

Performance Audit of the City's Capital Improvement Project Approval Process

Why OCA Did This Study

Infrastructure, such as police and fire stations, libraries, parks, transportation networks, and water and sewer lines, is essential to communities' well-being. The estimated total value of the City's infrastructure is \$12.5 billion, and approximately \$4.58 billion will be dedicated to the City's infrastructure projects over the next five years.

One of the biggest hurdles to timely completing projects within estimated costs is conducting sufficient planning and creating a realistic funding plan, particularly because the City has significantly more asset needs than available funding. Therefore, we conducted a performance audit to determine whether the City adequately considers Capital Improvement Program (CIP) project planning and funding during the prioritization, review, and approval processes to help ensure projects are completed as quickly and cost-effectively as possible.

What OCA Found

Finding 1: The City has frequently approved CIP projects prematurely, which likely contributed to significant project cost overruns and much longer project timelines.

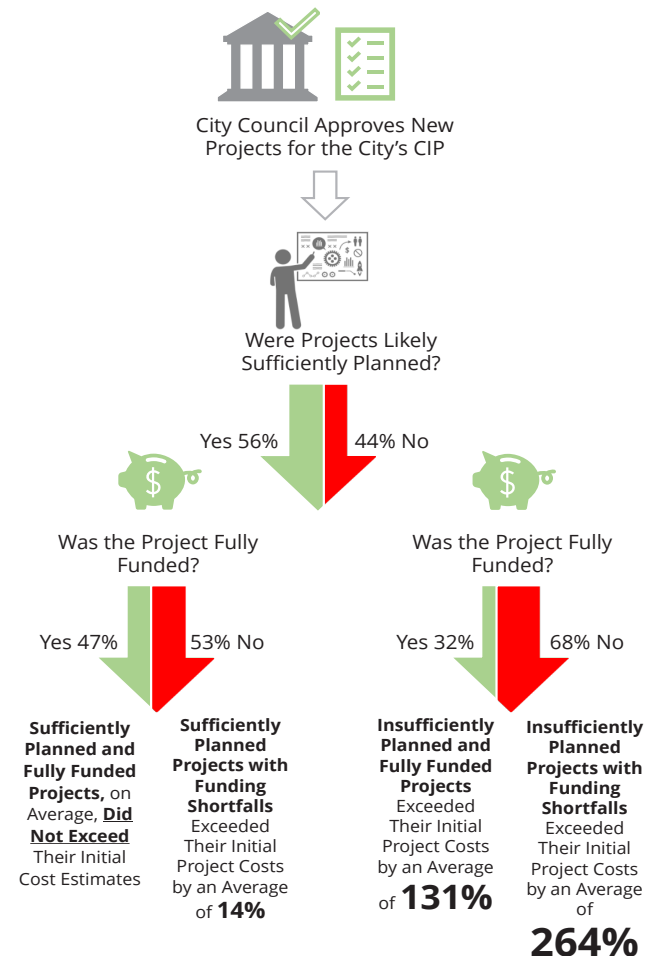
- A lack of proper vetting of new Standalone CIP projects (S-projects) has led to approval of CIP project proposals that likely did not have sufficiently defined scopes, reasonably accurate initial cost estimates, and realistic funding plans.
- Almost half (44 percent) of the projects we reviewed likely had insufficiently planned proposals when first approved for the City's CIP.**
- Of the projects that were insufficiently planned, 68 percent experienced funding shortfalls at some point in their project lifecycle. These projects ended up **exceeding initial cost estimates by 264 percent** and **took 4 years longer to complete** than sufficiently planned, fully funded projects.
- The City's Capital Improvements Program Review and Advisory Committee (CIPRAC) recommended S-projects for the CIP even though not all key project information was included in the project proposal.

Exhibit 1: CIP Projects Can Include New Fire Stations, New Libraries, New Bridges or Water Pipe Replacements, and Many Other Assets



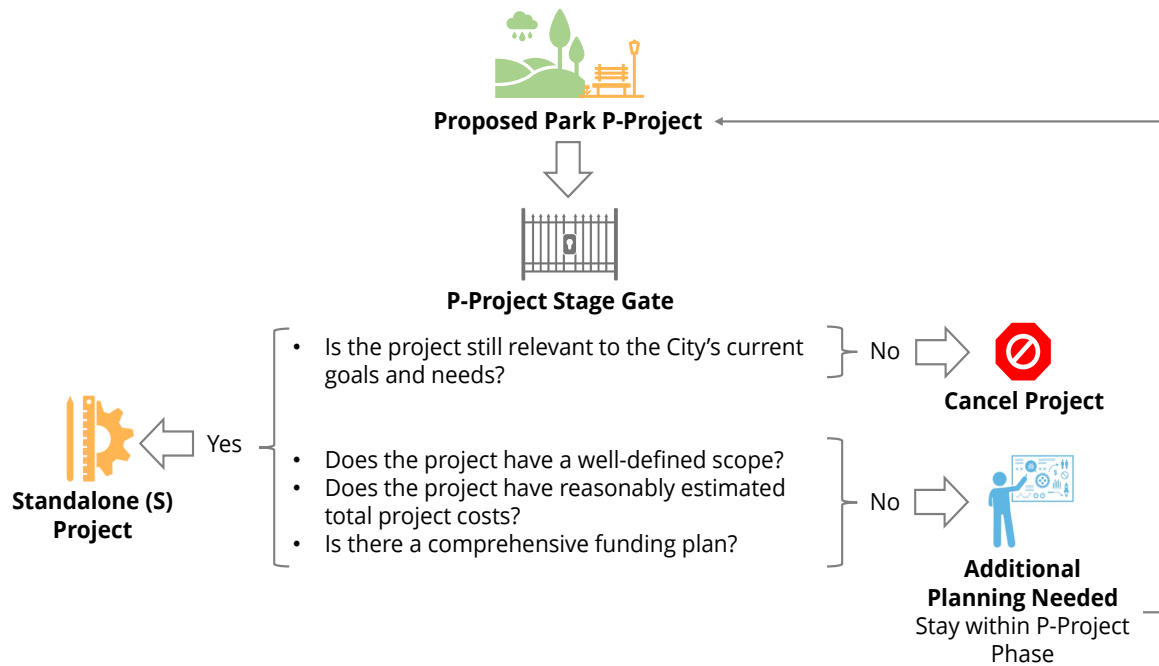
Source: Images obtained from E&CP.

Exhibit 18: Completed S-Projects We Reviewed That Were Likely Insufficiently Planned and Experienced Funding Shortfalls Cost 264% More Than Initial Project Cost Estimates



Source: OCA generated based on analysis of project data in E&CP's project management system and Annual CIP Budgets.

Exhibit 21: The P-Project Phase Could Help Ensure Project Proposals Have Fully Developed Scopes, Reasonably Accurate Estimated Project Costs, and Realistic Funding Plans Prior to Moving Forward



Source: OCA generated based on E&CP documentation and interviews with E&CP management.

We found that project proposals can be insufficiently planned for the following reasons:

- According to the Engineering & Capital Projects Department (E&CP) and Asset Managing Departments, the City does not consistently provide enough time and resources to sufficiently plan projects prior to City Council approval.
- **The City does not require detailed scopes or realistic funding plans before approving all projects for the CIP;** additionally, Council Policy 000-02 has vague language that does not require realistic and defined project cost estimates when the Council approves partially funded new CIP projects.

Sufficiently planned project proposals with well-defined project scopes, reasonably accurate initial project cost estimates, and realistic funding plans would help the Mayor and the City Council allocate limited CIP funding more strategically and effectively. Adequate planning will also help E&CP to establish standardized project delivery timelines.

Notably, E&CP's recently adopted informal Preliminary Engineering—or P-project—phase seeks to ensure project readiness prior to the creation of a new S-project as well as to promote the efficiency of project completion. **The P-project phase also helps set realistic stakeholder expectations for project feasibility, costs, and timelines.**

What OCA Recommends

We made three recommendations and E&CP and the Department of Finance (DoF) agreed to all three. Recommendations include:

- Create a Council Policy requirement for all new projects to start as P-projects unless E&CP and DoF can verify that the new project is “project-ready.” Specifically, the new policy should establish stage gates within the P-project phase that will only allow a project to progress if it has a well-defined scope, reasonably accurate total project cost estimates, and a realistic funding plan.
- E&CP should work to establish standardized project delivery timelines for projects that have completed the P-project phase and reassess these timelines on a regular basis.
- CIPRAC should review all S-projects approved prior to the rollout of the P-project initiative, to assess whether projects are still feasible and whether they still align with the City's goals, needs, expectations, and funding plan/strategy.

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