



KING COUNTY AUDITOR'S OFFICE

April 24, 2018

Follow Up: Gaps in Capital Planning and Execution Likely to Impede Transit's Planned Service Expansion

TO:

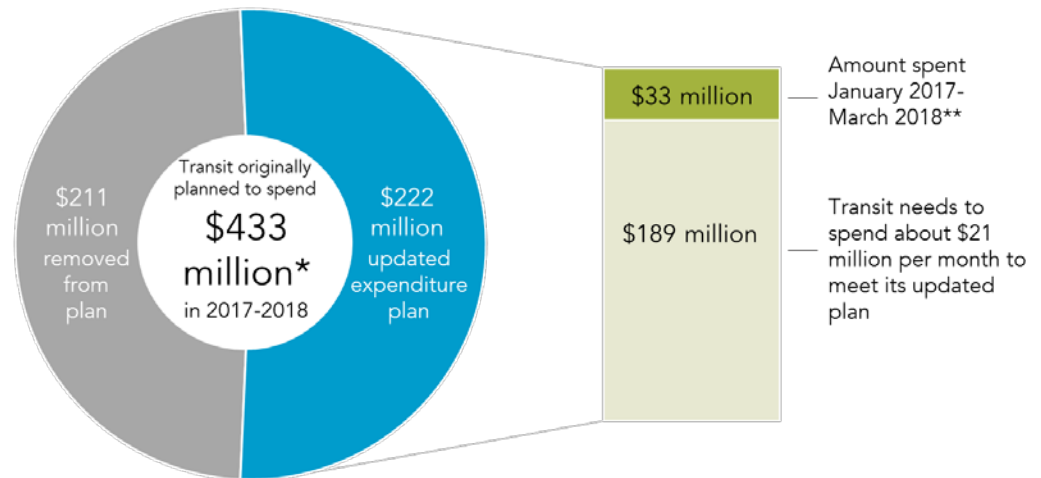
Metropolitan
King County
Councilmembers

FROM:

KyMBER Waltmunson,
County Auditor

Transit has made some progress, but implementation of capital projects recommendations made over the last two decades has been slow, As a result, it is unlikely a clear plan for the future will inform the 2019-2020 budget proposal. During the 2016 budget process, we transmitted a letter to Council¹ raising concerns about Transit's ability to deliver on the capital projects it proposed for the 2017-2018 biennium, especially those related to transit facilities expansion. This April 2018 letter summarizes Transit's progress on implementing the recommendations we highlighted more than 18 months ago and describes the impact of Transit's delayed capital program. In the absence of long-term capital planning, it is not clear whether Transit is focusing on the most important capital projects, and what resources Transit needs to accomplish its mission.

Transit originally prepared a \$433 million capital plan for 2017-2018, but reduced to \$222 million early in the biennium. Even with the reduction, most of the planned 2017-2018 capital expenditures have not taken place.



King County

* Capital expenditures do not include fleet procurements and IT projects.

**Actual expenditures do not include amounts above what Transit planned for the 2017-2018 biennium.

Source: King County Auditor's Office analysis of Transit financial data through March 30, 2018.

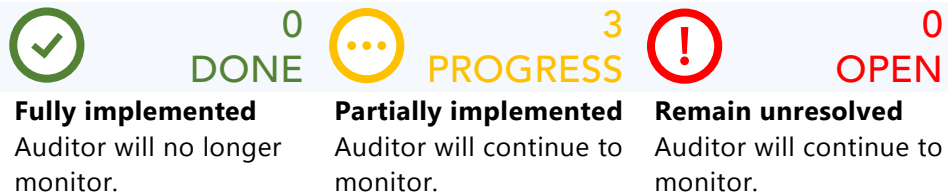
¹ King County Auditor's Office, Capital Projects Oversight Recommendations: Metro Transit Facilities Expansion Projects – 2017-2018, September 13, 2016.

As of April 1, 2018, Transit has expended less than fifteen percent (or \$33 million) of the revised capital budget planned for the biennium. Transit originally planned to expend \$433 million for the 2017-2018 biennium; however, they later revised their planned expenditures to \$222 million. In order for Transit to fully spend its capital funds and achieve the associated progress toward expanding its capacity, it would have to spend approximately \$21 million per month of the revised spending plan (April–December 2018).

Continued delays in Transit’s capital program could have adverse financial and operational impacts by postponing proposed services to expand and improve capacity, and risk cost increases if work is not progressing on schedule. As Transit delays the full implementation of our recommendations, the risk associated with project planning, delivery, execution, and eventual service expansion increases. Without a clear plan, county resources could lack strong project management controls and be ineffectively used. Lagging project execution further jeopardizes Transit’s ability to meet forecasted demand. For example, capital projects expanding bus base capacity and increasing RapidRide lines will be required before new service begins.

We will continue to monitor the implementation of these recommendations over the next biennium.

Of the three recommendations:



Please see below for details on the implementation status of these recommendations.

Recommendation 1

PROGRESS 

Transit should complete a comprehensive facilities master plan to ensure that capital investments meet long-term transportation, land use, and community needs.

We have made this recommendation three times in the past two decades.

STATUS UPDATE: The comprehensive facilities master planning we have recommended since 2005 is still incomplete; however, Transit has taken some steps toward drafting a plan. In the absence of a plan, it is not clear that Transit is focusing on the most important capital projects, or what resources are needed to meet the region’s long-term transportation needs.

Transit’s 2019-2020 budget proposal will not be based on a clear outline for the future. This means that information the facilities master plan intends to consider will not inform Transit’s proposal. Transit has made some progress toward developing a facilities master plan. In September 2017, Transit awarded a contract for consultant assistance to research, analyze, and conceptually develop a King County Metro Transit Facilities Master Plan. The contract work for the concept plan (Phase 1) is expected to be complete summer 2018. Phase 2 is the formal facilities master plan and a final document is anticipated in fall 2018. Even under the best circumstances, we anticipate the earliest

the facilities master plan could inform decision-making is the 2021-2022 biennium. By this time critical capital decisions may have been determined without the benefit of a clear roadmap, or decisions delayed.

In order to implement this recommendation, Transit should complete a final report as quickly as possible, including as appropriate, public input and Council approvals.

Recommendation 2

PROGRESS 

Transit should complete its Capital Management and Reporting System (CMRS) by early 2017 as committed.

We made this recommendation in 2015.

STATUS UPDATE: Transit has not completed CMRS, the schedule for delivery is late 2018, and implementation is expected to continue into 2019. Transit intends for CMRS to be an essential tool for effectively managing capital projects, and currently there are not strong project management controls in place. Transit has made progress toward this recommendation, but the system is still incomplete.

Transit previously indicated CMRS would be available for the 2017-2018 biennium. However, the latest schedule for implementation delays application of this tool to late in 2018. There will likely be additional time for Transit staff to learn and fully transition to the new system. Interim tools and processes are being used to develop the 2019-2020 budget. The expectation is that these interim tools will help streamline the move to CMRS. Transit estimated the cost of its proposed facilities expansion through 2030 at over \$500 million. Planning, managing, and executing projects of this size and the risks associated with controlling scope, schedule, and budget require strong, transparent project management tools.

To accomplish this recommendation, Transit should complete Phases 1 and 2 of CMRS, and fully integrate the system for project management, delivery, and oversight of capital projects. Full implementation ensures CMRS is being used to track and report project performance, and data is available to allow oversight.

Recommendation 3

PROGRESS 

Transit should develop a strategic approach to staffing and consultant use. This means completing a formal staffing and consultant resource plan for the 2017-2018 capital budget.

We made this recommendation in 2015, and the American Public Transportation Association made a similar recommendation in 2014.

STATUS UPDATE: Transit did not complete a formal staffing and resource plan for the 2017-2018 budget, and will not have a final plan in place as it prepares the 2019-2020 budget. However, progress has been made toward this recommendation as Transit is developing and refining a process to identify existing resources, needs, and any gaps.

Sufficient staffing is critical to Transit's ability to execute its proposed large and complicated projects. In recent years, our office and the American Public Transportation Association have both recommended that Transit address staffing issues which have hindered project delivery, and

indicated that this will require a strategic approach to staffing and consultant use. Despite some positive steps, a formal staffing and consultant plan does not exist, nor is there a clear timeline to develop this plan. We remain concerned about Transit's capacity to deliver the surge of capital projects to meet forecasted regional demands.

Implementation requires developing a comprehensive, strategic plan for utilizing staff and consultant resources to execute capital projects. Without evaluating necessary resources and preparing a plan, the County risks ineffective use of funds, potentially impacting labor relations, and delayed delivery of the significant facilities capital program and the associated service.

Lynn Dewald, Capital Projects Oversight Analyst, conducted this review. Please contact Lynn at 206-263-6843 if you have any questions about the issues discussed in this letter.

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