



**California  
Department of Transportation**

**Fiscal Year 2010-11**

**Project Development  
Cost Report and  
Project Delivery Report**

**Annual Report to the  
California State Legislature**



# Table of Contents

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Executive Summary..... Page 2

Fiscal Year 2010-11 Project Development Cost Report..... Page 4  
Required by section 14524.16 of the Government Code

Support to Capital Ratio Cost Information..... Page 6

Fiscal Year 2010-11 Project Delivery Report..... Page 9  
Required by section 14525.5 of the Government Code

Year-End Fourth Quarter FY 2010-11 Project Delivery Report  
to the California Transportation Commission..... Attachment A

## Executive Summary

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The purpose of this report is to provide cost information and the status and progress of project delivery of programmed highway projects for which the Department was fully responsible for the development and construction management.

This report fulfills the Department's statutory annual reporting requirements as follows:

### **Project Development Cost Report:**

#### Government Code Section 14524.16

*"(a)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."*

As defined in the Government Code, the cost of project development includes all noncapital costs incurred by the Department from completion of the project study report through the award of the construction contract.

The cost of project development for programmed STIP projects that were awarded in Fiscal Year 2010-11 was 19.3 percent. The three-year average cost of project development for Fiscal Years 2008-09 through 2010-11 was 19.3 percent.

### **Support to Capital Ratio Cost Information:**

#### 2011 Audit on Capital Outlay Support – Recommendation Number 6.

*"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 cost 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."*

For FY 2010-11, the support-to-capital ratios of programmed projects (STIP and SHOPP combined) are as follows:

	Percent
At Award:	18.3
At Completion:	31.8

## **Project Delivery Report:**

### Government Code Section 14525.5

*“ (a) The department shall submit a project delivery report to the Governor and the Legislature not later than November 15 of each year. The report shall include all state highway projects that are included in the adopted state transportation improvement program costing one million dollars (\$1,000,000) or more and for which the department is the responsible agency for project development work.”*

For Fiscal Year 2010-11, the Department delivered a total of 697 projects valued at \$4.630 billion from all funding programs. This includes the Department’s delivery commitments in the Director’s “Contract for Delivery,” emergency projects, minor program projects and program amendments that were delivered.

# Fiscal Year 2010-11

## Project Development Cost Report

**Government Code section 14524.16:** “The Department shall, as part of the reports required pursuant to Section 14524.16 report on its costs of project development for all State Transportation Improvement Program projects awarded during the previous fiscal year.”

## Fiscal Year 2010-11 Cost Report

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Section 14524.16 of the Government Code requires the California Department of Transportation (Department) to submit a report on its cost of project development for all programmed State Transportation Improvement Program (STIP) projects awarded during the fiscal year.

This section requires that the “cost of project development includes all non-capital costs incurred by the Department from completion of the project study report through award of the construction contract.” These costs include the share of distributed Departmental overhead attributable to project development

activities, 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 project delivery for the report year and two previous years shall not exceed the 20 percent target.

The cost of project development for programmed STIP projects in Fiscal Year 2010-11 was 19.3 percent of the contract allotments and right of way capital for those projects. The three-year average cost of project development for Fiscal Years 2008-09 through 2010-11 was 19.3 percent.

# Support to Capital Ratio Cost Information

## Support to Capital Ratio Cost Information

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In 2011, the California Bureau of State Audits (BSA) released an audit of the Department's Capital Outlay Support program. One of the recommendations was that the Department should expand its reporting of support to capital cost information. The Department concurred with the recommendation and the additional information requested is included in this section of the report.

**BSA Audit Recommendation Number 6:** 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 cost 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.

The Department maintains that the ratio of support to capital is not an effective measure of productivity at a project level because of the variability that exists from project to project. This was recognized by an independent study published in 2011 by the University of California, Davis. The support to capital ratio is best used at a program level where a large number of projects evaluated as a group can be compared to historical trends. In that regard the Department had already undertaken studies to evaluate different potential measures of support productivity and will continue those efforts.

Listed below are some factors why support to capital may not be appropriate as a project support productivity measure:

- One size does not fit all. The ratio of small projects is not comparable with the ratio of much larger projects. The Department has projects that range in size from \$1 million (or less) to more than \$1 billion. This was recognized by BSA in their 2011 audit.
- Cost escalation for construction (bid prices) and support (benefits, etc.) is outside the control of the department. In one three-year period (2004 – 2006), the construction cost index unit prices changed more than 40 percent.
- Capital data varies from year to year. The annual calculated ratio is heavily influenced by the number of larger projects (\$100 million and more) that are included in an annual set of data.
- Ratio does not measure true support effort needed to perform necessary work.
- A single number goal leads to certain misconceptions concerning costs. Programmatic goals should not be used to evaluate individual projects.

### Support to Capital Measure

Projects included in this measure are all programmed STIP and SHOPP projects that completed construction during each fiscal year for which the Department 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.

**Support to Capital Ratio At Award**

	Capital (millions)	Support (millions)	Ratio Percent
<b>STIP</b>			
FY 08-09	\$ 731.7	\$ 146.1	20.0
FY 09-10	\$ 1,239.0	\$ 233.6	18.9
FY 10-11	\$ 1,266.2	\$ 245.0	19.3
3-Yrs	\$ 3,236.9	\$ 624.7	19.3
<b>SHOPP</b>			
FY 08-09	\$ 1,427.3	\$ 335.2	23.5
FY 09-10	\$ 1,201.9	\$ 301.7	25.1
FY 10-11	\$ 1,530.5	\$ 265.8	17.4
3-Yrs	\$ 4,159.7	\$ 902.7	21.7
<b>Combined</b>			
FY 08-09	\$ 2,159.0	\$ 481.3	22.3
FY 09-10	\$ 2,440.9	\$ 535.3	21.9
FY 10-11	\$ 2,769.6	\$ 510.8	18.3
3-Yrs	\$ 7,396.6	\$ 1,527.4	20.7

**Support to Capital Ratio At Completion**

	Capital (millions)	Support (millions)	Ratio Percent
<b>STIP</b>			
FY 08-09	\$ 1,323.4	\$ 467.0	35.3
FY 09-10	\$ 1,045.1	\$ 351.3	33.6
FY 10-11	\$ 1,688.5	\$ 437.6	25.9
3-Yrs	\$ 4,057.0	\$ 1,255.9	31.0
<b>SHOPP</b>			
FY 08-09	\$ 1,459.8	\$ 486.4	33.3
FY 09-10	\$ 1,058.5	\$ 432.0	40.8
FY 10-11	\$ 955.8	\$ 402.1	42.1
3-Yrs	\$ 3,474.1	\$ 1,320.5	38.0
<b>Combined</b>			
FY 08-09	\$ 2,783.2	\$ 953.4	34.3
FY 09-10	\$ 2,103.6	\$ 783.3	37.2
FY 10-11	\$ 2,644.3	\$ 839.7	31.8
3-Yrs	\$ 7,531.1	\$ 2,576.4	34.2

# Fiscal Year 2010-11

## 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.”

## **Fiscal Year 2010-11 Project Delivery Report**

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Section 14525.5 of the Government Code requires the California Department of Transportation (Department) to submit an annual report to the Governor and the Legislature on the Department's Delivery for the prior fiscal year. The Fourth Quarter Fiscal Year 2010-11 Project Delivery Report to the California Transportation Commission (Attachment A under this cover) fulfills the intent of this requirement. For Fiscal Year 2010-11 the Department delivered a total of 697 projects valued at \$4.630 billion from all funding programs as detailed in the attached report.

In Fiscal Year 2005-06, Director Will Kempton initiated the "Contract for Delivery" in order to improve the Department's delivery performance. Each year, the Director signs a contract with each

of the Department's 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 Fiscal Year 2010-11 contract, 342 deliveries (out of 346 planned) were achieved for a 98.8 percent success rate.

During the past six years, the Contract for Delivery committed delivery of 1,740 major projects with a construction value of more than \$18.0 billion. 1,733 projects were delivered on time, which translates into a 99.6 percent delivery record.