

DEPARTMENT OF TRANSPORTATION

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*Serious drought.
Help save water!*

November 21, 2014

Honorable Edmund G. Brown Jr.
Governor
State Capitol, Room 1173
Sacramento, CA 95814

Dear Governor Brown:

I am pleased to transmit the California Department of Transportation's (Caltrans) Fiscal Year 2013-14 Annual Project Delivery Report prepared in accordance with Sections 14524.16, 14525.5 and 14525.6 of the Government Code.

Distribution to the Legislature has been made by Caltrans pursuant to Government Code Section 9795. This report can be found at www.dot.ca.gov/reports-legislature.htm.

Sincerely,


BRIAN P. KELLY
Secretary

Enclosure

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*Serious drought.
Help save water!*

November 17, 2015

Mr. Daniel Alvarez
Secretary of the Senate
State Capitol, Room 3044
Sacramento, CA 95814

Ms. Diane Boyer-Vine
Legislative Counsel
State Capitol, Room 3201
Sacramento, CA 95814

Mr. E. Dotson Wilson
Chief Clerk of the Assembly
State Capitol, Room 3196
Sacramento, CA 95814

Dear Ms. Boyer-Vine and Messrs. Schmidt and Wilson:

I am pleased to transmit the California Department of Transportation's (Caltrans) Fiscal Year 2013-14 Annual Project Delivery Report prepared in accordance with Sections 14524.16, 14525.5 and 14525.6 of the Government Code.

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Sincerely,

A handwritten signature in black ink, appearing to read "Malcolm Dougherty".

MALCOLM DOUGHERTY
Director

Enclosure



Fiscal Year 2013-14

Annual Project Delivery Report

to the

California State Legislature



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to the California Transportation Commission Attachment A

Purpose of Report

The purpose of this report is to provide project delivery information on programmed highway projects for which the California Department of Transportation (Caltrans) was fully responsible for the development and construction management as required by California statute. In addition, the report contains additional information as recommended by the Bureau of State Audits (BSA) in their April, 2011 audit of the Caltrans' Capital Outlay Support (COS) program. This report fulfills Caltrans' annual project delivery reporting requirements .

Caltrans' mission is to provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and livability. In fiscal year 2013–14, the State of California budgeted about \$11.5 billion for transportation—one of the state's largest taxpayer expenditures. Caltrans must, therefore, use those funds efficiently and effectively.

Our vision is to be a performance-driven, transparent and accountable organization that values its people, resources and partners, and meets new challenges through leadership, innovation and teamwork. In September 2014, the governor signed Senate Bill 486, which requires us to increase our transparency and accountability by developing a plain-language performance report to the California Transportation Commission. Plain-language performance reporting, such as we use in “The Mile Marker: A Caltrans Performance Report” allows us to share our performance with the public in a way that anyone can understand. We've made some changes to this year's “Annual Project Delivery Report” so that it is easier to read. As we develop our new goals and objectives, we will continue to improve upon this report so that the public can easily tell how well we are operating as a public entity and how well we are managing taxpayer's money.

Executive Summary

Caltrans Project Delivery

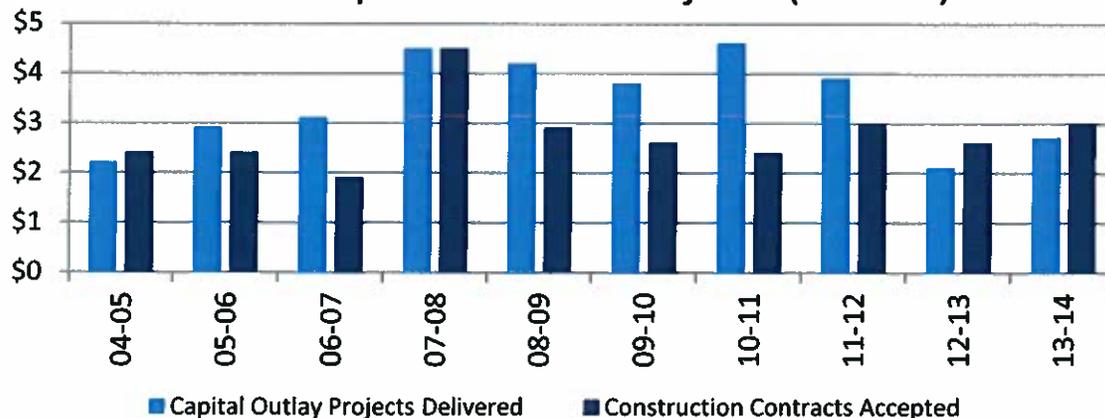
Caltrans is responsible for designing, constructing, maintaining, and operating the California State Highway System and the portion of the Interstate Highway System within the state’s boundaries. The Capital Outlay Support Program (support program) provides the funding and resources necessary to develop and deliver capital outlay projects to construction, and it administers and oversees the projects once they are under construction.

Project delivery can be separated into two major components, preconstruction work and construction work.

- The preconstruction work is for developing projects in formula-funded programs and for special enacted (enacted through legislation or proposition) programs. This work is complete when the project has been "delivered" and is ready for construction, which is also called the ready-to-list milestone. Project development work includes preparing environmental documents, acquiring right of way, and performing engineering studies.
- The construction work is when contractors build projects and Caltrans administers the construction contract. This phase is complete when the construction project has been accepted and is called the construction contract acceptance milestone.

Annual Project Delivery Capital Outlay Outputs

Capital Value of Projects (billions)



Preconstruction work - results in capital outlay project being delivered ready for construction.
Construction work - results in construction contracts being accepted upon completion of work by the contractor.

Caltrans Capital Outlay Support Program

Capital outlay support is the work necessary to develop, manage, and oversee projects. The program provides the support needed to deliver highway capital projects. Program work includes completing environmental reviews, designing and engineering projects, acquiring rights of way, and managing and overseeing construction. Caltrans accomplishes most of these activities with state staff, with a small proportion of all work being done through contract resources. Special enacted temporary programs including Proposition 1B bonds and the seismic retrofit

programs are nearing completion. Caltrans has consciously been reducing staffing as transportation funding has decreased.

Since fiscal year 2007–08 (7 Years), the year after Proposition 1B was passed, the support program has reduced staffing by more than 3,200 positions through the annual budget process. The capital outlay support program workload is approaching stable levels based on current transportation funding.

Project Delivery Performance Measures

Project Delivery Our Commitment to Improvement

Delivery of the capital programs is one of the most essential functions that Caltrans does to preserve, protect and enhance system performance of the State highway system. Operational improvement projects help the existing highway system function more efficiently. System preservation projects (such as bridge rehabilitation and pavement rehabilitation) help the highway system last

longer and decrease maintenance costs. System expansion projects add capacity by adding lanes or constructing new highways.

Measuring and reporting on project delivery milestones provides an indication on how well we are doing meeting our commitments and keeping planned projects on track to deliver projects contained in our work programs.

PROJECT DELIVERY PERFORMANCE MEASURES						
Performance Measures	FY 12-13	FY 13-14	Goal	Goal Met	Five-Year Trend (Unless otherwise noted)	Desired Trend
PROJECT OUPUTS						
PROJECTS DELIVERED: Percentage of planned projects delivered on schedule and ready for construction in fiscal year 2013-14.	98	98	100	—		↑
ENVIRONMENTAL DOCUMENTS: Percentage of planned project approval/ environmental documents delivered in fiscal year 2013-14.	87	88	90	—		↑
RIGHT OF WAY CERTIFICATIONS: Percentage of planned right of way certifications delivered in fiscal year 2013-14.	94	96	100	—		↑
RIGHT OF WAY ALLOCATION: Percentage of planned right of way allocation expended in fiscal year 2013-14.	100	100	100	✓		↑
CONSTRUCTION CONTRACTS ACCEPTED: Percentage of planned construction contracts completions accepted in fiscal year 2013-14.	83	95	95	✓		↑
COST ESTIMATING						
CONSTRUCTION CAPITAL COST: Percentage of project awards not exceeding more than 10 percent of the estimate in fiscal year 2013-14.	85	87	100	—		↑
ENGINEER'S ESTIMATE: Percentage of engineers estimate within +/- 10 percent of the contract price in fiscal year 2013-14.	46	40	50	—		↑

Capital Outlay Support Program Cost Indicators

Capital Outlay Support *Our Commitment to Managing Costs*

Across the department, we are working to control and manage capital outlay support costs. Over the last several years, we have made several improvements to increase the transparency and accountability in the capital outlay support program.

We implemented new measures and report these and actual project cost information in

regular reports to the legislature and the California Transportation Commission.

Two new statutes have been enacted to establish budget controls on construction support (SB 1102) and right of way (SB 853) costs. A number of improvement initiatives are being started as a result of the program review of the capital outlay support program including development of a quality management plan, a predictive cost tool, and a policy on consistent support management change control rules.

CAPITAL OUTLAY SUPPORT PROGRAM COST INDICATORS						
Cost Indicator	FY 12-13	FY 13-14	Goal	Goal Met	Five-Year Trend (Unless otherwise noted)	Desired Trend
SUPPORT COST LIMITS						
STIP COST OF PRELIMINARY ENGINEERING: Percentage of preliminary engineering costs as a percent of capital costs for projects awarded in fiscal year 2013-14.	17.5	15.4	< 20	✓		↓
STIP COST OF CONSTRUCTION SUPPORT: Percentage of construction support costs as a percent of approved budget for projects completed in fiscal year 2013-14.	95	93	< 100	✓	 (Second Year reported)	↓
SUPPORT COSTS BY PROGRAM – EXPENDED / BUDGET						
STIP PROGRAM SUPPORT COSTS: Percentage of support cost expenditures of budget for projects with construction contracts accepted in fiscal year 2013-14.	93	87	< 100	✓	 (Fourth Year reported)	↓
SHOPP PROGRAM SUPPORT COSTS: Percentage of support cost expenditures of approved budget for projects with construction contracts accepted in fiscal year 2013-14.	81	86	< 100	✓	 (Fourth Year reported)	↓
CAPITAL OUTLAY SUPPORT COSTS: Percentage of project support expenditures not exceeding 20 percent of the approved budget completed in fiscal year 2013-14.	72	76	Annual Improvement	✓	 (Fourth Year reported)	↑

Capital Outlay Support Program Historical Ratio Indicators

Historical Indicators

Caltrans along with state budget stakeholders like the Department of Finance and the Legislative Analyst Office that evaluate the capital outlay support program look for a means to evaluate the capital outlay program costs against historical trends.

Since 2011, Caltrans has expanded its reporting on its long standing support to capital measure to give a more in depth and detailed look at trends based on

project sizes and at specific project milestones.

Support to capital ratio is a programmatic indicator of program cost trends compared to historical program cost trends. Caution needs to be considered when comparing data because capital outlay support and the capital costs in the ratio change at different rates, which can impact the calculated ratios.

CAPITAL OUTLAY SUPPORT PROGRAM HISTORICAL RATIO INDICATORS						
Ratio Indicator	FY 12-13	FY 13-14	Range/Goal	Goal Met	Five-Year Trend (Unless otherwise noted)	
SUPPORT COSTS BY PROGRAM METRICS TO COMPARE RATIOS TO PAST RATIOS						
ANNUAL SUPPORT TO CAPITAL RATIO AT COMPLETION: Annual percentage of support costs as a percent of capital costs for construction contracts accepted in fiscal year 2013-14.	31.3	32.4	<i>1 standard deviation</i> 30.7 to 36.7	✓		
ANNUAL SUPPORT TO CAPITAL RATIO AT AWARD: Annual percentage of support costs as a percent of capital costs for projects awarded in fiscal year 2013-14.	15.6	18.9	<i>1 standard deviation</i> 15.1 to 17.9	—	 (Fourth Year reported)	
ANNUAL SUPPORT TO CAPITAL RATIO BY CAPITAL SIZE: Annual percentage of support costs as a percent of capital costs for construction contracts accepted based on five capital cost groups in fiscal year 2013-14.	I	51.1	62.4	—		
	II	34.0	49.7			60
	III	28.8	45.2			45
	IV	23.0	38.5			35
	V	26.5	23.8			32

Statutory
and
2011 Audit
Project Delivery
Reporting
Requirements

FY 2013-14 STIP Cost of Preliminary Engineering (P.E.)

Government Code section 14524.16:

“The department shall, as part of the reports required pursuant to Sections 14524.16 and 14525.5 report on its costs of project development for all state transportation improvement program projects awarded during the previous fiscal year.”

This section requires that the “Cost of project development include all non-capital costs incurred by Caltrans from completion of the project study report through an award of the construction contract.” This work is often described by Caltrans using the term “preliminary engineering (P.E.)”. These costs include the share of distributed departmental overhead attributable to P.E., with the exception of tort payments, legal costs associated with those payments, and central administrative services.

According to the Government Code, the average cost of P.E. for the report year and two previous years shall not exceed the 20 percent target.

The cost of P.E. for programmed STIP projects in FY 2013-14 was 20.2 percent of the contract allotments and right of way capital for those projects. The three-year average cost of P.E. for FY’s 2011-12 through 2013-14 was 19.7 percent.

FY’s	Cost of P.E.
FY 2011-12 ⁽¹⁾	17.0 %
FY 2012-13 ⁽¹⁾	17.5 %
FY 2013-14	15.4 %
3 Yr Average	16.7 %

⁽¹⁾ A review of PE cost data compared to CCA cost data revealed an inconsistency in data methodology reported. The data has been revised to be consistent. Consequently PE data reported in previous reports have been revised.

FY 2013-14 STIP Cost of Construction

Government Code section 14525.6:

"... the department shall, as part of the project delivery report required pursuant to Section 14525.5, report on the difference between the original allocation made by the commission and the actual construction capital and support costs at project close for all state transportation improvement program projects completed during the previous fiscal year."

In FY 13-14, Caltrans completed a total of 42 STIP projects. A list of projects with budget and expenditure information is provided in Caltrans' quarterly project delivery report to the CTC (attached as Attachment A).

The cost of construction for completed STIP projects is as follows:

	Original Allocation	Adjusted ⁽¹⁾ Allocation	Expended	% Adjusted Allocation Expended
Construction Support ⁽²⁾ (\$1,000's)				
Pre-14525.6 STIP	\$ 71,678	\$ 73,432	\$ 64,513	88%
14525.6 STIP	\$ 230	\$ 230	\$ 214	93%
Other Funds	\$ 92,693	\$ 100,269	\$ 78,235	78%
Total Funds	\$ 164,601	\$ 173,931	\$ 142,962	82%
Construction Capital ⁽²⁾ (\$1,000's)				
Pre-14525.6 STIP	\$ 294,038	\$ 251,407	\$ 227,433	90%
14525.6 STIP	\$ 932	\$ 932	\$ 695	75%
Other Funds	\$ 906,039	\$ 642,059	\$ 600,211	94%
Total Funds	\$1,201,009	\$ 894,398	\$ 828,340	93%
Construction Support and Capital ⁽²⁾ (\$1,000's)				
STIP Funds	\$ 366,878	\$ 326,001	\$ 292,855	90%
TOTAL ALL FUNDS	\$1,365,610	\$1,068,329	\$ 971,302	91%

- (1) Adjustments include CTC actions including AB 608 de-allocations and supplemental funds requests or local funds added through an amended cooperative agreement.*
- (2) Construction support and capital reflects State and local funds that are reflected in State data systems (some project funds do not show up in State data).*

The cost to construct the 42 STIP projects including all other funds completed in FY 13-14 were nine percent less than the adjusted allocation (final budget) and 29 percent less than the original allocation (approved budget) by the CTC for construction.

2011 COS Program Audit Recommendations

In April of 2011, the California Bureau of State Audits (BSA) recommended that Caltrans report on additional COS program information as part of this annual report. Caltrans concurred with the BSA recommendations and the additional information requested has been added to this report.

There are four specific recommendations from the BSA 2011 COS program audit that have been incorporated into this report. The recommendations have been separated into two reporting sections. The first recommendation is a COS budget cost measure, and is presented as one section (A). The other three recommendations are related to S/C cost measures and presented together as another section (B) of this report.

(A) COS Budget Cost Measures

This section includes information on cost budget variances outlined in the 2011 BSA audit on Caltrans' COS program. Information is presented in four subsections (denoted by end notes 1-4 and highlighted in bold font) to answer the request for multiple analyses contained within the recommendation.

BSA 2011 COS Program Audit Recommendation - COS Budget Cost Measures:

To improve accountability internally and with the public, Caltrans should:

*“Create and incorporate an **analysis of support cost budget overruns**⁽¹⁾ in its quarterly report to the agency, and in its annual report to the Legislature and the governor. The analysis should report on the number of completed projects with budget overruns and on the number of open projects where the estimate at completion projects a **budget overrun, the overrun ratios**⁽²⁾ for those projects, and the portions of the variances due to **rates and hours**⁽³⁾. Further, Caltrans should include a **measureable goal for reducing overruns**⁽⁴⁾ in its strategic plan.”*

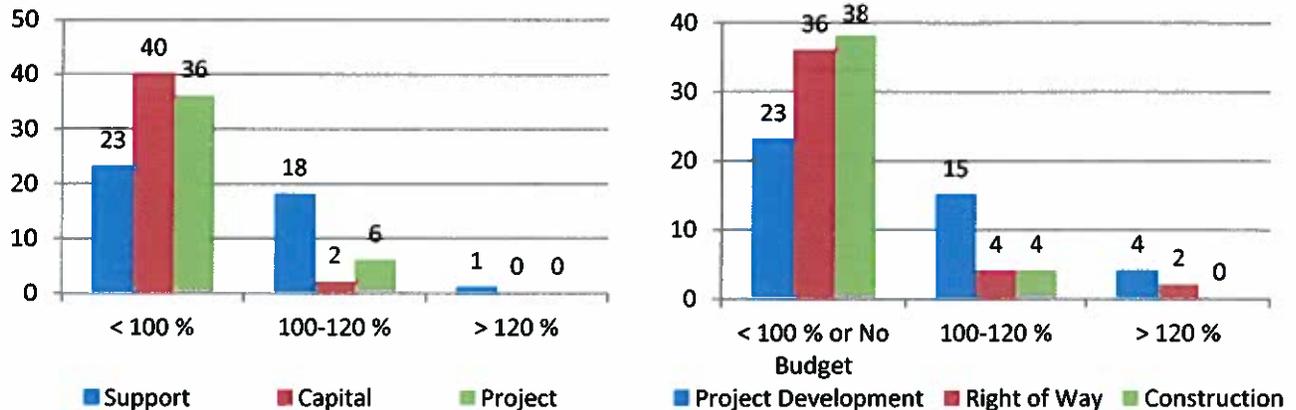
The BSA audit was focused on support costs and all audit recommendations apply to support. Support, however, is only a portion of a project's overall cost. Caltrans is also including capital cost information where appropriate to complete project cost

information. This is important in terms of what a STIP project sponsor paid in county shares. For example, a support component can be over budget while the project is still under budget due to savings in other components debited and paid for through programmed county shares.

Analysis of Support Cost Budget Overruns⁽¹⁾ *Budget Overrun, the Overrun Ratios*⁽²⁾:

Shown on the next few pages are tables and charts comparing projects completed in FY 2013-14 against different percentages (variances) of the project budget. The tables show the number of project variances by percentage for total support costs, total capital costs, overall project costs and individual component costs against their respective budgets. The tables and charts also identify the number of projects that overrun their budget and the cost ratios of money spent compared to the approved budgets.

STIP Projects Completed Cost - Component Groupings



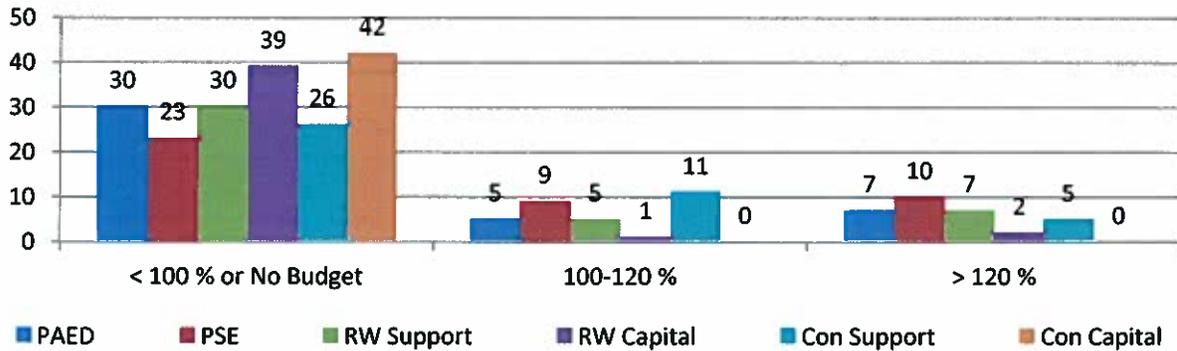
STIP Programmed and Completed Cost Information - Component Groupings

Capital / Support Components	Component	Expended / Budget Percent	Number of Completed Projects			Budget (\$1,000's)	Percent Budget	Spent (\$1,000's)	Percent Spent	(+/-) (\$1,000's)	Cost Ratio Spent / Budget
			Under	Over	Percent						
Support	< 100		23		55%	\$ 214,732	67%	\$ 170,030	61%	Under Budget	
	100-120 ¹		18		43%	103,963	33%	107,509	39%		
	> 120		1		2%	260	0%	321	0%		
Total						\$ 318,955		\$ 277,860		\$ 41,095	87%
Capital	< 100		40		95%	\$ 957,139	92%	\$ 871,433	91%	Under Budget	
	100-120 ¹		2		5%	82,612	8%	84,142	9%		
	> 120		0		0%	0	0%	0	0%		
Total						\$ 1,039,751		\$ 955,575		\$ 84,176	92%
Project	< 100		36		86%	\$ 1,237,445	91%	\$1,110,994	90%	Under Budget	
	100-120 ¹		6		14%	121,261	9%	122,441	10%		
	> 120		0		0%	0	0%	0	0%		
Total						\$1,358,706		\$1,233,435		\$ 125,271	91%

STIP Guidelines Components	Component	Budget Category	Count	Percent	Budget (\$1,000's)	Percent Budget	Spent (\$1,000's)	Percent Spent	(+/-) (\$1,000's)	Cost Ratio Spent / Budget	
											PJD
< 100	18		43%	88,184	69%	72,529	63%				
100-120 ¹		15		35%	38,242	30%	42,050	36%			
> 120		4		10%	630	1%	1,404	1%			
Total						\$ 127,056		\$ 115,983		\$ 11,073	91%
Right of Way	No Budget	10		24%	\$ 0	0%	\$ 0	0%	Under Budget		
	< 100	26		61%	132,372	81%	112,282	76%			
	100-120 ¹		4		27,024	17%	28,633	20%			
	> 120		2		3,925	2%	5,235	4%			
Total						\$ 163,321		\$ 146,150		\$ 17,171	89%
Construction	No Budget	0		0%	\$ 0	0%	\$ 0	0%	Under Budget		
	< 100	38		90%	990,529	93%	891,967	92%			
	100-120 ¹		4		77,800	7%	79,335	8%			
	> 120		0		0	0%	0	0%			
Total						\$ 1,068,329		\$ 971,302		\$ 97,027	91%

¹ Reference: Table 2, California State Auditor Report 2010-122: State law requires that STIP project costs may not be changed to reflect differences that are within 20 percent of the amount programmed for actual project costs. Further, according to the chief of Caltrans' Division of Project Management, although there are no written requirements, Caltrans' practice is to manage SHOPP projects similar to STIP projects when a SHOPP project is 20 percent over its support budget.

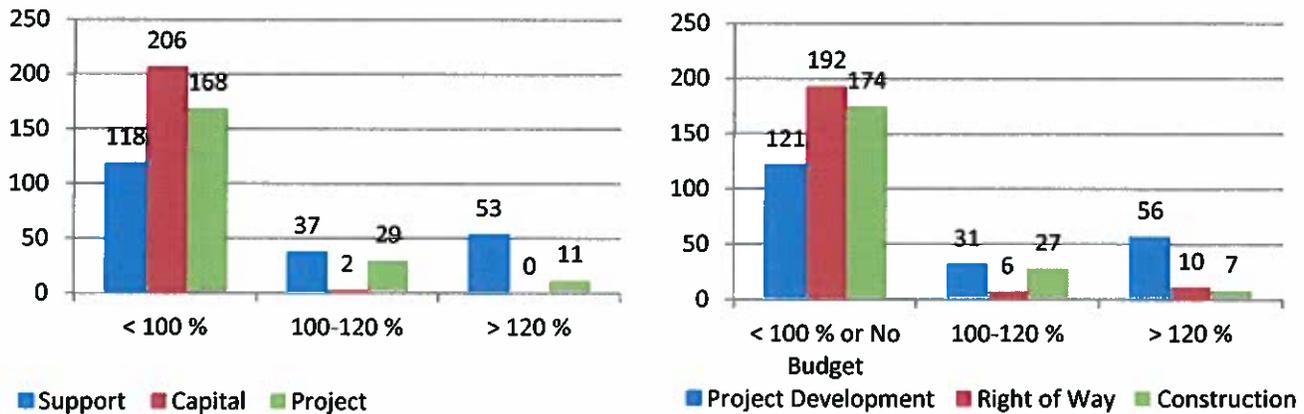
STIP Project Completed Cost - Individual Components



STIP Programmed and Completed Cost Information - Individual Components

	Expended / Budget Percent	Number of Completed Projects			Budget (\$1,000's)	Percent Budget	Spent (\$1,000's)	Percent Spent	(+/-) (\$1,000's)	Cost Ratios Spent / Budget
		Under	Over	Percent						
Individual Project Components	PAED	No Budget	9		21%	\$ 0	0%	\$ 0	0%	Under Budget
		< 100	21		50%	39,346	89%	30,982	85%	
		100-120 ¹		5	12%	2,902	7%	3,001	8%	
		> 120		7	17%	1,716	4%	2,454	7%	
		Total				\$ 43,964		\$ 36,437	\$ 7,527	
	PSE	No Budget	5		12%	\$ 0	0%	\$ 0	0%	Under Budget
		< 100	18		43%	42,705	51%	33,559	42%	
		100-120 ¹		9	21%	29,672	36%	32,009	40%	
		> 120		10	24%	10,715	13%	13,978	18%	
		Total				\$ 83,092		\$ 79,546	\$ 3,546	
	RW Support	No Budget	11		26%	\$ 0	0%	\$ 0	0%	Over Budget
		< 100	19		45%	7,441	41%	5,513	29%	
		100-120 ¹		5	12%	4,983	28%	5,606	30%	
		> 120		7	17%	5,544	31%	7,796	41%	
		Total				\$ 17,968		\$ 18,915	(\$ 947)	
	RW Capital	No Budget	20		48%	\$ 0	0%	\$ 0	0%	Under Budget
		< 100	19		45%	121,541	84%	101,419	80%	
		100-120 ¹		1	2%	22,300	15%	22,651	18%	
		> 120		2	5%	1,512	1%	3,165	2%	
		Total				\$ 145,353		\$ 127,235	\$ 18,118	
Construction Support	Pre GC 14525.6	No Budget	0		0%	\$ 0	0%	\$ 0	0%	Under Budget
		< 100	25		59%	117,139	67%	81,511	57%	
		100-120 ¹		10	24%	55,189	32%	59,438	42%	
		> 120		5	12%	1,373	1%	1,798	1%	
	GC 14525.6	No Budget	0		0%	0	0%	0	0%	
		< 100	1		2%	130	<1%	102	<1%	
		100-120 ¹		1	2%	100	<1%	113	<1%	
Total				\$ 173,931		\$ 142,962	\$ 30,969	82%		
Construction Capital	No Budget	0		0%	\$ 0	0%	\$ 0	0%	Under Budget	
	< 100	42		100%	894,398	100%	828,340	100%		
	100-120 ¹		0	0%	0	0%	0	0%		
	> 120		0	0%	0	0%	0	0%		
	Total				\$ 894,398		\$ 828,340	\$ 66,058		93%

SHOPP Projects Completed Cost Percentages - Component Groupings



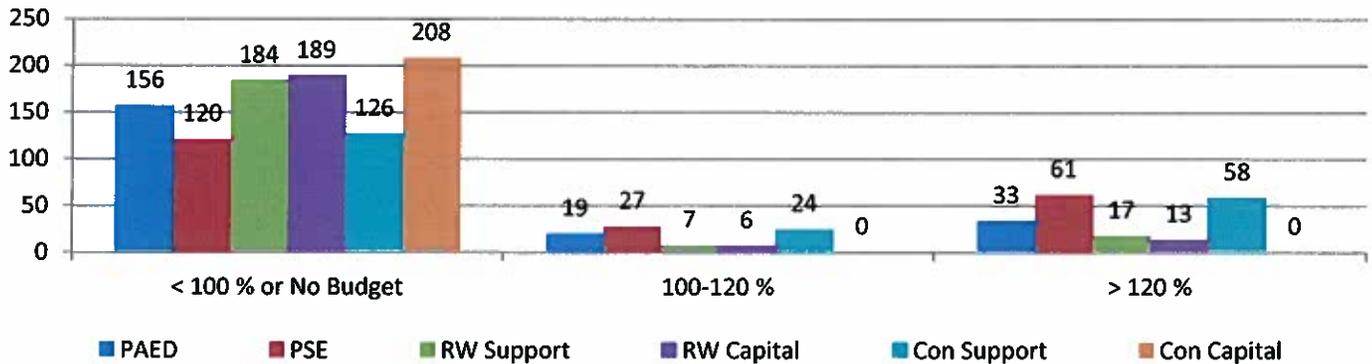
SHOPP Programmed and Completed Cost Information - Component Groupings

Capital / Support Components	Component	Expended / Budget Percent	Number of Completed Projects			Budget (\$1,000's)	Percent Budget	Spent (\$1,000's)	Percent Spent	(+/-) (\$1,000's)	Cost Ratios Spent / Budget
			Under	Over	Percent						
Support	< 100		118		57%	\$ 402,479	77%	\$ 290,904	65%	Under Budget	
	100-120 ¹		37		18%	68,120	13%	73,186	16%		
	> 120		53		25%	53,904	10%	84,567	19%		
Total						\$ 524,503		\$ 448,657		\$ 75,846	86%
Capital	< 100		206		99%	\$ 1,710,244	100%	\$1,340,971	99%	Under Budget	
	100-120 ¹		2		1%	6,615	0%	7,237	1%		
	> 120		0		0%	0	0%	0	0%		
Total						\$ 1,716,859		\$1,348,208		\$ 368,651	79%
Project	< 100		168		81%	\$ 2,119,285	95%	\$1,660,930	92%	Under Budget	
	100-120 ¹		29		14%	95,097	4%	101,134	6%		
	> 120		11		5%	26,981	1%	34,802	2%		
Total						\$ 2,241,363		\$1,796,866		\$ 444,497	80%

STIP Guidelines Components	Component	No Budget	Under	Over	Percent	Budget (\$1,000's)	Percent Budget	Spent (\$1,000's)	Percent Spent	(+/-) (\$1,000's)	Cost Ratios Spent / Budget
PJD	No Budget	20			10%	\$ 0	0%	\$ 0	0%	Under Budget	
	< 100	101			49%	156,755	66%	102,804	50%		
	100-120 ¹		31		15%	46,447	20%	50,008	24%		
	> 120		56		27%	34,692	14%	54,363	26%		
Total						\$ 237,894		\$ 207,175		\$ 30,719	87%
Right of Way	No Budget	18			9%	\$ 0	0%	\$ 0	0%	Under Budget	
	< 100	174			84%	47,252	86%	18,850	60%		
	100-120 ¹		6		3%	6,121	11%	6,374	20%		
	> 120		10		5%	1,495	3%	5,992	19%		
Total						\$ 54,868		\$ 31,216		\$ 23,652	57%
Construction	No Budget	0			0%	\$ 0	0%	\$ 0	0%	Under Budget	
	< 100	174			84%	1,880,272	96%	1,484,532	95%		
	100-120 ¹		27		13%	52,562	3%	55,928	4%		
	> 120		7		3%	15,766	1%	17,997	1%		
Total						\$ 1,948,600		\$1,558,457		\$ 390,143	80%

¹ Reference: Table 2, California State Auditor Report 2010-122: State law requires that STIP project costs may not be changed to reflect differences that are within 20 percent of the amount programmed for actual project costs. Further, according to the chief of Caltrans' Division of Project Management, although there are no written requirements, Caltrans' practice is to manage SHOPP projects similar to STIP projects when a SHOPP project is 20 percent over its support budget.

SHOPP Project Completed Cost Percentages - Individual Components



SHOPP Programmed and Completed Cost Information - Individual Components

	Expended / Budget Percent	Number of Completed Projects			Budget (\$1,000's)	Percent Budget	Spent (\$1,000's)	Percent Spent	(+/-) (\$1,000's)	Cost Ratios Spent / Budget		
		Under	Over	Percent								
Individual Project Components	PAED	No Budget	67		32%	\$ 0	0%	\$ 0	0%	Under Budget		
		< 100	89		43%	23,870	52%	13,814	32%			
		100-120 ¹		19	9%	16,930	37%	17,700	41%			
		> 120		33	16%	5,238	11%	11,626	27%			
		Total				\$ 46,038		\$ 43,140			\$ 2,898	94%
	PSE	No Budget	17		8%	\$ 0	0%	\$ 0	0%	Under Budget		
		< 100	103		50%	136,623	71%	89,634	55%			
		100-120 ¹		27	13%	26,291	14%	28,504	17%			
		> 120		61	29%	28,942	15%	45,894	28%			
		Total				\$ 191,858		\$ 164,032			\$ 27,824	85%
	RW Support	No Budget	26		13%	\$ 0	0%	\$ 0	0%	Under Budget		
		< 100	158		76%	13,082	75%	5,235	47%			
		100-120 ¹		7	3%	1,168	7%	1,265	11%			
		> 120		17	8%	3,130	18%	4,722	42%			
		Total				\$ 17,380		\$ 11,222			\$ 6,158	65%
	RW Capital	No Budget	61		29%	\$ 0	0%	\$ 0	0%	Under Budget		
		< 100	128		62%	35,923	96%	13,771	69%			
		100-120 ¹		6	3%	377	1%	438	2%			
		> 120		13	6%	1,188	3%	5,800	29%			
		Total				\$ 37,488		\$ 20,009			\$ 17,479	53%
Construction Support	Pre SB 1102	No Budget	0		0%	\$ 0	0%	\$ 0	0%	Under Budget		
		< 100	126		61%	230,041	85%	169,367	74%			
		100-120 ¹		24	12%	9,230	3%	10,037	4%			
		> 120		58	28%	29,958	11%	50,857	22%			
	SB 1102	No Budget	0		0%	0	0%	0	0%			
		< 100	0		0%	0	0%	0	0%			
		100-120 ¹		0	0%	0	0%	0	0%			
		> 120		0	0%	0	0%	0	0%			
		Total				\$ 269,229		\$ 230,261			\$ 38,968	86%
		Total				\$ 269,229		\$ 230,261			\$ 38,968	86%
Construction Capital	No Budget	0		0%	\$ 0	0%	\$ 0	0%	Under Budget			
	< 100	208		100%	1,679,371	100%	1,328,199	100%				
	100-120 ¹		0	0%	0	0%	0	0%				
	> 120		0	0%	0	0%	0	0%				
	Total				\$1,679,371		\$1,328,199			\$ 351,172	79%	

Rates and Hours⁽³⁾ – there is no definitive way to measure the number of projects with variances to determine if the variance was due to rates, hours, or a combination of both. As noted in the audit report, the primary variances based on interviews were due to an increase in hourly rates (collective bargaining pay raises); Caltrans does not anticipate this being the case in the near future, as hourly rates changes are relatively minimal. Caltrans does perform a separate analysis of rates each year for planning purposes.

For current active projects, the largest impact to project costs are currently due to changes in scope of work such as additional permit and mitigation requirements. An example is enforcement of the statewide storm water permit.

Measureable Goal for Reducing Overruns⁽⁴⁾ – Using the BSA audit data sample as a baseline, Caltrans is establishing an annual goal to show a continuous improvement in reducing the number of projects that overrun the support budget measured at Construction Contract Acceptance (CCA) milestone. For FY 2013-14, Caltrans set the following goal:

"Project Support Budget Cost Measure:

72 percent of the major programmed projects that achieved CCA during the three year period of 2011-12 through 2013-14 FY's will have total support expenditures < 120 percent of the total support approved budget."

3 Yr Period	Completed Projects	Completed < 120%	Percent	Goal
BSA Audit	766	372	49 %	Base
2008-09 to 10-11	719	407	57 %	60 %
2009-10 to 11-12	780	507	65 %	65 %
2010-11 to 12-13	782	567	72 %	68 %
2011-12 to 13-14	786	611	76 %	72%

(B) Support-to-Capital (S/C) Cost Measures

This section of the report includes information on S/C cost measures outlined in the 2011 BSA audit on Caltrans' COS program.

BSA 2011 COS Program Audit Recommendations - S/C Cost Measures:

Caltrans maintains that the ratio of S/C is not an effective measure of projects because of the variability that exists from project to project. The S/C ratio is best used at a program level where a large number of projects evaluated as a group can be compared to historical trends.

Listed below is a detailed breakdown of S/C (support expenditures / capital expenditures) cost information and trends of three major factors, delineating why S/C may not be appropriate as a support productivity or efficiency measure.

- **S/C Factor 1 - Projects:** A single number S/C ratio goal leads to certain misconceptions concerning COS program costs. Programmatic goals should not be used to evaluate individual projects. This goal has been misused in evaluating individual projects in the COS program.

Previously Reported Historical S/C Data

S/C Ratio	Projects	Percent	Portion	Capital	Percent	Portion	9 years of historical data FY 2002-03 to 2010-11
< 35%	742	32.5 %	one third	\$ 11,344 M	68.9 %	two third's	
> 35%	1,541	67.5%	two third's	5,112 M	31.1%	one third	
ALL	2,283			16,456 M			

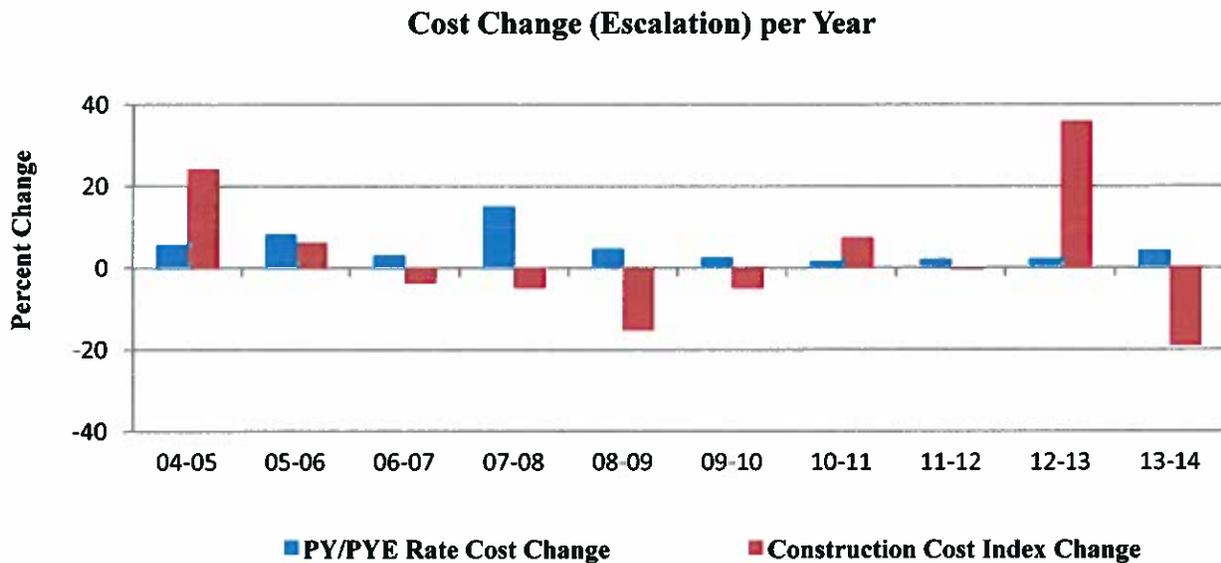
Recent S/C Data

S/C Ratio	Projects	Percent	Portion	Capital	Percent	Portion	3 years of recent data FY 2011-12 to 2013-14
< 35%	339	40.5 %	two fifth's	\$ 5,799 M	73.5 %	three fourth's	
> 35%	498	59.5%	three fifth's	2,086 M	26.5%	one fourth	
ALL	837			7,885 M			

When Caltrans delivers its capital programs with a COS S/C ratio of approximately 35 percent, in reality the distribution of projects is as follows:

- (1) Approximately one third to two fifth's (historical/recent) of the number of projects with two third's to three fourth's (historical/recent) of the capital value is below the 35 percent average.
- (2) Approximately two third's to three fifth's (historical/recent) of the number of projects with one third to one fourth (historical/recent) of the capital value is higher than the 35 percent average.

- S/C Factor 2 - Varying Cost Escalation: Cost escalation is outside the control of Caltrans. S/C ratio would need to have similar annual escalation rates for support and capital to be an effective annual measure. Varying escalation in labor costs and construction costs shown below makes annual comparisons of S/C ratio results difficult.



- S/C Factor 3 - Annual Capital Delivery Variances: The dollar value of capital costs data varies substantially from year to year. The annual calculated S/C ratio is heavily influenced by the number of larger projects (\$100 million and more) in the annual data.

	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
Capital Value (millions)	\$1,223.8	\$2,123.1	\$1,559.0	\$1,876.3	\$2,784.5	\$2,103.6	\$2,644.3	\$2,361.4	\$1,896.5	\$2,645.7
Annual Capital Value Change (millions)		\$ 899.3	-\$ 564.1	\$ 317.3	\$ 908.2	-\$ 680.9	\$ 540.7	-\$ 282.9	-\$ 464.9	\$ 749.2
Annual Capital Value Change Percent		73%	- 27%	20%	48%	- 24%	26%	- 11%	- 20%	40%

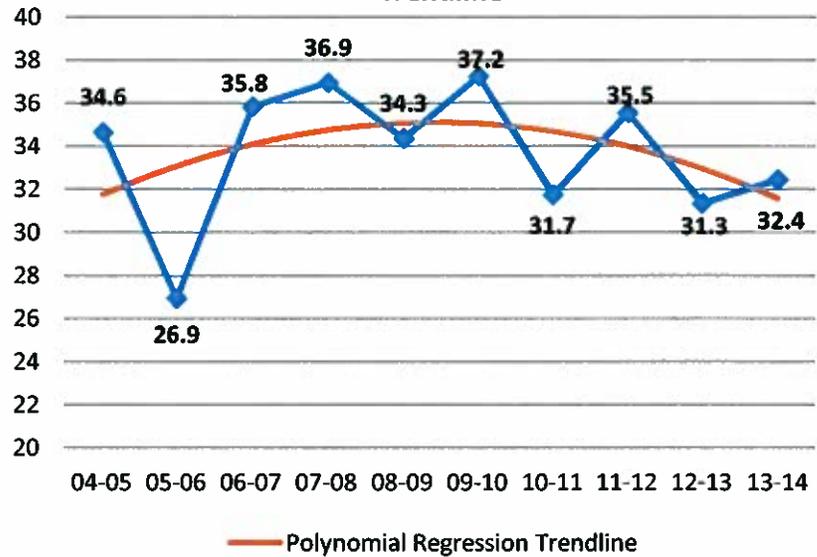
2011 BSA Audit S/C Cost Measure Recommendations

Annual S/C Ratio:

To improve performance metrics related to the support program, Caltrans should:

“Devise, utilize, and publicize a consistent method for reporting the support-to-capital ratio on its Web site and in other reports to the public. Further, Caltrans should recalculate past support-to-capital ratios using the method devised to allow for comparison across years.”

Capital Outlay Support - "Support to Capital" Trendline



Annual goal for S/C ratio based on capital value groups:

To improve performance metrics related to the support program, Caltrans should:

“Develop Goals – and publicly report on the progress against those goals – for the support-to-capital ratio, based on project type (STIP or SHOPP) and project size.”

Group	Capital Value (millions)	Baseline FY 08-11 Annual Goal	S/C Results		
			FY 11-12	FY 12-13	FY 13-14
I	\$1-5	< 60 %	56.2 %	51.1 %	62.4 %
II	\$5-10	< 45 %	31.3 %	34.0 %	49.7 %
III	\$10-15	< 35 %	38.0 %	28.8 %	45.2 %
IV	\$15-25	< 32 %	24.7 %	23.0 %	38.5 %
V	>\$25	< 30 %	30.2 %	26.5 %	23.8 %

Project count of STIP projects in groups are too small to report separately

S/C ratios for STIP and SHOPP projects at award and completion:

Projects included in this measure are all programmed STIP and SHOPP projects that were either awarded or completed construction during the current FY and past two years for which Caltrans was fully responsible for development and construction management. The measure calculates a ratio (expressed as a percentage) using all capital outlay support costs in the numerator divided by all capital costs in the denominator.

“To ensure it receives more complete information on the support program, the Legislature should require Caltrans to include in its annual report an expanded methodology for reporting support-to-capital ratios to include, in addition to a support-to-capital ratio based on costs incurred up to the award of the construction contract of STIP projects, a separate support-to-capital ratio for STIP projects that have completed construction. Further, the Legislature should require Caltrans to report on similar ratios for SHOPP projects based on costs incurred up to the award of the construction contract and for those projects that completed construction.”

S/C Ratio At Award

	Capital (millions)	Support (millions)	S/C Ratio Percent
STIP			
FY 11-12 ⁽¹⁾	\$ 855.7	\$ 145.8	17.0 %
FY 12-13 ⁽¹⁾	\$ 1,272.8	\$ 222.1	17.5 %
FY 13-14	\$ 1,095.4	\$ 169.0	15.4 %
3-Yrs	\$ 3,223.9	\$ 536.9	16.7 %
SHOPP			
FY 11-12 ⁽¹⁾	\$ 1,196.0	\$ 173.5	14.5 %
FY 12-13 ⁽¹⁾	\$ 998.7	\$ 132.3	13.3 %
FY 13-14	\$ 1,480.0	\$ 318.3	21.5 %
3-Yrs	\$ 3,674.7	\$ 624.1	17.0 %
Combined			
FY 11-12 ⁽¹⁾	\$ 2,051.7	\$ 319.3	15.6 %
FY 12-13 ⁽¹⁾	\$ 2,271.5	\$ 354.4	15.6 %
FY 13-14	\$ 2,575.4	\$ 487.3	18.9 %
3-Yrs	\$ 6,898.6	\$ 1,161.0	16.8 %

S/C Ratio At Completion

	Capital (millions)	Support (millions)	S/C Ratio Percent
STIP			
FY 11-12	\$ 1,065.0	\$ 338.2	31.8 %
FY 12-13	\$ 508.8	\$ 177.1	34.8 %
FY 13-14	\$ 794.2	\$ 267.8	33.7 %
3-Yrs	\$ 2,368.0	\$ 783.1	33.1 %
SHOPP			
FY 11-12	\$ 1,296.4	\$ 495.7	38.2 %
FY 12-13	\$ 1,387.7	\$ 415.5	29.9 %
FY 13-14	\$ 1,851.4	\$ 590.0	31.9 %
3-Yrs	\$ 4,535.5	\$ 1,501.2	33.1 %
Combined			
FY 11-12	\$ 2,361.4	\$ 833.9	35.3 %
FY 12-13	\$ 1,896.5	\$ 592.6	31.3 %
FY 13-14	\$ 2,645.7	\$ 857.8	32.4 %
3-Yrs	\$ 6,903.6	\$ 2,284.3	33.1 %

⁽¹⁾ A review of P.E. cost data compared to CCA cost data revealed an inconsistency in data methodology reported. The data has been revised to be consistent. Consequently PE data reported in previous reports have been revised.

FY 2013-14 Project Delivery Report

Government Code section 14525.5:

“The department shall submit a project delivery report to the Governor and the Legislature not later than November 15 of each year.”

The End-of-Year FY 2013-14 Project Delivery Report to the CTC (Attachment A) fulfills the intent of this requirement. For FY 2013-14 Caltrans delivered a total of 521 projects valued at \$2.712 billion from all funding programs as detailed in the attached report.

In FY 2005-06, Director Will Kempton initiated the “Contract for Delivery” in order to improve Caltrans' delivery performance. Each year, the Director signs a contract with each of Caltrans' 12 district directors committing the delivery of specific projects within the planned quarter of the fiscal year.

Delivery is measured when the project has achieved Ready-to-List for advertising status. This has been very successful in improving on-time delivery performance. In the FY 2013-14 contract, 214 deliveries (out of 219 planned) were achieved, for a 97.7 percent success rate.

During the past 9 years, the Contract for Delivery committed delivery of 2,408 major projects with a construction value of more than \$25.8 billion. 2,389 projects were delivered on time, which translates into a 99.2 percent delivery record.