

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Stephen M. Haase

SUBJECT: SEE BELOW

DATE: June 2, 2005

Approved

Ray Wines

Date

6/2/05

Council District: Citywide

**SUBJECT: APPROVAL OF THIRD CONTRACT AMENDMENTS FOR PLAN
CHECK SERVICES**

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to execute a third amendment to the agreements with the following plan check consultants: 1) The Phillips Group; 2) Kutzmann & Associates; 3) Linhart, Petersen, Powers Associates; 4) R.K. Associates; 5) Esgil Corporation as follows:

- (1) Extend the terms of the agreements by three months from July 1, 2005 to September 30, 2005;
- (2) Amend the rate of compensation; and,
- (3) Increase the maximum compensation by \$50,000 for 3 agreements to the following amounts:
 - (a) Linhart, Petersen, Powers Associates by \$25,000 from \$116,00 to \$141,000.
 - (b) Kutzmann & Associates by \$20,000 from \$109,00 to \$129,000.
 - (c) Esgil Corporation by \$5,000 from \$100,000 to \$105,000.

BACKGROUND

Each year, the Building Division of the Department of Planning, Building and Code Enforcement enters into contract to utilize consultant services on an as needed basis to meet the peak demand for plan check services that occurs primarily during the construction season of late Spring to early Fall.

On May 25, 2004, City Council adopted Resolution No. 72113 authorizing the City Manager to:

1. Execute amendments to the following plan check consultant agreements to extend the term of the agreements from July 1, 2004 to June 30, 2005, at no additional cost to the City of San Jose:

1. The Phillips Group
 2. Kutzmann & Associates
 3. Linhart, Petersen, Powers Associates
 4. R K Associates
 5. Esgil Corporation
2. Further extend the term for such extension periods as determined to be in the City's interest without further City Council action.

ANALYSIS

At the present level of development activity, current plan check staffing levels are adequate to maintain targeted service levels to customers. Historically, the Building Division has needed to utilize plan check consultants during the peak construction season (late spring to early fall) to avoid and/or minimize plan check delays. Additionally, consultants may be used during any unexpected substantial increase in construction activity on a temporary basis.

The Department of Planning, Building and Code Enforcement has had contracts in place for six years with five companies that provide contractual plan check services to respond to fluctuations in construction activity. During the economic downturn the Department has been very judicious in managing its staffing level to meet its customer demand and available permit fee revenue. As a result of this effort, outside plan check services have been sparingly utilized during the past two fiscal years. The current cumulative maximum compensation for the five contracts is \$390,000. Of this approximately \$34,000, is still available for services. The Department considers it prudent to amend these contracts now to maintain these contracts at adequate funding levels as an additional tool to ensure customer service is maintained during the upcoming summer construction season.

In order to provide opportunity for a competitive process for new contractual services the Department will release a request for qualifications (RFQ) in June 2005 to enable firms to qualify for \$200,000 in new fiscal year 2005-06 plan check service contracts. This process will comply with the new local and small business preference provisions.

In the interim, the Department proposes to extend the existing agreements by three months and to increase compensation to have the time to properly conduct the upcoming RFQ while maintaining a prudent amount contractual funding during the peak summer period with each of the current firms that provide expertise in the various areas of plan check. Recent changes to the Building permit fee calculation methodology from a valuation based system to a fee based on the estimated service hours have made the existing plan check consultants contracts unworkable for new single family homes because this has resulted in consultants being paid at rates below the cost of providing service. Accordingly, the agreements need to be amended for single family homes to a compensation amount equal to 80% of the plan check fee to maintain the level of service currently being provided to the development industry.

OUTCOMES

This action will enable the Building Division to maintain consultant plan check agreements at levels needed to meet peak service demand during the summer construction periods and any unexpected increase in construction activity due to an upturn in the economy. A plan check RFQ will be issued in June 2005 to provide the opportunity for other consultants, including small and local business, to be qualified for new 2005-06 plan check service contracts.

PUBLIC OUTREACH

The development industry supports the use of outside consultants to ensure service levels are maintained.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, Office of Employee Relations, the QUEST Partnership, and the City Manager's Office.

COST IMPLICATIONS

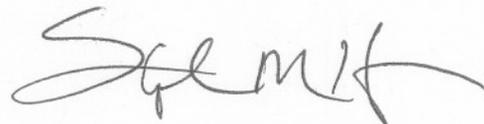
The proposed addition of \$50,000 to the contracts of the five plan check consultants will raise the combined cumulative "not to exceed" amounts of the five agreements to \$440,000. Funding will come from PBCE's FY 2004-2005 non-personal appropriation.

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	RC#	Total Appn.	Amt. For Contract	Adopted Budget Page	Last Budget Action
001	0582	PBCE Non-Personal	440	\$3,129,616	\$50,000	2004-05, Page VII-97	\$635,373 added at Mid-Year

CEQA

Not a Project.



STEPHEN M. HAASE, DIRECTOR
Planning, Building and Code Enforcement