



THE CITY OF SAN DIEGO

REPORT TO BUDGET AND FINANCE COMMITTEE

DATE: November 2nd, 2011

TO: Honorable Committee Chair and Members

FROM: Tony Heinrichs, Director - Public Works Department

SUBJECT: Streamlining CIP and Contracting Improvements

RECOMMENDATION:

The City of San Diego's Capital Improvement Program (CIP) is implemented through an interrelationship of client departments, service departments, consultants and contractors. Actions necessary to complete these projects are governed by approvals and processes administered through Council Authority and/or Mayoral Authority. Public Works Department staff has recently implemented several changes to improve the cost, time and or quality needed to complete projects pursuant to the Mayor's authority to administer these processes. In addition, staff has identified several Municipal Code and Council Policy changes that, if authorized by Council, would improve staff's ability to implement the CIP in a timely manner. These recommended changes consist of:

1. Allow the approval of the CIP budget to replace the need for individual council approvals for each project in the CIP budget; only projects not in the CIP budget would need to be brought to Council for approval.
2. Adjust current approval thresholds and add an additional threshold for the acquisition of Easements.
3. Modify the Municipal Code to allow for Multiple Award Construction Contracts.
4. Modify the Land Development Code as it relates to Site Development Permits for CIP projects.
5. Reconcile Council Policies 600-24 and 600-33 as they relate to park projects.
6. Authorize automatic transfers of project savings at project completion to other projects.

These recommendations would require specific modifications to the Municipal Code and Council Policies, but if implemented many projects could shave between 6 and 12 months off the entire process and save between \$10,000 and \$100,000 depending on how the individual project is impacted by the changes implemented.

BACKGROUND:

In 2006 and following the Kroll audit report, the City completed a Business Process Reengineering (BPR) effort that resulted in the consolidation of City-wide procurement efforts into a centralized Purchasing & Contracting (P&C) Department and the management of most CIP projects into the Public Works (ECP) Department. These reorganizations resulted in staff reductions of 89.5 positions for an annual savings of \$7,507,000. Despite the positive results of these BPR's and other initiatives conducted since, concerns persist regarding the cost and length of time required to implement CIP projects.

The recent CIP Performance Audit report issued in June 2011 and the Public Utilities CIP Audit issued in September 2011 summarize contracting initiatives that are being implemented to improve the management of CIP projects. One example of recent improvements is a set of changes to the City's contracting processes following the Public Works contracting responsibilities being transferred to the Public Works Department in July of this year.

A number of short and long term adjustments have been completed and other recommendations are being implemented to further reduce the time needed to award contracts. Staffing levels have been adjusted, the Purchase Requisition process has been streamlined, adjustments to the frequency of addenda has been implemented, and other changes have materially shortened the time required to award contracts.

Following is a list of specific changes that followed the Mayor's announcement of the contracting transfer:

Changes Implemented

1. Define process map, timelines, and ownership for all phases of bidding and award.
2. Improve follow-ups.
3. Improve communication between staff from various offices involved in the process.
4. Post contract information online for all to see therefore; reducing inquiries and interruptions.
5. Improve and promote a teamwork environment (i.e., One City) encouraging positive attitude towards customer service and establish a reward and recognition program.
6. Address bid rejection and protest issues that congest the system expeditiously and carefully using a peer review process.
7. Minimize the number of contract modifications via Addenda that have been congesting the system.

8. Simplify and clarify bid forms and minimize required information.
9. Granting Contracting Authority to the PW Department.
10. Define and clarify staff roles and responsibilities.
11. Fast track starting 1 new Contract Specialist and kick-start filling 3 other critical vacancies.
12. Develop a consolidated user friendly and simple database for logging in and tracking contracts.
13. Streamline Purchase Requisition/Order process.
14. Establish performance metrics and conduct regular weekly meeting to measure progress.
15. Eliminate outdated activities that add no values.

Changes In Progress

1. Streamline insurance submittals and review:
 - a) Improve services provided by the insurance review contractor.
 - b) Simplify Contract Documents.
 - c) Train staff and simplify review process.
 - d) Enforce the "10 day" time period for delivery of bonds and insurance.
2. Develop electronic tracking system for the entire process.
3. Develop electronic tracking system for action documents e.g., PA2625.
4. Implement full service online bidding.
5. Simplify contract documents reducing preparation time and easing review by bidders.
6. Implement 20 day posting period for bids.
7. Issue the Notice to Proceed to the contractor upon award of the contract.
8. Develop process narrative and other SOPs.
9. Online full service electronic bid submission.

Improvements to the process are demonstrated in the table below which provides a summary of the conditions as of July 2011 and the subsequent progress made.

	13-Jul	23-Aug	13-Sep	04-Oct
Contracts In Award Phase	62	28	22	24
Average Time From Bid Opening to Award (days)	120	115	90	60

These improvements were noted in a recent article written by the Associated General Contractors of America, San Diego Inc. which reported "It's been awhile since we provided an optimistic view of the City of San Diego's construction program, but with some recent

and upcoming developments we thought it would be an appropriate time to share some good news...Mayor Jerry Sanders listened to us and reorganized the Purchasing and Contracting Department into the City's Public Work Department.... The change already seems to be paying off, as the bid to NTP timeframe has shortened quite a bit."

DISCUSSION:

Staff has identified several Municipal Code and Council Policy changes that, if authorized by Council, would improve staff's ability to implement the CIP. These recommended changes consist of:

- 1. Allow the approval of the CIP budget to replace the need for individual council approvals for each project in the CIP budget; only projects not in the CIP budget would need to be brought to Council for approval.**

Currently, Council must approve the award of all CIP related construction contracts over \$1,000,000 when budgeted in the CIP. In other words, departments are generally required to obtain City Council approval for larger CIP projects at least twice; first when the project is initiated in the budget and subsequently each time a contract is awarded that exceeds the threshold.

The 2007 Engineering Services BPR recommended making it a 1-step process so that project schedules are not interrupted by the Council award process. Simplifying the process would speed procurement by 1 to 3 months that are now required to obtain Council authority to award contracts. This process was discussed on page 37 of the CIP Performance Audit Report which described the process as lengthy and complicated and stated that "By not identifying the actual cost and benefits of taking things to Council, such as assessing City staff time and Council staff time and the impact of the docketing process, the City cannot ensure that projects will be completed on time. By not assessing and streamlining required processes, the City cannot ensure that funds will be spent effectively and efficiently."

- 2. Adjust current approval thresholds and add an additional threshold for the acquisition of Easements.**

Council contract approval thresholds have not changed since 1998 with the exception of the limit for the minor construction contract which has been increased from \$250,000 to \$500,000 based upon the implementation of the Small/Emerging Local Business Enterprise Program. As time has passed and inflation has occurred project costs have increased resulting in Council having to approve a relatively larger number of contracts.

In addition to recommending adjustments to the existing thresholds, we recommend carving out a new threshold regarding the current easement acquisition process. Currently, CIP projects require Council approval for any easement regardless of size. This is a time consuming step especially for the majority of cases where a simple acquisition with small expenditure is all that is needed. A recommended threshold of

\$100,000 is recommended to cover minor easements that are required. Large projects involving multiple acquisitions, in depth appraisals, etc. will still continue to be brought to Council for the acquisitions, including all with the potential of eminent domain.

Recommended threshold increases for awarding contracts if they are budgeted in the CIP are summarized as follows:

Type of Contract	Current Threshold	Recommended Threshold
Consultants agreements	\$250,000	\$1,000,000
Public works projects - Contract amount	\$1,000,000	Amount authorized in the approved CIP/budget
Public works projects - Change Order limit	\$200,000	\$500,000 or as authorized in the approved CIP/budget (whichever is higher)
Public works projects - GRC Tasks	\$500,000	\$1,000,000
Easements for CIP	\$0	\$100,000

By implementing the new approval thresholds:

- a) Contract awards will be fast-tracked by an additional 1 to 3 months (for each adjustment noted above), getting jobs-generating projects out the door.
- b) Council can focus on the CIP budget during the annual budget process and provide adequate comprehensive oversight throughout the year, without delaying much needed infrastructure projects they have already approved; staff can provide semi-annual progress updates to Council and focus on getting projects out rather than preparing the paperwork for approximately 10 projects needing Council action monthly.
- c) Council approves the entire budget for a CIP project and no additional funds can be expended without further Council approval.
- d) The time required to execute Construction Change Orders over \$200,000 can lead to significant increases to project delivery costs and should be reserved only for cases where the overall project budget must be adjusted.

3. Adopt the use of Multiple Award Construction Contract (MACC).

The MACC program would be a variation of the current As-Needed Design-Build process. While the draft ordinance has not been written and the final recommendation fully developed, the process will save time. The recommendation to allow a MACC process would require an amendment to the Municipal Code. The issuance of contracts would put in place all the insurance and bonds necessary to award each task which is estimated to save three to four weeks from the current award process. In addition by authorizing the Mayor to award task orders, the new process will reduce the time needed for Council approval of each project by an additional 1 to 3 months. Both time savings will shorten project schedules by 2 to 4 months and will result in cost savings in excess of \$10,000 for each project.

Finally the use of a MACC would reduce the number of contracts being processed allowing the contract award staff to focus on other contracts. The reduction of the total contracts being processed through the system will reduce the time needed to award other contracts in the system. Please see the accompanying memo specifically drafted to elaborate on this recommendation.

4. Modify the Land Development Code as it relates to the requirement of Site Development Permits for CIP projects.

Currently, the Land Development Code (LDC), Chapters 11, 12, 13, and 14 of the San Diego Municipal Code set forth the procedures used in the application of land use regulations. An element of the LDC is the Site Development Permit which establishes a review process of proposed developments that may impact Environmentally Sensitive Lands (ESL) and/or historic resources.

This process, however, is oftentimes duplicative and mirrors the California Environmental Quality Act (CEQA) project specific impacts analysis each public project must complete. During CEQA review, projects are assessed as to their compliance with the LDC, in particular the ESL regulations regarding biology, steep hillsides, coastal bluffs and beaches, as well as historic/cultural resources, Multiple Species Conservation Program compliance, community plans, the general plan and a multitude of additional sensitive resources. In fact, it is intended that the Development Regulations for ESL and associated Guidelines in the Land Development Manual for those resources serve as a standard for the determination of impacts and mitigation under CEQA and the California Coastal Act. Therefore, once CEQA is complete the SDP usually reiterates what is outlined in the CEQA document and its associated mitigation measures.

In addition, public projects currently require multiple layers of public input and review prior to consideration and adoption of a CEQA document, in addition to coordination and permitting with State and Federal Regulatory Agencies if ESL is to be impacted. The additional burden of obtaining a SDP is often very time consuming and costly with limited additional benefit to the public, project or environment. Presently, there are many exemptions to SDPs for public projects which have helped to streamline and

reduce the cost of implementing the CIP program, such as linear utility projects, public works projects that have been approved by the City Council before July 1, 1991, habitat restoration, brush management, trails, and site reconnaissance and testing.

Exempting all essential public works projects, including publicly owned parks and recreation facilities, fire and police stations, publicly owned libraries, public schools, major streets and primary arterials, and public utility systems would provide a significant improvement in the delivery of our CIP program. At a minimum, emergency projects that are exempt from CEQA which may only require an after the fact SDP, any CEQA exempt project, and any projects that are in compliance with the ESL, have impacts below the City's CEQA significance thresholds for sensitive resources and do not require mitigation should be exempt from the SDP process.

5. Reconcile Council Policies 600-24 and 600-33 clarifying the appropriate reviewing entity for official recommendations on park projects and modify the Land Development Land Code to reflect the clarification.

Currently most CIP projects are subject to a variety of public outreach processes. City and State Development Permits, Resource Agency Permits, the CEQA and the National Environmental Policy Act (NEPA) all have processes for noticing stakeholders and seeking input. Council Policies 600-24 and 600-33 contain provisions for providing community input on projects that result in unclear recommendation-making authority for park projects. Council Policy 600-24 identifies responsibilities of recognized community planning groups, which includes the review of individual development projects for consistency with the adopted community plan, and Council Policy 600-33 assures that community members have adequate opportunity to participate in the design phase of park development projects.

Delays to project schedule and increased project costs have occurred as a result of park projects having to undergo separate review processes by recognized community planning groups per Council Policy 600-24 and Park and Recreation Board committees per Council Policy 600-33. When the desires and recommendations of the different committees conflict, it has significantly exacerbated the problem, requiring multiple meetings in an attempt to reconcile recommendations. One recent park project resulted in 20 noticed public meetings at a cost of approximately \$2000 per meeting before reaching a conclusion.

Since park development projects are implementing the recommendations of the community plans, and Council Policy 600-33 already requires that the Planning group be notified and invited to attend the Park Recreation Council meeting for input and recommendations, we recommend that Council Policy 600-24 be amended to reflect that review of these park projects will be provided through the Park and Recreation Board processes per Council Policy 600-33. Section 112.0301 (a)(1)(C) of the Municipal Code should be modified to reflect the appropriate reviewing body and contact person.

6. Authorize transfer of project savings at project completion to other projects

When a project is completed, all remaining funds are returned to fund balance. Those funds cannot be reprogrammed until the next budget cycle or through City Council action. As a result, the funds sit unused for a period of time. If those funds could be reprogrammed administratively to other existing projects already approved in the CIP budget and eligible for the same funding source, the project receiving the funds could be accelerated.

CONCLUSION:

These recommendations would require specific modifications to the Municipal Code and Council Policies described above. With the implementation of these process changes, significant savings of time and money would be realized. The increase in Mayoral thresholds and addition of a MACC contract would reduce the time needed to issue contracts by several months. Allowing Land Development Code change would eliminate duplicative and costly processes. By authorizing the Mayor to reallocate excess project funds at project completion other projects would be expedited. The effort to draft these Municipal Code ordinances and Council Policies changes will require a process to more fully develop the recommendation and solicit input from stakeholders.

These recommendations are crucial to the streamlining of the CIP and ensuring that critical jobs-generating projects are implemented as soon as possible. The Public Works Department is respectfully seeking concurrence and support to move forward with a process to fully develop these recommendations.

FOR

Tony Heinrichs
Director of Public Works Department

cc: James Nagelvoort, Acting City Engineer–Public Works Department