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Project Delivery Notes

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Construction • Design • Engineering Services • Environmental • Project Management • R/W and Land Surveys

Project Delivery Focus – Managing Support Costs

In the previous edition of Project Delivery Notes (PDN #5), I highlighted the importance of functional areas working as a team to deliver projects. Our recent successes show that this team work is paying big dividends. For example, in the current 2010-11 fiscal year through May 2011, 519 projects valued at over \$2.5 billion achieved the RTL milestone. We awarded 509 construction contracts worth \$2.3 billion through May and we will soon have over \$11 billion in work under construction. These successes achieve our mission to improve mobility across California and generate jobs for California's recovering economy.

While we are rightfully proud of our delivery accomplishments, particularly meeting delivery schedules and staying within the overall project budget, we must equally focus on managing all four project elements: scope, schedule, capital cost and support cost.

A well-developed support budget accurately reflects the project scope and provides the necessary resources for project delivery. The support budget reflects a well-defined scope, risk assessment, constraints and assumptions. It also has buy-in from the project team and stakeholders. As stated in PDN #5, managing the cost of tasks performed is not a functionally-focused activity, but a project-focused activity.

The recent audit by the Bureau of State Audits (BSA) of our Capital Outlay Support (COS) Program validated many of our COS management practices, but found Caltrans overran its support budget on 62 percent of the 766 construction-completed contracts that the BSA reviewed.

The BSA audit brings into focus our need to increase the importance of monitoring, measuring and updating support budgets and our need to increase accountability at both the project level and the program level.

Over the last five years, Caltrans has increased its emphasis on budgeting and monitoring support costs more accurately by:

- Programming the major support budget components – Project Approval & Environmental Document, (PA&ED), Plans, Specifications & Estimate (PS&E), Right of Way Support and Construction Support in the State Highway Operations and Preservation Plan (SHOPP).
- Reporting preliminary engineering support budgets and support expenditures in the Contracts for Delivery.
- Implementing a February 25, 2010 memorandum from the then Acting Chief Engineer, Malcolm Dougherty to increase accountability for districts' proactive management of support budgets.
- Modifying change policy practices to include support cost changes.
- Working to complete the implementation of the Project Resourcing and Schedule Management System (PRSM) to improve monitoring of project resources and enforce appropriate charging practices.

These actions have resulted in greater transparency and increased accountability of our project delivery costs. We need to follow-through on these efforts.

Going forward, we can better manage support costs by:

- Tracking project support hours and expenditures.
- Submitting program change requests (PCRs) when support costs vary from the baseline.
- Practicing task management throughout the project life.
- Keeping a project focus as functional teams manage and complete tasks.
- Working only on programmed projects and minimizing rework.

I would like to highlight a recent success story that illustrates some of the above points. The South Stockton Route 99 widening project is an important infrastructure bond and locally funded project for the City of Stockton and the region. During the public hearing process, a new alternative was identified that reduced the right of way needs and lowered the project's estimated construction cost. After PA&ED, the capital and support cost estimates were updated. A PCR was processed to increase the project support budget and reduce the project capital costs based on the new alternative in the project report while staying within the approved Baseline Agreement total.

Although there continues to be new risks and delivery challenges, the project team continues to be fully engaged in all aspects of the project, including evaluating any necessary adjustments needed in the support and capital budgets at the next major milestone: the advertisement of the construction contract.

As you may have read, Acting Director, Malcolm Dougherty has asked me to serve as the Acting Chief Deputy Director during his assignment. Accordingly, I would like to take this opportunity to thank you for your continued contributions to our delivery success. Keep up the great work.