

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: DAVID GUHIN, ASSISTANT CITY MANAGER/DIRECTOR
GABE OSBURN, DEPUTY DIRECTOR OF DEVELOPMENT
SERVICES
PLANNING AND ECONOMIC DEVELOPMENT

SUBJECT: FIRST AMENDMENT TO PROFESSIONAL SERVICES
AGREEMENT NO. F001622 WITH BUREAU VERITAS NORTH
AMERICA FOR POST FIRE RECOVERY AND REBUILDING
SERVICES; FISCAL YEAR 2018-19 BUDGET AMENDMENT

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development and Finance Departments that the Council, by Resolution: 1) approve the First Amendment to Professional Services Agreement No. F001622 with Bureau Veritas North America, Inc., increasing compensation by \$377,052 for a total amount not to exceed \$9,263,312; and, 2) amend the Fiscal Year (FY) 2018-19 adopted budget to increase appropriations for plan check and inspection professional services in the amount of \$4,357,322, which will be offset by an increase in associated fee revenue.

EXECUTIVE SUMMARY

Over the past year, staff from the City of Santa Rosa and Bureau Veritas North America, Inc. have provided a variety of permit processing, plan check and inspection services for the repair and reconstruction activities associated with the Tubbs Fire. Over 1,500 permits were processed in 2018, resulting in approximately 16,000 inspections. Additionally, the Department continues to see a high volume of permit activity outside of the fire damaged areas. City staff time has been partially redirected from current development projects outside of the fire damaged areas to support the rebuild efforts, resulting in an increased need for professional services to augment staffing support for the review and processing of new housing and commercial projects.

Revenue received from permit fees related to services provided by Planning & Economic Development (PED) for all development and rebuilding projects are

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considerably more than budgeted estimates for FY 18-19. City staff is proposing to appropriate these funds to pay for one-time professional services needs relative to Planning, Engineering, and Building to meet commitments associated with plan review and inspection turnaround times for all development and rebuild efforts.

BACKGROUND

Prior to the widespread destruction resulting from the October 2017 wildfires, the City was highly focused on expanding its available housing stock. With the loss of homes due to the fires, it was critical that the City created additional staffing capacity to ensure production of housing citywide, while at the same time expeditiously facilitating the rebuilding of destroyed homes and businesses. After execution of an agreement with Bureau Veritas, Inc., PED began taking the necessary steps to set up a dedicated location where individuals affected by the fire could obtain information and services associated with the rebuilding process. The Resilient City Permit Center (RCPC) was open to the public on November 30, 2017. In its first year of operation, the RCPC processed over 1,500 permits associated with the complete rebuild of fire damaged homes and conducted approximately 16,000 various inspection types. In addition, the City contracted with The Engine is Red to develop communication materials to properly educate the community about the various steps required to rebuild. These materials helped to maintain consistent messaging and alleviate some of the confusion the community was experiencing in the initial stages of the rebuild process.

In addition to the increased permit activity generated by the fire rebuild efforts, PED has continued to experience a high level of permit activity outside of the rebuild areas. In order to ensure expedient decision making and uniformity in messaging, a portion of the permanent staffing resources in PED were assigned to the rebuild efforts. This impact on the department required additional professional services to ensure that expectation associated with turnaround times for projects outside of the rebuild areas are met. This augmentation has depleted the professional services agreements at a faster rate than originally planned and has presented a challenge in meeting the community's demand for building inspection, plan review, and planning services. Furthermore, the increase in permit activity has resulted in higher than projected PED fee-related revenue received to date for FY 2018-19. Staff is proposing to address the current workload challenges by utilizing existing revenue to increase the staffing assistance provided through professional services. This strategy provides immediate resources for PED without increasing ongoing expenditures.

PRIOR CITY COUNCIL REVIEW

On October 24, 2017, the City Council authorized the approval of a Professional Services Agreement with Sartin Denny Productions, LLC, DBA The Engine is Red, for \$96,000 for creative support services related to post-fire rebuild and process improvement communications.

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On November 21, 2017, the City Council authorized the approval of a Professional Services Agreement with Bureau Veritas North America, Inc. for \$8,886,160 to perform post-fire recovery and rebuilding services for a two-year period.

ANALYSIS

There are 12 revenue accounts in the General Fund that are directly associated with PED activities. These include Building Permit Fees, Encroachment Fees, Planning Fees, Plan Review Fees, and Engineering Fees. For FY 2018-19, the budgeted revenue estimate for these fees was \$8,704,310. The increase in permit activity for RCPC and other residential and commercial projects outside the fire damaged areas have resulted in higher than projected fee-related review receipts for PED. From July 1, 2018-January 31, 2019, PED has received \$9,489,428 in revenue, which is \$785,118 over the FY 2018-19 budgeted estimate. Based upon permit projections for RCPC and other development projects anticipated through June 30, 2019, staff is projecting year-end revenue to exceed \$17 million, which is twice the budgeted estimate. Finance and PED agree to assign the permit fee revenue related to PED that is in excess of revenue estimates within the General Fund reserves to following services.

1. Resilient City Permit Center – Bureau Veritas, Inc.

The significant volume of permit application submittals and inspection requests received since the opening of RCPC in December 2017 has resulted in the dedication of a higher number of staff hours than originally projected. The increase in staff hours has resulted in the need to amend the original 2-year budget projection for Professional Services Agreement (Agreement) with Bureau Veritas, Inc. by increasing compensation to reflect the projected estimates and ensure that RCPC will maintain current service levels.

To support the timely processing of permits at RCPC, a variety of different staffing types have been utilized to address the significant permit volumes and inspection requests that were witnessed over the past year. The recovery efforts have exposed the need to modify the Agreement to include position types and salary ranges that were not initially anticipated at the time of agreement execution. Furthermore, the past calendar year has exposed challenges associated with the attraction and retention of certain position types critical to the successful operation of RCPC. The amended Agreement sets forth the hourly rates associated with the various staff positions that may potentially provide services through RCPC.

- Experienced Plans Examiners, Permit Technicians and Inspectors are in high demand due to state-wide fire recovery efforts, as well as additional development activity being performed in response to housing shortages. The proposed amendment will ensure that the appropriate salary ranges exist to attract and retain qualified candidates in positions critical to the rebuilding efforts.

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- The proposed amendment includes the addition of a Field Technician category, which will ultimately allow for certain inspection types to occur at lesser rate than what is published in the current Agreement. This inclusion will result in a reduction of \$35 per hour for services associated with inspection types that can be performed with minimal field training and do not require the acquisition of certifications.
- Administrative services are being relied upon heavily to maintain accurate data for all rebuilding metrics reports. The proposed amendment includes the addition of an Office Assistant category, which will focus on data entry and integrity. This responsibility is currently being billed out at the Customer Service rate published in the current Agreement. The proposed addition will result in a \$60 an hour reduction in staff hours associated with dedicated data entry processes.

It is anticipated that the addition of the Office Assistance and Field Technician categories will offset any additional costs incurred due to the need of expanding the billing ranges associated with the Inspector, Plans Examiner and Permit Technician positions.

Early in the fire recovery process, the City Council approved a professional services agreement with Sartin Denny Productions LLC dba The Engine is Red (F001570) for \$96,000 to develop marketing materials and communications for the recovery and rebuild process. This action diverted Economic Development project funds from original intent of developing educational materials for standard development practices towards the creation of fire-specific resource guides. The need to develop documentation for the rebuilding process was greater than initially expected, requiring an amendment to the contract for an additional \$100,000. Total expenditures amounted to \$188,750. Staff is requesting \$188,750 to be reimbursed to the Economic Development project to continue with the original intention of the funds for education and outreach materials on building, engineering, and planning processes for residents and businesses.

Overall, it's anticipated that all expenditures associated with the proposed amendment to the Agreement will continue to be offset by the plan check and inspection fees associated with the rebuild permits. The average fee package for a single family rebuild is estimated to remain at \$5,000 per unit. Commercial rebuilds will likely trigger a much higher fee due to the increase in square footage and complexity in design. The proposed action will not result in any increase to the plan check or inspection fees associated with rebuild permits.

2. Professional Services

Staff is proposing to increase appropriations in PED by \$800,000, offset by specific PED permit fee revenue, to fund a number of one-time costs intended to provide workload relief to the department, and supplement services provided by in-house personnel.

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- Engineering Consultant Services for Plan Check and Inspection (\$300,000). These funds augment the current professional services budget for contract plan checking and inspection. This will allow Engineering to continue engaging several consultants through Master Professional Services Agreements and maintain operations at their current level of service through the end of the fiscal year.
- Planning Consultant Services for Entitlement Permits and Plan Check (\$200,000). This funding will allow the Planning Division to augment existing staff through the acquisition of consultant assistance obtained through the Master Professional Services Agreements. The additional staffing resources will allow for a more immediate response to the high volume of entitlement applications submitted in the current fiscal year.
- Building Consultant Services for Plan Check and Inspection (\$300,000). This funding will allow the Building division to continue to supplement inspection, plan check services, and staff augmentation with several consultants through Master Professional Services Agreements for the rest of the fiscal year. This is work that cannot be done with existing, in-house staff.

FISCAL IMPACT

There is no impact to the General Fund as increases in budgeted revenues offset the increases to appropriations.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

Resolution – FY 2018-19 PED Budget Amendment
Exhibit A – List of Appropriations
Exhibit B – First Amendment to Professional Services Agreement No. F001622 with Bureau Veritas North America, Inc.

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