



Assessment of Metropolitan's Capital Program/Project Approval Practices

Engineering & Operations Committee
Item 6c
June 11, 2018

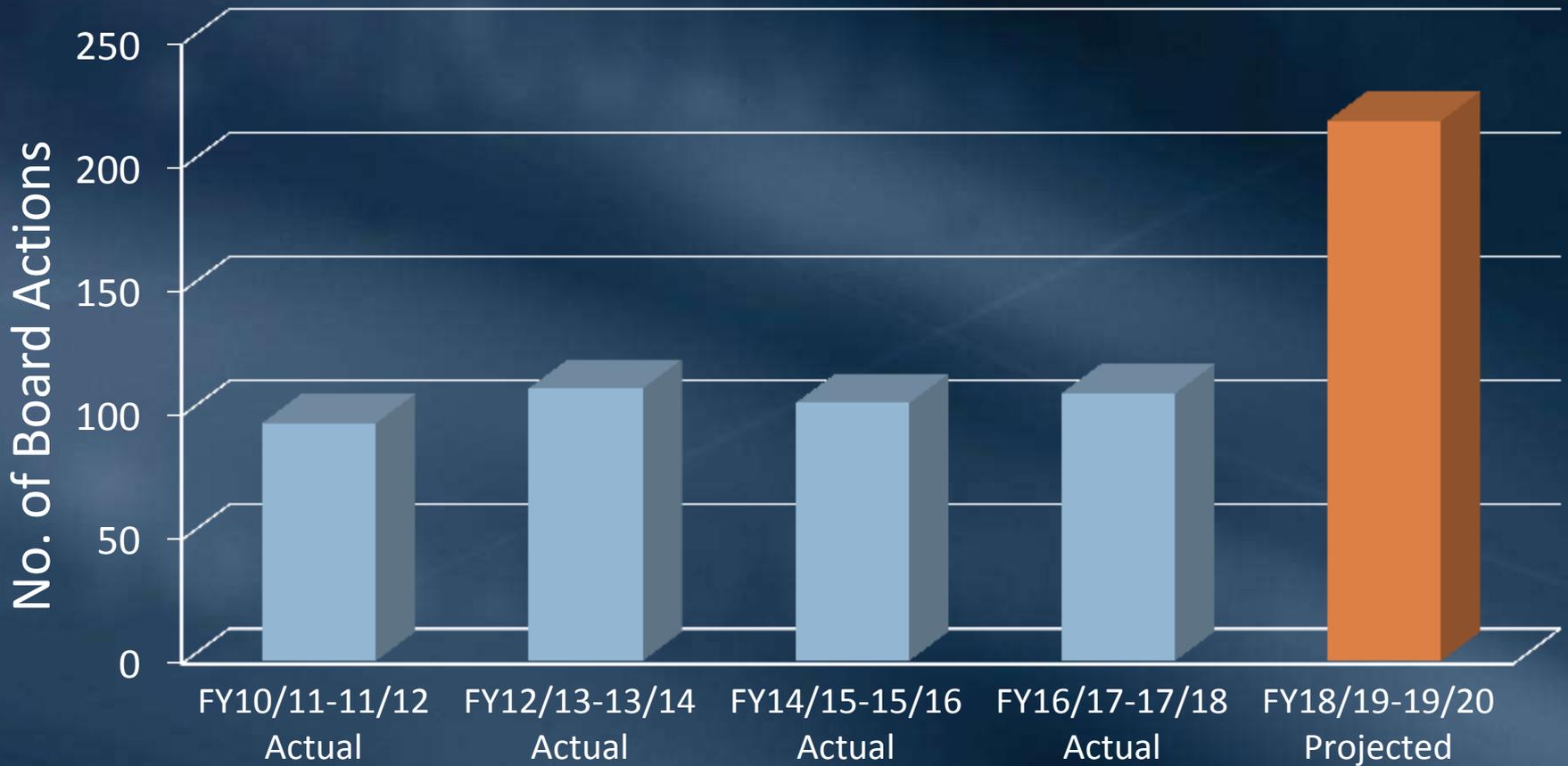
Last Month

- Changing nature of the CIP
- Goals of process improvements
- Actions taken to date to manage the CIP
- Potential issues for discussion regarding enhanced management of the CIP
- Next steps

Today's Outline

- Metropolitan's current appropriation & approval process for capital projects
 - Review key Administrative Code provisions
- Practices of other water agencies
- Next steps (Joint Committee Workshop)

Number of Board Actions Expected to Increase (Driven by shift in CIP to numerous smaller projects)

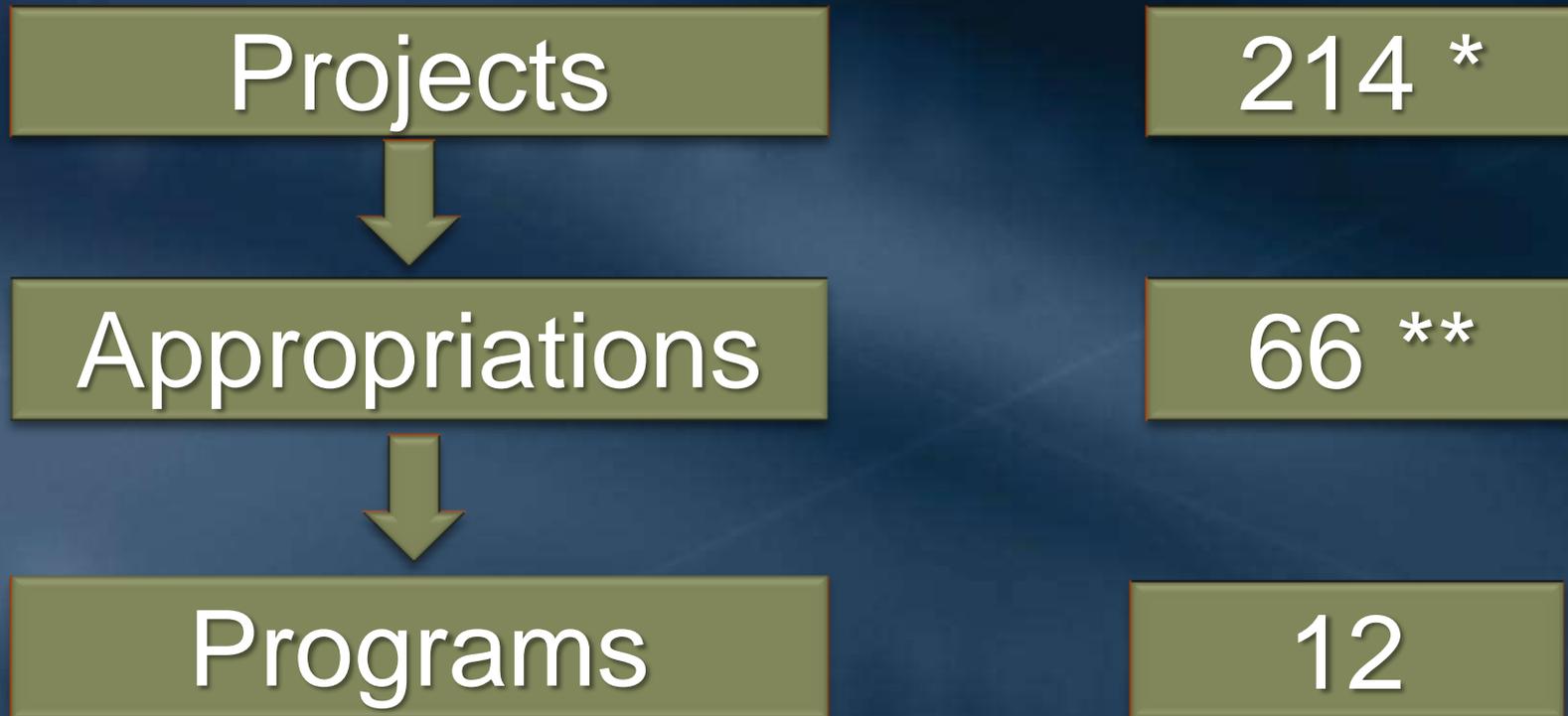


Reviewing Capital Process to Improve Efficiency

- Enable staff to proceed with an increasing number of planned projects quickly & efficiently
- Provide flexibility to react to changing conditions
- Reduce project delivery times
- Take advantage of new tools for program reporting & controls
- Enhance visibility & Board reporting on capital programs

Metropolitan's Capital Reporting/Tracking

(This structure varies widely across water agencies)



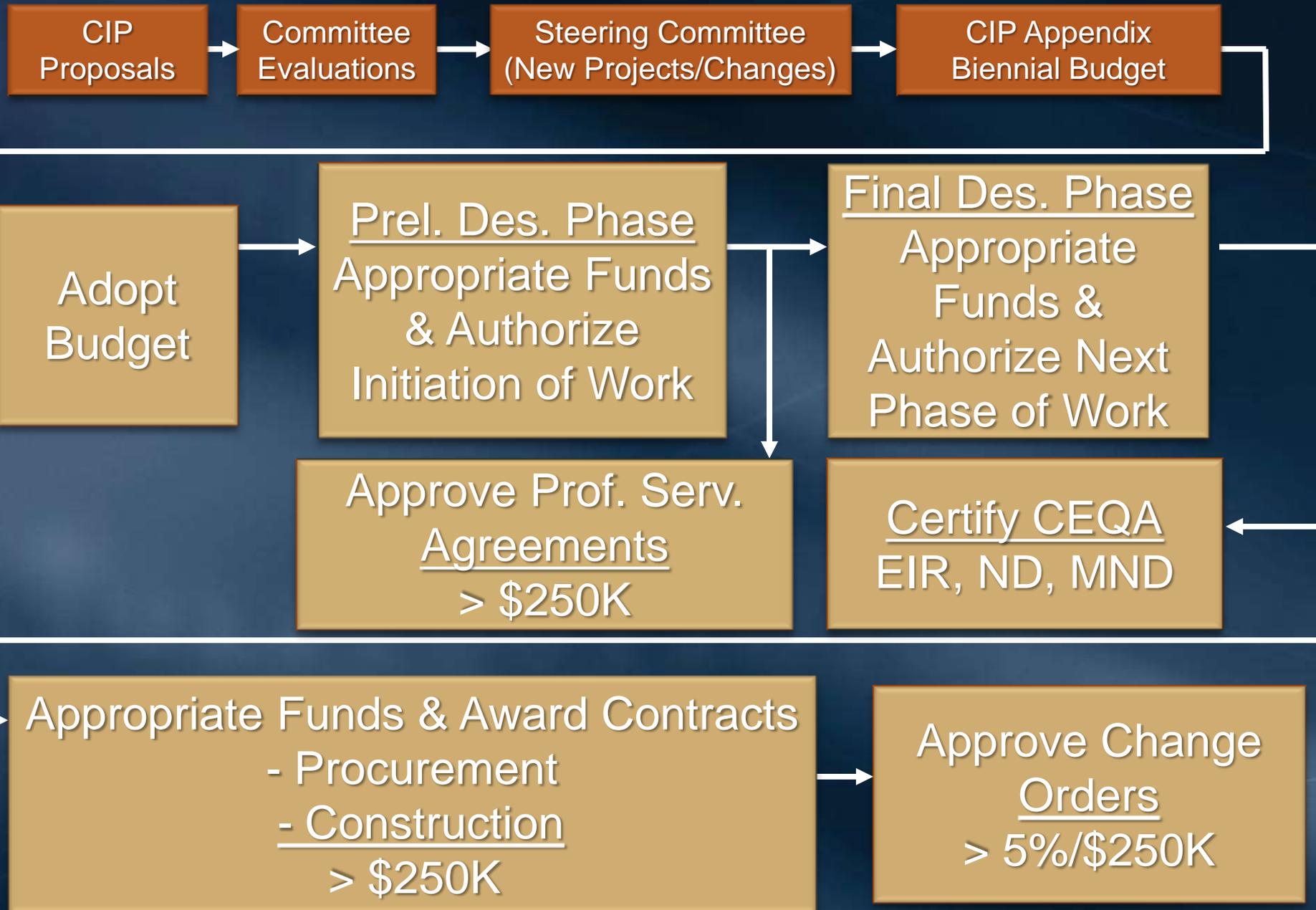
* Excluding Minor Capital Projects

** Planned for FY's 2018/19 & 2019/20

Typical Board Actions Under Current Process

- Adopt overall biennial budget for CIP (every 2 years)
- Appropriate funding for specific projects (monthly)
 - Moves funds into specific tracking number for project(s)
 - Typically performed in multiple phases for a single project
- Authorize work to proceed for specific projects
 - Typically performed when funding is appropriated
- Authorize any contracts above GM authority
- Environmental determinations on projects
 - Exception - Board typically delegates environmental determination for Minor Capital Projects
- Approve change orders above GM's authority

Sample Flow of Board Actions on a Capital Project



Typical Board Actions Under Current Process

- Other actions requiring Board approval
 - Authorization of prof. services agreements over \$250,000
 - Authorization of unplanned/emergency projects
 - Increase to biennial CIP budget
 - Property acquisitions beyond Admin. Code provisions, including:
 - Offers over appraised value
 - Eminent domain
 - Agency agreements
 - Grant funding agreements/resolutions
 - Other Admin. Code/Legal requirements

Administrative Code Section 5108

§ 5108. Appropriations.

(a) No expenditure shall be made unless an appropriation has been approved by the Board for the purpose intended.

(b) Appropriations shall from time to time be authorized by the Board for capital projects and for funding of continuing expenditures not susceptible to immediate direct allocation, including those for undistributed payroll and fringe benefits, for operating equipment, and for materials and equipment inventories. Appropriations for all other purposes shall be authorized on a biennial basis in accordance with Section 5107 hereof.

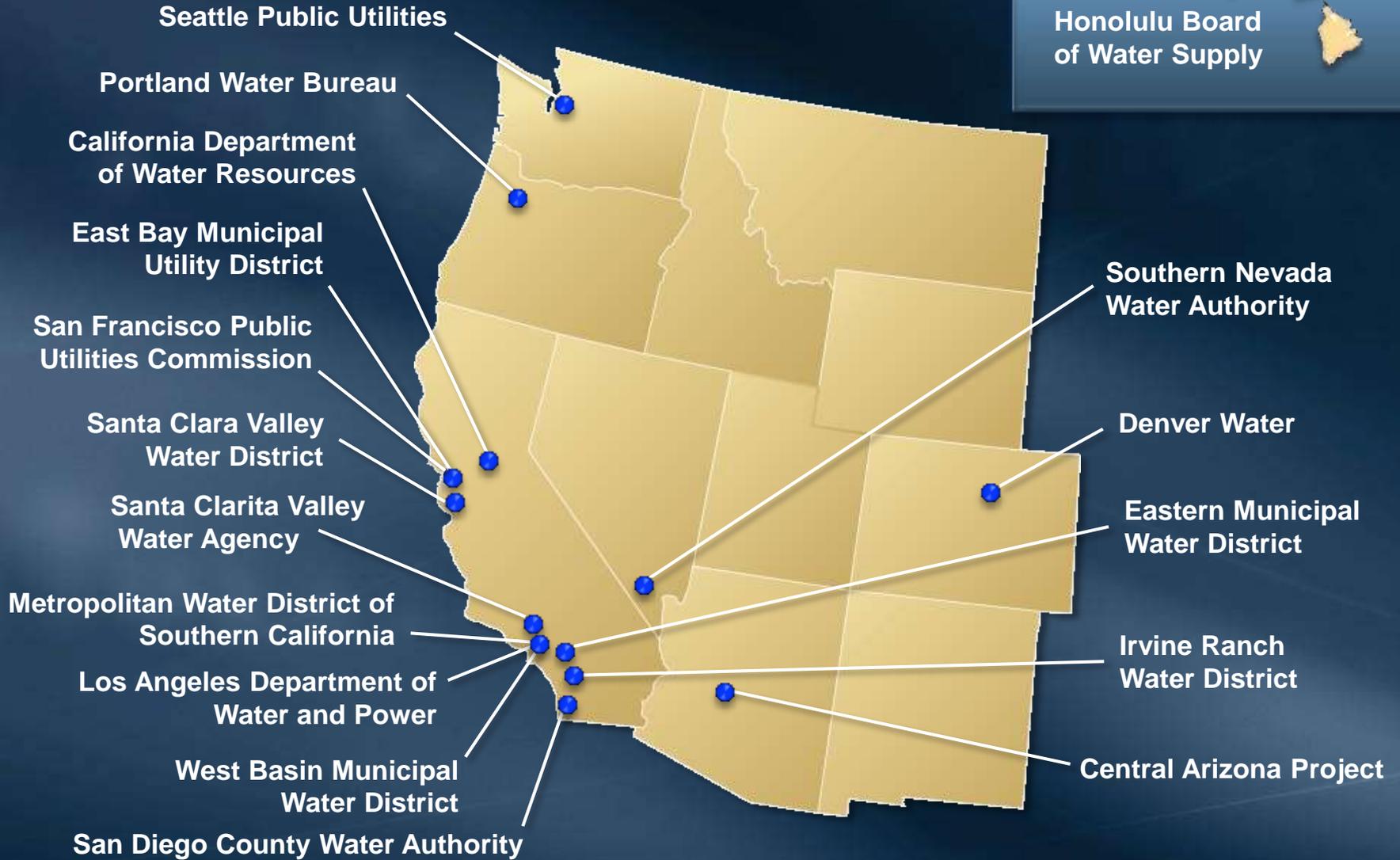
Administrative Code Section 5115

§ 5115. Capital Project Approval.

The General Manager shall request the Board to appropriate amounts for initial planning and feasibility studies for all capital projects. Following completion of all environmental documentation, the General Manager shall request a total appropriation for all remaining work. ... Notwithstanding the foregoing, the Board at its discretion may appropriate only such amounts as it deems necessary for the completion of each separate phase of a project.

M.I. 39036 - June 11, 1991.

Collaboration with 17 Western Water Agencies



Peer Review - Survey

- How does your agency appropriate capital funds & authorize/approve capital projects?
- How does your agency manage appropriated funds?
- What is the level of your General Manager's contracting authority?
- How does your agency address CEQA determinations?

Peer Review - Appropriation of Capital Funds

- 15 of 17 agencies appropriate funds for their total Capital Program (all projects) at time of budget approval
- Metropolitan & 1 other agency fund capital projects individually on a monthly basis
 - Actions typically broken up into multiple steps by phase

Peer Review – Project Approval

- 15 of 17 agencies authorize the General Manager to initiate all projects at time of budget approval
 - Including all design activities & development of environmental review
- Metropolitan & 1 other agency's Boards authorize projects individually on a monthly basis
 - Actions typically broken up into multiple steps by phase

Peer Review – CEQA

- 11 of 12 California agencies authorize their General Manager to be the decision-maker for CEQA on projects determined to be exempt
 - Board considers CEQA actions beyond exemptions
- Metropolitan's Board is the decision-maker on all capital projects unless specifically designated otherwise
 - Minor Capital Projects

Peer Review - Management of Appropriated Funds

- 13 of 17 agencies have flexibility to allocate appropriated funds between capital projects
- 3 have no flexibility
- Metropolitan can allocate appropriated funds only within an individual appropriation

Peer Review – Contracting Authority

- 7 agencies' General Managers have greater authority than Metropolitan to award const. contracts
 - \$600K - \$5M
- 7 agencies have less authority than Metropolitan
 - \$50K - \$150K
- 2 agencies have the same authority as Metropolitan
 - \$250K

Next Steps

- Committee feedback
- Staff working to
 - Reassess internal processes
 - Review Admin. Code requirements vs. other internal protocols
 - Develop potential recommendations for Board
- Schedule potential joint Committee workshop on recommended improvements

