Memorandum

Date: 05.09.07

To: Personnel Committee: Commissioners McGoldrick (Chair), Dufty, Elsbernd

From: Luz Cofresi-Howe – Deputy Director for Finance and Administration

Through: José Luis Mosovich – Executive Director

Subject: ACTION – Recommend Adoption of the Proposed Organizational Restructuring

Summary

On June 18, 2004, through Resolution 04-76, the Authority Board approved the agency’s first major restructuring since May 1991. This was necessary in order to meet the Authority’s expanded responsibilities mandated by the voters’ approval of Prop K in November 2003. Two subsequent Resolutions, 06-46 and 06-66, approved incremental staff changes. The scope of the Authority’s oversight, administration, planning and programming responsibilities has increased significantly since 2004, as reflected in the Authority’s work program. The absorption of these additional responsibilities has pushed the limits of the agency’s capacity, and tested staff’s ability to remain consistently effective and responsive to the needs of its Board and stakeholders. The Authority is also facing serious staff recruitment and retention challenges. Current staff members are aggressively recruited by other public agencies and private sector firms willing to tailor career paths to individual candidates and offer lighter work loads with better compensation. We are proposing a number of significant changes to the current organizational structure to address these immediate and serious concerns. The proposed organizational restructuring adds a Technology Services division, which consolidates four functional areas: transportation modeling, graphics and Geographic Information Systems, communications, portal design and maintenance, and general information technology support. The restructuring also distributes project management oversight between the Capital Projects and Policy & Programming (formerly Programming & Legislation) divisions, to ensure that project delivery is managed proactively, from “cradle to grave”, ensuring continuity of relationships with project sponsors by Authority staff with skill sets best suited to the projects being managed. In addition, the proposed restructuring recognizes the need for incremental staff capacity in the Finance & Administration division to separate day-to-day accounting functions into a discrete unit, and it also refocuses the Chief Deputy Director position, currently responsible for fund programming and legislation, to more closely assist the Executive Director with the day-to-day operations of the Authority, as well as with staff development and Board liaison functions. The approved 2005 Strategic Plan Update allows 4% of sales tax annual proceeds for sales tax administration, overhead and project management oversight. Adoption of the proposed restructuring would add approximately 2.4% to that allowance over the 30-year life of the Expenditure Plan. We are seeking a recommendation to adopt the proposed organizational restructuring.

BACKGROUND

In 2004, the Authority implemented a staffing restructuring to carry out the significantly changed mission of the organization since the passage of Prop K in November 2003, the first such restructuring since May 1991. Since then, the Board has approved incremental changes to the agency’s infrastructure by adding two planner positions to the organization in FY2005/06. We spent the last six months reviewing our current production capacity in light of the increased scope of the Authority’s oversight, administration, planning and programming responsibilities, and in an effort to responsibly address the recruiting, retention and succession challenges that have surfaced in the three years since the Expenditure Plan was adopted. The purpose of this memorandum is to present the proposed staff reorganization and seek a recommendation for adoption.
DISCUSSION

There are a number of important factors necessitating the proposed organizational restructuring at the Authority:

1) The agency’s fund programming responsibilities have grown significantly and become more complex;
2) The number of very large projects requiring oversight has increased significantly, and oversight has become more challenging;
3) The Authority has become lead agency for projects of significant scope, scale and complexity; and
4) The Authority is finding it increasingly difficult to recruit and retain highly qualified personnel because of the consistently heavy workloads demanded by our ambitious Work Program and the competitive hiring environment in the Bay Area, for the skill sets we require.

These main issues are discussed below:

The current Strategic Plan, adopted on March 22, 2005 through Resolution 05-47, provided the overall roadmap for the programming of Prop K sales tax funds and promulgated three guiding principles: optimize the leveraging of sale tax funds, maximize cost effectiveness of financing, and support timely and cost-effective project delivery. In contrast to Prop B, Prop K funding supports a number of very large capital projects which are scheduled for delivery over the next 10 years of the Prop K, such as the Central Subway, the Caltrain Downtown Extension/Transbay Terminal, Caltrain Electrification and the Doyle Drive Replacement projects. In addition, Prop K dollars support a number of less costly but significant projects, such as the Municipal Transportation Agency’s hybrid bus replacement projects, the Muni Islais Creek Maintenance facility and implementation of Bus Rapid Transit on the Gary and Van Ness Corridors. Prop K also continued programs created under Prop B, such as rehabilitation and replacement of vehicles, guideways, new signs and signals, and tree planting and maintenance, and added new programs, such as Bike Circulation and Safety, Pedestrian Circulation and Safety, Traffic Calming, Advanced Technology and Information Systems (SFGo), curb ramps, and transportation/land use coordination.

Prop K tripled the number of project sponsors in comparison to Prop B, because of the addition of regional transit providers to the pool of eligible sales tax recipients. This increase in the number of eligible project sponsors, plus the challenge of understanding and integrating their capital improvement programs and projects to ensure that the benefits of Prop K are distributed throughout San Francisco and that sales tax funds are leveraged to deliver the maximum return on investment while minimizing financing costs, requires considerable and sustained effort on the part of staff.

Prop K also mandated the development of 5-Year Prioritization Programs (5YPPs) for 22 different expenditure categories. The 5YPPs have become a key policy steering mechanism for the Board, allowing for the first time in decades a coordinated discussion of project investment priorities across areas such as traffic calming, pedestrian and bicycle safety, street resurfacing and traffic signal replacement. But this added coordination benefit has also vastly increased the demands on Authority staff time.

Over the past three years, we have attempted to absorb these additional functions into our annual Work Program; however, the oversight of additional sponsors, programs and projects, administration and management of 5YPPs and new funding streams, and ensuring San Francisco projects remain competitive for scarcer transportation capital dollars has required exceptional staff effort and put
extraordinary pressure on the agency’s ability to remain consistently effective and responsive to the needs of its Board and stakeholders.

The Authority has also been challenged by recruitment and retention issues, which have intensified over the past 12 months, as current staff members are aggressively recruited by other public agencies and private sector firms, who offer lighter work loads with better compensation. Succession planning has also been a concern across the Authority, as ambitious and highly skilled employees and prospective candidates choose to accept offers from larger public agencies and private sector firms who provide a promotional ladder and clear career path to management positions, in some cases even tailoring career paths to the individual candidates.

There is no question of the urgency to restructure the organization, and it is imperative to have staff in place to deal with the growing responsibilities of the agency. In order to continue to function effectively we must ensure that we can recruit and retain the breadth and depth of technical and professional expertise necessary to advise the Board, and to make strategic decisions that ensure that Prop K leverages its potential. Over the next few years, the Authority will face funding and programming challenges affecting all of its Prop K marquee projects, including the Central Subway and the Transbay Terminal. At the same time, the Authority will be leading a number of significant project delivery and planning efforts, such as the Doyle Drive Replacement Project, environmental impact studies for the Van Ness and Geary Bus Rapid Transit Projects, planning studies for the 19th Avenue corridor and Bi-County (Visitation Valley) area, the Mobility, Access and Pricing Study, circulation studies for Octavia Boulevard and South of Market, and a number of community-based transportation plans and studies.

The Strategic Plan Update, planned for Spring 2008, will also require a highly integrated team effort at the Authority, with project sponsors, engineers, planners, programming experts and financial staff. They will have to share their understanding of and discuss project readiness, project phasing options, timing of environmental clearances, options for advancing or swapping different colors of money, and other highly technical information to arrive at well thought out plan that maximizes the Authority’s ability to leverage the Prop K program while minimizing financing costs and expediting delivery of transportation improvements. This large-scale effort, which requires intimate knowledge of the Authority’s projects and programs and does not lend itself easily to consultant help, will need to happen while we maintain all the other ongoing Authority functions moving.

We have made a concerted effort over the past 18 months to fill key positions and retain key employees, but the trend clearly indicates that we need to make changes in order to ensure both retention and successful recruitment. This conclusion is further supported by the classification and compensation study just completed in April 2007, which developed a number of recommendations which have been presented in the proposed revisions to job classifications, described below. The new job classifications and related compensation ranges are discussed under a separate agenda item.

**Proposed Structure**

We are proposing a number of significant changes to the Authority’s organizational structure. The overall picture is provided in the organization chart in Attachment A. An important component of the proposed organization structure is the incorporation of principal positions with staff management responsibilities in each of the divisions, to aid in recruitment, retention and succession planning efforts.

All positions use the currently proposed job classification structure, pursuant to the official salary survey of comparable positions conducted in 2007. We are proposing a total of nine new positions.

**Changes in Administration:** The Accountant position has been eliminated, and, as the accounting and
reporting functions are now under control, with a track record of two years of clean audits, a Controller position has been added to take over day-to-day operations of this work. This allows the Deputy Director for Finance and Administration to concentrate on capital financing and grants management functions, which are become more pressing as Authority-funded projects move closer to construction. The Senior Accountant will report directly to the Controller. A Senior Management Analyst position has been added, providing the Deputy Director for Finance and Administration with much-needed capacity in contract management and procurement functions.

**Changes in Programming & Legislation:** The division name will change to Policy & Programming, to better reflect its programming and its strategic policy functions. Notably, the division will also assume project management and delivery responsibilities for select Authority programs and funding initiatives including, but not limited to, the Bicycle Program, the Pedestrian Master Plan, the Streetscape Master Plan, Better Streets Plan, the Select Committee on Paratransit, Street Resurfacing and direct management of Lifeline funds. The project delivery function for these smaller capital programs and projects was previously the responsibility of the Capital Projects Division, but is best consolidated under one division with staff with project-specific skill sets to manage and give much needed continuity to the relationships with project sponsors over specific projects. The division will add four positions: a Senior Engineer, previously under the Capital Projects division; a Principal Planner and a Senior Planner. The Planners will report directly to the Principal Planner. The Chief Deputy Director function, which currently has main responsibility for Programming and Legislation, will be refocused on assisting the Executive Director in managing the day-to-day operation of the Authority.

**Creation of Technology Services Division:** The Technology Services Division consolidates four functional areas – transportation modeling, graphics and Geographic Information Systems (GIS), communications portal design and maintenance, and general information technology support – which were previously under the Finance and Administration or Planning division. The Technology Services Division will play a key role in delivering the agency’s overall work program, by providing technical analysis, modeling, and GIS/graphics support for all other divisions. The division will also manages the Model Service Bureau for outside agency model requests, and will soon provide a host of new communications portal and design capabilities which allow the Authority to craft clear messages and reach deeper into the public’s awareness. Its assumption of the general information technology support function frees the Deputy Director for Finance and Administration from this time-consuming responsibility. The Division will be comprised of four positions: a Deputy Director, Principal Planner, Planner and Senior Information Systems Analyst.

**Changes in Planning:** While the Planning Division is not adding any positions, the creation of the Technology Services Division frees up a Principal Planner position and a Planner position within the group. The two positions are necessary to assure the division sustains the pace of its current work program, which includes new and already underway planning-related efforts such as the pending and anticipated environmental impact reports for the Geary and Van Ness corridors, various transportation studies and neighborhood transportation plans.

**Changes in Capital Projects:** The Capital Projects Division will focus its oversight efforts on the delivery of very large capital projects, such as Central Subway and the Caltrain Downtown Extension/Transbay Terminal, along with managing the procurement and vehicles capital investment programs funded by Prop K and supporting delivery of the Doyle Drive Replacement project. Staffing has been reduced by one, as the monitoring of smaller programs has been largely transferred to the Policy and Programming Section. The division will utilize external consultants to provide on-call services for specific, specialized tasks and projects, such as project management for the Doyle Drive Replacement project and oversight
of the Central Subway and Transbay Terminal projects.

The Draft FY2007/08 Authority Budget, to be reviewed by the Finance Committee this month, makes provisions for the cost of the additional positions proposed as part of this restructuring. The entire reorganization can be accomplished at an additional expense of $1.4M during FY2007/08. The approved 2005 Strategic Plan Update allows 4% of sales tax annual proceeds for sales tax administration, overhead and project management oversight; adoption of the proposed organizational restructuring would add approximately 2.4% to that allowance over the life of the Expenditure Plan, without violating statutory limits. To put this in perspective, Prop B was a $1 billion program over 20 years, with a single major capital project. Prop K is $2.8 billion over 30 years, with over a dozen key projects. Our reorganization plan achieves economies of scale in a number of areas, but there is a limit to the number of assignments that we can carry forward without additional staff. In essence, we are proposing a 36% increase in staff resources (from 24 to 33) for a program that has almost tripled in size and grown tremendously in complexity.

**We are seeking a recommendation to adopt the proposed organizational restructuring.**

**ALTERNATIVES**

1. Recommend adoption of the proposed organizational restructuring.
2. Recommend adoption of the proposed organizational restructuring, with modifications.
3. Defer action, pending additional information or further staff analysis.

**CAC POSITION**

The CAC does not take a position on personnel matters.

**FINANCIAL IMPACTS**

The Draft FY2007/08 Authority Budget, to be presented this month to the Finance Committee for review, makes provisions for the cost of the additional positions. The entire reorganization can be accomplished at an additional expense of $1.4M during the fiscal period.

**RECOMMENDATION**

Recommend adoption of the proposed organizational restructuring.

Attachment: Proposed Organizational Structure