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DEPARTMENT OF
PUBLIC WORKS

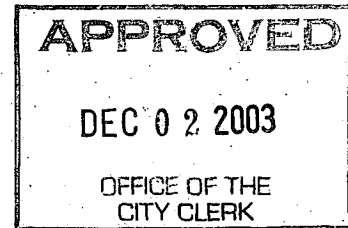
CITY OF SACRAMENTO
CALIFORNIA

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SACRAMENTO, CA
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PROJECT DELIVERY DIVISION

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November 18, 2003



City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: REPORT BACK ON SMITH CULP RECOMMENDATIONS FOR SMALL
PROJECTS AND ADOPT POLICIES AND PROCEDURES**

LOCATION AND COUNCIL DISTRICT: All

RECOMMENDATION:

This report recommends that City Council adopt the attached resolution:

- Implementing policies and procedures affecting small projects;
- Authorizing the use of \$300,000 in support of small projects and established for this purpose in the Fiscal Year 2003-04 budget; and
- Authorizing the City Manager to enter into a consultant services agreement for the implementation of Smith Culp Consulting recommendations and associated budget transactions.

CONTACT PERSONS:

Fran Lee Halbakken, Project Delivery Manager, 808-7194
Mark Griffin, Senior Management Analyst, 808-8788

FOR COUNCIL MEETING OF: December 2, 2003

SUMMARY:

This report details the status of recommendations by Smith Culp Consulting to improve the City's small project delivery process. The recommendations affecting small projects have been addressed and staff is seeking City Council endorsement of a structure for small project delivery. This report also asks for authorization to contract with a consultant to address accountability issues and improve project delivery.

COMMITTEE/COMMISSION ACTION: None.

BACKGROUND INFORMATION:

On March 14, 2003, City Council was presented recommendations by Smith Culp Consulting for improving the project delivery process within the City (see Exhibit A of the resolution). City Council concerns focused mainly on small projects and general cost effectiveness. A core group of key managers and staff from both the delivery and customer sides have been meeting to seek improvements in how small projects are done. The staff recommendations address the following key improvement areas:

- Accountability and responsibility
- Process improvements
- Small project specialists
- Project scoping

Accountability and Responsibility

A few years ago, the Department of Utilities consulted with Smith Culp Consulting to improve the management and delivery of projects. Smith Culp assessed their operations, developed standard procedures and a project management manual, and trained the project managers in Utilities. The Public Works Department will be working with Smith Culp Consulting to improve accountability and project execution in a similar fashion.

Recommendations for improvements in this area include:

- City Manager's office to chair a monthly coordinating meeting for developing best practices, joint training, coordination of small projects;
- Retain Smith Culp Consulting to develop small project processes and procedures and provide training for delivery departments;
- Public Works Project Delivery retain Smith Culp Consulting to create project management manual, develop decision making and dispute resolution processes, improve communication, and provide guidance for managing and executing capital projects; and
- Public Works Project Delivery retain consultant to streamline contracting procedures and develop new contracting processes.

Process Improvements

The various departments felt that the generic term "small projects" should apply to those with a construction cost of less than \$250,000 and are characterized as routine, not technically complex. Efficiency and cost effectiveness recommendations include:

City Council
Report Back on Smith Culp Project Delivery Recommendations
November 18, 2003

- Streamline design and permit process (see Attachment A)
- Minimize community meetings to two or less
- Use in-house design or pre-qualified consultants/contractors
- Raise discretionary contract limit from \$5000 to \$25,000

Small Project Specialists

All project managers in Convention Culture & Leisure, Parks, Public Works Facilities and Maintenance, and Utilities will be trained in small project procedures. Public Works Facilities has restructured to form a small projects team (see Attachment B). In the former structure, project managers were assigned to a combination of small and large projects. Their attention was often diverted from small projects to urgent large project issues. The new structure will provide a focus on executing small facility projects.

Project Scoping

Smith Culp Consulting identified that project planning or "front-end" project development was the most critical part of the City's process that needed to be improved. Staff recommendations include:

- Invite all involved parties to start-up meeting to develop project report that defines scope, schedule and budget;
- Obtain buy-off on project report before starting design;
- Public Works Project Delivery increase staffing for facility project development;
- All departments use standard project checklists (see Attachment C and D);
- Adjust budget as design progresses, if needed; and
- Use project approval form for scope increases or major project changes (see Attachment E).

FINANCIAL CONSIDERATIONS:

There is \$300,000 budgeted for small projects in Fiscal Year 2003-04, which is recommended to be used for paying indirect costs for services provided by Public Works Project Delivery on General Fund or non-profit small projects. This recommendation will remove from the project budget a significant factor in the cost of small projects. Approximately \$400,000-500,000 is spent annually on indirect costs for small projects in the General Fund or by non-profit sponsors, by the various delivery departments. Of this amount, \$325,000 is spent by Public Works' Project Delivery in an average year. Indirect costs are not charged to projects funded by Sacramento Housing and Redevelopment Agency through either Community Development Block Grant or Tax Increment funds.

By way of background, indirect costs are all costs other than direct labor costs that are used to support the delivery of a project. Costs include an allocation of services and supplies

City Council
Report Back on Smith Culp Project Delivery Recommendations
November 18, 2003

costs within a delivery division, an allocation of costs from department administration and an allocation from citywide functions such as finance and human resources. Indirects are charged as a multiplier of direct salary charges. This multiplier is the same regardless of the size of the project budget.

Taken together, direct and indirect costs are collectively called City costs. Small projects use a higher percentage of their total budgets on City costs because of economies of scale. The recommendation made here is intended to put small projects more in line with larger projects in terms of the total budget used for City costs.

Staff recommends a twelve-month pilot project in support of small projects for January – December 2004 as follows:

- Apply the \$300,000 to Public Works General Fund and non-profit indirect costs on small projects (see Attachment F for an example project);
- Other delivery departments develop a system to track General Fund and non-profit indirect costs for small projects; and
- Evaluate expansion of this program to other departments and report back to Council on the General Fund impact.

As part of the FY 2003/04 approved budget, FY 2000/01 departmental carryover amounts were authorized for release to departments pending City Council approval of specific spending plans. Public Works recommends using prior year carryover funds as described below:

- \$75,000 for Smith Culp Consulting to develop a project management manual and provide training to improve management and execution of projects; and
- \$25,000 for Matrix Consulting to streamline contracting processes and provide additional types of contracting agreements and specifications.

There is no net financial impact as the funds have already been budgeted and approved in the FY 2003/04 Budget. None of the various departments that deliver projects are requesting new positions (FTEs).

ENVIRONMENTAL CONSIDERATIONS:

This activity does not constitute a “project” and is therefore exempt from the California Environmental Quality Act (CEQA), CEQA Guidelines Sections 15061(b)(1) and 15378(b)(3).

POLICY CONSIDERATIONS:


The recommendations contained in this report are consistent with the City’s Strategic Plan goal to implement organizational improvements.

ESBD CONSIDERATIONS:

Increasing the discretionary contract limit from \$5000 to \$25,000 will remove the requirement for two of the three bid solicitations to come from ESBD firms. Staff will continue to be encouraged to use ESBD firms, as discretionary contracts will still be included in departmental utilization of ESBD totals.

Smith Culp Consulting, selected through an open, competitive process, is not an ESBD firm. The consultant retained for improving contracting processes, Matrix Consulting, was selected through a qualifications-based Request for Proposals process and is an Emerging and Small Business Enterprise.

Respectfully submitted,


Francesca Lee Halbakken
Project Delivery Manager

RECOMMENDATION APPROVED:


ROBERT P. THOMAS
City Manager

Approved:


Thomas V. Lee
Deputy City Manager

Table of Contents

- 1) Attachment A: Small Project Process, pages 6-7
- 2) Attachment B: Public Works Facility Organization Charts, pages 8-9
- 3) Attachment C: Small Project Checklist, page 10
- 4) Attachment D: Affected Parties Checklist, page 11
- 5) Attachment E: Project Approval Form, page 12
- 6) Attachment F: Example Project, pages 13-14
- 7) Resolution, page 15
- 8) Exhibit A: Smith Culp Consulting Recommendations, pages 16-19
- 9) Presentation material, pages 20-28

CITY OF SACRAMENTO - SMALL PROJECTS

Attachment A

Current Small Project Process


Scoping & Hiring
Consultant
(8 Weeks)

Design & Review
(26 Weeks)

Permitting &
Hiring Contractor
(16-24 Weeks)

Construction
(8-18 Weeks)

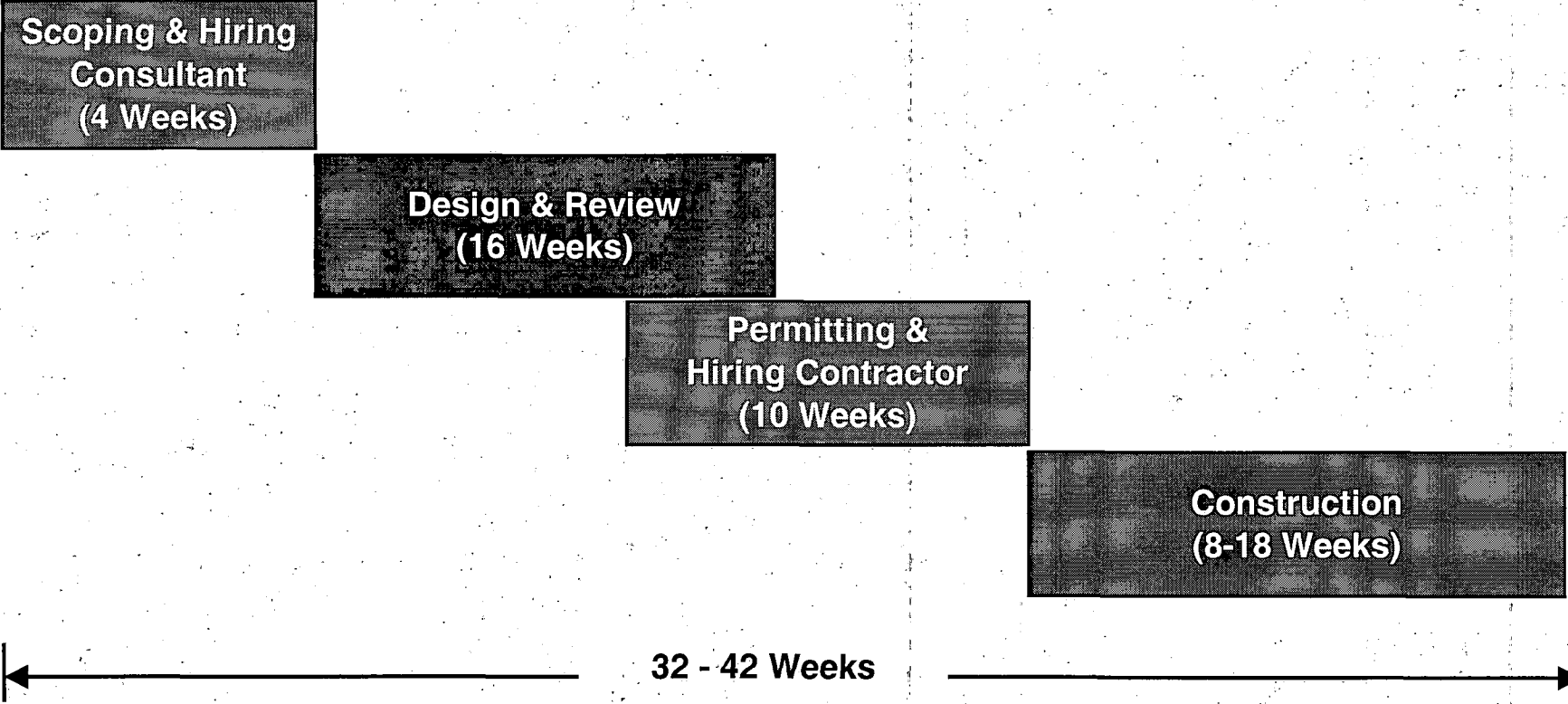
56 - 76 Weeks



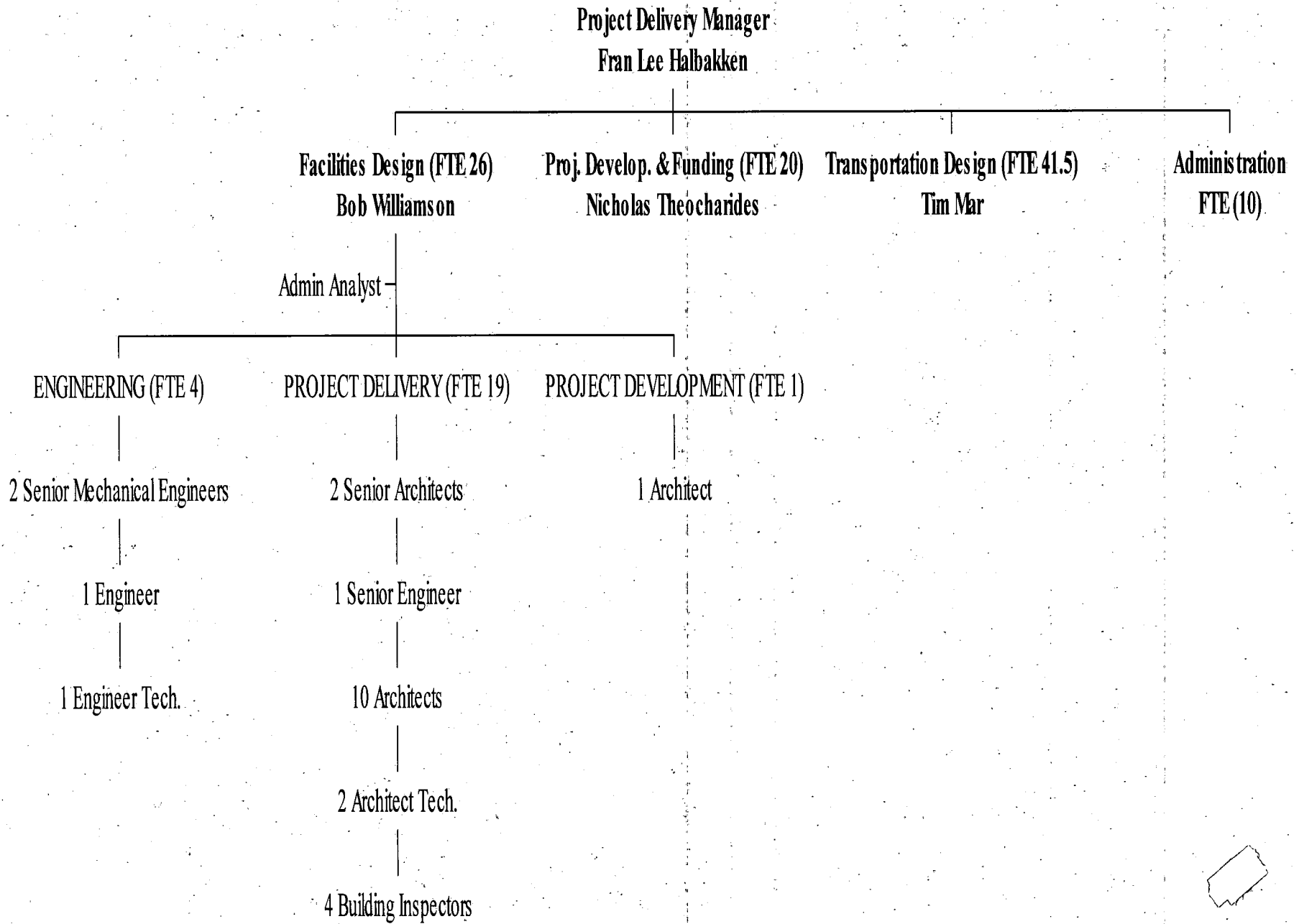
CITY OF SACRAMENTO - SMALL PROJECTS

Attachment A

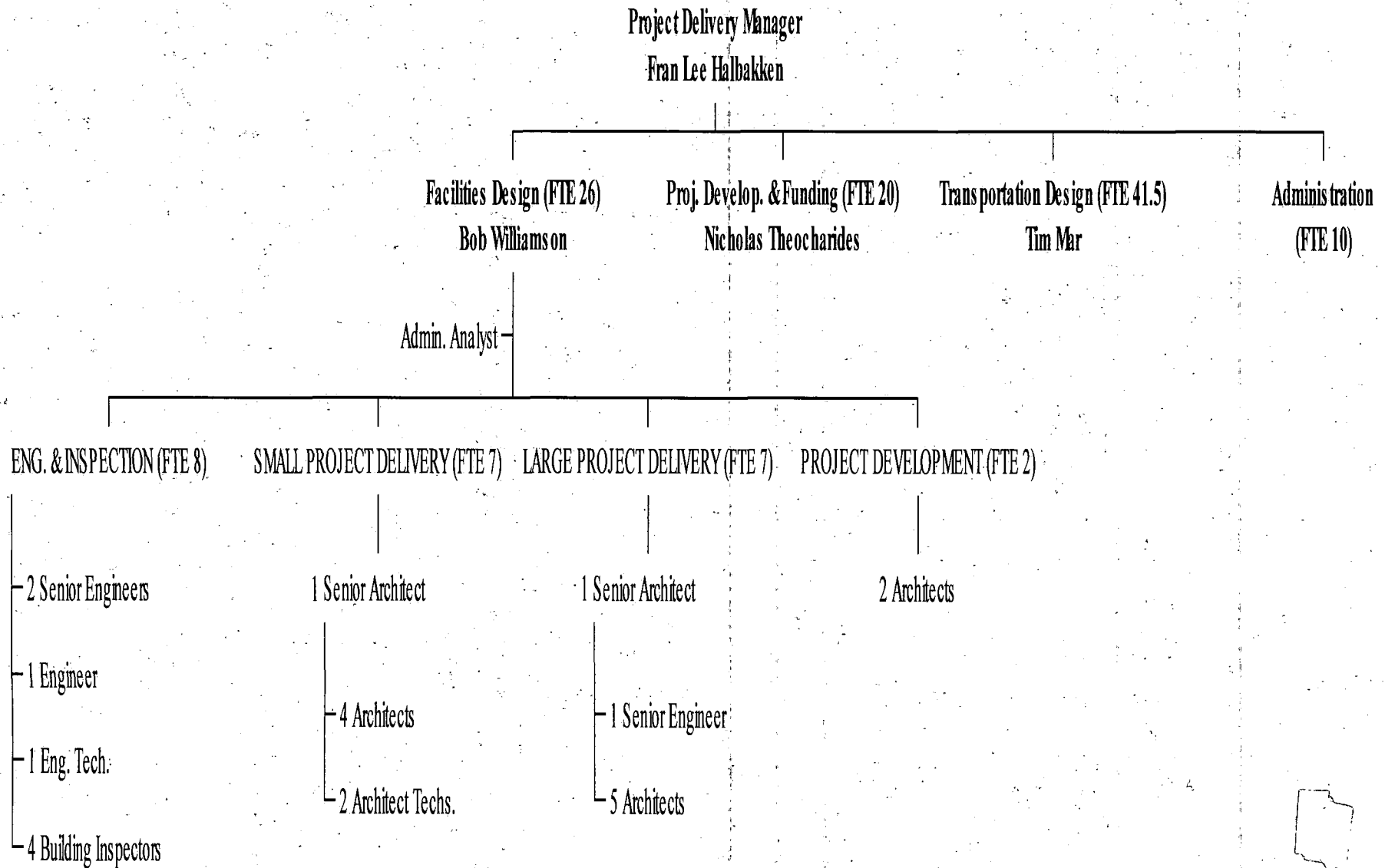
Improved Small Project Process



Current Facilities Group Organization



Proposed Re-organization to Align With Smith Culp Recommendations



6



Small Projects Checklist

Project Title:	Location:	Project #
Project Manager:	Date Received:	
Customer Contact:	Phone:	Fax:
Estimated Project Start Date:	Estimated Completion Date:	

	Complete	N/A	Other
Evaluate Initial Scope			
Funding Sources Identified			
Project Budget Prepared			
Budget Allocated			
Initial Customer Meeting			
Area Walkthrough			
Define Scope of Work			
Develop Preliminary Schedule			
Review Affected Parties Checklist			
Initial Project Meeting			
Attendees List/Agenda			
2nd Area Walkthrough			
Detailed Scope of Work			
Detailed Project Schedule			
Cost Estimate Developed			
Coordinate Public Meeting			
Resources Needed:			
Architect			
Engineer			
Consultants			
Work Team:			
In-house trades			
Contract			
Building Department			
SMUD			
County			
Others			
Considerations:			
Environmental Impact			
ADA Requirements			
Survey Requirements			
Project Kickoff Meeting			
First Design Review			
Revised Cost Estimate			
Budget Review/Approval			
Scope Changes?			
Signature Approval Req'd			

	Complete	N/A	Other
Final Design Review			
Final Cost Estimate			
Budget Review/Approval			
Permitting Process			
Develop Bid Specifications			
Pre-Bid Walkthrough			
Bid Process			
Council Report (as needed)			
Award Contract(s)			
Pre-Construction Mtg			
Invite All Affected Parties			
Review of Project Schedule			
Notice to Proceed			
Contract Procedures			
Labor Compliance			
Review Contractor Submittals			
Review Progress Payment Req.			
Project Start			
Mobilize			
Demo			
Construction			
Inspection			
Change Orders?			
Negotiated/Approved			
Initial Walkthrough			
Punch List Items			
Final Walkthrough			
Area Clean Up			
Customer Acceptance			
Project Close Out			
Process Invoices			
Process All Paperwork			
Obtain Updated Drawings			
Obtain Manuals			
Warranty Items Identified			
Final Project Costs			
Project Team Meeting			
Lessons Learned			

27

PROPOSED PROJECT FORM

3/13/2003

Part 1: Project Proposal To be completed by applicant. Submit to City Manager's Office (CMO) for approval prior to work on new project or change in scope for an existing project.

Project _____

Description _____

Proposed Location _____

Reasons for Project _____
(Note if new or existing project, critical timelines, funding deadlines, etc.)

Contact Person _____
(Include contact info)

Department Director _____
(Signature)

Part 2: CMO Action Approval to Proceed with Project Analysis **Yes ___ No ___**

CMO Determination _____
(Signature) _____

Date: _____

Part 3: Project Analysis Summary To be completed by CMO Team. Additional information may be requested from applicant or other sources. Summary of analysis provided below. Note that no actual work is to be done on project until CMO approval in Part 4 below.

Scope of Work _____

Timeframe/deadline _____

City Strategic Plan & Dept. Plan compliance _____

Risks or Unknowns _____

Other Options _____

Cost Range _____

Funding Sources _____

Part 4: CMO Action Approval to Proceed with Project Described **Yes ___ No ___**

CMO Determination _____
(Signature) _____

Date: _____

EXAMPLE – TYPICAL PROJECT:

A typical project with construction value of \$200,000 - \$250,000 will have project delivery cost of 40-50% of construction value. (Based on actual projects delivered by seven California cities, including Sacramento).

Cost is \$100,000 to deliver the project –

- \$41,000 direct cost of salaries and benefits; and
- \$59,000 indirect charge (assumes 1.85 indirect rate)

\$59,000 indirect charges not charged to project

Small Project Examples

Haggin Oaks Restroom Replacement

Design/Inspect/Admin – Salary & Benefits	\$31,754
Construction Contract	\$81,779
Indirect Charges	<u>\$40,149</u>
Total Project Cost	\$153,682

Max Baer Clubhouse Expansion

Design/Inspect/Admin/Consultant – Salary & Benefits	\$48,554
Construction Contract & Furniture	\$218,370
Indirect Charges	<u>\$48,127</u>
Total Project Cost	\$315,051

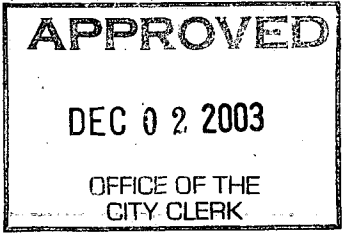
McClatchy Wading Pool

Design/Inspect/Admin/Consultant – Salary & Benefits	\$27,201
Construction Contract	\$143,849
Indirect Charges	<u>\$26,451</u>
Total Project Cost	\$197,501

RESOLUTION NO. 2003-853

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____



**ADOPT POLICIES AND PROCEDURES FOR DELIVERING SMALL
PROJECTS AND AUTHORIZE USE OF DEPARTMENT OF
PUBLIC WORKS PRIOR YEAR CARRYOVER**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

- The small project policies and procedures detailed in Exhibit A of the resolution be adopted;
- Authorize the use of \$300,000 in support of small projects and established for this purpose in the Fiscal Year 2003-04 Budget.
- The City Manager is authorized to enter into a consultant services agreement with Smith Culp Consulting; and
- In the Department of Public Works use of \$100,000 from FY 2000/01 department carryover be authorized.

MAYOR

ATTEST

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Exhibit A
SMITH CULP RECOMMENDATIONS BY CATEGORY AND IMPLEMENTATION STRATEGIES
 (Item Numbers are Smith Culp Recommendation Numbers)

Category	Smith Culp Recommendation	Staff Proposed Policies and Procedures
Small Projects	<p>Efficient handling of small projects is an important element in the effective implementation of the City CIP. Small projects could be more effectively implemented by:</p> <ul style="list-style-type: none"> • Improved front end planning – the most critical element. • Project-planning checklists to provide proper information in scope development. 	<ul style="list-style-type: none"> • Use project approval form for projects not programmed through the CIP. For all projects use the form for coordination of Department and City Manager approval of scope increases or major project changes. • Hold project kickoff meeting(s) and include all affected parties (including as appropriate client department/agency, delivery department, maintenance provider, and Council office) to define and scope project and to define roles, responsibilities, and expectations. • Where projects have cost uncertainty, adjust the budget at incremental stages as work progresses: establish a budget for scoping, establish a budget for design at the conclusion of scoping and for construction at the construction contract award. • Develop Milestone Schedule • Issue associated policy and procedure directive. • Use standard project folder with scope development checklist, funding information and other planning information to transition from project development to design phase of work. • Standard project checklist for use Citywide

RESOLUTION NO. _____

Exhibit A
SMITH CULP RECOMMENDATIONS BY CATEGORY AND IMPLEMENTATION STRATEGIES
 (Item Numbers are Smith Culp Recommendation Numbers)

Category	Smith Culp Recommendation	Staff Proposed Policies and Procedures
	<ul style="list-style-type: none"> • Develop standard project procedures for small projects. Use of large project procedures on small projects does not produce good results. • Develop standard designs for projects that have the same repetitive elements. Clearly identify the cost of adding to or changing these standard designs so that customers can make informed decisions on making such changes. 	<ul style="list-style-type: none"> • Affected parties checklist • Define small projects as having a construction cost of \$250,000 or less. Delivery costs are in addition to. • Maximum of two community meetings. • Limit design submittals to 1 or 2 progress submittals, when design is needed. If project is very simple and doesn't require permits, eliminate design and use specifications and/or site plans only. • Use 90% design completion plans to start building permit or other permit review process. • Bundle small projects into a single larger project when possible to reduce delivery costs. • Use in-house design staff if possible, if not, use readily available consultants from the master list. (See Recommendation below). • Use pre-qualified contractors from master list. (See Recommendation below). • Use standard specifications, file system, standard letters and forms, quality assurance/control checklists, and procedures. • Standardized park restrooms, gateway and neighborhood signage, concession stands, fire stations, police substations, libraries, wading pools, swimming pools, guard houses, security systems, sewer pipe replacement, sewer rehabilitation, water main and transmission main, storm drainage pump station, storm drain

RESOLUTION NO. _____

17

Exhibit A
SMITH CULP RECOMMENDATIONS BY CATEGORY AND IMPLEMENTATION STRATEGIES
 (Item Numbers are Smith Culp Recommendation Numbers)

Category	Smith Culp Recommendation	Staff Proposed Policies and Procedures
RESOLUTION NO. _____	<ul style="list-style-type: none"> • Make more extensive use of an annual solicitation of qualifications of consultants to establish an on-call list of pre-approved consultants to avoid the time-consuming and costly RFQ/RFP process for the many smaller projects implemented by the City. Similarly, make more extensive use of minimum qualifications for contractors. • Maintain a core management group for small projects. 	<ul style="list-style-type: none"> • pipe, french drains, detention basins, and pump station electrical equipment replacement. • Issue directive. • Implement through future reports to Council with recommendation on a standard for the subject capital improvement. • Include consultant services: architecture, engineering (civil, electrical, geotechnical, mechanical, structural), construction management, construction inspection, materials testing, surveying, landscape architecture, project management. • Include contractor services: general contractor, fencing, plumbing, mechanical, electrician (power), electrician (lighting), landscape contractor, signs, concrete, playground equipment, carpenter, painter, abatement (mold, asbestos, lead), floor/roof installation and repair. • Public Works' Project Delivery Division will designate 2-3 project managers as small project specialists and train them in small project procedures. • All Project Managers in all departments will be trained in small project policies and procedures. • Affected departments will designate a specialist in small project delivery. • Small projects in client departments will not be charged indirect costs by Public Works.

Exhibit A
SMITH CULP RECOMMENDATIONS BY CATEGORY AND IMPLEMENTATION STRATEGIES
 (Item Numbers are Smith Culp Recommendation Numbers)

Category	Smith Culp Recommendation	Staff Proposed Policies and Procedures
	<ul style="list-style-type: none"> • Raise the \$5,000 limit on discretionary contracts for public projects to streamline the standard contracting procedures that are a burden for small projects. 	<ul style="list-style-type: none"> • Small projects in the General Fund and managed by Public Works will receive annual appropriations made in support of small projects for all indirect costs. • The treatment of indirect costs is to be a pilot program to allow measurement of the impact on the General Fund. This approach will be evaluated during the budget process. Consideration will be given to expending this approach to Parks projects. • Establish an Inter-Coordination Committee that will meet beginning in October. Committee to be chaired by the CMO and is charged with: Review of projects, combining projects where possible, setting priorities, training programs, best practices (standards, bidding procedures, planning procedures and project procedures). • Increase the discretionary contract limit on capital projects from \$5,000 to \$25,000. • Allow the discretionary limit to increase for "Public Projects" as defined by SCC 3.60. This would exclude maintenance as defined. Janitorial contracts, for example, would <u>not</u> be included. • Continue to encourage bid solicitation for any contract as defined in SCC 3.56 and API #1. • Include any discretionary let contracts in annual ESD participation statistics.

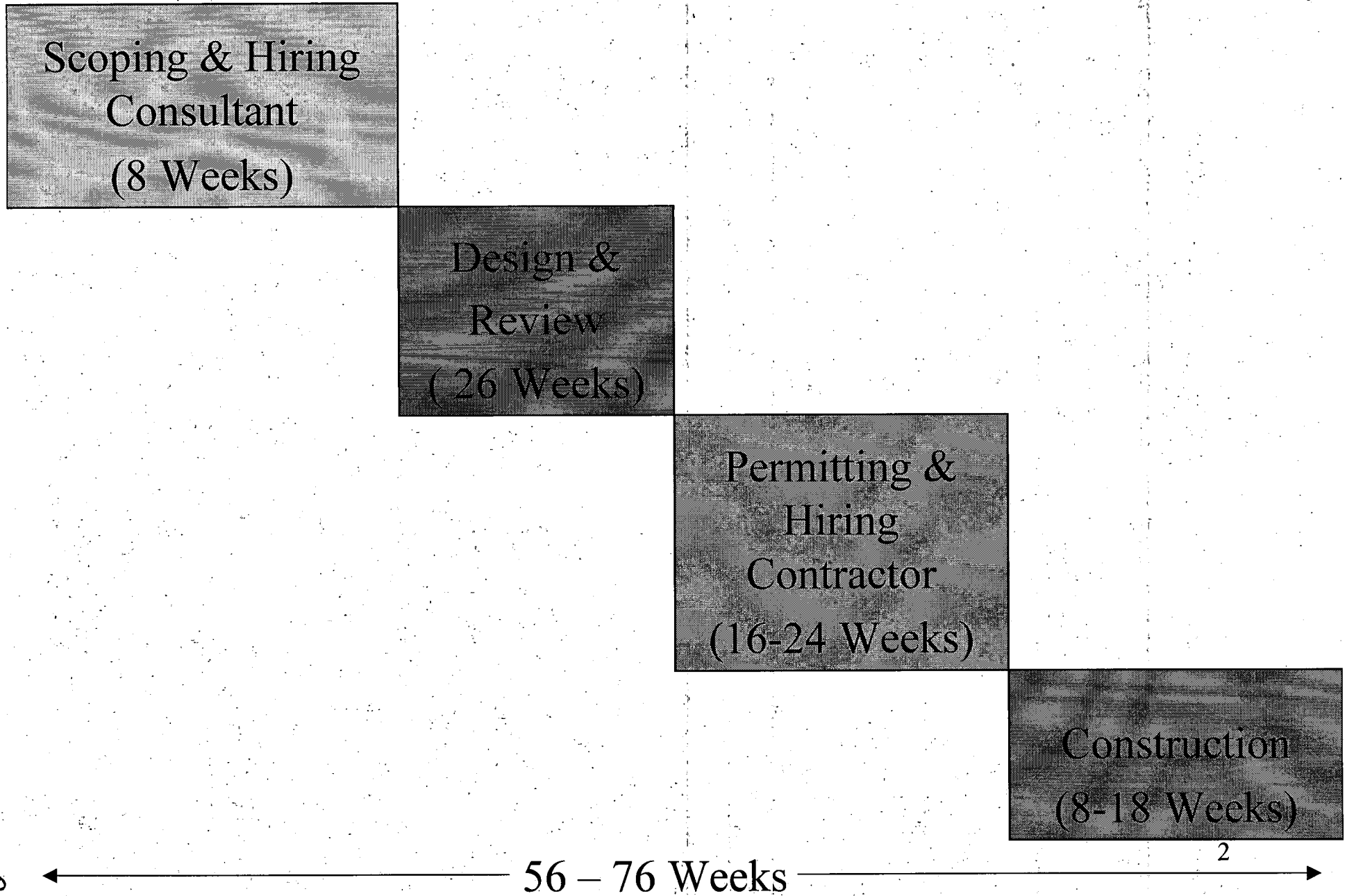
RESOLUTION NO. _____

19

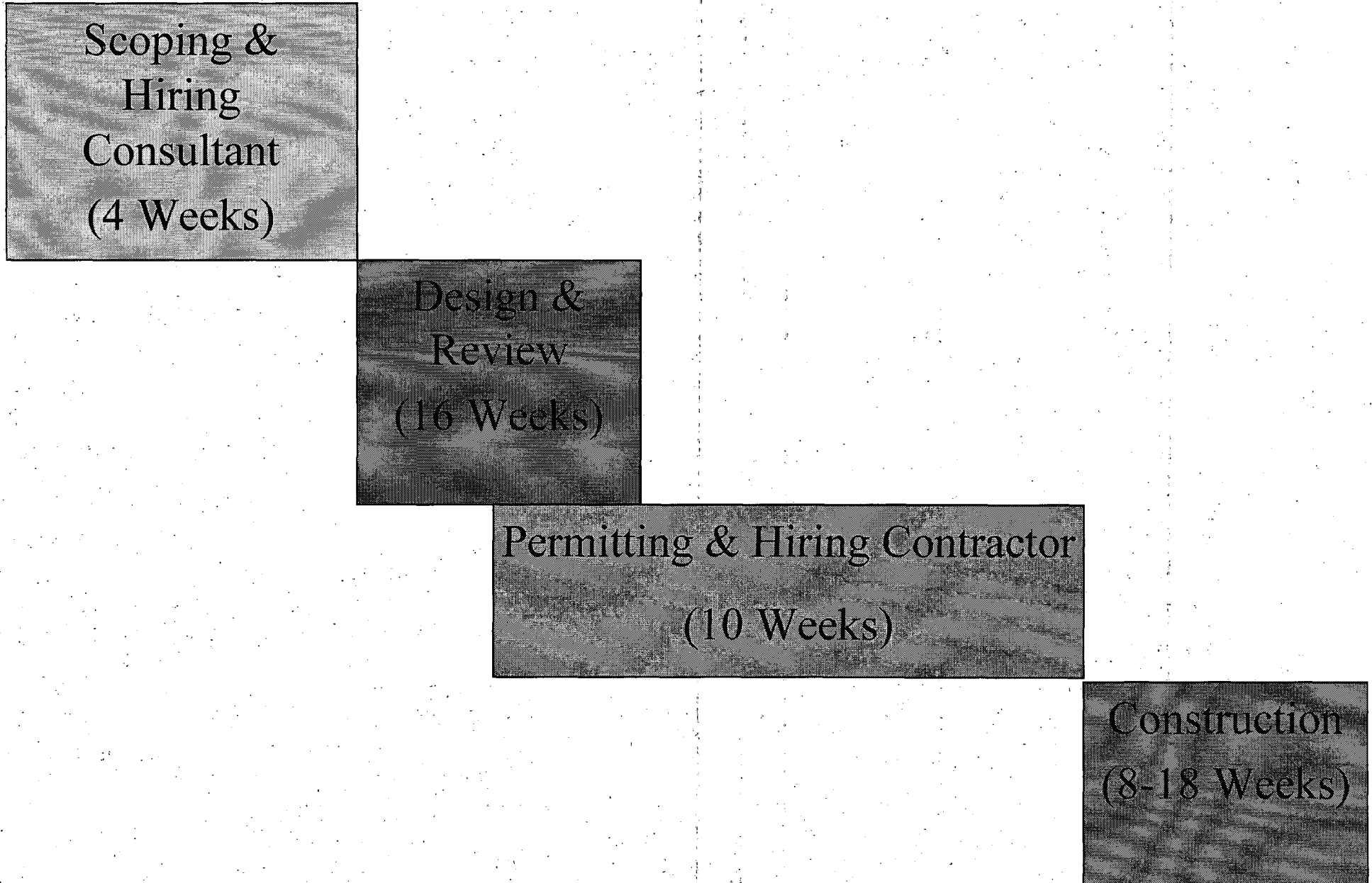
Small Projects - Improvements

- Process improvements
- Standard checklist
- Streamline contracting procedures
- Increase contract authority to \$25,000
- Monthly coordination meetings of all delivery departments
- Reorganize Architectural Group
- Smith Culp work with Public Works
- 12-month pilot program, \$300,000 for indirect costs of general fund and non-profit small projects

Current Small Project Process



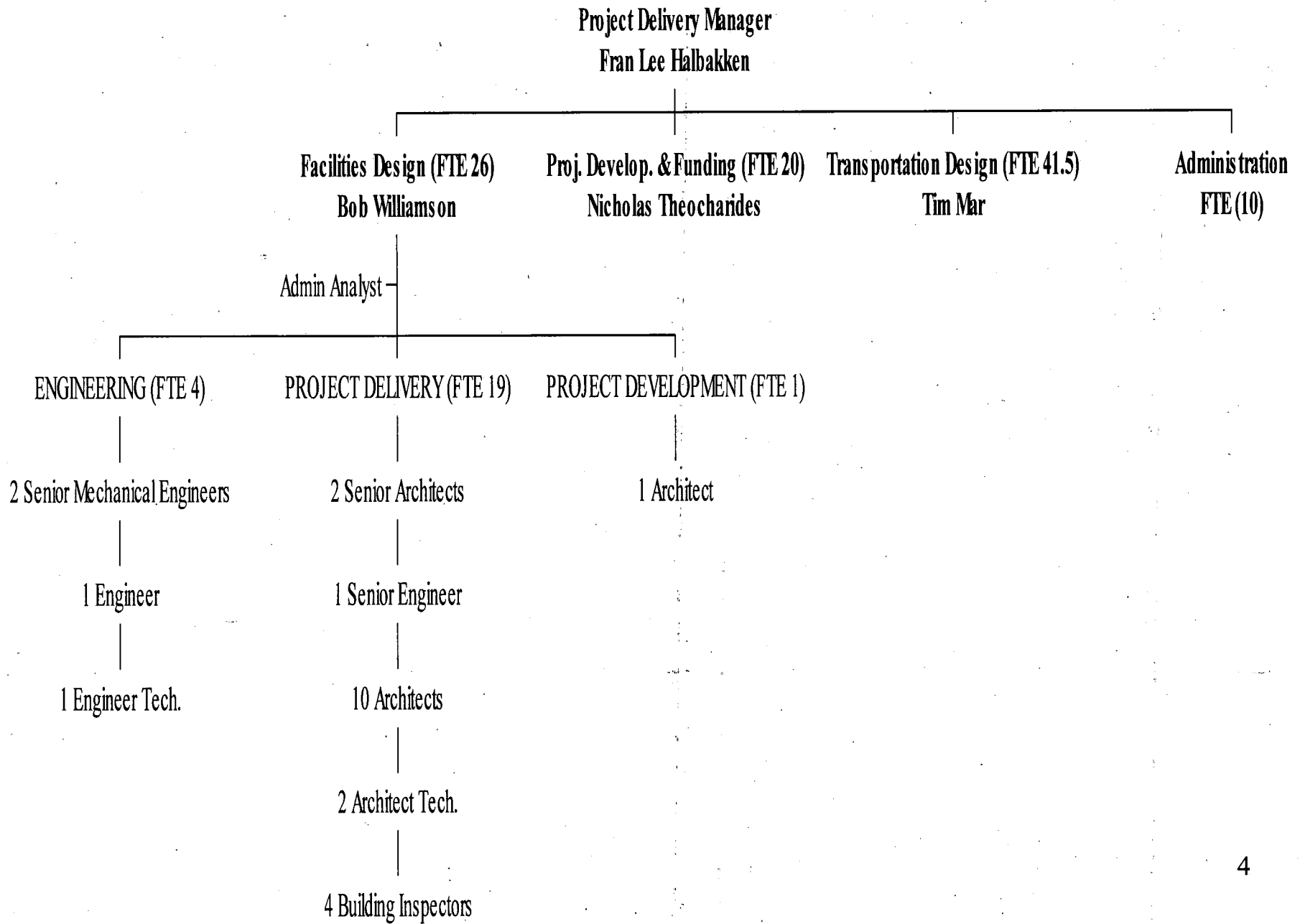
Improved Small Project Process



← 32 – 42 Weeks →

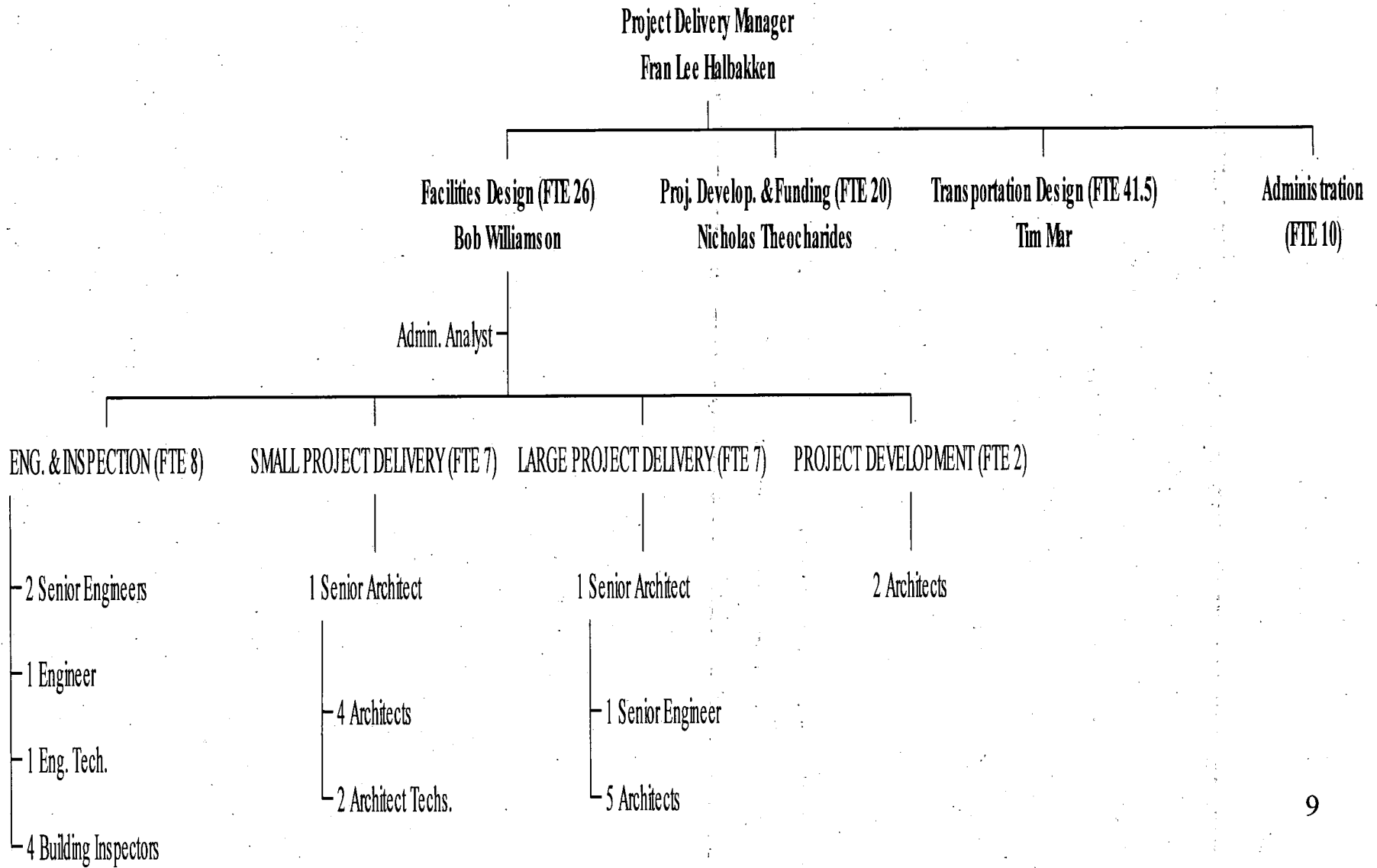
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Current Facilities Group Organization



8
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Proposed Re-organization to Align With Smith Culp Recommendations



Typical Examples

➤ Design/Inspect/Admin - Salary and Benefits	\$41,000
➤ Construction Contract	\$100,000
➤ <u>Indirect Charges</u>	<u>\$59,000</u>
Total Project Cost	\$200,000

Note: Assumes indirect rate of 1.85

Haggin Oaks Restroom Replacement

➤ Design/Inspect/Admin – Salary and Benefits	\$31,754
➤ Construction Contract	\$81,779
➤ <u>Indirect Charges</u>	<u>\$40,149</u>
Total Project Cost	\$153,682

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