

Department of General Services Statewide Engineering and Architectural Services Report on Funding Alternatives

Chapter 879 (Item C-177.20) of the 2008 Virginia Acts of the Assembly requires the Department of General Services, in cooperation with the Department of Planning and Budget, to report to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees regarding the financial requirements of returning the Statewide Engineering and Architectural Services Program to a General Fund (GF) supported activity as opposed to an Internal Service Fund (ISF).

The Statewide Engineering and Architectural Services Program (Program 74107), more widely known as the Bureau of Capital Outlay Management (BCOM), is a business unit within the Department of General Services, Division of Engineering & Buildings (DEB). BCOM's mission is to provide the professional and administrative staff support for the Director of the DEB in his legislatively-mandated role as the Building Official for state facilities. BCOM establishes standard contract provisions and procedures for the procurement and administration of construction and architectural & engineering services. In addition, BCOM provides training to agencies and their design consultants on the application of these procedures, as well as, provides assistance to the Department of Planning and Budget for capital budget development and execution and for administration of the Commonwealth's capital outlay process.

Responsibilities

BCOM is responsible for:

- Enforcing the Virginia Uniform Statewide Building Code (VUSBC) to assure compliance with life safety and code requirements in design and construction
- Providing building code, cost and procurement reviews of proposed state agency construction and capital outlay projects
- Developing policies, procedures, standards, forms, and other documents associated with the procurement of professional and construction services by state agencies
- Authoring and maintaining the Commonwealth of Virginia's Construction and Professional Services Manual (CPSM)
- Providing training and guidance on the proper application of Construction and Professional Services Manual requirements
- Administering the Virginia Project information Management System (VPIMS)
- Administering the Virginia Construction Contracting Officer (VCCO) program

Organization

The Bureau currently has 26 authorized positions, including two new positions which were authorized under Chapter 879 to implement the provisions of HB 5001 and SB 5001 of the 2008 Special Session I of the General Assembly. The Bureau is organized by these functional service areas:

Review Services

- Architectural & Fire/Safety Engineering Review
- Civil/Structural, Mechanical, & Electrical Engineering Review

Administrative Services

- Bureau Management
- Program Management
- Project Cost Review
- Administrative Support

With the exception of the two (2) new Cost Reviewer positions, which are supported by general funds, the balance of BCOM staff is currently supported by fees charged to client agencies.

In addition to evaluating funding alternatives for BCOM's current services, several enhancements are also being recommended. These enhanced services will require additional personnel. The justification and estimated costs to add these services are presented as Alternative C in this report.

Current Services and Revenue

Effective January 1, 2003, the Bureau was converted from a GF supported entity to an ISF supported activity. With the exception of minor revenue generated by training seminars, manual sales, and permits to non-state entities, the majority of BCOM revenue is derived from service fees charged to other state agencies. These fees are for the professional review services provided by BCOM. These services include:

- review of building plans and specifications for compliance with the VUSBC, procurement policies, and other standards
- technical assistance to agencies
- "substantial completion" inspections
- "in progress" inspections (if requested by client agencies)
- Building Permits, Certificates of Occupancy, and Demolition Permits

Other administrative services are not billed directly, but rather are included within the overhead portion of the BCOM billing rate. These are services provided by Bureau management, the program/admin staff, and the cost review group. The volume and

nature of these activities do not lend themselves to direct billing, but are important to Bureau operations and administration of the Commonwealth's construction program:

- administrative processing of capital outlay (CO) forms
- administrative processing of Building Official forms including Building Permits, Certificates of Use and Occupancy, and related documents
- policies and procedures development, including maintenance of the Construction and Professional Services Manual
- project cost review
- budget development and administration
- systems administration/coordination (including VPIMS, BITS, Livelink, the BCOM website, and the DGS Forms Center)
- submittal distribution and tracking
- reports and special studies
- document and records management
- seminar development, administration, and instruction
- development of RFPs, contract documents, and other forms/formats
- invoicing, purchasing, and general business administration
- travel and training coordination
- asset & equipment management

The professional services are billed at a current JLARC-approved rate of \$114 per hour. In addition to the Bureau's direct-billed professional services, the billing rate must also account for all indirect Bureau costs including:

- administrative services
- non-billable activities (i.e., leave, training, and general administrative time)
- non-personal services expenditures, including:
 - rent/utilities
 - materials/supplies
 - VITA charges
 - service charges by other DGS business units
 - travel and training expense
 - equipment and reference materials
 - other miscellaneous expenses

Billing Rate Issues

BCOM's billing rate is affected by several factors, including:

Level of Experience

There are no entry-level professional positions in BCOM. The Bureau's professional staff is comprised of highly experienced registered architects and professional engineers who review the work products of other building design professionals. BCOM's architects and engineers average over 31 years of design and construction industry experience, with an average state service time

in excess of 18 years. These professionals identify life, fire safety, health, and welfare issues during project review, progress inspections, and substantial completion inspections which could result in injury or death to building occupants and substantial financial cost to the Commonwealth. By identifying problems in the project design phase, errors and omissions can be corrected at minimal cost and the quantity of potential construction change orders is greatly reduced.

Support Activities

As described earlier, BCOM provides other administrative services to state agencies that are not billed by the hour, but rather are recovered within billing rate. While activities such as file record management, purchasing, and invoicing are normal business functions that are recovered as overhead cost within a typical rate structure, BCOM's billing rate also includes other program admin services such as Capital Outlay (CO) form processing, permit processing, project cost review, and forms, policy and procedure development. It is not practical to bill these types of services directly, so the billing rate is increased to recover these associated costs.

Travel Costs

A decision was made by Division management early in BCOM's first year as an internal service fund to not charge agencies for initial substantial completion inspection trips. The rationale behind this decision was not to penalize agencies and institutions that were located a great distance from Richmond. In order to recover the travel costs, however, the billing rate had to be increased.

Clearly there are perceptual concerns with the current billing rate. It is not readily apparent that the rate includes many other services not billed by the hour, as described earlier. As a percent of the Commonwealth's \$1.8 billion biennial capital budget, the cost of BCOM is less than $\frac{1}{2}$ of 1%.

Current Budget / Funding

BCOM's budget for FY09 is \$4,212,000. \$300,000 in general funds was provided by the most recent Appropriation Act (Ch. 879) to establish the Cost Review function. The balance of the revenue to support the current budget is derived from non-general fund sources: \$2,972,000 from ISF billings to other agencies, \$870,000 as a pass-thru expense for the Washington Metropolitan Authority project (see Note 2 on next page), and \$70,000 in seminar and manual sales revenue.

Funding Alternatives

There are several alternatives for funding this important state program area. Full GF support would recognize that the services provided by BCOM are basic government activities and would encourage other state agencies to use and benefit from these services. Full ISF support would more equitably distribute these costs to those agencies and projects that require these services, but the rate issues described

above discourage agencies from fully using and benefiting from these services. The following funding alternatives are offered for consideration.

ALTERNATIVE		Proposed GF Component	Proposed ISF Component	FTEs	FTE Remarks
A	General Funding	All BCOM costs, (except those described in Notes 2 & 3 below).	Only those expenses described in Notes 2 & 3 below.	27	Remain at current staffing level.
B	Mixed Funding based on Staff Function (26 FTE)	Admin services and non-personnel costs.	Review services.	27	Remain at current staffing level.
C	Mixed Funding based on Staff Function (33 FTE)	Admin services (including new Assistant Director position), new inspection services and non-personnel costs.	Review services	33	Add five (5) regionally-based Inspectors and an Assistant Bureau Director.

General Notes:

(1) The costs for each alternative are based on BCOM's current FY09 ISF budget (i.e., present day cost). Out year costs (i.e., FY10, FY11, etc.) would need to be adjusted as appropriate to account for salary and other cost increases.

(2) The FY09 budget includes exceptional expenses for the Washington Metropolitan Authority (WMA) rail extension project. The scope of this one project is so extensive that BCOM has budgeted \$870,000 in contracted review and inspection services for FY09. These are "pass-thru" costs to the sponsoring agency. For computing the NGF billing rate, these expenses have been excluded to estimate the net NGF costs to be recovered by the ISF billing rate. This note applies to all alternatives proposed.

(3) \$70,000 has been budgeted as FY09 expenditures for CPSM and VCCO seminars and CPSM (manual) sales. These special costs recovered by fees (NGF revenue) rather than by GF or ISF billings. These expenses have been excluded to estimate the net NGF costs to be recovered by the ISF billing rate. This note applies to all alternatives proposed.

The following are summaries of each alternative.

Alternative A - General Funding	
Staffing Level:	27 FTE
General Funded Amount:	\$3,272,000
ISF Funded Amount:	\$ 940,000
Total:	\$4,212,000
Required ISF Billing Rate:	\$0.00 per hour
Remarks:	This alternative proposes BCOM be funded as GF, with the exception of the exceptional expenses related to the WMA project (\$870,000), seminars fees and manual sales (\$70,000 collectively).

Alternative B - Mixed Funding based on Staff Function (27 FTE)	
Staffing Level:	27 FTE
General Funded Amount:	\$1,162,000
ISF Funded Amount:	\$3,050,000
Total:	\$4,212,000
Required ISF Billing Rate:	\$85.00 per hour
Remarks:	This alternative proposes that the review services be funded as ISF and recovered at the billing rate noted above. All other BCOM staff and all non-personal costs are proposed to be supported by GF.

Alternative C - Mixed Funding based on Staff Function (33 FTE)	
Staffing Level:	33 FTE
General Funded Amount:	\$1,867,000
ISF Funded Amount:	\$3,167,000
Total:	\$5,034,000
Required ISF Billing Rate:	\$85.00 per hour
Remarks:	This alternative proposes that the review services be

funded as ISF and recovered at the billing rate noted above. All other BCOM staff and all non-personal services costs are proposed to be supported by GF.

This alternative proposes additional GF to support five new inspector positions and a new Assistant Director position. At the initial implementation of the Internal Service Fund in 2003, BCOM management consisted of a Director, Assistant Director, and Architectural, Engineering, and Administrative supervisors. After retirements and reorganization, BCOM Management no longer has an Assistant Director. This role has been filled informally by the Architectural supervisor and other staff on an as needed basis, but the ability to accommodate special projects in a timely and efficient manner has been severely reduced.

The primary role proposed for an Assistant Director is special projects and coordination. Special projects currently underway include:

- 1) CPSM rewrite and maintenance (including CM at Risk and Design/Build procedures)
- 2) VPIMS acquisition and future maintenance
- 3) Cost Reviewers initiative and supervision
- 4) Construction Inspectors initiative and supervision
- 5) Washington Building move preparation and coordination
- 6) Virginia Energy Conservation and Environmental Performance Standards development and management
- 7) CPSM and VCCO Seminars

This alternative also proposes additional GF to support the five new inspector positions. The Virginia Uniform Statewide Building Code mandates several construction inspections to be performed. BCOM presently performs the substantial completion inspections and the Regional Fire Marshal's Office currently performs fire safety inspections. BCOM currently assigns non-fire safety, structural, and special inspections to the agency constructing the project, which are funded by the project. Typically, these services are contracted out to architects or engineers. Under this alternative, the inspections would be done

	<p>by the BCOM inspectors at a savings to the project. Because these inspections are funded by the project, there would be no increase in cost to the project and more likely a savings.</p> <p>Experience at only conducting substantial completion inspections or also providing progress inspections when requested by the agencies has identified a need for BCOM progress inspections on all projects – primarily for mechanical, electrical, and plumbing work. Agency initiated changes, field conditions, and general contractor interpretation of the documents and errors often results in noncompliant construction. If these conditions are identified early – before substantial completion - they can be corrected without costly demolish and change orders.</p>
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