 30 years, the County, through its Planning Department, has been highly successful in ensuring that communities are planned and constructed in a manner that achieves a high quality of life for residents. Many communities, once constructed, chose to incorporate into their own cities, such as Aliso Viejo, Mission Viejo, Laguna Niguel, Lake Forest, and Rancho Santa Margarita.
- ❑ County Stewardship and Maintenance of Open Space –With each new phase of development, Orange County residents have been concerned with maintaining an adequate level of open space. Over the years, the County Planning Department has been actively involved in negotiating acceptable compromises between developers, residents, and regulatory agencies.
- ❑ Positive Working Relationships with Large Land Developers –Historically, private landholders have owned significant portions of the County, much of which they have developed over the past several decades. The County Planning Department has long recognized that without establishing positive working relationships with the development community, effective solutions are not possible.
- ❑ Improved Financial Monitoring and Controls –Since the 2002 financial crisis in PDS, much progress has been made in improving the Department’s financial monitoring and controls. PDS has established early warning systems to identify workload/revenue declines several months in advance, with the goal of making adjustments before the problem reaches a crisis level. These efforts have proven effective in recognizing ensuing revenue declines in both FY 2005/06 and FY 2008/09.



## Findings & Recommendations

### Customer Service

The evaluation of customer service provision by PDS is one of two major components of this audit. There are a variety of factors that impact PDS' ability to provide quality services.

#### Leadership/Management

One of the most important determinants of success within an organization is its leadership. The role of leadership in an organization includes such critical activities as:

- Setting the strategic direction (mission) for the organization
- Building a positive organizational culture
- Establishing sound organizational and operating structures, processes, policies and procedures
- Obtaining necessary resources to achieve the organization's mission
- Ensuring accountability throughout the organization
- Ensuring the provision of quality customer service

Over the past several years, significant leadership and management deficiencies have negatively impacted PDS operations. These deficiencies, each of which diminishes PDS' ability to provide quality customer service, are presented below as audit findings. These findings have been verified by observation, interview, review of past PDS studies, and internal/external surveys.

**Finding 1: There is no uniformly articulated and accepted mission that guides PDS activities.**

The lack of general agreement over the mission of PDS is illustrated by the following:

- Internal employee survey results confirm there is mission confusion among staff. Employees were asked to rate (on a scale of 1 to 5, with 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree) a series of statements regarding PDS. Provided below are the scores for questions related to PDS' mission (see Exhibit 1 for entire Employee Survey results):

Q2: Everyone at OC Planning knows and understands our mission and goals:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 28%      | 24%      | 39%      | 6%             |

Q3: The established goals and objectives of OC Planning and my section have been clearly communicated to me:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 2%                | 9%       | 19%      | 57%      | 13%            |

Q4: It is clear to me what my role is in the process of the larger mission that is to be accomplished by OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 2%                | 4%       | 17%      | 52%      | 26%            |

Q5: When important business decisions are made, our mission helps us decide what should or should not be done:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 7%       | 35%      | 41%      | 13%            |

The fact that two of the four statements pertaining to PDS' mission (specifically those that address the overarching mission of the organization) had a notable lack of agreement indicates that there are a significant number of employees who do not have a strong, clear sense of the organization's mission and its role in sustaining the operation. This lack of mission clarity is also confirmed by the subsequent observations.

- There are two similar but differently articulated mission statements published by PDS:
  1. *OC Public Works Business Plan*: Safeguard the high quality of life in Orange County through stewardship of the environment, application and enforcement of building, water and grading regulations, and the planning of new communities.
  2. *PDS Web Site*: Planning and Development Services (PDS) is a team of dedicated professionals who serve the planning and development entitlement requirements of private and public project applicants within unincorporated areas. Our planners, engineers, technicians, and administrative support personnel serve both the current and, through stewardship of the physical environment, future residents of Orange County.
- Interviews with employees also suggest that there is not a clear, unifying mission. Executive Management comments indicated a focus on big development projects, while line staff indicated their primary focus was to ensure that they charge an adequate number of billable hours to demonstrate their personal productivity and generate maximum revenue for the organization. Neither of these missions is consistent with the general mission provided in the OCPW Business Plan and the PDS web site.

**Recommendation 1: The new PDS Director must formally adopt a mission for the organization, communicate it to all staff and the public, and be actively involved by taking concrete steps to align the current organization with the agreed upon mission.**

**Finding 2: Executive Management has been disconnected from day-to-day operations.**

Prior PDS Executive Management acknowledged that their primary focus was to satisfy the needs of big development projects and address the associated political issues. There was little direction or support given to middle management regarding the day-to-day operational issues of PDS such as:

- Personnel, their development, and succession and transition planning
- Development of effective and efficient processes, policies and procedures
- Communication between leadership and line staff
- Management techniques such as performance measurement
- Customer service to individual (small) residential or business clients

Employee survey results pertinent to this area include:

Q6: Our leaders and managers focus the organization on pursuing its core purpose:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 6%                | 7%       | 26%      | 48%      | 13%            |

Q16: There is good coordination of projects and functions between my section and other sections of OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 15%      | 28%      | 41%      | 9%             |

Q18: There is an effective flow of information between management and staff at OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 15%      | 28%      | 41%      | 9%             |

Again, the percentage of employees who either do not Agree or Strongly Agree with these statements demonstrates that there is much room to improve the working relationship between line staff and management.

**Recommendation 2: The PDS Director should adopt a new approach to managing PDS, one that is proactive, strategically aligned, involved in day-to-day operations, sensitive to customer service, and collaborative with line staff.**

**Finding 3: The PDS organizational culture has impeded the achievement of the organization's mission and the provision of quality customer service.**

As is commonly noted in the organizational development field, organizational excellence is highly dependent on culture. There are many components that form an organization's culture, some of which include:

- Structures, policies, and procedures – these elements of an organization express concretely to everyone who and what is valued.
- Personnel – hiring employees based on a “cultural fit” is critically important.
- The informal culture – this includes the atmosphere of an organization, its habits, values, style, rituals and traditions. Examples would include how meetings are conducted, decisions made, customers served, communications given, disagreements handled, etc.

The culture of an organization either provides the capacity to achieve the mission or it undermines, impedes and frustrates that mission. Audit findings indicate that the current PDS culture is unintentional, having haphazardly evolved due to a lack of

attention from Executive Management. Note the pertinent results of the employee survey:

Q7: Our core values are right on target about who we are and who we need to be to fulfill our mission and achieve our goals:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 9%       | 37%      | 39%      | 11%            |

Q8: Our work environment and informal atmosphere conform to our core values and contribute to the success and fulfillment of our mission:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 19%      | 26%      | 43%      | 9%             |

Q9: Our organization chart, systems, procedures, and policies are good expressions of our core values, and they help us achieve our mission:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 6%                | 17%      | 30%      | 41%      | 7%             |

Q10: Our culture helps both employees and managers to operate in an ethical manner (i.e., to stay within the law, to treat one another fairly, and to do the right thing.):

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 15%      | 19%      | 50%      | 9%             |

Q11: OC Planning selectively recruits and hires people with a “right fit” to its mission and culture:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 9%                | 19%      | 33%      | 31%      | 7%             |

In addition to employee survey findings, the following observations were made and confirmed during audit interviews:

- The PDS culture is hierarchical. Staff at all levels stated that nearly all decisions about the organization are made at the top with little if any input from staff, and once decisions are made, they are seldom or ineffectively communicated down to line staff. PDS Executive Management further confirmed this decision-making style by acknowledging that little time is spent in day-to-day operations. In addition, staff also expressed frustration with the lack of positive marketing done by Executive Management to highlight staff accomplishments to the CEO and Board of Supervisors.
- PDS typically adopts an isolationist stance toward other organizations, with the exception of work with large developers. For example, PDS Executive Management has preferred that PDS operate independently of, rather than collaboratively, with other functions of OCPW. This attitude was clearly expressed to PDS subordinate management staff and confirmed by other executives within OCPW. It was noted that on many occasions, PDS Executive Management did not attend departmental staff meetings, including budget

request/development meetings. Externally, several other outside governmental agencies involved in the planning process commented that improved communication and leadership from PDS is necessary to address common issues. In another example, the County Building Official is not a member of regional planning organizations per the direction of PDS Executive Management.

The impact to PDS of these organizational culture deficiencies includes:

1. The culture that has formed does not support the mission, but rather inhibits the organization's ability to achieve its goals and implement lasting solutions in problem areas, such as customer service provision.
2. There is generally low staff morale and a sense of exasperation among staff, which creates disincentives to remain with the organization.
3. Day-to-day operations are fraught with system breakdowns and employees work in a constant survival mode.
4. PDS' isolationist mentality has not allowed it to leverage resources and skill sets from other OCPW functions that would significantly assist in meeting its long term goals and improving its operational capabilities.

**Recommendation 3: The PDS Director must establish an intentional organizational culture built upon chosen core values and aligned with the formally articulated mission.**

**Finding 4: Management has generally neglected its responsibility to address employee performance deficiencies.**

PDS executive and management staff readily admit that over the years there have been on-going and substantial staff performance deficiencies that have not been formally addressed. This situation was also confirmed by the following facts/observations:

- Several PDS managers flatly state that it is not worth the considerable time and effort required to hold non-performing employees accountable for on-going performance deficiencies. Reasons given for this posture include: (1) since employee morale is already low due to downsizing and a lack of leadership,



disciplining employees would only make matters worse, (2) management is so overwhelmed by current system deficiencies that they cannot justify devoting the substantial time required to follow through on discipline issues, and (3) managers are not confident that if they do follow through on necessary discipline, it will be supported at the Executive Management level.

- PDS Executive Management has abdicated its responsibility in the employee discipline process by declining to be the hearing officer during the pre-disciplinary phase of the process. When substantial discipline is proposed against an employee (such as a suspension or discharge), that employee has the right to present his or her case to a higher level manager in the chain of command to make a determination as to whether the proposed discipline is warranted. Typically, in OCPW, the hearing officer is the Function Director, which in this case would be the PDS Director. Previous PDS Executive Management, however, declined to accept this responsibility and delegated it to other managers in the organization. This action contributed to the tone of lax management of employee performance throughout the organization.
- One of the PDS employee complaints consistently expressed to the audit team was that the hardest working employees carry a substantial portion of the workload for other less productive employees. Many employees feel that this imbalance is known by management and allowed to continue.
- In an effort to quantify employee accountability concerns, the audit team requested a five-year history of all actions taken by PDS managers/supervisors to address employee performance deficiencies. Specifically, the audit team requested records of any substandard performance evaluations, performance expectations memos, reprimands (both verbal and written), suspensions, and discharge activities against PDS employees. Results show that despite almost universal acknowledgement that there are consistent performance issues among staff, only six employees over the past five years have been held accountable in any definitive manner for poor performance. It should be noted that in those cases where action was taken, it occurred primarily during the time when PDS hired a manager to specifically serve as Assistant PDS Director of Administration.
- Employee survey results pertinent to this area include:

Q12: Written policies and procedures are consistently followed in the day-to-day operations of OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 13%      | 28%      | 43%      | 9%             |

**Recommendation 4:** Throughout PDS, performance standards should be established, communicated, and enforced. When basic performance expectations are not met, employee training, counseling, and then discipline should occur. The PDS Director should serve as the pre-disciplinary hearing officer in all cases except for direct reports.

**Finding 5: Transition/Succession Planning activities have been largely inadequate.**

A number of factors increase the need for significant attention to transition and succession planning efforts in PDS. These factors include:

- Planning, by law, must always exist in some form to handle the planning and development needs of the County unincorporated area.
- Employees with long term knowledge and experience in planning have either recently retired or will be retiring within the next few years.
- Overall workload, except for the pending development of Rancho Mission Viejo (“The Ranch Plan”), has substantially declined, and will continue to do so.
- There are limited and declining revenue sources available to fund PDS operations.
- In an environment of declining demand for services, it is difficult to attract and retain staff.
- The upcoming development of the Ranch Plan will require strong coordination with consultant resources to ensure the efficient and effective processing of permits.

Despite the necessity for effective transition/succession planning, PDS efforts have been largely inadequate as evidenced by the following:

### *Transition Planning Issues*

- Over the past six years, each successive round of staff reductions (necessitated by decreased workload/revenue) was implemented at an accelerated pace in order to ensure fiscal year end balancing (i.e., expenses do not exceed revenues). Because there was insufficient pre-planning, there was often not enough time to fully vet and analyze the impact of operational changes prior to implementation.
- When employees are moved out of PDS, there is little time or effort given to effectively/efficiently transferring knowledge to the people who will assume these new roles. Many specific examples of deficiencies in this area were provided to the audit team during employee interviews.

### *Succession Planning Issues*

There is little if any formal succession planning occurring within PDS. For the past several years, many top-level, experienced managers/staff have retired without adequate planning efforts made for their replacement. Similarly, existing employees have not been provided with adequate training to prepare for filling these vacated positions.

**Recommendation 5: First, determine the base level of staffing needed to ensure an acceptable level of customer service. Second, identify those employees who may be retiring in the short or medium-term. For each of the positions, identify the knowledge, skills, and abilities required, and determine if any current employee(s) can fill these positions. If not, either train existing staff or examine recruitment options.**

**Finding 6: Executive Management has dismissed information and failed to implement recommendations from previous paid consultant reports.**

During the period of February 2003 to September 2006, the County Internal Audit Department and three separate consultants were engaged to review varying components of PDS. The resulting reports identified many of the same themes and problems, and provided a series of sound management recommendations for improving PDS operations. A brief overview of report findings include:

- In February 2003, the Internal Audit Department reported on the then-recent PDS financial crisis in an effort to ascertain its cause(s). Internal Audit identified a series of errors and weaknesses in the organization's financial planning protocols. The report noted that while PDS management did have the necessary reports and information to see the approaching operational deficit, they had "no effective plan or timetable for avoiding the deficit." Moreover, Internal Audit noted that the CEO's Office "did not effectively monitor PDS to see that a plan for a fee increase was presented to the Board and subsequently implemented." Lastly, the audit stated that "PDS management failed to take timely and appropriate actions to increase fees and further ensure permit revenues fully covered departmental expenditures."
- A July 2003 consultant report initiated by the CEO's Office sought to determine ways for PDS to improve under new management. In general, the report recommended a much stronger day-to-day management approach. To this end, the consultant (Larry M. Leaman or LML) strongly recommended that future PDS Executive Management have proven financial and operational ability and focus. The report also suggested that impacts of significant organizational changes (e.g. organizational structure adjustments or the addition/deletion of staff) should be formally assessed both prior to and after implementation in order to evaluate the effectiveness and impacts (positive/negative) of the change. This assessment, the report noted, is a vital component of management accountability.
- In September 2003, Maximus, a consultant hired by PDS, released a detailed study of PDS user fees that demonstrated a methodology to ensure full cost recovery. PDS Executive Management also indicated that this report was intended to validate the Time and Materials fee structure. The report highlighted several of the potential operational pitfalls of a Time and Materials system, including increased administrative costs for direct and support staff to track and calculate charges, and the potential for open-ended customer bills. Ultimately, Maximus recommended a hybrid charging structure, where flat fees would be used for standard building plan checks and inspections, and Time and Materials would be used for plan re-checks, development site re-inspections, and in extraordinary land development or building cases. Maximus also suggested that the APPS system could be retained to develop standard flat fees going forward.
- Finally, a third consultant, Management Partners, was hired by the CEO's Office to assess the Building and Safety operation of PDS in response to the revenue declines

experienced in FY 2005/06. This September 2006 report noted several deficiencies in the PDS operation, including:

- ✓ Revenue projections drive the business model, as opposed to customer-driven service standards, measured employee performance, and a supportable determination as to whether projected building activity (revenue) can support anticipated development billings.
- ✓ “The current financial and operational environment makes it difficult to achieve the goal of consistent and high quality customer service...”
- ✓ “The time and materials system implemented in Orange County has placed a significant burden on employees and administrative staff. There is no evidence that the system has resulted in improved customer service.”
- ✓ “A time and materials system does not...measure effectiveness, how much time should, in fact, be spent on a project, customer satisfaction or performance goals...Indeed after three years of using the time and materials system, customers remain dissatisfied with the County’s performance and lack of consistency in turnaround times for reviews and performance.”

As a result of these findings, the consultant recommended that the County create a performance-based graduated flat fee system for building and safety services, and discontinue the time and materials structure. The consultant also recommended (1) the development of more detailed and comprehensive performance measures at both the individual and organizational levels, and (2) the development of pre-determined “stop-loss” revenue targets and subsequent pre-determined action plans should revenues fall below the “stop-loss” targets.

Many of the audit team’s findings in other sections of this report confirm that most of the aforementioned consultant findings and recommendations have not been appropriately addressed by PDS or elevated to the CEO or Board of Supervisors for assistance. Indeed, many of these findings and recommendations remain unaddressed today, years after the consultant reviews took place. Examples include:

- Previous PDS Executive Management acknowledged that very little time was focused on attending to the day-to-day operational needs of the organization, as recommended by past consultants.

- Many of the significant organizational changes in PDS over the last six years have been reactive, rapid, and executed with minimal operational impact analysis. Avoiding an operating deficit continues to be, by far, the top priority for the PDS organization.
- PDS has no documented evidence that pre-determined contingency plans were created, per the recommendation of the Management Partners Report. Of particular concern is the fact that the PDS Action Plan developed to address report deficiencies, which was provided to the CEO's Office, incorrectly claims that such contingency plans were created.
- Customer service at PDS continues to be mediocre, at best. This assessment was first benchmarked by the 2006 Management Partner's report. Three years later, this performance audit's customer survey again identifies substantial customer dissatisfaction with PDS operations (See Exhibit 2 for the complete Customer Survey results). As an example, of the 163 respondents to this audit's customer survey, 89 (or 55%) were either "Neutral," "Dissatisfied," or "Very Dissatisfied" with their overall experience. In addition, many customers continue to complain about the costs and open-ended nature of billing under a T&M system, and remain frustrated with turnaround times for various plan reviews.
- Low employee morale remains a drag on the organization's ability to provide quality service, and many employees acknowledge that poor customer service is a commonly held public perception. Of the 54 respondents to the Employee Survey conducted as part of this audit, 21 (or 39%) either Disagree or Strongly Disagree with the statement, "I believe that customers perceive that the County is consistently doing a good job with regard to the planning and permitting process." An additional 13 (or 24%) of the employee respondents were Neutral with respect to this statement. These results are also troubling because low employee morale was brought to the attention of PDS Executive Management during the Management Partners analysis. In the 2006 employee survey, when asked to respond to the statement, "I believe our organization is moving in the right direction," 53% of the respondents either Disagreed or Strongly Disagreed. An additional 36.1% were Neutral.
- In response to the Management Partners report, OCPW and PDS Executive Management indicated that they felt sufficient performance measurement was already being done, and thus no improvements were needed. The audit team confirmed, however, that the current level of performance measurement and management is, in fact, insufficient (as discussed in the Performance

Management and Customer Service section of this report), especially in an operation where customer service and financial solvency must be achieved simultaneously. The audit team observed that this dismissive attitude on the part of OCPW and PDS Executive Management was expressed with regard to other consultant assessments and recommendations as well.

**Recommendation 6: Consultants should be hired only if there are opportunities for them to add significant value and advice, and only if leadership will be receptive to the advice, especially when these findings and recommendations are strongly supported by operational realities.**

**Finding 7: PDS Management has failed to prepare, in advance, adequate contingency plans to guide staffing decisions made in response to financial shortfalls. As a result, some of the recent decisions to transfer staff were made without a complete, well-documented assessment of the negative impacts to customer service.**

During initial audit field work, the audit team reviewed documentation that suggested that the workload measures used to support staff transfer decisions were either inaccurate or incompletely measured. Examples include:

- Manually tracked Development Processing Center (DPC) data used to help determine Staff Specialist/Assistant staffing needs was neither complete nor accurate. The workload measure used by PDS to determine the number of Staff Specialist/Assistant positions is the number of customers per day at the DPC. Since there are other Staff Specialist/Staff Assistant positions supporting needs of the operation other than assisting customers at the DPC, this measure is not sufficient to accurately demonstrate the workload for these classifications. In addition, the audit team identified significant gaps in customer data collection that make the use of this information unreliable.
- The transfer of a Geologist/Grading Plan Checker was not based on accurate operational workload measures and leaves the PDS/Subdivision and Grading (S&G) section understaffed. The workload measure used was the number of geotechnical reports reviewed by the S&G section. Unfortunately, this measure does not take into account that this individual also bills significant time checking grading plans. The net result is that there is one S&G plan checker remaining, which is insufficient



to handle the current workload. This may also have a negative impact on the PDS' ability to conduct any quality assurance checking on consultants hired to handle future surges in work demand resulting from the Ranch Plan development.

- PDS uses the average number of cleared building permits based on a three month average (November, December and January) as a workload measure for the Civil Engineering Assistant and Senior Civil Engineer positions performing building plan checks. The workload, as measured by this indicator, supported the then-current staffing level, yet in May 2009 the Civil Engineering Assistant was transferred to another location within OCPW.

Upon further discussion with PDS Management, the audit team was informed that the avoidance of a potential fiscal year-end operating deficit was the primary consideration in reducing staff, and that the decisions had to be made rapidly to avoid such a deficit. PDS Management indicated that they were aware that these actions would have negative impacts to customer service, but they do not have documentation that demonstrates the specific impacts of these actions. This lack of formal preparation to strategically and thoroughly respond to financial shortfalls has been raised by previous management consultants. Specifically, the 2006 Management Partners Report recommended that PDS determine, in advance, the minimum level of staffing needed to meet basic operational requirements and prepare contingency plans for financial shortfalls. PDS does not have such plans, and as a result staffing decisions continue to be made without a well-documented assessment of the negative impacts to customer service, based on complete workload measures.

**Recommendation 7: PDS needs to determine, with CEO concurrence, the minimum level of staffing needed to meet basic operational requirements and to provide a baseline level of customer service. Once this minimum level of staffing is established, PDS should formally prepare contingency plans to prepare for future financial shortfalls.**

### **Customer Service Survey Results**

As previously mentioned, the audit team utilized two different survey instruments to gauge both internal employee and external customer attitudes toward PDS, including their provision of customer service. Pertinent findings in this area include:



**Finding 8: Recent external customer and internal employee surveys indicate significant weaknesses in the provision of customer service.**

The pertinent parts of the external customer surveys related to customer service provision include:

Q3: Please rate the customer service of OC Planning and Development Services OVERALL:

| Very Dissatisfied | Dissatisfied | Neutral  | Satisfied | Very Satisfied |
|-------------------|--------------|----------|-----------|----------------|
| <b>1</b>          | <b>2</b>     | <b>3</b> | <b>4</b>  | <b>5</b>       |
| 13%               | 18%          | 24%      | 36%       | 9%             |

Q8a: Initial information given to me by OC PDS staff was accurate, complete, helpful, and understandable.

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 12%               | 22%      | 23%      | 34%      | 9%             |

Q8b: Permit fees are reasonable.

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 33%               | 15%      | 28%      | 21%      | 2%             |

Q8c: Employees are attentive to customer concerns.

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 12%               | 25%      | 20%      | 34%      | 10%            |

Q10: In my experience, the overall quality of processing any permit or application with PDS when compared to the same type of permit/application in other jurisdictions in Southern California is:

|     |  |
|-----|--|
| 4%  | ● Significantly Better                 |
| 10% | ● Better                               |
| 34% | ● About the Same                       |
| 21% | ● Worse                                |
| 20% | ● Significantly Worse                  |
| 12% | ● No experience in other jurisdictions |

Likewise, pertinent parts of the internal PDS employee survey related to customer service provision include:

Q14: I generally find that I have adequate decision-making authority in processing an application, administering a permit, or assisting a customer:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 6%                | 6%       | 30%      | 44%      | 15%            |

Q21: Service to the public is emphasized in PDS:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 9%       | 19%      | 44%      | 24%            |

Q22: Customer inquiries are responded to in a reasonable amount of time:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 9%       | 19%      | 44%      | 20%            |

Q23: I believe that customers perceive that the County is consistently doing a good job with regard to planning and permitting process:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 31%      | 24%      | 37%      | 0%             |

Q24: The County has an effective process for listening to citizen or customer service concerns with regard to PDS:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 7%       | 35%      | 48%      | 6%             |

Q25: I believe that PDS coordinates the planning and permitting process in an efficient and effective manner:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 9%       | 39%      | 44%      | 4%             |

### Internal Customer Service Initiatives

Both PDS and the County have recently developed a number of initiatives to provide the public avenues for communicating with County government. An evaluation of PDS customer service initiatives has resulted in the following findings and recommendations:

**Finding 9: The Customer Service Plan approved by the OCPW Director was not fully implemented.**

In an October 2007 memo, the OCPW Director directed that several actions be taken immediately in order to improve performance and accountability in the area of customer service. One action resulted in the immediate implementation of a Customer Service Representative (CSR) position. Many remaining elements of the plan, however, were not implemented for approximately eight months and others were never implemented:

- The CSR position was intended to serve as a clearinghouse for all PDS complaints. However, the CSR does not receive all complaints and is only tracking and monitoring those complaints answered by phone. The audit team found that complaints may also be submitted through various websites or through a customer service evaluation form. The following complaints are not communicated to the CSR for tracking and follow-up:
  - OCPW website - The Departmental website allows for the public to input comments and feedback. These comments are forwarded to the OCPW Public Information Officer (PIO) located in Administration. The PIO will forward any complaints to the PDS Assistant Director. The complaints are not sent to the CSR and documentation is not maintained of the types of complaints received or their disposition.
  - CEO website "Access OC" - The CEO's website allows for the public to provide suggestions, questions, complaints or compliments to a specific Department. Similar to the OCPW website comments, the PIO forwards PDS comments/complaints to the PDS Assistant Director. Again, these complaints are not sent to the CSR and documentation is not maintained of the types of complaints received or their disposition.

- Customer Service Evaluation Form - PDS has a customer service evaluation form available in the DPC for public comments. The forms are collected by the DPC Manager on a weekly basis and the originals are sent to the PDS Director; the CSR does not receive notice of any complaints noted on these forms. In addition, the forms are not collected timely as they are retrieved once a week and there is no written evidence that any follow-up occurred.
- Written procedures for handling complaints as directed in the customer service plan were never created.
- PDS managers are required to reply to the CSR via e-mail with a report of actions that have been or will be taken to resolve issues. However, this does not always occur.
- The CSR is required to keep an ongoing log of all complaints and prepare weekly/monthly status reports. The log was not created until eight months after the Director's memo was distributed, and only a tally of the number of calls received was prepared. Although the log was eventually created, the audit team's review of the log found that improvements are necessary to properly describe the call/complaint received and to document the date by which the issue should be resolved. We also found that the log is not used to prepare weekly/monthly status reports as required.
- A narrative informing the public of the complaint process was never added to the PDS website. The PDS website does have a "Service Comments" area available for the public to directly provide comments to PDS. However, these comments are not captured for review and evaluation by PDS because of a problem with the website. This issue was unknown to PDS until the audit team requested documentation explaining who in PDS is responsible for review and follow-up.

**Recommendations:**

**9.1 PDS Management should completely reevaluate and redesign a Customer Service Plan that will work efficiently and effectively for PDS. This would include developing an adequate tracking system for customer comments and complaints, a timely follow-up process, and adequate reporting tools.**

**9.2 PDS should ensure that the CSR is properly trained to perform the required responsibilities, and is informed of any operational changes that may affect the information provided to the public.**

**9.3 PDS should ensure that all complaints are provided to and tracked by the CSR in a timely fashion.**

**Finding 10: PDS has not updated the CEO's Customer Care Tracking System as required.**

In May 2008, the CEO put into practice a customer care program that provides a common process for handling and tracking complaints alleging poor service, neglect or misconduct by an agency/department, County employee or County contract service provider. As Departments receive complaints the required procedure is to input these into the customer care tracking system. However, since its implementation, PDS has only entered two complaints into the CEO system. The audit team's review of the CSR logs and customer service evaluation forms, and interviews with the PDS Assistant Director determined that PDS received several complaints that should have been entered into the customer care tracking system but were not. This did not occur primarily because the CSR was not provided clear direction on the CEO's reporting requirements and because there was no central tracking and monitoring of PDS complaints.

**Recommendation 10: PDS Management should review the CEO's Customer Care Tracking System reporting requirements and establish procedures to ensure the system is updated as required. PDS should designate the CSR as the central clearinghouse for all comments and complaints.**

**Finding 11: A formal post-implementation evaluation of the PDS "Project Manager" concept has not been conducted.**

PDS implemented a "Project Manager" concept in late 2008 to address internal deficiencies in following projects through to completion and handling customer questions and concerns.

The "Project Manager" concept is intended to improve these issues by providing one point of contact for the customer throughout the planning and building process depending on the status and type of the customer's permits. In essence, one employee

is a customer's point of contact for each major phase of the planning/permitting process. For example, a member of the grading section is the "project manager" until a grading release is issued, at which point the project manager responsibility or "baton" is passed to an employee in building plan check. This employee becomes the "project manager" until a building permit is issued, then the baton is passed to the inspection unit. At each stage in the process, the customer is informed that they now have a new project manager. All correspondence, regardless of whether the current project manager has knowledge in the specific subject area, is required to pass through the assigned project manager.

As evidenced by survey results and interviews, this concept has not been an effective solution for PDS or its customers. The primary reason is that the concept does not consider the complexity of the permitting process as a customer may have numerous permits at various stages, or that consultants are heavily used to perform plan check services but have not been/cannot be incorporated into the "Project Manager" framework. Several PDS staff interviewed were confused on the concept and were not clear at certain points who the project manager was and what was required. Despite these concerns, PDS Executive Management has not formally assessed the viability of the "Project Manager" concept as currently implemented.

**Recommendation 11: PDS should re-examine the "Project Manager" concept and its current processes. If PDS determines that the "Project Manager" concept is appropriate after this review, staff should be provided adequate training to ensure it is successful. On an ongoing basis, PDS should perform an evaluation of the concept in coordination with a review of customer service comments and complaints to determine whether modifications are needed to meet the intended business objective.**

**Finding 12: The process for tracking and monitoring discretionary planning applications has been inadequate.**

Over the last several years, PDS has consolidated and downsized the planning function as a result of staff retirements and declining revenues. Previously, the Land Use Planning Division was organizationally comprised of three sections: Advanced, Current and Environmental Planning. These sections have now been consolidated into one section called Land Use Planning. Historically, PDS did not adequately track and monitor the status of planning applications and did not establish a transitional

workflow plan. As a result, many planning applications were not entered into the APPS system and were unaccounted for and found in desk drawers in various stages of the planning process. Over 20 of the lost planning applications pending approval had been filed between 6 and 24 months prior. In short, customer proposed projects were essentially lost and no action was taken for months. In recent months, PDS has identified this issue, developed a tracking system, and begun notifying applicants of any outstanding planning applications to determine whether the customer desires to continue the project.

**Recommendation 12: PDS should continue efforts to improve the tracking and monitoring of planning applications through the APPS system.**

**Finding 13: Deposit refunds are not always processed in timely manner.**

Once all inspections are completed on a permit, the Inspection Manager reviews APPS to ensure all required inspection activity was approved and authorizes the permit to be “finalized” (closed). Once the permit is closed, APPS identifies the permit as closed-complete. A refund may only be processed (with some exceptions) when permits are in the closed status.

The Inspection Manager informed the audit team that permits should be formally reviewed and closed within 1-2 weeks after the final permit is approved in order to provide deposit refunds to customers in a timely manner. In the past couple of years, however, due to a backlog of permit closures, processing of deposit refunds could take between 3-6 months. This backlog was the result of the decision by PDS management to eliminate senior/supervisory Inspection positions as well as the Release Clerk, who used to perform the close-out duties. These positions were eliminated in response to revenue declines because these positions do not produce sufficient billable hours. This decision resulted in the much higher compensated Inspection Manager performing the close-out tasks.

In the last six months, there has been an extensive clean-up effort to close permits and process refunds. PDS also implemented an automatic close process in APPS for some permit types that do not require review to expedite refunds. In spite of these efforts, audit fieldwork done on March 17, 2009 found that the permit closing process still does not always occur within the 1-2 week time period as several permits have been pending



review for over 2 months. These lengthy time frames have generated considerable negative feedback from clients.

**Recommendation 13:** In the short term, the PDS Inspection Manager should perform the close-complete process in addition to approving the final permit to expedite the refund process. In the long term, PDS should establish appropriate performance standards to track, monitor, and assign appropriate level staff to perform this process in a timely fashion.

### **Performance Management and Customer Service**

In order to provide quality customer service, an organization must effectively evaluate work performance from both its employees and contracted consultants. Findings in this section relate to the use of performance measurement and management methods, which help evaluate PDS' success in achieving overall operational objectives and ensure adequate monitoring of consultant work.

**Finding 14:** PDS has not established adequate performance measures to ensure quality customer service and improve operational effectiveness.

Performance measures provide a means to identify and evaluate how well service outcomes are meeting objectives and to indicate where improvement efforts should be focused. PDS has established a relatively small number of measures to provide feedback on how well they are meeting turnaround times for plan check and inspection activities. Other important measures are missing, such as more detailed measurements of customer service and employee development opportunities. In addition, PDS does not utilize more detailed process performance measures in order to pinpoint problem areas and focus strategies for improvement. PDS informed the audit team that they plan to implement a Balanced Scorecard as a means to track their performance in the near future.

**Recommendation 14:** PDS should move forward quickly to implement the balanced scorecard in order to establish measures that comprehensively and sufficiently track and report operational effectiveness. A detailed balanced scorecard sample of performance measures from a benchmark jurisdiction is provided in Exhibit 3.

**Finding 15: Customer wait times at the public counter are not monitored.**

One important customer service performance indicator is the amount of time a customer must wait before service is provided. The public is requested to sign-in at the Development Processing Center (DPC) counter in order for plan check to track the number of customers in the DPC. However, our review of the sign-in sheet noted that although the customer is requested to sign-in and record the time-in, the time at which the customer is actually seen is often not documented, making it impossible to monitor customer wait times. This information is especially important as PDS continues to reduce staffing in the DPC.

**Recommendation 15: PDS should establish appropriate wait times for DPC customers and require counter staff to document the time each customer was seen on the sign-in sheet in order for PDS management to monitor whether current staffing is sufficient to meet this goal.**

**Finding 16: PDS does not consistently meet the established performance goal of a one business day turnaround for completing inspections.**

Another important customer service performance indicator is whether PDS inspection staff meets the one (1) business day standard for completing an inspection. APPS is used to track and monitor inspection requests and to prepare reports on this inspection requirement. Failure to perform an inspection within one business day is one of the primary complaints received by PDS. For the sample period, February 20, 2009 through March 27, 2009, the audit team reviewed all inspections performed and found that PDS consistently does not meet the one business day requirement on Fridays (the inspectors' flex day). Further review of daily work assignments in the sample period found that the inspectors receive an average of 8-9 inspection assignments Monday through Thursday, which is in-line with PDS's workload indicator of 8 inspections per day. However, on Friday, the average number of daily inspection assignments for the sample period reviewed was 12. As a result, on five of the six Fridays in our sample period, we found that because inspectors are assigned more than 8 inspections, they were unable to perform 1-5 of the inspections they were assigned. To address this issue, two inspectors that were assigned to assist customers in the office, now fill in to perform field inspections on Friday. This, in turn, results in less coverage in the office.

**Recommendation 16:** PDS should take the necessary actions to meet the organization's performance goal of a one-day turnaround for inspection requests. In addition, inspector's schedules should be adjusted to avoid creating days (e.g., Fridays) with significantly reduced staffing.

**Finding 17:** Plan check performance measurement data is not accurate.

PDS has determined that a reasonable time frame to perform the initial applicant plan check is within fifteen business days, and as a result this is one of the organization's established performance goals. PDS utilizes the APPS system to monitor and report out daily workload and track plan check turnaround. However, due to a change in business practices that occurred through the use of consultants to supplement plan check work, the APPS system report is not accurate. Plan checks, once assigned to the consultant, are inaccurately designated as "complete" in APPS even though the plan check has not been reviewed or completed. Other APPS customer service data, such as turnaround times for performing plan rechecks, is also incorrect due to similar practices for tracking work performed by consultants. PDS stated that they are aware of this issue but at the time of our audit, all changes to APPS had been put on hold. APPS staff stated that an estimated 200 hours are necessary to create the required tools and interfaces to monitor consultant performance in APPS.

**Recommendation 17:** PDS should ensure that consultant performance may be accurately monitored through APPS, and that performance outcomes are accurately reported in reports to the public and CEO in business plans.

**Finding 18:** There are no regular quality assurance reviews performed of consultant work to ensure compliance with the applicable Building Codes, adopted County Ordinances, Specific Zoning Codes, or contractually-required work turnaround times.

The audit team confirmed that quality assurance reviews of consultant work are not occurring, despite the fact that these reviews are in accordance with best practices for ensuring that public health and safety is safeguarded. If plan deficiencies are missed by consultants, then the problems must be caught during the inspection phase, at which

point the time and cost associated with making the required adjustments is much greater.

During the factual review of the preliminary draft audit report, OCPW management claimed that the Building Official conducts sporadic quality assurance reviews of consultant reports. The audit team conducted a follow-up interview with the Building Official, who stated that he has not conducted any quality assurance reviews of consultant reports for at least three years.

In addition to a lack of quality control for plan check reviews, PDS also does not monitor the turnaround times of consultants' reports. The audit team met with the three plan check consultants, and reviewed a sample of five plan checks performed by each consultant (total of 15). None of the consultants were able to consistently meet the contractual timeliness requirements. One consultant stated that PDS verbally authorized them to take more time to perform the plan check than required in their contract, although PDS stated that such authorization was never given.

The customer survey conducted by the audit team also demonstrates customer dissatisfaction with consultant turnaround times. The survey revealed that 42 (or 54% of the 81 respondents who dealt with a plan check consultant described "processing and turnaround times" as unacceptable or completely unacceptable. In comparison, only 13 of the 48 respondents who did not deal with a plan check consultant, or 27%, described "processing and turnaround times" in this negative fashion.

In March 2009, PDS began monitoring contractor performance in response to this audit finding. Consultants are now required to complete a regular status report for all new plan check assignments. The status report must include the first and subsequent plan check completion dates and the date the plans are approved. However, procedures have not yet been implemented to ensure the status report is correct.

**Recommendations:**

**18.1 PDS should continue the recently-implemented quality control reviews of consultant work. The Building Official can and should be used to assist in these quality control efforts.**

**18.2 PDS should continue its efforts to enhance the APPS application to monitor and report consultant performance. PDS should periodically perform random evaluations of consultant turnaround times through review of correction lists or other data to confirm consultants are performing as required. This performance**

monitoring should also consider customer complaints received by the Customer Service Representative.

**Finding 19: One consultant firm did not have adequate support for some hours billed to PDS customers for plan check services.**

During the audit team's review of a sample of five plan checks assigned to one consultant firm, we found that the firm had inappropriately billed PDS based on estimated rather than actual hours worked. For four of the five projects reviewed, the hours billed to PDS customers were higher than actual hours worked according to the consultant's time records. The largest differences were for plan check services provided on the John Wayne Airport terminal and parking structure projects as approximately 500 work hours billed were not supported by time records. The consultant was very responsive to this finding and discovered that differences were the result of personnel charging time to three administrative project numbers that should have been charged to billable job numbers. The consultant informed the audit team that they have revised their time keeping practices and procedures for all future PDS plan review projects. The consultant reviewed time records for services provided since January 2009 and concluded that the County was due a refund/credit of \$5,400.

**Recommendations:**

**19.1 PDS should ensure the consultant provides documented support for any future work hours billed for services provided to JWA before final payment is made.**

**19.2 PDS should perform periodic reviews of time records for all consultants to ensure the appropriateness of billed plan check hours, not only for larger projects such as the JWA terminal, but also for smaller PDS customers whose projects are reviewed by a plan check consultant.**

**Information Technology (APPS) and Customer Service**

IT systems, when used effectively, can be important tools for enhancing productivity and achieving organizational goals, such as a high level of customer service.

APPS (Automated Permit & Planning System) is a comprehensive, custom-developed application used by PDS to track discretionary and ministerial permits. System

development began in 1997 and was completed by 2003. APPS has been a source of controversy over the years due to the amount of time and resources spent during its development and subsequent application enhancements. Consequently, OCPW and PDS management are discussing the costs and benefits of (a) retaining APPS with system modifications, or (b) purchasing and implementing a replacement system.

The APPS application allows PDS customers to review permit status, check deposit balances and billing activity, and schedule inspections. APPS data review and input options are also used by several external public agencies such as the Orange County Fire Authority, the City of Brea, and the County's Waste and Recycling Department.

APPS-related issues identified by the audit team are included as findings below.

**Finding 20.1: PDS management has been unable to reach consensus on what information is needed from APPS to effectively monitor operations.**

There are a number of differing opinions regarding APPS' functionality, its true total cost, and even whether it should continue to be used by PDS. Some of the negative opinions toward APPS stem from the 2002 PDS financial crisis, during which APPS development and implementation was one of the major expenditures that depleted the Fund 113 financial reserve. Several PDS managers also stated that the APPS application is unnecessarily complex, provides unreliable information in management reports, and has inadequate reporting capabilities. In addition, it was stated that many of the 300+ reports that are available in APPS do not always present information in a usable format.

The audit team has determined, however, that some of the concerns with APPS are not inherent to the system itself, but rather are the result of PDS management's lack of knowledge about the system's capabilities. As a result, PDS is unable to reach a clear consensus on how to utilize or enhance APPS as a management tool. The audit team was informed during our interviews that a consultant was hired several years ago for the purpose of working with PDS Management on their APPS reporting needs. After approximately five working sessions, PDS management was unable to reach a consensus on what standard information was needed from APPS to monitor operations. As a result, PDS managers have inefficiently requested that APPS IT staff develop system queries in a one-off fashion. Such an approach for report development is not in accordance with best practices. Consequently, there are now over 300 different reports in APPS, many of which are never used.

**Finding 20.2: Many technological enhancements to APPS were never implemented due to monetary constraints.**

In the past, PDS has decided not to pursue various operational improvements through the use of APPS system interfaces. PDS informed the audit team that enhancements require extensive IT staff hours and are too costly in the current environment. These interfaces, which included on-line permit processing, the ability for real-time inspection updates, and a timecard interface with VTI were created and tested, but were never implemented. Many of these enhancements would be helpful with tracking consultant performance and creating reports to monitor a changing operation.

**Finding 20.3: The lone APPS IT analyst does not bill time to PDS, but rather to OCPW/Administration as a whole.**

In recent months, the APPS IT Analyst, engaged entirely in PDS activities, was requested to begin charging time to a general administrative overhead project number, which is allocated throughout the OCPW organization, in an effort to reduce expenses charged to Fund 113. Making reasonable efforts to reduce expenses to a Fund is appropriate; however, consistently failing to accurately charge time to the correct work activity is inappropriate and is contradictory to the Board's policy of full cost recovery. This modification is one of several instances where PDS management has created questionable workarounds to lower costs, despite these actions being inconsistent with the Board policy of full cost recovery.

**Recommendations:**

**20.1 PDS management and IT staff should determine the specific information needed to effectively measure/monitor workload and performance, and ensure that this information is accurately tracked in the APPS system.**

**20.2 PDS should formally assign one PDS employee to be the lead on the management of the APPS application. This employee should be adequately trained on the APPS application and work as a liaison between PDS and OCPW/IT. Any ad hoc reports or system enhancements should be reviewed by this APPS lead person on a case-by-case basis before sending them to IT for creation.**

**20.3 PDS should evaluate APPS ongoing support needs as well as planned enhancements in order to determine a realistic budget for these services that may be**



included when determining billable rates. PDS should also consider establishing a surcharge (as has been done in other benchmark jurisdictions) for each permit issued, based on a percentage of permit costs, which can be used to directly fund APPS IT support.

20.4 Given current financial constraints, PDS should: (1) in the short term, pursue cost effective modifications to APPS that will streamline the user interface for management, and (2) in the medium/long term, prepare a thorough comparison of costs and capabilities resulting from the retention and/or enhancement of APPS versus the purchase and implementation of a replacement system.

### Regulatory Enforcement and Customer Service

The audit team also examined four PDS functions directly related to regulatory enforcement: the Building Official, Code Enforcement, NPDES inspection compliance, and oil well inspection compliance. The proper enforcement of regulations enhances public health and safety, as well as community aesthetics.

#### *Building Official*

The Building Official, a position mandated by the California Building Code and County Ordinances, is authorized to enforce all the provisions of the Building Code and County ordinances. For such purposes, as stated in the code, the Building Official has the powers of a law enforcement officer. The Building Official has the power to render interpretations of the code and to adopt and enforce rules and supplemental regulations to clarify the application of its provisions. Audit findings related to the role of the Building Official at PDS include:

**Finding 21: The Building Official position has been utilized inappropriately and ineffectively by PDS.**

Over the past several years, PDS has inadequately approached this mandated activity, as the Building Official is only serving half of his time in this role, and half in another part of the OCPW organization. This arrangement has caused multiple problems: 1) reduced availability to provide technical assistance or quality assurance activities on disputed development proposals, 2) disagreements about this limited role among OCPW leadership, 3) external complaints from government planning agencies about the



lack of regional planning leadership provided by PDS, and 4) the Building Official is not given the administrative authority indicated by California State Law.

One such example of this underutilization of the Building Official position is in the development of the Code Enforcement Procedures Manual, in which the Building Official has not played a role. Best practices suggest that the Building Official should be involved in the creation and implementation of the Building Code sections of this Manual, in light of the statutory role given to the Building Official in interpreting the Building Code. The California Building Code states that the Building Official is “authorized and directed to enforce the provisions of this [Building] code,” and in addition, “shall have the authority to render interpretations of this code and to adopt policies and procedures in order to clarify the application of its provisions.” (California Building Code, Appendix, Chapter 1, Section 104.1)

In response to this finding, PDS management claims that the Building Official’s role is strictly advisory, serving only to interpret the Building Code in response to disputes. This view is not in alignment with the role described by State laws and the California Building Code, which clearly identify additional job responsibilities that would supplement the current duties of the Building Official. Specifically, State law defines the Building Official as “the individual invested with the responsibility for overseeing local code enforcement activities, including administration of the building department, interpretation of code requirements, and direction of the code adoption process.” (California Health and Safety Code, Section 18949.27)

**Recommendation 21: PDS should ensure that a Building Official is available on a full time basis in the appropriate organizational capacity to establish, direct and enforce all provisions of the building codes and County ordinances. The Building Official position should report directly to the PDS Director to ensure these requirements are interpreted by an independent, qualified employee in a timely manner.**

### *Code Enforcement*

PDS management decisions related to Code Enforcement have resulted in decreased revenues and may have increased the potential for health and safety risks to the public. These issues are discussed below.

**Finding 22.1: Management has failed to adequately address known confusion among inspectors in regard to the reporting of unsafe conditions noted on properties other than those listed on their daily inspection assignments.**

Title 7, Division 1, Article II, Section 7-1-16 (c) of the Orange County Codified Ordinances states that “The Building Official shall examine or cause to be examined every building structure or portion thereof or other condition reported as unsafe, dangerous, damaged or otherwise constituting a hazard... Said examination shall be conducted in accordance with the provisions of this Code, other applicable statutes, and the ordinances, rules, and regulations of the County of Orange.”

In a related but different policy dealing with the County’s approach to code enforcement, the Board, due to resource constraints, has adopted a policy of responding to constituent code enforcement concerns, rather than pre-emptive patrolling of neighborhoods by code enforcement officers.

The audit team was informed by several inspection staff that PDS management has stated that any code violations observed in the field but not located on the assigned inspection property should not be reported to Code Enforcement. Several inspectors are frustrated by this practice as they feel it is their responsibility to report these conditions and several continue to do so in spite of being instructed otherwise.

During the factual review of the preliminary draft audit report, OCPW/PDS management disagreed with this finding. Management stated that inspectors are directed to report any potentially life-threatening hazards and other hazards according to the inspectors’ manual. Management also stated that some inspectors do not agree with portions of this manual, and choose not to comply with the disputed portions. Despite their knowledge of this situation, management failed to demonstrate any formal response to this situation, in the form of (1) memoranda, emails, training materials, etc., that would clarify inspector responsibilities with regard to this issue, and/or (2) employee discipline for failure to comply with the County inspectors’ manual and supervisory directives.

**Finding 22.2: PDS does not assess double fees for inspections per County Ordinance.**

County Ordinance 08-005 (Building Code) Section 108.2 paragraph 2 states that “Failure to pay fees and obtain a permit before commencing work shall be deemed a violation of this Code, except when it can be proven to the satisfaction of the Building Official that

an emergency existed which made it impractical to first obtain a permit. A violation shall result in an assessment of double fees for work done prior to permit issuance. Payment of a double fee shall not relieve any person from fully complying with the requirements of the Code nor from any other penalties prescribed herein.”

Code Enforcement staff is able to identify a property as a code enforcement case by examining the APPS system. When identified, PDS staff makes a notation in the APPS system which then allows for PDS to properly charge double for inspection fees as is required by County Ordinance. According to the DPC Manager, approximately one year ago, Code Enforcement management instructed Inspection staff to discontinue identifying permits as violations in APPS. This decision is outside of the authority of Code Enforcement and has several negative consequences: 1) loss of revenue to PDS, 2) inconsistency, as some permit violations are charged double fees and some are not, and 3) most importantly, a failure to uphold County law. In response to this finding, and after discussions with the audit team, in April 2009, PDS began to properly identify these permits as violations in APPS and resumed charging double fees.

**Finding 22.3: PDS does not charge a Special Investigation fee for investigations on unpermitted building structures.**

The assessment of a Special Investigation fee is allowable under the County Building Ordinance whenever it is discovered that work has been done on a property without a permit. The ordinance states that this fee, if charged, must be paid and an investigation must be conducted prior to the issuance of any permit for work already completed. The audit team discovered that the Special Investigation fees are not collected by PDS to fund investigations on unpermitted building structures.

The determination to discontinue charging for this activity was made by Code Enforcement management because in the past there were instances of improper fee assessment. The audit team believes that PDS should resume charging this fee based on the following:

- This process will provide a mechanism for the customer to determine up-front whether their property is permitted before additional money is spent on Architect/Engineers for additional development.
- General Fund resources were used to pay for chargeable code enforcement services.

**Recommendations:**

**22.1: PDS should clarify and formally notify inspectors that significant unsafe building conditions observed during the course of their assigned duties must be reported to Code Enforcement, regardless of where the unsafe condition exists. PDS should also ensure compliance with this policy.**

**22.2: PDS should ensure that all Code Enforcement fees allowable or required by County ordinances are charged and collected.**

**NPDES**

**Finding 23: PDS is unable to demonstrate that all NPDES inspections are performed as required by the San Diego and Santa Ana Regional Water Quality Control Boards.**

In 2002, the San Diego and Santa Ana Regional Boards issued NPDES (National Pollutant Discharge Elimination System) permits that regulate storm water discharge from municipal storm drain systems. The permits, in part, require the County to implement a program to eliminate significant pollutant discharges from construction activities by requiring the implementation of appropriate Best Management Practices (BMPs) at all construction sites in the unincorporated area. The County is required to perform unannounced inspections of all construction sites to verify that the requirements of local permits (building, grading, NPDES, etc.) and Ordinances (grading, water quality, and others) are performed to protect water quality.

The audit team reviewed inspection requirements for permits issued in the San Diego and Santa Ana Regional Board areas based on the construction site risk priority assigned by PDS Plan Check staff (high, medium, low). The chart below demonstrates the inspection frequency required by the Regional Board instructions.

|   | <b>INSPECTION FREQUENCY BY JURISDICTION</b> |  |
|---|---|--|
| <b><u>Construction Site Risk Priority</u></b> | <b><u>Santa Ana Regional Board</u></b>      | <b><u>San Diego Regional Board</u></b> |
| High  | Once per month                              | Once per week                          |
| Medium  | Twice during the season                     |  |
| Low   | Once during the season                      | Twice during the season                |

Source: Construction Runoff Guidance Manual, Orange County Stormwater Program, September 2006.

During initial fieldwork, the audit team reviewed documentation that indicated that some NPDES inspections were not conducted at the frequency required by the Regional Boards. At several points during the factual review phase of this audit, OCPW/PDS management disagreed; however each time they were unable to produce any supporting information to demonstrate that these inspections were performed as required. As a result, the audit team was required to perform additional field work. Based on this further review, the audit team discovered specific, problematic operational practices as follows:

- There is no single person in the department who both takes responsibility for and has a thorough understanding of the NPDES inspection requirements and implementation activities.
- Inspection management does not believe that NPDES site priority assessments assigned by Plan Check staff are binding, and thus does not comply with the required frequency of NPDES inspections, per the San Diego and Santa Ana Regional Water Quality Control Boards' instructions. In addition, Inspection management indicated that they believe Inspection staff has the discretion to determine the appropriate frequency of inspections, based on site conditions noted in the field, rather than on the site priority assigned by Plan Check staff. Planning staff responsible for monitoring NPDES requirements indicated that the language included in the Regional Board instructions does not provide for such discretion, and that the Plan Check priority assessment and correlated inspection frequency are controlling.
- The audit team met with OCPW IT staff assigned to APPS, and reconfirmed that APPS provides a management report which clearly identifies the frequency of NPDES inspections required for each permit, per Regional Board instructions. Inspection staff stated that they are required to input the results of NPDES inspections completed into APPS, and do so at the end of each business day. However, the audit team reconfirmed that Inspection and PDS management do not utilize this APPS report to track NPDES compliance.
- Inspection staff indicated that they are unaware of any requirement to inspect sites more frequently than twice per rainy season (October 1 through April 30).

During the final factual review meeting for this audit, OCPW and PDS Management acknowledged that the operational deficiencies noted above exist, and stated they were unaware of these deficiencies prior to the audit team confirming them. In addition, after recent investigation, OCPW and PDS management now state that, in some

instances, the NPDES inspection frequency shown in APPS is inaccurate, due to errors in assigning site risk priorities by Plan Check staff. As such, OCPW and PDS Management are unable to confirm that PDS is meeting NPDES inspection requirements.

**Recommendation 23: PDS should immediately determine if any NPDES inspections from the most recent rainy season have not occurred. In addition, PDS should ensure that all required NPDES inspections are performed and documented accurately in the future. The APPS system reports should be used to record and monitor this activity.**

### *Oil Well Inspections*

**Finding 24: PDS had discontinued the performance of required oil well inspections up until early 2009 because the flat fee assessed was insufficient to achieve full cost recovery.**

The Orange County Oil Code Section 7-8-33 (c) states that: “The [PDS] Director shall inspect annually and at such other times as he deems necessary, each producing oil well and suspended oil well regulated by this code for the purpose of ascertaining whether the well is being operated or maintained in conformity with the minimum standards of this code. To meet the expense of such inspection, the operator shall pay to the [OCPW Department] an annual inspection fee as established by resolution of the Board of Supervisors...”

The audit team found that the annual inspections have not been performed as required since 2004. In early 2009, one inspector was assigned the responsibility to begin performing the required inspections. At the time of the audit team’s fieldwork, the assigned inspector unexpectedly retired and another inspector was assigned the responsibility. To quantify the potential magnitude of this finding, it should be considered that the last complete annual billing performed was for the period July 1, 2002 through June 30, 2003, and included a total count of 1,037 wells and a billable total of \$37,332 for inspection fees. According to the PDS Inspection management, staff was directed by PDS Management not to perform these inspections because the \$36 fee collected is not enough to cover inspection costs under the T&M structure. The \$36 billable fee has not changed for many years. Failure to perform the required oil inspections poses a potential health and safety risk to the public, resulted in a loss of

revenue to the Department estimated in excess of \$150,000 for the several years inspections were not performed, and is non-compliant with County Code.

**Recommendation 24: PDS should ensure that oil well inspections are performed as required annually. The oil well inspection fee should be reviewed and revised to appropriately cover the cost of performing this mandated inspection, per the Board policy of full cost recovery. If the fee cannot be adjusted, PDS should pursue General Fund revenue to support this County-wide public safety responsibility.**



## Examination of the PDS Time & Materials (T&M) System

The second major component of this audit is to address issues arising from PDS' current use of the T&M system to charge fees to customers requesting planning and construction permitting/inspection services. The sections that follow provide the background and basics of the T&M system, an evaluation of the pros and cons of T&M, a discussion of charging system alternatives used in benchmark jurisdictions, other important observations gleaned from our analysis of T&M, and overall recommendations for the CEO and the Board's consideration during policy deliberation.

### Background of the T&M System

In April 2003, the Flat Fee charging system used by PDS was replaced with the current T&M system. T&M was implemented directly in response to the claims made by Barratt American, a developer, in their litigation against the County. Barratt alleged that PDS was overcharging customers for the services it provided. The trigger for this allegation was the sizeable accumulated cash reserve in Building & Safety Fund 113, which had grown significantly during the development boom of the late 1990s. The surplus revenue accumulated in this account was estimated between \$13 million and \$18 million. After years of litigation (1999 to 2008), the court determined that the County failed to establish how \$4 million of the surplus was spent, and thus found that the County owed PDS customers \$4 million. In short, the problem was not with the former Flat Fee charging system, but rather with the faulty record keeping on the part of PDS.

Consequently, there is no court requirement for the County to use a T&M system, a conclusion confirmed by County Counsel. County Counsel also provided cases where jurisdictions using a Flat Fee system were able to successfully defend their systems against lawsuits almost identical to the one brought by Barratt.

### T&M Basics

The T&M system is intended to precisely track the amount of time spent by PDS staff working on customer-proposed development/construction projects and to bill customers for that work, thereby providing justification for all PDS charges to its customers.



### *Billing Rates*

Billing rates are calculated by Auditor-Controller accountants assigned to OCPW. The rates consider PDS' revenue projections based on staff assessments of building activity, the cost to provide the services, and PDS' estimate of staff hours that will be billed to permits based on historical APPS data. All expenditures that exceed revenue from billing estimates are classified as overhead or indirect costs and included in the billable rate. For example, the billable rate for a Building Inspector IV is \$149.65 hr. The direct cost of a Building Inspector IV with salary and benefits is \$51.48 an hour. The overhead rate is the expenditure amount that must be paid for by each direct billable hour and was calculated at 190.69% of the direct cost (or \$98.17) for a total billable rate of \$149.65. Put another way, each direct billable dollar includes approximately \$1.91 in overhead. Each position has a different billable rate based on the direct cost of the position, however, the overhead multiplier (190.69% for Building & Safety employees) is the same across all employees.

The expenditures included in the "overhead" multiplier for both Planning (Agency 080-8000) rates and Building and Safety (Fund 113) rates are shown in the chart on the following page. For context, the estimated amount of billable employee salaries and benefits are also shown in the chart.

## FY 2008-09 Rate Calculation Estimates, Fund 113 &amp; Agency 080-8000

| EXPENSE CATEGORY  | AMOUNTS            | % of NON-BILLABLE | DESCRIPTION  |
|---|--------------------|-------------------|--|
| Non-Billable Employee Leave Time                                  | \$1,175,077        | 17%               | Includes estimates of leave for all employees, including annual leave, workers' compensation leave, holiday leave, etc.  |
| Non-Billable Employee Administrative Time                         | \$920,404          | 13%               | Includes estimates of time for various administrative activities, such as training and non-project-based meetings or work.   |
| PDS Management  | \$912,941          | 13%               | Includes salaries, benefits, and services and supplies for the PDS Director, the PDS Assistant Director, One Secretary/Staff Specialist for both the Director and Assistant Director, and a Manager handling various administrative (i.e. budget, human resources, etc.) tasks   |
| County and OCPW Overhead Charges                                  | \$1,849,980        | 27%               | Includes a variety of overhead charges assessed to PDS from: (1) Countywide support functions paid for through CWCAP, and (2) a portion of the OCPW Indirect Cost Pool, which includes the OCPW Director, OCPW IT, the OCPW-Public Works Director, the OCPW-Director of Administration, the OCPW-Internal Services Director, the Flower Street Building Costs, Accounting Services, Human Resources, Financial Services, Purchasing Services, and a variety of other costs. Of the \$1.849 million included in this line item, approximately 1/3 is the Countywide CWCAP charge and 2/3 is the PDS portion of the OCPW Indirect Cost Pool. |
| Net Services and Supplies Costs                                   | \$2,007,171        | 29%               | Includes services and supplies that are not directly billable to customers.  |
| <b>TOTAL NON-BILLABLE EXPENSES COVERED BY OVERHEAD MULTIPLIER</b> | <b>\$6,865,573</b> | <b>100%</b>       |  |
| <b>TOTAL BILLABLE SALARIES AND BENEFITS FROM PDS EMPLOYEES</b>    | <b>\$2,307,761</b> | <b>34%</b>        |  |

To put these overhead amounts in context, the Total Billable Salaries and Benefits from PDS Employees was estimated at only \$2,307,761, which is approximately one-third of the Total Non-Billable Expenses (\$6,865,573) covered by the overhead multiplier. The above chart demonstrates the number of administrative layers that are applied in the Rate Calculation in order to achieve full cost recovery under the T&M rate structure. It should be noted that neither of these amounts includes the activities in Agency 080-8000 that are funded with General Fund dollars.

### *Deposits*

PDS collects a deposit from applicants before performing work, and as time is charged to the project, using the billing rates described in the previous section, the deposit is drawn down. For example, the deposit for building plan check is based on approximately 80% of the average historical cost for a particular type of plan check, varying based on whether the project is commercial or residential and by project type (e.g. patio cover, room addition). When building plans are approved, a building permit is issued. At that time an inspection deposit is collected, varying by project type, in order to cover anticipated PDs inspection costs. A-C accountants are responsible for sending notices to the owner or other financially responsible party if deposit balances are low or negative. Any deposit balance remaining after the project is completed is refunded to the applicant.

### Evaluation of the PDS T&M System

The T&M system has both benefits and significant drawbacks, each of which have been acutely and chronically experienced by PDS since its implementation in 2003. These issues are addressed below. The efficacy and efficiency of the PDS T&M system has been reviewed on two separate occasions by outside consultants. In each case, the reviewing consultant has recommended discontinuing the use of the T&M system for the initial/routine plan check and inspection activities. However, in each case, OCPW and PDS Executive Management have advocated for its retention, arguing that T&M provides enhanced protection against future litigation.

### *Pros of the System*

PDS' adoption of a T&M system for building and safety, and some planning/zoning activities, has been positive in the following ways:

- Provision of an affirmative defense against future litigation claims
- Ability to determine the precise costs of providing services
- Increased transparency to the customer of actual costs
- Provision of a mechanism for holding revenues for multiple year projects
- Opportunity for enhanced employee accountability and greater scrutiny of employee productivity

### *Cons of the System*

For the T&M system to be effectively utilized at PDS, it must undergo major renovation. Detailed below are the audit team's finding and recommendations in this area. It should be noted, however, that while these findings and recommendations are made to address the current T&M system, the audit team ultimately recommends (later in this report), as all other consultants have recommended, that PDS, over the next few years, move away from this system to a Flat Fee system for routine plan checks and building inspections, and a T&M system for multiple rechecks/re-inspections and uniquely complicated development proposals.

#### T&M Impacts on Customer Service

**Finding 25.1: The T&M billing rate calculation does not build in an estimate of the time necessary to perform customer service activities. As a result, there is a disincentive for staff to spend time on non-billable activities such as preparing and communicating thorough, helpful information to the public regarding PDS' permitting process.**

This finding is supported by the following sub-findings:

**Finding 25.2: Building permit application forms and instructions are not always updated in a timely manner.**

Several changes have occurred over the years that require the update of building permit application forms and guidelines. However, these updates have not occurred when necessary. One reason given by staff is that these administrative activities are non-billable. Without timely update of forms and instructions, the PDS website is also not updated and results in customers being unclear of the permit process and filing requirements.

**Finding 25.3: The PDS website has been inconsistently updated for the past five years.**

The audit team reviewed the PDS website and found that it is not customer friendly for the following reasons: (1) pieces of information on the website had not been updated for at least five years, (2) the site is difficult to navigate, (3) building permit information was incorrect, and (4) some data links did not work. One noted deficiency was that the website utility for estimating the fees of a proposed project was not functional at the time of the audit. The PDS Customer Service Representative informed the audit team that the website has been the source of many customer comments/complaints received over the last year. Again, staff informed the audit team that one reason employee resources were not assigned to this task is that it is not a billable activity. In March 2009, PDS began efforts to update website information. A Staff Assistant was assigned this responsibility but was transferred out of PDS in May before all website changes could be completed.

**Finding 25.4: There is a lack of customer information regarding the building plan check process.**

Due to the complexity of the building plan check and inspection process, it is important that comprehensive and user friendly customer information regarding the permit process is available. The audit team performed an unannounced visit to the DPC and requested whether written documentation was available to explain the plan check process and requirements. The auditor was referred to the outdated website and was provided a draft copy of a "Building Permit Process for Residential Construction/Development" document, not yet approved by management, as a reference guide.

This issue was also a major recommendation of Development Processing and Review Committee (DPRC) members in their December 23, 2008 letter to the Board of Supervisors prior to the start of this audit. It is generally recognized by PDS, large developers, and small customers that there is a lack of helpful information about the permitting process. This general lack of information is also confirmed by our customer survey which indicated that only 43% of the respondents either agreed or strongly agreed with the statement that "Initial information given to me by PDS staff was accurate, complete, helpful and understandable."

**Finding 25.5: The practice of providing customers with public courtesy notices that permits are scheduled to expire was discontinued.**

The practice of generating notices from APPS to notify owner/applicants who have not yet begun construction that their building permit is scheduled to expire was discontinued several years ago. This courtesy notice served the important function of informing the customer of the date the permit is due to expire, various options to extend the permit, the requirement for an extension fee depending on the permit status, and the consequence if no action is taken. PDS informed the audit team that this notification was discontinued because limited staff resources are available to process notification letters, staff time for such work is not billable, and the general cost of generating these letters is prohibitive. However, these notices would not only provide the customer a courtesy notification to prevent project delays but could generate billable inspection activity as well.

**Finding 25.6: The incentive to provide customer service is decreased when there is no permit to bill.**

PDS staff expressed a high level of frustration to the audit team that they must cut short time spent with customers if there is no permit to bill. Although management/staff interviewed agreed that this is not a best practice for customer service, the pressure to bill in the current economic situation outweighs the consequence of poor customer service. As a result, after 15 minutes of customer assistance, PDS staff will inform the customer that they will need to set-up a miscellaneous code in the APPS system (MP permit) in order to bill the customer for further assistance. While this practice is still technically in place, staff informed the audit team that there has only been one instance since September 2008 where a customer was asked to open such a permit while receiving customer service in the DPC.

In addition, historically, staff would use the MP permit category in order to capture customer service activities that could not be billed to a permit. Though this practice was discontinued in September 2008, the audit team determined that there were over 684 MP permits recorded in APPS with staff charges of \$88,562 since May 2004 that according to A-C accountants will require adjustments to delete.

**Recommendations:**

25.1 PDS should establish estimates of staff time needed to perform customer service activities, assign these tasks to specific personnel, and monitor these activities to ensure they are performed as required. This will require a predetermined amount of non-billable hours included as overhead in the billable rate.

25.2 PDS should continue tracking and monitoring customer service activities where there is no permit to bill in order to establish reasonable and appropriate staff time for customer service activities when determining billable hour estimates.

25.3 PDS should update current and develop new user-friendly customer service information, including but not limited to items such as the website, flow charts, forms, and instructions.

**Finding 26: The T&M methodology is administratively less efficient than other charging systems as it requires significant amounts of time for County staff to track, record, and adjust multiple minor processing activities recorded to permits.**

In order to accurately bill permits in the T&M system, even minor processing activities must be tracked and recorded in the APPS system because they are included as employee billable time when calculating billing rates. Many of these minor business activities can take 25 minutes or less to perform. For example, when determining the billable rate for a Building Inspector IV, supervisory activities such as assigning inspection work and processing permit finals are not classified as indirect costs when performing the rate calculation. As such, these activities must be tracked and recorded so that they can be billed to the customer to earn the projected revenue.

Summarized below are some of the minor billable activities that applicants can expect to see on their billing statements:

- **Staff Specialist (rate of \$101.74 hr.):**
  - 10-25 minutes to accept plans and record in APPS
  - 15-25 minutes for processing plans (distributing and filing)
  - 10-25 minutes for issuing a permit

- **Senior Civil Engineer (rate of \$184.88 hr.)**  
15 minutes for assigning plan checks to county staff or consultants
- **Planner IV (rate of \$138.69):**  
10 minutes for assigning zoning review to County or consultant staff  
15 minutes to provide Water Quality Management Plans (WQMP) clearance
- **Senior Building Inspector (rate of \$127.12 hr.):**  
3-8 minutes for assigning each inspection request
- **Building Inspector IV(rate of \$149.65):**  
3-5 minutes to transfer permit to close-complete status
- **Administrative Manager II (rate of \$199.47):**  
20 minutes for processing permit final

The combined staff time required to bill each permit for these minor activities is an unproductive use of resources and is perceived negatively by customers for several reasons:

- Customers perceive that billing for minor activities is unreasonable
- The billable rate per hour for staff to perform the function appears excessive relative to the activity performed
- There is limited context to explain how billing works

As a result, PDS Management receives numerous billing questions and complaints, which, in turn, generate additional non-billable time and research requests. In many cases these complaints result in billing adjustments, taking away from other management and customer service activities. The audit team's customer survey found that 48% of PDS customers either strongly disagreed or disagreed with the statement "permit fees are reasonable." Individual applicants and Developer/Builders were the most critical, as 58% and 55%, respectively, responded that they either strongly disagreed or disagreed with the statement "permit fees are reasonable." These responses are particularly interesting given that T&M was established to help customers identify all charges; now that the customers see the charges, they believe many of them to be unreasonable.



**Recommendation 26:** PDS should evaluate its current billing practices and determine whether the billing activities are appropriate considering the staff resources needed to perform them, minimal staffing available, and the number of billing adjustments required due to customer complaints. PDS should consider building these activities into the overhead rate charged for plan check and inspection activities.

#### T&M Impacts on Billing Activities

There are several billing complexities inherent in the T&M system. Pertinent findings include:

**Finding 27:** The process for estimating future billable hours for each employee has several deficiencies, some inherent to T&M and some due to PDS practices.

When establishing billing rates, an important step is to determine for each employee a target estimate of billable hours to be achieved. To adequately determine billing hour estimates, PDS should consider several key factors: (1) a reasonable level of non-billable customer service for each employee depending on his or her work duties, (2) employee workload indicators based on projections of future billable work, and (3) employee non-billable time as a result of general administration, vacations and training hours. These recommendations were also made by the consultant Management Partners in their 2006 review of Fund 113. It appears that these key elements have not been incorporated into PDS' estimate of employee billable hours. For example, the Customer Service Representative position was projected to be 53% billable in the calculation of the FY 08-09 rates, yet the historical data indicates that 12% or less is the realistic amount someone in that position could bill. Such a practice results in rates that do not fully recover the cost (i.e. undercharge) for administrative activities that should be included in the overhead multiplier. PDS staff involved in the rate-setting process acknowledge that the process of determining billable estimates for each employee is completed many months in advance of the timeframe for which the rates will apply. Fluid market conditions, combined with the numerous reorganizations/ workforce reductions in PDS, have noticeably decreased the viability of the assumptions used in estimating billable hours for the rate calculation. In addition, the process for estimating billable hours is fairly subjective and loosely documented. As a result, staff is unable to clearly demonstrate how certain billable hour estimations were determined in the rate-setting process.

**Recommendation 27: PDS needs to improve, formalize, and better document the process for estimating future employee billable hours as part of the rate calculation.**

**Finding 28: T&M billing practices create several billing inconsistencies.**

The number of hours billed by employees to permits and individual billable rates may vary depending on the knowledge and experience of the assigned employee and whether the work was performed by a consultant. Many customers complain that their permit costs differ from other customers with very similar projects. As a result, PDS Management spends additional hours evaluating these complaints to determine if the projects in question are similar and to validate whether the differing charges are appropriate.

**Recommendation 28: PDS should consider standardized hourly rates for major categories of service, if a T&M system is retained.**

**Finding 29: Consultant-billed hours for commercial plan checks may be higher than necessary because County staff does not possess the required expertise to appropriately negotiate estimated plan check hours.**

The PDS building plan check Senior Engineer is primarily responsible for assigning plan check work to consultants. For residential projects, the Senior Engineer performs a cursory review of the plans before sending them to the consultant to determine an estimated range of hours based on professional judgment that would be required to complete the plan check. Consultants are required to provide their own estimate of the hours they will need to perform the plan check and the hours are negotiated and agreed to in writing prior to the commencement of service. All commercial plan check work (building, plumbing, mechanical and electrical) is sent to a consultant for plan check because PDS does not have the necessary commercial plan check expertise. Without commercial plan check expertise, the Senior Engineer will likely be unable to consistently negotiate a reasonable number of commercial plan check hours on behalf of the applicant. To mitigate this situation, the Building Official in some cases would review commercial plan checks on behalf of building plan check staff to determine if consultant estimated hours appeared reasonable.

**Recommendation 29:** PDS should ensure that the full-time Building Official has commercial plan check experience to negotiate reasonable time requirements with consultants and can perform periodic reviews of consultant documentation to support actual hours charged.

**Finding 30:** Inspection travel costs are unnecessarily inconsistent because they depend on the number and location of inspection assignments.

For each inspection performed, a charge is assessed for travel time to the job site. This charge is determined by taking all travel time from an inspector's daily run of inspections, and dividing that total by the number of inspections on the run. Thus, the travel cost will vary for each inspection because the cost depends on the number of inspections performed that day and the location of the inspection assignments. If the inspector has more assignments and they are in the same area, the applicant will be charged less than an applicant whose inspector has fewer assignments but in more geographically disperse areas. Conceivably, a customer could be assessed two different travel charges for travel to the same site on two different days. In addition, PDS has established a requirement that an inspector will not be sent out unless there are at least seven inspections on his/her daily run, in order to minimize travel costs billed to permits. This practice results in some inspectors remaining in the office while other inspectors may be assigned more inspections than can be realistically performed in one day.

**Recommendation 30:** PDS should consider adopting standard travel times to apply to each inspection request.

**Finding 31:** Past-due fee collection efforts for building permits are not sufficient.

Auditor-Controller (A-C) accountants are responsible for daily monitoring and customer notification when permit deposit balances are low or negative (i.e., amount billed is more than deposit collected). Actual collection activities for long outstanding negative balances had not been occurring prior to February 2009. At that point, A-C accountants began the collection process on several long outstanding discretionary planning applications, and some of these accounts were sent to the A-C/Collections Unit for follow-up. However, this collection activity does not apply to outstanding amounts due on building permits. The A-C Manager stated that they plan to send out collection

letters for amounts due that exceed \$25 and transfer uncollected amounts to A-C/Collections that are unpaid after 30 days. The audit team's review of APPS system data for all permits created after May 1, 2004, found that approximately \$150,000 is owed on closed/expired permits and another \$114,000 is owed for building permit applications that are still in plan check review pending approval.

**Recommendation 31: PDS should establish procedures to immediately notify A-C staff of any unpaid balances that still remain and request that A-C perform all collection efforts to recover revenue for billed services on both discretionary planning applications and ministerial building/grading permits.**

#### T&M Impacts on Customer Deposits

**Finding 32: The building plan check deposit is difficult to monitor and may result in the County being unable to collect for all services provided.**

Per the T&M system, a building plan check deposit is collected by PDS from the applicant to charge against as building plan check and preliminary zoning services are provided. Since deposits are based on averages, they are not always adequate to cover the actual plan check cost; therefore, PDS staff may need to request that the applicant pay additional deposit amounts, sometimes on multiple occasions. This practice is negatively perceived by applicants, requires additional accounting resources, and depending on when the deposit is received, may delay an applicant's project. The audit team identified the following plan check activities that contribute to this issue:

- Staff Assistants are responsible for accepting and dispatching building plan checks for review, as well as recording the plan check application in APPS so a deposit can be collected. In the more efficient cases, the Staff Assistant reviews the plans with a Senior Engineer to assess if an additional deposit amount should be collected due to the project size and complexity. However, this practice is inconsistently applied as a number of plan checks are sent to consultants and the estimated hours necessary to perform the plan check are not known until several days after the plans are received (e.g. commercial projects). In these instances, PDS staff may have to call the applicant for additional deposit money in order to ensure that a positive deposit balance is available to cover all anticipated plan check time.
- There are some plan checks that require extensive revision and therefore result in a number of rechecks or corrections to the plans. Most rechecks are necessary because

plans have not been prepared in accordance with the Building Code or County Ordinance. Consultants are required to inform PDS if there is a need to revise their estimated number of hours required to perform the plan check as a result of rechecks. PDS management informed the audit team that consultants were told to monitor applicant balances and notify the customer if their deposit is insufficient. This procedure, however, is not consistently adhered to by the three consultants interviewed by the audit team, and in many instances, additional deposit amounts are not collected from the applicant until the permit is issued some time later. Additionally, if an applicant decides to discontinue the project, the current deposit may not be adequate to cover all plan check hours billed by the consultants and PDS staff, resulting in a negative deposit balance that may be uncollectable. At the time of our audit, according to APPS data for permits created after May 2004, approximately \$114,000 is owed to PDS for services rendered to applicants in the plan check process.

- Building plan check staff is not notified of the total hours billed against the building plan check deposit by Land Use planning staff in order to complete the required zoning clearance. Since these amounts are not available in APPS until they are recorded, an applicant may receive incorrect information regarding additional deposit amounts required.

**Recommendation 32: In the short term, PDS should revise its procedures to ensure deposit balances are monitored and additional deposit amounts are received before plan check services are continued. In the long term, PDS should work with OCPW IT to determine whether billing controls can be implemented in APPS to prevent recording of hours to deposits with insufficient balances. PDS will need to actively monitor these deposits and ensure timely requests for additional deposit amounts. PDS should consider reviewing deposit amounts and determine if deposits should be adjusted depending on permit type to avoid collecting insufficient deposit amounts.**

#### T&M Impacts on NPDES Deposits

In order to determine the required number of NPDES inspections, PDS must evaluate the potential impact to water quality posed by construction activity and assign a threat priority of low, medium, or high. Based on the threat prioritization, PDS Plan Check staff will set an inspection frequency to ensure best management practices are adequate, being implemented and maintained properly, and that no discharge violations are

occurring. Several factors are considered in determining the appropriate threat prioritization: size and type of construction, time of construction (rainy season October 1-April 30 versus dry season), proximity to ASBS (Area of Special Biological Significance) or ESA (Environmentally Sensitive Area) or an impaired waterway, and site topography. Determining the priority level is important because it establishes the minimum frequency of construction site inspections and the appropriate deposit amount to collect. As noted in Finding 23, errors made in the determination of this site risk priority can result in either too many or too few NPDES inspections.

**Finding 33: T&M deposits for high threat NPDES priority construction sites in the San Diego Regional Water Quality region are not adequate to perform required weekly inspections.**

A review of deposits collected for high NPDES threat priority construction projects in the San Diego Regional Water Quality region are not adequate to cover the cost of the required weekly inspections. The deposit collected is only \$470, yet the weekly (as opposed to monthly) inspections required during the rainy season (October 1-April 30), would require in excess of \$2,400 to cover the costs of inspection, administration, and travel fees based on the audit team's calculation of the average cost of one NPDES inspection from review of APPS data. Since PDS collects a deposit of approximately \$2,000-\$3,000 to cover all other required inspection activity for commercial and residential projects, the required NPDES inspections alone would deplete the deposit. This situation would likely result in project delays because customers cannot order inspection requests in APPS if the permit deposit available is not adequate. PDS stated that the inspection requirement as well as the cost to perform weekly NPDES inspections is excessive, especially under the T&M charging structure.

**Recommendation 33: PDS should evaluate the inspection requirements in accordance with the deposit collected with the goal of establishing a deposit that appropriately covers the inspection costs. This may require changes to the APPS application to provide the option of two different deposit amounts depending on whether the project is in the San Diego or Santa Ana Regional Water Quality Areas.**

T&M Impacts on Employee Development

**Finding 34: T&M emphasis on billable hours results in PDS providing minimal opportunities for staff development.**

The key to quality customer service is to ensure the workforce is properly trained to perform their job requirements. Trained staff is especially important in PDS because the services provided ensure the health and safety of the public. Additionally, all PDS staff should be properly trained on customer service techniques because their positions require constant public interaction. Interviews with PDS employees found that staff is only provided the minimal training required to maintain certifications. Several staff expressed concerns that they did not have adequate training on Building Code changes to effectively perform their jobs. This lack of support for staff development is particularly problematic in light of the number of employees who have been transferred to new assignments in recent years but did not have the opportunity to train their replacements. Other training opportunities, at no cost to PDS, are not embraced as the current priority of PDS is to maximize daily billable hours.

**Recommendation 34: PDS should devote reasonable amounts of staff time to training and professional development. PDS should pursue other training opportunities, such as peer training sessions and regular training/workshops provided by the Building Official to reduce training time and costs.**

T&M Impacts on Accounting Resources

**Finding 35: The T&M fee system requires a high degree of administrative support.**

The Auditor-Controller (A-C) provides accounting services for both Building and Safety (Fund 113) and Planning (Fund 100, Agency 080-8000). The audit team determined that the T&M billing structure requires the equivalent of at least 2.5 Accounting Specialist/Assistant FTEs at an estimated annual cost of \$140,000 (salary and employee benefits) that would not be necessary if PDS were to charge a flat rate. Summarized below are several activities that are performed by A-C accounting staff as a result of using a T&M billing structure.



*Preparation of billing fees:*

The A-C Accounting Manager is required to re-evaluate T&M fees every six months. The fee preparation process requires the A-C Accounting Manager to spend at least 70 hours (approximately 2 weeks) at an estimated cost of \$4,500 to prepare revised fees and supporting documentation. The time spent does not account for the various checks performed by additional A-C staff to ensure fees were prepared accurately.

*Deposit monitoring:*

The following Building & Safety Fund 113 activities require the equivalent of 1.5 Accounting Specialist FTEs:

- Prepare daily letters to applicants (owner and financial responsible party) that the issued building permit's deposit balance is low or negative.
- Prepare letters for other permit statuses with a negative balance that exceeds \$25.
- Research APPS and prepare refunds for closed or withdrawn permits.
- Close permits in FTS (Financial Tracking System) so further charges cannot be recorded against the permit.
- Research for a new address if refund check is returned.
- Transfer money between permits if deposit balances are low.

The following Planning Fund 100 Agency 080/8000 activities require approximately 1 Accounting Assistant FTE:

- For planning and subdivision permits, research and contact planners to determine the amount of estimated additional charges when deposit balances are low in order to notify applicant.
- Research for a new address if refund check is returned.
- Prepare invoices to notify owner that overdue account will be sent to A-C/Collections (began in February 2009).
- Prepare documentation for A-C/Collections to collect overdue balances on long outstanding planning applications (began in February 2009).



### Alternatives to a T&M System

Planning jurisdictions typically use one of three general charging methodologies, but adjust them to meet their specific needs and policy goals. The three general methodologies include:

1. Graduated Flat Fees: historical cost averages from providing services and estimates of future workload are utilized to create a scale of flat fees that correspond to ranges of project square footage and/or valuation of work completed. Different types of permits (e.g. electrical, residential, commercial, etc.) have different scales of flat fees. As an example, to determine the fee for a building permit, the project's valuation is quantified by applying a cost per square foot to the building project's calculated square footage. The project's calculated valuation is then found in a scaled valuation table. Depending on where the building project falls within the table, the permit fee amount is determined as the total of a flat rate plus an additional fee for each \$1,000 in valuation or fraction thereof that exceeds the scale's minimum valuation level. If a plan check is required, an additional fee may be charged based on a percentage of the building permit fee. All plan rechecks and re-inspections are included in this fee regardless of the number performed. As noted in multiple consultant studies, the graduated flat fee, especially for building and plan check services, requires less administrative effort and provides customers with a more predictable means of estimating permitting costs.
2. Time and Materials: customers are billed for the precise amount of staff time spent working on their projects, and then assessed charges based on a schedule of hourly cost rates for each individual's time spent. These rates typically also incorporate non-billable overhead costs that are meant to be fully recovered.
3. Hybrid Structure: a combination of both Graduated Flat Fees and Time and Material charges. Typically Graduated Flat Fees are used for routine plan check and building inspection services; Time and Materials is used for rechecks and re-inspections, as well as for discretionary planning applications and uniquely complex plan check and inspection projects.

Benchmarking of permit charging/fee systems with southern California counties and cities found that a graduated flat fee, calculated based on the project's valuation, is the most commonly utilized system.

### Other Important Considerations

One of the more important considerations when determining what kind of fee structure to utilize is the future the PDS operating environment. In that regard, there are several firm assumptions that can be made:

- PDS will have minimal staffing and will supplement its workforce by using contractors to address increased workload fluctuations. Those employees left will have to possess a variety of knowledge, skills, and abilities. These employees will also need the capability and empowerment to effectively monitor and assess contractor work performance.
- PDS customers will primarily be individual residents and commercial businesses rather than large developers.
- Additional annexations of the unincorporated areas will occur, further diminishing PDS' customer base.
- PDS customer planning/permitting requests have declined to a level that is insufficient to generate enough revenue to cover a baseline level of PDS staffing and subsequent operating costs, barring an increase to the fees for services. In light of the degree of customer dissatisfaction with the current rates, a proposed increase on the scale necessary to fully cover PDS baseline costs seems unreasonable from a customer service perspective.
- The Net County Cost allocation to Planning (Agency 080-8000) requires reassessment, regardless of the charging system in place, and possibly Board policy direction. When Planning (Agency 080-8000) was originally established, it was allocated General Fund money to cover specific County-wide responsibilities (such as Code Enforcement, the Planning Commission, the Housing Element, etc.), as well as a portion of general administrative overhead from OCPW and PDS Executive Management staff. Certain other services that are generated by individual customers, such as discretionary permit applications, were meant to be covered entirely by charges for services. Despite several reorganizations and significant reductions in both chargeable services and the PDS workforce, the General Fund (Net County Cost) allocation to Agency 080-8000 has not been reassessed on a detailed, organizational level to verify that NCC is funding only those specific activities that were originally intended by the Board of Supervisors. In discussions with OCPW financial staff, they acknowledged that NCC is most likely subsidizing activities that the Board

originally intended to be fully covered by charges for services. Staff also indicated a legitimate concern that if some of this subsidization were eliminated, the overhead portion of the chargeable rates in Agency 080-8000 would increase and create even more customer complaints.

- Increased environmental regulations will add to the cost of processing planning/development applications.

Another aspect to consider when determining the PDS charging structure is legal requirements. These include the following:

- The Mitigation Fee Act requires that fees “not exceed the estimated reasonable cost of providing the service for which the fee charges, unless a question regarding the amount of the fee charged in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issues.”
- Compliance with this statutory mandate requires the County at some level to accurately track the estimated reasonable cost of providing the services for which fees are charged. If the T&M billing system is replaced, the County should implement or preserve mechanisms to track the costs of providing regulatory services for which fees are charged that includes both direct and indirect costs.
- No Mitigation Fee Act case has required a local agency to achieve revenue neutrality on a permit by permit basis.

### Overall Recommendations Regarding T&M

The audit team has four overall recommendations related to the T&M system:

1. The audit team recommends that PDS move toward a hybrid charging structure over the next couple of years for building plan checks and inspections. T&M would continue to be used for discretionary planning applications, building plan rechecks, re-inspections, and uniquely complex development. This is based on the following:
  - This audit has re-confirmed that the T&M system has not resulted in improved customer service or improved employee/consultant accountability.

- T&M has placed a unique burden on employees to bill time and has resulted in low employee morale.
  - T&M requires significant additional resources to administer.
  - The T&M billing structure is not mandated but was put into place as a way to immediately address the PDS deficiencies that resulted in the Barratt lawsuit.
  - Benchmark data confirms that the industry standard is a flat fee system. Many jurisdictions utilizing this system have not been challenged legally.
  - The hybrid structure would allow PDS to charge an additional fee for any re-checks and re-inspections that exceed a pre-determined number or level of service established by PDS. As such, these activities would not be subsidized by other permit applicants that do not require the additional services.
2. PDS has established a two-month, \$1.2 million Reserve in Building & Safety Fund 113 that may be utilized by PDS to cover any building permit revenue shortfalls. As was also noted in the 2006 Management Partners report, the use of this Reserve would be more efficient if it only required CEO approval rather than approval from the Board of Supervisors, as is currently the case. While this control was previously necessary in response to the financial control breakdowns by PDS management in 2002, new financial monitoring and control procedures now in place at PDS should ensure that this Reserve is utilized effectively and appropriately, under the supervision of the CEO's Office. In light of the fluctuations in projected revenues, PDS management must be able to react quickly in response to temporary resource shortages. Of course, any significant and sustained resource shortages should continue to be elevated to the Board of Supervisors.
3. Because General Fund subsidization of some chargeable services is occurring in Planning (Agency 080-8000), CEO-Budget should work with PDS and OCPW staff to determine the specific activities that the Board intends to be covered by General Fund resources, and determine the true cost of those services, rather than providing an annual allocation that is not tied to or tracked by specific activity. The Board should be presented with the costs and impacts of pursuing the following options:
- a. Continuing the current level of General Fund subsidization in Agency 080-8000 for services that can be billed

- b. Enhancing the General Fund subsidization of both Agency 080-8000 and Fund 113 in order to ensure a baseline level of customer service
  - c. Discontinuing any subsidization of billable services and raising chargeable rates to compensate for such a change
4. The CEO's Office, in conjunction with OCPW Management, should consider the merits of combining Agency 080-8000 and Fund 113 into one General Fund budgetary organization. Such a change would require a modification to the Board-approved ordinance that requires Fund 113 be self-sustaining; however, there is no other legal or industry-standard that requires Fund 113 to be a separate budgetary entity. If the Board was to continue or enhance the level of General Fund subsidization as previously discussed, and the two PDS components were combined under one General Fund organization, then this subsidy could be used to support the highest priorities across the entire PDS organization, not just in the Agency 080-8000 side, as is currently the case. Such a combination would not preclude efforts to achieve full cost recovery for billable services if an additional General Fund subsidy was not provided.

## Cost Saving Opportunities

The scope of this audit was to evaluate customer service issues and PDS' use of the current T&M charging methodology. During the course of this audit, it was readily apparent that many of PDS' issues are related to its reduced workload and corresponding significant reductions in revenues. In addition, PDS has had multiple recent reorganizations and downsizing efforts, the operational and customer service impacts of which have not been fully assessed. The current unstable environment, both internally at PDS and externally in the market, makes the identification of sustainable, realistic cost savings problematic. However, the myriad of recommendations included in this report will provide a roadmap for PDS to improve customer service and achieve greater operational stability. Efficiencies, though difficult to quantify at this stage, can be achieved from the implementation of the audit team's recommendations. Most importantly, however, PDS and OCPW management, as well as the County Executive Office, should focus on making the management/leadership and system improvements identified in this audit, and addressing the deficiencies in PDS' implementation of T&M, as a means to the end of improved customer service.

## Concluding Remarks

PDS can be pleased with its successful regional planning efforts, land development accomplishments, and stewardship and maintenance of open space areas; each of these has substantially improved the quality of life in Orange County. In addition, the success achieved in these areas has been possible, in part, because of the positive working relationships with large developers that PDS has cultivated. Indeed, in the areas of concentration for OCPW and PDS Executive Management, they consistently produce high quality work.

Unfortunately, while PDS is to be commended for its external achievements, the ongoing neglect by Executive Management in addressing internal operating and organizational culture deficiencies has significantly damaged the organization in many aspects: strategically, organizationally, financially, and functionally. All of this has negatively impacted the department's ability to provide consistent, quality customer service.

A recent change in PDS Executive Management has provided an opportunity for a renewed, management-based approach. In moving forward, here are some essentials to consider:

1. The current business model used by PDS does not match its operating environment:
  - ❑ The PDS customer base has changed. With the exception of Ranch Plan construction activities, large scale development plans are essentially complete in the County. Though PDS must ensure that Ranch Plan activities are adeptly handled, the current and future customers of PDS will be mostly individual residents and medium/small-sized business owners. PDS must change its culture and adopt operational improvements that serve its changing customer base.
  - ❑ The T&M fee system does not incentivize a high level of customer service and is a source of constant frustration among staff and customers.
  - ❑ With no General Fund support for Building & Safety Fund 113, periodic financial crises will, in the near term, continue to force reductions in staff, which, in turn, will negatively impact customer service and employee morale.
2. Time is of the essence in making needed improvements:
  - ❑ The service demands of Ranch Plan construction will, in all probability, materialize in the near to mid-term, and PDS must have an effective strategy for utilizing contract resources to meet this future surge in demand for service, but in a manner that ensures quality control from both the technical and customer service perspectives.
  - ❑ From a leadership perspective, PDS is in a precarious position. There are only a handful of top-level managers with the experience and acumen to bring about needed changes. Losing any one of these staff members would significantly diminish operational and leadership capabilities.
3. In the overall scheme of the \$491 million OCPW Department budget, PDS' portion is relatively small at \$14.5 million. As a result, PDS and the County have options to improve operations by leveraging other OCPW resources, human and financial.
4. Significant change must occur at PDS if it is to operate efficiently and effectively. If change is not implemented, the Board and CEO will continue to witness financial and operational crises at PDS, and receive multiple customer service complaints. In

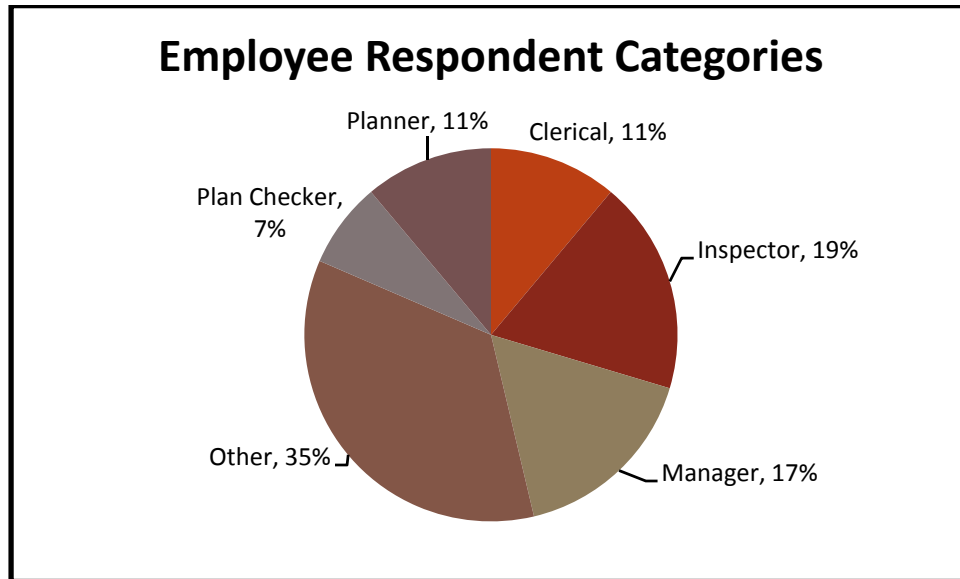
light of PDS's poor track record in following through on recommendations from consultants, it is vital that a heightened sense of accountability be enforced within PDS going forward.

In closing, the Office of the Performance Audit Director thanks the Board for its continuing support, as well as County Counsel, planning community stakeholders, PDS customers, and the employees of PDS for their cooperation in the conduct of this audit.



APPENDIX

Exhibit 1: PDS Employee Survey



\*The "Other" category includes Accountants, Code Enforcement staff, Research Analysts, and Staff Specialists

Q2: Everyone at OC Planning knows and understands our mission and goals:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 28%      | 24%      | 39%      | 6%             |

Q3: The established goals and objectives of OC Planning and my section have been clearly communicated to me:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 2%                | 9%       | 19%      | 57%      | 13%            |

Q4: It is clear to me what my role is in the process of the larger mission that is to be accomplished by OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 2%                | 4%       | 17%      | 52%      | 26%            |

Q5: When important business decisions are made, our mission helps us decide what should or should not be done:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 7%       | 35%      | 41%      | 13%            |

Q6: Our leaders and managers focus the organization on pursuing its core purpose:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 6%                | 7%       | 26%      | 48%      | 13%            |

Q7: Our core values are right on target about who we are and who we need to be to fulfill our mission and achieve our goals:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 9%       | 37%      | 39%      | 11%            |

Q8: Our work environment and informal atmosphere conform to our core values and contribute to the success and fulfillment of our mission:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 19%      | 26%      | 43%      | 9%             |

Q9: Our organization chart, systems, procedures, and policies are good expressions of our core values, and they help us achieve our mission:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 6%                | 17%      | 30%      | 41%      | 7%             |

Q10: Our culture helps both employees and managers to operate in an ethical manner (i.e., to stay within the law, to treat one another fairly, and to do the right thing):

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 15%      | 19%      | 50%      | 9%             |

Q11: OC Planning selectively recruits and hires people with a “right fit” to its mission and culture:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 9%                | 19%      | 33%      | 31%      | 7%             |

Q12: Written policies and procedures are consistently followed in the day-to-day operations of OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 13%      | 28%      | 43%      | 9%             |

Q13: I have sufficient resources to complete my work (e.g., office space, computers, supplies, etc.):

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 13%               | 7%       | 15%      | 56%      | 9%             |

Q14: I generally find that I have adequate decision-making authority in processing an application, administering a permit, or assisting a customer:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 6%                | 6%       | 30%      | 44%      | 15%            |

Q15: Overall the APPS system addresses the business needs of OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 15%      | 26%      | 44%      | 7%             |

Q16: There is good coordination of projects and functions between my section and other sections of OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 15%      | 28%      | 41%      | 9%             |

Q17: My manager/supervisor encourages teamwork in my section:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 2%       | 17%      | 37%      | 41%            |

Q18: There is an effective flow of information between management and staff at OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 15%      | 28%      | 41%      | 9%             |

Q19: I receive adequate direction from my supervisor to effectively perform my assignments:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 4%       | 13%      | 52%      | 28%            |

Q20: I receive adequate feedback from my supervisor regarding my performance:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 4%       | 17%      | 43%      | 33%            |

Q21: Service to the public is emphasized in OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 9%       | 19%      | 44%      | 24%            |

Q22: Customer inquiries are responded to in a reasonable amount of time:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 9%       | 19%      | 44%      | 20%            |

Q23: I believe that customers perceive that the County is consistently doing a good job with regard to the planning and permitting process:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 7%                | 31%      | 24%      | 37%      | 0%             |

Q24: The County has an effective process for listening to citizen or customer concerns with regard to OC Planning:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 7%       | 35%      | 48%      | 6%             |



Q25: I believe that OC Planning coordinates the planning and permitting process in an efficient and effective manner:

| Strongly Disagree | Disagree | Neutral  | Agree    | Strongly Agree |
|-------------------|----------|----------|----------|----------------|
| <b>1</b>          | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>       |
| 4%                | 9%       | 39%      | 44%      | 4%             |

Note: Some of the questions utilized in this survey were constructed using materials created by David W. Gill.

### Exhibit 2: PDS Customer Survey






**1.** Would you describe yourself as a Frequent or Infrequent customer of OC Planning and Development Services (PDS)?

|            |   |     |      |
|------------|---|-----|------|
| Frequent   |  | 69  | 42%  |
| Infrequent |  | 94  | 58%  |
| Total      |   | 163 | 100% |

**2.** Please select from the following menu, the type of customer that best describes you.

|                          |   |     |      |
|--------------------------|---|-----|------|
| Individual Applicant     |  | 36  | 22%  |
| Developer/Builder        |  | 18  | 11%  |
| Development Consultant   |  | 26  | 16%  |
| General or Subcontractor |  | 48  | 29%  |
| Other                    |  | 35  | 21%  |
| Total                    |   | 163 | 100% |

**3.** Please rate the customer service of OC Planning and Development Services OVERALL according to the following scale:

|                   |   |     |      |
|-------------------|---|-----|------|
| Very Dissatisfied |  | 21  | 13%  |
| Dissatisfied      |  | 29  | 18%  |
| Neutral           |  | 39  | 24%  |
| Satisfied         |  | 59  | 36%  |
| Very Satisfied    |  | 15  | 9%   |
| Total             |   | 163 | 100% |



**4.** Please rate your experience with the Zoning Phase of the planning and permitting process, according to the following components. Please check N/A if you do not have experience with the Zoning Phase.

| Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option. | Completely Unacceptable | 2         | Neutral   | 4         | Far Exceeds Expectations | N/A       |
|---|-------------------------|-----------|-----------|-----------|--------------------------|-----------|
| Project Meetings with OC PDS staff  | 11<br>7%                | 21<br>13% | 29<br>18% | 35<br>22% | 10<br>6%                 | 56<br>35% |
| Processing turnaround times of application review   | 20<br>12%               | 25<br>16% | 34<br>21% | 41<br>25% | 9<br>6%                  | 32<br>20% |
| Staff ability to assess and resolve project issues  | 22<br>14%               | 27<br>17% | 24<br>15% | 40<br>25% | 11<br>7%                 | 37<br>23% |

**5.** Please rate your experience with the Subdivision and Grading phase of the planning and permitting process, according to the following components. Please check N/A if you do not have experience with the Subdivision and Grading Phase.

| Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option. | Completely Unacceptable | 2         | Neutral   | 4         | Far Exceeds Expectations | N/A       |
|---|-------------------------|-----------|-----------|-----------|--------------------------|-----------|
| Quality of service provided by subdivision plan checkers  | 7<br>4%                 | 11<br>7%  | 18<br>11% | 30<br>19% | 4<br>2%                  | 91<br>57% |
| Quality of service provided by grading plan checkers  | 5<br>3%                 | 14<br>9%  | 28<br>18% | 29<br>18% | 9<br>6%                  | 75<br>47% |
| Processing/turnaround times for plan review   | 14<br>9%                | 26<br>16% | 20<br>13% | 28<br>18% | 7<br>4%                  | 64<br>40% |
| Quality of service provided by grading inspectors   | 6<br>4%                 | 6<br>4%   | 14<br>9%  | 29<br>18% | 8<br>5%                  | 95<br>60% |
| Accuracy/consistency of grading code interpretations  | 9<br>6%                 | 8<br>5%   | 20<br>13% | 34<br>22% | 5<br>3%                  | 82<br>52% |
| Pre-grade review meeting  | 3<br>2%                 | 9<br>6%   | 16<br>10% | 28<br>18% | 9<br>6%                  | 95<br>59% |

**6.** Please rate your experience with the Building and Plan Check/Public Counter Phase of the planning and permitting process, according to the following components. Please check N/A if you do not have experience with the Building and Plan Check/Public Counter Phase.

| Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option. | Completely Unacceptable | 2         | Neutral   | 4         | Far Exceeds Expectations | N/A       |
|---|-------------------------|-----------|-----------|-----------|--------------------------|-----------|
| Quality of service provided by Public Counter assistance  | 11<br>7%                | 27<br>17% | 27<br>17% | 65<br>40% | 24<br>15%                | 8<br>5%   |
| Quality of service provided by plan checkers  | 14<br>9%                | 30<br>19% | 29<br>18% | 54<br>34% | 20<br>12%                | 14<br>9%  |
| Processing turnaround times of plan review  | 27<br>17%               | 33<br>20% | 32<br>20% | 41<br>25% | 14<br>9%                 | 15<br>9%  |
| Communication on project status   | 29<br>18%               | 30<br>19% | 28<br>17% | 41<br>25% | 17<br>10%                | 17<br>10% |
| Accuracy/consistency of building code interpretations   | 21<br>13%               | 24<br>15% | 34<br>21% | 52<br>32% | 15<br>9%                 | 16<br>10% |

**7.** Please rate your experience with the Building Inspection Phase of the planning and permitting process, according to the following components. Please check N/A if you do not have experience with the Building Inspection Phase.

| Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option. | Completely Unacceptable | 2        | Neutral   | 4         | Far Exceeds Expectations | N/A       |
|---|-------------------------|----------|-----------|-----------|--------------------------|-----------|
| Timeliness of inspections   | 4<br>2%                 | 15<br>9% | 27<br>17% | 38<br>24% | 22<br>14%                | 55<br>34% |
| Thoroughness of inspections   | 6<br>4%                 | 7<br>4%  | 31<br>19% | 42<br>26% | 19<br>12%                | 56<br>35% |
| Reasonableness of inspections   | 7<br>4%                 | 15<br>9% | 26<br>16% | 40<br>25% | 19<br>12%                | 55<br>34% |
| Helpfulness and professionalism of inspectors   | 9<br>6%                 | 10<br>6% | 21<br>13% | 40<br>25% | 25<br>16%                | 56<br>35% |

**8.** Please indicate whether you Strongly Disagree, Disagree, Are Neutral, Agree, or Strongly Agree with the following statements

| Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option. | Strongly Disagree | Disagree  | Neutral   | Agree     | Strongly Agree |
|---|-------------------|-----------|-----------|-----------|----------------|
| Initial information given to me by OC PDS staff was accurate, complete, helpful, and understandable.                            | 19<br>12%         | 36<br>22% | 38<br>23% | 55<br>34% | 15<br>9%       |
| Permit fees are reasonable.   | 54<br>33%         | 25<br>15% | 46<br>28% | 34<br>21% | 4<br>2%        |
| Employees are attentive to customer concerns.   | 19<br>12%         | 41<br>25% | 32<br>20% | 55<br>34% | 16<br>10%      |

**9.** During your experience with Planning and Development Services, did you ever deal with a County-hired consultant for plan check?

|                         |  |    |     |
|-------------------------|--|----|-----|
| Yes                     |  | 81 | 50% |
| No                      |  | 57 | 35% |
| Don't know/Don't recall |  | 25 | 15% |

**10.** In my experience, the overall quality of processing any permit or application with OC PDS when compared to the same type of permit/application in other jurisdictions in Southern California is:

|                                      |  |     |      |
|--------------------------------------|--|-----|------|
| Significantly Better                 |  | 6   | 4%   |
| Better                               |  | 16  | 10%  |
| About the Same                       |  | 55  | 34%  |
| Worse                                |  | 34  | 21%  |
| Significantly Worse                  |  | 33  | 20%  |
| No experience in other jurisdictions |  | 19  | 12%  |
| <b>Total</b>                         |  | 163 | 100% |

### Exhibit 3: Sample Balanced Scorecard

#### Building & Safety

#### Customer Perspective

- % of Residential Plans reviewed within 20 days
- % of Commercial Plans reviewed within 24 days
- Average processing time (application to permit) for other applications except plan revisions-Residential
- Average processing time (application to permit) for other applications except plan revisions-Commercial
- Average processing time (application to permit) for minor alterations, repairs and additions - Residential
- Average processing time (application to permit) for minor alterations, repairs and additions - Commercial
- Field Inspection Rejection Rate
- Secret Shopper Score
- Average carryover inspections

#### Financial Perspective

- Meet Annual Budget Targets
  - Revenue
  - Expenditures
  - Positions
- Meet Monthly Budget Targets
  - Revenue
  - Expenditures
- Compliance with financial laws and generally accepted accounting principles
  - Accounts Payable Aging 45 Days

***Internal Perspective***

Timely identification and remediation of nuisances/unsafe structures

Average # of days for Unsafe Structures Cases (Residential) processing time

Average # of days for Unsafe Structure Cases (Commercial) processing time

Consistent interpretation and application of building code practices

Number of Building Code Workshops

Percentage of plans rejected "Initial Review Only" (minor alterations, repairs, and additions)

Percentage of plans rejected "Initial Review Only" (other applications except plan revisions)

Percentage of plans rejected "Initial Review Only" (Revisions)

Percentage of plans rejected "Reworks" (minor alterations, repairs, and additions)

Percentage of plans rejected "Reworks" (other applications except plan revisions)

Percentage of plans rejected "Reworks" (Revisions)

***Learning and Growth Perspective***

Attract, develop, and retain an effective diverse and dedicated team of employees

Employee Development Training Sessions