

Memo

January 11, 2012

To: City Council Members
From: Audit Advisory Board
CC: Mayor Beutler, Mayor's Office
Re: Agreed-Upon Procedures Partial Response
to City Council Resolution A-86267

Recommendations of Audit Advisory Board

On December 14, 2011, the Audit Advisory Board met and reviewed the Agreed-Upon Procedures Report regarding Impact Fees from HBE Becker Myer Love LLP. The Report did not note any exceptions and there were no recommendations.

The scope of this audit/engagement with HBE Becker Meyer Love, LLP, was limited to the provision of a Report and a Finding of Agreed-Upon Procedures regarding Impact Fees. After reviewing this Report, the Board makes the following findings regarding those items found in L.M.C. Section 4.66.040 (d) (1) (i) and (ii):

- 1) Impact Fee activities and programs are being conducted and funds expended in compliance with applicable laws;
- 2) Impact Fee revenues are being properly collected, deposited and accounted for.

This Board did not make findings regarding those items found in L.M.C. Section 4.66.040 (d) (1) (iii) and (iv) as those items were not addressed by the scope of this engagement.

As required by L.M.C. Section 4.66.040 (d) (2) a copy of the final audit report is attached. Since there were no exceptions noted in the report, the auditee did not issue a response.

Because of the scope of this engagement this Board did not create a separate listing of any irregularities or failures to comply with legal or administrative policies as required by L.M.C. Section 4.66.040 (d) (3).

Since no exceptions were found, the Board's recommendation as required by L.M.C. Section 4.66.040 (d) (4) is that the Public Works Business Office be commended for their handling of Impact Fees.

Comparing Engineering Services to the Private Industry and/or other Cities Brainstorming Draft

1. Do similar classes of employees in the private sector and/or other city charge a similar hourly rate to projects as Engineering Services employees?
2. Do similar classes of employees perform the same work between Private Firms/Other Cities and City of Lincoln?
3. What is the true cost of typical hour of time billed to project compared between City of Lincoln, Several private firms, and/or other cities when salaries are equal?
4. What is the City of Lincoln's Overhead rate items compared to items covered in other entities overhead rates?
5. What is Engineering Services time spent on projects compared to private firms/other cities for 3 to 5 specific projects that City has completed?
6. What is Engineering Services estimate of hours compared to private firms 1 or 2 specific projects that firm has completed?
7. What is the true cost of the projects estimated in Questions #5 and #6 when comparing salaries plus overhead plus profit? (include direct expenses?)
8. Reach a conclusion on comparison of the appropriateness Engineering Services charges for service related to:
 - Salaries (Do they pay too much?)
 - Type of Employee (Do they use overqualified people on simple tasks?)
 - Is the overhead charged too high?
 - Do they spend too much time on projects?
 - Taking everything in account are they comparable?

Comparing Engineering Services to the Private Industry and/or other Cities Brainstorming Draft

Question #1: Do similar classes of employees in the private sector and/or other city charge a similar hourly rate to projects as Engineering Services employees?

- How do the rates for private firm principals/other cities compare to salary range for City Engineer or Assistant City Engineer?
- How do the rates for private firm team leaders/other cities compare to salary range Engineering Services Manager
- How do the rates for design work compare to salary range for Engineers etc.
- Just Salary, not burdened with overhead and/or profit

Example chart "A"

<u>Private Sector (firm X,Y,Z) and/or other cities</u>	Hourly Charge (just salary)	Hourly Charge	<u>Engineering Services</u>
Principal	\$XX.00 to \$YY.00	\$XX.00 to \$YY.00	City Engineer
Principal	\$XX.00 to \$YY.00	\$XX.00 to \$YY.00	Asst. City Engineer
Team Leader	\$YY.00 to \$ZZ.00	\$YY.00 to \$ZZ.00	Engineering Services Mgr.
Senior Engineer	\$YY.00 to \$ZZ.00	\$YY.00 to \$ZZ.00	Senior Engineer, Engineer
Engineer	\$YY.00 to \$ZZ.00	\$YY.00 to \$ZZ.00	Engineer
Associate Engineer	\$YY.00 to \$ZZ.00	\$YY.00 to \$ZZ.00	Associate Engineer
Senior Engineer Technician	\$YY.00 to \$ZZ.00	\$YY.00 to \$ZZ.00	Senior Engineering Specialist
Engineer Technician	\$YY.00 to \$ZZ.00	\$YY.00 to \$ZZ.00	Engineering Specialist
Associate Engineer Technician	\$YY.00 to \$ZZ.00	\$YY.00 to \$ZZ.00	Associate Engineering Specialist
Administrative	\$YY.00 to \$ZZ.00	\$YY.00 to \$ZZ.00	Administrative

Comparing Engineering Services to the Private Industry and/or other Cities Brainstorming Draft

Question #2: Do similar classes of employees perform the same work between Private Firms/Other Cities and City of Lincoln?

- Does City of Lincoln use Senior Engineer for design/plan review/etc. when the industry or other cities might use Engineer or Technician?
- Comparison in the range of classes performing certain duties?

Example chart "B"

Activity or Duty	Principal	Team Leader	Senior Engineer	Engineer	Senior Engineering Tech	Engineering Tech
Team Leadership	R	R				
Design Project Management		✓	R	✓		
Design			✓	R	R	R
QA/QC Plan Reviews		✓	✓			Cities
Construction Contract Administration			Private	Both	Cities	Cities
Construction Inspection					Both	Cities
Most Privates =	R	Privates				
Both Private firms and other cities	R	Both				
Most Cities	✓	Cities				
City of Lincoln						

Question #3: What is the true cost of typical hour of time billed to project compared between City of Lincoln, Several private firms, and/or other cities when salaries are equal?

Direct comparison of overhead rates can be tricky without further research as different firms make different decisions as to whether the cost of an item is a direct cost or indirect cost. For example some firms do not have the cost of vehicles, specialized computer software, or etc. In their overhead rate, but will directly bill a client or project for that time/usage of that item on a particular contract. Hence they may have a lower overhead rate, but similar or higher charges to the project because of direct billing on some items.

Example Chart "C"

	Engineering Services Employee	The cost of 1 Hour of Employee's Time to City	Consultant Employee (Speece Lewis)	The cost of 1 Hour of Employee's Time to City	Consultant Employee (OA 404 Monitoring)	The cost of 1 Hour of Employee's Time to City
Fiscal Year 10/11 was 190.0%						
Fiscal Year 11/12 is 214.4%						
Hourly Rate	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50
Overhead Rate & Charge	190.00%	\$42.75	137.80%	\$31.01	175.13%	\$39.40
Sub-total		\$65.25		\$53.51		\$61.90
Profit	0.00%	\$0.00	13.00%	\$6.96	12.00%	\$7.43
Employee Bill to Project		\$65.25		\$60.46		\$69.33
			Is less by	-7.34%	is more by	6.26%

For Fiscal Year 11/12 = \$22.50 X 214.4 = \$48.24 + \$22.50 = \$70.74

Comparing Engineering Services to the Private Industry and/or other Cities Brainstorming Draft

Question #4: What is the City of Lincoln's Overhead rate items compared to items covered in other entities overhead rates?

Overhead rate:	Engineering Revolving	Private Firm X	Private Firm Y	Private Firm Z
Insurance (Medical/Dental)	✓	✓	✓	✓
Leave Time (Vacation/Sick)	✓	✓	✓	✓
FICA	✓	✓	✓	✓
Unemployment	✓	✓	✓	✓
Cost of Office Space (Rent/Own)	✓	✓	✓	✓
Telephone Service	✓	✓		✓
Computer Equipment / Software	✓	✓	✓	
Utilites (Electricity, Gas, Water, Garbage, etc.)	✓	✓	✓	✓
Cost of Training	✓	✓	✓	
Public Relations/Advertising	✓	✓		✓
Vehicles	✓	✓	✓	
Maintaining a Record System	✓	☐		
Review of Annexation Agreements	✓			
Review of Plats	✓			
Research and response for non-project questions.	✓			
Marketing		✓	✓	
End of the Year Bonus		✓		✓

Comparing Engineering Services to the Private Industry and/or other Cities Brainstorming Draft

Question #5: What is Engineering Services time spent on projects compared to private firms/other cities for 3 to 5 specific projects that City has completed?

Duncan Water Main Relocation	E.S.Est. Hours	Firm X Est. Hours	Firm Y Est. Hours	Firm Z Est. Hours	E.S. Actual Hours	Any Reasons for the Difference
Administrative Project Set-Up	4.00					
Printing/Plotting/Filing	2.00					
Records	2.00					
Project Coordination	4.00					Plans submitted three times instead of two
Bidding Assistance/Admin.	4.00					
Construction Project Mgr	25.00					
Inspector	100.00					
Lab	20.00					
Calbela's Turn Lane						
Administrative Project Set-Up	4.00					
Printing/Plotting/Filing	2.00					
Records	2.00					
Project Coordination	4.00					
Bidding Assistance/Admin.	4.00					
Construction Project Mgr	15.00					
Inspector	35.00					
Lab	10.00					Multiple Soil Compaction Failures
Block 21 - Water						
Administrative Project Set-Up	4.00					
Printing/Plotting/Filing	2.00					
Records	2.00					
Project Coordination	4.00					
Bidding Assistance/Admin.	4.00					
Construction Project Mgr	30.00					Poor Communication between Contractor and City's Project Manager
Inspector	70.00					
Lab	20.00					

Comparing Engineering Services to the Private Industry and/or other Cities Brainstorming Draft

Question #6: What is Engineering Services estimate of hours compared to private firms 1 or 2 specific projects that firm has completed?

	E.S. Est. Hours	Firm X Est. Hours	Firm Y Est. Hours	Firm Z Est. Hours	E.S. Actual Hours	Any Reasons for the Difference
Private Firm Walmart Project						
Administrative Project Set-Up	4.00					
Printing/Plotting/Filing	2.00					
Records	2.00					
Project Coordination	4.00					Plans submitted three times instead of two
Bidding Assistance/Admin.	4.00					
Construction Project Mgr	25.00					
Inspector	100.00					
Lab	20.00					
Private Firm Turn Lane						
Administrative Project Set-Up	4.00					
Printing/Plotting/Filing	2.00					
Records	2.00					
Project Coordination	4.00					
Bidding Assistance/Admin.	4.00					
Construction Project Mgr	15.00					
Inspector	35.00					
Lab	10.00					Multiple Soil Compaction Failures

Comparing Engineering Services to the Private Industry and/or other Cities Brainstorming Draft

Question #7: What is the true cost of the projects estimated in Questions #5 and #6 when comparing salaries plus overhead plus profit? (*include direct expenses?*)

Duncan Water Main Relocation (Engineering Services)	Estimated Hours	Hourly Rate	Wages at Cost	Markup Percentage	Estimated Amount
Administrative Project Set-Up	4.00	\$20.00	\$80.00	305.00%	\$244.00
Printing/Plotting/Filing	2.00	\$22.00	\$44.00	305.00%	\$134.20
Records	2.00	\$35.00	\$70.00	305.00%	\$213.50
Project Coordination	4.00	\$45.95	\$183.80	305.00%	\$560.59
Bidding Assistance/Admin.	4.00	\$19.40	\$77.60	305.00%	\$236.68
Construction Project Mgr	25.00	\$35.00	\$875.00	305.00%	\$2,668.75
Inspector	100.00	\$30.00	\$3,000.00	305.00%	\$9,150.00
Lab	20.00	\$33.00	\$660.00	305.00%	\$2,013.00
Total Cost to Developer					\$15,220.72

Duncan Water Main Relocation (Firm X)	Estimated Hours	Hourly Rate	Wages at Cost	Markup Percentage	Estimated Amount
Administrative Project Set-Up	4.00	\$15.00	\$60.00	308.00%	\$184.80
Printing/Plotting/Filing	2.00	\$15.00	\$30.00	308.00%	\$92.40
Records	2.00	\$25.00	\$50.00	308.00%	\$154.00
Project Coordination	4.00	\$80.00	\$320.00	308.00%	\$985.60
Bidding Assistance/Admin.	4.00	\$22.00	\$88.00	308.00%	\$271.04
Construction Project Mgr	25.00	\$45.00	\$1,125.00	308.00%	\$3,465.00
Inspector	100.00	\$25.00	\$2,500.00	308.00%	\$7,700.00
Lab	20.00	\$25.00	\$500.00	308.00%	\$1,540.00
Total Cost to Developer					\$14,392.84

Duncan Water Main Relocation (Firm Y)	Estimated Hours	Hourly Rate	Wages at Cost	Markup Percentage	Estimated Amount
Administrative Project Set-Up	4.00	\$21.00	\$84.00	270.00%	\$226.80
Printing/Plotting/Filing	2.00	\$22.00	\$44.00	270.00%	\$118.80
Records	2.00	\$30.00	\$60.00	270.00%	\$162.00
Project Coordination	4.00	\$125.00	\$500.00	270.00%	\$1,350.00
Bidding Assistance/Admin.	4.00	\$30.00	\$120.00	270.00%	\$324.00
Construction Project Mgr	25.00	\$60.00	\$1,500.00	270.00%	\$4,050.00
Inspector	100.00	\$35.00	\$3,500.00	270.00%	\$9,450.00
Lab	20.00	\$35.00	\$700.00	270.00%	\$1,890.00
Total Cost to Developer					\$17,571.60