# Introduction

This document is intended to describe the purpose of the LA Sanitation (LASAN) Program Review Committee (PRC), as well as how it functions and when projects should be brought before it.

# Background

PRC was established in June of 1997 to oversee projects in the Wastewater Capital Improvement Program (CIP). Later, Stormwater projects were also brought under PRC’s oversight. In November 2005, the PRC was again expanded to include all LASAN capital programs and projects, except for Proposition O-funded projects, which have a separate oversight committee. PRC consists of the LASAN Chief Operating Officer, Chief Financial Officer and Assistant Directors, and the Bureau of Engineering Wastewater Deputy. PRC is coordinated by the Financial Management Division (FMD). It is a tool that aids in effectively managing the CIPs.

Additionally, certain authorities to transfer funding for capital projects have been delegated to the Director of LASAN by the Mayor. The PRC is the mechanism used by the Director to review changes to the CIPs.

# Projects That Require PRC Approval

Generally, the following projects require PRC approval:

* Capital Improvement Projects (per the City Controller’s Project Capitalization criteria)
* Consultant studies, pilot projects and assessments that have the potential to result in construction projects, and will use On-Call Contracts as the contract vehicle
* Emergency Sewer Replacement Program (ESRP) status will be reported to PRC on a quarterly basis. Individual ESRP projects do not require PRC approval, unless the estimated cost exceeds $500,000 or if the project includes discretionary work (more than just required to respond to the emergency, like adding an additional reach of pipe).
* Capital Equipment Replacement Program, Capital Structural Replacement Program, and Capital Utility Replacement Program. These programs consist of projects that involve equipment or materials with estimated unit cost equal to or greater than $25,000. New projects may be substituted for projects that were in the PRC approved programs, provided that the total program budgets approved by the PRC are not exceeded.
* Any other projects that are of interest to PRC

At times, there may be grey areas in making a determination. Whenever in doubt, you may contact the Fund Manager for assistance.

# PRC Process

PRC meets regularly on the second Wednesday of every month. Currently the meetings are held at the PWB, 1149 S. Broadway, 5th Floor Executive Conference Room, at 1:30

P.M. Due to the COVID-19 pandemic situation that began in 2020 and continues on into 2022, until further notice, meetings will be held via Google Meet. FMD-approved applications to place items on the agenda are due by the Monday before the last Wednesday of the month. Once the applications are received, FMD generates the agenda and a briefing package (which consists of backup materials). On the first Wednesday of the month, FMD briefs LASAN members of PRC at the “Pre-PRC” meeting to see what questions, concerns or requests for information they may have prior to PRC. FMD then notifies the BOE Wastewater Deputy of items labeled as consent to see if BOE has any comments or concerns about any of them, relays any Pre-PRC requests, questions, and/or comments to the Project Managers to ensure that the necessary information will be available for discussion at the PRC meeting, and e-mails the agenda and briefing package to their respective distribution lists. FMD then coordinates the PRC meeting itself, and prepares and distributes the draft minutes afterwards for comment.

# PRC Appearance Requirements

There are a variety of reasons that a project or issue may be required to come to PRC. PRC approves opening Work Orders to start work on a project, as well as a project’s scope, budget and schedule. Generally, a project would come to PRC at least twice, once to open a Work Order and start designing a project and again to request budget approval when the project is between 10% and 30% designed (at the end of the pre- design phase upon completion of the pre-design report for BOE projects). Budget approval is separate from Work Order approval because it is important to open a project Work Order as early as possible (to capture all of the project costs) and at that early point in time too little is usually known about a project to estimate the project cost with much certainty. Various project changes and issues also require PRC approval.

In general, project approvals fall under one of the categories listed below. Listed under each category are the associated PRC rules that would require a project or issue to come to PRC. Note that PRC has delegated oversight of projects, or project changes, costing less than $100K to FMD, so these projects are exempted from the following unless FMD chooses for them to go to PRC. However, the PRC form and attachments containing the information about these projects must still be transmitted to FMD for approval. No capital work orders will be opened without this documentation.

# New Projects

All new projects must come to PRC before a Work Order is opened to start pre-design on a project. Projects that have been inactive for a few years or more also need PRC approval to resume design. Projects already contained in a CIP are not exempt from these requirements.

Generally, the project budget will not be officially approved during this first appearance, but there are some exceptions such as small procurement or installation projects where the cost estimate is very accurate because the scope is very well defined. Cost estimates are required (at least Class “O”, which stands for “Opinion of Cost”), even when requesting Work Order approval only.

# Project Changes

Projects that have been previously approved by PRC must come back to PRC for approval of a project change in the following situations:

# Initial Budget Approval

Projects that do not obtain budget approval initially with the Work Order approval (which would be most projects) must return for Budget Approval when design is between 10% and 30% complete (for BOE-managed projects they are usually brought after pre-design is complete). A current Class C estimate must be prepared for this request. For BOE- managed projects, if design will be proceeding while waiting for review of the pre-design report, the project must come to PRC within one month of the time the draft pre-design report is submitted for review.

# Budget Change

Projects require PRC approval for a budget change when the estimated project cost increases by $100K or more above the previously approved PRC budget. PRC approval is also required for projects prior to award if the award amount plus contingency exceeds the PRC approved budget by more than $100K. Any changes less than $100K require FMD approval, which still requires a full PRC package. Project Managers must notify FMD immediately when they become aware that a project cost estimate (with construction contingency and inflation to the mid-point of construction) will exceed the approved budget. FMD will then coordinate with the PM in scheduling the project for PRC, if necessary, and will begin analyzing the potential impact to the CIP. Projects shall not be advertised for bid without an e-mail approval from FMD confirming that the project budget is sufficient to cover the City Engineer’s Estimate and corresponding construction contingency (See Item 9.C.).

# Schedule Change

PRC approval is required for significant schedule changes. FMD determines whether a change is significant, but generally any changes of six months or more will require PRC approval (although a significant change could be as little as a day for regulatory- or litigation-related projects). FMD must be notified when a project schedule is proposed to be changed so that they can make a determination as to whether PRC approval is needed, update the CIP, and determine if the schedule change will impact the project prioritization list.

# Scope Change

All proposed scope changes (increases or decreases) that would affect the cost estimate or the project description must be communicated to FMD immediately. This will allow FMD to keep the CIP database up to date. Changes in proposed sewer diameters and/or lengths are particularly important because they affect contract agency billings.

PRC approval is required for significant scope changes, even if they result in no change to the project budget. Some examples of scope changes that may be considered significant are: changing from a pump plant to a gravity sewer, moving a relief sewer to a completely new alignment, or changing a plant project to use an entirely different technology/process. If FMD determines that a scope change requires PRC approval, the project must be brought to PRC immediately before proceeding with design of the modified scope. A request from the client does not constitute approval of a scope change.

# CiSCo Projects ≥ $100K

There is an umbrella project in the CIP for small projects to be constructed using CiSCo. CiSCo projects $100K or greater require PRC approval under the same conditions as non-CiSCo projects. Even if a project has been previously approved using another contracting mechanism, the use of CiSCo for a project ≥ $100K must be approved by PRC. CiSCo projects < $100K require FMD approval.

# Project Change Orders

Project Change Orders must come to PRC when the cumulative Change Orders exceed the project contingency, when the individual Change Order is equal to or exceeds $100K, or when they otherwise trigger a Board report or Motion. Change Orders $1M or more require a joint Board Report with LASAN. All Change Orders should fall under one of the five following subcategories, and should be processed accordingly.

# Change Orders not Requiring PRC or FMD Notification

If a Change Order does not trigger a board report, does not cause an exceedance of the cumulative contingency for the project, and is non-discretionary, neither FMD nor PRC need notification.

# Change Orders Exceeding Contingency

If a Change Order will cause the cumulative Change Order total to exceed the contingency amount approved by the Board, it must be brought to PRC **prior** to going to the Board for approval regardless of the Change Order amount. If a change order is needed to cover an emergency situation, the Change Order may be issued without PRC approval, but it must be reported to FMD immediately and scheduled for a status report at the next PRC meeting.

# Elective/Discretionary (Owner-initiated) Change Orders ≥ $100K

Change Orders equal to or greater than $100K that are discretionary (such as to add to the scope of a project, or change the scope of the project where there may be multiple options available) and would not cause the project contingency to be exceeded, must be brought to PRC for approval before requesting approval from the Board.

# Non-Discretionary Change Orders ≥ $100K

Change Orders equal to or greater than $100K that would not cause project contingency to be exceeded and are not discretionary (such as for changed conditions, or emergency situations), do not need PRC approval prior to Board approval, but must be reported to PRC as soon as possible. This report is not a request for approval, but rather an informational report intended to communicate significant issues and also to possibly educate others in the program in case they may be able to avoid a similar situation.

# Other Change Orders Requiring a Board Report

This section applies to Change Orders triggering a Board Report which do not fall in one of the three cases above; meaning they are less than $100K and do not cause the project contingency to be exceeded (such as change in delivery method – using On-Call, Sole Source, etc). In these cases, FMD must review the board report and the Change Order must be reported at PRC. Credit Change Orders are not exempt, as it is important that the financial language is correct in the Board Report. In most cases, the PRC notification may occur after the board report has been processed.

# Project Updates

Informational project updates are required periodically in the following cases:

# Special Requests by Sanitation Management

Sometimes Sanitation Management will request that a project be brought to PRC because they would like a general update.

# Direction Needed

Sometimes a project will be brought to PRC because the project is at a crossroads in the design process where executive direction is needed. However, the available options should be well defined before coming to PRC (PRC should not be used as a workshop).

# Award to Other than the Low Bidder

Whenever a project is recommended to be awarded to other than the low bidder, the project will be discussed at PRC, even if it is still within the approved budget. The discussion will focus on whether there are any lessons to be learned to improve the chances of awarding to low bidders in the future and whether the project should be re- bid.

# Information and Control Systems Division (ICSD)

Projects that have automation components, or that impact automation development, require ICSD approval prior to requesting budget approval. More complete guidelines regarding when projects should go to the ICSD can be found at the Automation Master Plan (AMP) website at <http://san/icsd/amp/amp.htm>.

# Submittal Requirements

Project Managers requesting Work Order approval, budget approval, or approval for a project change, must submit all following items below to **lasanprcprd@lacity.org**.

Project Managers requesting submission of Placeholder Projects must submit a signed copy of item 7.A, filling out the Project Summary Information, Project Justification, Projected Project Cost, Projected Project Schedule Detail, and Prioritization Analysis sections, to **lasanprcprd@lacity.org**. Placeholder projects are used for budget projection purposes, to capture potential costs for projects that will be done in the near future, but are not yet ready for Work Order approval.

For projects that have received approval at PRC to open a work order and placeholder projects, Project Managers must create a project entry and enter all relevant information for each project in the Uniform Project Reporting System (UPRS) database, which is maintained by the Bureau of Engineering and can be accessed at <https://eng.insidela.org/uprs/>. UPRS is used to track project schedules and costs, and it is essential to FMD in ensuring that LASAN is able to deliver the projects it has committed

to within its budget. Once a project has been created in UPRS, a Project Manager should send an email to **lasanprcprd@lacity.org**, noting the CIP/Project Number and Project Title, as this will allow FMD staff to link this UPRS project to the associated project entry in FMD’s project database. Project Managers should update their projects in UPRS regularly (at least once per month for projects that have received work order approval and once per year for placeholder projects), especially in regards to the project cashflow and schedule. For assistance with UPRS, the UPRS coordinator in the Bureau of Engineering’s Project Award & Control Division should be contacted.

# PRC Form

The most current version of the PRC form must be completely filled out per its instructions. The most current PRC form can be found at <http://san.ci.la.ca.us/fmd/prcwcip.htm>.

# Cost Estimate

All PRC requests for approval, even requests to open Work Orders, must include a copy of the most recent cost estimate. The level of detail of the estimate should be appropriate for the percent of design completed. Lump sum (single line) estimates are typically not acceptable. Cost estimates to open Work Orders will often have many assumptions, but they are still very important because they provide backup for the costs entered in the CIP.

**~~With the exception of the Class O cost estimate~~** (deleted per November 10, 2021 PRC action)**.** All cost estimates must include construction contingency (20% for projects under $1M, 10% for projects between $1M and $3M, and 5% for projects $3M and over)**,** in addition to any estimating contingency, and they should be escalated for inflation to the mid-point of construction at 3% per year if construction is more than a year away. Cost estimates for projects that are not far enough along in the design process to generate a reliable Class C estimate should be labeled as Class O (for “Opinion of Cost”) **~~and~~ ~~should have 0% construction contingency~~** (deleted per November 10, 2021 PRC action)**.** A sample template can be found at <http://san.ci.la.ca.us/fmd/wcip/WWProjectCostEstimate.xls>

# Presentation (Optional)

If presentation materials will be handed out at the PRC meeting, an electronic copy should be provided with the initial PRC form submittal so that it can be included in the briefing package. Although presentations are optional, the chances of a project being marked as “Consent” (see item 8.A. for definition) improve with the quality of the information provided (with or without a presentation) in the materials submitted prior to Pre-PRC, since there is less likelihood that there will be questions that cannot be answered.

# Cost Benefit Analysis

A cost benefit analysis is required for all projects which are proposed in order to save future costs. The cost benefit analysis should use the project cost, future O&M costs, and the proposed savings to calculate a “payback” period. In general it is desired to have a payback period of less than 5 years.

# Delta Analysis

If the cost estimate is changing from what was previously presented to PRC or contained in the CIP, a delta analysis is required. The delta analysis should be based on the current cost estimate, with additional columns added to show the previous quantities, unit prices, and delta for each item. **The delta for each item should follow the convention of positive for increase and negative for decrease.** The goal of the delta analysis is to show what is driving the cost change (revised scope, different unit prices, changes in escalation, etc.). The detailed information contained in the delta analysis should be summarized in the PRC form and presentation to indicate the major driving force (e.g., the main cause of the budget increase is the addition of a third pump). The delta analysis should not be summarized to a level that does not provide meaningful information (such as architectural, mechanical, electrical).

# Risk or Prioritization Score

All wastewater projects must have a risk-based score that will be used to determine if the project is critical enough to go forward in the year requested. The risk scoresheet template, including guidelines, can be found at <http://san.ci.la.ca.us/fmd/prcwcip.htm>.

PMs are responsible for submitting the scores, but they must be developed with the client. FMD will review all scores to determine if they comply with the guidelines. In order to facilitate this review, all scoresheets must contain complete backup data, including the source for each score, explanatory comments, and backup data, such as maintenance hours and costs. Projects will not be placed on the agenda without a verified risk score. This requirement also applies to projects <$100K, all CiSCo projects and the individual components of the capital equipment/structural/utility replacement programs.

# Map

Projects occurring at a Sanitation facility should include a site map. Projects occurring in a public right of way should include a location map.

# Preparing for and Attending the PRC Meeting

Please consider the following when preparing for, and attending, PRC meetings:

# Consent Items

Starting with the March 2004 PRC meeting, some agenda items will be designated as “Consent”. The consent designation signifies that the project was found acceptable at Pre-PRC and by the BOE Wastewater Deputy, and that the item will therefore be approved at PRC without presentation or discussion unless opposition to the item is raised at the meeting. The consent items will be introduced for approval as a group near the beginning of the meeting.

Copies of presentation materials should not be prepared for consent items, and Project Manager Attendance is not required. In cases where opposition or concern is raised for a consent item, if the PM is not present, and the issue cannot be resolved, the item will be carried over to the next month to give the PM an opportunity to respond to the concern. It is not expected that this will occur very often. PRC attendees are asked to notify FMD

prior to the PRC meeting if they have questions about a consent item so that the PM can be notified.

# Presentation Handouts

Presentation materials are optional at PRC meetings, but they are often very helpful. Due to space and time limitations, electronic presentations are not appropriate. Printed copies of PowerPoint presentations are often handed out. This format works well, but

any format is acceptable. The most important thing about the handout is that it effectively summarizes the request being submitted for approval, and the reasons that you feel the request should be approved. This should include, at a minimum, the project scope, cost and schedule. The number of copies of the presentation that you make for the meeting is optional, but it is recommended to start the distribution with the PRC members, the FMD meeting coordinator (for a file copy), and any other key personnel attending the meeting. PowerPoint presentations should be printed with 2 slides per page, except for detailed charts, like Gantt charts or detailed cost estimates. FMD does not make copies of materials submitted for the meetings.

# Order of Presentations

The presentation order generally follows the order of the items on the agenda. The agenda order is set by a rotating list of categories, and by the order items are received within each category. In some circumstances PRC will take items out of order, but, only if there is a strong, valid, reason for the request. FMD routinely receives these requests (usually at least one per meeting), but cannot accommodate them as it would be unfair to others and would just increase the number of future requests. Examples of valid reasons to take an item out of order include: discussing along with an earlier project which is related, the need to discuss an item before a PRC or Board of Public Works member has to leave the meeting for another commitment (if that member has been involved in the issue and wants to be involved in the discussion), and last minute extenuating circumstances that could not be avoided (not always approved – depends on the item and the situation).

# Time Limitations

PRC meetings generally have a full agenda, so try to be as concise as possible in presentations and the discussions that follow.

# PRC Mandated Policies

This section contains various policies that have been approved by PRC. Some have been discussed at PRC in the past, but not formally recorded. In those cases, the adoption of this document by PRC will serve as the formal adoption.

# Project Contingencies (rev. 11/8/11)

* + 1. **Standard Construction Contingencies**

Standard Project Contingencies are as follows:

* + - * 20% for projects less than $1M
			* 10% for projects equal to or greater than $1M and less than $3M
			* 5% for projects equal to or greater than $3M
			* ~~0% for Class (O) cost estimate, added at the April 9, 2014, PRC meeting~~ (deleted per November 10, 2021 PRC action).

# MICLA Funded Projects

Projects requesting Municipal Improvement Corporation of Los Angeles (MICLA) funding will use the guidelines provided by the Municipal Facilities Committee (MFC).

# Contingency Rounding < 100K

If the standard construction contingency results in a contingency less than $100K, the contingency amount will be rounded up to $50K, $75K, or $100K for BOE projects.

# Higher Construction Contingencies

Contingencies different from the standard percentage must be justified by the PM and approved by FMD.

# Estimating Contingencies

Estimating contingencies reflect the uncertainty associated with a cost estimate at a specific phase during the project. Some projects are well-defined in the early stages, while others continue to have uncertainty until the plans are near completion. Factors contributing to this uncertainty could include whether the project is being constructed above- or below-ground; whether the project is being constructed in a new area or around existing facilities; or nearby construction that could cause conflicts. **The following default estimating contingencies were adopted at the December 14, 2016 PRC meeting:**

|  |  |
| --- | --- |
| **City Engineer’s Estimate** | **0%** |
| **Class B Estimate** | **10-20%** |
| **Class C Estimate** | **15-30%** |
| **Class O Estimate** | **20-30%** |

# On-Call List

For projects that are awarded from an on-call list, the board report will authorize accounting to encumber funds up to the negotiated contract amount plus the contingency stated in the board report. If the negotiated amount exceeds the PRC approved amount, additional PRC authorization will be required.

* 1. **FMD Board Report and Board Motion Review (12/12/01; Rev. 10/10/03)** All Board Reports establishing or modifying funding shall include Status of Finance and/or Source of Funding clauses and shall be routed to FMD for review prior to circulation to the Office of Accounting. A signature block for Office of Accounting approval must also be included. Credit change orders are not exempt from this requirement.

# FMD Verification of Funds to Solicit Bids

At the March 10, 2004, PRC meeting, it was jointly agreed by PRC and the City Engineer that future BOE projects would be required to receive FMD verification of funds to solicit bids as a part of the Ready to Advertise checklist. Proof of the approval will be provided in the form of a printed e-mail from FMD, which must be attached to the Ready to Advertise checklist.

# Cost Escalation

At the May 12, 2004, PRC meeting, it was agreed that all cost estimates should use 5% as the annual cost escalation factor to the midpoint of construction. However, at the September 14, 2011, PRC meeting, it was agreed that all cost estimates should instead use 3% annual cost escalation factor to the midpoint of construction. The escalation factor should not be compounded. It was also agreed that this number be reviewed in the future to see if it should be changed. Escalation should be applied to an estimate prior to the construction contingency (escalation could make a difference as to whether a 5% or 10% or 20% construction contingency is applied)**.**

# Resources

* 1. **FMD Project Representatives**

All CIP projects have an assigned FMD Project Representative (FMD Rep). The FMD Rep can provide a variety of assistance, such as the following:

# CIP Information

FMD can provide a variety of information from the CIP database, including the project description, approved amount, cash flow, funding status, etc.

# PRC

FMD can assist in researching the PRC approval history of projects, and can answer questions related to PRC application packages.

# Work Order Opening/Closing

FMD is in charge of opening and closing work orders for capital improvement programs in concert with BOE staff for Engineering Work Orders. The FMD Rep can provide assistance in answering questions related to this process. Capital work order requests should be submitted to your FMD representative.

# Account Information

FMD can provide assistance in researching the status of project accounts and their expenditure history.

# Status of Financing

FMD reviews the Status of Financing language in Board Reports and forwards initialed copies to the Office of Accounting for their signature.

# Electronic Resources

FMD has placed various resources on its website at <http://san.ci.la.ca.us/fmd/prcwcip.htm>. These include the blank PRC form, a cost estimate template, a risk scoresheet template, a PDF file containing all meeting minutes, PRC guidelines (this document), PRC Change Order Funding Policies and various recent CIP printouts.

# FMD Contacts

If there are any questions regarding any of these guidelines, please do not hesitate to contact one of the FMD staff members listed below.

# FMD Contacts for PRC

Clean Water CIP

Richard Pedrozo richard.pedrozo@lacity.org Sr. Env. Engineer Michael Fan michael.fan@lacity.org Civil Engineer

Richard Lu richard.lu@lacity.org Env. Eng. Associate III

Stormwater CIP

Debbie Pham debbie.pham@lacity.org Sr. Civil Engineer

Yu (Sam) Chen yu.chen@lacity.org Env. Eng. Associate III Kayla Ross kayla.ross@lacity.org Env. Eng. Associate II

Solid Resources CIP

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Environmental Quality Program

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