



## Office of the City Administrator

**To:** Mayor Welch, Common Council Members  
**From:** Al Hulick, City Administrator  
**Date:** October 1, 2019  
**Subject:** Discussion and Direction Regarding City Engineering

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### Summary

In an analysis of invoices over the past 4 years the City of Milton has been charged for 8,930 hours of work by the City's contract engineer, Baxter & Woodman. This has resulted in \$1,016,973.14 in payments made to Baxter & Woodman over that same time period.

On an annual basis, this averages 2,439 hours and \$277,812.33 in time charged and dollars spent by the City.

The City has had a tremendous working relationship with Baxter and Woodman and has no issues with their work performance, responsiveness, or professionalism. However, as the City continues to grow, the Administration has undertaken an analysis of these hours and costs, and is seeking guidance as to whether alternative approaches towards engineering should be further investigated to potentially mitigate these costs.

### Analysis

Currently, the City is on a year-to-year contract with Baxter and Woodman and has been for over a decade. The City has received nothing but excellent service from Baxter and Woodman during this time. Baxter and Woodman has also remained flexible with the City of Milton by continuing to offer 200 hours annually at a discounted rate of \$70 per hour. All other hours are charged at a rate of \$135 per hour.

Because of the excellent service we have received from Baxter and Woodman, the City has not undertaken any kind of analysis, RFP, or cost comparison for engineering services. However, as growth continues to increase, the amount of hours and costs continue to increase.

Over the past 4 years, the City has seen the amount of hours increase annually and commensurately the cost charged. It is important to note that the increase in hours is not solely related to private development. In fact, private development constitutes less than 20% of the overall workload for the City Engineer.

This work is typically split into six categories and their respective percentages below:



Category	Hours	Percentage
Street	1,983	22%
Water	1,779	20%
Wastewater	2,925	33%
Stormwater	305	3%
Development	1,739	19%
Other	198	2%
	8,929	

### Options

Because of the increasing hours and increasing costs the City Administration has reviewed possible options on how to potentially mitigate this expense. These options include:

- **Seeking to renegotiate the terms of the existing agreement with Baxter and Woodman.** In a conversation with Baxter leadership, they indicated they would be willing to increase the reduced rate hours from 200 to 300 hours at \$70/hour. This would result in a cost savings to the City of Milton and developers of approximately \$6,500.
- **Performing an RFP for Engineering Services.** The cost savings that may result from this exercise are difficult to quantify, as there are a number of variables that could decrease, and potentially increase, the costs associated with engineering services, such as hourly rates, hours charged, project specific parameters, etc. The City Administration is not particularly inclined to go this route, as we do believe we are receiving a favorable rate from Baxter and Woodman, and any new service provider would likely require a considerable amount of time “learning” the community.
- **Pursuing a hybrid approach of hiring an in-house engineer and continuing to contract out other project specific engineering services.** We know that this approach will likely save the City and developers approximately \$85,900 to \$120,000 annually.

### Analysis

As such, the City Administration has been evaluating if it is time to pursue the option of bringing on an in house City Engineer. By comparison, if this individual were to be paid \$85,000 a year, the cost to the City would be considerably lower for a large portion of the work completed by the contract engineer over the past 4+ years.

Understanding that one individual would not be able to perform all of the tasks currently performed by a larger engineering firm, the cost shift would not be a simple dollar-to-dollar trade off. Additionally, the City is currently utilizing the contract engineer for more hours on an annual basis than one full-time employee would work (2080 hours). Therefore, the City would still need to retain some level of contract engineering for work that is unable to be performed by an individual employee either due to expertise required or time available.



However, if the City were to hire an individual employee to serve as the City engineer, the cost for said person would have an annual salary and benefit cost of approximately \$117,681.

Salary	\$	85,000
Health insurance	\$	15,337
Dental	\$	1,500
FICA	\$	6,503
WRS	\$	5,738
Life insurance	\$	500
Worker comp	\$	3,103
	\$	117,681

Currently, the City pays Baxter and Woodman \$70/hour for the first 200 hours of non-contract work, and then \$135/hour thereafter. If the City were to use a “charge out rate” of \$85/hour for an in house engineer, the City would save approximately \$50/hour for work completed by the in house engineer. This savings would be passed on directly to the developer or to the City’s enterprise funds or project costs (water, storm water, wastewater, roads).

For comparison, using the average hours (2,439) utilized in the past 4 years and removing the “discounted” hours, the City would save approximately \$85,900 annually.

	Hours	Rate	Total
<b>Current</b>			
Contract	2,439	\$ 135	\$ 329,265
<b>Proposed</b>			
In House	1,718	\$ 85	\$ 146,030
Contract	721	\$ 135	\$ 97,335
			\$ 243,365

Based on this type of analysis, the City would only need to have the in-house engineer work 875 hours before, the City would “break-even” with its current contract rate. All hours worked thereafter would be “free” by comparison.

### Recommendation

The City Administration is asking permission to pursue the recruitment of an in-house engineer. In the event the City does not find a qualified candidate through the recruitment process, we would retain the current arrangement with Baxter & Woodman. In the event we do find a qualified candidate, we would make that position effective no later than January 1, 2020.