



BOND OVERSIGHT COMMISSION RECOMMENDATION 20171030-003

Date: October 30, 2017

Subject: Assessment of 2012 and 2013 Bond Programs and General Recommendations for Future Bond Programs

Motioned By: Commissioner DasGupta

Seconded By: Commissioner Rodriguez

Recommendation

The Commission recommends several updates to the bond development process, including better defining project scopes ahead of an election, and revamping cost estimate projections. The Commission also recommends publishing baseline schedules following the approval of a bond program, and the publishing of a Bond Program Closeout Report when a bond program reaches substantial completion.

Description of Recommendation to Council

1. When possible, fully define the scope of a project prior to inclusion in a bond program. For infrastructure projects, this should include preliminary engineering to determine permit requirements and affected utilities. For facilities projects, this should include programming and a due diligence investigation of the project site.
2. Define the level of the cost estimate for all projects in a bond program, i.e., feasibility, planning, preliminary, design or construction. Include the appropriate corresponding margin of error in the project budget.
3. If a project budget is reduced during development of a bond program, reduce the project scope accordingly.
4. When entering into a funding agreement with a community partner for a bond project, develop several potential project scopes to correspond with various levels of community contribution, including a potential scope if no funding is received from the community partner.
5. Within 3 months of voter approval of a bond program, develop and publish baseline schedules for significant projects and programs. Report schedule progress and schedule changes in standard bond program reporting.
6. When a bond program reaches substantial completion, publish a Bond Program Closeout Report that includes a summary of accomplishments and performance metrics for schedules and budgets.

Rationale

The Bond Oversight Commission mission statement directs us to “ensure efficiency, equity, timeliness, and accountability in the implementation of existing and future City bond programs”. In accordance with this directive, we have received staff presentations for each of the propositions within the 2012 and 2013 bond programs:

2012 Bond Program

- Prop 12 – Transportation and Mobility
- Prop 13 – Open Space and Watershed Protection
- Prop 14 – Parks and Recreation
- Prop 16 – Public Safety
- Prop 17 – Health and Human Services
- Prop 18 – Library, Museum and Cultural Arts Facilities

2013 Bond Program – Affordable Housing

During these presentations, some Q&A following the meetings, and some independent research, we increased our understanding of how the projects included in each proposition were planned, managed and delivered. Throughout the course of these meetings, we observed some common themes emerging regarding both challenges and successes in project delivery. The purpose of this memo is to relay these observations to inform the planning and development of future bond programs, in accordance with our mission statement.

Undefined Project Scopes

Schedule delays were a common challenge that emerged on several 2012 bond projects. As of June 31, 2016 (the latest update available on the City's website) most propositions were less than 50% expended. After digging a little deeper, it became clear that the projects which were most delayed were projects that did not have a clear project definition at the start of the bond program. Some examples of this are North Lamar Boulevard, Dougherty Arts Center and the Montopolis Recreation Center. Because these, and other, projects did not have clear scopes, a scope development process was undertaken following passage of the bond program. In some cases, this scope development process was lengthy and difficult, lasting up to three years or longer. In most cases, once the project scope was determined, project delivery proceeded relatively smoothly.

Early Stage Cost Estimates

Because many of the 2012 bond programs and projects did not have developed scopes, their cost estimates at the start of the bond program were feasibility or planning level estimates at best. Some examples of this are the Women and Children's Shelter Renovations and the Betty Dunkerley Campus Infrastructure Improvements. A planning level cost estimate, by definition, has a standard margin of error of +100% to -50%, meaning that the project could cost up to twice what was originally anticipated. As the project scopes were developed and preliminary engineering performed, the margin of error decreased to +50% to -25%. However, due to the initial inherent imprecision of the original planning level estimate, the project was incorrectly deemed "over budget".

Underfunded Projects

The budget for some projects was reduced during the bond development process. One important example of this is the New Central Library. The project had a planning level estimate of \$120M, but was allocated \$90M in the bond program. Unfortunately, the project scope was not decreased in alignment with the budget reduction. Because design and construction were undertaken using the original scope, budgeted at \$120M, the project was incorrectly deemed "over budget" relative to the \$90M allocation.

Undefined Community Agreements

The Austin Film Society Renovation project was predicated on a preliminary agreement with the Austin Film Society to share funding for the project. After a substantial delay in finalizing the funding agreement, the City moved forward with the project using bond funds only. The lack of funding from the community partner required significant scope reductions and delayed the project by about two years. Other projects from other bond programs, including the Mexic-Arte Museum and the Asian American Resource Center, underwent similar lengthy scope reduction processes caused by a lack of funding from community partners.

A summary of our findings and recommendations are as follows:

Findings:

1. Many bond projects/programs were not adequately defined at the start of the bond program, resulting in significant delays to allow scope development to occur.
2. Because many bond project/programs were at the early planning stage at the start of the bond program, the cost estimate was a planning level cost estimate. A planning level cost estimate, by definition, has a standard margin of error of +100% to -50%, so many projects were incorrectly deemed "over budget" as more precise cost estimates were developed.
3. Several significant projects underwent budget cuts during development of the bond program, but the project scopes were not cut in accordance with the budget cut. These projects were incorrectly deemed "over budget" when the cost was in line with what was originally estimated.
4. Some projects which were predicated on undefined community agreements, required a lengthy re-scoping process when the funding partner was unable to cost-share as originally intended.
5. Due to the lack of published baseline schedules, it was difficult to determine whether projects or programs are on schedule

Vote

For: 10

Against: 0

Abstain: 0

Absent: 1

Attest: Katy Zamesnik

 Jan 8, 2018

