

Utilization of a Best Value Structure on a City's Park Renewal and Upgrade Program

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The City of Roseville is utilizing a best value selection and contract management process for the delivery of their \$19M park renewal and upgrade program. The best value process minimizes decision of the client, and requires pre-planning from the vendors. This paper analyzes the impact external factors can have on a successful implementation of best value business model. The City is using the model after a highly successful initial pilot project, and in response to tremendous political pressure to deliver a high quality, high performance renewal program.

Keywords: performance information, public works, non-governmental organizations, risk management

Introduction

Best value procurement is a supplier selection process that considers both price and performance evaluation criteria (Sullivan, 2011). This differs from the traditional low-bid approach, where price is the only selection criteria. Therefore, by definition, anything purchased on the basis of price alone is a “commodity” and all other factors are perceived to be equal (Rayburn, 2010; Reimann, Schilke, & Thomas, 2010). However, a buyer incurs increased risk if non-price factors do in fact make a significant difference in determining potential performance of a supplier (Gransberg, 1996; Kashiwagi & Savicky, 2003).

In 2005, the University of Minnesota (UMN) Capital Planning and Project Management group tested a best value approach called the Performance Information Procurement System (PIPS) (Kashiwagi, 2012). A key component of PIPS is that buyers are trained to release control to the suppliers they are hiring. For government officials, the process is particularly appealing because it aims to leverage the expertise of the non-governmental organization / contractor. After very high performance at UMN and widespread support from the supplier community, the industry labor unions lobbied for the passage of best value legislation, which was signed into law in 2007 (Minn. Gen. Laws. ch. 16C, § 28, 2007). The significance of this law was that it permitted municipalities (cities and school districts) to utilize best value on their construction projects.

The subject City of Roseville, Minnesota (MN) is a small community of 34,000 in the Minneapolis metropolitan area. After observing the success at UMN and with the legal backing of the best value law, the City piloted the best value system on a complex geothermal system in 2008. The project was completed with no change orders, and City staff rated the contractor 9.8 out of 10. Four years later, in 2012, the City requested the authors' assistance to use the best

value structure to deliver their \$19M Parks and Recreation Renewal Program (PRRP). However, the renewal program itself (not best value) was highly contested amongst a small group of citizens who filed suit against the City.

Much of Roseville's parks and equipment is 30 years old, or more, and is in need of repairs and upgrade (City of Roseville, 2010). The renewal program (as a result of the City's 2010 Master Plan) is the City's response to address these issues. The Master Plan integrates the public's goals with a strategic approach to maintain the City's assets. One of major components of the renewal program is a physical-geographical organizational concept of sectors and constellations. The entire City is divided into four sectors, and each sector is made up of several constellations. These constellations allow the design team to better meet the local desires of citizens, and also deliver the upgrades in a logical approach. Table 1 describes each of the major renovations, scope, cost, and construction completion date and Figure 1 provides an overview of the sectors and constellations.

Table 1

City Park upgrades

Park	Summary	Cost	Finish Date
Acorn Park	irrigation	\$ 25,000	Fall 2016
Acorn Park	disk golf	\$ 100,000	Spring 2016
Acorn Park	rink	\$ 150,000	Summer 2015
Autumn Grove Park	shelter building	\$ 500,000	Spring 2014
Autumn Grove Park	park improvements, rink	\$ 600,000	Spring 2015
Bruce Russell Park	court	\$ 150,000	Summer 2014
Central Park	Parks Foundation shelter	\$ 300,000	Spring 2015
Central Park Lexington	irrigation	\$ 35,000	Fall 2014
Central Park Lexington	restroom, drop-off, plaza, lighting	\$ 1,450,000	Spring 2016
Central Park Victoria	ballfields	\$ 300,000	Summer 2014-2016
Central Park Victoria Ballfields	ballfield shelter	\$ 300,000	Spring 2014
Dale Street Athletic Fields	FOR Parks shelter	\$ 300,000	Spring 2015
Evergreen Park	court	\$ 150,000	Summer 2014
Evergreen Park	ballfield	\$ 200,000	Summer 2015
Evergreen Park	ballfields	\$ 200,000	Summer 2016
Harriet Alexander Nature Center	building improvements	\$ 250,000	Spring 2014
Harriet Alexander Nature Center	boardwalk	\$ 500,000	Summer 2013
Howard Johnson Park	court	\$ 150,000	Fall 2014
Langton Lake Park	irrigation	\$ 35,000	Fall 2014
Legion Field	ballfield	\$ 300,000	Spring 2016
Lexington Park	shelter building, rink, irrigation	\$ 750,000	Spring 2014
Oasis Park	shelter building, improvements	\$ 550,000	Spring 2015
Owasso Park	irrigation	\$ 25,000	Spring 2016
Pocahontas Park	court, park improvements	\$ 225,000	Spring 2016
Rosebrook Park	shelter building, improvements	\$ 855,000	Spring 2015
Roseville Skating Center	paint	\$ 150,000	Spring 2014
Sandcastle Park	park improvements	\$ 575,000	Spring 2015
Southwest Roseville		\$ 500,000	Fall 2016
Villa Park	rink, shelter building	\$ 450,000	Spring 2014
Villa Park (upper)	ballfield	\$ 150,000	Spring 2016

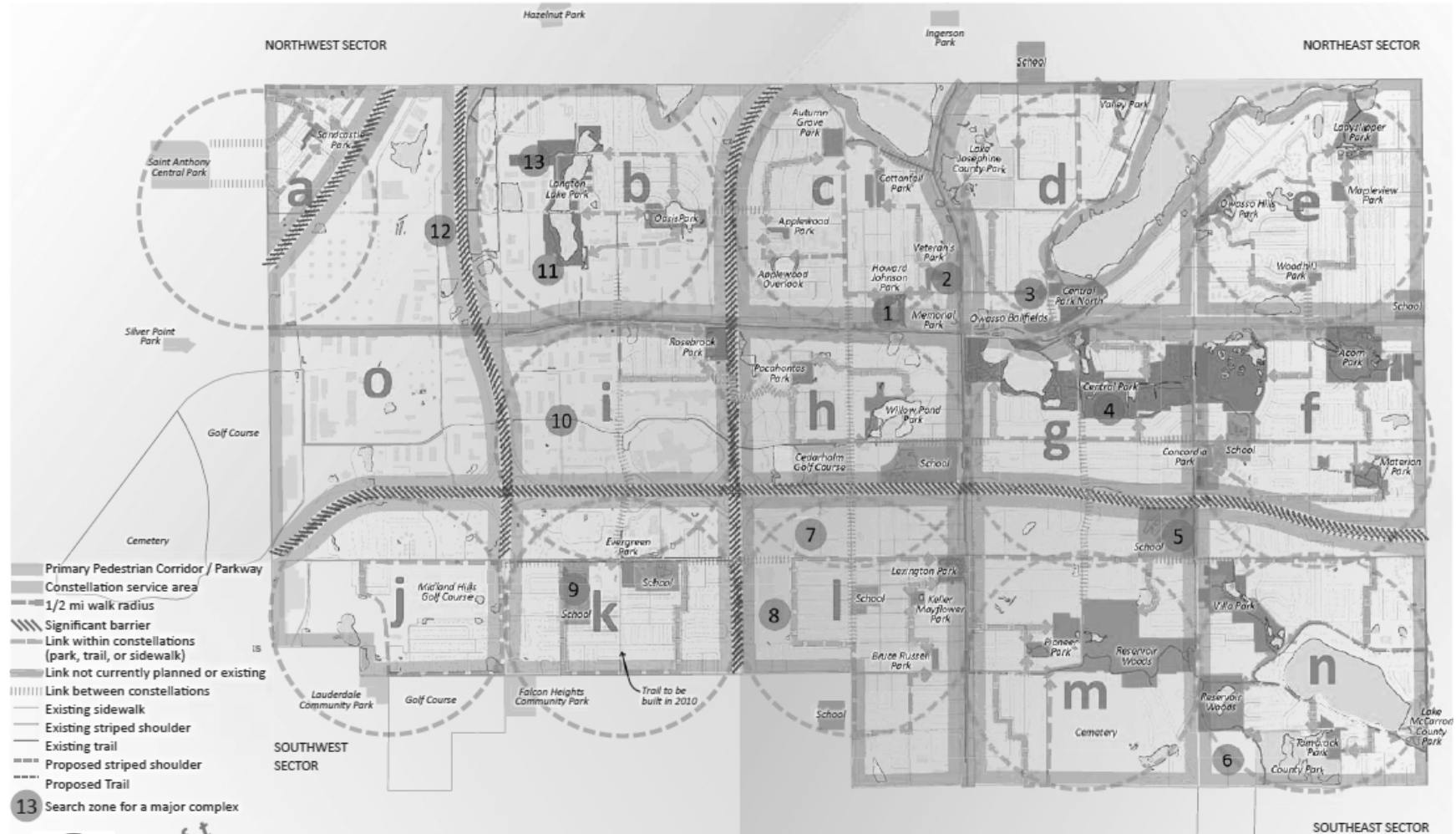


Figure 1: Master Plan Overview: Sectors and Constellatio

This paper has three objectives. The first is to document and potentially explain the citizens' resistance to the renewal program. The paper then analyzes the best value approach as a model to identify experts, and increase the performance of City-provided services. Finally, the paper closes with a discussion of challenges the City has faced under the best value implementation. The City's project performance is shown to be on par with other best value projects within Minnesota. The authors' case study research methodology consisted of an initial pilot project with the city (project results, surveys, and client interview), and a follow-on approach to expand and further refine the City's application of best value.

Citizens' Resistance to Renewal Program

The City of Roseville's budget policy states that any funding program exceeding \$3M must be put to voter referendum for approval (Carlson, 2011). Funds obligated under Port Authority, however, do not require voter approval. The park renewal program has an estimated cost of \$19M, so the City Council moved to use its Port Authority to issue bonds that would fund the program. In response, a group of eight Roseville citizens (Responsible Governance for Roseville, or RGR) filed a lawsuit to stop the issuance of bonds (Carlson, 2011). Their primary contention was that the public was not permitted to vote on the bonds and that the use of Port Authority was inappropriate. Fundamentally, RGR felt that any park renewal program funded by taxes would be wasteful. This contrasts with a June 2011 random public survey which found that 69% of 760 respondents "would vote" or "might vote" for a tax increase supporting the park improvements (Anonymous, 2011).

Clearly, the City was faced with predicament. A vocal group of critics felt that the City was not being a good steward of taxpayer money, while a large majority of citizens dominantly favored paying for the improvements. These opposing views are an example of the struggle government faces in defining what the public interest actually is (Kettl, 2012). Either scenario could lead the perception that the government is complacent and unresponsive to the needs of its constituents (Kaufman, 1969).

The two ideas of how the City should proceed are also reflective of the conservative and liberal perspectives (Cayer, 2010). The authors surmise that the RGR group may be more conservative as they want to reduce the scope of government involvement by limiting tax dollars spent on 'non-essential' public projects. The RGR legal approach through the court system was their attempt to get the City to recognize the individual rights of people to vote (Rosenbloom, 1983). The general population of citizens who support the park renewal may generally viewed as liberal, as evidenced by their willingness to pay more taxes and receive more government services. Of course, these are vast generalizations of the two groups, but it helps to gain a better understanding of the potential underlying motivations of each group.

After a series of court hearings and appeals, the Minnesota Supreme Court refused to hear the RGR's case and thus the park renewal program moved ahead (Olson, 2012). The City then started development and implementation of the best value contracting and organization change structure.

Best Value Structure: A Model for Contracting with NGOs

Though the legal challenges were cleared, the Parks and Recreation department management was still under intense pressure to deliver a high quality park renewal program. The City's initial test of best value in 2008 resulted in a project that met their time, cost, and quality expectations. The City of Roseville has also acknowledged that they are not technical experts in park renewal programs (citywide park design, integration of neighborhood feedback into planning documents, or construction project management). Therefore, they sought the services of multiple non-government entities to provide the expertise the City lacked, and used the best value system to deliver the services.

The best value process contains three phases (see Figure 2) (Kashiwagi, 2012). The Selection Phase solicits proposals from interested vendors and consultants. Once all responsive proposals are evaluated, one 'potential best value' firm is identified and invited to the Clarification Phase. At this time, the firm will clarify their entire plan and address any concerns that the owner may have. Once all parties are comfortable and the owner accepts the firm's offer, a contract is signed and the Project Management phase begins. The best value firm will track any deviations to the project's baseline expectation on a weekly risk report. At the conclusion of the project, the owner will complete a closeout survey rating the firm's performance. These performance ratings may be used on future best value projects.



Figure 2: Phases of the Best Value Process.

The best value structure offers several components to minimize some of the challenges in partnering with NGOs (Kettl, 2007; Sullivan, 2011):

- Performance information available on suppliers, projects, and city staff (increases transparency)
- Evaluation of risk, capability, interview, and past performance (identifies expertise of suppliers)
- Clarification phase between all critical trades, city personnel, and citizens before a contract is awarded (enhances coordination)
- Supplier submission of weekly summary reports on project status, cost increases, and schedule delays (increases accountability of suppliers)

The use of these tools by the park renewal program administrator is in response to the City Council's policy directive to upgrade the parks. The various complexities of the program and associated risk explain why the administrators pursued new tools to manage the program (White, 2012).

In some ways, the best value model melds certain facets of the conservative and liberal ideologies in order to deliver a product or service (the park renewal program, in the case of this paper) that most parties can accept, even those that hold opposing political views (See Figure 3). The model aligns government personnel to release control to the expert vendors who will then direct the project, which results in fewer change orders (minimize government direction; conserves resources). Additionally, the structure is a mechanism that allows the government to be a more efficient service provider, which could potentially increase the demand for government services (increased government involvement in the day to day lives of people).

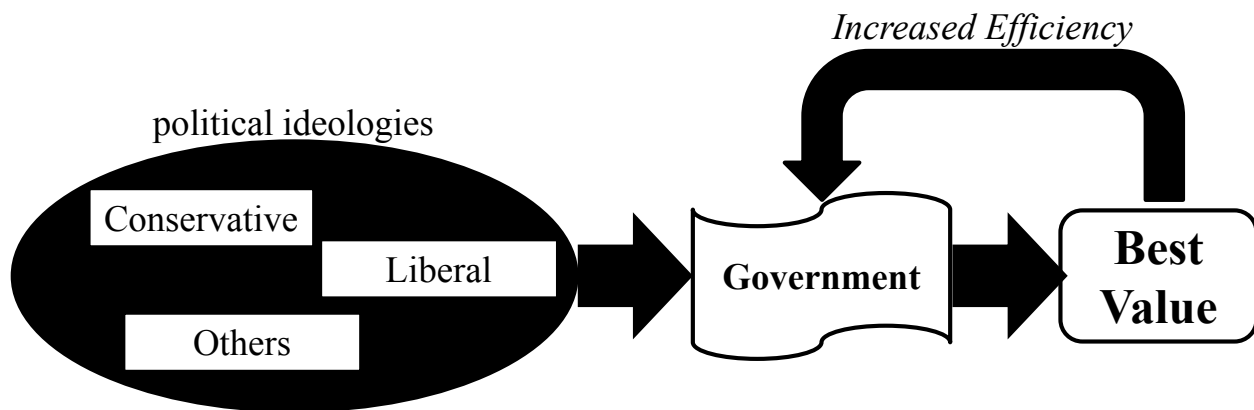


Figure 3: Best value helps to increase efficiency of government services.

Challenges Experienced by the City

The City has faced two main challenges in the implementation of the best value structure: educating government personnel and ensuring continuity of the program in the midst of staff turnover. Most of the challenges faced under the best value structure have been in changing the culture of the government personnel, and the supplier industry. First, government is designed to change slowly (Appleby, 2012; Cayer, 2010; Rosenbloom, 1983). As a result, educating government personnel to release control to the expert is time consuming and perceived as counterintuitive. The suppliers, on the other hand, are not used to leading and managing government personnel. The primary reason for the resistance is that the City's administrators are attempting to change the organizational culture of both the City and the industry. In short, the underlying assumptions (or shared beliefs) of the government and suppliers are not in alignment (Martin, 2002; Schein, 2010).

A second challenge is the possibility of staff turnover in key supporting positions (Allison, 1983). The senior parks director is appointed by the City Manager whose tenure is controlled by the City Council; this could create some instability in the leadership. However, the key

champion of the parks renewal program is actually a staff supervisor, whose position is somewhat protected from politics. Because of this person's unique position, they are able to ensure the program continues through completion. Additionally, the foreseeable legal hurdles and citizenry resistance have been minimized in order to avoid delays.

Table 1 summarizes best value construction performance at the City. They have completed one project, awarded one project, and are in procurement for two other projects. The overall change contractor and designer change order rate is 0%, with customer satisfaction rated at 9.8 out of 10. The actual best value selection process has been rated 10 out of 10. Though based on a very limited sample, the performance of Roseville's best value projects has been on par with the performance of other best value projects in Minnesota.

Table 1

Summary of performance

General overview	Overall	Project 1	Project 2	MN Other Projects
Total number of proposers	5	3	6	4
Total awarded cost (\$M)	\$2.4	\$2.2	\$0.2	\$453
Cost increases				
Overall change order rate	0%	0%	0%	8%
<i>Client</i>	0%	0%	0%	7%
<i>Designer</i>	0%	0%	0%	0.6%
<i>Contractor</i>	0%	0%	0%	0%
<i>Unforeseen</i>	0%	0%	0%	0.5%
Schedule increases				
Overall delay rate	7.1%	0%	10.4%	35.7%
<i>Client</i>	7.1%	0%	10.4%	26%
<i>Designer</i>	0%	0%	0%	3.6%
<i>Contractor</i>	0%	0%	0%	2%
<i>Unforeseen</i>	0%	0%	0%	4.1%
Satisfaction ratings				
<i>Vendor</i>	9.8	9.8	n/a	9.5
<i>Selection process</i>	10	10	n/a	9.6

Summary

City staff recognized that they, as a whole, do not have the expertise to deliver \$19M of park upgrades in the most cost- and time-effect manner. As such, they used a best value model to minimize the challenges typically encountered in working with third party, non-governmental organizations. Though the City is just getting started with the renewal program, the projects' performance is line with other best value projects in Minnesota. The best value model provides the City with performance measurements, coordination and planning education, and project management tools. The City's biggest challenge has been in understanding its own organizational culture and that of the supplier's industry. The process has helped improve the working relationship between the City and non-governmental organizations.

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