

DATE: April 7, 2009

TO: Mayor Bryan Barnett

RE: Shadow Woods Inspection Fee's

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### **Shadow Woods Inspection Fee's**

The Shadow Woods road reconstruction project occurred during a period of time when our in-house inspectors were planned to perform the inspection services for the project. Unfortunately, a City inspector became ill and needed surgery before returning to work thus requiring a reallocation of inspectors. As an alternative, HRC was hired to perform the inspections services until such time that a City inspector became available.

The originally approved contract for HRC inspection services totaled \$91,700.00, which included 40 hours of staking services, 24 hours of miscellaneous field design, and 1,300 hours of inspection services. The request for an additional \$6,666.53 covers an additional 160 hours of inspections services that was provided by HRC due to the City inspector's extended recovery period and to provide a period of 'overlap' between the HRC inspector and City inspector to allow for a smooth transition between the two inspectors.

The City of Rochester Hills employs a strategy that avoids the upfront costs of project engineering in favor of a 'log-job' type strategy. This strategy has proven to reduce projection preparation time since 'formal' design plans are not created, thus allowing City staff to relatively quickly develop 'log-job' plans, specifications, and contract documents. This strategy has also created an opportunity for the City to save an-average of 5% off the costs of construction when compared to an engineered design. The potential risk of the 'log-job' type strategy is the possibility that unforeseen conditions are not identified upfront and therefore not budgeted. The management strategy is to put contingencies in the project budget to cover unforeseen conditions. In case of inspection services, however, per City ordinances contingencies are not provided for professional service type activities.

### **Recommendations**

1. Identify the inspection costs and allocate funding in the project budget. Currently, inspectors are accounted for in the operating portion of the department budget.
2. Or, continue to budget inspectors in the operating portion of the budget and transfer funds between the operation and capital budgets once the project is complete. This proposal may require some over allocation of resources.
3. Allow a 10% contingency in the Construction Engineering proposals for situations similar to the Shadow Woods scenario. This may require modifications in the City Purchasing Ordinance.
4. Provide more timely updates to City Council via email and/or memos.

## **Conclusion**

Weaknesses in the log type road reconstruction strategy expose the projects to underfunding if unexpected conditions are encountered. An illness to an inspector brought this weakness to light on the Shadow Woods road reconstruction project. To compensate for this weakness, alternate budgeting allocations and improved communications is needed to avoid a reoccurrence.