



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

**Public Utilities Commission Building, 11th Floor Conference Room
1155 Market Street (between 7th & 8th Streets)
San Francisco, CA 94103**

Friday, June 1, 2012 - 9:30 AM

Special Meeting

If a quorum of the Public Utilities Revenue Bond Oversight Committee (RBOC) members is present, the chair will hold a Special Meeting of the RBOC to discuss items on this Contracting Working Group Agenda.

1. Call to Order and Roll Call

John Ummel, Chair
Kevin Cheng
Holly Kaufman

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

3. Comments by the Chair. (Discussion)

4. Draft Scope of Work for Estimate-at-Completion and Schedule-at-Completion (EAC/SAC) Review and Analysis of Remaining Delivery Costs. (Discussion and Action) (attachment)

Issue/Action: On May 14, 2012, the Working Group discussed audit activities for the current year. The key audit or task discussed by the Working Group - review of the SFPUC's estimate-at-completion and schedule-at-completion (EAC/SAC) analysis - was initially recommended by Ibbes Consulting and the Independent Review Panel in their respective reports to RBOC in December 2012. A preliminary scope of work for the EAC/SAC analysis was discussed by the Working Group as well as other possible tasks. As originally envisioned, RBOC would seek separate proposals or bids from those consultants in the Controller's Pool once it had finalized those tasks to be undertaken this year.

At its meeting of May 21, 2012, the Revenue Bond Oversight Committee (RBOC) reviewed nine possible tasks. In addition to the EAC/SAC analysis, RBOC chose one additional task for RBOC to conduct this year: *Analysis of Remaining Delivery Costs**. Because of the possibility for overlap among these two tasks, RBOC requested that the Working Group combine the two tasks into one scope of work. A revised scope of work is attached.

The Working Group will review and comment on the draft with the intent to bring this draft scope, amended by the Working Group/SFPUC if needed, before the full RBOC on June 18, 2012, for consideration and approval.

**RBOC does intend to "piggyback" on financial/construction audits being contemplated by the SFPUC and the City Services Auditor (CSA).*

5. **Clarification of Request for Proposal (RFP) Process.**
(Discussion and Action)

Issue/Action: Once RBOC has settled on a scope of work, an RFP process can commence. Pauson Yun, SFPUC Contracts division, will be assisting RBOC with advertising this RFP and guiding RBOC through the selection process. The Working Group should have a thorough understanding of the process and any procedural or legal issues that might arise. Pauson will be available to explain the process and answer any questions.

6. **Approval of RBOC Contracting Working Group Minutes of May 14, 2012.**
(Discussion and Action) (attachment)

7. **Future Agenda Items/Meeting Dates.** (Discussion and Action)

8. **Adjournment**
Next regularly scheduled meeting: To-Be-Determined

Agenda Item Information

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Draft Scope of Services

RBOC Evaluation of the WSIP Program

Task A. Examine the Process for Forecasting Cost Estimate at Completion (EAC) and Schedule at Completion (SAC)

Task B. Examine Remaining Delivery Costs

Introduction

San Francisco's Revenue Bond Oversight Committee (RBOC) is charged with confirming that proceeds from revenue bonds that support Power, Waste Water and Water Enterprise infrastructure improvements are being implemented in a professional and cost effective manner. Currently, RBOC is scrutinizing the SFPUC's 4.6B Water System Improvement Program (WSIP) which is now about 50% complete. The SFPUC is responsible for implementing the program, estimating and tracking project costs, and developing and monitoring project schedules.

In light of recent recommendations made to RBOC by Dr. William Ibbs (Ibbs Consulting) and the SFPUC's Independent Review Panel, RBOC has requested that the SFPUC conduct an EAC/SAC analysis for a representative sample of projects and that this analysis be reviewed by RBOC's consultant (Task A) for purposes of confirming the accuracy of the SFPUC's cost and schedule forecasts and WSIP's overall status with regard to cost and schedule.

In addition, RBOC, in consultation with the SFPUC, has identified other tasks as part of its annual work plan. One such task (Task B) involves a review of all forecasted delivery costs remaining to complete the WSIP.

Objectives

The consultant will review the SFPUC's EAC/SAC analysis and forecasted delivery costs and provide RBOC with a report as to the thoroughness, accuracy, comprehensiveness, and quality of the SFPUC's forecasting processes at project/program completion.

Task A: 1) To what degree of confidence does the EAC/SAC analysis of the representative projects suggest that these projects are on schedule and within the budget currently forecasted by the SFPUC? 2) To what degree of confidence does the EAC/SAC analysis suggest that the overall WSIP program is on schedule/budget? 3) What issues, if any, should be addressed and actions taken to set more accurate project/program completion budgets and schedules, that can be relied upon by program stakeholders and the general public?

Task B: 1) How well does the SFPUC control and accurately forecast delivery costs including City and consultant driven costs. 2) How does the SFPUC's forecasted delivery costs compare with those delivery costs for completed projects? 3) How might the SFPUC's actual and/or forecasted delivery costs compare with industry standards or other programs of comparable size and complexity 4) What recommendations might be

made that enable the SFPUC to more accurately forecast delivery costs, help reduce costs, and phase-out resources no longer necessary as the program nears completion?

General Information

1. A pre-proposers' conference (workshop) will be held so that prospective consultant teams have a clear understanding of the WSIP team's forecasting processes involving EAC/SAC as well as delivery costs. This workshop will also help consultants understand the breadth and specifics of available data, the organizational alignment, and the SFPUC's various processes and policies.
2. The SFPUC will make WSIP records and data accessible to the RBOC consultant and permit the consultant to review information used in its forecasting. The SFPUC will provide a contact person that will facilitate the RBOC consultant's access to information, key SFPUC staff people, contractors and/or other needed contacts.
3. As part of the proposal process, the consultant is required to review the most current SFPUC WSIP project information, including additional reports, such as the Cost Summary and Document Turnaround reports. The SFPUC will make this information available on-line. RBOC will provide, on-line, the most recent Independent Review Panel and Ibbs reports.
4. Modifications to the scope may be made as result of questions/input provided at pre-proposers' conference.
5. Within 5 working days following the pre-proposers conference, consultants can follow-up with SFPUC staff and representatives of RBOC to better understand the breadth and specifics of the tasks and information/data supplied. (Note: Should this step be omitted? What happens if one consultant obtains pertinent information that is not known to the others?)
6. Within 15 working days following the pre-proposers conference, Consultants will submit a proposal based on the information herein, the presentation by the SFPUC (pre-proposers conference), and the pre-proposal document review referenced above, including a timetable for work completion, and a proposed total cost (fee) for completing each task including all aspects of the review and analysis, and the cost for staff, incidentals, and deliverables. The final consultant fee will be negotiated to a not-to-exceed amount.
7. The consultant is expected to meet with the SFPUC staff as often as necessary to access information, clarify issues and thoroughly and accurately report on the status of the representative projects.
8. So that the impact on WSIP staff is minimized, the actual EAC/SAC review process will be mutually agreed upon by the SFPUC and RBOC's consultant. (For example, it may be advantageous for RBOC's consultant to work collaboratively with the person(s) conducting the analysis *as it is being prepared* as opposed to waiting for a completed analysis.)
9. The consultant shall be responsible directly to the RBOC, and _____ (name) _____ will represent the RBOC and be the consultant's contact for general guidance or questions.

10. The consultant will provide the SFPUC and RBOC with a *draft* report including all findings for review and comment prior to a final report being submitted to RBOC.
11. The Consultant must submit a final report to RBOC by_____.

Task A - EAC/SAC Review

The consultant will review the SFPUC's EAC/SAC analysis for the following 5 projects.

1. New Irvington Tunnel-----\$320M
2. Calaveras Dam Replacement-----\$420M
3. HTWTP Long Term Improvements-----\$276M
4. BDPL Reliability Upgrade Tunnel----\$307M
5. Crystal Springs/San Andreas Transmission Upgrade-----\$165M

EAC/SAC Review Requirements

The details of the review will include but not be limited to the items listed below. The exact scope of the review *may* be refined after the consultant becomes more familiar with the WSIP EAC/SAC process and has had a chance to review relevant background documents. The consultant will review the SFPUC's EAC/SAC analysis for the five projects in sufficient detail to thoroughly understand if project costs and schedule assumptions, inclusions, projections, and contingencies are reasonable, and if the projects can be delivered as indicated in the current WSIP forecast at completion base on the information know at the time of the analysis. The review process is as follows:

1. The consultant will follow the SFPUC's EAC/SAC process from beginning to end for each project and assess its current EAC/SAC thoroughness and accuracy.
2. Review of the SFPUC cost estimating and cost forecasting methodology, assumptions, accuracy, and processes used to determine forecast final project cost at completion.
3. Review the SFPUC's schedule projection and forecasting methodology, assumptions, accuracy, and processes used to determine schedule at completion forecasts.
4. Spot check key approved change orders (CO's) to insure they were approved in accordance with SFPUC policies and are essential to successful completion of the project.
5. Spot check pending and potential CO's for both cost and time to insure that projections are realistic, thorough, all inclusive, and that assumptions for cost and schedule at completion are sound and within industry norms.
6. Review project trend projections for both cost and time to insure that projections are realistic, thorough, all inclusive, and that assumptions for cost and schedule at completion are sound and within industry norms.
7. Confirm that all approved, pending, and potential CO's and trends are included in the SFPUC's project cost and time completion forecasts.

8. Review the project risk registers to determine if all reasonable risks are accounted for. Also, make an assessment as to whether high probability risks should be included in the trends cost and schedule projections at completion. Report on the rationale and analysis used to develop your opinion.
9. Review all project contingencies, both construction and non-construction, to determine if there will be sufficient contingencies to cover all costs for the projects at completion. Using the analysis of the 5 projects as a base, provide an opinion and the backup rationale and data to extrapolate this information and determine the overall confidence level that the entire WSIP program can be completed within the current contingency funding, including the Program Management Reserve Fund.
10. The consultant will interview the prime contractor for each project to gain the contractors perspective on the current and projected status of the work and current and future cost and schedule challenges to insure that all reasonable cost and schedule issues are addressed in the SFPUC's EAC/SAC forecasts.
11. The consultant will present a full and comprehensive written report to the RBOC giving the details and analysis leading to the consultant's findings and recommendations.
12. If the consultant findings indicate the need for revisions to the SFPUC's current EAC/SAC process, the consultant will provide specific actions that should be taken to provide more accurate EAC/SAC projections.

Task B - Examine Remaining Delivery Costs

Once a program is in construction, remaining costs are to a great extent fixed through the awarded construction contracts. However, costs may vary in two areas – construction change orders and delivery costs (often referred to as soft costs). With WSIP construction activities projected to peak in the fall of 2012, the WSIP team will need to start ramping down some activities in early 2013. Task B involves assessing the projected delivery costs for the remainder of the program and verifying that those costs reflect the phasing out of resources as the program nears completion.

Remaining Delivery Costs Review Requirements

The details of the review will include but not be limited to the items listed below. The exact scope of the review *may* be refined after the consultant becomes more familiar with the SFPUC's forecasting processes. The review process is as follows:

1. Verify all forecasted delivery costs remaining to complete the WSIP, including costs associated with program and project management, planning, engineering, environmental review and permitting, construction management, engineering support during construction, and other City staffing costs (e.g., real estate services, Water Enterprise operations support, legal support, etc.). Ensure that the definition of "remaining delivery costs" is fully understood so that comparisons with outside benchmarks or other programs can be assessed, if desirable. The analysis should include a review of all delivery cost forecasts (based on specific resource allocation projections of all key positions) and a review of how consultants and City staff are being transitioned out of the

program. The result of the analysis will be compared with an examination of actual delivery costs to date for completed projects to allow for a project-level comparison of the delivery costs approved as part of the July 2011 Revised WSIP. The analysis may also involve the analysis of other remaining non-construction costs such as environmental mitigation, security and right-of-way costs.

Consultant Qualifications and Requirements

The successful RFP submittal shall demonstrate that the consultant/firm has the appropriate professional and technical background as well as access to adequate resources to fulfill the stated scope of services.

Required professional expertise, knowledge and skills include, but are not limited to the following, all in relation with large public infrastructure programs and projects:

- a. All aspects of program, project and construction management.
- b. Schedule and cost control and forecasting, with strong emphasis on construction costs and schedules.
- c. Budgeting, cost control and cost estimating.
- d. Critical Path Method (CPM) scheduling.
- e. Earn value management (CPI, SPI, and other indicators)
- f. Construction contract administration.
- g. Public utility governance and financing.

Desirable experience, knowledge and skills include, but are not limited to the following:

- a. Planning, design and construction of large and complex potable water projects and programs.
- b. Construction risk assessment/management.
- c. Primavera P6 project management platform.
- d. Environmental regulations/requirements and their impacts on project delivery.
- e. Stakeholder relations.
- f. Feasibility analysis and analysis for construction projects and programs.
- g. Public project delivery organizational alignments and responsibilities.

The consultant's proposal will include all necessary expertise and personnel required to successfully complete the scope of services.

Deliverables

The consultant will provide the SFPUC and RBOC with a *draft* report of his/her findings for review and comment prior to a final report being submitted to RBOC. The SFPUC and will have two weeks to respond in writing. The consultant's final report will be provided to RBOC within two weeks of having received the SFPUC's or RBOC's written response. The final report will be provided both electronically and in hard copy including all key backup information used to substantiate the consultant's findings/recommendations. The consultant will provide two progress reports (orally) to the RBOC Board or its sub-committee; one midway through the assignment and one

upon submission of the aforementioned draft. Finally, the consultant will give an oral presentation to the RBOC following submission of the final report.



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CITY AND COUNTY OF SAN FRANCISCO
MINUTES**

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Monday, May 14, 2012 - 9:30 AM

Special Meeting

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

John Ummel, Chair
Kevin Cheng
Holly Kaufman

The meeting was called to order at 9:39 a.m.

On the call of the roll member Kaufman was noted absent.

Member Kaufman was excused.

2. **Public Comment:** (9:39 a.m. – 9:39 a.m.)

Public Comment: None.

3. **Comments by the Chair.** (9:39 a.m. – 9:40 a.m.)

Chair Ummel and Member Cheng provided an update as to the possible audit approaches to be utilized by the RBOC.

Public Comment: None.

4. **Possible Audit Activities for Calendar Year 2012.** (9:40 a.m. – 10:45 a.m.)

Chair Ummel provided an overview of the possible audit activities for the RBOC for 2012.

Julie Labonte and Rich Morales (SFPUC); provided information and responded to questions raised throughout the discussion.

Public Comment: None.

5. **Draft Scope of Work for Estimate-at-Completion and Schedule-at-Completion (EAC/SAC) Review (10:45 a.m. – 11:25 a.m.)**

Chair Ummel provided an overview of the draft scope of work for the EAC/SAC review.

Julie Labonte and Rich Morales (SFPUC); provided information and responded to questions raised throughout the discussion.

Public Comment: None.

5. **Approval of RBOC Contracting Working Group Minutes of April 6, 2012. (11:25 a.m. – 11:25 a.m.)**

Member Cheng, seconded by Member Ummel, moved to approve the RBOC contracting Working Group Minutes of April 6, 2012.

The motion passed by the following vote:

Ayes: Cheng; Ummel

Noes: None.

Excused: Kaufman

Public Comment: None.

6. **Future Agenda Items/Meeting Dates.**

Soft Cost Analysis
EAC/SAC Analysis
Challenging Projects

7. **Adjournment**

The meeting adjourned at 11:34 a.m.

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