



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 338

IBA Review of Mayor's Five-Year Process Improvement and Streamlining for Capital Improvement Program Delivery

OVERVIEW

On March 11, 2015 the Infrastructure Committee considered three separate proposals from the Mayor related to infrastructure process enhancements. The three proposals were: five-year funding for street repairs; changes to cash management processes to expedite project delivery; and streamlining of project delivery processes to make them more efficient. The Infrastructure Committee unanimously accepted and approved forwarding all three items to the full City Council. On March 18, 2015, the Budget and Government Efficiency Committee also reviewed the cash management component of the proposals.

On Tuesday, April 21, the Council is being asked to consider and accept the following reports:

ITEM 336 Report No. 15-026 Street Pavement Repair Program

ITEM 337 Report No. 15-024 Capital Improvement Program (CIP) Cash Management Process Improvements

ITEM 338 Report No. 15-020 Process Improvement and Streamlining for Capital Improvement Program (CIP) Delivery

This report addresses the Mayor's Process Improvement and Streamlining for CIP Delivery.

FISCAL/POLICY DISCUSSION

Thirteen process improvements and streamlining measures are being proposed by the Public Works Department (PWD) to make Capital Improvement Program (CIP) delivery more efficient. This effort is a continuation of the initiative PWD previously led to expedite the process of authorizing contracts, allocating resources and increasing transparency of the CIP. A series of CIP improvements were approved by Council in 2012 that resulted in changes to the Municipal Code and development of a new **City Council Transparency Policy (000-31)**¹. The following measures were implemented and have been shown to be effective.

- City Council approval thresholds were increased for various types of contracts and agreements.
- Projects approved in the CIP budget are not required to go back to Council to approve award of a consultant or construction contract, unless specifically requested by Council.
- Public Works is authorized to use Multiple Award Construction Contracts (MACC) for implementation for certain CIP projects (design and construction services for water, sewer, and storm drain pipeline projects). MACCs are contracts awarded as a result of a single solicitation that results in the award of task order to multiple contractors.
- Beginning with the FY 2013 budget, the City Council dedicates a lengthy budget hearing specifically to the CIP.
- Savings from completed CIP projects are authorized to be transferred to projects on a pre-approved list of priority “waterfall” projects, which require funding.
- Public Works now reports on the State of the CIP to the Infrastructure Committee annually.
- Public Works maintains a CIP Website² with project information including contract award information that is updated monthly.

The 13 new process improvements and streamlining measures are intended to further improve the development and delivery of the City’s CIP projects. These measures are anticipated to achieve time and cost savings once fully implemented. While the results will vary by project, PWD estimates an average reduction of 15 weeks to complete most CIP projects, based upon implementation of all of the improvements. In 2012, PWD process improvements resulted in construction contracts being awarded three months faster on average. Additionally, PWD also estimated that staff capacity increased by at least 15% due to the CIP streamlining measures.

| Measure | Time Savings (Weeks) |
|--|-----------------------------|
| On-Line Bidding and Award of Construction | 3 |
| Dedicated CIP Teams for CEQA | 3 |
| Portfolio Approach for Consultant Authorizations | 3 |
| Expand the use of MACC contracts | 2 |
| Electronic Review Process for PA 2625 Actions | 4 |
| Total | 15 |

¹ To access the City Council Transparency Policy (000-31), see the City of San Diego’s website: http://docs.sandiego.gov/councilpolicies/cpd_000-31.pdf

² To access the CIP Website, see the City of San Diego’s website: <http://www.sandiego.gov/cip/index.shtml>

It should be noted that the first three measures in the above table are expected to be implemented by July 2015. Expanding the use of MACC contracts is expected to be implemented by December 2015 and the Electronic Review Process for PA 2625 Actions by July 2016. The chart below shows the implementation time frame for all proposed process improvement and streamlining measures.

| Process Improvements & Streamlining Measures | July 2015 | Dec 2015 | July 2016 |
|---|------------------|-----------------|------------------|
| On-Line Bidding and Award of Construction Contracts (eBidding/eSignatures) | X | | |
| Dedicated CIP Teams for CEQA Determination & Permitting | X | | |
| Increased Use of Job Order Contracts (JOC) | X | | |
| Increase Ave. Public Works Contract Size (from less than \$2M to over \$5M) | X | | |
| Additional Construction Crew Usage (TSWD) for Small Improvements | X | | |
| Portfolio Approach for Consultant Authorizations | X | | |
| Use Current Construction Contracts for Planned Resurfacing | X | | |
| Expand the use of MACC contracts | | X | |
| Electronic Review Process for PA 2625 Actions | | | X |
| GDP Reform for Minor Park Improvements | | | X |
| Standardization of Fire Stations and Comfort Station Designs | | | X |
| Implement Batch/Options Contracting (Design Sequencing) | | | X |
| Concept Based Selection of Design-Build Teams | | | X |

The Public Works Department anticipates the proposed streamlining measures will result in CIP delivery cost savings of approximately 2% annually and 10% total over the average five-year time frame from design through the post-construction warranty period. Average savings are estimated to be \$6.0 million annually. This figure is based on a CIP delivery capacity of approximately \$300.0 million annually. It is recommended that actual cost savings be reviewed after one year to determine if the anticipated savings are being realized.

Discussion of Key Proposals

Increasing the Size of CIP Contracts

PWD has identified a major factor affecting the current efficiency of the CIP delivery costs is the small size of CIP projects. Currently, the median size of a CIP project in the City is \$1.0 million with a substantial amount of projects less than this value. PWD is looking to increase the average contract size for public works projects from less than \$2.0 million to greater than \$5.0 million. The increase in contract size to \$5.0 million is necessary in order for the department to continue to release approximately 150 contracts annually. In recent years, the department has expended approximately \$300.0 million annually for 150 contracts.

Per the Multi-Year Capital Planning Report, PWD and Financial Management staff anticipate available revenue primarily through utility rate increases, lease revenue bonds, TransNet Funds, Proposition 42 funds, and Facilities Benefit Assessments of approximately \$2.2 billion over the

next five years³. In order to ramp up to a higher level of expenditures annually and continue to release approximately 100-150 contracts annually, the average contract size is anticipated to increase to approximately \$5.0 million. Infrastructure Committee and Budget and Government Efficiency Committee Councilmembers asked if there would be an impact on Small Local Business Enterprise (SLBE) and Emerging Local Business Enterprise (ELBE) firms as a result. Staff indicated that the average number of annual contracts up to \$500,000, which are awarded through a competitive bid process only open to City certified SLBE and ELBE firms, will remain the same. However, the larger construction contracts that the Department intends to release for street paving, water, sewer and underground pipeline construction, will require greater bonding capacity and fewer firms have the ability to compete for those contracts. With respect to any subcontracting work handled in those contracts, all companies will have to follow existing subcontracting requirements as it relates to SLBE and ELBE firms. Additionally, the Budget and Government Efficiency Committee will be able to monitor this activity through annual reporting to the Committee by Equal Opportunity and Contracting Program (EOCP) staff. EOCP is scheduled to present the next annual report on SLBE and ELBE results in October 2015.

Increasing Job Order Contracts

Increasing the use of Job order Contracts (JOCs) is another significant improvement the Public Works Department proposes as part of their internal efficiencies. The Department has historically issued JOCs per asset, but is proposing to increase the size and number of JOCs to cover all assets each with different geographical boundaries. By July 1, 2015, two JOC paving contracts are expected to be awarded totaling \$20.0 million each. The anticipated advantages include greater flexibility in issuing tasks for quicker CIP project delivery and a time savings totaling approximately \$5,000 per contract, from issuing task orders versus contract advertising and award. It will be beneficial for the Department to review the increased use of Job Order Contracts at the end of their terms to determine if cost and time savings are achieved as anticipated.

Expanding Use of MACC Contracts

Another streamlining measure proposed by the Public Works Department is expanding the usage of MACC contracts. MACC contracts are currently being used for sewer and water projects. It is proposed that they also be used for facilities and stormwater projects. The Department is also proposing to increase the MACC task limit from \$10.0 million to \$30.0 million. Increasing the MACC task limit from \$10.0 million to \$30.0 million requires Council action to amend the Design-Build Ordinance. The anticipated advantages of these changes will be to eliminate the need for 1) a second bid process and 2) multiple Council authorizations.

Conclusion

The IBA supports all of the process improvements and streamlining measures the Public Works Department has proposed for implementation. Functions that can be transitioned from manual

³ A summary of projected funding sources can be located on Appendix C of the City of San Diego Fiscal Year 2016-2020 Consolidated Multi-Year Capital Planning Report.

processing to utilizing technology will create time and cost savings for the project execution. Examples of such processing improvements include: On-Line Bidding and Award of Construction Contracts (eBidding/eSignatures); removing duplication of work such as Dedicated CIP Teams for CEQA Determination and Permitting; expanding the use of existing contracts such as the use of MACC contracts; and standardizing some of the design work for fire stations and comfort stations.

Of the 13 total process improvements and streamlining measures, 11 items can be implemented administratively. Increasing MACC task limit from \$10.0 million to \$30.0 million requires Council action to amend the Design-Build Ordinance. On-Line Bidding and Award of Construction Contracts will require a Municipal Code amendment to allow digital signatures to facilitate contracts being awarded online. The Infrastructure Committee may want to follow up on results of these improvements to ensure the processes are meeting original goals.



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