



**PUBLIC UTILITIES  
REVENUE BOND OVERSIGHT COMMITTEE  
CITY AND COUNTY OF SAN FRANCISCO  
AGENDA**

**Public Utilities Commission Building, 4<sup>th</sup> Floor Conference Room  
1155 Market Street (between 7<sup>th</sup> & 8<sup>th</sup> Streets)  
San Francisco, CA 94103**

**April 16, 2012 - 9:30 AM**

**Regular Meeting**

**1. Call to Order and Roll Call**

Seat 1 Holly Kaufman  
Seat 2 Kevin Cheng, Chair  
Seat 3 Karen Donovan  
Seat 4 Larry Liederman  
Seat 5 Vacant  
Seat 6 Ian Hart  
Seat 7 John Ummel, Vice Chair

**2. Public Comment:** Members of the public may address the Revenue Bond Oversight Committee (RBOC) on matters that are within the RBOC's jurisdiction, but not on today's agenda. (No Action)

**3. Chair's Report:**

A. San Francisco Public Utilities Commission (SFPUC) Staff Report: Water System Improvement Program (WSIP) – Construction Management.  
(Discussion)

B. San Francisco Public Utilities Commission (SFPUC) Staff Report: Comparison of Initial Construction Risk Assessment versus Actual Realized Changes for Completed Projects.  
(Discussion)

C. San Francisco Public Utilities Commission (SFPUC) Staff Report: Construction Contingency – What Percentage of Approved Construction Contingency is Actually Used.  
(Discussion)

D. San Francisco Public Utilities Commission (SFPUC) Staff Report: Financing Update.  
(Discussion)

E. San Francisco Public Utilities Commission (SFPUC) Staff Report: RBOC Account Statement. (Discussion)

4. **Review of Dr. William Ibbs' Final Report to the RBOC Regarding the SFPUC's Construction Management Report/Systems.**  
(Discussion and Action) (attachment)
5. **Update: Controller's Pool of Consultants (Construction Management and Financial/Audit).**  
(Discussion and Action) (attachment)
6. **RBOC's Use/Selection of an Expediter to Assist in the Formation of the RBOC's Consultant Pool.**  
(Discussion and Action) (attachment)
7. **Suggested Audit Activities for Calendar Year 2012.**  
(Discussion and Action) (attachment)
8. **Revenue Bond Oversight Committee (RBOC) and RBOC Contracting Working Group – Filling Vacant Positions.**  
(Discussion and Action)
9. **Approval of RBOC Minutes of March 19, 2012.** (Discussion and Action) (attachment)
10. **RBOC Member Information Requests Raised at Today's Meeting and Future Agenda Items.**  
(Discussion and Action)
11. **Adjournment.**  
Next regularly scheduled meeting: May 21, 2012.

### **Agenda Item Information**

Each item on the agenda may include: 1) Department or Agency cover letter and/or report; 2) Public correspondence; 3) Other explanatory documents. For more information concerning agendas, minutes, and meeting information, such as these document, please contact RBOC Committee Clerk, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 – (415) 554-5184.

Audio recordings of the meeting of the Revenue Bond Oversight Committee are available at:  
[http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=97](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=97)

For information concerning San Francisco Public Utilities Commission please contact by e-mail [bondoversight@sfgwater.org](mailto:bondoversight@sfgwater.org) or by calling (415) 487-5245.

### **Public Comment**

Public Comment will be taken before or during the Committee's consideration of each agenda item. Speakers may address the Committee for up to three minutes on that item. During General Public Comment, members of the public may address the Committee on matters that are within the Committee's jurisdiction and are not on the agenda.

### **Disability Access**

RBOC meetings will be held at the Public Utilities Commission, 1155 Market Street (between 7th and 8th Streets), 4th Floor Conference Room, San Francisco, CA. The Committee meeting room is wheelchair accessible. The nearest accessible BART station is Civic Center (Market/Grove/Hyde Streets). Accessible MUNI Metro lines are the F, J, K, L, M, N, T (exit at Civic Center or Van Ness Stations). MUNI bus lines also serving the area are the 5, 6, 9, 19, 21, 47, 49, 71, and 71L. For more information about MUNI accessible services, call (415) 701-4485. There is accessible parking behind 1155 Market Street.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mike Brown at (415) 487-5223 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

### **Know Your Rights Under the Sunshine Ordinance**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102; phone at (415)554-7724; fax at (415) 554-7854; or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org).

Citizens may obtain a free copy of the Sunshine Ordinance by printing Chapter 37 of the San Francisco Administrative Code on the Internet, at <http://www.sfbos.org/sunshine>.

**Cell Phones, Pagers and Similar Sound-Producing Electronic Devices**

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

**Lobbyist Registration and Reporting Requirements**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100, et. seq] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102; telephone (415) 581-3100; fax (415) 252-3112; web site [www.sfgov.org/ethics](http://www.sfgov.org/ethics).

**RECOMMENDATIONS TO THE**

**REVENUE BOND OVERSIGHT COMMITTEE**

**Concerning the**

**WATER SYSTEM IMPROVEMENT PROGRAM**

**Professor William Ibbs**

**Prepared for the**

**San Francisco Public Utilities Commission**

**Revenue Bond Oversight Committee**

**MARCH 23, 2012**

## 1. EXECUTIVE SUMMARY

San Francisco's Water System Improvement Program (WSIP) is one of the largest and most complex construction projects ever undertaken by the City and its Public Utilities Commission (SFPUC). To ensure that WSIP is managed in the best possible manner, the WSIP management and San Francisco Revenue Bond Oversight Committee (RBOC) retained a panel of construction management industry experts (the Independent Review Panel, IRP) to review the Program and its management by SFPUC and SFPUC's construction management consultants.

The RBOC also retained this writer to work with the IRP to fully define and prioritize issues to be reviewed; review the work of the Panel; and submit a report to RBOC on findings and recommendations. That effort took place in the October-December 2011 time frame. Subsequently, the RBOC asked 1) SFPUC representatives to give presentations to the RBOC on certain aspects of the WSIP's management and 2) this writer to comment on those presentations.

After observing those presentations, my key findings and recommendations are:

**Finding 1.** The study and report completed by the IRP and SFPUC's presentations to the RBOC have only focused on the construction phase of the WSIP. There is WSIP-related work that occurs after the construction, such as commissioning, testing and close-out phase, and the costs and durations of that work have not been considered in the IRP report or the SFPUC presentations.

**Recommendation 1a:** Because the RBOC's responsibility is on the overall cost and schedule performance of the entire WSIP, the RBOC should request that the WSIP management team report periodically on the anticipated final cost and schedule status of the entire Program, not just the construction phase.

**Finding 2.** SFPUC and its CM consultant are using an earned value management system for evaluating WSIP performance. Earned Value reporting is a standard industry tool. It is also backward looking in that it indicates how a program or project has actually performed compared to planned performance. Historical performance is not necessarily indicative for future performance.

**Recommendation 2a:** The RBOC should ask SFPUC to perform an estimate-at-completion and schedule-at-completion (EAC/SAC) review for a representative sample of uncompleted projects. This EAC/SAC review should include all remaining phases of any such projects, not just the construction phase.

**Recommendation 2b:** The RBOC should retain its own independent consultant to review that EAC/SAC review to help explain technical details to RBOC and to ensure reliability.

**Finding 3.** There is a written communications gap between the SFPUC and the RBOC. For example, the S-curve graph that SFPUC uses in its quarterly reports is so detailed that it is difficult to read.

**Recommendation 3a:** RBOC should ask SFPUC to provide more clearly written and summarized written reports and graphics. One example would be a diagram that combines and reports a project's Cost Performance Index, CPI with its Schedule Performance Index, SPI, over time. CPI measures planned cost to-date divided by actual cost to-date, so a number greater than 1.0 is favorable, a number less than 1.0 is unfavorable. Similarly, SPI measures planned vs. actual schedule to-date. This is a standard Earned Value reporting mechanism.<sup>1</sup>

A hypothetical example would be:

	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012
CPI	0.98	0.96	0.94	0.95	0.93
SPI	1.00	0.98	1.02	0.97	0.94

**Figure 1**

**Hypothetical Example for Communicating Cost and Schedule Performance**

<sup>1</sup> US Dept. of Energy, Earned Value Management System (EVMS) Guidelines. DOE G 413.3-10.

In this hypothetical example, performance is reported periodically and clearly shows diminishing performance. These same CPI, SPI indicators could be presented in graphical form:

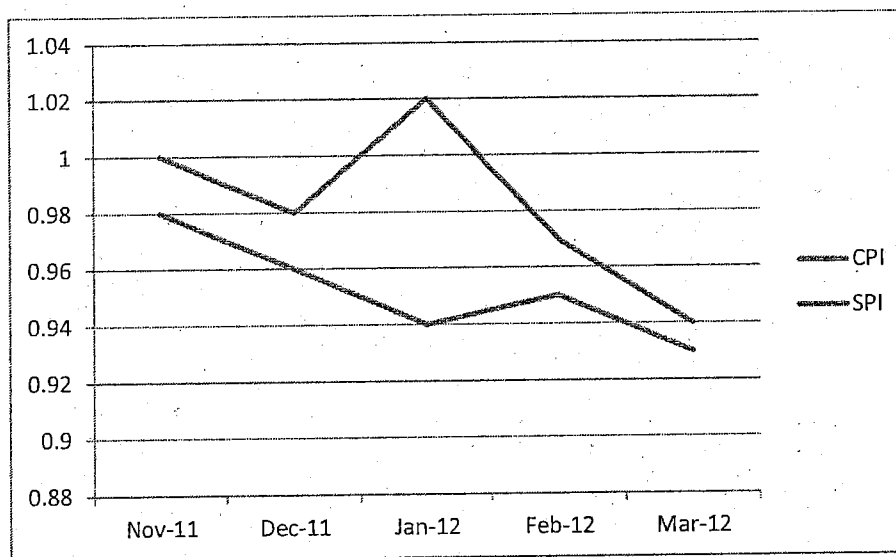


Figure 2

#### Hypothetical Example for Communicating Cost and Schedule Performance

Use of better, high-level graphics like this would better convey WSIP performance to the RBOC members and the public at-large. Details still could be provided, but a better summary graphics would more clearly communicate overall WSIP status.

**Finding 4.** There is a verbal communications gap between the SFPUC and the RBOC. The Program is approximately 50% complete and there is still confusion and lack of understanding about all the reporting procedures and underlying definitions. Even when presentations are given there has been confusion. For example, in one of the recent presentations there was confusion between the presenters whether trends were included in the S-curves. Another presentation revealed that some parts of the WSIP Quarterly Report includes trends (e.g. Table 4) while other parts (Table 7) do not. The difference may be justifiable, but the rationale for that difference has not been explained to RBOC members yet. More frequent communication to the RBOC



would improve RBOC member understanding and confidence in SFPUC's management of the WSIP.

*Recommendation 4a:* The RBOC should request that SFPUC management give more frequent verbal presentations about WSIP's status and the management procedures that SFPUC and its CM consultant are using.

## 2. SUMMARY

The Water System Improvement Program is one of the most complex and important construction programs that the San Francisco Public Utilities Commission has ever undertaken. By some measures the WSIP is just now entering its peak phase, and that will continue for the next year.

Many of the management systems developed and incorporated into the WSIP appear to meet standard industry practice. There are gaps in the implementation and utilization of those management systems, however, as identified and discussed in this report and in my previous reports to RBOC.

SFPUC may find implementing the recommendations presented in this report and my prior report to be onerous given its other obligation. Nevertheless, the RBOC members have an obligation to ensure the public's money is prudently used and that WSIP is completed expeditiously. The recommendations presented herein will help in that regard.



















List of Pre-Qualified Construction Management Firms

Each Firm includes a link to their website and sample reports. Please contact the List Coordinator when you are ready to initiate a need request.

- Project Type 1: Construction Management Consulting
- Project Type 2: Construction Process Reviews
- Project Type 3: Contract and Subcontract Audits
- Project Type 4: Audits of Contractors and Subcontractors
- Project Type 5: Claims Analysis and Resolution

Firms (Listed Alphabetically)	PROJECT TYPE 1	PROJECT TYPE 2	PROJECT TYPE 3	PROJECT TYPE 4	PROJECT TYPE 5
Cumming Construction Management, Inc.	X	X	X	X	X
Faithful+Gould, Inc.	X	X			
FTI Consulting, Inc.	X	X	X	X	X
KPMG LLP	X	X	X	X	X
Marsh USA, Inc. / Marsh Risk Consulting			X	X	X
McGladrey & Pullen, LLP	X	X	X		
PMA Consultants LLC	X				X
Resolution Management Consultants, Inc.					X
R.W. Block Consulting, Inc.	X	X	X	X	
Secretariat International					X
SE Delaney Consulting		X	X	X	
Sloberg Evashenk Consulting, Inc.	X	X	X	X	

ITEM #4

List of Pre-Qualified Financial/Audit Firms					
Firms (Listed Alphabetically)	PROJECT TYPE 1: Performance Audit and Financial Audit Services	PROJECT TYPE 2: IT Audit and IT Audit Consulting Services	Response Info	HRC Forms	
Caporicci & Larson, Inc.	X				
Crowe Horwath	X				
FCS Group	X				
KPMG	X	X			
Macias, Gini & O'Connell	X	X			
MGT of America, Inc.	X	X			
Sidberg Evashenk Consulting, Inc.	X				
Williams, Adley & Company	X	X			
Yano Accountancy Corporation	X				

# **Controller's RFQ for Construction Contract Audit & Project Consulting Services (BACKGROUND)**

## **RFQ INTENT:**

- To create a pre-qualified list of firms from which interested City departments, boards, or commissions may choose prospective contractors on an as-needed basis.
- Responses were received from firms demonstrating experience in providing public sector construction project and construction contracts audit and consulting services.
- This list is valid for the next 2 years (with options to extend).

## **TIMELINE:**

12/16/11 – RFQ Issued

02/08/12 – Deadline for Response (received 17 responses)

03/15/12 – Pre-Qualification Notification Issued

Next Steps: Develop work for pre-qualified firms

# **RFQ for Construction Contract Audit & Project Consulting Services (PROJECT TYPES)**

## **FIVE PROJECT TYPES:**

- 1. Construction Management Consulting:** Consulting services, including risk assessment, best practices, capital program practices, review of cost estimates, compliance with project plans
- 2. Construction Process Reviews:** Review of various stages of construction process, from bid to close-out
- 3. Contract and Subcontract Audits:** Review or audit of contractor costs, invoices, or payments
- 4. Audits of Contractors & Subcontractors:** Review or audit of contractor's internal controls, accounting system
- 5. Claims Analysis & Resolution:** Design error appraisal, claim preparation and evaluation, calculating damages

# RFQ for Construction Contract Audit & Project Consulting Services (RESULTS)

	Project Type 1	Project Type 2	Project Type 3	Project Type 4	Project Type 5
1. Cumming Construction Management, Inc.	X	X	X	X	X
2. Faithful+Gould, Inc.	X	X			
3. FTI Consulting, Inc.	X	X	X	X	X
4. KPMG LLP	X	X	X	X	X
5. Marsh USA, Inc.   Marsh Risk Consulting			X	X	X
6. McGladrey & Pullen, LLP	X	X	X		
7. PMA Consultants LLC	X				X
8. Resolution Management Consultants, Inc.					X
9. R. W. Block Consulting, Inc.	X	X	X	X	
10. Secretariat International					X
11. SF Delaney Consulting		X	X	X	
12. Sjoberg Evashenk Consulting, Inc.	X	X	X	X	

## **POTENTIAL PROJECTS FOR PRE-QUALIFIED FIRMS**

Develop an audit/review program to annually assess whether the City's General Obligation Bond Programs (and its related projects) are:

- ON BUDGET
- ON SCHEDULE
- HAVE SUFFICIENT OVERSIGHT CONTROLS



**Cumming Construction Management, Inc.**

Cumming is a full-service management consultancy that specializes in program and project/construction management, cost management and estimating, dispute resolution and avoidance, contract auditing, and scheduling. Established in 1996 as an LLC, Cumming incorporated on March 5, 2007, and has grown into a nationally ranked firm employing approximately 200 staff members. We are now entering our 16th year of business. Cumming is a privately held firm. Our Founder is Finlay Cumming, who is also our acting CEO. Our staff is comprised of program, project, and construction managers; cost managers and estimators; schedulers; a variety of legal specialists who provide services including audits, claims avoidance and analysis, and expert testimony; and others, including BIM specialists, an in-house economist, and marketing and administration personnel.

**Faithful+Gould, Inc.**

Operating since 1947, Faithful+Gould is a premier program / project management consulting firm and a member of the Atkins group of companies, one of the world's largest engineering and design consultancies. Atkins Global is a publicly traded company. Our CEO of Worldwide Operations is Donald Lawson. His direct report is Paul Wood, President and Managing Director for North America, who is headquartered out of our San Francisco office. Additional executive management oversight is provided by the western regional Senior Vice President, Phil Kirby, and the Vice President and Infrastructure Sector Lead, Nick Harney. In the United States and Puerto Rico, Faithful+Gould maintains over 18 offices ensuring we have the local resources to support your project wherever it may be. Our staff is comprised of more than 500 professionals spread throughout our three operating regions: West, Central and East. This contract will be managed and staffed with resources from our San Francisco office located at 475 Sansome Street. John Mahoney manages this office and will act as the Program Director and Technical Lead for this contract.

**FTI Consulting, Inc.**

FTI grew from a small firm formed in 1982 called Forensic Technologies International Ltd which was focused on the presentation of technical courtroom evidence using computer models to assist in the understanding of the technical merits of cases. In May of 1996 the firm went public under the symbol FTIC becoming one of the first public litigation support services companies. The firm grew both organically and through acquisition and in 1998 changed its name to FTI Consulting. In 1999 the firm began trading on what is now the New York Stock Exchange under the symbol FCN. By 2011 FTI employs more than 3800 people and has office in 24 countries on six continents.

**KPMG LLP**

The 140,000 people within KPMG member firms worldwide provide a range of professional services that help clients to meet challenges and respond to opportunities. Our member firms provide Audit, Tax, and Advisory services, delivering a globally consistent set of multidisciplinary financial and accounting skills and capabilities based on deep industry knowledge. Global capability and consistency are central to the way we work. By providing global organizations with the same quality of service and behavior around the world, we can work with them wherever they choose to operate. Our industry focus helps KPMG people to develop a rich understanding of clients' businesses and the insight, skills, and resources required to address industry-specific issues and opportunities. KPMG has the capability and resources to provide services to state and local governments for a variety of issues, including cash management, revenue forecasting, administration of generally accepted accounting principles, personnel ceilings, expenditure controls, federal funds administration, operations improvement, information technology risk management, regulatory/compliance issues, internal controls, building and transportation audits, and economic advisory services.

**Marsh USA, Inc. | Marsh Risk Consulting**

Since our formation in 1923, Marsh USA, Inc. has grown into a global enterprise with over 350 owned-and-operated offices and over 24,000 colleagues who serve clients in over 100 countries. As part of Marsh, Marsh Risk Consulting (MRC) is one of the world's largest consulting organizations with more than 900 consultants and staff worldwide. MRC's Construction Consulting Practice is comprised of a global and multidisciplinary team of construction industry professionals such including professional engineers, CPAs, project managers, architects, attorneys, cost and schedule experts and contract specialists. The addition of dispute resolution leaders from the Nielsen-Wurster Group (acquired by Marsh in 2008) enhances our ability to provide clients with construction dispute resolution and expert testimony services, as well as management consulting and risk management solutions. From risk mitigation and performance audits to recovering from unavoidable disputes, our construction consultants have worked with every major participant in a project's lifecycle.

**McGladrey & Pullen, LLP**

McGladrey & Pullen, LLP ("McGladrey"), ranks as the fifth largest provider of accounting, tax and consulting services across the nation and currently has more than 7,000 professionals serving clients from offices in 85 cities nationwide. Due to our national outreach, we are able to provide clients with resources comparable to those of the "Big Four" firms with greater senior level attention at a competitive fee. McGladrey employs a concept of service predicated upon the personal attention of our people to the needs of our clients. Our ratio of partners/directors to staff enables us to

## **Pre-Qualified Firms (Background)**

provide each client, regardless of size, with services under the personal supervision of senior level professionals. By maintaining close professional contact and having a deep understanding of your industry, we develop services that are truly responsive to your needs. McGladrey is also a member of RSM International, the sixth largest providers of assurance, tax and consulting services worldwide with more than 32,000 professionals serving clients from 736 office locations in 76 countries.

### **PMA Consultants LLC**

PMA Consultants LLC (PMA) is a nationally recognized construction, program, and project management consulting firm founded in 1971. We have provided consulting and expert services on water/wastewater, storm water/flood control, infrastructure, transportation, institutional, pharmaceutical, environmental, process, power, oil and gas, petrochemical, airport, manufacturing, hospitality, architectural, and healthcare projects exceeding \$90 billion. PMA delivers programs and projects for clients from start to finish, exceeding client expectations at every phase of the project. Our construction/project managers serve clients throughout the life of a project, and we have become trusted partners in protecting our clients' interests over time.

### **Resolution Management Consultants, Inc.**

Resolution Management Consultants, Inc. (RMC) is a nationally recognized professional firm providing project management, construction claims avoidance and forensic claims analysis/dispute resolution services to a variety of clients in the construction industry, including state and federal agencies throughout the continental U.S. Repeat work with a number of these agencies speaks to the quality of our work and our ability to meet our clients' needs and their confidence in our abilities. We specialize in assisting our clients in avoiding, minimizing or resolving problems that may evolve during the construction process. Our services are well suited for high profile projects where timely, on-budget completion is of paramount importance. Work is typically performed with one senior level person serving as the Project Manager, with staff of varying experience levels (depending upon the nature and size of the assignment) supporting the lead consultant.

RMC, founded in 1993, is a subchapter S Corporation owned by the two principals, Jeffrey B. Kozek, Esq. and James F. Gallagher, P.E. RMC maintains offices in a number of locations across the U.S.

### **R. W. Block Consulting, Inc.**

RWBC is a national professional services firm providing construction management consulting, construction process review and construction audit services as well as construction claims analysis and resolution to public and private sector owners of capital programs. RWBC is headquartered in Orlando, Florida with a local office in San Francisco, California serving clients throughout the United States. RWBC staff is

## **Pre-Qualified Firms (Background)**

comprised of seasoned professionals with extensive construction management and consulting experience including registered engineers, architects, LEED AP professionals, construction and program managers, and construction accountants.

### **Secretariat International**

Secretariat International consists of consultants dedicated to construction. Averaging 10 to 15 years of experience within the industry, our consultants come with diverse backgrounds in scheduling, value engineering, estimating, project management, and claims support. Our construction professionals have worked on some of the biggest projects in the world and have testified in courts, arbitrations and mediations as experts in their field. Secretariat also has extensive experience helping public entities manage the design and construction of their building and infrastructure projects. We provide construction consulting services to cities, pools of cities, counties, schools, colleges, universities, transit districts, special districts, states and the Federal Government. Founded in 2008, under the leadership of Don Harvey, Ted Scott, Mike Saulsbury, Chris Brindisi and John Gregg, Secretariat has quickly become a leading corporation in Claim Support Services due to its acclaimed services on projects around the globe including the United States, Europe, Asia, South America and the Middle East.

### **SF Delaney Consulting**

SF Delaney Consulting was formed by Stephen F. Delaney in July 2009 to provide advisory and consulting services to the construction and engineering industry. SF Delaney Consulting has been operating for 2.5 years as a sole proprietorship but has recently hired Michael W. Kling in order to expand its business opportunities and better service its clients. Mr. Delaney and Mr. Kling worked together while at Deloitte Financial Advisory Services, Capital Projects Advisory Practice. We are currently discussing the possibility of creating a partnership entity.

### **Sjoberg Evashenk Consulting, Inc.**

Founded in January 2000 by the former California State Auditor Kurt Sjoberg and Chief Deputy Marianne Evashenk, Sjoberg Evashenk is a 51 percent woman-owned sub-S corporation and is certified as a small business by the California Department of General Services. The firm is also designated as a Disadvantaged Business Enterprise – Woman Owned Firm by the U.S. Department of Transportation and State of California. Headquartered in Sacramento, we are a full-service nationally recognized consulting firm with nine fulltime consulting staff and five associate consultants used on a project by project basis. The firm's principals Kurt Sjoberg and Marianne Evashenk are actively involved in every engagement and personally manage staff and the project.

Update On Contracting Options  
Revenue Bond Oversight Committee  
April 6, 2012

**Background:**

At its meeting of December 19, 2011 RBOC voted to use the Controller's pools on an as-needed basis and pursue the establishment of its own pool comprised of both financial and construction management type firms. (Note: The Controller's pools for both construction management and financial/audit type consultants have just been refreshed and are now available to RBOC.) Such a pool would be created specifically to meet the needs of the RBOC and would be good for two years though consultant contracts could be for a much longer period (e.g., 48 months.) However, to create its own pool of consultants, RBOC would be subjected to a myriad of City contracting requirements (Civil Service Commission, HRC, and others including working with the local unions) to ensure that consultants hired by RBOC adhere to the same rules imposed upon other citizen advisory committees, boards within the City, and the City's Administrative Code. For RBOC to create its own pool could take six months or longer to complete. To guide the process to completion might require RBOC hiring someone to "expedite" the process. For that reason, Chair Brown looked into having RBOC contract with such a person.

Chair Brown contacted three candidates to poll availability, cost and the services they could perform (from setting up the pool to administration of the contract).

- 1) Esther Reyes: Former Contracts Administrator for the Controller's Office who worked on the first contracting process for RBOC. Ester charges \$150 per hour and has extensive experience setting up pools and meeting all the City requirements. She would be able to help RBOC administer the contract with direction from the Working Group. Recently, she indicated she had an opportunity to work with the SFPUC and was inquiring whether there was a conflict of interest. Ester is also a certified LBE contractor. Given Ester's hourly rate, it's unlikely she could serve as RBOC's expeditor for \$10,000 (technically, \$9,999), the contract ceiling amount for RBOC being able to choose a consultant without a RFP process.
- 2) Bob Kuo: Former consultant to RBOC and former City employee in executive positions at several City Departments. He was available as of a month or so ago for a limited assignment. He indicated that \$10,000 would include 50 hours of his time; working back that is \$200 per hour. He is also a certified LBE contractor. Again, it's unlikely he could accomplish the task within the \$10,000 contract ceiling.
- 3) Bill Jones: Former City employee in Contracts Administration and recommended by Cathy Barnes, Deputy City Attorney. Recently, Bill indicated he was too busy with other projects to take on this assignment.

**Summary:** If RBOC wishes to establish its own pool, it will likely need outside assistance to put it in place. SFPUC Finance staff is unwilling or has higher priorities that prevent it from serving as an

expediter. Thus, securing outside assistance is critical if RBOC wishes to get its own pool "up and running". It appears the task cannot be performed for under \$10,000; suggesting that the most efficient process would be for RBOC (through the Contracting Work Group) to utilize a limited RFP process. Such a process, requiring three informal bids and a selection (scoring) committee, would permit RBOC to enter into a contract for up to \$50,000. The SFPUC's Principal Contracts Analyst, Pauson Yun, has indicated he could assist RBOC – as he did with the Dr. Ibbs contract – in the RFP/selection process for an expediter. Once a finalist was secured and contract signed, the "expediter" would work with the Contracting Work Group to establish RBOC's own pool. Provided RBOC approved this approach at its April 16, 2012 meeting, the time necessary to engage an expediter is estimated at six to eight weeks with formation of the pool likely taking another 3-4 months to put in place, say September at the earliest.

\\server\RedirectedFolders\JUmmel\My Documents\RBOCcontractingoptions.doc

## Prior / Future Tasks (Audits) Considered by RBOC

Prepared by the Contracting Work Group

April 6, 2012

### Prior Tasks/ Audits Identified or Completed by RBOC

In May 2011, RBOC rank ordered the following tasks in connection with its oversight responsibilities under Proposition P for purposes establishing a work plan for CY2011:

#### **1. Examine project expenditures and appropriations**

**Task:** Using a representative sample of projects (3) , determine whether WSIP and/or Waste Water project expenditures were in keeping with intended use, bond resolution, and Commission action.

**Status/Outcome:** Completed by the City Services Auditor (CSA) in December 2011. The following projects were audited: *Bay Division Pipeline Reliability Project, Mission and Mt. Vernon Sewer Improvements, and Lake Merced Pump Station Improvements*. While there were some minor irregularities with the expenditures, the overall audit revealed that project expenditures were appropriate and in accordance with the bond resolution.

#### **2. Evaluate construction management program/system (CMIS)**

**Task:** Assess the performance and utilization of the CMIS system by local and regional project managers and its potential for use by other enterprises.

**Status/Outcome:** RBOC contracted with the SFPUC's Independent Review Panel which examined various aspects of the overall CM program/system in its report, *Independent Review of the WSIP Construction Management Program*, completed in December 2011. This report also addressed 33 separate CM related questions or issues (See Appendix A). The Panel concluded that the "*SFPUC has in place a CM program which greatly enhances the possibility of achieving a successful project and meeting cost and schedule goals.*"

#### **3. Examine allocation of program management costs**

**Task:** Evaluate the SFPUC's methodology for allocating program management costs among individual projects. Recommended by Robert Kuo, former RBOC auditor.

**Status/Outcome:** Completed by the City Services Auditor (CSA) in December 2011. CSA investigated the allocation of program management costs for two projects, *Harry Tracy Long Term Improvements* and *Pulgas Balancing Reservoir*. The audit revealed that the SFPUC appropriately categorized program management costs but needed to improve its methodology for allocating costs to projects. For example, the SFPUC's allocation process can cause errors in the *timing* of when some projects' program management costs are recognized, resulting in less accurate interim reports.

#### **4. Reconnaissance review of most challenging projects**

**Task:** Take two challenging projects and identify the successes and failures that the SFPUC encountered in bringing these projects on-line. Recommended by Robert Kuo, former RBOC auditor; also raised by Commissioner Moran, and supported by Julie Labonte as a possible task involving the Independent Peer Review Panel.

**Status/Outcome:** The SFPUC completed such a review early in the year involving the Alameda Siphon 4 project, largely negating the need for RBOC to commission a similar review. However, the most challenging projects are currently in or will be under construction soon, suggesting RBOC may want to review a second challenging project.

#### **5. Evaluate soft costs**

**Task:** Determine the extent to which indirect capital costs contribute to the cost of individual WSIP and/or Waste Water projects.

**Status/Outcome:** This was a sub-task as part of the *Review of the WSIP Construction Management Program* undertaken by the Independent Review Panel completed in December 2011. The IRP determined that soft costs, as a percentage of total construction cost, was 17% and was “at the higher end of the industry range as would be expected for a complex program of 81 publicly-funded regional projects being constructed over a period of greater than ten years.” The IRP concluded that these higher costs were justified as evidenced by the overall successful performance of the program to date.

#### **6. Evaluate projects savings, change orders and contingencies**

**Task:** Select a representative sample of projects and examine how the SFPUC manages change orders, contingencies, and project savings.

**Status/Outcome:** This was a sub-task as part of the *Review of the WSIP Construction Management Program* undertaken by the Independent Review Panel completed in December 2011. The Panel concluded that change management procedures as well as cost, schedule and contingency management procedures were excellent and met or exceeded industry standards. The Panel did report, however, that “some of the current program reports, such as the Contract Summary report, do not by themselves provide a complete picture of program schedule performance” and that reporting systems concerning schedule and budget could be improved.

#### **7. Perform selected construction audits or reconnaissance review of CSA**

**Task:** Choose two projects and perform a construction audit OR evaluate the scope of work used by the City Services Auditor (CSA) in commissioning such audits.

**Status/Outcome:** This task was not assigned. The Controller’s office had conducted construction audits on two projects (Tesla Portal and East-West Transmission) and was considering additional audits of this type in the future.



## **8. Evaluate adherence to risk management procedures and/or assessments**

**Task:** Taking several most critical projects, review the SFPUC's capabilities for analyzing/mitigating risk as well as the ability to forecast risk.

**Status/Outcome:** Prompted by a 2007 report by Parsons that noted significant risk in delivering the WSIP program, a review of risk management was a sub-task as part of the *Review of the WSIP Construction Management Program* undertaken by the Independent Review Panel completed in December 2011. The Panel concluded that major improvements in RM had been made and found the current risk management program "very effective" and "one of the best examples being used for a construction program".

## **9. Assess use of alternative delivery methods**

**Task:** Determine the extent to which alternative delivery methods were evaluated by the SFPUC as well as the factors or forces within the SFPUC that facilitate or hinder their use.

**Status/Outcome:** This task was not assigned. WSIP projects have already been evaluated by Parsons for alternative delivery methods (Currently, Tesla Portal is the only ADM project.) The Committee felt that examining ADM at this time would yield no value. (Note: it was recognized that ADM may be more relevant with the upcoming Waste Water CIP.)

## **10. Review feasibility of Level of Service (LOS) goals**

**Task:** Select a representative sample of projects and evaluate the level of service initially adopted for each project against that achieved at the completion of the project.

**Status/Outcome:** This task was not assigned. Most, if not all, projects have already been designed with LOS goals and this subject was revisited in 2009 largely due to issues raised by the Bay Area Water Supply and Conservation Agency. Such a task would yield little value.

## **11. Compare SFPUC's efforts with other large capital programs (BMPs)**

**Task:** Compare and contrast (benchmark) the WSIP program with those of other large CIP programs using information from the Construction Industry Institute and industry's best management practices.

**Status/Outcome:** This task was not assigned. The Committee found such a task interesting but too ambitious and resource intensive (time and money). However, the *Review of the WSIP Construction Management Program* undertaken by the Independent Review Panel did cite several benchmarking indices in its report. For example, in evaluating the SFPUC's Risk Management Program, the Panel stated that the SFPUC's RM program "meets or exceeds the guidelines established by the CMAA". Furthermore, in its review of soft costs, the Panel compared the SFPUC's soft costs (17%) against a multi-agency study that found soft costs ranging from 11 to 21% among similar agencies.

### **Other tasks/audit areas that have not been fully vetted by RBOC:**

- Examine procedures and processes used in close-out of projects (test and start-up, including submissions of as-builts); by SFPUC and contractors as well as record retention.
- Have the Panel review the start-up of the Sewer System Improvement Program (SSIP); identify key organizational and management aspects that are in-place or contemplated for future success. What are the "lessons learned" from WSIP that carryover to SSIP?
- Identify the SFPUC's plans to transition (de-staff/reassign labor, consultants, or CMIS) out of WSIP to SSIP. (Note: this subject was raised by a previous Independent Review Panel report.)
- Identify the SFPUC's operational needs in a post-WSIP environment. What additional resources, if any, (and at what cost) are need to maintain and operate rebuilt and/or new facilities.
- Examine the latest changes in WSIP cost and schedule with emphasis on increased costs for program delivery. (Note: this was reviewed in part, in the most recent *Review of the WSIP Construction Management Program* by the Independent Review Panel.)
- Revisit the contracting processes to determine lessons learned. Interview staff and contractors.
- Examine program/project permitting; lessons learned.

In addition to the above, the following recommendations for further follow-up studies were made by the Independent Review Panel (IRP) in latest report, *Independent Review of the WSIP Construction Management Program*, completed in December 2011:

#### Short Term Task / Audit Recommendations by the IRP

- Perform an audit of the latest earned value analysis or, alternatively, perform a cost and schedule to complete analysis in order to check the forecast of overall WSIP cost and schedule performance.
- Revise the current Contract Summary reporting to better reflect the actual program schedule change management processes being used.
- Verify that there are system-wide emergency procedures in place.
- Assess the earthquake provisions related to construction ways and means.

#### Long Term Task / Audit Recommendations by the IRP

- Consider other delivery approaches for future projects.
- Contract for constructability reviews to be provided by construction contractors, on a consulting fee-for-service basis, for projects prior to the completion of design.
- Apply procedures and lessons learned to future programs such as SSIP (Waste Water).
- Implement a formal Integration Management Plan for future programs.

#### Task / Audit Recommendations by Dr. William Ibbs

Dr. Ibbs, RBOC's Peer Reviewer, concurred with the IRP's recommendations especially that dealing with a follow-up study of earned value or cost-and-schedule to complete. In addition, in Dr. Ibbs subsequent report dated March 23, 2012, Dr. Ibbs recommended:

- RBOC request that the WSIP management team report periodically on the anticipated final cost and schedule status of the entire program, not just the construction phase.
- RBOC request that the WSIP management team perform an estimate at completion (EAC) and schedule at completion (SAC) for a representative sample of uncompleted projects including the remaining phases of any such projects, not just the construction phase AND, that RBOC retain a consultant to review the EAC/SAC.
- More clearly summarized reports and graphics on a project's Cost Performance Index (CPI) and Schedule Performance Index (SPI).
- SFPUC management provide more frequent verbal presentations about WSIP's status and the management procedures that the SFPUC and its CM consultant are using.

## APPENDIX A

### *Questions Addressed by the Independent Review Panel in its Report, Independent Review of the WSIP Construction Management Program, dated December 28, 2011*

#### **A. Change Management**

1. Are the change orders in excess of the cost and schedule contingencies provided?
2. Among projects with significant change orders, what have been the major reasons for the changes (differing site conditions, owner-requested, contractor-requested, design changes, design errors, etc.)?
3. Are change orders being managed effectively and efficiently including documentation and causes, and are they in compliance with the authorizing legislation?
4. How are trends identified and cost and schedule estimates assigned to them?
5. Is there an understanding of the difference between risks, trends and change orders (potential, pending and approved)?
6. How do the project change order percentages (cost and schedule) compare to industry norms?
7. Is there any indication that the favorable bidding climate is constraining profit margins and resulting in greater use of change orders?
8. Is the SFPUC paying to avoid claims or, conversely, is the resolution of change orders being delayed to avoid impacts on the project, and, if so, how pervasive is it?
9. Evaluate the project change order management process based on the Construction Industry Institute's Change Management Process.
10. What do contractors have to say about the change management process (timeliness, reasonableness, reconciliation and getting paid)?
11. To what extent are there unresolved change orders (e.g. unilateral, force account and denied) that could have cost, schedule and legal implications at a later date and are they being satisfactorily accounted for?
12. Is there some consistency in the management of change orders on a project-by-project basis, or are the results significantly varied among projects?
13. Are lessons learned from change orders being applied to future projects?

#### **B. Risk Management**

1. Have actual risks incurred to date been previously identified in the Risk Management Plan and were the impacts accurately forecast?
2. What are the capabilities for analyzing and forecasting risk and have they been tested and proven effective?
3. How efficiently are risks being mitigated and progress tracked?
4. How does the Risk Management program compare with other utilities of similar size and complexity?
5. Is the Risk Management program being effectively used by the entire project team?
6. Is there a sufficient construction interface management plan in place to ensure that all 81 projects will fit together?

7. How are the risks associated with system shutdowns being addressed?
8. Have the risks to the public during construction been adequately addressed and mitigated?
9. Has the risk of an earthquake during construction been addressed with mitigation?
10. How effectively is the SFPUC mitigating and predicting risk in order to control costs and complete projects in a timely manner?
11. Is the SFPUC effectively including the contractors in risk discussions and analysis?
12. Is there some consistency in the identification, tracking and mitigation of risks on a project-by-project basis, or does the approach and level of efforts vary among projects?

**C. Project Cost, Schedule and Contingencies**

1. Have there been major increases in cost and schedule and, if so, what are the reasons?
2. How is cost and schedule performance being tracked and is the reporting timely and forward looking?
3. Is there a mitigation process in place to address cost and schedule growth, and, if so, what is it and how effective is it?
4. What is the basis of the projected costs and schedules at completion and are they realistic?
5. What is the basis of establishing contingencies and how are they being managed at a project and program level?
6. Are sufficient contingencies being carried to cover increases in cost and schedule, and are the contingencies consistent with industry practice?
7. How do the project soft costs compare with other similar programs?
8. Are the soft costs, specifically program or project management consultant help, contributing to the ability to maintain more control over the program, thereby assuring timely program completion that might not otherwise happen?

\\server\RedirectedFolders\jummel\My Documents\RBOC\Prior and Future Audits.doc





**PUBLIC UTILITIES  
REVENUE BOND OVERSIGHT COMMITTEE  
CITY AND COUNTY OF SAN FRANCISCO  
MINUTES DRAFT**

**Public Utilities Commission Building, 4<sup>th</sup> Floor Conference Room  
1155 Market Street (between 7<sup>th</sup> & 8<sup>th</sup> Streets)  
San Francisco, CA 94103**

**March 19, 2012 - 9:30 AM**

**Regular Meeting**

**1. Call to Order and Roll Call (9:39 a.m. – 9:39 a.m.)**

The meeting was called to order at 9:39 a.m. On the call of the roll Member Liderman was noted absent.

Member Leiderman was excused.

**2. Public Comment. (9:40 a.m. – 9:45 a.m.)**

Members Holly Kaufman and Karen Donovan introduced themselves to their fellow RBOC members, staff and members of the public.

Chair Cheng welcomed, thanked and honored former RBOC Chair Aimee Brown for her years of service to the RBOC. Former Chair Aimee Brown provided parting remarks to the RBOC.

Public Comment: None.

**3. Chair's Report:**

**A. San Francisco Public Utilities Commission (SFPUC) Staff Report: Construction Phase and Forecasting – Stage 2: Presentation by Mojgan Yousefkhan (9:45 a.m. – 10:53 a.m.)**

Mojgan Yousefkhan, John Kinneen, and Estabio Elarosa (SFPUC) presented a report on Construction Phase and Forecasting.

Todd Rydstrom, Jeet Bajwa, Mike Brown and Charles Perl (SFPUC); William Ibbs (Ibbs Consulting); provided information and responded to questions raised throughout the discussion.

Public Comment: Former Chair Aimee Brown provided various comments.

**B. San Francisco Public Utilities Commission (SFPUC) Staff Report: 2<sup>nd</sup> Quarter, FY2011- 2012 Audit & Performance Review Report (10:53 a.m. – 11:01 a.m.)**

Nancy Hom, Charles Perl, and Mike Brown (SFPUC); provided information and responded to questions raised throughout the discussion.

Public Comment: None.

**C. Update: Controller's Consulting Pool - Construction Contract Audit and Project Consulting (11:01 a.m. – 11:09 a.m.)**

Member John Ummel provided a summary as to the status of the Controller's Consulting Pool.

Mike Brown (SFPUC); provided information and responded to questions raised throughout the discussion.

Public Comment: None.

Continued to the next RBOC meeting for further discussion..

**D. San Francisco Public Utilities Commission (SFPUC) Staff Report: RBOC Account Statement. (11:09 a.m. – 11:19 a.m.)**

Nancy Hom and Mike Brown (SFPUC); and Mark Blake (City Attorney's Office); provided information and responded to questions raised throughout the discussion.

Public Comment: None.

4. **City Services Auditor (CSA) Audit Report: Bay Division Pipeline Reliability Upgrade; Mission and Mount Vernon Street Sewer Improvement. (11:19 a.m. – 11:21 a.m.)**

Nancy Home (SFPUC); provided information and responded to questions raised throughout the discussion.

Member Hart, seconded by Member Ummel, moved to accept the City Services Auditor (CSA) Audit Report: Bay Division Pipeline Reliability Upgrade; Mission and Mount Vernon Street Sewer Improvement.

The motion carried by the following vote:

Ayes:5 – Kaufman, Cheng, Donovan, Hart, Ummel

Noes: 0 – None

Excused: 1 - Liederman

Public Comment: None.



5. **Selection of Consultant to Assist the RBOC Create a Consultant Pool.**  
(11:21 a.m. – 11:21 a.m.)

Member Ummel provided a summary as to the status of selecting a consultant to assist the RBOC create a consultant pool.

Public Comment: None.

6. **RBOC 2011 Annual Report: Status of Presentation to the San Francisco Public Utilities Commission.** (11:22 a.m. – 11:26 a.m.)

Chair Cheng provided an update as to the presentation of the RBOC annual report to the SFPUC.

Charles Perl (SFPUC); provided information and responded to questions raised throughout the discussion.

Public Comment: None.

7. **Approval of RBOC Minutes of February 13, 2012.** (11:26 a.m. - 11:36 a.m.)

Member Hart, seconded by Member Kaufman, moved to adopt the RBOC Minutes of February 13, 2012 as amended.

The motion carried by the following vote:

Ayes:5 – Kaufman, Cheng, Donovan, Hart, Ummel

Noes: 0 – None

Excused: 1 - Liederman

Public Comment None

8. **RBOC Member Information Requests Raised at Today's Meeting.**

Item 8 heard concurrently with Item 9.

9. **Future Agenda Items.** (11:26 a.m. - 11:36 a.m.)

Construction Risk Initial vs Actual  
Construction Contingency Trend. Up/Down.

Public Comment. None.

10. **Adjournment.**

The meeting adjourned at 11:36 a.m.

**Agenda Item Information**

Each item on the agenda may include: 1) Department or Agency cover letter and/or report; 2) Public correspondence; 3) Other explanatory documents. For more information concerning agendas, minutes, and meeting information, such as these document, please contact RBOC Committee Clerk, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 – (415) 554-5184.

Audio recordings of the meeting of the Revenue Bond Oversight Committee are available at:  
[http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=97](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=97)

For information concerning San Francisco Public Utilities Commission please contact by e-mail [bondoversight@sfwater.org](mailto:bondoversight@sfwater.org) or by calling (415) 487-5245.