



Mt Diablo Unified School District

Administrative Services

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Steven Lawrence
Superintendent

MEMORANDUM

DATE: July 26, 2010

TO: Steven Lawrence, Superintendent

FROM: Pete Pedersen, Assistant Superintendent, Administrative Services

RE: **Proposal to Create Resident Program Management Team for the Implementation and Oversight of the 2010 Measure "C" Facility Improvement Program**

Absent sufficient staffing capacity, diverse technical proficiencies or internal resource capacities to confidently assume full program/project management and oversight, many public entities have become regularly dependent on the use of private, program/ construction management firms to provide monitoring and managerial oversight of large capital improvement, modernization or other construction-related projects and programs. No exception to this general phenomenon, Mt. Diablo Unified has, in the past, elected to use outside program management to assist Maintenance and Operations staff in the planning and management of both the 1989 Measure "A" and 2002 Measure "C" Facility Improvement Programs as well as new school construction. The industry-promoted, purported benefits to public entities through the use of such outside professional firms include:

- Enhanced opportunities for cost containment and early completion of project milestones
- A reduction in the public entity's risk of excessive costs, schedule delays, claims and construction quality problems
- A fixed-price contract
- Enhanced efficiencies related to project management and coordination activities through the disciplined exercise of systematic management strategies
- Significant control is retained by the public entity
- Allowing the public entity to dedicate more of it's time and staff resources in accomplishing it's core mission responsibilities by minimizing the amount of time required on program/construction management

And while effective program/ construction management firms can indeed lend value to a public entity and can provide some of the aforementioned benefits to organizations like Mt. Diablo Unified it is important to bear in mind that the use and reliance on out-sourced program/construction management does not necessarily protect a public entity's interest by reducing risks, insuring the timely completion of projects, sustaining quality control or performance within established budgets. There have been several instances in Mt. Diablo Unified which would serve to demonstrate that the use of outside program management did not effectively insulate the District from such issues nor that the use of these firms lent any appreciable value in the mitigation or resolution of these sort of problems.

Notwithstanding either the purported or verifiable benefit of retaining outside program/construction management services by public entities, the use of an outside program management firm does not result in any benefits or increased program performance which could not be otherwise achieved through other methods available to entities like Mt. Diablo Unified. By developing internal capabilities, recruiting experienced and knowledgeable staff and exercising diligence in procuring services and counsel through other vendors and consultants, public entities like Mt.

Diablo Unified are wholly capable of assuming full program management of most, if not all, facility improvement programs

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and projects. This fact too, was well evidenced where, in the early stages of the 2002 Measure "C" program, the Board of Education took affirmative actions in approving staff's recommendations to supplant existing contract program management staff with new District staff positions (Exhibit A). These actions resulted in appreciably enhanced program management, enhanced communications and significant cost reductions.

The base contract for the services of private program/construction management for the \$90,000,000 Measure 'A' program was awarded by the Board for an initial total value of \$4,819,136.00, or 5.35% of program value. This total excluded all housing and infrastructure costs which the District elected to absorb separately to avoid 'mark-up' costs. The base contract for program/construction management services for the 2002 \$250,000,000 Measure 'C' program was awarded by the Board for a value \$13,987,511.00, or 5.59% of program value. This total too, excluded all housing and infrastructure costs which were borne by the District. Excluding the approximately \$14,369,995 in funding identified to retire the debt service for C.O.P.'s and Lease Purchases, the 2010 Measure 'C' Facility Improvement Program would then have a value of \$333,630,005.00 available for construction/facility needs. Assuming that the District elected to use the services of a private program/construction management firm for the program/construction management of Measure 'C', at an average of the 'cost to total program' rates enjoyed in the past (an average of 5.47%) the District could then reasonably expect to secure such services for approximately \$18,249,561.00. This cost too, would be exclusive of housing and infrastructure costs.

For the sake of comparison then, using District Position Control data, and assuming no compensation increases and fixed benefits costs for the duration of the program, staff has determined that a resident, and exclusively in-house program/construction management team, closely mirroring that model which has been employed in both Measure 'A' and Measure 'C' (three[3] Assistant Program Managers, three[3] Construction Manager I positions, three [3] Construction Manager II positions, a Project Coordinator and two[2] Secretary positions) serving fixed, assigned terms during the entire duration of an extended seven(7) year program would cost \$7,424,404.00, or 2.22% of program value (Exhibit B). Even if a support budget of \$492,500 for operating costs, \$185,000 for temporary extra help and a very liberal \$2,500,000 allowance for outside project management staff augmentation services were added to this staffing cost, the entire, full-term budget for a resident management operation would total only \$10,902,904, or 3.27% of program value. Moreover, it is significant to bear in mind that, unlike the costs previously cited for the program management of the Measure 'A' and Measure 'C' Programs this figure is fully inclusive of all projected housing and infrastructure costs.

In light of the potential cost reductions which can be enjoyed through the use of a resident program management team, and given the verified success of using District staff in the program and construction management of the 2002 Measure 'C' program I am respectfully requesting that we at least consider initiating the pre-design and design phases of the 2010 Measure 'C' program by requesting that the Board to create the following positions for the 2010-2011 Fiscal Year: three (3) Assistant Program Managers/Project Manager positions, two (2) to become effective 10/1/10 and one (1) to become effective 1/1/11); a single Secretary position (to become effective 11/1/10) and; a single Project Coordinator to become effective 12/1/10. In so doing we can immediately begin developing the Program Management Plan (PMP) for Board review and approval, establish design standards, implement a management information control system, refine engineering specifications, work with General Council in crafting contract templates, begin soliciting and negotiating architect, consultant and Inspector of Record contracts and meet with site administrators, staff and parent groups as to identify site needs and individual program elements for each site. These pre-construction activities are critical and need to be initiated just as soon as practicable. The entire cost for the above cited positions for the 2010-2011 Fiscal Year would be \$355,263.00.

Assuming the satisfactory performance of the pre-design and design phase work by the proposed resident District management team I would recommend that we then approach the Board annually for any and all additional positions necessary to adequately manage the greater 2010 Measure 'C' program. Like the 2002 Measure 'C' positions, all proposed positions would be extended to qualified candidates with the understanding that they are short-term and terminate with the completion of the 2010 Measure 'C' program.

Your consideration of this proposal is appreciated.