

December 2, 2019

TO: Members of Budget and Finance Committee
FROM: Patrick A. Duhaney, City Manager
SUBJECT: **Report - Department of Community and Economic Development Staffing Impact**

REFERENCE DOCUMENT #201901637

The following Emergency Ordinance submitted by Councilmember Pastor was held by the Budget and Finance Committee and referred for a report:

AUTHORIZING the transfer and appropriation of the sum of \$171,000 from the balance sheet reserve account no. 050x2580, “Reserve for Weather Related Events, Other Emergency and One-Time Needs,” to the Department of Community and Economic Development’s personnel operating budget account no. 050x164x7100 and the transfer and appropriation of the sum of \$50,000 from the balance sheet reserve account no. 050x2580, “Reserve for Weather Related Events, Other Emergency and One-Time Needs,” to the Department of Law’s personnel operating budget account no. 050x111x7100, for the purpose of providing one-time operating budget funding for the remainder of FY 2020 to create five new economic development-related positions in order to improve and streamline the development approval process.

This report focuses on the history of staffing in the Department of Community and Economic Development (DCED), the impact of hiring four economic development staff and one attorney in DCED, and the Law Department respectively and the related budget impacts.

History of Staffing in DCED

The chart below shows the summary of the ten-year historical staffing levels for DCED. For further details related to the specific staffing changes, please refer to the attachment.

Community and Economic Development
 Staffing Levels
 For Fiscal Years 2011-2020

Fiscal Year	FTE Total
FY 2011	48.4
FY 2012	47.4
FY 2013	48.4
FY 2014	46.4
FY 2015	47.4
FY 2016	56.0
FY 2017	55.0
FY 2018	55.0
FY 2019	49.7
FY 2020	37.0

Impact of Additional Staff in DCED

If four additional staff are added to DCED, the following is a list of assignments and duties:

Housing Division (Agency 162) – One additional Development Officer:

- Increase DCED capacity to attend recurring Community Council and Community Development Council (CDC) meetings to discuss neighborhood housing projects/concerns. Current capacity limits staff attendance at these meetings.
- Undertake review and recommendation for requests for assistance for housing development projects.
- Initiate requests for proposals (RFP) to sell vacant land owned by the City and marketable for housing. DCED's goal for this was missed this year due to staff constraints.

Economic Development Division (Agency 164) – Two additional Development Officers:

- Increase DCED capacity to attend recurring Community Council and CDC meetings to discuss neighborhood development projects/concerns. Current capacity limits staff attendance at these meetings.
- Undertake business retention and expansion visits to businesses outside of the urban core. This would increase DCED's capacity to visit businesses and assist them in concerns affecting local operations and assist in the retention and expansion of our income tax base (especially as neighborhoods begin to experience more interest from businesses as locations to locate or expand).
- Undertake review and recommendation for requests for assistance for commercial & industrial development projects, including proactively identifying neighborhood opportunities.
- Craft and implement DCED's strategy to train a cohort of minority & disadvantaged businesses for real estate development.

Major Projects Division (Agency 164) – One additional Development Officer:

- Increase DCED capacity to attend recurring Community Council and CDC meetings to discuss neighborhood development projects/concerns. Current capacity limits staff attendance at these meetings.
- Undertake business retention and expansion visits to businesses inside of the urban core. This would increase DCED's capacity to visit businesses and assist them in concerns affecting local operations and assist in the retention and expansion of our income tax base.
- Undertake review and recommendation for requests for assistance for commercial development projects within the Central Business District.

Impact of Adding One Attorney in Law

If one additional attorney is added to the Law Department for economic development responsibilities, the following is a list of assignments and duties:

- Increase response time for contracts related to DCED's neighborhood business district improvement program and Notice of Funding Availability process which presently have longer contracting timelines.

- Increase Law Department capacity to provide advice and counsel on legal matters related to incentives, development, real estate and land use, right of way, relevant federal and state regulations, and other elements of transactional practice
- Enhance Law Department's ability to draft and negotiate a higher volume of economic and community development transactions
- Expand Law Department's ability to respond to DCED and developer desires to move projects quickly when necessary

FY 2020 and FY 2021 Budget Impact of Adding Positions

The cost of adding five positions to the FY 2020 Budget with a January 1st, 2020 start date is \$221k in the General Fund. The FY 2021 impact is \$455k. Any position hired could be offset by as much as 10% to 15% with fees generated by DCED. However, that percentage is widely variant, and could be 1% or 20%, based on which division the position would be placed in and what types of work the position would be doing. The cost shown above is the total cost of the positions due to the uncertainty of the impact on revenue.

The FY 2020 Budget projects a deficit of \$7.1 million for FY 2021. While revenue has increased during FY 2020, expenditures have also increased resulting in a projected budget deficit in FY 2021. The Tentative Tax Budget will be submitted to the City Council in December 2019 and the document will detail the projected deficit. The FY 2021 Budget process will then commence with the FY 2021 Recommended Budget being delivered to the Mayor in early May 2020. Any additional expense added in FY 2020 that continues into FY 2021 will result in a larger deficit to close through the combination of revenue increases and/or expenditure reductions.

The budget process also allows the Administration to weigh the needs of all departments to strategically add or reduce staff, so that a structurally balanced budget reflects the best use of General Fund dollars.

cc: Christopher A. Bigham, Assistant City Manager
Philip M. Denning, Director, Department of Community and Economic Development

Attachment: DCED Staffing History FY 2009 to Present