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December 22, 2004

Jim Austin, Vice Chancellor-Business Services  
Grossmont-Cuyamaca Community College District  
8800 Grossmont College Drive  
El Cajon, CA 92020-1799

RE: **Evaluation of Proposition R Program  
Grossmont-Cuyamaca Community College District**

Dear Jim:

Enclosed is my evaluation of the Proposition R Program for the Grossmont-Cuyamaca Community College District. While my review has been rather brief I think it will give you some level of comfort that your program is moving in the right direction.

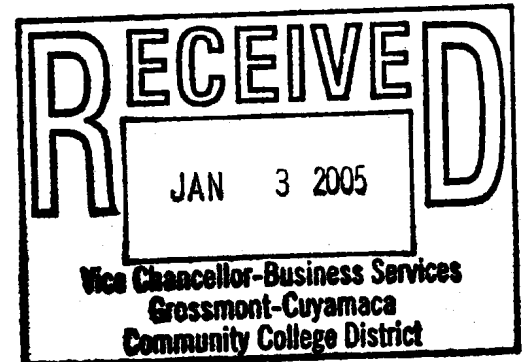
You also asked that I briefly describe my qualifications and past experience at San Diego State University and with the California State University system. I have been the University Architect and Director of Facilities Planning and Management at SDSU for the past 25 years and hold professional architectural licenses in several states. During my tenure I have managed the planning, design and construction of over two million square feet of new and renovated campus buildings, managed construction and planning activities for our IVC Campus in Calexico and began the planning at CSU San Marcos when it was an off-campus center. Probably more key has been my effort on a systemwide level to lead the decentralization of the capital outlay process and chair the committee which certifies the delegation of capital outlay management to the various CSU campuses. When CSU decentralized its process in 1997 we were clearly concerned about building accountability into each program and have created a series of post performance reviews to insure that each campus follows the best possible practice. As part of this effort I have conducted training conferences on design-build and other procurement methodologies and workshops for public works contracts specialist to manage the risk, streamline the process and insure quality control. I have also had the opportunity to learn of both past project successes and failures and bring a good background to judge your potential for future success.

Once again, thank you for the opportunity to review your program. I believe that your program is in an early stage of development but is well on its way to success. If I can be of further assistance in the future, please do not hesitate to call.

Sincerely,

W. Anthony Fulton

Attachment: Evaluation of Proposition R



# Evaluation of Proposition R Program Grossmont-Cuyamaca Community College District

## Executive Summary:

On November 4, 2004 we were asked by the Grossmont-Cuyamaca Community College District to perform a "broad brushed" review of the District's Proposition R Program. Our charge was to evaluate the current management organization and services of the Program and Project Management team provided by contract with Gafcon, Inc. and to evaluate and validate the processes and operations currently in place to manage the major capital construction program. We were also asked to compare the current process with "best practices" as we know them from our experience with the California State University system and other similar higher education capital outlay programs. Several meetings were held during the months of November and December with the Vice Chancellor of Business Services to discuss the scope of work and the findings during the process of our analysis and review.

As part of our scope we were given the following documents to review:

- The contract between Gafcon, Inc. and the District.
- Organization chart indicating parallel Gafcon, Inc. and GCCCD staff positions and responsibilities.
- The Program Manual developed jointly by Gafcon, Inc. and the District.
- A sample quarterly cash flow projection for program expenditures, dated 9/01/04.
- The Performance Review conducted for the North Orange County Community College District (NOCCD), Facilities Bond Program, Measure X, for reference.
- An actual Gafcon, Inc. Project Management Invoice for August 2004, dated 10/15/04.

Our general findings were as follows:

- ✓ The budgeted program management fees to be charged by Gafcon are approximately 3.7% of the capital costs and well within the standards of the industry. We would normally anticipate that the cost for this work to be in the range of 6.5 to 7.0%. The individual hourly rates for staff are also well within the ranges paid for personnel of the expertise and level required to conduct the overall program activities.
- ✓ The organization which has been put in place to manage the program by Gafcon, Inc. is adequately staffed in all aspects of program management and capital project management. There are also parallel and complementary GCCCD positions and responsibilities in place to assist in the coordination of all phases of project development.
- ✓ The Program Manual which has been developed appears to document the process very well however, there are several areas of concern which need further development as the program matures. Principal areas of concern were: change order procedures and levels of authority, claims and risk management process, and purchasing and contracting practices. As a "living" document we believe this program manual can easily be augmented.
- ✓ The cash flow projections that we reviewed indicated a possible need of some corrective measures in the financial reporting. Our principle concern is the ability of the district to be able to forecast expenditures, capitalize projects, and to insure that accurate financial tracking is in place for the life of the program.
- ✓ A cursory review of the performance review of the NOCCCD compared to the program in place at the Grossmont-Cuyamaca Community College District suggests that the GCCCD program is far superior, following reasonable schedules, and using the "best practices" of the industry.

## **Evaluation of Proposition R Program Grossmont-Cuyamaca Community College District**

### **Gafcon Contract, Invoices and Cash Flow:**

We reviewed the contracts in place between Gafcon, Inc. and the Grossmont-Cuyamaca Community College District for both Project and Program Management and sample invoices for the month of August 2004. In general, we found that based on the current cash flow Gafcon has projected that project management costs will be approximately 3.7% of the total program cost which is well in line with industry standards. Since starting a program "from scratch" presents a significant start-up cost a more reasonable fee might be in the range of 6.5-7.5 % for the entire program (4 % for program management and 3.5 % for project management). Contrasting that to the 2.0% fees reportedly paid in the NOCCCD performance review and the conclusion drawn from that report that those fees were below a suggested standard of 4.0 %, we believe that Gafcon's fees are reasonable. Further, if district staff were hired in-house to manage the program you might typically expect salaries and benefits to range between 2-2.5% for direct program managers and an additional 3-4% for the ancillary services of purchasing and contracts staff, accounting and accounts payable, environmental health and safety staff, and other university personnel involved in the process. In addition, outside project management service usually range between 3-4.0% of total construction cost. Therefore the true cost for the program could be in the range of 8-10.5%. Because of these lower than standard fees we believe that you might reasonably expect that extra services may be requested by Gafcon in the future as the program matures and develops.

In reviewing the hourly rates cited within the contract for the various personnel to be assigned program and project tasks we find that those rates are well within the ranges to be anticipated for the expertise needed in program and project management. Additionally, we believe that the Gafcon team will bring several unique features to the program that will be required by the district. Among the additional services which are provided are: estimating services, value engineering, constructability reviews and scheduling. Generally, in the case where university staff provides program and project management services in-house these additional services are provided by individual lump sum contracts with outside consultants at a significantly greater cost. We believe that these services will be of great benefit to the district during the life of the program.

Gafcon contract invoices and cash flow projections were also reviewed. The invoices seem to be tracking with the overall expectations for the program and contract. When we reviewed the cash flow projections we were concerned that they indicated continued program management activities charged to projects well beyond the expected expiration date of the need for those services. We now understand that there will be future revisions to the cash flow projections which will add additional projects and would recommend that these forecasts be made as quickly as information becomes available. Cash flow projections, fund accounting, interface systems with project management and the ultimate capitalization of project costs are keys to a successful and auditable program.

### **Organization Chart:**

We reviewed the organization chart provided which indicates parallel and compatible positions in program and project management for both the Gafcon and District staff. We believe this system will work well, that there is adequate staff in each area and that all facets of the program have been well organized. One area of particular concern was the need to strengthen the ties between project managers and the financial budgeting and account management staff. There is a constant and on-going relationship between project managers and account staff which is dynamic. We believe the Program Manual indicates these ties but that the organization chart may need to be revised to reflect this activity. We were also concerned that specific job duties be assigned to positions and that the Program Manual and organization reflect these activities in more depth.

# Evaluation of Proposition R Program Grossmont-Cuyamaca Community College District

## Program Manual:

We reviewed the Program Manual prepared jointly by the District and Gafcon. We were impressed that the various steps have been well thought out and the process flows well. We note that the manual, as a "living" document, will be subject to revisions and improvement as the program develops. Some suggestions worth noting as you revise the manual are as follows:

- **Purchasing & Contracts:** We believe that it is important to have a purchasing and contracts staff that is well trained in construction contracts and methodologies. We also believe that the individuals who are executing the contracts, monitoring payments, stop notices, processing change orders and other contract documents should be as close to the action as possible. Major construction projects are unlike normal procurement activities especially when methodologies such as Agency CM and Design-Build are used. As the program accelerates there will be numerous contract activities and interaction with project managers. It will be critical to eliminate clerical errors, meet schedules and to accurately categorize and track project costs. We observed that the Program Manual utilizes the district Purchasing & Contracts for far more activities than necessary and we feel you may want to consider adjusting that interface and having contracts staff located with the Gafcon team and who can become an integral part of the process. You may also want to look at this process section more carefully to remove any redundancies and insure that your contract staff is well trained so that projects flow smoothly.
- **Safety:** We believe that you may want to review the safety program as stated in the manual. Typically an owner provides general oversight to a contractor's safety program and as an institution is responsible to all outside agencies. We are used to having our own EHS staff be the interface rather than an outside contract manager since it is our liability and risk. Our Inspector of Record normally is the person who will declare an on-site condition unsafe and issue notices of noncompliance. We are reluctant to recommend an outside party perform these services.
- **Change Order Procedure and Claims Management:** We believe that these areas of the manual need more thought and reinforcing especially in the delegation of monetary levels of authority to various individuals on the project management team. A complete flow chart of the process is needed and levels of risk assigned to individuals. We are reluctant to suggest that hired firms be given authority over monetary decisions and we are suggesting that a tiered approach be taken which directly involves yourself and other district staff. In practice we also suggest attempting to resolve claims at the lowest level possible and inserting various levels of review prior to litigation in order to manage the risk associated with claims. We have previously provided you with a sample flow chart in this area for your discussion and use.
- **Contractor Payments, Notice of Completion and Commissioning:** We believe that these sections need review and reinforcing as well. It was unclear as to the definition of Completion, Substantial Completion and Beneficial Occupancy. These areas tend to be confusing both for the owner, the contract manager, and contractor especially when attempting to assess liquidated damages. We recommend that a check list be developed for project managers to follow which requires that close out documents be signed by various groups prior to release of retention and final payment. Commissioning is another area that you may wish to elaborate on within the document. There generally becomes a rush to occupy buildings prematurely and some internal discussion regarding adequate time for training, operations, and commissioning is worth thinking through. Adequate time for commissioning may affect project delivery schedules and adjustments to the overall schedule may be necessary to accommodate this activity.

## **Evaluation of Proposition R Program Grossmont-Cuyamaca Community College District**

### **Conclusions:**

In general, we believe that the program currently in place for the Grossmont-Cuyamaca Community College District that has been set out to perform the District's Proposition R Program is appropriate. While there is always room for improvement within the program, both the contracted program and project management firm and the district have done an excellent job in setting up the organization and structure to perform the work. The project management costs are reasonable, the organization and expertise is excellent, and we believe will meet with success as the program matures.

In our review of the District's plan we were also given the opportunity to review the recently distributed performance review of the North Orange County Community College District's program. While we do not have specific comments related to that review it is worthy to note that deficiencies cited in that review are not apparent within the Grossmont-Cuyamaca plan. We believe that what has been developed at Grossmont-Cuyamaca CCD is following the best practice of the industry.

As projects are completed we would recommend that you consider formalizing the process for conducting post performance reviews, such as the one you commissioned for the recently completed Learning Resources Center project at Grossmont College, to assess compliance with the various procedures set forth in your Program Manual. You may also want to consider a more in depth financial audit and analysis to benchmark contractor, architect and other consultant performance.