



# KING COUNTY AUDITOR'S OFFICE




DECEMBER 1, 2020

## Follow-up on Children and Family Justice Center Project (CFJC)

**The County Executive and the Facilities Management Division (FMD) completed all 11 recommendations made by our office on this project while keeping key stakeholders continually apprised of evolving scope, schedule, and budget issues.** For example, following the County signing the design-build contract for CFJC in February 2015, the Executive and FMD created increasingly detailed monthly project reports as the CFJC project matured from design alternatives into construction. These reports were an invaluable communication tool to apprise decision-makers in court administration and the County Council with respect to emerging changes with both cost and schedule implications.

**FMD tracked fiscal trends, county-driven changes, and unforeseen site conditions on CFJC which culminated in a detailed appropriation request in September 2018 for completing the project by summer 2021.** While this appropriation request added a 15 percent increase in funding to finish CFJC, the robust detail provided to the Council by FMD allowed it to make timely, informed decisions to maintain momentum on the project. Further, this appropriation request thoroughly explained the forecasted levy revenue and sales value of surplus property at the CFJC site to keep the project fiscally solvent until completion. Since this \$30 million appropriation request was approved, FMD has kept the project within the scope, schedule, and budget limitations communicated to Council in 2018.

Of the 11 audit recommendations:

	11 DONE		0 PROGRESS		0 OPEN
<b>Fully implemented</b> Auditor will no longer monitor.		<b>Partially implemented</b> Auditor will continue to monitor.		<b>Remain unresolved</b> Auditor will continue to monitor.	

Please see below for details on the implementation status of these recommendations.

### Recommendation 1

On January 21, 2015

DONE



### Recommendation 2

DONE



**We recommend that as FMD develops their cash flow forecasting tool, they consult with the Oversight Committee, Finance and Business Operations Division, and council staff to ensure that the tool provides information useful for formulation of project and policy decisions.**

STATUS UPDATE: FMD updated its cash flow forecasting tool once the design-build contract notice-to-proceed was issued, following a 301-day delay in obtaining permits from the City of Seattle. As the schedule and project costs have changed, FMD adjusted this cash flow tool, accordingly. Additionally, FMD annually updated its levy revenue forecast in concert with the Office of Economic and Financial Analysis. By keeping these data sets up-to-date, FMD and the executive office of Performance, Strategy and Budget (PSB) optimized the loan conditions to borrow funds needed to bridge the gap between construction expenditures, which have been outpacing future revenues.

IMPACT: By maintaining an accurate cash flow forecasting tool tied to the project schedule and measured against predicted levy revenue, FMD was able to work with PSB to minimize loan costs saving an estimated \$1.5 million versus that budgeted for the CFJC project—while apprising Council on appropriation needs well in advance of requirements.

### Recommendation 3

On January 21, 2015

DONE



### Recommendation 4

DONE



**To maximize potential benefits from improved functionality and economy of operation at the new facilities, we recommend that the County Executive work with the Oversight Committee to continue to evaluate existing business processes and develop procedures in preparation for moving to the new buildings.**

STATUS UPDATE: FMD evaluated several functional areas for improved business processes prior to moving into the new CFJC court and detention facilities. FMD was able to adopt efficient procedures by optimizing business processes in a few key functional areas. Most notably, FMD took the following actions: created a centralized, multi-function resource center at the main entrance to CFJC for youth and families; implemented collegial, judicial spaces to minimize size of judge chambers and courts; and created unique, flexible software security architecture allowing for court users to easily log into the administration system from any work location in the facility.

IMPACT: By implementing this recommendation, FMD ensured future county functional efficiencies in the new CFJC facility compared to previous juvenile justice center operations.

## Recommendation 5

DONE



**To ensure that the project continues on schedule, we recommend that the County Executive establish a well-defined and systematic communication process with the County Council.**

STATUS UPDATE: At the beginning of the project's design, the Executive created a formal oversight committee consisting of two councilmembers, council staff, several judges, detention staff, and county executive senior staff. This committee met monthly through the life of the project and was able to keep Council current with CFJC schedule, scope, and budget. Formal meeting minutes have been kept. Moreover, FMD created a detailed monthly project report with a wide distribution of stakeholders, including council staff. Within these reports, FMD incorporated an executive-level summary schedule to ensure accountability with major project milestones. Finally, quarterly capital project budget reports were submitted by PSB to the Council, increasing transparency.

IMPACT: By implementing this recommendation, FMD produced a multi-faceted communication system on the CFJC project schedule which produced little deviation from the original schedule, once permits were issued by the City of Seattle.

## Recommendation 6

DONE



**The County Executive should clearly communicate to the County Council what is known about the impacts of scope changes under consideration with the design-build contract including: changes to operating costs, the need for labor contract or policy changes, and changes to the value of surplus property on the site. For those impacts not quantified at this time, the County Executive should advise the County Council of the planned timeline for analysis and additional communication.**

STATUS UPDATE: Several scope changes were driven by the Council during the design work for the CFJC project, such as the addition of the Alder Academy, the negotiation of a project labor agreement, and the need for a valet parking site for ongoing juvenile justice operations. In total, by September 2018, 12 substantial changes to the project were directed or contemplated by the oversight committee. In September 2018, FMD submitted an appropriation request to the Council for nearly \$30 million of additional appropriations for the CFJC project Concurrent with the associated briefing materials to the Council Budget and Fiscal Management Committee. FMD forwarded a spreadsheet that categorized each change against principle causes/rationale. Rationale, for example, included unforeseen site conditions, security improvements, legal expenses, consultant costs, county requests, KCIT requests, and permit delay costs/timeline escalation.

Regarding the value of surplus property which must be used to offset the additional \$30 million in increased CFJC expenses mentioned above, FMD noted in its September 2018 appropriation request that the value of surplus parcels increased from \$14 million at inception of levy in 2012 to an estimated \$24 million.

IMPACT: To date, there have been 70 change orders to the CFJC project, and within FMD's monthly project reports FMD has effectively communicated to Council lists with succinct definitions and price impacts for each change. This has enhanced transparency and accountability.

## Recommendation 7

On January 21, 2015

DONE



## Recommendation 8

DONE



**We recommend that the County Executive obtain appropriation authority from the County Council for the Alder Academy to confirm adequate available funding for construction before moving beyond design of the added scope.**

STATUS UPDATE: Two change orders were issued to design builder Howard S. Wright to add the Alder Academy to the CFJC scope. Change order number 01 on February 1, 2016, added the Alder Academy work to the Seattle master use permit at the cost of \$15,199. And change order number 07 added the design and construction of the Alder Academy in June 2016 at the cost of \$2,720,953. At the time, the Executive had appropriation authority in the form of project contingency. Briefings by FMD were made to Council and court representatives at the monthly project oversight committee. In addition, Seattle Public Schools offered \$1 million to help pay for the Alder Academy in its letter to the Executive dated June 10, 2015.

IMPACT: By quickly scoping the Alder Academy work early in the design-build contract and seeking funds from Seattle Public Schools, the Executive ensured there were adequate appropriations for the addition.

## Recommendation 9

DONE



**The County Executive should clearly communicate scope changes and their impacts to the County Council and confirm Council support.**

STATUS UPDATE: See Recommendation 6, above.

IMPACT: See Recommendation 6, above.

## Recommendation 10

DONE



**Facilities Management Division should develop and implement a strategy to break out actual construction costs by detention and courthouse functional areas and to allocate the costs of shared building systems and project development costs.**

STATUS UPDATE: In January 2017, FMD provided our office a detailed breakdown of budgeted, baselined CFJC costs showing expenses for the courthouse, detention, parking, site work, demolition, design (architectural/engineering), project management, art, and miscellaneous smaller contracts, including furnishings. Since that time, FMD has not kept this same structure for actual cost reporting during the CFJC construction. Instead, FMD produces a more detailed project report which it submits monthly to the oversight committee.

IMPACT: The typical project report that FMD produces monthly displays a running tally of over 25 active, functional items under construction and any cost increases/decreases to the budget allocated. By producing this monthly report, stakeholders at the Council, court administration, prosecuting attorney's office, and the executive's office are timely apprised of allocated budget versus actual expenses, increasing transparency and accountability.

## Recommendation 11

DONE



**The County Executive should develop a mechanism to hold agencies accountable for establishing project baselines at the end of preliminary design phase work, consistent with county code.**

STATUS UPDATE: As of August 1, 2016, when CFJC preliminary design work was complete, the project's baselined scope, schedule, and budget were entered into the PSB project information center (PIC). County code requires agencies to update information in PIC on a quarterly basis and to include explanations for deviations from baselined scope, schedule, or budget. From fourth quarter 2016 to third quarter 2020, FMD updated project information in PIC and shared the data via PSB quarterly capital project reports to Council. Further, FMD explained in PIC reports, that a 301-day delay to the master use permit from the City of Seattle impacted the start of construction. Separately from PIC, FMD explained the causes of a \$30 million increase over actual and forecasted project costs that occurred between baselining and first quarter 2019. The Executive and FMD submitted a new capital appropriation proposal to Council in September 2018, in conjunction with the 2019-2020 budget, explaining the details driving the need for a 15 percent budget increase, and held briefings in October 2018 to the Council Budget and Fiscal Management Committee.

IMPACT: By adhering to King County Code and PSB capital appropriation processes, FMD has consistently maintained transparency and accountability for CFJC project baselines, while explaining any deviations since project inception.

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Michael Bowers conducted this review. If you have any questions or would like more information, please contact the King County Auditor's Office at [KCAO@KingCounty.gov](mailto:KCAO@KingCounty.gov) or 206-477-1033.