

## Council meeting agenda

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Thursday, April 25, 2019

2:00 PM

Metro Regional Center, Council chamber

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**1. Call to Order and Roll Call**

**2. Safety Briefing**

**3. Public Communication**

**4. Consent Agenda**

- 4.1 Considerations of the Council Meeting Minutes for April 11, 2019

[18-5212](#)

**5. Ordinances (Second Reading)**

- 5.1 Ordinance No. 19-1436, For the Purpose of Annexing to the Metro Boundary Approximately 21.57 Acres Located at 4091 NE Constable Street and Approximately 12.1 Acres Located West of NE Starr Boulevard and South of NE Huffman Road in Hillsboro

[ORD 19-1436](#)

Presenter(s): Tim O'Brien, Metro

Attachments: [Ordinance No. 19-1436](#)  
[Exhibit A to Ordinance No. 19-1436](#)  
[Staff Report](#)  
[Attachment 1 to Staff Report](#)

**6. Resolutions**

- 6.1 Resolution No. 19-4978, For the Purpose of Authorizing an Exemption From Competitive Bidding and Procurement of Progressive Design Build Construction Services by Request for Proposals for Design and Construction of a Retaining Wall at Lone Fir Cemetery [RES 19-4978](#)

Presenter(s): Gabi Schuster, Metro  
Chris Woo, Metro

Attachments: [Resolution No. 19-4978](#)  
[Exhibit A to Resolution No. 19-4978](#)  
[Staff Report](#)

**7. Presentations**

- 7.1 Capital Project Planning Follow-up Audit Presentation [18-5207](#)

Presenter(s): Brian Evans, Metro

Attachments: [Capital Project Planning Follow-up](#)  
[Audit Highlight](#)

- 7.2 Equity and Transportation Planning Presentation [18-5208](#)

Presenter(s): Charles Brown, Rutgers University

**8. Chief Operating Officer Communication****9. Councilor Communication****10. Adjourn**

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### សេចក្តីជូនដំណឹងអំពីការមិនរើសអើងរបស់ Metro

ការការពារសិទ្ធិពលរដ្ឋរបស់ ១ សំរាប់ព័ត៌មានអំពីកម្មវិធីសិទ្ធិពលរដ្ឋរបស់ Metro ឬស្នើសុំទទួលបានកាតបណ្តឹងរើសអើងសូមចូលទស្សនាគេហទំព័រ [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights)។  
បើលោកអ្នកត្រូវការអ្នកបកប្រែភាសានៅពេលអង្គប្រជុំសាធារណៈ សូមទូរស័ព្ទមកលេខ 503-797-1700 (ម៉ោង 8 ព្រឹកដល់ម៉ោង 5 ល្ងាច ថ្ងៃធ្វើការ) ប្រាំពីរថ្ងៃ មុនថ្ងៃប្រជុំដើម្បីអាចឲ្យគេសម្រួលតាមសំណើរបស់លោកអ្នក។

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Agenda Item Number 4.1

**Considerations of Council Meeting Minutes for April 11, 2019**

*Consent Agenda*

Metro Council Meeting  
Thursday, April 25, 2019  
Metro Council Chamber

Agenda Item Number 5.1

**Ordinance No. 19-1436**, For the Purpose of Annexing to  
the Metro Boundary Approximately 21.57 Acres Located  
at 4091 NE Constable Street and Approximately 12.1 Acres  
Located West of NE Starr Boulevard and South of NE  
Huffman Road in Hillsboro

*Ordinances (Second Reading)*

Metro Council Meeting  
Thursday, April 25, 2019  
Metro Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ANNEXING TO THE ) ORDINANCE NO. 19-1436  
METRO DISTRICT BOUNDARY )  
APPROXIMATELY 21.57 ACRES LOCATED ) Introduced by Chief Operating Officer  
AT 4091 NE CONSTABLE STREET AND ) Martha J. Bennett with the Concurrence of  
APPROXIMATELY 12.1 ACRES LOCATED ) Council President Lynn Peterson  
WEST OF NE STARR BLVD AND SOUTH OF )  
NE HUFFMAN ROAD IN HILLSBORO )

WHEREAS, Flexential Colorado Corp. has submitted a complete application for annexation of 21.57 acres and T5 Data Centers has submitted a complete application for annexation of 12.1 acres in the Evergreen area of North Hillsboro (“the territory”) to the Metro District; and

WHEREAS, the Metro Council added the Evergreen Industrial Area to the UGB, including the territory, by Ordinance No. 05-1070A on November 17, 2005; and

WHEREAS, Title 11 (Planning for New Urban Areas) of the Urban Growth Management Functional Plan requires annexation to the district prior to application of land use regulations intended to allow urbanization of the territory; and

WHEREAS, Metro has received consent to the annexation from the owners of the land in the territory; and

WHEREAS, the proposed annexation complies with Metro Code 3.09.070; and

WHEREAS, the Council held a public hearing on the proposed amendment on April 11, 2019; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. The Metro District Boundary Map is hereby amended, as indicated in Exhibit A, attached and incorporated into this ordinance.
2. The proposed annexation meets the criteria in section 3.09.070 of the Metro Code, as demonstrated in the Staff Report dated March 22, 2019, attached and incorporated into this ordinance.

ADOPTED by the Metro Council this \_\_\_\_\_ day of April 2019.

\_\_\_\_\_  
Lynn Peterson, Council President

Attest:

Approved as to form:

\_\_\_\_\_  
Sara Farrokhzadian, Recording Secretary

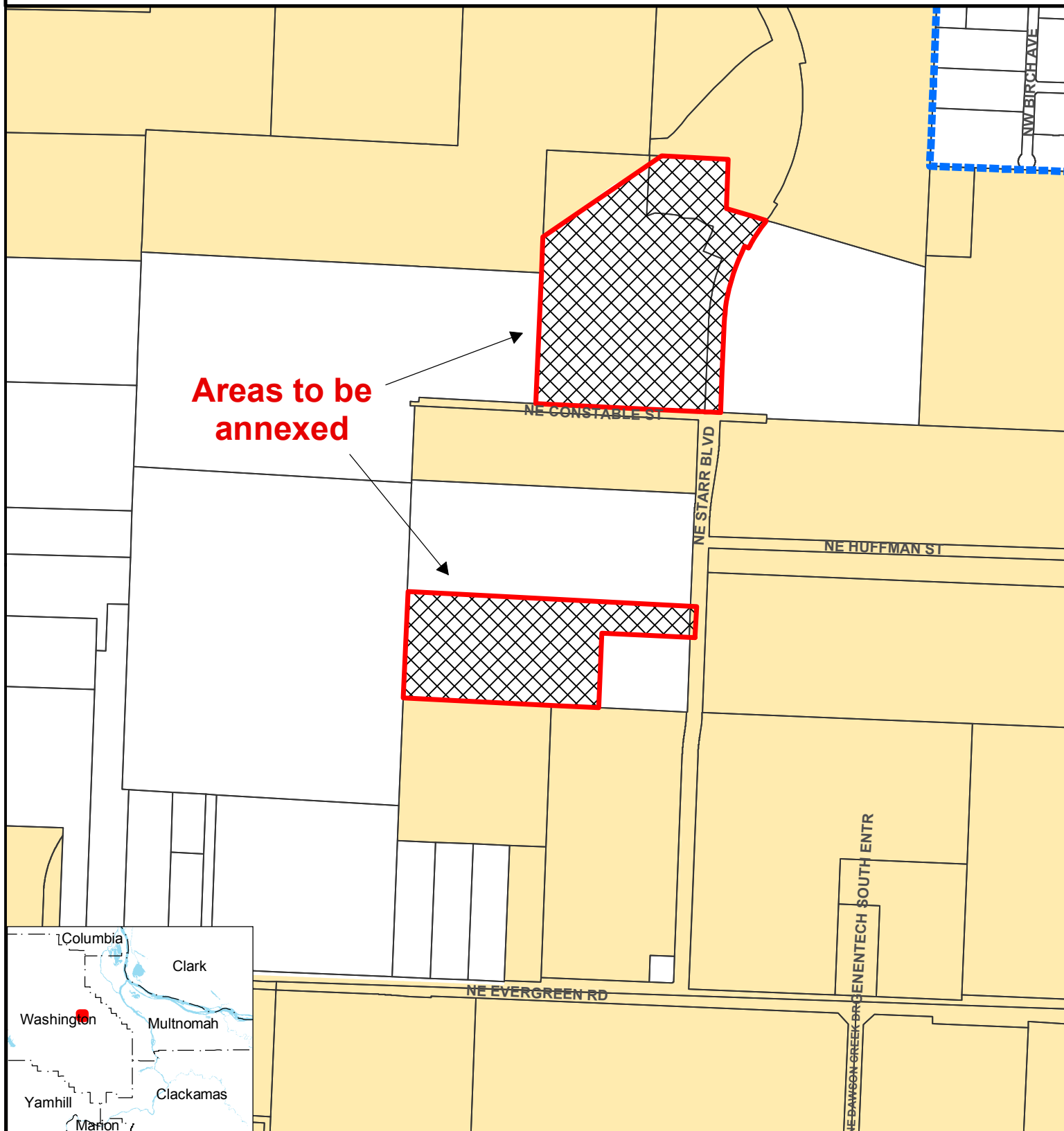
\_\_\_\_\_  
Nathan A. S. Sykes, Acting Metro Attorney

# Proposal No. AN-0119

1N2W21

Annexation to the Metro District Boundary

Washington County



Research Center  
600 NE Grand Ave  
Portland, OR 97232-2736  
(503) 797-1742  
<http://www.oregonmetro.gov/drc>



Urban growth boundary



Area to be annexed



Taxlots



Metro District Boundary

## Proposal No. AN-0119 Metro District Boundary



1:7,500

0 750 1,500 Feet

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## STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 19-1436, FOR THE PURPOSE OF ANNEXING TO THE METRO BOUNDARY APPROXIMATELY 21.57 ACRES LOCATED AT 4091 NE CONSTABLE STREET AND APPROXIMATELY 12.1 ACRES LOCATED WEST OF NE STARR BLVD AND SOUTH OF NE HUFFMAN ROAD IN HILLSBORO

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Date: March 22, 2019

Prepared by: Tim O'Brien  
Principal Regional Planner

### BACKGROUND

CASE: AN-0119, Annexation to Metro District Boundary

PETITIONER: Flexential Colorado Corp.  
11900 E Cornell Ave, Building B 3<sup>rd</sup> Floor  
Aurora, Colorado 80014

T5 Data Centers  
3344 Peachtree Road NE, Suite 2550  
Atlanta, GA 30326

PROPOSAL: The two petitioners request annexation of land in North Hillsboro to the Metro District Boundary.

LOCATION: The two parcels are in the North Hillsboro Industrial Area Plan District. The first parcel located at 4091 NE Constable Street is approximately 21.57 acres in size. The second parcel located west of NE Starr Blvd and south of NE Huffman Road is approximately 12.1 acres in size. Both parcels can be seen in Attachment 1.

ZONING: The properties are zoned for industrial use (I-S) by Hillsboro.

Both parcels were added to the UGB in 2005 and are part of the Evergreen Area Industrial Plan that was adopted by Hillsboro. The Evergreen Area Industrial Plan area was incorporated into the North Hillsboro Industrial Area Plan District. The land must be annexed into the Metro District for urbanization to occur.

### APPLICABLE REVIEW CRITERIA

The criteria for an expedited annexation to the Metro District Boundary are contained in Metro Code Section 3.09.070.

#### *3.09.070 Changes to Metro's Boundary*

*(E) The following criteria shall apply in lieu of the criteria set forth in subsection (d) of section 3.09.050. The Metro Council's final decision on a boundary change shall include findings and conclusions to demonstrate that:*

- 1. The affected territory lies within the UGB;*

Staff Response:

Both parcels were brought into the UGB in 2005 through the Metro Council's adoption of Ordinance No. 05-1070A. Thus the affected territory is within the UGB.

2. *The territory is subject to measures that prevent urbanization until the territory is annexed to a city or to service districts that will provide necessary urban services; and*

Staff Response:

Washington County applied the Future Development-20 Acres (FD-20) designation to all the land included in Ordinance No. 05-1070A to prevent premature urbanization of the expansion area prior to the completion of the comprehensive planning of the area and annexation to the City of Hillsboro. The conditions of approval for Ordinance No. 05-1070A include a requirement that interim protection measures be implemented as outlined in Urban Growth Management Functional Plan Title 11: Planning for New Urban Areas. The Flexential property was annexed to the City of Hillsboro on February 19, 2019 and the T5 Data Centers property will be annexed to Hillsboro in the near future. Thus the affected territory is subject to measures that prevent urbanization until the territory is annexed to the City.

3. *The proposed change is consistent with any applicable cooperative or urban service agreements adopted pursuant to ORS Chapter 195 and any concept plan.*

Staff Response:

The two parcels proposed for annexation are part of Hillsboro's Evergreen Area Industrial Plan adopted by the City of Hillsboro in 2008. The Evergreen Area Industrial Plan area was incorporated into the North Hillsboro Industrial Area Plan District. The proposed annexation is consistent with these two plans and the Urban Planning Area Agreement between Washington County and the City of Hillsboro adopted in 2017. Thus the inclusion of the affected territory within the Metro District is consistent with all applicable plans and agreements.

## ANALYSIS/INFORMATION

**Known Opposition:** There is no known opposition to this application.

**Legal Antecedents:** Metro Code 3.09.070 allows for annexation to the Metro District boundary.

**Anticipated Effects:** This amendment will add two parcels totaling approximately 33.67 acres in the North Hillsboro Industrial Area. All of the land is currently within the UGB and approval of this request will allow for the urbanization of the land to occur consistent with the Evergreen Area Industrial Plan.

**Budget Impacts:** The applicant was required to file an application fee to cover all costs of processing this annexation request, thus there is no budget impact.

## RECOMMENDED ACTION

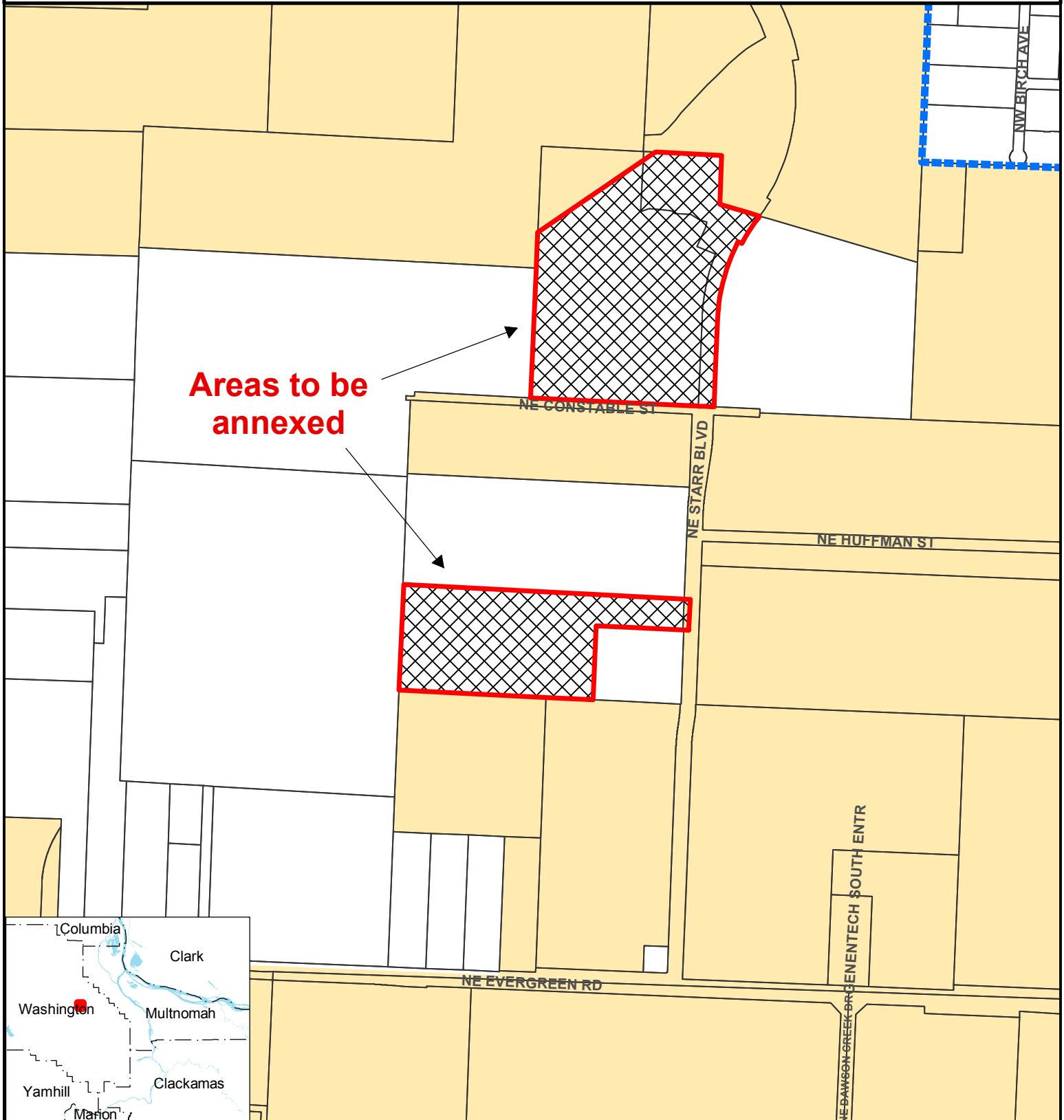
Staff recommends adoption of Ordinance No. 19-1436.

# Proposal No. AN-0119

1N2W21

Annexation to the Metro District Boundary

Washington County



Research Center  
600 NE Grand Ave  
Portland, OR 97232-2736  
(503) 797-1742  
<http://www.oregonmetro.gov/drc>



Urban growth boundary



Area to be annexed



Taxlots



Metro District Boundary

## Proposal No. AN-0119 Metro District Boundary



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Agenda Item Number 6.1

**Resolution No. 19-4978**, For the Purpose of Authorizing  
an Exemption From Competitive Bidding and Procurement  
of Progressive Design Build Construction Services by  
Request for Proposals for Design and Construction of a  
Retaining Wall at Lone Fir Cemetery

*Resolutions*

Metro Council Meeting  
Thursday, April 25, 2019  
Metro Council Chamber

BEFORE THE METRO CONTRACT REVIEW BOARD

FOR THE PURPOSE OF AUTHORIZING AN	)	RESOLUTION NO. 19-4978
EXEMPTION FROM COMPETITIVE	)	
BIDDING AND PROCUREMENT OF	)	Introduced by Chief Operating
PROGRESSIVE DESIGN BUILD	)	Officer Martha Bennett in
CONSTRUCTION SERVICES BY REQUEST	)	concurrence with Council President
FOR PROPOSALS FOR DESIGN AND	)	Lynn Peterson
CONSTRUCTION OF A RETAINING WALL	)	
AT LONE FIR CEMETERY	)	

WHEREAS, Metro intends to reconstruct the retaining wall along the northern boundary of Lone Fir Cemetery; and

WHEREAS, ORS 279C.335 and Metro Local Contract Review Board Administrative Rule ("LCRB Rule") 49-0130 require that all Metro public improvement contracts shall be procured based on competitive bids, unless exempted by the Metro Council, sitting as the Metro Contract Review Board; and

WHEREAS, Metro's LCRB Rules 49-0600 to 49-0670 authorize the Metro Contract Review Board to exempt a public improvement contract from competitive bidding and direct the appropriate use of alternative contracting methods that take account of market realities and modern innovative contracting and purchasing methods, so long as they are consistent with the public policy of encouraging competition, subject to the requirements of ORS 279C.335; and

WHEREAS, ORS 279C.335(5)(a) and LCRB Rules 49-0630 through 49-0670 require that the Metro Contract Review Board hold a public hearing and adopt written findings establishing, among other things, that the exemption of a public improvement contract from competitive bidding is unlikely to encourage favoritism or substantially diminish competition for public improvement contracts; and that said exemption will likely result in substantial cost savings to Metro; now therefore

BE IT RESOLVED THAT THE METRO CONTRACT REVIEW BOARD:

1. Exempts from competitive bidding the procurement and award of a Progressive Design-Build public improvement contract for the reconstruction of the Lone Fir Cemetery Retaining Wall.
2. Adopts as its findings in support of such exemption the justification, information and reasoning set forth on the attached Exhibit A, which is incorporated herein by reference as if set forth in full; and
3. Authorizes the Chief Operating Officer to:

- 3.1 Prepare a form of Request for Proposals for Progressive Design Build Contractor services that includes as evaluation criteria for contractor selection:
- Contractor's proposed fees for design and pre-construction services
  - Contractor's proposed overhead and profit for construction services
  - Contractor's demonstrated public improvement design build project experience and expertise
  - Contractor's record of completion of projects of similar type, scale and complexity
  - Contractor's demonstrated quality and schedule control
  - Contractor's experience with design, permitting and managing construction in the context of sensitive historic resources
  - Contractor's experience in incorporating sustainability construction practices and design into projects
  - Contractor's demonstrated commitment to workforce diversity and record of use of subcontractor businesses certified by the Certification Office of Business Inclusion and Diversity (COBID)
  - Any other criteria that ensure a successful, timely, and quality project, in the best interest of Metro and in accord with ORS 279C.335(4)(c) and LCRB Rule 49-1670; and
- 3.2 Following the approval of said form of Request for Proposals and Contract by the Office of the Metro Attorney, to issue such approved form, and thereafter to receive responsive proposals for evaluation; and
- 3.3 Following evaluation of the responses to the Request for Proposals, authorizes the Chief Operating Officer to execute a contract with the most advantageous proposer to design and construct the Lone Fir Cemetery retaining wall.

ADOPTED by the Metro Council this \_\_\_\_\_ day of April, 2019

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Lynn Peterson, Council President

Approved as to Form:

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Nathan A. S. Sykes, Acting Metro Attorney

**Findings in Support of an Exemption from Competitive Bidding and Authorizing the Procurement by RFP of the Progressive Design-Build Lone Fir Retaining Wall Project**

Pursuant to ORS 279C.335(2) and (4), and Metro Contract Review Board Administrative Rules Sections 49-600-670, the Metro Contract Review Board makes the following findings in support of exempting the procurement of the Lone Fir Retaining Wall Project from competitive bidding, and authorizing use of an RFP solicitation for a Progressive Design-Build public improvement construction contract:

**1. The exemption is unlikely to encourage favoritism or substantially diminish competition.**

The Metro Contract Review Board finds that exempting the procurement of the construction of the Progressive Design-Build Lone Fir Retaining Wall Project from competitive bidding is “unlikely to encourage favoritism in the awarding of public contracts or to substantially diminish competition for public contracts” as follows: The RFP will be formally advertised with public notice and disclosure of the planned Progressive Design Build contracting method and made available to all qualified contractors. Award of the contract will be based on the identified selection criteria and dissatisfied proposers will have an opportunity to protest the award. Full and open competition based on the objective selection criteria set forth in the Metro Contract Review Board resolution will be sought, with the contract award going to the most advantageous proposer. Competition for the RFP will be encouraged by: Posting on ORPIN (Oregon Procurement Information Network), utilizing the Oregon Daily Journal of commerce and a minority business publication for the public advertisement; performing outreach to local business groups representing minorities, women, and emerging small businesses and by contacting contractors known to Metro to potentially satisfy the RFP criteria. Those proposers not selected by Metro will have an opportunity to protest the award.

**2. The exemption will likely result in substantial cost savings to Metro.**

The Metro Contract Review Board finds that exempting the procurement of the Lone Fir Retaining Wall Project from competitive bidding will likely result in substantial costs savings to Metro, considering the following factors required by OAR 137-049-0630 and ORS 279C-335 2(b):

*(A) How many persons are available to bid;*

As this procurement pertains to an established trade, there are dozens of firms in the Portland metro area, including numerous COBID-certified firms, that are independently qualified to meet Metro’s needs, or can partner with other firms to qualify as a team to provide the desired services.

*(B) The construction budget and the projected operating costs for the completed public improvement;*

This procurement addresses work that will likely be subjected to significant public comment, design review and conditions of approval by authorities having jurisdiction. By integrating design and construction services into a single contract, the project will be better able to respond to public input and control costs by determining the most cost-effective methods of satisfying conditions of approval. Metro will retain the ability to cancel the Construction Contract prior to the construction phase and procure construction services through

competitive bid should continuing the relationship with a Progressive Design-Build contractor prove undesirable.

*(C) Public benefits that may result from granting the exemption;*

Expected benefits include:

- Obtaining, through a Progressive Design-Build team, engineering design, plan preparation, value engineering, construction engineering, construction, quality control and required documentation as a fully integrated function with a single point of responsibility;
- Improved ability to respond to public input and conditions of approval by integrating design consultant and construction contractor expertise into a single point of contact;
- Reduction of risk of design flaws, misunderstandings and conflicts inherent to contractors performing based on designs in which they have had no opportunity for input, therefore reducing the likelihood of contract claims and increasing the likelihood of cost-savings through increased efficiency;
- Increased quality of work due to greater coordination of efforts between design and construction phases and the ability to evaluate prospective contractors on multiple factors including experience, expertise, and commitment to sustainability and diversity/inclusion, not just pricing;
- Shortening project time as construction activity may commence prior to completion of a biddable design;
- Reduced project duration as multiple procurement processes are reduced to a single request for procurement early in the project.

*(D) Whether value engineering techniques may decrease the cost of the public improvement;*

By bringing an experienced contractor on early in the project to perform design and constructability assessments simultaneously, the potential for change orders during construction is greatly reduced, which translates into savings of both time and money when compared to other approaches to the design and construction of similar projects.

*(E) The cost and availability of specialized expertise that is necessary for the public improvement;*

The scopes of work to be performed under this procurement require technical expertise in construction on and around protected historic resources. Granting this exemption will allow an RFP process that allows for selection criteria accounting for such experience as well as cost, and not just low bid.

*(F) Any likely increases in public safety;*

Construction impacts from this project are anticipated to temporarily reduce pedestrian and/or vehicle access along the south side of SE Stark Street adjacent to Lone Fir Cemetery. Integrating design and construction services into a single contract will help ensure close coordination and management of any potential public safety considerations for pedestrians.

*(G) Whether granting the exemption may reduce risks to the contracting agency, the state agency or the public that are related to the public improvement;*



An exemption will allow for better control of risks related to:

- Project costs and schedule delays by reducing/eliminating unforeseen conditions and associated change orders through advanced collaboration between designers and those constructing the improvements;
- Communication and misinterpretation or misunderstandings between the designer and builder as design and construction will be performed by the same contractor;
- Design flaws and contractor claims due to design inadequacies as the designer and builder will be one and the same. This reduces the likelihood of Contract claims as Metro will be better able to hold a contractor accountable for a design or construction error because the contractor will not be able to deflect responsibility toward another firm.

*(H) Whether granting the exemption will affect the sources of funding for the public improvement;*

This exemption is not expected to affect the sources of funding for related public improvements.

*(I) Whether granting the exemption will better enable the contracting agency to control the impact that market conditions may have on the cost of and time necessary to complete the public improvement;*

The exemption will allow for better control of increases to project costs and schedules by reducing/eliminating unforeseen conditions and associated change orders through advanced and continuous coordination of the design and construction tasks being performed by a common contractor. Metro will retain the ability to procure construction service through competitive bid should continuing the relationship with a Progressive Design-Build contractor prove undesirable.

*(J) Whether granting the exemption will better enable the contracting agency to address the size and technical complexity of the public improvement;*

The exemption will allow for closer and continuous coordination of investigation, design and implementation efforts, thus allowing the Progressive Design-Build contractor the opportunity to either simplify a project's relative complexity or ensure that those performing construction have a sufficient understanding of the technical requirements of the work. This increases the likelihood of stimulating innovative design solutions while addressing public input through the collaboration of the construction contractor and design team.

*(K) Whether the public improvement involves new construction or renovates or remodels an existing structure;*

This project will modify and repair an existing structural wall adjacent to a public right-of-way. As such, new construction and/or significant modifications in the public right-of-way may be necessary as a condition of approval from authorities having jurisdiction.

*(L) Whether the public improvement will be occupied or unoccupied during construction;*

It is anticipated that Lone Fir Cemetery will remain open during construction, though access to areas adjacent to the work site may be temporarily restricted. Additionally, access to public right-of-ways adjacent to the work site will be temporarily restricted to facilitate the safe performance of construction tasks.

*(M) Whether the public improvement will require a single phase of construction work or multiple phases of construction work to address specific project conditions; and*

A single phase of construction work is anticipated at this time. Conditions of approval imposed by authorities having jurisdiction may require additional phasing. The Progressive Design-Build method of contracting will allow the project team to efficiently adapt the Project to these requirements prior to subcontractor bidding.

*(N) Whether the contracting agency or state agency has, or has retained under contract, and will use contracting agency or state agency personnel, consultants and legal counsel that have necessary expertise and substantial experience in alternative contracting methods to assist in developing the alternative contracting method that the contracting agency or state agency will use to award the public improvement contract and to help negotiate, administer and enforce the terms of the public improvement contract.*

Metro has the internal personnel expertise and experience, and if needed, access to consultants who can ensure the successful use of an alternative Progressive Design-Build contracting method. Several members of the Metro Procurement staff have recently completed training specific to the administration of Design-Build procurements. The staff of Metro's Construction Project Management Office (cPMO) are well-versed in the strategies and business practices necessary to effectively implement, monitor and control Design-Build capital projects. Third-party consultants may be enlisted to provide cultural resource assessments and monitoring, and independent cost estimate reviews to inform Metro personnel in their negotiation, administration and enforcement of the contract.

### **3. Additional Findings:**

*A. Industry practices, surveys, trends.* The industry-accepted benefits of the Progressive Design-Build method include:

- Integrated design process results in a better, more “constructable” design that meets the owner’s objectives
- Encourages competition, especially for COBID subcontractors
- Can be completed in a faster time frame
- Costs less than a design-bid-build project that is designed and constructed in the traditional manner
- Reduces the risks of delays, cost overruns, and disputes
- Reduces the likelihood of change orders for unforeseen conditions

*B. Past experience and evaluation of Metro Progressive Design-Build projects.* The Progressive Design method is a relatively new hybrid of the Design-Build and CM/GC construction methods, and as such Metro has no experience with the model. However, Metro has extensive past experience with both the Design Build and CM/GC methods upon which the method is based.

*C. Benefits and drawbacks of Progressive Design Build to Lone Fir Retaining Wall Project.*

The benefits are as stated above in these findings, with the additional benefit that the use of the Progressive Design-Build method of construction and procurement on this relatively small project allows Metro to gain experience with the hybrid and provide a post-project evaluation informing Metro's use of the method for future projects. Metro staff sees no drawbacks in the approach.

## **STAFF REPORT**

IN CONSIDERATION OF RESOLUTION NO. 19-4978 FOR THE PURPOSE OF AUTHORIZING AN EXEMPTION FROM COMPETITIVE BIDDING AND PROCUREMENT OF PROGRESSIVE DESIGN BUILD CONSTRUCTION SERVICES BY COMPETITIVE REQUEST FOR PROPOSALS FOR DESIGN AND CONSTRUCTION OF A RETAINING WALL AT LONE FIR CEMETERY

Date: April 11, 2019

Prepared by: Chris Woo, Metro cPMO

### **BACKGROUND**

The retaining wall along the northern boundary of Lone Fir Cemetery is in need of structural repair or reconstruction to protect public safety and preserve the portion of the property adjacent to SE Stark Street.

The north retaining wall is approximately 1,500 feet long and is a mix of construction types, including poured concrete, concreted-skimmed boulders and rubble. The areas of greatest concern are located in the western half of the wall (approx. 800 linear feet) where cracking, bulging, spalling and other damage have been documented. Significant erosion in steeply sloped soils above the wall have also been observed. Wall height in this area ranges between five and seven feet above the adjacent sidewalk along SE Stark Street. In addition to structural and civil scopes of work needed to address the retaining wall deficiencies, permitting and design review by authorities having jurisdiction (AHJs) will increase the complexity of the work given the historic status of the cemetery and the need to minimize disruptions to adjacent properties and avoid disturbing burials inside the cemetery. Improvements to the adjacent public right-of-way and the preservation of trees and historic elements may also be required by AHJs as a condition of approval for this work.

Anticipated Benefits. Metro construction management staff have identified the progressive design-build method of construction as the best approach for executing this project. The progressive design-build method utilizes a single consultant/contractor (a.k.a. design-builder) to carry out both design and construction work. By integrating design, plan preparation, permitting, construction, value engineering, and quality control into a single point of responsibility, Metro will be better able to address the technical needs of the project while simultaneously meeting community expectations and managing associated risks. A single design-build procurement will assist in expediting project timelines and avoid shifting consultant/contractor risk/liabilities to multiple parties. The risk of design flaws, misunderstandings and contract claims will be reduced, because the designer and general contractor will be in continuous coordination. The likelihood of change orders will be reduced because pricing for construction will be

controlled through the establishment of a guaranteed maximum price agreement once a sufficient level of design detail has been reached. Through the alternative procurement process, the design-builder will be selected by way of a value-based Request for Proposals process. This process will allow for selection of a consultant/contractor based on multiple criteria, including price, experience, professional qualifications, diversity and sustainability practices.

The attached resolution and findings in Exhibit A describe the specialized nature of this project. Based on these findings, the Metro procurement manager and cPMO staff believe a value-based selection process is more appropriate than a traditional, competitive bid (which solely considers lowest bid price). Parks & Nature, as well as the Office of the Metro Attorney concur.

Therefore, staff seeks Council authorization to pursue the alternative procurement of Progressive Design Build services by a competitive Request for Proposals, for the design and construction of the retaining wall at Lone Fir Cemetery. This will allow Metro to consider cost as well as experience and expertise in completing similar projects and in selecting the most advantageous contractor for this project.

## **ANALYSIS/INFORMATION**

1. **Known Opposition:** None
2. **Legal Antecedents:** LCRB Rules 49-0600 through 49-0670; Oregon Revised Statute 279C.335.
3. **Anticipated Effects:** The Public procurement process will be open and competitive, but criteria other than cost will be considered in the awarding of the contract. Increased use of COBID contractors and subcontractors is anticipated.
4. **Budget Impacts:** The Progressive Design Build contracting method offers safeguards for schedule and cost control of the project, including early involvement by the construction contractor in the design process, as well as limited change orders.

## **RECOMMENDED ACTION**

The Chief Operating Officer recommends adoption of Resolution No. 19-4978.

Agenda Item Number 7.1

**Capital Project Planning Follow-up Audit Presentation**

*Presentations*

Metro Council Meeting  
Thursday, April 25, 2019  
Metro Council Chamber



Office of the Auditor

## Capital Project Planning Follow-Up

*Elliot Shuford*  
Senior Management Auditor

April 2019

### SUMMARY

Metro made progress on all of the recommendations from the 2016 audit report **Capital Project Planning: Strengthen management environment.**

One recommendation was implemented and the other four were in process. Additional work was needed to ensure compliance with policy, and increase the accuracy and completeness of Metro's capital budget, reports and plans. We also included information in this report about future considerations that would improve its capital program.

### BACKGROUND

Capital projects typically involve large investments and have a direct impact on a government's ability to provide services and programs. These could include new buildings, land or improvements to existing facilities. Metro's capital planning applies to projects expecting to cost more than \$50,000 and have a useful life of at least five years. Each year Metro develops a five-year Capital Improvement Plan (CIP) for projects anticipated to cost \$100,000 or more as part of the budget process. The first year of the CIP is Metro's capital budget that gets approved by Metro Council.

The 2016 audit found Metro's management of capital projects was ad-hoc. The management environment allowed some capital projects to move forward without proper planning or budget approval, which increased the risk of unauthorized spending. The audit made five recommendations to improve the completeness and accuracy of Metro's capital budget, work plans, and project reports.

After the audit, Metro made changes to how it plans capital projects. Metro adopted a strategic asset management plan in 2017. It also created the Asset Management and Capital Planning (AMCP) program to implement the plan. The program was tasked with implementing the 2016 audit recommendations.

### RESULTS

We found Metro improved its capital planning and budgeting. It made progress on all of the recommendations and fully implemented one. A sample of projects showed Metro followed its policy and project management guidance in most cases. Metro made efforts to improve project cost estimates. It also improved the completeness of both the FY 2017-18 capital budget and project reporting. It implemented the recommendation to establish a policy and process to determine whether natural area restoration projects are capital projects. It also made changes to better align projects funded with the voter-approved Parks and Natural Areas Local Option Levy (Levy) with the CIP.

**BRIAN EVANS**

**Metro Auditor**

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## Exhibit 1 Most audit recommendations from 2016 were in process

Recommendation	Status
1. Ensure capital planning policies and project management guidance are followed to: <ul style="list-style-type: none"><li>a. improve the accuracy of project cost estimates;</li><li>b. document approval of project plans;</li><li>c. document approval of project budgets; and</li><li>d. document approval of revised project budgets.</li></ul>	In process
2. Improve completeness and accuracy of the capital budget by updating it periodically during the year when new projects are approved or existing project budgets exceed established thresholds.	In process
3. Increase accountability by improving the twice-yearly capital project monitoring report to provide accurate information about the scope, schedule and budget for each capital project.	In process
4. Establish a policy and a process to determine if restoration projects are capital projects.	Implemented
5. Align the Levy work plan approval and updating processes with Metro's capital budget processes to create consistent scopes of work, budgets and schedules for projects.	In process

*Source: Metro Auditor's Office analysis*

However, there was work remaining to comply with the Capital Asset Management Policy (CAMP) and ensure the accuracy and completeness of Metro's capital budget, reports, and plans. Metro should determine how non-construction projects fit into the agency's capital planning process, and which planning requirement should apply to those projects. To improve accountability, Metro also needs to increase reporting about project scopes and schedules. Better alignment between the Levy work plan and the CIP showed significant improvement that should be continued in future budget cycles to fully implement the recommendation.

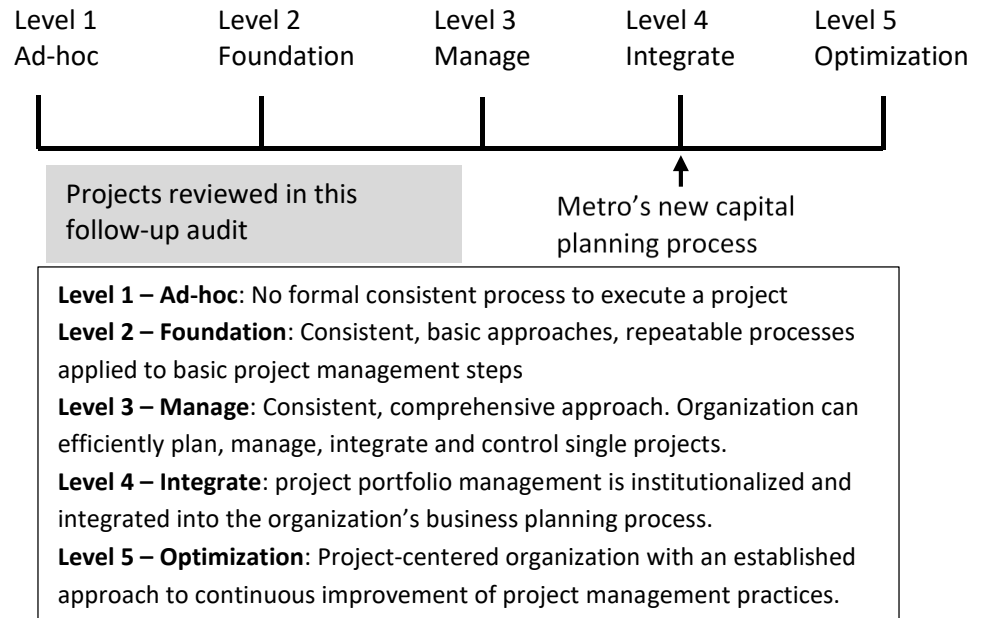
### New planning process aims for a higher level of maturity

Metro's new capital planning process is designed to increase the agency's capital project management maturity. The 2016 audit found capital project management to be at low levels of maturity. These levels could be described as ad-hoc or foundational.

The AMCP steering committee reviewed Metro's capital projects in fall of 2018. This process was intended to be both comprehensive and integrated with agency goals and department operations. For the review, departments were required to use a consistent method to rank all capital projects. The method considered several factors including the operational impacts of projects. The AMCP program also analyzed projects as a portfolio, assessed project management capacity, assessed risks, and started to identify ways to achieve efficiencies across Metro's portfolio of projects. The program also facilitated increased coordination among departments.



## Exhibit 2 Metro's new capital planning process aimed for higher level of maturity



*Source: Metro Auditor's Office analysis based on Project Management Maturity Model developed by Project Management Institute*

The projects we reviewed in this follow-up audit showed the maturity of project management still varied. We reviewed a selection of approved and proposed projects in the Levy, General Fund and the Renewal and Replacement Fund in FY 2017-18 through FY 2019-20. Some projects were managed by the Construction Project Management Office (CPMO) while others were managed by departments. The CPMO maintains project management guidance that includes the use of best practice tools including project concept forms, project management plans, status reports, and project change requests. The CPMO monitors the use of most of these tools for the projects it manages. Its reports showed fairly consistent use among CPMO-managed projects.

Department-managed projects appeared to use some of these tools less consistently. A few of the department-managed projects we reviewed did not meet project management requirements. For example, approval for some projects was not well-documented. Although inclusion in the CIP demonstrated approval, it was not always clear whether the steps outlined in project management guidance were followed. When those steps are not followed, it increases the chances that projects will move forward with inaccurate or incomplete scopes, schedules and budgets.

Increasing the agency's maturity level for capital project management will require Metro to determine what standards should apply to non-construction capital projects. CAMP requires new capital projects to follow the CPMO's project management guidance, whether managed by the CPMO or by individual departments. However, the guidance only applies to construction projects. This means Metro does not require the use of those project

management tools for a subset of its capital projects including information technology (IT) and some natural area restoration projects.

## **Metro followed its policy and project management guidance for most projects**

Most projects we reviewed followed Metro policies and incorporated at least some of the best practices outlined in the CPMO guidance. All of the projects in our review had been included in the CIP, as required by CAMP, prior to spending in the years we reviewed. We also noted efforts designed to improve future project estimates. However, three projects didn't have approvals for budget changes or use status reports. This meant Metro was in process with the recommendation to ensure policies and project management guidance were followed.

Metro made improvements to document project cost estimates. Almost all of the projects and proposals we reviewed (16 of 18) had concept forms that included cost estimates. Starting with the FY 2017-18 budget cycle, departments were required to submit concept form information through project management software known internally as Honey Badger. All but one project in our review complied with this requirement. Departments were also asked to identify the source of the project cost estimate. The AMCP program used this information to evaluate the quality of the estimates. Records indicated CPMO assisted departments with cost estimates for some projects.

We found three restoration projects did not completely follow the CPMO project management guidance, even though they appeared to involve construction. The projects exceeded their annual budgets in FY 2017-18 but approval of these changes was not documented. The guidance also requires the use of status reports to monitor projects. We were told these projects were tracked in a software system that the Parks and Nature department uses. We reviewed screenshots from the software, but they did not provide detailed information about the project's scope or information about the project schedule.

We noted efforts by the AMCP program that could help improve project estimates and the management of project spending over time. For instance, project cost estimates may change during the project. We were told the AMCP is planning to track these changes. In addition, the program was considering having departments specify their confidence level for project cost estimates. This may help identify instances where project budgets should be adjusted, such as to add an amount for contingency. Finally, a software upgrade may give project managers more direct access to spending data to help them manage project budgets.

## **Capital budget more complete, but could be more accurate**

We found Metro made progress implementing the recommendation to ensure the completeness and accuracy of the CIP. However, there were a few cases where the CIP should have been amended, which meant the recommendation was still in process.

CAMP requires that new projects with actual or anticipated expenditures over \$100,000 be added to the CIP. In the three funds we analyzed, all new

project spending occurred under this threshold, or the CIP was amended as required. For instance, the CIP was amended to accommodate a new project as well other project changes, such as budget increases.

CAMP also includes another criterion to ensure accuracy, which states that if actual or anticipated project spending exceeds the original project budget by more than 20 percent, the CIP must be amended.

As in the 2016 audit, we interpreted the 20 percent threshold to apply on an annual basis. We compared project spending in FY 2017-18 to what was budgeted for the projects in that year. Four restoration projects managed by the Parks and Nature department had spending that exceeded the 20 percent threshold in FY 2017-18, but the CIP was not amended for these projects.

The reasons the CIP was not amended for those restoration projects appeared to vary. In one case, a high level of spending occurred late in the fiscal year, which may have led to an unanticipated overage. This overspending may not have been caught in time to amend the CIP. In other cases, it appears information about the overages was available, and a breakdown in communication, coordination, or policy interpretation may have been the reason.

Because of the way the policy was written, the 20 percent threshold may be interpreted to apply only to the entire project budget. In this case, actual spending would have to exceed 20 percent of the entire project budget before a CIP amendment was needed. We were told some employees interpret the threshold as applying only to the entire project budget. This approach could result in spending that was inconsistent with the project's annual budget.

The language in CAMP made it difficult to interpret. First, the term *original project budget* was not defined in CAMP. It was not clear if the term referred to the proposed amount, the amount budgeted in the current year, or something else. It was also unclear whether the project budget included all funding sources for projects that were budgeted from multiple funds. Finally, the policy was not clear which expenditures should apply to the threshold.

Applying the threshold on an annual basis means tighter control over project spending each year. It could also require more amendments to the CIP. Applying the threshold on a total project budget basis (all funds and all years of the CIP) would require careful planning, documented approval of total project budgets, and effective ongoing monitoring to control project spending. It also means that the project expenses planned for years two through five on the CIP are very important, since they could be moved forward and spent on a project without additional budget approval from Metro Council.

Regardless of which interpretation is used, an effort by AMCP could help increase the accuracy of the CIP. The program formalized capital project oversight committees for most areas of Metro operations. The Parks and Nature department planned oversight committee meetings to discuss possible CIP amendments. These meetings will be an opportunity to discuss project spending, and take action to amend the CIP, if needed.

Compared to the 2016 audit, the completeness of the CIP improved, and there were fewer projects that went over budget. However, there may be ways to increase the accuracy of the capital budget. We found a large percentage of projects had little or no spending. This could be interpreted as more cautious budgeting. In some cases, being cautious may have meant the budget was a less accurate predictor of actual spending for each project.

### Exhibit 3 Less than 50% of the budget was spent in 27 of 40 projects

Project spending as percentage of project budget	Number of projects
0 - 50%	27
51% - 100%	9
Over 100%	4
<b>Total projects</b>	<b>40</b>

*Source: Metro Auditor's Office analysis of FY2017-18 budget and actual project expenditures.*

Project spending reports improved, but more information was needed about scopes of work and schedules

Metro was in the process of implementing the recommendation to improve capital project reporting. The reports we reviewed were generally accurate in terms of project budgets and actual spending. They were also more complete than the reports we reviewed in the 2016 audit because they reported on all capital projects and included information about the status of each project. However, the reports did not include information about project schedule or scope.

Twice a year, Metro's Finance and Regulatory Services (FRS) department includes information about capital projects in its quarterly financial report to Metro Council. The 2016 audit recommendation was for Metro to improve the reports by providing accurate information about projects' scope, schedule and budget. These are important pieces of information to help management, Metro Council, and the public understand the status of projects.

We noted scope, schedule, and budget information was already being used in some parts of Metro and could be incorporated into FRS' reports. For instance, Parks and Nature reported on scope, schedule, and budget to an oversight committee for bond-funded projects. Levy-funded projects are expected to be reported in a similar fashion in the future. The CPMO also monitored scope, schedule, and budget for its projects. We were told Metro intends to include schedule information as well as project completion date in future financial reports to the Metro Council. It was unclear if changes to a project's scope would be reported.

Status of natural area restoration projects clearer

Metro implemented the recommendation to develop a policy or procedure to determine if restoration projects are capital projects. The 2016 audit found conflicting information about why some restoration projects were included in the CIP, while others were not.

In October 2018, the Parks and Nature department issued a guidance memo intended to help employees determine which restoration projects should be listed on the CIP. One set of criteria in the memo defined which restoration projects were capital projects, such as those involving construction. These projects were to be listed on the CIP if they were over \$100,000.

The memo also stated that certain other restoration projects not fitting the definition of capital projects should be included on the CIP as well. These included restoration projects expected to cost \$100,000 or more in a year. The rationale was that such projects are complex, and would benefit from being tracked on the CIP.

#### **Exhibit 4     Some restoration projects involve construction**



*Source: Photo of River Island Natural Area Restoration Project from 2016 Parks and Nature System Plan*

The guidance may help ensure consistency over time. However, it had not been implemented for the start of the FY 2019-20 budget development process. Some restoration projects were not individually reviewed along with other capital projects by the AMCP program in Fall 2018. We were told this was because the budgets for those projects had not been finalized by the Parks and Nature department. In January 2019, Parks and Nature provided project budgets to the AMCP program and informed them that the projects would be included in their capital budget submission.

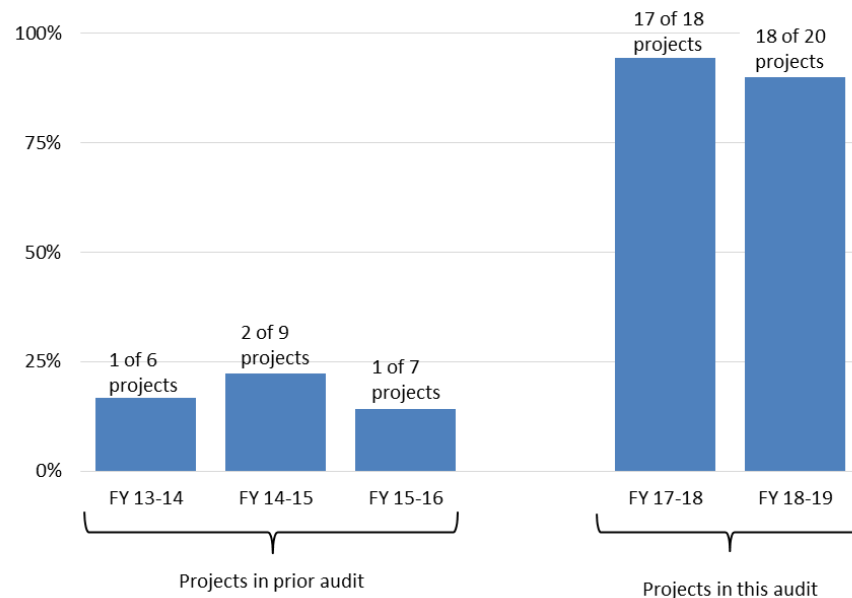
#### **Levy plan and CIP better aligned**

Metro also made progress aligning the Levy work plan approval and budget processes. The Parks and Nature department moved the timing of the Levy work plan approval closer to when the capital budget was approved. This made alignment between the two documents more likely. We found the documents were misaligned for a couple of projects. This meant the recommendation was still in process.

We compared Levy work plans and CIPs for FY 2017-18 and FY 2018-19 and found the alignment improved significantly since the 2016 audit. Most projects appeared on both documents, and both documents generally had

the same budget total for most projects as well. However, both years showed places where the two documents diverged. Over the two years we reviewed, a total of three projects appeared on either the CIP or the Levy work plan, but not both. Since the FY 2019-20 CIP will not be finalized until spring 2019, we could not determine whether the Levy work plan and the CIP would be aligned for that fiscal year.

## Exhibit 5 The percentage of projects appearing in both the CIP and the Levy work plan increased



Source: Metro Auditor's Office analysis of Levy work plans and CIPs

## AREAS FOR FURTHER CONSIDERATION

### Ensuring consistency could lower risk

Ensuring that policies, guidance, and procedures are consistently applied to all capital projects will help Metro lower risk in its capital program. It will be important to clarify language about the project spending threshold in CAMP and ensure that department-specific guidance is consistent with CAMP. Even though it is not required for non-construction capital projects, it might be expected that departments follow the CPMO guidance for all large projects. Some capital projects that don't involve construction could be complex, such as large IT-related projects or certain restoration projects. They may benefit from more consistent use of project management best practices.

Similarly, AMCP will need to determine whether all large restoration projects will be reviewed during the budget process. The Parks and Nature department guidance specified that all restoration projects at or above \$100,000 will be included on the CIP, even though some may not be capital projects. The AMCP program reviews all capital projects at or above \$100,000, but it was not clear if non-capital restoration projects would be reviewed.

## Long-term planning will require better project completion rate

The AMCP program focused on projects for FY 2019-20 and FY 2020-21, but not projects planned for future years. It intended to analyze projects for future years as part of long-term planning to find efficiencies, for example. One challenge in using the CIP for long-term planning is project carry-forward.

A high degree of project carry-forward makes planning future budget years more difficult. Assuming limited resources to manage and accomplish projects, projects planned for future years may need to be postponed. Accomplishing projects in the time for which they are budgeted decreases the need for project carry-forward. We noted more than a fourth of FY 2017-18 projects we reviewed had no spending and would likely be carried forward to the next fiscal year.

The AMCP program plans to address project carry-forward in several ways. For instance, during the development of the FY 2019-20 budget, the program assessed historic project completion rates. It also facilitated assessments of project management capacity with the CPMO and the IS department. The program cautioned that the proposed budget was ambitious, and asked departments to assess if some projects could be scheduled for the following budget year.

Departments also have a role in ensuring projects are completed when budgeted. Particularly for the projects they manage, departments should ensure that projects are carefully planned and managed. Along with FRS, they also need to ensure that multi-year projects are budgeted as such.

## Scope of AMCP will need to be carefully managed

Looking forward, Metro will need to set priorities for the AMCP to ensure it can be successful. September 2018 marked the start of the first budget cycle for the AMCP program. We attended some of their meetings and found they were focused on several things. For instance, the program oversaw the initial parts of capital planning and the implementation of the asset management system. It analyzed capital project proposals in order to help Metro comply with several policies. The program also planned to develop capital planning standards and update the agency's asset management plan. It also anticipated working with departments on other more specific plans for managing Metro's assets.

In addition to these responsibilities, there are other possible areas where Metro could improve capital project management. Some of those areas might include training, performance measurement, and continuous improvement for capital project management. Ensuring that funded projects comply with CAMP mostly requires coordination between departments, FRS, and the Metro Council, but AMCP may also have a role. AMCP is uniquely situated at Metro to accomplish work in these areas. However; giving the program too many responsibilities could overwhelm it.

## SCOPE & METHODOLOGY

The objective of this audit was to determine the status of recommendations from the 2016 audit. The scope included capital projects and expenditures in the Parks and Natural Areas Local Option Levy fund, the General fund, and the General Renewal and Replacement fund from FY 2017-18 to FY 2018-19. It also included projects proposed for the FY 2019-20 budget.

To meet our objective, we reviewed expenditures from Metro's accounting system. We compare those figures to Metro's capital budget, Metro's quarterly financial reports and Parks and Natural Areas Local Option Levy work plans. We reviewed documentation from the Asset Management and Capital Planning (AMCP) program and the Construction Project Management Office. We interviewed employees involved in capital project planning and the budget process, and observed AMCP meetings.

We also reviewed documentation for a sample of capital projects and proposed projects. We used a non-probability sample so our results cannot be generalized to all projects. Our sample of projects was selected based on the following criteria: projects that overspent their annual budget amount, projects with little or no spending in the current year, and new or proposed projects. We reviewed documentation about these projects to determine how well the projects followed Metro policy and project management guidance.

This audit was included in the FY 2018-19 audit schedule. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



## MANAGEMENT RESPONSE



# Memo

Date: April 5, 2019

To: Brian Evans, Metro Auditor

From: Heidi Rahn, Asset Management and Capital Planning Program Director  
Andrew Scott, Deputy Chief Operating Officer

Subject: Management Response - Capital Project Planning Follow Up Audit

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Management would like to thank the Metro Auditor for reviewing the progress made with capital project planning throughout the agency. Metro has invested significant resources to address the Auditor's recommendations from the 2016 Capital Project Planning audit and agrees with the findings in the 2019 follow up audit. We appreciate your recognition of our efforts to improve capital project planning and the recommendations you provide to help us continue to refine and prioritize our continuing improvement initiatives.

### Background

In response to the Auditor's 2016 Capital Project Planning Audit, Metro staff and leadership throughout the agency worked to address the auditor's recommendations, develop a governance structure, and build a plan. In 2018, Metro launched a new Asset Management and Capital Planning (AMCP) program under the Deputy Chief Operating Officer to continue advancing the agency's management of our capital assets. A program director was hired to lead implementation of the Strategic Asset Management Plan with the aim to improve financial performance, support informed asset management decisions, and enhance organizational best practices around capital planning.

### Response to Findings in the Auditor's Report

Management agrees with the auditor's review of progress made since 2016 and is committed to continuously advancing Metro's efforts with capital project planning.

### Recommendation #1 In Process

*Ensure capital planning policies and project management guidance are followed to improve the accuracy of project cost estimates, document approval of project plans, document approval of project budgets and document approval of revised project budgets.*

While significant improvements have been acknowledged by the auditor, management agrees that additional efforts are needed to ensure all capital projects follow Metro policies and best practices for cost estimating, project approval, and continuous budget management and revision approvals. Additional governance structures have been put in

place to ensure that all capital projects, including natural area restoration projects, are following agency practices for budget management and approval. In addition, an effort is underway to expand the usage of Metro's project and portfolio management software to track project status and approvals. Training is also underway for project managers throughout the agency to advance their knowledge and use new tools for project cost estimating and planning.

**Recommendation #2                      In Process**

*Improve completeness and accuracy of the capital budget by updating it periodically during the year when new projects are approved or existing project budgets exceed established thresholds.*

We agree with the auditor's assessment of the significant improvements made in the accuracy and updates with the capital budget throughout the year. The AMCP program is updating the Capital Asset Management Policy to provide definitions where there is currently inconsistent interpretation.

The auditor mentions the role of the new formalized capital project oversight committees for each department in ensuring capital project budgets are tracked and amended, as needed. This new governance structure is set up in each department to do the following:

Ensure adherence to Metro's policies for:

- a. Capital asset stewardship
- b. Project identification, prioritization and budgeting
- c. Project planning, execution and commissioning
- d. Provide strategic direction and input to Asset Management and construction projects  
Facilitate internal and external stakeholder communications

All capital project scope, schedule, and budget status and amendments must go through the capital project oversight committees for each department. Finance and Regulatory Services staff participate in these committees to ensure compliance with Metro's budget policies. Management is confident this new governance structure embedded in each department provides the appropriate control mechanisms for capital budget management.

The auditor highlights that budget accuracy could improve the prediction of actual spending for each project. Additional analysis will be conducted in FY 19-20 by AMCP staff with the capital project oversight committees to assess project spending trends and any underspending. This will allow us to identify what is driving underspending (e.g. cautious budgeting, staff and contractor capacity limitations, planning, etc.) and put in place tools, processes, and resources to improve the accuracy of the budget.

**Recommendation #3                      In Process**

*Increase accountability by improving the twice-yearly capital project monitoring report to provide accurate information about the scope, schedule and budget for each capital project.*

We agree with the audit that advancements have been made in capital project budget and spending reporting. An effort is underway to expand the usage of Metro's project and portfolio management software to track project scope and schedule for all capital projects. The AMCP program is committed to working with FRS to provide the appropriate level of scope, schedule, and budget updates to the Metro Council.

**Recommendation #4                      Implemented**

*Establish a policy and a process to determine if restoration projects are capital projects.*

The Parks and Nature Department defined the process and criteria for determining when restoration projects should be listed on the Capital Improvement Plan. Additionally, restoration project managers participate in the Parks and Nature Department capital projects review committee to ensure consistent implementation of capital planning policies and project management guidelines.

**Recommendation #5                      In Process**

*Align the Levy work plan approval and updating processes with Metro's capital budget processes to create consistent scopes of work, budgets and schedules for projects.*

Significant improvements to align Parks and Nature Levy work plans and the capital budgeting process have been made and acknowledged by the auditor. Systems and controls are in place to ensure continuous alignment in the future. The hiring of the Capital Planning Coordinator for the Parks and Nature Department has been a critical success factor in aligning all capital project planning for the department.

**Conclusion**

The analysis and recommendations the auditor has provided regarding Metro's capital planning has helped to inform past and future work to advance capital project planning, policies, and tools. The launch of the AMCP program has been critical to standardizing the approach to capital project planning and execution across the agency. We appreciate the auditor's efforts and believe the agency is well positioned for continuous improvement in capital planning.

# Capital Project Planning Follow-Up Audit

## Why this audit is important

Capital projects typically involve large projects and have a direct impact on a government's ability to provide services and programs. Metro develops a five year plan for capital projects called the capital improvement plan (CIP). A 2016 of capital project planning found Metro's management of capital projects was ad-hoc. The management environment allowed some projects to move forward without proper planning or budget approval. This increased the risk of unauthorized spending. The audit made five recommendations. Since the audit, Metro created the Asset Management and Capital Planning (AMCP) program. The program was tasked with implementing the audit recommendations.



Source: River Island Natural Area Restoration Project from 2016 Parks and Nature System Plan

## What we found

We found Metro improved its capital planning and budgeting. It made progress on all of the recommendations and fully implemented one. A sample of projects showed Metro followed its policy and project management guidance in most cases. Metro made efforts to improve project cost estimates. It also improved the completeness of both the FY 2017-18 capital budget and project reporting. It implemented the recommendation to outline a policy and process to determine if natural area restoration projects are capital projects. It also made changes to better align projects funded with the voter-approved Parks and Natural Areas Local Option Levy (Levy) with the CIP.

However, there was work remaining to comply with Metro's Capital Asset Management Policy and ensure the accuracy and completeness of Metro's budget, reports and plans. Metro should determine how non-construction projects fit into the agency's capital planning process, and which requirements should apply to those projects. To improve accountability, Metro also needs to increase reporting about project scopes and schedules. Better alignment between the Levy work plan and the CIP showed significant improvement that should be continued in future budget cycles to fully implement the recommendation.

## Status of 2016 audit recommendations

Recommendation	Status
1. Ensure capital planning policies and project management guidance are followed to: <ul style="list-style-type: none"> <li>a. improve the accuracy of project cost estimates;</li> <li>b. document approval of project plans;</li> <li>c. document approval of project budgets; and</li> <li>d. document approval of revised project budgets.</li> </ul>	In process
2. Improve completeness and accuracy of the capital budget by updating it periodically during the year when new projects are approved or existing project budgets exceed established thresholds.	In process
3. Increase accountability by improving the twice-yearly capital project monitoring report to provide accurate information about the scope, schedule and budget for each capital project.	In process
4. Establish a policy and a process to determine if restoration projects are capital projects.	Implemented
5. Align the Levy work plan approval and updating processes with Metro's capital budget processes to create consistent scopes of work, budgets and schedules for projects.	In process

Source: Metro Auditor's office analysis

## Areas for further consideration

We noted areas for further consideration. First, ensuring that policies, guidance and procedures are consistently applied to all capital projects will help lower risk. Second, in order to use the CIP as a long term plan, Metro will need to accomplish more projects in the time frame they are originally planned. Otherwise, carrying projects forward makes long-term planning more difficult. Lastly, Metro will need to manage the scope of the AMCP program. Giving the program too many responsibilities could overwhelm it.

Agenda Item Number 7.1

**Equity and Transportation Planning Presentation**

*Presentation*

Metro Council Meeting  
Thursday, April 25, 2019  
Metro Council Chamber