

Department of County Management  
*Strategic Capital Planning Program*

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**RE: Response to Major Capital Construction Audits**

The Strategic Capital Planning Steering Committee (Steering Committee) appreciates the efforts of you and your staff on the Major Capital Construction Audits for both the new Multnomah County Central Courthouse and the Gladys McCoy Health Department Headquarters. Your comments and recommendations are valuable in substantiating currently effective measures that have been implemented, supporting continual improvements around major infrastructure development that support service delivery to the community and improving the County's long-term financial stability. We recognize the audits were focused on the planning and design efforts completed that represent a first in a series of reports on these projects.

**Audits' Objectives**

1. Review County's decision to pursue these particular projects at this time
2. Determine if the County followed leading project management practices to ensure the right people were involved in establishing the building(s) scope and programming
3. Determine if the County followed leading project management practices to create a governance and decision making structure for the projects

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#### **Summary of Audit Findings**

We appreciate the validation that both the New Central Courthouse and the Health Department Headquarters projects followed industry best practices and the project teams appeared to follow project management best practices that reduced risks of schedule delays and cost overruns that ensure project success. Over the last eight years, the County has built upon the success of previous projects and improved processes that mitigate risk including:

- Formalizing clearly stated goals and objectives for each project that provide the framework for project decision making
- Identifying and involving key stakeholders during programming and design, including building occupants as well as IT and facilities staff
- Determining the attributes of the buildings required to not only meets current needs but addressing long-term growth and to support the transformation of government operations
- Adhering to effective, timely and transparent decision making and authorization processes that ensure issues reach the appropriate level within the organization
- Following effective communication processes with key stakeholders around risks, challenges, conflicts, necessary decisions, and documenting the outcomes.

The audits raised concerns around how major capital projects are selected and prioritized, the role of the FAC-1 as a project management tool, and suggested the development of a capital project management manual to institutionalize consistent project management practices across the County.

#### **Current County Capital Project Procedures**

##### ***Project Selection Criteria and Methods***

As is the case across the nation, capital infrastructure needs far exceed the available resources. The County is challenged with balancing the demand for funding of immediate critical safety net services to the community's vulnerable and underserved populations against the cost of providing the critical infrastructure needed to deliver these services.

These projects were selected based upon a number of criteria documented in a number of areas. The Facility Asset Strategic Plan identified both the existing Multnomah County Central Courthouse and the Gladys McCoy Building as low performing buildings in the County facilities portfolio. This determination was based upon their operational and programmatic inefficiencies, as well as future operating capital needs required to maintain the facilities.

Both buildings experience a high volume of public users and employees. The courthouse serves up to 3,000 members of the public a day and houses 500 public employees. The

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Gladys McCoy Building houses critical community and emergency health functions, which are imperative to the integrity of the regional public health network, as well as the 350 employees who are responsible for delivering those services. It was determined that these investments would result in the greatest community impact.

A 2006 seismic study conducted on behalf of Facilities and Property Management identified these as extremely vulnerable unreinforced masonry buildings that could not sustain a large seismic event. The combined seismic liability of these two buildings is approximately \$68 million or 22% of County's total facility seismic liability.

The final important factor in selecting these projects related to the ability of County leadership to effectively include project partners and leverage outside funds including \$125M from Oregon Department of Justice and approximately \$36M from the Portland Development Commission. These combined factors are examples of criteria used to prioritize projects against other competing needs and demands.

#### ***FAC-1 Purpose and Limitations***

The FAC-1, last revised in 2008, was developed prior to the County embarking on three major capital projects, starting with the East County Courthouse. Its purpose was to define a major facilities capital project, establish a comprehensive process for the planning, authorization and construction of Major Facilities Capital Projects, identify the key participants' roles and responsibilities in these projects, and specify the key phases of a capital project. Over the last 8 years, the County has made continual process improvements that support an effective governance structure and risk mitigation.

When it was developed, the focus of the FAC-1 was not to take the place of a Project Charter or Project Management Plan but to work in conjunction with them and complement those efforts. In addition, the FAC-1 was not intended to outline a process for selecting projects.

#### **Aligning Major Capital Projects and Policy with the County's Strategic Vision**

In March of 2016, the Strategic Capital Planning Program was initiated in response to the County Auditor's March 2015 Capital Audit. The Program's purpose is to develop a 20 year county-wide strategic capital plan that identifies long-term capital needs and provides a framework to prioritize capital investments across the capital units. The Program is also responsible for developing a mechanism to assess project outcomes that support ongoing process improvement.

The Steering Committee was formed to work closely with the Program in developing the framework for a biannual Strategic Capital Plan to present to the Board of County

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Commissioners for approval. In addition, this Steering Committee will work with the Program Director to recommend policy that supports transparency, consistency and best practices resulting in successful project outcomes. The Steering Committee is currently working with the Program Director to develop the framework necessary for selecting and prioritizing capital projects in alignment with the County's Mission Vision Values and Strategic Framework. This framework is anticipated to be completed in FY 2017.

When the capital framework is complete, the Program, with the guidance of the Steering Committee, the Capital Technical Team, Facilities and Property Management, and other key stakeholders, will focus on evaluating the FAC-1 and potentially develop additional County-wide administrative procedures related to capital such as a CAP-1 that supports the County's capital planning efforts including:

1. Defining Major Capital Projects across capital units
2. Aligning administrative procedures to reflect project management best practices

The creation of these policies and procedures will create a formal and consistent methodology to guide the County's major capital projects.

We are looking forward to your office's on-going efforts associated with the Major Capital Construction Audits. Thank you for providing a professional third party perspective of the capital investments and supporting our continuous process improvement. If you have any questions or concerns, please feel free to contact us.