

Metropolitan King County Council

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Cheryle A. Broom

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MANAGEMENT LETTER

DATE: November 13, 2001

TO: Metropolitan King County Councilmembers

FROM: Cheryle A. Broom, County Auditor

SUBJECT: Limited Review of the County's Capital Planning and Leasing Process

Overview and General Conclusion:

Our objective was to review specific issues associated with the capital facility planning and leasing process, including concerns that leasing levels have been inconsistent with the original scope, schedule, and budget assumptions over the past four years. We found that the process for the two capital improvement and two leasing projects we looked at could have been improved by:

- more consistently following the King County Code with regard to the space plan update and operational master plan requirements;
- making better progress toward achieving the goal cited in the 1997 space plan update to reduce the amount of leased office space;
- developing a process that met the timelines of both the executive and the legislative branches; and
- establishing protocols to resolve unforeseen issues that arose during project development and implementation.

This letter includes suggestions for enhanced coordination of the process for review and approval of capital planning and leasing projects to promote timely executive and legislative actions in accordance with mandates, policies, and plans.

Background:

We examined selected financial and management practices of the Department of Construction and Facilities Management's (DCFM) Capital Planning and Development Division with regard to four projects that were identified by council staff as having specific issues of concern to the council. These issues, which were confirmed by DCFM staff during the review, contributed to schedule delays and/or cost increases. The projects and their specific concerns were:

- Courthouse Seismic Project – significant changes in the project scope and costs;
- Regional Communications and Emergency Coordination Center – changes in the project scope and costs; siting issues;

- Exchange Building Lease – DCFM signed the lease without council approval; the council was subsequently limited in their time to review and approve the lease; and
- Barclay Dean Building Lease – the council did not approve the original lease agreement, and the renegotiated lease cost the county more money; the council subsequently had limited time to review and approve the renegotiated lease.

In addition to the project-specific issues, none of the four projects reviewed had an operational master plan or complied with the goal cited in the 1997 space plan update to reduce the county's total leased office space.

As a result of conducting this review, we obtained an understanding of the history of each project, as well as specific issues associated with each project, both of which are fully documented in our workpapers and available for review. However, given other work underway as noted below, our work was a limited review of the capital planning and leasing process. We did not conduct a performance audit of each project and, consequently, make no findings on the cost-effectiveness of the county's capital planning and leasing program decisions.

Work Performed by Peer Review Panels:

As we were performing this review, two peer review panels conducted reviews of the county's space planning process. The first panel, the King County Space and Facilities Peer Review Panel, focused on how the county could improve its planning for office space needs. The second panel, the King County Properties Expert Review Task Force, evaluated King County's property inventory with a goal of proposing criteria for the potential sale of properties or public benefits of county ownership. They later expanded their focus to include a review of the county's real estate portfolio management practices.

Both peer review panels developed recommendations that focused on improving the county's space planning process. Moreover, they both also concluded that the executive and legislative branches need to collaborate more on the process for developing, reviewing, and approving the county's space plans. These conclusions complement our conclusions that a more collaborative approach is needed between the executive and legislative branches for the county's space planning, capital planning, and leasing process.

Suggestions for Achieving an Improved Process:

We developed the following for consideration to improve the current process:

- Executive and legislative agreement on a collaborative review process, including roles and responsibilities, specific criteria for projects to receive approval at each critical phase, monitoring requirements, key decision points, and communications protocols including those for expediting project approvals and communicating changes in a project's scope;
- Joint development by the executive and council of a capital improvement program cost and design template that includes key elements common to all projects; and
- Development of an agreement on how to effectively incorporate space and operational master plans in the CIP development process, including identifying the minimum criteria that each document must contain to receive approval; and clarifying, through ordinance, when operational master plans are required.

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We recognize that changes in the capital planning and leasing process are underway based on the recommendations made by the peer review panels and others. A performance audit to assess if the changes are making a difference in achieving timely, efficient, and quality outcomes may be of interest to the council.

Harriet Richardson, Principal Management Auditor, conducted this review. Please contact her at 296-0375 or me at 296-1655 if you have any questions about the issues discussed in this letter.

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cc: Ron Sims, County Executive
Paul Tanaka, Deputy County Executive
Pat Steel, Acting Director, Construction and Facilities Management
Larry Wright, Deputy Director, Construction and Facilities Management
David Preugschat, Manager, Property Services Division, Construction and Facilities Management
Kevin Owens, Manager, Capital Planning and Development Division, Construction and Facilities Management
Steve Call, Budget Director, Budget Office
Dave Lawson, Internal Audit Manager
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