

**To the Mayor and Members of the City Council****May 19, 2015**

Page 1 of 4

**SUBJECT: CHANGES TO CAPITAL PROJECT SERVICES FUND AND MANAGEMENT STRATEGY**

Prior to FY2010, the City had a Department of Engineering (DOE) that functioned from a financial perspective as an internal service fund (PI19). Internal service funds are used to report and track any activity where goods or services are provided to the primary government. The staff assigned to the Department of Engineering supported the delivery of capital projects by providing project delivery, management and oversight activities and billed their time to the various capital projects that were in progress at any given time. Support staff costs associated with capital delivery were accounted for through a "multiplier" that was applied to all of the direct capital delivery staff's hours charged to each project. This allowed centralized support of capital projects across the organization whether they were in Transportation and Public Works, Water and Sewer, Parks or other departments.

With the dissolution of the DOE in fiscal year 2010, oversight of the Capital Project Services fund (PI19) transferred to the Transportation and Public Works Department, although substantially modified. As operating budgets contracted during the recession, a number of positions were moved to Capital Project Services fund.

Several problems have evolved over time:

- As of the close of fiscal year 2014, the Fund has a deficit unrestricted net position of (\$3,258,000) and a deficit total net position of (\$2,873,000), becoming a liability to the General Fund.
- The deficits are primarily due to excessive overhead, non-core positions assigned to the Capital Project Services fund and staff members insufficiently charging their activities to associated capital projects.
- The non-core positions that have been transferred to the Capital Project Services fund over time are operational in nature and should not be charged to capital projects.
- The overhead multiplier is too high because it has to support too many positions that are not directly related to capital delivery. Separately, the application of the multiplier currently requires a labor-intensive manual process that is unnecessary with the tools now available in PeopleSoft.
- The fund and employee structure have not been nimble enough to respond to changes in workload.
- There are inconsistencies in the structure to manage and deliver capital projects across the City. Several departments retain capital delivery personnel in their operating budgets and charge directly to projects without being subject to the multiplier therefore they are not contributing their fair share to capital delivery support activities.
- A number of functions are appropriate for outsourcing since they can be included in the scope of construction contracts or performed by the private sector through a contract, including surveying, and materials testing.
- The Infrastructure Plan Review Office for New Development should be significantly offset by fees from developers as projects are submitted. The Planning and Development Department has been engaged with the Development Advisory Committee, the Real Estate Council of Greater Fort Worth, and the Greater Fort Worth Builders Association to adopt an appropriate fee schedule to

**To the Mayor and Members of the City Council**

**May 19, 2015**

Page 2 of 4



**SUBJECT: CHANGES TO CAPITAL PROJECT SERVICES FUND AND MANAGEMENT STRATEGY**

become effective in FY2016. This structure is more consistent with the methodology employed for building permits.

As a result, the City Manager’s Office will submit a Mayor and Council Communication to the City Council on June 2, 2015 that will begin adjusting the composition of the fund by eliminating some positions, outsourcing some activities and moving some positions to the General Fund where they are more appropriately assigned. A breakdown of these activities is provided in the chart below:

	<b>AP</b>	<b>FY2015 Savings</b>	<b>Salary Savings Estimated for FY2016 (In 2015 dollars)</b>
Eliminate Vacant Positions effective upon approval of M&C: - Administrative Tech (0209900); 2 Professional Engineers (0209913); 3 Construction Inspector I’s (0209908); Professional Engineer (0209908)	7	\$152,864	\$458,592
Outsource Surveying (0209903) effective August 7, 2015: Eliminate 4 vacancies - 2 Survey Supervisors; Survey Technician; Engineering Tech II Outsource 8 positions - 2 Survey Techs; 3 Sr. Survey Techs; 2 Engineering Tech II’s; Engineering Tech I Retain 5 positions to oversee surveying activities - Survey Superintendent; Office Assistant II; Sr. Survey Technician; Survey Technician; Sr. Engineering Tech	12	\$161,277	\$783,792
Outsource Materials Testing (0209906): Eliminate 2 vacant - 2 Engineering Techs Outsource 3 positions by December 31 <sup>st</sup> allowing sufficient time to consolidate contracts and reduce cost of administrative oversight of vendors. - 3 Engineering Techs Remaining positions will be responsible for tracking of testing, payments to labs, in-house technical expertise, limited Quality Control monitoring - 2 Admin Techs; Graduate Engineer ; Sr. Professional Engineer	5	\$31,436	\$225,076
Eliminate three filled positions due to the automation of the overhead calculation - IT tech Support Analyst I 0209900 (effective 9/30/2015); Office Assistant II 0209900 (effective 9/30/2015); Training Specialist 0209901 (effective 8/7/2015)	3	\$11,899	\$198,342
	<b>27</b>	<b>\$357,476</b>	<b>\$1,665,802</b>

**To the Mayor and Members of the City Council**

**May 19, 2015**

Page 3 of 4



**SUBJECT: CHANGES TO CAPITAL PROJECT SERVICES FUND AND MANAGEMENT STRATEGY**

**Positions Moved from Capital Project Services Fund to the General Fund**

	<b>AP</b>	<b>FY2015 Impact (9 Remaining Pay Periods)</b>	<b>Estimated FY2016 Financial Impact (In 2015 dollars)</b>	<b>Estimated FY2016 Offsetting Revenue</b>	<b>Annual Net Cost</b>
Capital Budget Team	6	\$203,988	\$611,964	TBD (Administrative Services Fee)	\$611,964
Capital Project Communication ( <i>Office of Communication and Public Engagement – used vacant Construction Inspector I 0209905</i> )	1	\$28,516	\$85,548	N/A	\$85,548
Street Use Permit Processor (Planning and Development)	1	\$26,800	\$80,400	Minor GF revenue source already	\$80,400
Infrastructure Plan Review Office for New Development (0209908) - Move 9 positions to General Fund; primarily offset by developer fees - Remaining 12 positions to remain and perform construction inspection offset by fees.	9	\$305,832	\$917,496	\$707,928.00	\$209,568
Human Resources Analyst (0209901) (TPW department-wide support)	1	\$29,344	\$88,032	N/A	\$88,032
Cease annual PI19 transfer to General Fund to offset cost of Capital Attorney; incorporate into administrative services fee calculation.	0	\$33,680.59	\$101,042	TBD (Administrative Services Fee)	\$101,042
Transfer 3 vacancies and 1 filled position (Currently in the process of filling vacancies): - IT Programmer Analyst (0209900); Sr. Engineering Technician (0209909); Sr. Professional Engineer (0209909); Engineering Tech II (0209909)	4	\$103,416	\$310,248	N/A	\$310,248
	<b>22</b>	<b>\$697,896</b>	<b>\$2,194,730</b>	<b>\$707,928</b>	<b>\$1,486,802</b>

Employees in affected classifications have been notified and will be provided support services to apply for other vacant positions for which they may be qualified.

**To the Mayor and Members of the City Council**

**May 19, 2015**

Page 4 of 4



**SUBJECT: CHANGES TO CAPITAL PROJECT SERVICES FUND AND MANAGEMENT STRATEGY**

A summary chart is provided below outlining actions by activity:

<b>Activity</b>	<b>Current Staff</b>	<b>Eliminating / Outsourcing</b>	<b>Transfer to General Fund</b>	<b>Remaining Positions</b>
Business Support	6	(3)		3
Capital Budget	6		(6)	0
Inspection Services	50	(3)	(1)	46
Materials Testing	9	(5)		4
New Development Management	10	(1)	(9)	0
Non-Capital Delivery	10	(1)	(6)	3
Program Management Office	7			7
Project Controls	2			2
Property Management (ROW/Easements)	8			8
Survey Services	17	(12)		5
Transportation Project Delivery	11	(2)		9
Utility Coordination	1			1
	<b>137</b>	<b>(27)</b>	<b>(22)</b>	<b>88</b>

**Next Steps**

1. In anticipation of FY2016 budget adoption, staff will determine if additional positions from Parks and Community Services and Property Management/Facilities should be moved into the Capital Projects Services fund to provide consistency across the organization. Beginning in October, Water and other Enterprise Funds will also be evaluated.
2. Evaluate the role and funding source for the 7 positions in the Program Management Office.
3. Evaluate the positions remaining in the Capital Project Services fund to determine if additional changes are appropriate.
4. During the budget process, reorganize remaining budget elements to match functional groups.
5. Determine the net impact to the fund's performance for the current fiscal year. Evaluate additional steps that are necessary to address remaining negative fund balance.
6. Calculate an appropriate level multiplier or fee to assess the cost of benefits and support staff related to capital delivery costs.

Staff will provide a report on the progress achieved during the FY2016 budget workshops beginning in August.

**David Cooke**  
**City Manager**