



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

**Public Utilities Commission Building
525 Golden Gate Ave., 2nd Floor, O'Shaughnessy Room C
San Francisco, CA 94102**

Monday, July 16, 2012 - 10:00 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. Draft Request for Proposals - Evaluation of the WSIP Program.** (Discussion and Action) (attachment)

Issue/Action: Most, but not all, of the recently provided comments and edits to RBOC's Request for Proposals have been considered/incorporated into the attached revised draft. The next step would be for the SFPUC to review this latest draft (hopefully concur with it) and then publicize the final RFP among those pre-qualified consultants in the Controller's pool. At the same time, the SFPUC needs to establish a day and time for a pre-submittal conference for all interested proposers. The Working Group's self-imposed deadline for having a final RFP ready for publication/advertising is July 31.

John Ummel, Contracting Working Group chair, will go over some of the latest, most relevant changes/edits that were submitted for consideration/incorporation. Feedback from the RBOC members on this latest draft is welcomed before the final draft is submitted to the SFPUC for a final review.

4. **Approval of RBOC Contracting Working Group Minutes of June 1, 2012.**
(Discussion and Action) (Attachment)
5. **Future Agenda Items/Meeting Dates.** (Discussion and Action)
6. **Adjournment**
Next regularly scheduled meeting is to be determined.

Agenda Item Information

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Draft Request for Proposals (V.5)

RBOC Evaluation of the Water System Improvement Program (WSIP)

Introduction

San Francisco's Revenue Bond Oversight Committee (RBOC) is charged with confirming that proceeds from revenue bonds that support Power, Waste and Water Enterprise infrastructure improvements are being implemented in a professional and cost effective manner. Currently, RBOC is focused on reviewing the SFPUC's delivery of the \$4.6B Water System Improvement Program (WSIP) which is now about 62% complete. The SFPUC is responsible for implementing the program, estimating and tracking project budgets, and developing and monitoring project schedules, forecasting costs and schedules and managing contingency.

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 a Cost Estimate at Completion and Schedule at Completion analysis for a representative sample of projects and that this analysis be reviewed by RBOC's consultant (Task A) for purposes of evaluating the accuracy, soundness, and quality of the SFPUC's cost and schedule forecasts and the WSIP's overall status with regard to cost and schedule.

In addition, RBOC has identified one additional task as part of its annual work plan. This task (Task B) involves a review of all forecasted delivery costs remaining to complete the WSIP based on the most current information available at the time of the analysis for purposes of verifying that such remaining costs reflect the phasing out of resources as the program winds down.

Cost Estimate

RBOC estimates that the cost to complete tasks A and B would require a consulting agreement for a total, all-inclusive, amount of \$350k.

Main Objectives

The main objectives surrounding tasks A and B require the consultant to answer these two fundamental questions:

- Does the current WSIP methodology for forecasting cost and schedule provide realistic, sound, and reliable projections?; and
- What is the confidence level that the program will be completed within the currently approved WSIP schedule and cost?

To answer these two questions, the consultant will review the SFPUC's EAC/SAC analysis and remaining delivery costs and provide RBOC with a report as to the thoroughness, accuracy, comprehensiveness, and quality of the SFPUC's forecasting practices at the project and program levels.

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

Key questions to be addressed in Task A include but are not limited to: 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/actions, if any, should be addressed and/or put in place to improve the project/program method for forecasting completion budgets and schedules?

Task B. Examine Remaining Delivery Costs*

Key questions to be addressed in Task B include but are not limited to: 1) How reasonable are the SFPUC's forecasted delivery costs based on the size and complexity of WSIP? 2) How do the SFPUC's forecasted delivery costs compare with delivery costs of already completed projects? 3) How might the SFPUC's delivery costs compare with industry standards or other comparable programs? 4) What recommendations might be made that enable the SFPUC to more accurately forecast delivery costs, help reduce these costs, and phase-out resources no longer necessary as the program nears completion?

**As defined by the SFPUC, delivery costs – often referred to as soft costs or non-construction related costs - include project and program management, planning, engineering, environmental review and permitting, construction management, engineering support during construction, and other City staffing costs such as real estate services, legal support, public outreach, operations support, etc.*

General Information

1. A pre-submittal conference will be held on _____ so that prospective consultant teams have a clear understanding of the WSIP and services requested. The conference will include a brief presentation by the SFPUC on the overall forecasting practices currently in place for the WSIP. This presentation will help consultants understand the WSIP's various business processes and policies and the breadth and specifics of available data.
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 generated at the project and program level and through the Construction Management (CM) Program. The SFPUC will make this information available on-line. RBOC will provide, on-line, the most recent Independent Review Panel and Ibbs reports.
4. Within 5 working days following the pre-submittal conference, consultants can submit follow-up written questions to representatives of RBOC to better

understand the breadth and specifics of the defined tasks. All submitted questions and responses will be posted on the web.

5. Modifications and/or clarifications to the scope may be made by RBOC as a result of questions/input provided at the pre-submittal conference and/or follow-up written questions/responses.
6. Within 15 working days following the pre-submittal conference, Consultants will submit a proposal based on the various studies or reports provided, information conveyed at the pre-submittal conference and any subsequent follow-up. The proposal will identify a timetable for work completion and a proposed total cost (fee) for completing each task including all aspects of the review. The consultant's fee proposal shall include the name of individual(s) to work on the evaluation, billing rate(s), and all indirect costs. The final consultant fee will be negotiated to a not-to-exceed amount.
7. This analysis is being conducted during peak construction activity. Thus, the consultant is expected to confer with SFPUC staff on establishing a schedule for analysis that accommodates the WSIP staff/contractors but recognizes the consultant's timeline for meeting reporting milestones.
8. The consultant is employed by RBOC and shall be responsible directly to RBOC. An RBOC representative (contact person) will be provided to the consultant.
9. The consultant will provide the SFPUC and RBOC with a *preliminary draft* report including all findings for review. The SFPUC will have the opportunity to provide written responses regarding this draft prior to the consultant producing a *final draft* report to RBOC.
10. The consultant will provide two oral progress reports to the full RBOC and/or its working group sub-committee at approximately 30 and 60 day intervals or as determined by RBOC and the consultant.

Task A - EAC/SAC Review

Five projects have been selected for EAC/SAC analysis. These five projects represent different large water infrastructure projects. All are costly - as well as complex - and represent unique challenges.

1. Calaveras Dam Replacement-----\$416M
2. New Irvington Tunnel-----\$320M
3. BDPL Reliability Upgrade Tunnel-----\$307M
4. HTWP Long Term Improvements-----\$277M
5. Crystal Springs/San Andreas Transmission Upgrade----\$165M

Task A. EAC/SAC Review Requirements (Scope of Services)

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 based on the information known at the time of the analysis. The scope of services for Task A will include but not be limited to those items listed below:

1. Follow the SFPUC's forecasting process from beginning to end for each project and assess the thoroughness and accuracy of the EACs/SACs generated as part of the process.
2. Review 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 impacts to ensure 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 impacts to ensure 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 reasonably assessed and 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 supporting 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. 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 ensure that all reasonable cost and schedule issues are addressed in the SFPUC's EAC/SAC forecasts. If requested, the SFPUC's project construction managers for each of the projects can be briefed by RBOC's consultant after the interviews.
11. Present a comprehensive written report to the RBOC giving the details and analysis leading to the consultant's findings and recommendations.
12. Provide specific actions that should be taken to provide more accurate EAC/SAC projections if findings indicate the need for revisions to the SFPUC current forecasting process.

Task B - Examine Remaining Delivery Costs

Once a program is in construction, project 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.

Task B. Remaining Delivery Costs Review Requirements (Scope of Services)

The scope of services for Task B will include but not be limited to the items listed below:

1. Examine the process by which the SFPUC controls and forecasts remaining delivery costs: a) Review 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.); b) 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.
2. Compare the SFPUC’s forecasted delivery costs of active projects with the 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.
3. Present a comprehensive written report to the RBOC giving details and analysis leading to the consultant’s findings and recommendations.
4. Provide specific actions that should be taken to more accurately forecast or control delivery costs if findings indicate the need to do so.

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 complete preliminary *draft* report. The SFPUC will provide feedback on the consultant's preliminary draft report for the consultant's and RBOC's consideration. The final draft 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 present the final draft report to RBOC at a public meeting. Depending on the outcome of this meeting, RBOC may request the consultant to incorporate certain changes into a final report. See timeline below.

Tentative Timetable

- July 31:** Advertise RFP
- August 9:** Pre-submittal conference (actual date to be determined)
- August 16:** Deadline for proposers to submit questions
- August 22:** Deadline for responses to questions
- August 30:** Deadline for proposals
- Sept 12:** Firms shortlisted/oral interviews completed/firm selected
- Sept 17:** RBOC authorizes execution of contract
- Oct 1:** Notice to Proceed
- Nov 1:** First oral progress report to RBOC/Working Group
- Dec 1:** Second oral progress report to RBOC/Working Group
- Dec 28:** Preliminary Draft Report sent to RBOC/SFPUC for review
- Jan 18:** Questions/comments on draft report sent to consultant
- Feb 19:** Final draft report presented to RBOC

- Attachment A: Requirements for Submitting Proposals (in progress)
- Attachment B: Evaluation and Selection Process (in progress)
- Attachment C: Consultant Performance Schedule (being considered)

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CITY AND COUNTY OF SAN FRANCISCO
MINUTES**

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

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 (9:40 a.m. – 9:40 a.m.)

John Ummel, Chair
Kevin Cheng
Holly Kaufman

On the call of the roll all members were noted present.

2. Public Comment (9:40 a.m. – 9:41 a.m.)

Public Comment: None.

3. Comments by the Chair.

Chair Ummel provided a summary of the progress of the RBOC Contracting Working Group.

Public Comment: None.

4. Draft Scope of Work for Estimate-at-Completion and Schedule-at-Completion (EAC/SAC) Review and Analysis of Remaining Delivery Costs. (9:41 a.m. – 11:04 a.m.)

Chair Ummel provided a summary of the draft scope of work for Estimate-at-Completion and Schedule-at-Completion (EAC/SAC).

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

Public Comment: None.

4. **Clarification of Request for Proposal (RFP) Process.**
(11:04 a.m. – 11:19 a.m.)

Pauson Yun (SFPUC); provided information and responded to questions raised throughout the discussion.

Public Comment: None

5. **Approval of RBOC Contracting Working Group Minutes of May 14, 2012.**
(11:19 a.m. – 11:20 a.m.)

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

The motion passed by the following vote:

Ayes: Cheng; Ummel, Kaufman

Noes: None.

Public Comment: None

6. **Future Agenda Items/Meeting Dates.** (11:20 a.m. – 11:24 a.m.)

Scope of Work for Full RBOC
City Attorney – Reimbursement for services
City Services Auditor Work Plan for the SFPUC

Public Comment: None.

7. **Adjournment**

The meeting adjourned at 11:24 a.m.

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