



Opportunities to Improve the Management of Metropolitan's Capital Improvement Programs

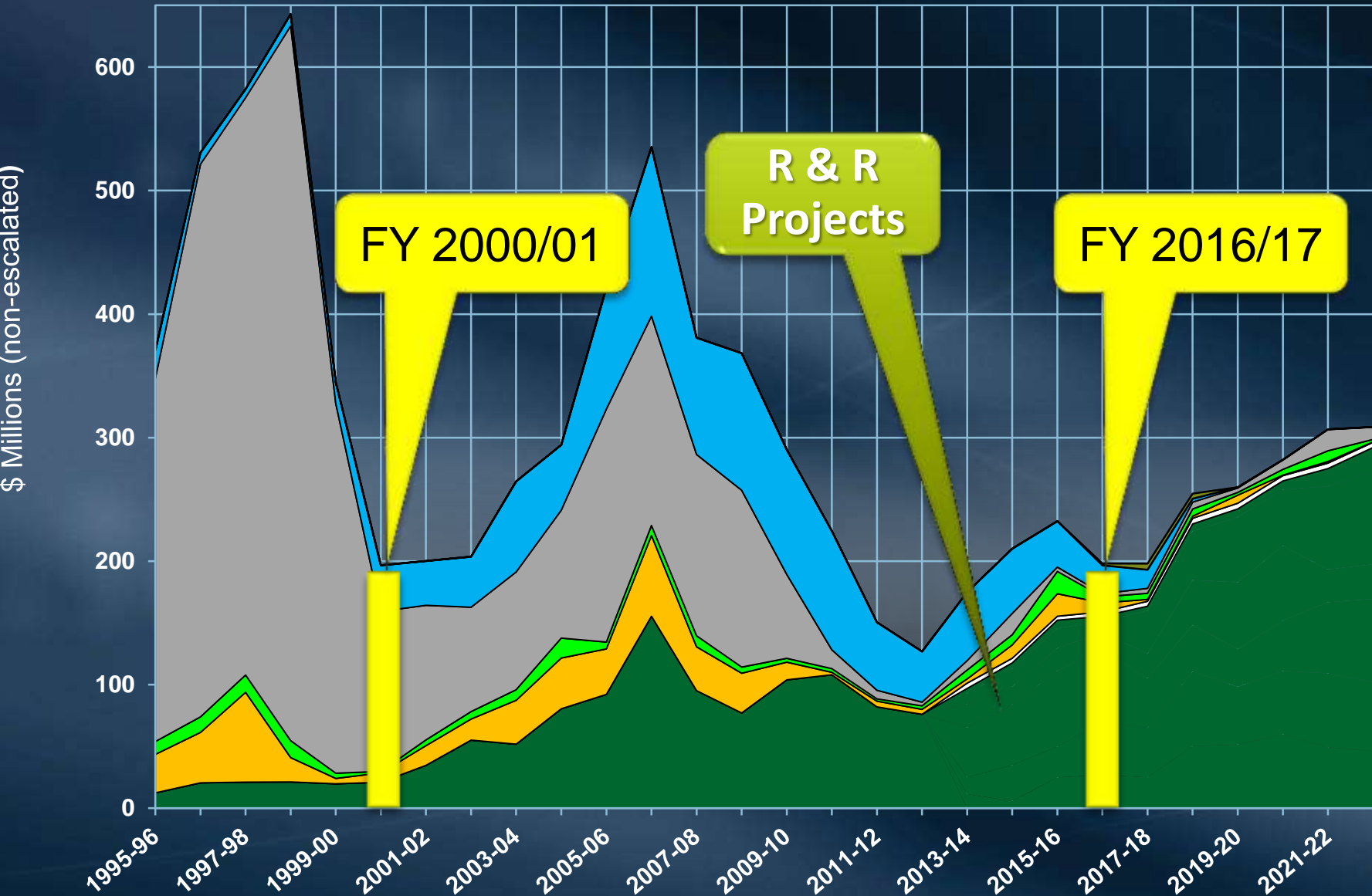
August 2018

Workshop Outline

- Background
 - Changing nature of the CIP
- Metropolitan's CIP Process
 - Appropriation of Funds
 - Authorization to Proceed
 - CEQA Determinations
- Peer Agency Processes
- Adjustments to Improve CIP Management
- Reporting
- Discussion

Background on Metropolitan's Capital Improvement Plan

Capital Investment Plan – FY 1995/96 to FY 2022/23



Higher Number of Projects and Smaller Expenditures per Project

Based on Actual Expenditures

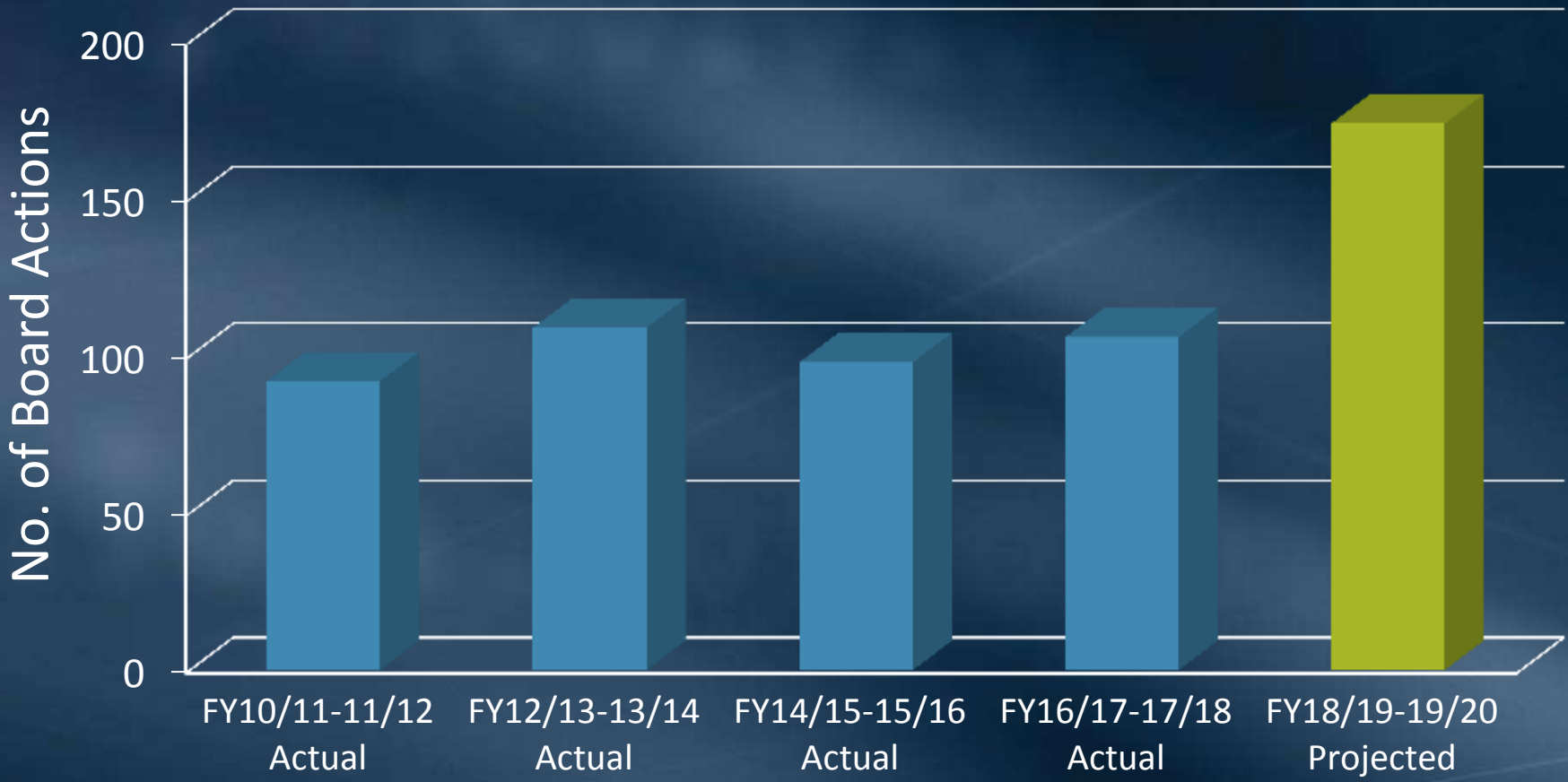
Fiscal Year	No. of Appropriations	No. of Projects	Fiscal Year Expenditures
2000/01	84	175	\$197 M
2016/17	70	334	\$198 M

Metropolitan's CIP Approval Process was Developed in a Time of Large Projects

- Large projects had distinct & separate phases of development
 - Investigations, preliminary design, final design, construction
 - Each phase included multi-million dollar decisions
- Board desired clarity & input on each phase
- Examples
 - Diamond Valley Lake, Inland Feeder, Treatment Plant Expansions, Ozone Retrofit

Number of Board Actions Expected to Increase

(Driven by shift in CIP to numerous smaller projects)



What is the “CIP Approval Process”?

- Generally - All the steps necessary to get Board approval from project inception to completion
 - Budget review including CIP Appendix
 - Authorization to initiate & advance a project through each phase of work
 - Appropriation of funding
 - Making environmental determinations
 - Awarding of contracts above GM authority
 - Approving of change orders above GM authority
- Some steps defined in Administrative Code & some are part of management process

Goals for Improving CIP Approval Process

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

Metropolitan's Current CIP Approval Process

Current Process: Appropriation of Funds

- Metropolitan includes a detailed CIP Appendix as part of biennial budget
- However, CIP funds are not appropriated as part of the budget process
- Board considers funding for specific projects on a monthly basis
 - Funds are appropriated for separate phases of each project: feasibility, preliminary design, final design, construction

Current Process: Project Authorization

- Board considers authorization to start work on each project separately
 - Staff cannot begin work on a project without this authorization
 - Project authorization is typically considered with each action to appropriate funds on a project
- One exception is the minor capital program where the Board authorizes work on small projects in one action

Current Process: CEQA determinations

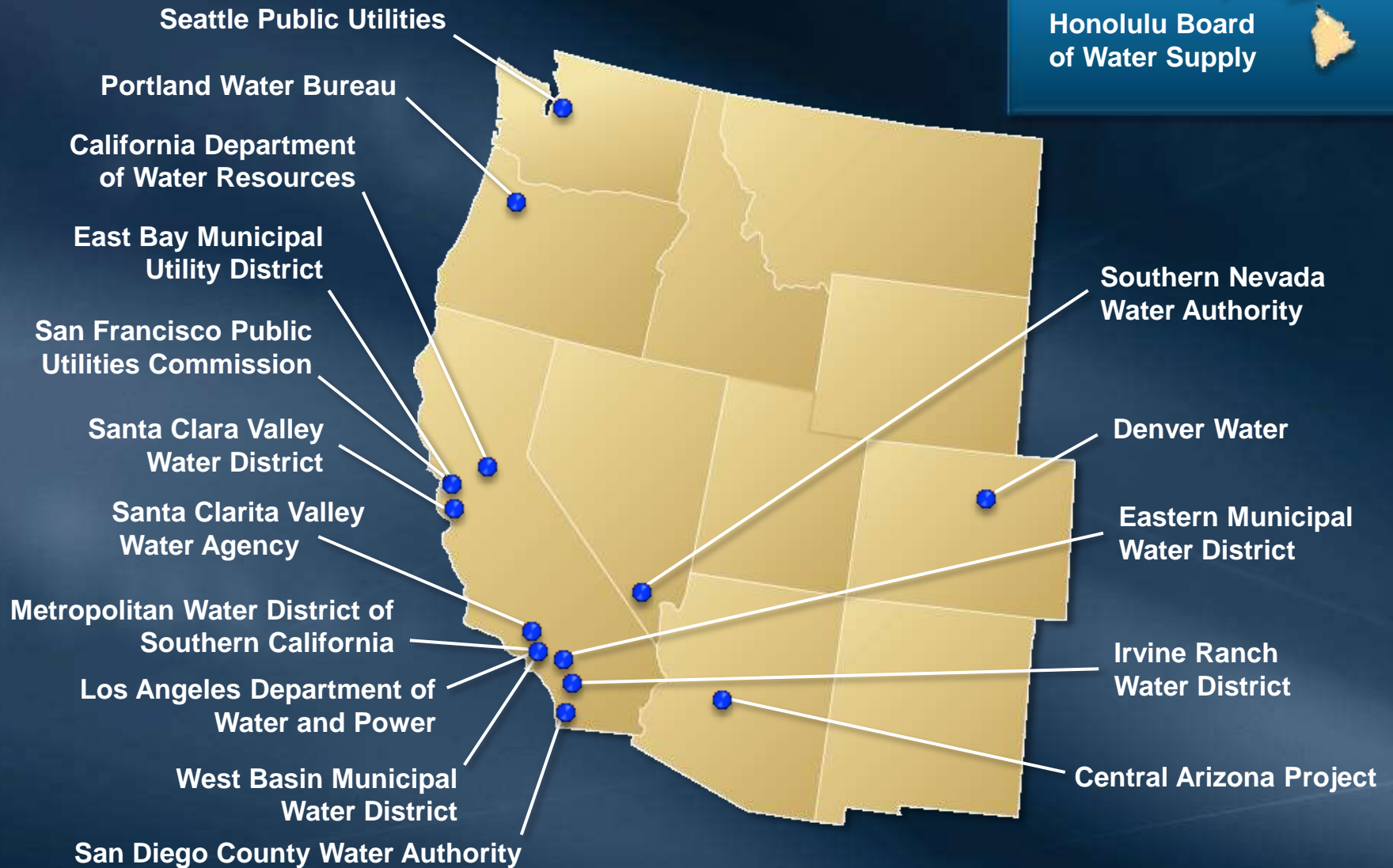
- Board is asked to adopt all CEQA determinations with each monthly action
 - Exemptions
 - EIR's
 - Negative Declaration
 - Mitigated Negative Declaration
- The Minor Capital Projects Program is an exception

Current Process: Contracts, Change Orders, Property

- Board approves all contract awards and agreements over GM's authority
 - GM's authority currently \$250K
- Board approves construction change orders per Admin. Code
- Board approves property acquisitions per the Admin. Code such as:
 - Easements and Fee acquisitions
 - Eminent Domain actions

Peer Review: Most Agencies Have Fewer Steps in CIP Approval Process

Collaboration with 17 Western Water Agencies



Peer Review

Appropriation of Capital Funds

- All but one agency appropriate funds for their total Capital Program (all projects) at time of budget approval
 - Similar detail in Budget document

Peer Review

Authorization to proceed

- All but one agency authorize the General Manager to perform work on all projects at time of budget approval
 - Including all design activities & development of environmental review

Peer Review

California Environmental Quality Act

- All California agencies authorize their General Manager to determine whether projects are exempt under CEQA
 - Board adopts CEQA determinations beyond exemptions
- Metropolitan's Board adopts all CEQA determinations by way of monthly, project specific actions
 - Exception for Minor Capital Projects

Adjustments Could Improve Management of the CIP

Adjustments to Improve CIP Efficiency and Maintain Transparency

- Appropriate capital funds at time of biennial budget approval
- Authority to proceed with projects at time of budget approval
 - Any projects not identified in budget documents would require Board authorization
- CEQA determinations
 - Authorize exemptions by General Manager
- Reporting
 - Enhanced

Adjustments to Improve CIP Efficiency and Maintain Transparency

Board Approvals Still Required for:

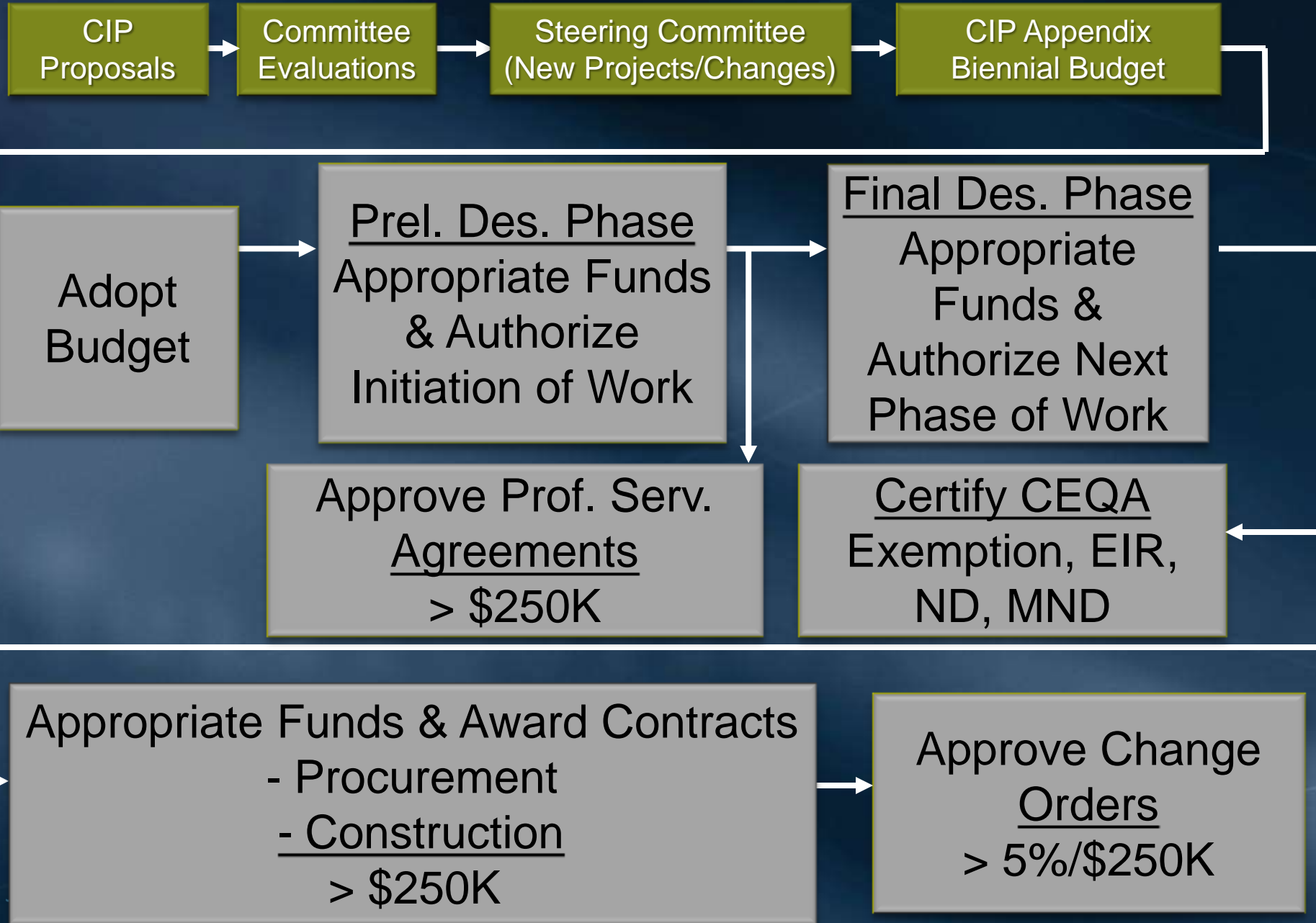
- CEQA determinations
 - EIR's, Negative Declarations, Mitigated Negative Declarations
- Contracts, Change Orders, Property Acquisitions
 - No changes suggested
 - Governed by Admin. Code

Adjustments to Improve CIP Efficiency and Maintain Transparency

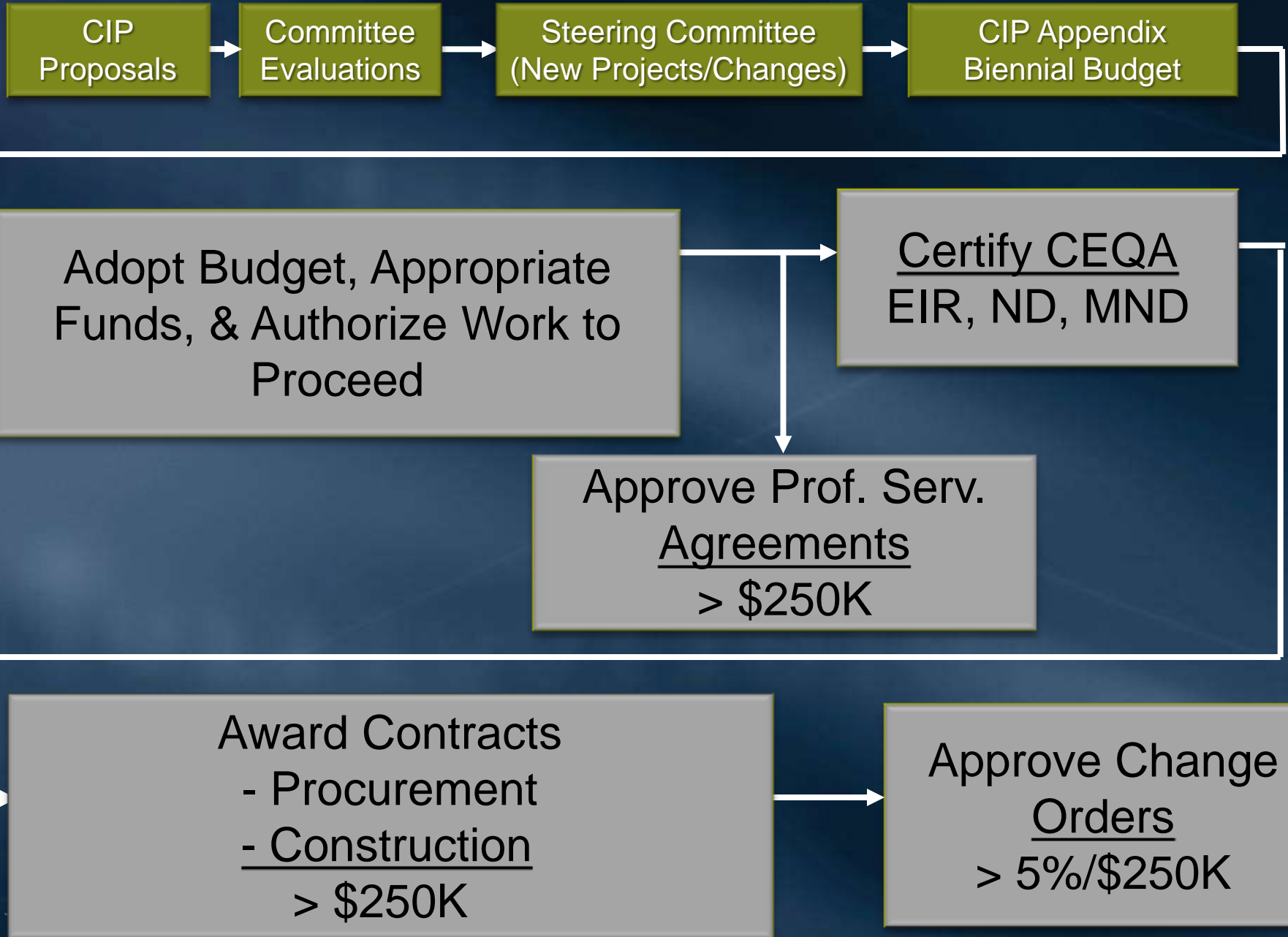
Adjustments will:

- Enable staff to proceed with an increasing number of planned projects quickly & efficiently
- Provide flexibility to react to changing conditions
- Reduce project delivery times
- Reduce Board paperwork
- Enhance visibility & Board reporting on capital programs

Typical Project Board Actions - Current



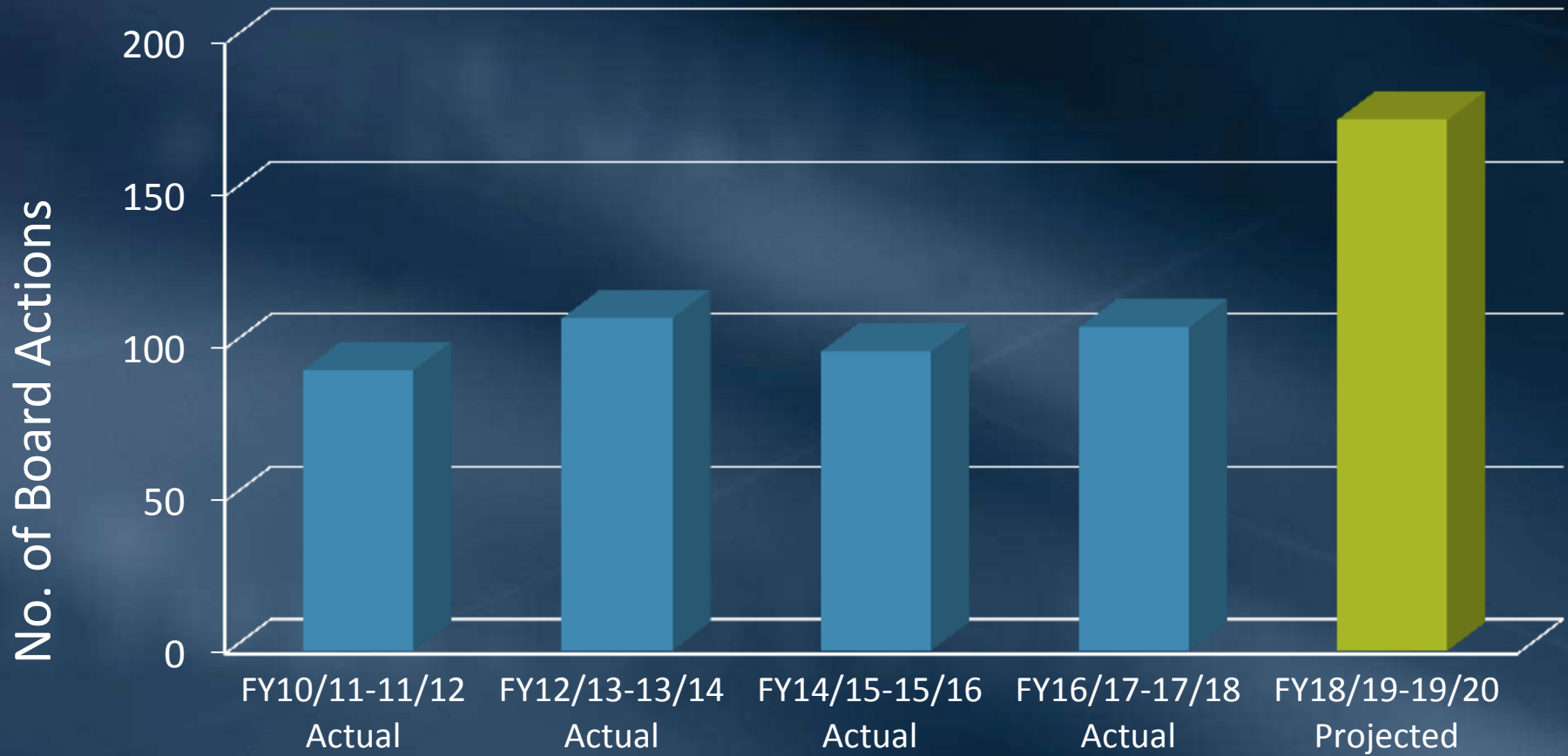
Typical Project Board Actions – After Adjustments



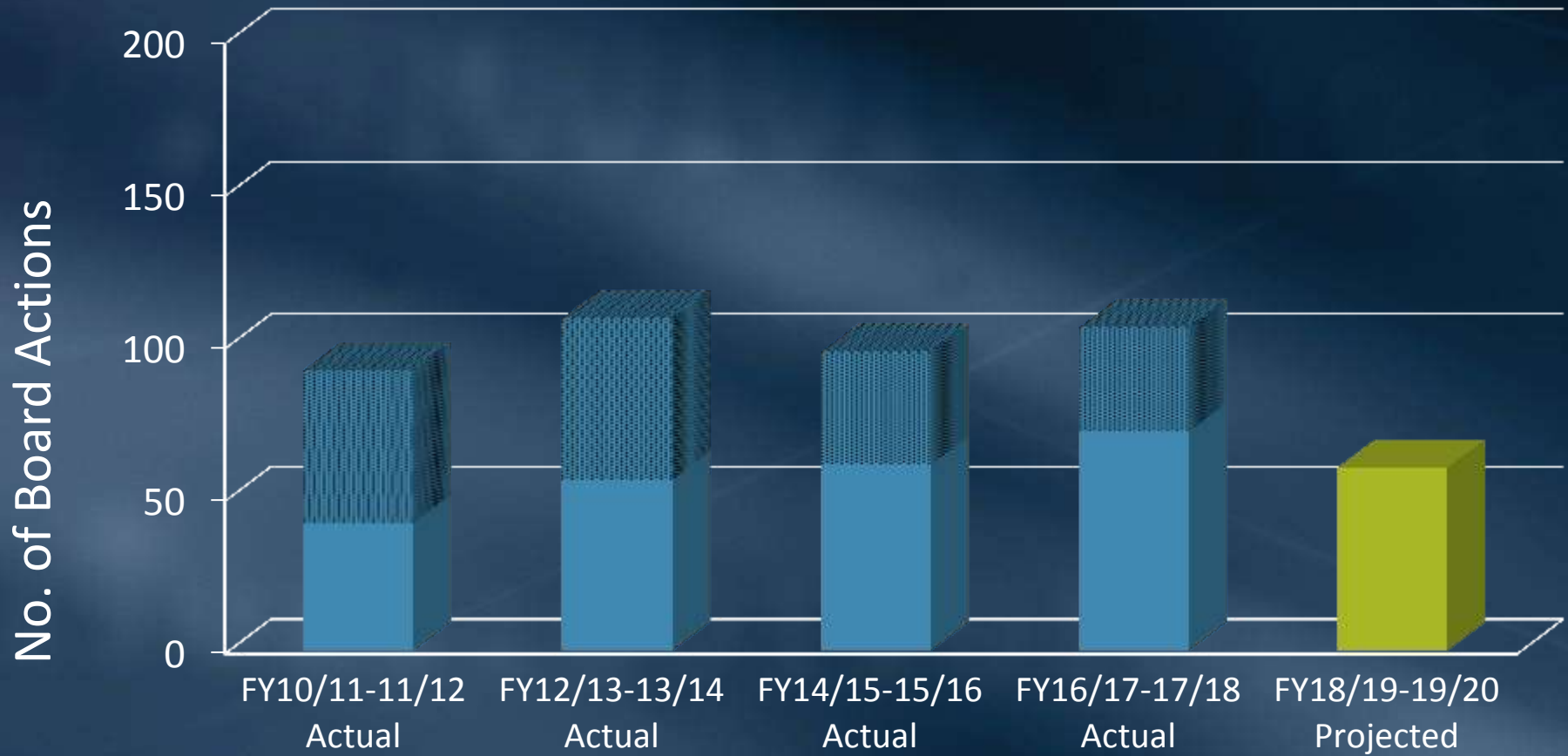
Typical Project Board Actions – After Adjustments



Paperwork Reduction = Time Savings



Paperwork Reduction = Time Savings



Reporting Could be Adjusted to Provide an Improved View of Overall CIP Status

Current CIP Reporting

- Quarterly CIP Report
 - Total fiscal year expenditures vs. planned expenditures
 - # of Board actions and funds appropriated
 - Construction contracts
 - Expenditures to date
 - Completed
 - Awarded
 - Major project progress
 - Actions taken to authorize Minor Cap projects
 - Status of Minor Cap appropriations

Current CIP Reporting

- Monthly Board actions
 - Current status of subject project(s)
 - Previous Board action(s)
 - Funding allocations described in Financial Statement attachment

Potential Improvements In Reporting

- Quarterly reporting could cover current information plus:
 - **Budget vs. Cost for each Program**
 - Progress on major projects in each Program
 - **Projects authorized by GM to proceed**
 - **Exemption determinations made by GM**
 - **Completion of construction on specific projects**
 - Notice of Completion filed

Next Steps

- Receive feedback on potential adjustments
- Fall 2018
 - **Potential action:**
 - Appropriate funds and authorize staff to proceed with work on all projects identified in the CIP Appendix subject to additional required Board approval and CEQA determinations
 - Delegate authority to the General Manager to determine if a project is exempt
 - Update pertinent Administrative Code sections



Discussion