

## RESOLUTION ESTABLISHING “CONSTRUCTION MANAGEMENT ACT”

May 11, 2015

TO: Fresno City Council Members, Mayor, City Manager and City Attorney

FROM: Councilmember Lee Brand

### **Agenda Item**

Recommend that the Fresno City Council adopt Resolution no. \_\_\_\_\_ better known as the “Construction Management Act” to develop policies and best practices to improve financial management of construction capital projects in the City.

### **Background**

Because of the sheer size and scope of City Enterprise and General Fund operations, planning and management of construction projects is very complex. Over the next few years the City will be starting several large construction projects including the Fulton Mall, BRT, and the water capital project. These projects will exceed \$500 million.

### **Purpose of Act**

This Act will include policies and practices that will improve the construction management for all City projects. The overall goal is to bring in all construction projects on time and on budget, serving the taxpayers of our City.

Salient policies included in the Act include the following:

**I. Construction Project Standards:** The Act will elevate the standards for contractor selection including: 1) Pre-qualifying contractors architects and engineers; 2) Contractor must have a minimum of 5 years’ experience; and 3) Surety bond coverage shall increase from 100% to 110% of the bid price for projects exceeding \$10 million.

**II. Project Delivery Method:** This will define project delivery methods including Design-Bid Build, General Contractor/Construction Manager, and Design Build. It lays out evaluation of project criteria to determine the best method to use for a given project.

**III. Preview/Pre-Design of Capital Projects:** The City can more efficiently gauge capital construction costs and timeline through a preview of the design of capital projects.

**IV. Change Orders:** Construction change orders will escalate the cost of an approved construction contract and cause delays in project completion. This Act amends City Resolution 94-114 to only apply to construction projects under \$10 million. For projects over \$10 million, any single or cumulative change orders exceeding \$1 million or 10% of the project budget require Council approval.

**V. Construction Progress Payment Draws:** This Act will provide detailed policies to provide better cash management of large construction capital projects and better accountability of public funds financing capital projects.

**VI. Facilities Inventory Report:** The City can better assess and control Capital Improvement Projects (CIP) costs by having an up to date accurate inventory of City facilities.

**VII. Managing Long-Term Facilities Capital Costs:** The City can more effectively plan annual Capital Improvement Budgets by having a comprehensive facility long-term plan.

**VIII. Oversight Board:** The Enterprise Accountability and Oversight Act adopted by the Council on February 26, 2014, provides for a Citizens Oversight Board to review any Enterprise Capital Project in excess of \$20 million. This Act expands the authority of the Citizens Oversight Board to review and evaluate General Fund Capital Projects exceeding \$20 million.

**IX. Peer Review:** Peer Review is used to identify and remove potential construction design defects early in the development process. All proposed Public Works projects would be subject to a “peer review” process prior to the release of any RFP/RFQ on projects exceeding \$10 million.

**X. Earned Value Management of Construction Capital Projects:** This Act requires Earned Value Management of locally funded construction projects exceeding \$10 million. Earned Value Reports are part of construction industry best practices.

**XI. Competed Capital Project Review:** This Act will require an annual report by the City Manager to the Council for all construction capital projects exceeding \$1 million.

**XII. Central Database of Construction Project Data:** The Public Works Director, through the Construction Manager division shall maintain a master database of all citywide construction projects completed each year.

## **RECOMMENDATION**

It is recommended that the Council pass this Act to provide more effective fiscal management of all City construction projects.