

# CITY OF PALOS VERDES ESTATES

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TO: MAYOR AND CITY COUNCIL

FROM: JAMES B. HENDRICKSON, CITY MANAGER

SUBJECT: AN ANALYSIS OF: BUILDING INSPECTION,  
PLANNING, AND ENGINEERING SERVICES

DATE: JANUARY 4, 2001

## Background

In 1995, the City engaged the services of Ralph Andersen and Associates to conduct an analysis of its building, planning and engineering services. These services have been provided by Charles Abbott Associates since 1985; and the focus of the analysis was to assess service delivery alternatives.

Four service alternatives were identified and selected for analysis. These included the following.....

1. **CAA Contract.** This is the current method of providing services through a contract with the firm of Charles Abbott and Associates.
2. **Direct Service Delivery.** This alternative provides these services with the use of City staff.
3. **City Administration of Public Works Services.** This alternative would have a City employee heading the department and coordinating the balance of the Public Works Services which would be provided by contract.

4. **Combination Service Delivery.** This alternative service delivery system would have some services provided by City staff and some by contract.

As part of the analysis, the consultant performed a comparative survey of development services delivery in a number of comparable agencies. These included.....

- Hermosa Beach
- Lomita
- Rancho Palos Verdes
- Rolling Hills Estates
- San Marino

The attached exhibit depicts how these services are provided in the different agencies. Three of the five (Hermosa Beach, Rancho Palos Verdes and San Marino) utilize City employees to oversee public works administration. The most directly comparable example of how such an arrangement might work is the City of Rancho Palos Verdes. Previously, RPV contracted all engineering services from Charles Abbott Associates. Then, several years ago, they hired their own in-house public works director to administer the contract.

The RAA analysis found that the City would realize savings of ~\$40,750 in the "City Administration of Public Works Services" alternative vis-a-vis the current contract arrangement with CAA. This amounted to 7.0% of the total CAA contract costs in FY 94-95.

The overall conclusion of the RAA Study was.....

It is recommended that the City continue to utilize contract engineering, planning and building inspection with the exception of a designated in-house Director position to assume the management responsibilities currently handled by the Planning Director, Building Administrator and Project Supervisor position.

(The complete recommendation is attached to this memo.)

The City Council met in a Study Session on September 26, 1995, to review the Ralph Andersen and Associates Study. As reported in the minutes of that meeting, "Council took the recommendations under advisement and will review this study further." The Council felt the "minimal" 7% contract savings that would be realized by hiring our own Public Works/Planning Director, coupled with the several qualitative issues listed in the report (attached), did not merit any modification to the current contract arrangement with Charles Abbott Associates. The matter has not been revisited again, since that time.

**EXHIBIT IV-B - PALOS VERDES ESTATES ANALYSES**

	Public Works Administration	Engineering Administration	Engineering Design	Engineering Project Manager	Building Inspection	Building Plan Check	Structural Plan Check	Soil/Geological Report Review	Planning/Zoning Admin Current	Planning/Zoning Advanced
Rolling Hills Estates	Contract	Contract	Contract	Mixed	Contract	Contract	Contract	Contract	In-house	In-house
San Marino	In-house	Contract	Contract	Contract	Mixed	Contract	Contract	Contract	In-house	Contract
Rancho Palos Verdes	In-house	In-house	Contract	Contract	Contract	Contract	Contract	Contract	In-house	Contract
Lomita	Contract	In-house	Contract	Contract	Contract	Contract	Contract	Contract	In-house	Contract
Hermosa Beach	In-house	In-house	Contract	Mixed	In-house	Mixed	Mixed	Contract	In-house	In-house

## RECOMMENDATION

There are a number of benefits to a City the size and characteristics of Palos Verdes Estates in maintaining some form of contract services related to planning, building and public works services. Of particular note is the ability to reduce the level of effort as building activity declines.

To address the issues associated with greater control and input on the utilization of resources and staff accessibility, the previous cost analysis indicates that it would be financially beneficial to retain an in-house Community Development Director position (registered civil engineer) to manage the consultant services and assume the hours currently assigned to the Project Supervisor, Planning Director and Building Administrator positions (1,720 billable hours for FY 1994-95 at a cost of \$130,336). The contract consultant currently staffs all three positions with a single individual.

If the City were to utilize in-house staff, the structure of a combined building, planning and public works function should be retained. The nature of the City's planning process and amount of planning activity allow the City to avoid hiring a professional planner to assume those responsibilities. Based on the level of expertise, it is anticipated that the Director position would assume the City Engineer responsibilities (average of approximately 200 billable hours in recent years) but still utilize the services of a contract engineer (equivalent to contract principal position) on an as needed basis. In addition, it is proposed that the position continue to utilize contract planning, engineering and inspection staff. It is recommended that the City continue to utilize contract engineering, planning and building inspection services with the exception of a designated in-house Director position to assume the management responsibilities currently handled by the Planning Director, Building Administrator and Project Supervisor positions. The in-house director position (estimated first-year costs of \$104,794) would have primary responsibility for department and project management along with the responsibility of providing for, monitoring and evaluating contract services.

## QUALITATIVE ISSUES

As is indicated in the review of alternatives, the potential cost savings varies from alternative to alternative. In addition to cost savings, the qualitative issues associated with the various methods of service delivery need to be considered by the City of Palos Verdes Estates. These qualitative issues include:

- **Accessibility to contract firm** — The current contractual arrangement provides for a good level of accessibility to the firm's principal and to the primary contract person on-site. There are some issues relating to the role and relationship of contract staff to other city employees.
- **Staffing fluctuations relating to changes in development activity** — Under the current contractual relationship, the city does not have to be concerned with "staffing-up" during periods of high activity and reducing the workforce in periods of low activity.
- **Level of expertise and community familiarity with current contract firm** - Due to the length of the current contractual relationship, the firm principal and major support staff are familiar with the policies and development characteristics of the City of Palos Verdes Estates. Some of this familiarity would be lost in a full transition to City staff.
- **Hiring and training activities associated with employee turnover** — Under the existing relationship, the City does not have to engage in recruitment and training activities associated with employee turnover. Based on experience, it takes approximately 90 to 120 days to fill a vacant position, with another 30 to 60 days for training.
- **Personnel activities associated with additional employees** — Under the existing contractual arrangement, the City does not have to engage in certain personnel actions such as employee evaluation, discipline, and termination for the contract employees.
- **City control over workload allocation and resource utilization** — While the City receives detailed billing information from the contract firm, there is not the expertise on staff to determine if projects are appropriately assigned to the right contract personnel, the prioritization of work and the effective delivery of services. The current consultant has performed services within budget guidelines; however, there remains a concern that there is no position on city staff to assign and monitor workload to ensure quality control and fiscal accountability.



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September 6, 1995

AN ANALYSIS OF:  
BUILDING INSPECTION,  
PLANNING, AND  
ENGINEERING SERVICES

FINAL REPORT

*CITY OF PALOS VERDES ESTATES*





# TABLE OF CONTENTS

	<u>Page</u>
<b><u>EXECUTIVE SUMMARY</u></b>	
<b><u>CHAPTER I — INTRODUCTION</u></b>	1
Background	2
Objectives and Scope	3
Study Methods	4
Summary	5
<b><u>CHAPTER II — SERVICE DELIVERY DESCRIPTION</u></b>	7
City Organization	7
Exhibit II-A — City Organization	8
Exhibit II-B — Budget	9
Building Inspection, Planning and Engineering Services	10
Exhibit II-C — Organization	10
Exhibit II-D — Building Inspection, Planning & Engineering Budget	12
Exhibit II-E — 1994-95 Budget Comparison	12
Exhibit II-F — Capital Improvement Projects	16
City/CAA Contract	18
Level of Activity	19
Exhibit II-G — Palos Verdes Estates Planning Activity 1993-94	20
Exhibit II-H — Palos Verdes Estates Building Activity Summary 1993-94	21
Exhibit II-I — Palos Verdes Estates Number of Permits Issues 1993-94	21
<b><u>CHAPTER III — POTENTIAL SERVICE DELIVERY ALTERNATIVES</u></b>	23
Potential Service Delivery Alternatives	23
Analysis Methodologies	25
Comparative Survey	25
<b><u>CHAPTER IV — SURVEY OF OTHER AGENCIES</u></b>	27
Exhibit IV-A — Survey Agencies	28
Administration	28
Exhibit IV-B — Palos Verdes Estates Analyses	29
Exhibit IV-C — Administration	28
Engineering Services	30

## TABLE OF CONTENTS (Continued)

	<u>PAGE</u>
Exhibit IV-D — Engineering Services	30
Building Services	30
Exhibit IV-E — Building Services	31
Advanced Planning	31
Exhibit IV-F — Advanced Planning	31
Summary	31
<b><u>CHAPTER V — ANALYSIS AND EVALUATION</u></b>	<b>33</b>
Basis for Analysis	33
Exhibit V-A — Summary of Hours	35
Exhibit V-B — Hours by Task	36
Exhibit V-C — Compensation Levels by Position	41
Services Provided	42
Service Delivery Alternatives	43
Exhibit V-D — CAA Contract Organization	45
Exhibit V-E — Director Service Delivery	47
Exhibit V-F — City Administration of Public Works Services	49
Exhibit V-G — Combination Service Delivery	52
Exhibit V-H — Summary of Alternatives	52
Qualitative Issues	53
Recommendation	54
<b><u>CHAPTER VI — CONTRACT PROVISIONS</u></b>	<b>55</b>
Adjustment in Rates	55
Carry-over of Fees	56
<b><u>APPENDICES</u></b>	
Appendix A — Hour/Cost Data	A-1
Appendix B — Class Specifications	B-1



## CITY OF PALOS VERDES ESTATES

### REVIEW OF BUILDING, PLANNING AND ENGINEERING SERVICES

#### *EXECUTIVE SUMMARY*

The City of Palos Verdes Estates retained Ralph Andersen & Associates to conduct an analysis of its Building Inspection, Planning, and Engineering Services. Those services are currently provided by contract with the firm of Charles Abbott Associates (CAA) and the focus of the analysis is to assess service delivery alternatives. This document represents an Executive Summary of the enclosed report.

#### BACKGROUND

Charles Abbott Associates has provided the City with building inspection, planning and engineering services since 1985. The scope of the services provided are comprehensive and include:

- Public works administration;
- Capital Improvement Program administration;
- Direct building inspection, planning and engineering services;
- Staff support to the Planning Commission and Parklands Committee;
- Staff support to the City Council;
- Supervision of part-time City staff at the City Hall offices;
- Supervision of the Streets and Parks Maintenance Division;
- All plan check services;
- Construction project management;
- Soils analysis-geologic engineer; and
- Miscellaneous building inspection, planning, and engineering services.

Through the utilization of contract services, the City has a combined planning, building, public works and engineering organizational structure. Due to the nature of planning activity in the City (level of activity and planning review process), this analysis does not propose to change that combined structure.

CAA provides the services to the City at a cost of from \$589,000 (1993-94) to \$579,943 (1994-95). During 1994, the City Council discussed the methods of providing for building inspection, planning and engineering services. Given the cost of the services provided through the existing contract, the City Council discussed alternatives including providing those services directly. The City Council decided to study the issue of service delivery and retained Ralph Andersen & Associates to conduct the analysis.

### COMPARATIVE SURVEY

As part of the analysis, the consultant performed a comparative survey of development services delivery in a number of designated agencies. These included:

- Hermosa Beach
- Lomita
- 5 ▪ Rancho Palos Verdes
- 1 ▪ Rolling Hills Estates
- San Marino

The purpose of the survey of other agencies is to provide the City of Palos Verdes Estates with a sense of perspective relating to the delivery of planning and building services in similar agencies. Specific recommendations should not be based on how other cities deliver services since each jurisdiction is different. Particularly, statistics such as cost per mile, caseload per planner and total costs are not valid management tools since each jurisdiction has a different set of priorities, policies and local factors that greatly impact cost. There are some general trends among the survey agencies that are summarized in the points below:

- The survey agencies generally tend to provide for the administration of planning, engineering and public works administration with in-house staff;
- Specialized services such as engineering design, capital project management, soils review, engineering/structural review are typically provided through contract or a combination of contract and in-house staff;
- Building services such as inspection and plan check are mixed in the use of contract and in-house staff;

- Advanced planning services are mixed in the use of contract and in-house staff.

**SERVICE DELIVERY ALTERNATIVES**

Four service delivery alternatives have been identified and selected for analysis. The service delivery alternatives include:

- CAA Contract** — This is the current method of providing services through a contract with the firm of Charles Abbott and Associates (CAA);
- Direct Service Delivery** — This alternative provides services with the use of City staff;
- City Administration of Public Works Services** — This alternative would have a City employee heading the department and coordinating the balance of the public works services which would be provided by contract;
- Combination Service Delivery** — This alternative service delivery system would have some services provided by City staff and some by contract.

The table below summarizes the results of the analysis of alternatives.

EXHIBIT V-H - SUMMARY OF ALTERNATIVES				
	CAA Contract	Direct Service	City Administration	Combination
Contract Costs (94-95 actual)	\$579,943	\$36,000	\$434,400	\$253,086
Direct Costs	-0-			
- Salaries & Benefits		409,810	82,394	226,604
- Data Processing		28,000	12,500	19,700
- Hiring		12,500	2,100	5,600
Indirect Costs (Additional)	-0-	46,800	7,800	23,400
<b>TOTAL</b>	<b>\$579,943</b>	<b>\$533,110</b>	<b>\$539,194</b>	<b>\$528,390</b>

Savings vis-a-vis CAA Contract

On being costs more like

62,207 savings or 4.3%

8.1%      7.0%      8.9%

\$46,833      \$49,749      \$51,553

\$16,734

62,207 savings or 4.3%

### QUALITATIVE ISSUES

The potential cost savings vary from alternative to alternative. Overall, the variations are not large and could be off-set by a variety of factors. In addition to cost savings, the qualitative issues associated with the various methods of service delivery need to be considered by the City of Palos Verdes Estates. These qualitative issues include:

- Accessibility to contract firm — The current contractual arrangement provides for a good level of accessibility to the firm's principal and to the primary contract person on-site. There are some issues relating to the role and relationship of contract staff to other city employees in terms of accessibility and teamwork.
- Staffing fluctuations relating to changes in development activity — Under the current contractual relationship, the city does not have to be concerned with "staffing-up" during periods of high activity and reducing the workforce in periods of low activity.
- Level of expertise and community familiarity with current contract firm - Due to the length of the current contractual relationship, the firm principal and major support staff are familiar with the policies and development characteristics of the City of Palos Verdes Estates. Some of this familiarity would be lost in a full transition to City staff.
- Hiring and training activities associated with employee turnover — Under the existing relationship, the City does not have to engage in recruitment and training activities associated with employee turnover. Based on experience, it takes approximately 90 to 120 days to fill a vacant position, with another 30 to 60 days for training.
- Personnel activities associated with additional employees — Under the existing contractual arrangement, the City does not have to engage in certain personnel actions such as employee evaluation, discipline, and termination for the contract employees.
- City control over workload allocation and resource utilization — While the City receives detailed billing information from the contract firm, there is not the expertise on staff to determine if projects are appropriately assigned to the right contract personnel, the prioritization of work and the effective delivery of services. The current consultant has performed services within budget guidelines; however, there remains a concern that

X

Charlie  
Abriel  
Luis

In favor of  
having our  
own staff  
at Palos Verdes

there is no position on city staff to assign and monitor workload to ensure quality control and fiscal accountability.

### RECOMMENDATION

There are a number of benefits to a City the size and characteristics of Palos Verdes Estates in maintaining some form of contract services related to planning, building and public works services. Of particular note is the ability to reduce the level of effort as building activity declines.

It is recommended that the City continue to utilize contract engineering, planning and building inspection services with the exception of a designated in-house Director position to assume the management responsibilities currently handled by the Planning Director, Building Administrator and Project Supervisor positions. The in-house director position (estimated first-year costs of \$104,794) would have primary responsibility for department and project management along with the responsibility of providing for, monitoring and evaluating contract services.

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### ISSUES AND CONCERNS

There are a number of concerns expressed by the contract engineering firm that are summarized below.

- **Level of Expertise** — There is a concern that the level of expertise associated with the current activity will be greatly diminished by the use of in-house staff. The report recommendation recommends that the City retain the majority of contract services; however, the primary administration activities and some associated engineering and building activities be replaced by an in-house position. Ralph Andersen & Associates feels that this recommendation does not greatly diminish the level of expertise in the middle to long term.
- **True Costs** — There is a concern that the true costs (indirect) are greater than reflected in the report. It is important to note that the City of Palos Verdes Estates has already indicated approximately \$261,000 in indirect costs that are associated with the current service delivery structure. The

additional indirect costs associated with the recommendation to provide for an additional in-house position are minimal.

- **Control** — There is an assertion that utilizing consultants affords the City a greater level of control than utilizing in-house staff. While it is true that the current consultant provides the City with a high level of detail on hours and costs expended, there is a difference between reporting and overall control. Currently, there is no in-house position to determine if the basic policy decisions and assumptions relating to staff utilization and project hours are correct. It is recommended that this responsibility be assigned to the in-house Director position. The other controls (cap on fees, master plans, hourly invoices) can remain in place.





## **CHAPTER I INTRODUCTION**

The City of Palos Verdes Estates retained Ralph Andersen & Associates to conduct an analysis of its Building Inspection, Planning, and Engineering Services. Those services are currently provided by contract with the firm of Charles Abbott Associates (CAA) and the focus of the analysis is to assess service delivery alternatives. This Final Report contains the results of the analysis and is organized into the following chapters:

- **Chapter I — Introduction** — This chapter provides the background and objectives for the analysis.
- **Chapter II — Service Delivery Description** — This chapter describes the current methods of providing building inspection, planning, and engineering services.
- **Chapter III — Potential Service Delivery Alternatives** — This chapter contains an outline description of service delivery alternatives.
- **Chapter IV — Comparative Survey** — This chapter contains the results of a survey of other cities to identify methods used to deliver building inspection, planning and engineering services.
- **Chapter V — Analysis and Evaluation** — This chapter describes the analysis of building inspection, planning and engineering services. It also evaluates service delivery alternatives.
- **Chapter VI — Contract Provisions** — This chapter contains the results of the analysis of contract provisions including a provision for annual cost adjustments.

The balance of this chapter describes the background for the analysis, the objectives and scope, and study methods. A draft final report was reviewed with the City Manager and representatives from CAA. Some of the comments received from that review were incorporated into this final report.

## **BACKGROUND**

Palos Verdes Estates is a primarily residential community with a population of approximately 14,000 residents. It is located on the Palos Verdes Peninsula in Los Angeles County and is bordered by the communities of Torrance, Redondo Beach, Rolling Hills Estates, and Rancho Palos Verdes. The City of Palos Verdes Estates is a general-law city operating with the Council-Manager form of government.

Services are provided by the City of Palos Verdes Estates through a combination of direct service delivery and public agency and private contracts. The City provides the following services directly:

- City Manager and general administration;
- City Clerk;
- Finance;
- Basic streets and park maintenance (median maintenance, tree maintenance, sweeping etc, all done outside);
- Police.

The City contracts with the Los Angeles County Fire Department for fire protection services and, contracts with Charles Abbott Associates for building inspection, planning and engineering services. While the City provides basic street and park maintenance services with its own staff, other maintenance services are provided by contract. These include median maintenance, tree trimming and maintenance, and street sweeping. These contract services are coordinated by CAA staff in their role as public works managers.

Charles Abbott Associates has provided the City with building inspection, planning and engineering services since 1985. The scope of the services provided are comprehensive and include:

- Public works administration;
- Capital Improvement Program administration;
- Direct building inspection, planning and engineering services;
- Staff support to the Planning Commission and Parklands Committee;
- Staff support to the City Council;
- Supervision of part-time City staff at the City Hall offices;
- Supervision of the Streets and Parks Maintenance Division;
- All plan check services;
- Construction project management;

- Soils analysis-geologic engineer
- Miscellaneous building inspection, planning, and engineering services.

Engineering design services are used for the City's capital improvement projects. CAA also performs some of the engineering design work and all of the specification preparation for the City. Proposals for some engineering design services are solicited from other qualified firms. CAA evaluates those proposals and advises the City in its role as public works managers for the City.

CAA provides the services to the City at a cost of from \$589,000 (1993-94) to \$633,000 (1994-95). During 1994, the City Council discussed the methods of providing for building inspection, planning and engineering services. Given the cost of the services provided through the existing contract, the City Council discussed alternatives including providing those services directly. The City Council decided to study the issue of service delivery and retained Ralph Andersen & Associates to conduct the analysis.

#### OBJECTIVES AND SCOPE

The analysis of building inspection, planning and engineering services was conducted with several specific objectives in mind. The analysis objectives were to:

- Develop a base line of service delivery cost comparison;
- Prepare a classification and compensation plan for all positions identified in the base line method;
- Analyze various service delivery alternatives (direct service, private contract, and/or a combination) including making specific recommendations for the best alternative;
- Design key contract provisions including periodic cost adjustments;
- Document the results of the analysis in draft and final reports and discuss the draft with the City Manager and present the final report to the City Council.

The scope of the analysis was intended to be comprehensive. It included using the methodology outlined in the Reason Foundation Study, "How to Compare Costs Between In-House and Contracted Services", March 1993, as a guide in conducting

the comparative analysis. In addition, the scope of the analysis included conducting a comparative survey of other agencies to identify the service delivery methods used and their costs.

## STUDY METHODS

The study methodology used in conducting the analysis of building inspection, planning and engineering services included several important tasks.

- **Data Collection** — The data collection for the analysis including the collection and review of a variety of materials and documents. These included budgets, the contract with CAA, billing statements from CAA, monthly activity reports from CAA, fee revenue statements by month, and various special reports, staff reports, and other information.

In addition to the collection of materials and documents, the data collection activities for the analysis included conducting interviews. Individual interviews were conducted with the City Manager, the on-site CAA staff members, The Finance Director, the part-time City staff assigned to building inspection, planning and engineering services, and the public works supervisor. In addition, the consultants met with Charles Abbott and the Assistant City Engineer (CAA employee) at the beginning of the study. The purpose of the individual interviews was to gain an understanding of the organization and operations of the building inspection, planning and engineering services.

The data collection portion of the assignment also included conducting a survey of other cities similar to Palos Verdes Estates. The survey was used to identify the methods used to provide building inspection, planning and engineering services.

- **Analysis** — The analysis of building inspection, planning and engineering services includes several specific analytical activities. Among them are the identification and analysis of service delivery alternatives, cost analysis of the various alternatives, classification and compensation analysis (for the direct service delivery alternative), and comparative analysis. In addition, the study includes a review and analysis of the existing contract with CAA and the identification of provisions that may be considered for inclusion in future contracts.

- **Reporting** — The study includes the preparation and review of several reports. The work plan for the analysis includes the preparation of a report on service delivery description, a draft final report, and a final report.

### **SUMMARY**

This introductory chapter describes the purpose of the analysis of the building inspection, planning and engineering services. Subsequent chapters of the report describe the current service delivery methods and the results of the analysis.

## **CHAPTER II SERVICE DELIVERY DESCRIPTION**

This chapter describes the current method of delivering building inspection, planning and engineering services. The purpose of the description is to provide a base for the development of alternative service delivery methods and analysis. The description of service delivery will also serve as the base for the comparison of alternatives.

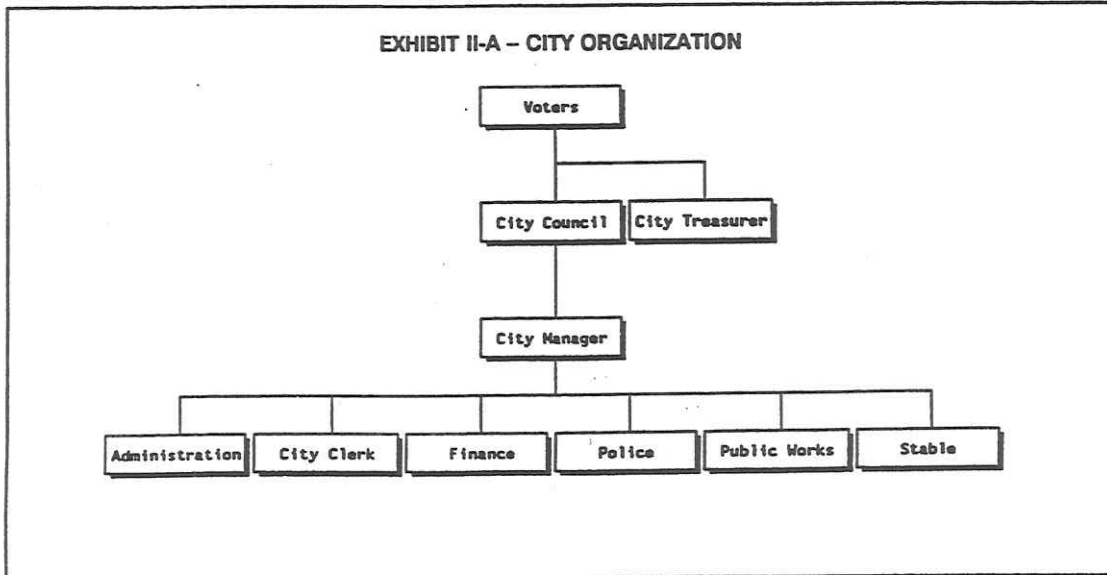
This chapter includes descriptive information to place the services under study into perspective. It also describes each of the service delivery methods currently used and the basis for their use.

### **CITY ORGANIZATION**

The City of Palos Verdes Estates operates with the Council-Manager form of government. The members of the City Council are elected for four year overlapping terms. The City Treasurer is also directly elected by the voters of the City. The City Council appoint the City Manager who serves as the City's chief executive officer with the responsibility for the appointment of all of the department heads and directing all city activities through the various departments. The organization structure of the City organization is shown on Exhibit II-A.

As is shown on the organization chart in Exhibit II-A, the City has six departments or administrative units. The departments and their major functions are listed below.

- City Manager/Administration
  - Personnel
  - Labor relations
  - Liaison to Golf & Tennis Club and the Beach & Athletic Club



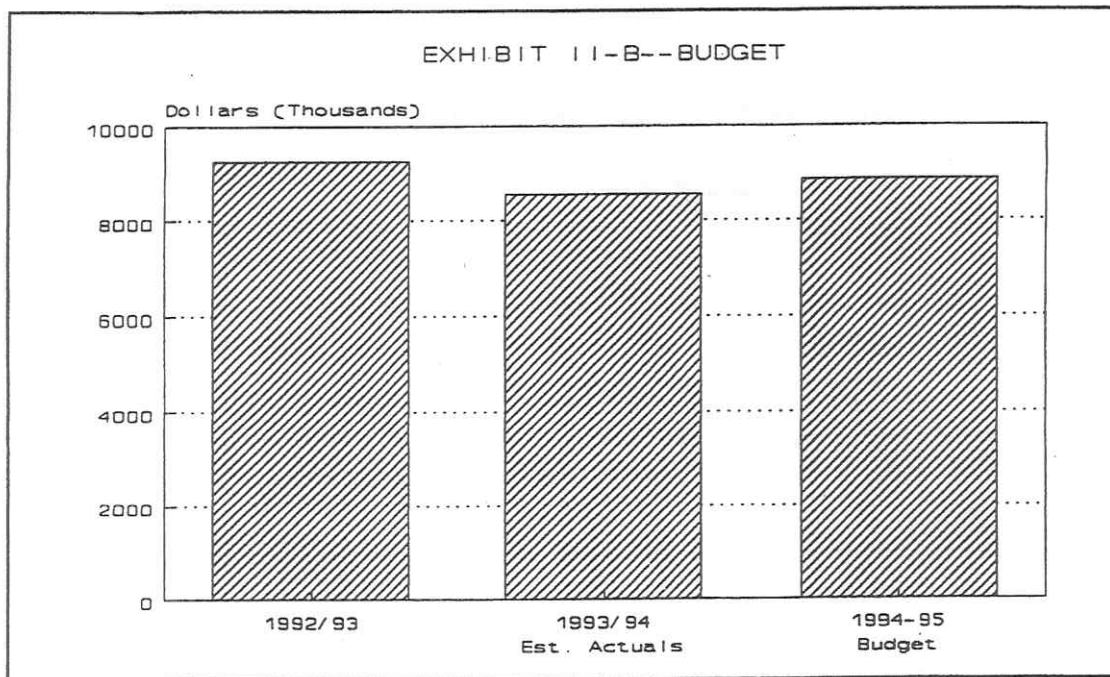
- Representative to Palos Verdes Peninsula Transit authority
- Contract administration (fire, building inspection, planning, engineering)

- City Clerk
  - City Council meetings/agenda/minutes
  - Public information
  - Records management
  - Elections
- Finance
  - Accounting
  - Budget
  - Risk management
  - Data processing
- Police
  - Patrol
  - Investigations
  - Traffic
  - Parking and license enforcement
  - Reserves
  - Animal control
  - Jail

- Public Works
  - Planning
  - Building inspection
  - Engineering
  - Streets and parks maintenance
  
- Stable

The City provides services to the community through these departments and using a combination of direct service delivery (police, for example) and contract service delivery (building inspection, planning and engineering, for example). Direct services are provided with a total of 54 full-time positions and the equivalent of 7.84 part-time positions. The total staffing levels for the City in terms of full time equivalents for 1994-95 is 61.84 positions.

The City's budget, exclusive of capital improvement projects, reflects all of the costs of operation for the services provided. The budget for 1992-93, estimated budget for 1993-94 and the current fiscal year budget are shown on Exhibit II-B.



As is shown on the exhibit, the City budget for 1994-95 is less than its actual expenditures for the 1992-93 fiscal year. The current year budget reflects a slight increase from the estimated expenses for the prior fiscal year. Much of the City's budget is devoted to the cost of providing for public safety services. For the current fiscal year, the cost of the Police Department and the contract for fire

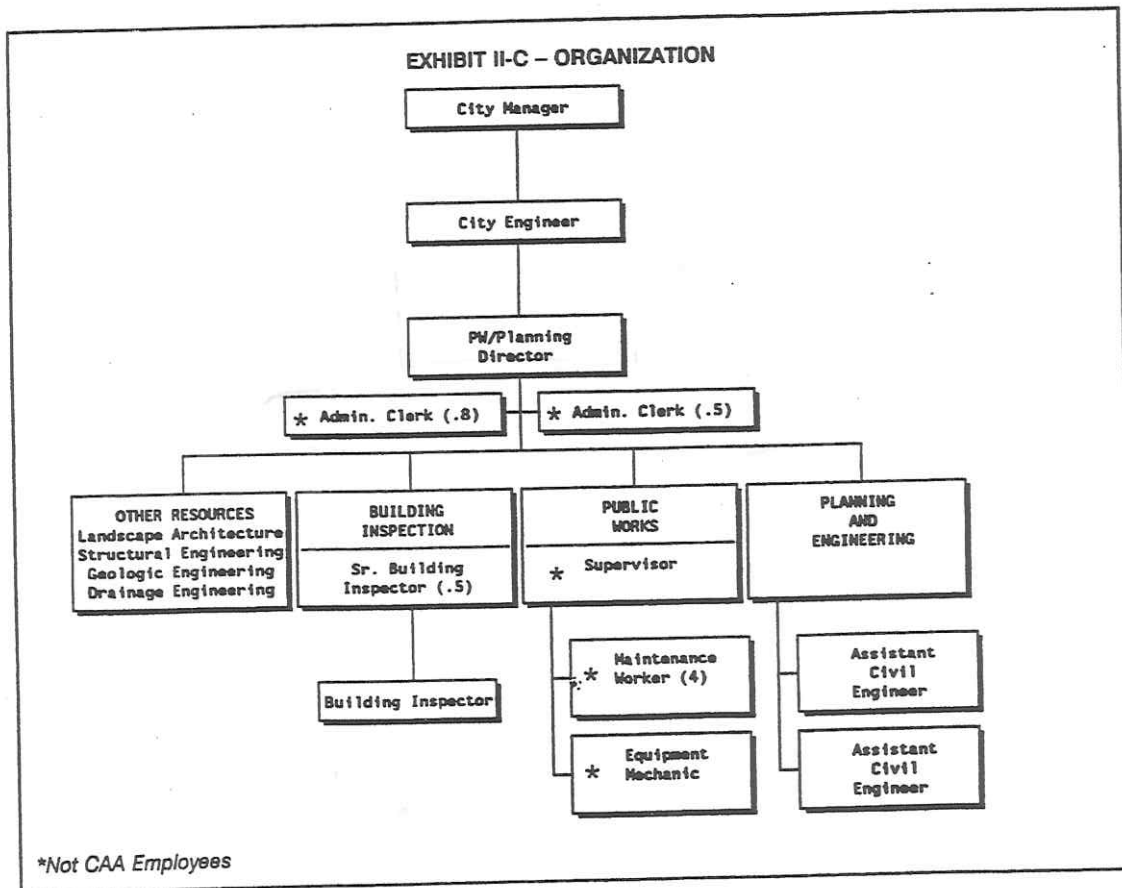


protection services with the Los Angeles County Fire Department will total nearly \$5 million or 55.5 percent of the budget.

### BUILDING INSPECTION, PLANNING AND ENGINEERING SERVICES

This section provides a brief description of the services for building inspection, planning, and engineering. These services are the subject of the analysis and, as described briefly in the first chapter of this report, are provided through a contract with Charles Abbott Associates (CAA).

The organization structure of the three services is shown on Exhibit II-C. Although the chart reflects a typical reporting relationship between the City Manager and City Engineer, it is a contractual relationship in that the City Engineer is an employee of CAA.



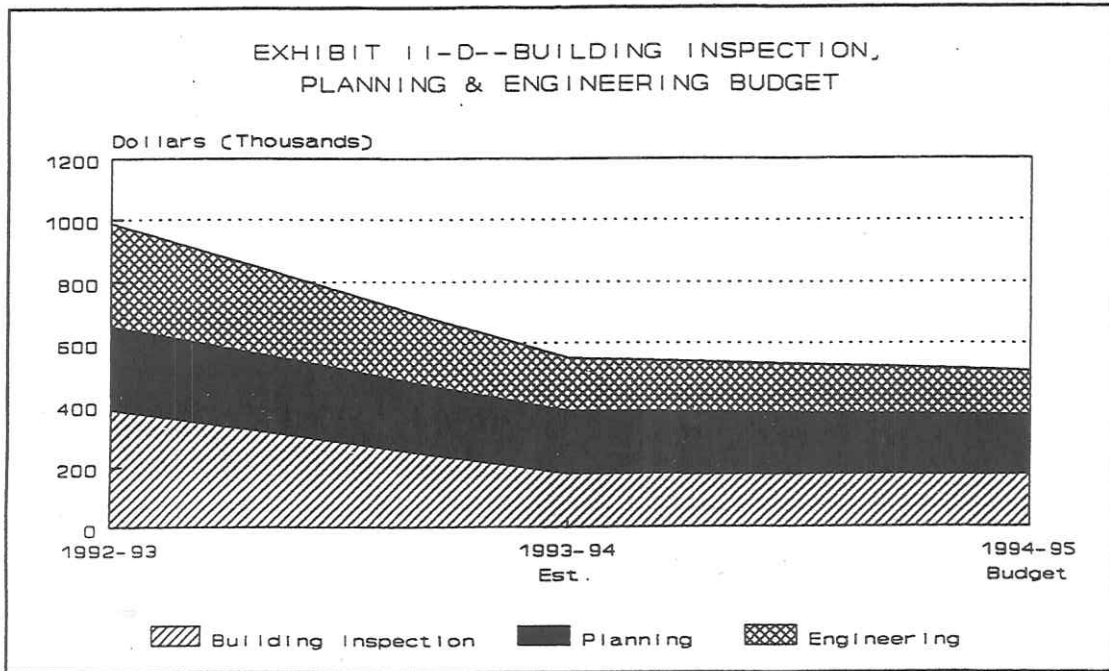
The organization chart on Exhibit II-C shows the staffing for the entire public works operations. The structure reflects staffing that is a combination of City staff and CAA contract staff. Contract and City staff are listed below.

- CAA contract staff:
  - Public Works/Planning Director
  - Senior Building Inspector
  - Building Inspector
  - Assistant Civil Engineer (2).\*
- \* *Classification of current incumbents. Normal staffing would be on Associate Civil Engineer and one Assistant Civil Engineer.*
- City staff:
  - Administrative Clerk (2, part-time)
  - Public Works Supervisor
  - Maintenance Worker (4)
  - Equipment Mechanic.
- As Needed CAA Specialists:
  - Landscape architecture
  - Structural engineering
  - Geologic engineering
  - Drainage engineering

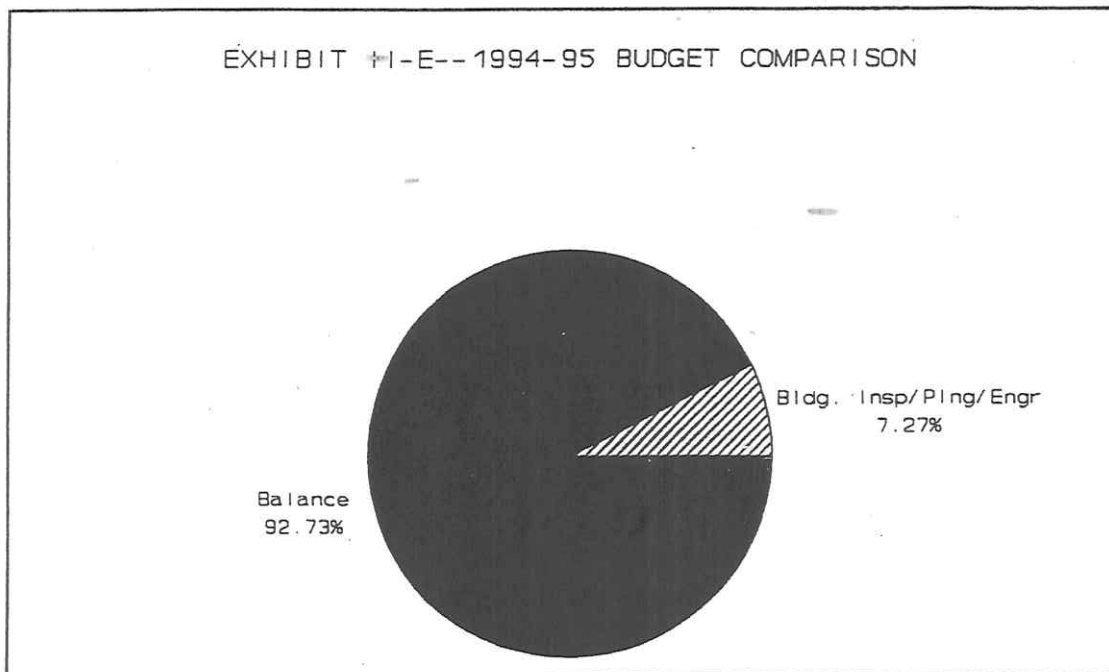
The Public Works/Planning Director is responsible for the direction of all of the building inspection, planning and engineering services and for public works maintenance. Although a member of the CAA contract staff, he is on-site full time and reports to the City Manager. The formal designation of City Engineer is retained by Charles Abbott who provides general oversight and assistance to the Public Works/Planning Director.

The budgets for building inspection, planning and engineering services are shown on Exhibit II-D. The exhibit shows the budget for 1992-93 and the estimated budgets for 1993-94 and the current fiscal year.

As is shown on the budget exhibit, the cost of the three services is estimated to be lower in the current fiscal year than for 1992-93. The decline in the cost of these services generally reflects lower activity levels. However, even if activity levels had stayed the same, the costs would have gone down because of streamlining procedures. An example of streamlining is reducing duplication of effort in preparing staff reports to the Planning Commission and to the City Council. Compared to the actual costs for the services in 1992-93, the current fiscal year budget is estimated to be approximately 12 percent lower.



The budget for building inspection, planning and engineering services represents a relatively small portion of the City's total budget as is shown on Exhibit II-E.



For the current fiscal year, the combined costs of building inspection, planning and engineering services is estimated at \$644,087. This amount is 7.27 percent of the City's total budget of nearly \$8.9 million for 1994-95.

## **PUBLICWORKS/CAPITAL IMPROVEMENT PROGRAM ADMINISTRATION**

In addition to providing the specific services for building inspection, planning and engineering services, CAA has responsibility for public works administration and administration of the City's capital improvement program.

Public works administration services include all of the activities necessary to coordinate the basic services of building inspection, planning and engineering services, and supervising the City's maintenance activities; coordinating contract services for median maintenance, tree trimming, and street sweeping. These activities also include a variety of miscellaneous activities such as attending staff meetings, meeting with citizens, and attending meetings of the city council, commissions and committees as necessary.

Capital improvement program administration includes all of the activities necessary to move the City's capital projects from inception to completion. CAA staff develop the City's capital improvement program by identifying needed projects, preparing initial project concepts and cost estimates, and presenting the plan to the City Manager and City Council. After the program has been approved, CAA conducts all of the activities necessary to bring individual projects to completion. These activities involve participating in the selection of design engineers, reviewing and approving plans and specifications, soliciting, reviewing and awarding construction bids, and conducting construction inspection.

## **BUILDING INSPECTION SERVICES**

Building inspection services include providing information and assistance to contractors and the public, checking plans, issuing permits, and conducting inspections. Permit issuing includes building, grading plumbing, mechanical and electrical permits. Fees are also collected for the various permits.

The building inspection function is supervised by the Public Works/Planning Director who serves as the chief building official. The Director provides oversight of the activities of the unit. He also handles complaints, provides service at the public counter as needed, and presents building inspection issues that come before the City Council.

Building inspection services are provided with two primary standards for service levels. The plan checking process has a standard of not more than two weeks from submission to the issuance of a permit or notice of correction (one week on resubmittals). Inspections are performed within 24

hours of the time of the request. The counter area is open from 8 a.m. - 5 p.m.; however, the Senior Building Inspector or Building Inspector are available from 8:00 to 10:00 a.m. daily and by appointment. In the absence of the building inspectors, the Administrative Clerk provides information and issues non-structural permits and assistance is also provided by the Public Works/Planning Director and the two Assistant Civil Engineers.

The Senior Building Inspector is a CAA contract employee. He devotes about 20 hours per week to building inspection activities in Palos Verdes Estates. These activities include conducting plan checks, issuing permits, and discussing plans with contractors and the public. He is also responsible for supervising the Building Inspector and for assisting in field inspections as necessary.

The Building Inspector is a CAA contract employee and is assigned full time to Palos Verdes Estates. The Building Inspector spends most of his time in the field making inspections. After allowing for office time for appointments, the Building Inspector makes field inspections (typically from 9 to 12 inspections per day). Inspections are scheduled and routed throughout the City for efficiency and each inspection stop may include a number of specific inspections. The Building Inspector also performs plan checks.

The Administrative Clerk is a City employee working 32 hours per week. This position is responsible for staffing the front counter, issuing non structural permits, maintaining fee and valuation data, maintaining the City's address files, scheduling inspections, and field code enforcement activities. The Administrative Clerk spends approximately three hours per week in field code enforcement activities. The Administrative Clerk is also responsible for referring plans submitted to the Art Jury (Palos Verdes Homeowner's Association). The Art Jury functions as a design review board and reviews all building plans involving changes to the exterior of structures.

Workload levels in building inspection are a function of the levels of building activity. Workload tends to be remodels, building extensions, and the construction of new homes which are estimated at five or less per year. As defined by the number of building permits, workload has ranged from an estimated 400 for the current fiscal year to 500 in 1990-91.

### PLANNING SERVICES

Planning services involve the administration of the City's land use and development policies as documented in the General Plan, Zoning Ordinance and other regulatory documents. These services are provided to homeown-

ers and contractors at the public counter and involve the provision of information on grading applications, neighborhood compatibility applications, and processing conditional use permits and variance requests. In addition, the planning staff provides support to the Planning Commission and to the City Council.

Planning services involve the Public Works/Planning Director and two Assistant Civil Engineer positions (one is usually an Associate Civil Engineer) all of who are CAA contract employees. In addition, the Administrative Clerk (part-time, City employee) is allocated to planning activities. These staff members are involved in reviewing and making recommendations on:

- Grading applications
- Neighborhood compatibility applications
- Conditional use permits
- Variances
- Overseeing the preparation of General Plan elements
- Overseeing the preparation of specific plans
- Code enforcement
- Miscellaneous applications.

The planning staff also maintains the City's General Plan by making periodic updates and changes for consideration by the Planning Commission and the City Council. Last year for example, a draft of the City's housing element (prepared by outside consultants) was prepared and submitted for review. Staff members attend meetings of the Planning Commission to present reports and provide advice and assistance. Under the direction of the Public Works/Planning Director, the Administrative Clerk prepares the agenda for the Planning Commission and posts the appropriate notifications regarding items before the Commission. The Assistant Civil Engineers conduct plan checks for consistency with the General Plan and Zoning Ordinance and other activities. In addition, they provide assistance to the public and contractors at the front counter.

Other planning related services conducted by CAA include serving as the City's Forester and supervising landscape activities. CAA also serves as staff to the City's Parklands Commission. All of these services are provided in approximately 600 hours annually.

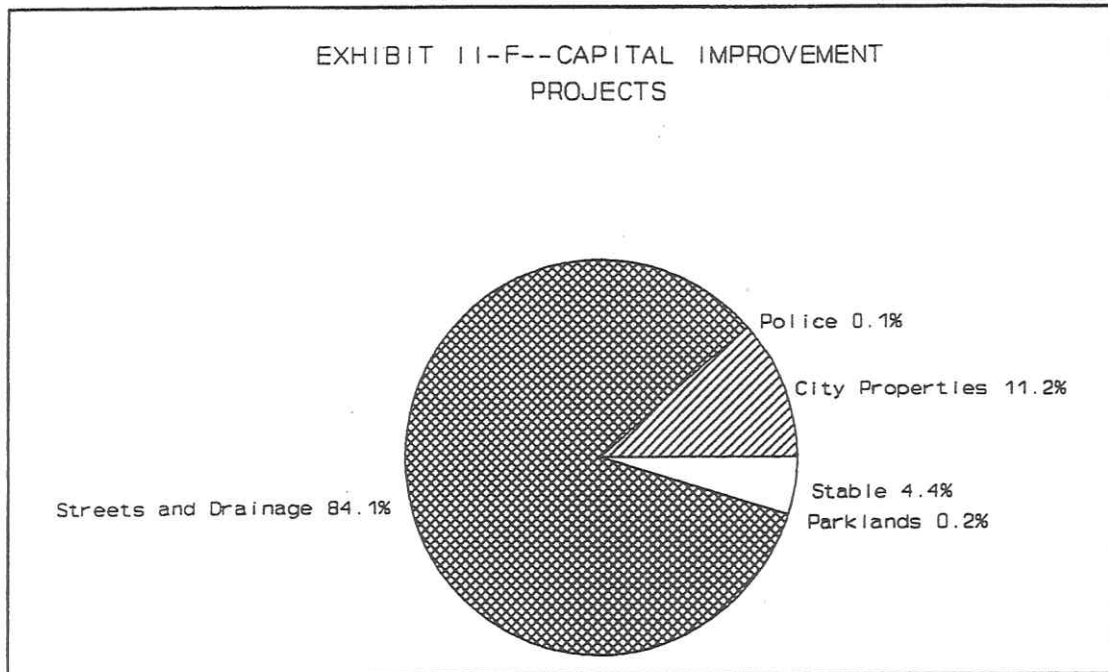
It is important to note that the two Assistant Civil Engineers work in both the City's planning and engineering services. Portions of their time is allocated to each of these services. Both work full time in the City but

divide their time between planning and engineering depending upon workload and the demand for services.

### ENGINEERING SERVICES

The City's engineering services are provided by CAA contract employees. Typically those services can be provided directly by the CAA staff assigned to Palos Verdes Estates but as necessary, they may be assisted or advised by other members of the CAA staff. CAA indicates that approximately nine (9) positions within the firm spend portions of their time on Palos Verdes Estates projects. Overall, engineering services include preparing plans and specifications, construction inspection, working with other agencies, providing advice and assistance to the Planning Commission and City Council, administering contract services (tree trimming, for example) and directing public works maintenance activities. CAA also provides any needed specialized engineering services. These include structural, geologic and drainage engineering services.

Engineering services include the development and implementation of the City's capital improvement program. The capital improvement program for 1994-95 are shown by category in Exhibit II-F.



The 1994-95 capital improvement program includes more than \$3.4 million in projects. As is shown on Exhibit II-F, 84.1 percent of the value of all

capital projects is devoted to streets and drainage projects. These projects include slurry seal, overlay and reconstruction of streets and, storm drain improvements. The largest portion of the streets projects are devoted to the implementation of the City's master plan for storm drains. In 1994-95, seven projects with a cost of \$1.8 million will be implemented.

Engineering services provided in relation to the capital improvement plan include:

- Conceptual development of plans;
- Preparation of requests for proposal for engineering design services;
- Preparation of construction bid documents;
- Solicitation and award of bids for construction;
- Construction administration;
- Coordination of storm drain and major street improvement projects with Los Angeles County (policy is to have the County check plans and accept for maintenance).

As a part of its capital improvement program administration services, CAA seeks proposals for engineering design services from other engineering firms. CAA serves as the City's representative in reviewing plans and specifications and providing overall project administration.

The current method of providing for building inspection, planning and engineering services is highly flexible. CAA staff members are not limited to disciplines and, for example, the Assistant Civil Engineers perform both planning and engineering work. Similarly, the Public Works/Planning Director works in all areas as well as providing supervision for the City's public works activities. CAA has specialized expertise available to the City. These services include AB939 (solid waste) activities, capital project review, and the expertise of Charles Abbott and other members of the firm.



## CITY/CAA CONTRACT

The City of Palos Verdes Estates has contracted with CAA for public works management services since 1985. The current contract has been in effect since July 1990, and has been amended twice since then. It was amended in August 1991, and again in July 1993. This section provides a brief description of the key provisions of the public works management services contract.

**Term of Contract** — The term of the contract is indefinite and provides for a 90 day termination notice by either the City or CAA, without cause.

**Services** — The services to be provided by CAA to the City are broadly defined in the contract. Those services are listed under specific categories for:

- Capital improvement program administration;
- Public works administration;
- Maintenance Department administration;
- Building Department administration;
- Planning Department administration;
- Proposition A Transit Funds administration.

Since the original contract between the City and CAA was approved, other services have been added. Additional services now include parks administration and providing a CAA staff member to serve as a landscape specialist.

The first amendment to the contract expanded the services provided under Building Department administration to include the performance of structural and non-structural plan check services. The second amendment to the contract expanded the services to include the review of soils and/or geology reports.

The description of the services to be provided by CAA are brief but include a comprehensive scope. Those services are essentially all activities required to operate the City's building inspection, planning and engineering services as well as to supervise maintenance activities and administer the City's capital improvement program.

**Employees** — All of the services described in the contract are to be provided by employees of CAA. The contract requires CAA to make reasonable efforts to maintain continuity of its staff. It also gives the City Manager approval authority over the assignment of new CAA staff members to the City. In addition, the contract requires the City Manager and CAA to meet at least once annually to discuss CAA consultant staff performance.

**Fees** — The fees paid by the City to CAA are a combination of hourly rates for administration (with a cap on total charges including planning and building administration) and a portion of the fees collected for building and planning related fees. The percentage of the fees assigned to CAA is not to exceed 65 percent if the amount to total fees collected is under \$500,000 and 62 percent the total fees collected are over \$500,000. The 65/62 percent cap was established as a part of the first amendment to the contract.

CAA establishes specific hourly rates by position classification and these rates are applied to the number of hours worked in each of several specific categories. For example, annual caps are set for the total cost of services in capital improvement program administration, public works administration, maintenance administration and transit administration. CAA is committed to provide services in these areas and to charge for those services on a hourly basis up to the cap established. If costs exceed the cap the City does not pay the excess. If the costs are less than the cap, as has been the case for two of the past three years, the City pays only the actual costs. In addition, CAA does not bill the City for the cost of attending night meetings or for the first 80 hours a new employee is assigned to the City. The contract provides for the revision of the hourly rates charged by CAA on an annual basis. The adjustment factor used for the hourly rates is the May to May change in the consumer price index with an adjustment limit of six percent. The increase in rates must be approved by the City Council and CAA. In 1994 CAA requested an increase of 3 percent in its hourly rates. The rate increase was approved by the City Council.

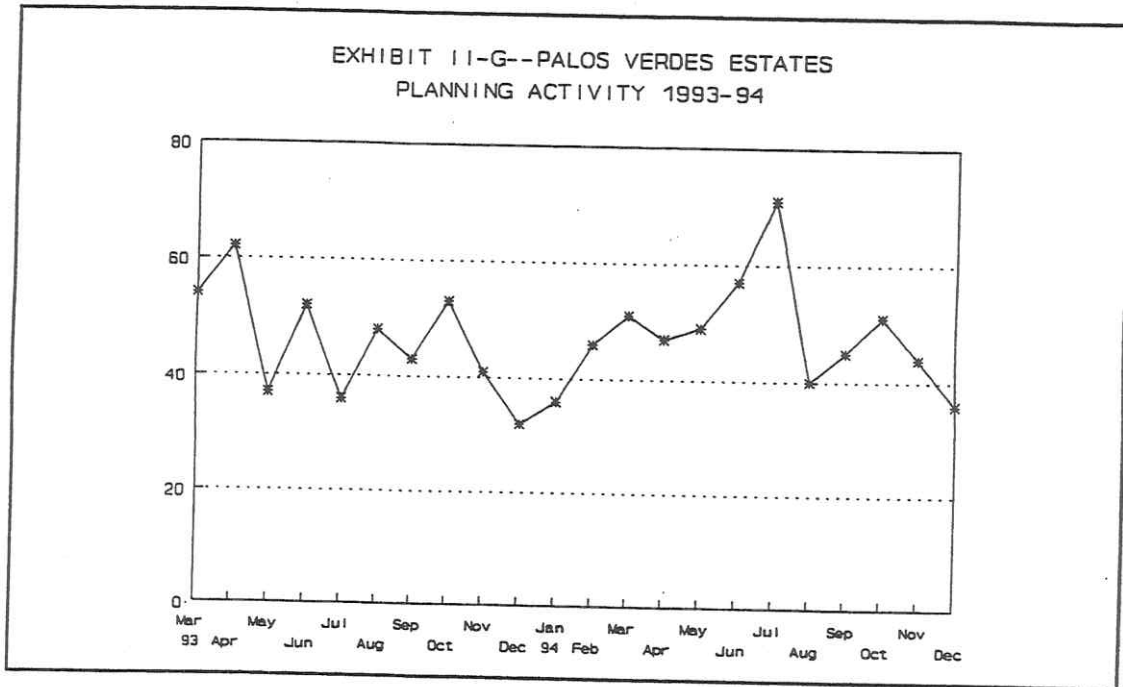
In 1993-94 the City adjusted its fees by an average of 26.7 percent. These adjustments were made to reflect the increase in the cost of providing services since the last fee adjustment and was the first adjustment since 1989.

### LEVEL OF ACTIVITY

This section of the report provides background information relating to trends in the level of development-related activity in the City of Palos Verdes Estates. The data is based on activity reports provided by Charles Abbott & Associates. The purpose of the information is to provide a sense of perspective when evaluating organization and service delivery alternatives.

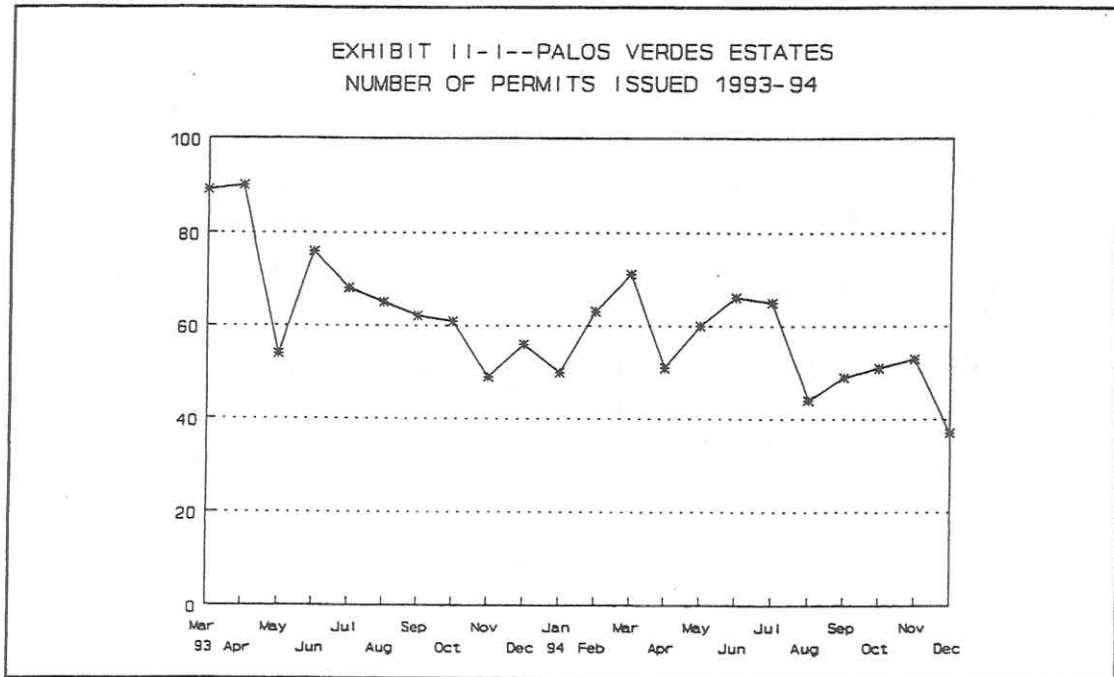
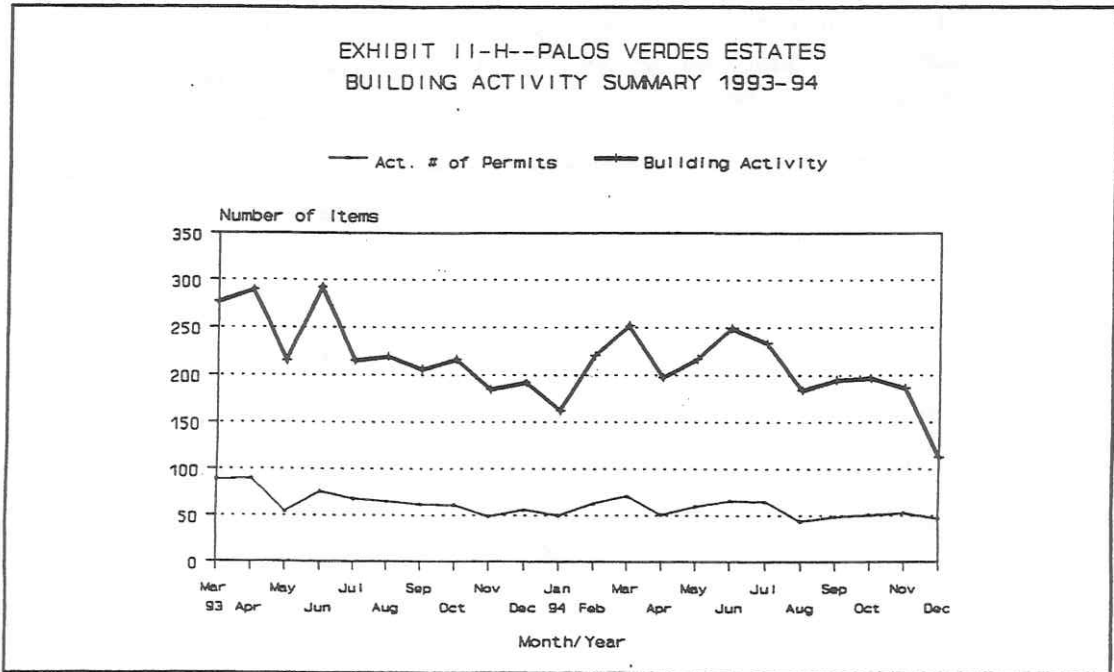
The exhibits below indicate the general building and planning activity for the 22 month period from March of 1993 through December of 1994. The graphs depict level of planning and building activity expressed as number of items for consider-

ation or action. In addition, the graphs depict actual number of permits issued. As is indicated, the planning activity (II-G) has experienced peaks and valleys; however has generally stayed around the range of 40 - 50 items per month.



Both the combined building activity (II-H) and the actual number of permits issued has experienced a steady decline in the level of activity over the same 22-month period. This decline in activity is somewhat reflected in the general reduction in consultant hours over the same period.

The reporting period summarized in the activity charts above represents a fairly small sample period, and specific conclusions regarding long-term activity should not be drawn. However, the activity reports are important in providing a sense of perspective regarding the overall planning and building activity in the City of Palos Verdes Estates.



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## **CHAPTER III POTENTIAL SERVICE DELIVERY ALTERNATIVES**

The work plan for the analysis of building inspection, planning and engineering services provides for the identification (and subsequent evaluation) of alternative service delivery alternatives. This chapter identifies potential service delivery alternatives as a basis for discussion with the City Manager. The alternatives described briefly in this chapter will be discussed with the City Manager and after making any revisions, the alternatives will be analyzed in detail.

### **POTENTIAL SERVICE DELIVERY ALTERNATIVES**

Several potential service delivery alternatives have been identified and are described briefly below. The descriptions do not contain analysis or evaluation. The descriptions are meant to be sufficient to distinguish between the alternatives.

#### **CONTRACT SERVICES**

Continuing the current method of providing for building inspection, planning and engineering services is the "no change" alternative. The current contract and method of service delivery will be used in the subsequent analysis of alternatives to assist in their evaluation.

The work plan for the analysis includes the detailed review of the current contract and the identification and evaluation of new contract provisions that could be added to assist the City in contract administration and service delivery. Among the provisions that will be considered is a method of handling annual adjustments in fees.

### **DIRECT SERVICE DELIVERY**

In addition to the "no change" alternative (contract service) the other base for subsequent analysis and evaluation will be the direct service delivery alternative. Direct service delivery would have the City providing all of the services currently provided by CAA under its contract with the City. The direct service delivery alternative will be analyzed and evaluated both in terms of service and costs. Costs for the direct service delivery alternative will include both direct and indirect or overhead costs.

### **CITY ADMINISTRATION OF PUBLIC WORKS SERVICES**

This alternative would involve the City in the direct administration of all public works services. The alternative would provide for a City employee serving as Director of Public Works/Planning with the responsibility for administration of both contract and direct services. Under this alternative, the City would hire a full time employee to serve as Director of Public Works/Planning. The Director would supervise all of the maintenance activities and also would administer the contract for the provision of building inspection, planning and engineering services. The scope of these services would be reduced somewhat to reflect the addition of the director position.

### **COMBINATION SERVICE DELIVERY**

A primary potential service delivery alternative for building inspection, planning and engineering services is to combine direct (City provided) and contract (consultant) services. The existing services provided by CAA could be divided in a variety of ways. A basic combination service delivery alternative could have the following elements:

- **City Services** — The City would directly provide for public works administration and planning services. These services would be provided by a new position of Director of Public Works/Planning and perhaps one staff member. The Director would provide for overall administration of the public works activities and supervise the provision of contract services.
- **Contract Services** — Contract services would be used to provide for building inspection and engineering services. These services would be provided by a consultant under the general supervision of the Director of Public Works/Planning. Such services could be provided by an individual, for example an independent building

inspector to provide contract inspections on an as needed basis, or by a firm that provides a specific range of services using a number of individual employees.

Obviously the combination of services provided by the City and by contract could be different from that described above. The combination described would however provide for the contracting of services requiring the most technical expertise and retain administrative and planning services to be provided directly by the City.

### ANALYSIS METHODOLOGIES

It is important to the City and to CAA that the analysis and evaluation of alternatives be conducted on a basis that enables accurate cost comparisons. The analysis of the service delivery alternatives will specifically identify and consider all of the costs to provide direct services. These will include not only the costs for salaries and benefits of the positions needed but also all of the overhead costs needed to support those positions and such costs as building space. The analysis will be conducted consistent with the Reason Foundation Study on cost comparisons.

### COMPARATIVE SURVEY

As part of the analysis, Ralph Andersen & Associates is conducting a survey of other jurisdictions to determine methods of delivering planning, building and engineering services. The agencies to be surveyed include:

- Rolling Hills Estates
- San Marino
- Rancho Palos Verdes
- Lomita
- Hermosa Beach

All of the survey cities are located in Los Angeles County and represent predominantly residential communities with some retail commercial land uses.

In reviewing the delivery of services in the survey agencies, the important factors to consider include:



- Current population
- City service area (square miles)
- Method of service delivery (contract/in-house)
  - Public Works administration
  - Engineering administration
  - Engineering design and capital project management
  - Building inspection
  - Plan checking services
  - Specialty plan check (structural, hydrology, geological)
  - Planning and Zoning administration
  - Advanced planning
- City land use characteristics
- City growth pattern or level of development activity

In reviewing the comparative data, it is important to note that each City is different in terms of activity and level of service expectations. This is particularly true when attempting to compare relative costs of services provided by each agency. Such items as total costs, costs per capita, number of cases per employee are difficult to use as a basis of comparison since each jurisdiction varies greatly in terms of size, complexity of review and other factors. The comparative survey is only beneficial in placing the City of Palos Verdes Estates into perspective with similar jurisdictions as well as indicating the relative use and success of the variety of service delivery options available.

## **CHAPTER IV SURVEY OF OTHER AGENCIES**

As part of the analysis of Building Inspection, Planning and Engineering Services for the City of Palos Verdes Estates, a number of cities were reviewed for their methods of delivering similar services. Each city has different development characteristics, program needs and levels of service. The purpose of reviewing the provision of building and planning related services in other cities is not to provide specific recommendations relating to contract or in-house services, but rather, to provide a perspective to the City of Palos Verdes Estates.

A total of five (5) cities were reviewed based on their size and/or proximity to the City of Palos Verdes Estates. These included:

- Hermosa Beach
- Lomita
- Rancho Palos Verdes
- Rolling Hills Estates
- San Marino

The cities utilized in the comparative survey were reviewed with city staff prior to initiating the review. They included both residential and mixed use communities. Specific services that were reviewed for provision on a contract or in-house basis included the following. They coincide with the specific service classifications contracted for the City of Palos Verdes Estates.

- Public Works Administration
- Engineering Administration
- Engineering Design
- Engineering Project Management
- Building Inspection
- Building Plan Check
- Structural Plan Check
- Soils/Geology Review
- Planning/Zoning Administration
- Advanced Planning.

Exhibit IV-A indicates the survey cities listed by population, area and general development characteristics. All of the agencies surveyed are primarily "built-out" in terms of their ultimate general plan growth potential. They are experiencing similar trends in development related permits as the City of Palos Verdes Estates.

EXHIBIT IV-A - SURVEY AGENCIES			
Agency	Population	Size (Sq. Miles)	Primary Characteristics
Rolling Hills Estates	8,000	4.18	Residential
San Marino	12,989	4.0	Residential with commercial/office
Hermosa Beach	18,595	1.3	Residential with support commercial
Lomita	20,000	2	Residential, commercial, industrial
Rancho Palos Verdes	42,057	13.6	Residential, commercial, office, limited industrial

Exhibit IV-B, on the following page, indicates the results of the survey on the delivery of planning and building services. As the table indicates, the survey agencies provide building and planning services through a combination of in-house and contract services.

There are no definitive conclusions that can be drawn from the survey data; however, there are some trends among the agencies that should be noted. These are summarized in the following sections.

### ADMINISTRATION

Among the survey agencies, the predominant number provide for the administration of public works, engineering and planning utilizing in-house staff. The City of Rolling Hills Estates utilizes contract services for both public works and engineering administration. The City of San Marino utilizes contract services for engineering administration, while the City of Lomita utilizes contract services for the administration of public works activities.

EXHIBIT IV-C - ADMINISTRATION		
	In-House	Contract
Public Works	3	2
Engineering	3	2
Planning	5	0

EXHIBIT IV-B - PALOS VERDES ESTATES ANALYSES

	Public Works Administration	Engineering Administration	Engineering Design	Engineering Project Manager	Building Inspection	Building Plan Check	Structural Plan Check	Soil/Geological Report Review	Planning/Zoning Admin Current	Planning/Zoning Admin Advanced
Rolling Hills Estates	Contract	Contract	Contract	Mixed	Contract	Contract	Contract	Contract	In-house	In-house
San Marino	In-house	Contract	Contract	Contract	Mixed	Contract	Contract	Contract	In-house	Contract
Rancho Palos Verdes	In-house	In-house	Contract	Contract	Contract	Contract	Contract	Contract	In-house	Contract
Lomita	Contract	In-house	Contract	Contract	Contract	Contract	Contract	Contract	In-house	Contract
Hermosa Beach	In-house	In-house	Contract	Mixed	In-house	Mixed	Mixed	Contract	In-house	In-house

## ENGINEERING SERVICES

Utilizing full or partial contract services for engineering functions is typical among cities. In many cases, it is not cost-effective to maintain the necessary level of engineering expertise in full-time staff. The survey agencies also reflect this common practice. Specialized engineering services were provided by contract services or a combination of in-house and contract services. The specialized services include:

- Engineering Design
- Project Management
- Soils/Geology Review

With the exception of relatively small capital improvement projects, most cities utilize contract services for the engineering design and project management of their capital improvement program (CIP). Cities are mixed on the use of in-house services for the engineering review of new development plans; however, among smaller, build-out entities such as those surveyed, the predominant trend is toward the use of contract services for engineering plan check.

EXHIBIT VI-D - ENGINEERING SERVICES			
	In-House	Contract	Mixed
Engineering Design	0	5	0
Project Management	0	3	2
Soils/Geology	0	4	0
Plan Check	0	4	1

## BUILDING SERVICES

In reviewing the survey agencies for the provision of building services, the data indicates a mix of contract and in-house services for building inspection and building and safety plan check services. Four of the agencies surveyed provided building inspection services through contract or a combination of contract and in-house staff. All of the survey agencies provided building and safety plan check services through contract or a combination of in-house or contract staff.

EXHIBIT IV-E – BUILDING SERVICES			
	In-House	Contract	Mixed
Inspection	1	3	1
Plan Check	0	4	1

**ADVANCED PLANNING**

While the survey agencies indicated a predominant practice of providing for planning administration and current planning through the use of in-house staff, advanced planning activities were accomplished through a mix of in-house and contract staff. Advanced planning activities include:

- General plan update
- Environmental documentation
- Regional issues (transportation, waste, air quality)
- Special planning studies

Three of the five agencies indicated that advanced planning services were provided with contract staff. Similar to the provision of engineering services, advanced planning activities may require a level of expertise that is not cost-effective to maintain with full-time staff.

EXHIBIT IV-F – ADVANCED PLANNING			
	In-House	Contract	Mixed
Advanced Planning	2	3	0

**SUMMARY**

As indicated earlier, the purpose of the survey of other agencies is to provide the City of Palos Verdes Estates with a sense of perspective relating to the delivery of planning and building services in similar agencies. Specific recommendations should not be based on how other cities deliver services since each jurisdiction is different. There are some general trends among the survey agencies that are summarized in the points below:

- The survey agencies generally tend to provide for the administration of planning, engineering and public works administration with in-house staff;
- Specialized services such as engineering design, capital project management, soils review, engineering/structural review are typically provided through contract or a combination of contract and in-house staff;
- Building services such as inspection and plan check are mixed in the use of contract and in-house staff;
- Advanced planning services are mixed in the use of contract and in-house staff.

The next chapter of the report provides for a review of the alternative service delivery methods for planning, building and engineering services.

## **CHAPTER V**

### **ANALYSIS AND EVALUATION**

This chapter contains the analysis and evaluation for the analysis of building inspection, planning and engineering services for the City of Palos Verdes Estates. More specifically, this chapter contains:

- A brief description of the basis for the analysis;
- Descriptions of the service delivery alternatives;
- Analysis and evaluation of the alternatives;
- Recommendations.

The second chapter of this report provides a detailed description of the City's building inspection, planning and engineering and general public works administration services. All of the analysis contained in this chapter assumes, unless otherwise indicated, that the same services and service levels will be provided regardless of the alternative service delivery method.

#### **BASIS FOR ANALYSIS**

In any comparative analysis it is important that the issues being compared are as similar as possible. Put another way, it is important to assure that the comparison involves comparing "apples to apples" and not "apples to oranges". In this analysis, every effort has been made to assure that the various service delivery alternatives have been compared on an equal basis. As a guide to conducting the comparison of in house and contract services, guidelines developed by the Reason Foundation (March 1993) were used. These guidelines include using fully allocated costs for the direct (City provided) service delivery alternative. This includes using both direct and indirect costs.

The analysis of the service delivery alternatives is based upon the use of several important assumptions. The assumptions are listed below.



- The productivity of contract and in house staff is identical;
- The current hourly rates for contract staff represent their full cost;
- The hourly rates of in house staff are based upon actual salaries in other agencies;
- Employee benefit costs for in house staff are expressed as a percentage (30.4%) of direct salary and include the cost of all benefits including retirement, insurance, and others.

Part of the basis for analysis is the historic hours billed by the contract planning, engineering and building firm. The hours reflected in the invoices provided for FY 1992-93, FY 1993-94 and FY 1994-95 are indicated in Exhibit V-A. It should be noted that these hours serve as a guideline to the staffing levels and workload of the contract firm.

Since the contract firm is restricted in its ability to bill the City of Palos Verdes Estates, these hours do not reflect all hours expended by the contract firm; however; along with the budgeted and actual hours for FY 1994-95, they do indicate a clear pattern of position utilization. The major functional areas shown include:

- Building and Safety
- Planning
- Public Works
- Streets and Parklands
- Transit
- Special Services
- Capital Improvement Program

The information relative to position hours is important in developing appropriate organizational alternatives. For example, the exhibit data for FY 1992-93 indicates approximate hours for key positions, including:

- *Project Supervisor/Building Administrator/Planning Director—1,634 hours*
- *Engineering (Senior/Associate/Assistant)—4,387 hours*
- *Building Inspection (Senior/Inspector)—4,008 hours*
- *Landscape (Senior/Specialist) — 650 hours.*

By major functional area, the hours expended by the consulting firm for the same period were distributed as follows:

- Building & Safety - 5,045

EXHIBIT V-A - SUMMARY OF HOURS

SUMMARY OF HOURS  
FISCAL YEAR 82/83

	Senior Principal	Project Supervisor	Project Engineer	Senior Engineers	Planning Director	Building Department Adm.	Sr Building Inspector	Building Inspectors	Associate Engineer	Assistant Engineers	Transit Administrator	Sr. Landscape Spec	Landscape Spec	Critical
July	11.5	112	6	73.25	0	26	159	141.5	167.5	152	21	27	7.75	21.00
August	12.75	93.00	18.00	79.00	0.00	30.00	111.00	148.50	121.00	144.00	0.00	9.00	13.75	21.00
September	21.25	81.00	20.00	76.75	0.00	32.00	125.50	167.50	58.00	288.00	0.00	4.00	18.50	27.00
October	6.75	106.00	17.00	36.50	0.00	46.00	176.00	152.00	9.50	344.50	0.00	6.00	17.00	15.00
November	13.50	79.00	0.00	72.50	0.00	32.00	141.00	144.00	2.50	279.50	0.00	0.00	39.75	13.50
December	8.50	86.00	0.00	60.50	0.00	53.00	170.50	142.00	3.00	288.00	0.00	0.00	28.00	21.00
January	15.00	77.00	5.00	59.00	0.00	84.00	124.50	216.00	3.50	320.00	0.00	0.00	66.75	24.00
February	20.00	59.00	0.00	41.00	0.00	65.00	128.50	272.50	0.50	296.00	0.00	0.00	36.00	10.00
March	26.00	106.00	1.00	60.00	0.00	55.00	129.75	318.00	2.50	370.00	0.00	0.00	53.00	17.50
April	19.50	74.00	0.00	54.50	0.00	28.00	100.00	308.00	0.00	303.00	0.00	0.00	71.25	9.00
May	19.50	84.00	2.00	83.50	0.00	40.00	63.50	265.00	0.00	144.00	0.00	0.00	103.00	1.00
June	27.00	164.00	5.00	68.00	0.00	0.00	109.75	191.00	0.00	403.50	0.00	0.00	129.25	18.50
Total Year-End	202.25	1,121.00	74.00	781.50	0.00	481.00	1,540.00	2,467.00	368.00	3,332.50	21.00	66.00	690.00	407.50

SUMMARY OF HOURS  
FISCAL YEAR 83/84

	Senior Principal	Project Supervisor	Project Engineer	Senior Engineers	Planning Director	Building Department Adm.	Sr Building Inspector	Building Inspectors	Associate Engineer	Assistant Engineers	Transit Administrator	Sr. Landscape Spec	Landscape Spec	Critical
July	28.75	133.00	0.00	21.00	0.00	37.75	138.00	170.00	148.00	168.00	0.00	0.00	24.50	18.00
August	12.00	125.00	0.00	25.50	0.00	43.00	153.75	153.75	166.50	174.00	0.00	0.00	30.50	24.50
September	11.00	118.00	0.00	50.50	0.00	29.50	133.75	160.00	136.50	145.50	0.00	0.00	44.00	19.00
October	5.00	112.00	0.00	40.00	0.00	40.50	131.50	165.00	131.50	181.50	0.00	0.00	60.00	18.50
November	10.50	91.00	4.00	28.00	0.00	13.25	113.25	135.00	145.00	146.00	0.00	0.00	45.00	8.50
December	3.50	123.00	0.00	16.00	0.00	9.50	77.25	168.00	38.00	275.50	0.00	0.00	46.00	8.00
January	18.50	100.00	0.00	18.00	0.00	43.00	102.25	144.50	0.00	286.00	0.00	0.00	31.00	11.50
February (data missing)														
March	4.00	100.00	5.00	19.00	0.00	52.50	83.00	152.50	278.50	0.00	0.00	0.00	14.00	0.00
April	12.00	102.00	0.25	9.00	0.00	46.50	80.00	150.00	0.00	319.00	0.00	0.00	21.00	13.50
May	4.50	97.00	3.25	48.50	0.00	18.00	62.75	123.50	0.00	286.50	0.00	0.00	16.00	10.50
June	13.50	125.00	4.50	58.50	0.00	79.50	93.25	210.50	0.00	157.50	0.00	0.00	68.00	10.00
Total Year-End	94.50	1,093.00	17.00	313.00	0.00	368.25	1,040.75	1,582.75	895.50	1,953.50	0.00	398.50	62.25	126.00

SUMMARY OF HOURS  
FISCAL YEAR 84/85

	Senior Principal	Project Supervisor	Project Engineer	Senior Engineers	Planning Director	Building Department Adm.	Sr Building Inspector	Building Inspectors	Associate Engineer	Assistant Engineers	Transit Administrator	Sr. Landscape Spec	Landscape Spec	Critical
July	13.50	86.00	13.25	47.50	26.00	32.75	83.25	149.50	0.00	138.00	0.00	49.00	0.00	12.00
August	14.50	70.00	51.50	84.00	23.00	29.50	39.25	161.50	0.00	155.00	0.00	71.00	0.00	21.00
September	9.50	98.00	15.50	20.25	34.00	40.00	60.25	153.00	0.00	299.00	0.00	47.00	0.00	20.50
October	17.00	75.00	12.00	17.50	28.00	38.00	74.50	184.00	0.00	328.00	0.00	66.00	0.00	10.50
November	19.50	81.00	28.00	19.50	39.00	39.75	71.75	179.00	0.00	336.00	0.00	67.00	0.00	10.00
December	20.00	49.00	24.50	21.00	33.00	43.00	80.00	173.00	0.00	277.50	0.00	26.00	0.00	15.25
January	21.00	67.00	9.50	28.00	32.00	43.25	66.50	174.50	0.00	352.50	0.00	39.00	0.00	20.50
February	27.50	80.00	11.50	26.75	32.00	36.75	68.75	168.00	0.00	318.75	0.00	21.00	0.00	30.75
March	23.00	117.00	14.00	15.25	26.00	26.50	69.75	183.00	0.00	358.00	0.00	48.00	0.00	37.50
April	33.00	65.00	16.75	36.75	31.00	33.00	59.00	164.00	0.00	325.50	0.00	26.00	0.00	45.25
May	30.00	92.00	14.25	25.75	28.00	34.00	72.50	176.00	0.00	346.00	0.00	57.00	0.00	38.25
June	23.00	73.00	37.50	37.50	33.00	67.75	169.00	169.00	0.00	351.00	0.00	34.00	0.00	29.00
Total Year-End	251.50	953.00	218.50	379.75	363.00	404.50	811.25	2,094.75	0.00	3,602.75	0.00	576.00	0.00	290.50

- Planning - 2,572
- Public Works - 1,102
- Streets/Parklands - 651
- Transit - 0
- Special Services - 245
- CIP - 1,769

EXHIBIT V-B - HOURS BY TASK	
Position	1992/93
<b>BUILDING AND SAFETY</b>	
Sr. Principal	97.75
	0.00
Project Engineer	0.00
Senior Engineer	417.25
Planning Director	0.00
Building Dept. Admin.	492.75
Sr. Building Inspector	1,433.50
Building Inspector	2,487.00
Associate Engineer	1.00
Assistant Engineer	63.50
Transit Administrator	0.00
Sr. Landscape Specialist	0.00
Landscape Specialist	0.00
Clerical	52.50
<b>Total</b>	<b>5,045.25</b>
<b>PLANNING</b>	
Sr. Principal	6.75
Project Supervisor	53.00
Project Engineer	0.00
Senior Engineer	226.00
Planning Director	0.00
Building Dept. Admin.	0.00
Sr. Building Inspector	0.00
Building Inspector	6.00
Associate Engineer	150.00

EXHIBIT V-B - HOURS BY TASK	
Position	1992/93
Assistant Engineer	1,590.00
Transit Administrator	0.00
Sr. Landscape Specialist	10.00
Landscape Specialist	323.25
Clerical	207.50
<b>Total</b>	<b>2,572.50</b>
PUBLIC WORKS	
Sr. Principal	11.25
Project Supervisor	232.00
Project Engineer	8.00
Senior Engineer	65.50
Planning Director	0.00
Building Dept. Admin.	0.00
Sr. Building Inspector	0.00
Building Inspector	0.00
Associate Engineer	25.50
Assistant Engineer	544.00
Transit Administrator	0.00
Sr. Landscape Specialist	10.00
Landscape Specialist	65.00
Clerical	141.50
<b>Total</b>	<b>1,102.75</b>
STREETS/PARKLANDS	
Sr. Principal	0.00
Project Supervisor	177.00
Project Engineer	0.00
Senior Engineer	0.00
Planning Director	0.00
Building Dept. Admin.	0.00
Sr. Building Inspector	0.00
Building Inspector	0.00
Associate Engineer	39.50

EXHIBIT V-B - HOURS BY TASK	
Position	1992/93
Assistant Engineer	205.25
Transit Administrator	0.00
Sr. Landscape Specialist	19.00
Landscape Specialist	208.50
Clerical	2.00
<b>Total</b>	<b>651.25</b>
<b>TRANSIT</b>	
Sr. Principal	0.00
Project Supervisor	0.00
Project Engineer	0.00
Senior Engineer	0.00
Planning Director	0.00
Building Dept. Admin.	0.00
Sr. Building Inspector	0.00
Building Inspector	0.00
Associate Engineer	0.00
Assistant Engineer	0.00
Transit Administrator	0.00
Sr. Landscape Specialist	0.00
Landscape Specialist	0.00
Clerical	0.00
<b>Total</b>	<b>0.00</b>
<b>SPECIAL SERVICES</b>	
Sr. Principal	9.50
Project Supervisor	96.00
Project Engineer	0.00
Senior Engineer	0.50
Planning Director	0.00
Building Dept. Admin.	0.00
Sr. Building Inspector	75.75
Building Inspector	0.00
Associate Engineer	3.50

EXHIBIT V-B – HOURS BY TASK	
Position	1992/93
Assistant Engineer	44.50
Transit Administrator	0.00
Sr. Landscape Specialist	0.00
Landscape Specialist	15.00
Clerical	.50
<b>Total</b>	<b>245.25</b>
CAPITAL IMPROVEMENTS	
Sr. Principal	101.00
Project Supervisor	584.00
Project Engineer	60.00
Senior Engineer	0.00
Planning Director	0.00
Building Dept. Admin.	0.00
Sr. Building Inspector	9.75
Building Inspector	2.50
Associate Engineer	129.00
Assistant Engineer	882.75
Transit Administrator	0.00
Sr. Landscape Specialist	0.00
Landscape Specialist	0.00
Clerical	.50
<b>Total</b>	<b>1,769.50</b>
<b>Grand Total</b>	<b>11,386.50</b>
<i>*Incomplete data provided.</i>	

As a basis of comparison for the three year period, the estimated actual hours for the same major groups of positions for FY 1994-95 is shown below:

- *Project Supervisor/Building Official/Planning Director - 1,720.5 hours*
- *Engineering (Senior/Associate/Assistant) - 3,982.5 hours*
- *Building Inspection (Senior/Inspector) - 2,902.75 hours*
- *Landscape (Senior/Specialist) - 576 hours.*

The Project Supervisor, Building Official and Planning Director positions were grouped together, because these responsibilities could be designated to single department head position in many small municipalities. The comparison of hours in the three-year period reflects a change in the volume and scope of development activity, as well as a utilization of different position classifications to perform the work. A summary of the major points of comparison between the two fiscal years is indicated below. This comparison is not intended to formulate conclusions, rather it is intended to indicate changes in the utilization of positions that reflect changes in activity or methods of allocating hours between contract positions.

- *Hours for Senior Principal are essentially unchanged.*
- *FY 1994-95 reflects first billing for Planning Director position which appears to be a shifting of hours from Project Supervisor position. The consultant indicates that this was the first year the Planning Director hours were broken out.*
- *Full utilization of Assistant Engineers with no hours for Associate Engineers.*
- *Shifting of hours between Senior Engineers and Project Engineer*
- *Building Administration has remained basically unchanged.*
- *Reduction in clerical hours.*

The difference in the total hours invoiced by the contract firm over the three year period represents 12.7 percent reduction in hours:

- FY 1992-93 — 11,386 hours
- FY 1994-95 — 9,942 hours

#### POSITION ASSUMPTIONS

For purposes of determining the necessary number of positions, this report utilizes 1750 hours as an average employee work year. This amount is based on estimated employee leave practices. Some studies conducted by other agencies estimate productive hours as low as 1580; however, utilizing breaks and meeting time (Irvine) is excessive and does not reflect the typical agency.

In addition to the number of required positions, specific assumptions were made relating to salary and benefits for City positions. Exhibit V-C indicates the estimated compensation levels for key benchmark positions. The data is based on

the median salary for each position as surveyed in the "Los Angeles County Private Sector/Public Sector Compensation Study" dated June 1995. The study was prepared by Ralph Andersen & Associates in conjunction with 45 public agencies in Los Angeles County. The City of Palos Verdes Estates and many of its surrounding cities participated in the study. The factor for employee benefits (30.4%) is based on the percentage of benefits for miscellaneous employees reflected in the City of Palos Verdes Estates' FY 1994-95 adopted budget.

EXHIBIT V-C - COMPENSATION LEVELS BY POSITION <sup>(1)</sup>			
Position	Median Salary	Benefits <sup>(2)</sup>	Total
Inspector	\$43,986	\$13,371	\$57,357
Engineer	\$55,296	\$16,809	\$72,105
Director	\$63,168	\$19,226	\$82,394
Secretary	\$31,620	\$9,612	\$41,232
Planner	\$48,336	\$14,694	\$63,030
Clerk	\$27,396	\$8,329	\$35,725

(1) L.A. County Survey, June 1995.  
(2) 30.4% based on City's current benefit ratio.

### INDIRECT COSTS

In addition to the assumptions relating to projected salary and benefits, it is necessary to make certain assumptions relating to the distribution of indirect costs for support services provided within the City. The City currently allocates non-departmental costs (liability insurance, capital outlay) among operating departments. In the case of the planning, engineering and building functions for FY 1994-95, this allocation is equal to approximately 11% of the combined department budgets. In allocating the costs of the primary support services functions (city management, personnel, purchasing, data processing, payroll, finance), a conservative methodology would include allocating those costs among existing City positions.

For purposes of this report, it is important to note that a key element of review is the *difference in the generation of indirect costs between the existing organizational structure and the proposed alternatives. This is important because the City already provides facility space, management supervision, legal review, fiscal support and city clerk services for the existing organizational arrangement.* In the City's last review of planning and building fees, City staff identified significant indirect support costs (\$261,601) that are already incurred through the current organizational structure. Since many of the indirect costs associated with planning and building services are

Current?



already incurred by the City, there are a limited amount of additional indirect costs that would be associated with the other service delivery alternatives. These relate primarily to the hiring of additional in-house staff and include:

- Personnel administration costs
- Finance costs (payroll)
- Data Processing costs (current data processing equipment is managed by CAA)
- Procurement costs

In terms of evaluating the organizational alternatives, the anticipated addition in indirect costs has been utilized. This was accomplished by spreading the costs of the functions listed (personnel, finance, city management) above to the number of existing City positions to determine an incremental cost per position (\$7,800 per additional position).

### **SERVICES PROVIDED**

Each of the service delivery alternatives is assumed to result in the provision of the same services, provided at the same level, as is the case currently. The services provided and included in this analysis include the basic services of:

- **Public Works Administration** — Supervision of all public works activities including maintenance. This activity includes meeting attendance, internal administrative activities, and coordination with other agencies.
- **Capital Improvement Program Administration** — Development of the City's capital improvement program from inception to construction. This activity includes developing project concepts and initial estimates of cost, obtaining and reviewing the qualifications of design services, soliciting construction bids, and overseeing the construction of projects.
- **Building Inspection** — This service includes providing assistance to the public at the public service counter, performing plan check services, issuing permits, and conducting building inspection services.
- **Planning** — Planning services include providing information to the public at the public service counter, performing plan review, preparing reports

for the Planning Commission and City Council, and performing code enforcement duties.

- **Engineering** — Engineering services include all of the general civil engineering services including plan review, issuance of permits, preparing reports for the Planning Commission and City Council, conducting field inspections, and contract administration. It does not include the provision of specialized engineering services such as geologic, structural, and drainage engineering.

In each of the services listed above, it is assumed that the basic activities include the preparation of reports, maintaining records, and participating in City activities such as attending staff meetings, meeting with the public, and other similar activities.

#### SERVICE DELIVERY ALTERNATIVES

Four service delivery alternatives have been identified and selected for analysis. The service delivery alternatives include:

- **CAA Contract** — This is the current method of providing services through a contract with the firm of Charles Abbott and Associates (CAA);
- **Direct Service Delivery** — This alternative provides services with the use of City staff;
- **City Administration of Public Works Services** — This alternative would have a City employee heading the department and coordinating the balance of the public works services which would be provided by contract;
- **Combination Service Delivery** — This alternative service delivery system would have some services provided by City staff and some by contract.

This section describes each of the service delivery alternatives in terms of their:

- Staffing;
- Organization structure;
- Specialized services;
- Direct cost;
- Indirect cost (if appropriate);
- Total cost;

- Revenue;
- Net cost.

Because of the analysis assumption that the services provided under any of the alternatives would be the same as is currently provided, the descriptions are brief. The descriptions focus upon staffing and the cost of providing services.

### CAA CONTRACT

This service delivery alternative is the current method used by the City; the services are provided to the City through a contract with CAA.

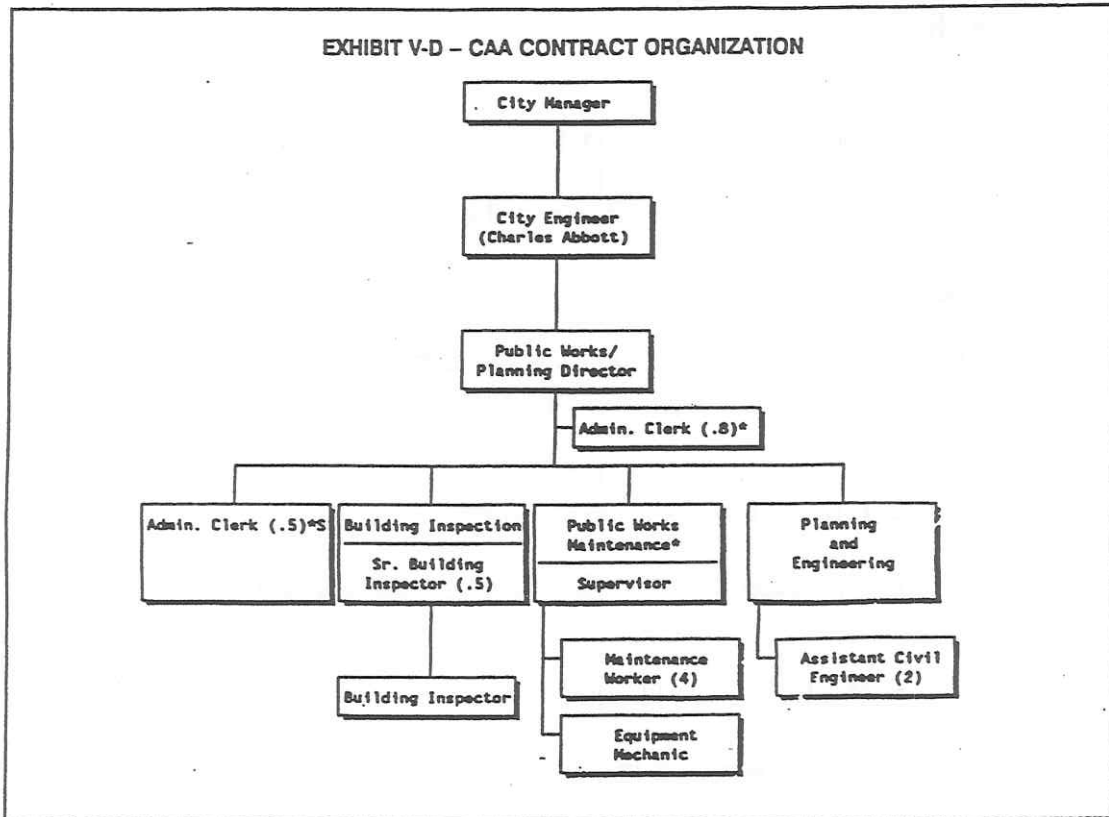
Staffing — The staffing levels for the current service delivery method include those positions listed below.

- City Engineer (Charles Abbott, available as necessary to advise and assist on-site staff);
- Public Works/Planning Director;
- Senior Building Inspector (.5);
- Building Inspector;
- Assistant Civil Engineer (2);
- Portions of other assorted positions.

CAA currently has two assistant civil engineer positions assigned to the City. Typically they would assign one associate and one assistant civil engineer.

In addition to the CAA staff the City has two administrative clerk positions assigned to public works and planning. Both positions are part-time with one clerk working .8 of full-time and the other .5 of full-time. These positions have not been included in the cost analysis and have been assumed to be in place under all of the alternatives.

Organization Structure — The organization structure of the current contract service is shown on Exhibit V-D. For consistency throughout this analysis, the public works maintenance function is shown on the organization chart. It should be noted that the staff are currently City employees and are supervised by the CAA position serving as Public Works/Planning Director.



As is shown on the organization chart, the Public Works/Planning Director reports to the City Manager and supervises contract and City employees. The Director is responsible for the provision or coordination of all of the public works and planning related services and may call on Charles Abbott who is designated as the City Engineer for advice and assistance as necessary. Similarly, the City Manager may call on Charles Abbott for any assistance.

**Specialized Services** — As was described in a preceding chapter of this report, CAA has the ability to provide a variety of specialized engineering services to the City as needed. These services include structural, geologic, and drainage engineering and landscape and forestry services. Under the current contract with the City, CAA provides 600 hours of forestry and landscape services. Other specialized services are available and are charged to the City at established hourly rates.

**Direct Costs** — The costs for the services provided to the City by CAA are of two types. They include a portion of the fees collected for permits and, an administrative budget (with not to exceed caps) established annually and charged based upon the established hourly rates of the

assigned staff. For 1994-95, the actual invoiced cost of the services provided to the City by CAA are:

- Fee based costs of \$303,281;
- Administrative budget costs of \$276,662.
- Total invoiced costs for FY 1994-95 of \$579,943.

*These total costs represent approximately \$68,000 under the budgeted amount for services.*

**Indirect Costs** — There are not indirect costs outside of those included in the basic contract costs, although as indicated earlier staff has identified a set amount of indirect costs associated with planning, building and engineering services in general.

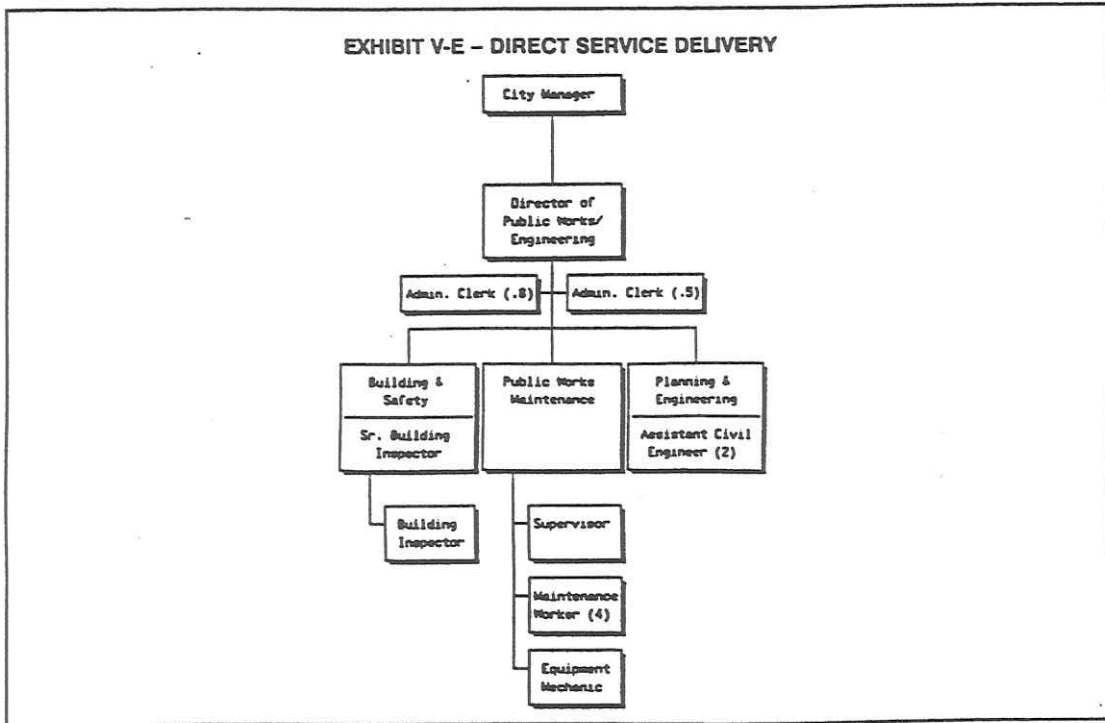
### **DIRECT SERVICE DELIVERY**

This alternative would have the City provide all building inspection, planning and engineering services directly using its own employees. Under this alternative, the City would keep the existing positions associated with clerical support and maintenance services and retain additional City positions to handle the other functions of the Department.

**Staffing** — Staffing levels for this organization structure include:

- Director of Public Works/Planning (City Engineer)
- Assistant Engineer (3)
- Senior Building Inspector
- Building Inspector

**Organization Structure** — The organization structure for this alternative is indicated in Exhibit V-E. The structure reflects the combined planning/engineering and building organization that is currently utilized through the contract services. This includes a Department Director that also serves as the City Engineer, Chief Building Official and City Planner. The organization structure utilizes the Assistant Engineer position in a similar capacity (plan check, counter assistance, staff report preparation) as is used by the current contract service provider. The positions are shown at the Assistant Engineer level based on the historic workload statistics of the City. The City may wish to fill one of the positions at the Associate Engineer level to reflect greater experience or technical expertise.



**Specialized Services** — As proposed, the City would continue to utilize contract services for specialized areas. These include:

- Forestry
- Structural plan check review
- Soils/geology review.

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There may be an exception to the structural and soils review if the City manages to retain individuals with particular expertise in these areas; however; as the comparative survey indicated, these functions are generally performed on a contract basis.

**Direct Costs** — The projected costs to the City of Palos Verdes Estates for the alternative of directly providing the services described above indicated below. This amount reflects the difference from the current arrangement. The salary and benefits amounts and indirect costs do not reflect the maintenance functions and clerical support already provided through in-house staff.

- Salary and Benefits — \$409,810
  - Director — \$82,394
  - Assistant (Associate) Engineers (3) — \$216,315
  - Senior Building Inspector — \$57,357

— Building Inspector — \$53,744

- Initial Costs (Data Processing Equipment) — \$28,000
- Recruitment and Selection Costs — \$12,500

**Indirect Costs** — The indirect costs for the alternative are based on the assumptions outlined in the previous section of the chapter. These include spreading the costs of management, finance, legal and city clerk by position. This allocated cost should be the point of discussion prior to the preparation of the final draft of the report. Many of these services are currently being provided to equal or similar amounts in the contractual relationship with CAA.

- Indirect Costs — \$46,800      ( $\$7800 \times 6$ )

**Revenue** — For FY 1994-95, the City anticipates receiving total revenues of \$494,123 for the provision of planning, engineering and building services. The City would retain those fees under this scenario.

**Net Cost** — The net cost of this alternative reflects the potential savings in current positions budgeted for the planning and building services. It is anticipated the City could save costs associated with the positions of:

- Senior Principal
- Principal
- Project Engineer
- Project Supervisor
- Associate Engineer
- Assistant Engineer
- Engineering Technician
- Senior Building Inspector
- Building Inspector

† \$53,110

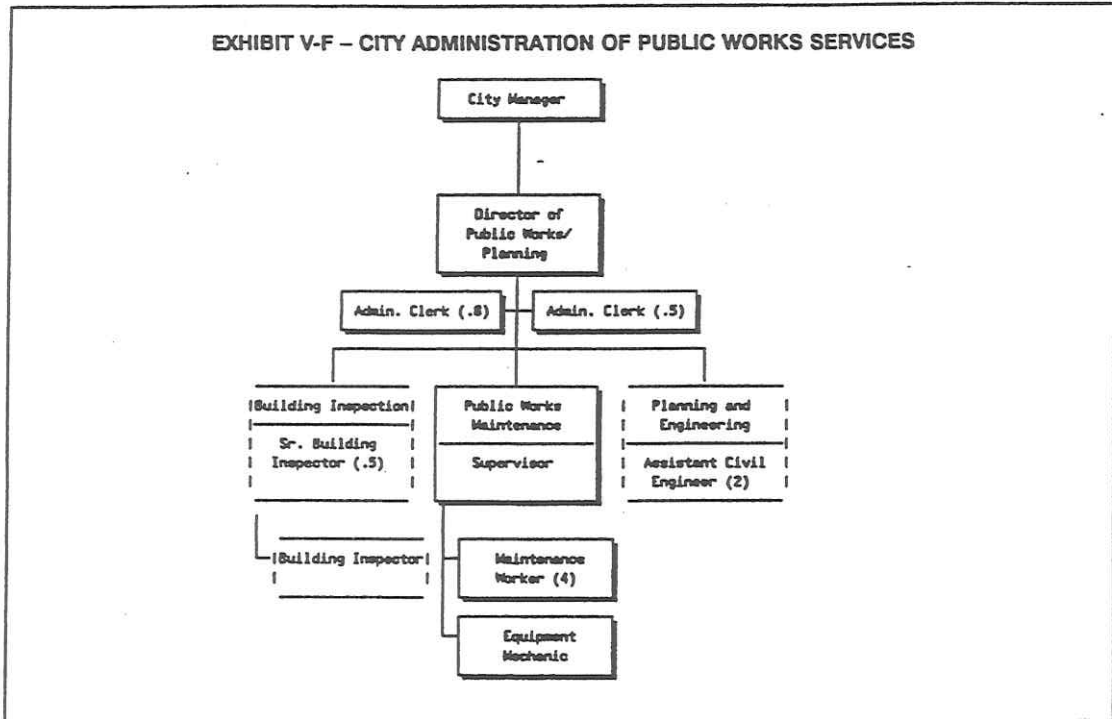
The cost savings associated with these contract provisions is \$508,121 for a net savings of \$46,833.

### CITY ADMINISTRATION OF PROVIDED SERVICES

Under this scenario, the City of Palos Verdes Estates would retain an Department Director position to manage and oversee the activities of the planning, building and engineering function. As proposed, the position would act as the City Engineer, Chief Building Official and City Planner.

**Organization Structure** — The proposed organization structure for this scenario is indicated in Exhibit V-F. As indicated, the City would retain its current in-house staff relating to Public Works Maintenance Services and clerical support. The City would retain contract services for engineering/planning and for building inspection. The Director of Public Works/Planning would have responsibility for the areas of:

- Management of contract services (building, planning and engineering)
- City Engineer/City Planner
- Supervision of field maintenance activities
- Council/Commission/Department interface.



**Specialized Services** — Specialized services that would continue to be provided on a contractual basis include engineering design and some project management, soils/geology, structural plan check, landscape design services.

**Direct Costs** — The direct costs associated with this alternative are outlined below. These generally reflect the cost of retaining a Depart-



ment Director position versus the existing costs of the existing City Engineer/Project Supervisor/Building Department Administrator positions in providing for department management. As proposed, the costs of building inspection and contract engineering services would continue to be performed on the basis of fees collected.

- Salaries and Benefits — Director \$82,394
- One-time Costs (Computer Equipment) — \$12,500
- Recruitment/Selection Costs — \$2,100

**Indirect Costs** — The indirect costs associated with this alternative should be negligible since the alternative only includes one change of position.

- Incremental Indirect Costs — \$7,800

**Revenue** — For FY 1994-95, the projected revenue from development related activity is \$494,123. Under this alternative, the City would be the recipient of an additional \$34,800 of those fees based on the budgeted fee related hours of the Project Supervisor position.

**Net Cost** — Under the scenario of hiring a qualified Director of Public Works/Planning, it is anticipated the following contractual positions could be eliminated:

- Senior Principal
- Principal
- Project Supervisor

The anticipated savings associated with this reduction in positions is projected at \$145,537. The net difference is a savings of \$40,749.

### COMBINATION SERVICE DELIVERY

Under this scenario, the City would provide for a combination of in-house staff and contract services. This includes maintaining administrative control of the three functions with in-house staff and utilizing selected in-house positions to provide for a variety of services.

**Organization Structure** — There are a variety of alternatives for determining the extent of contract services; however, for purposes of this analysis, it is proposed that the City add the Department Director and Assistant Engineers (2) to in-house staff and provide for contract building inspection services and contract plan check services. The Assistant

Engineer position would assist in the area of planning and engineering and provide support to the Department Director/City Engineer as needed. The organization structure is indicated in Exhibit V-G.

**Direct Costs** — As proposed, the direct costs associated with this alternative will include salary and benefits for the additional positions of Director of Public Works and Planning and the Assistant Engineers. Initial costs associated with the acquisition of computer equipment is also indicated. It is anticipated that contract services under this alternative (building inspection, plan check) would be based on fees collected.

- Salary and Benefits
  - Director — \$82,394
  - Assistant Engineers (2) — \$144,210
- Initial Computer Costs — \$19,700
- Recruitment Costs — \$5,600

**Indirect Costs** — As in the previous alternatives, the indirect cost allocation is based upon the City's cost of support services spread across additional positions. It is anticipated that actual increase in support services associated with this organizational change would be minimal.

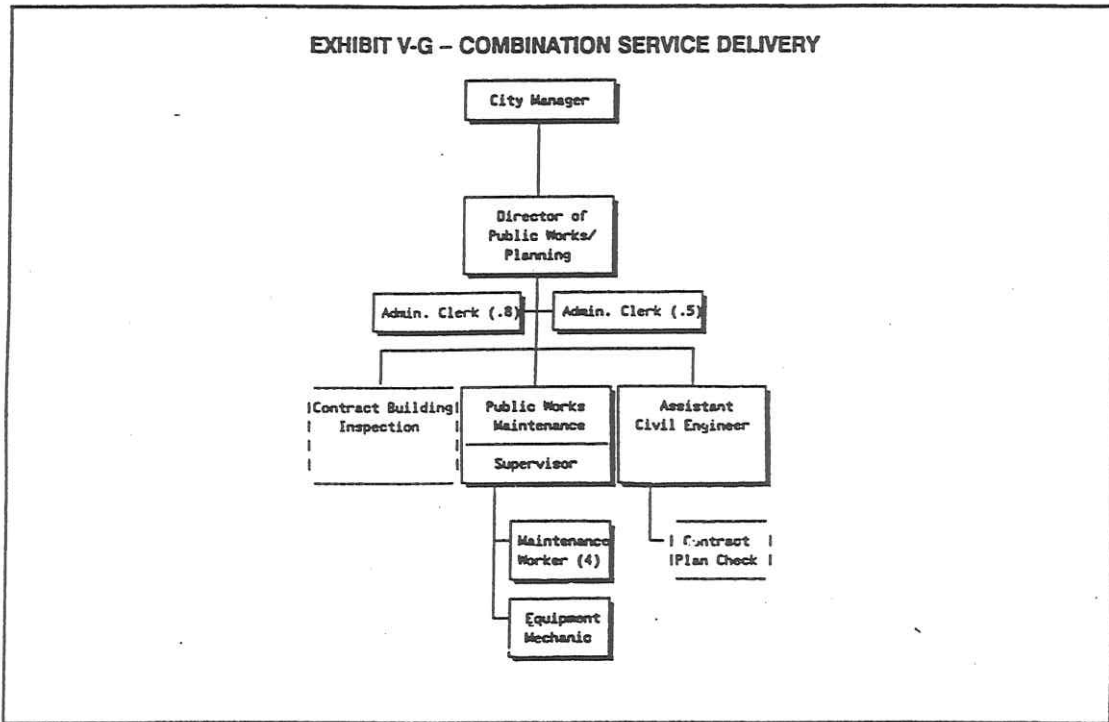
- Indirect Costs — \$23,400

**Revenue** — The revenue associated with this alternative reflects a potential to capture an additional \$59,740 of the projected fee revenue for FY 1994-95. This amount is based on the fee related activities of the Project Supervisor and one of the Assistant Engineers. Based on workload, it is anticipated that some of the fee revenue will be utilized for some contract plan check services.

**Net Cost** — Based on the proposed staffing for this alternative, it is anticipated that the following contract positions could be eliminated:

- Principal
- Senior Principal
- Project Supervisor
- Associate Engineer
- Assistant Engineer (1 FTE at 1750 hours)
- Engineering Technician

The costs associated with this reduction in positions is \$326,857. The net savings of this alternative would be \$51,553.



The matrix shown below (Exhibit V-H) indicates cost estimates associated with the four alternatives. These are based on the estimated costs for each of the contract positions versus the replacement of those positions with City staff employees. The important element to consider when viewing the alternatives is the difference in cost between each of the alternatives. It does not include a discussion of offsetting fee revenues since anticipated revenues would remain essentially unchanged. It also does not include the existing indirect costs to the City of \$261,000 that have been previously identified with City staff and would remain essentially constant (unless identified as increased).

**EXHIBIT V-H - SUMMARY OF ALTERNATIVES**

	CAA Contract	Direct Service	City Administration	Combination
Contract Costs	\$579,943	\$36,000	\$434,400	\$253,086
Direct Costs	-0-			
- Salaries & Benefits		409,810	82,394	226,604
- Data Processing		28,000	12,500	19,700
- Hiring		12,500	2,100	5,600
Indirect Costs (Additional)	-0-	46,800	7,800	23,400
<b>TOTAL</b>	<b>\$579,943</b>	<b>\$533,110</b>	<b>\$539,194</b>	<b>\$528,390</b>

*Handwritten note:* Direct service for accounts of Computer Building & Services and other buildings at Dept.

## QUALITATIVE ISSUES

As is indicated in the review of alternatives, the potential cost savings varies from alternative to alternative. In addition to cost savings, the qualitative issues associated with the various methods of service delivery need to be considered by the City of Palos Verdes Estates. These qualitative issues include:

- Accessibility to contract firm — The current contractual arrangement provides for a good level of accessibility to the firm's principal and to the primary contract person on-site. There are some issues relating to the role and relationship of contract staff to other city employees.
- Staffing fluctuations relating to changes in development activity — Under the current contractual relationship, the city does not have to be concerned with "staffing-up" during periods of high activity and reducing the workforce in periods of low activity.
- Level of expertise and community familiarity with current contract firm - Due to the length of the current contractual relationship, the firm principal and major support staff are familiar with the policies and development characteristics of the City of Palos Verdes Estates. Some of this familiarity would be lost in a full transition to City staff.
- Hiring and training activities associated with employee turnover — Under the existing relationship, the City does not have to engage in recruitment and training activities associated with employee turnover. Based on experience, it takes approximately 90 to 120 days to fill a vacant position, with another 30 to 60 days for training.
- Personnel activities associated with additional employees — Under the existing contractual arrangement, the City does not have to engage in certain personnel actions such as employee evaluation, discipline, and termination for the contract employees.
- City control over workload allocation and resource utilization — While the City receives detailed billing information from the contract firm, there is not the expertise on staff to determine if projects are appropriately assigned to the right contract personnel, the prioritization of work and the effective delivery of services. The current consultant has performed services within budget guidelines; however, there remains a concern that there is no position on city staff to assign and monitor workload to ensure quality control and fiscal accountability.

## RECOMMENDATION

There are a number of benefits to a City the size and characteristics of Palos Verdes Estates in maintaining some form of contract services related to planning, building and public works services. Of particular note is the ability to reduce the level of effort as building activity declines.

To address the issues associated with greater control and input on the utilization of resources and staff accessibility, the previous cost analysis indicates that it would be financially beneficial to retain an in-house Community Development Director position (registered civil engineer) to manage the consultant services and assume the hours currently assigned to the Project Supervisor, Planning Director and Building Administrator positions (1,720 billable hours for FY 1994-95 at a cost of \$130,336). The contract consultant currently staffs all three positions with a single individual. *vs. \$104,800 costs for in-house Director. 1st yr. Savings of \$25,600*

If the City were to utilize in-house staff, the structure of a combined building, planning and public works function should be retained. The nature of the City's planning process and amount of planning activity allow the City to avoid hiring a professional planner to assume those responsibilities. Based on the level of expertise, it is anticipated that the Director position would assume the City Engineer responsibilities (average of approximately 200 billable hours in recent years) but still utilize the services of a contract engineer (equivalent to contract principal position) on an as needed basis. In addition, it is proposed that the position continue to utilize contract planning, engineering and inspection staff. It is recommended that the City continue to utilize contract engineering, planning and building inspection services with the exception of a designated in-house Director position to assume the management responsibilities currently handled by the Planning Director, Building Administrator and Project Supervisor positions. The in-house director position (estimated first-year costs of \$104,794) would have primary responsibility for department and project management along with the responsibility of providing for, monitoring and evaluating contract services.

## **CHAPTER VI CONTRACT PROVISIONS**

This chapter is intended to provide a review of potential elements to a contract for services should the City choose to continue to utilize such services. The primary elements of the existing contract with Charles Abbott and Associates are outlined in the previous sections of this report. These include:

- Cost provisions
- Noticing provisions
- Liability/indemnification
- Term
- Scope of Services

The basic elements of the existing contractual arrangement generally follow the provisions of sound contract management. The City has developed the structure of the agreement to ensure that it has definitive review and approval of any potential cost increases. In performing the review of planning, building and engineering services, three primary issues were raised relating to the contract for professional services. These included:

- Automatic adjustment factor in rates
- Carry-over of fees to next fiscal year
- City review of fees.

### **ADJUSTMENT IN RATES**

The current contract with CAA allows for an annual adjustment in personnel services rates based on the Consumer Price Index (section 11). It is our understanding that this language was initiated by the City of Palos Verdes Estates during previous contract revisions. As a rule, the consultant feels that any adjustments to rates, fees, or other charges should be negotiated on an annual basis.

If the contracting agent is experiencing difficulty in recovering the full costs of services, the contract should allow for the review of fees and service charges. Cities generally review their fees and service charges on an annual or bi-annual basis. The primary reasons for the review are to ensure that schedule of service fees and charges reflect actual services provided and ensure that all costs associated with the provision of services are being adequately recovered in accordance with the City Council's adopted policy for cost recovery. A periodic review avoids the potential to enact large adjustments that may be necessitated by outdated fee schedules. Many cities do not grant automatic annual adjustments to the salary and benefits of their employees and the same should hold for contract services that are being performed in place of in-house staff.

In a contract arrangement based partially on the level of fees paid, the contract firm has an interest in a timely and regular review of City fees. Since it is mutually beneficial to both the City and the contract firm, language could be included that calls for an annual or semi-annual review of fees and service charges in conjunction with the City's budget process.

#### CARRY-OVER OF FEES

There is a potential issue of fees paid near the end of a fiscal year when the contractor is approaching or has exceeded the cap for charges. The problem for the contractor is that the work is performed in the next fiscal year with no ability to carry-over the amount in excess of the cap. A potential solution that is fair and equitable would include:

- The contractor will advise the City Manager if the cap on fees has been reached within thirty days from the close of the fiscal year.
- The City Manager is authorized to allow payments for services in excess of the stated cap providing that such charges for services do not exceed five percent (5%) of the current-year cap amount.

While CAA has not billed to the cap amount in recent years (they did in 1991), the above language appears to solve a potential problem which may occur in the future. The two elements described above are the primary elements of contract services which should be reviewed in future arrangements.



