



FINAL REPORT

City of Cupertino

CAPITAL PROGRAM EFFECTIVENESS STUDY

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I. EXECUTIVE SUMMARY

A. INTRODUCTION

The City of Cupertino's (the City) Capital Improvement Program (CIP) Division is responsible for managing the City's capital projects, including the planning, permitting, environmental, design, and construction of buildings, parks, streets, utilities, and other facilities owned and operated by the City. Moss Adams LLP (Moss Adams) partnered with the City to evaluate the capital improvement program's people, processes, and systems. The goal of this engagement was to identify opportunities to improve the efficiency and effectiveness of the program.

As part of the assessment, we conducted planning, data collection, and analysis to gain an understanding of the existing environment, identify opportunities for improvement, and provide practical recommendations in this report. This engagement was conducted between October 2021 and February 2022.

Within the past several years, the CIP Division has experienced significant staff turnover. The current team has been making progress toward improving the consistency and efficiency of its operations. This report details additional steps that can be taken by the CIP Division and City leadership to continue the positive trajectory of this work and ensure that this team has the resources it needs to be highly successful.

B. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

The observations and recommendations are grouped into three major categories: Planning and Prioritization, People, and Processes and Systems. A summary is provided in the table below, and full details are outlined in [Section III](#).

OBSERVATIONS AND RECOMMENDATIONS		
PLANNING AND PRIORITIZATION		
1.	Observation	The City primarily relies on the Annual CIP Budget document to guide yearly operations but has not yet developed a long-range CIP plan.
	Recommendation	A. Develop long-range CIP plan to strategically guide capital improvement investments. B. Increase the standardization and transparency of the CIP project prioritization process.
2.	Observation	The CIP financial forecasting process is short-term and prone to yearly variability. Long-term planning and stability in the program are hindered by fluctuations in annual budget allocation and City priorities.
	Recommendation	A. Implement a multi-year financial forecast for CIP projects to analyze CIP and budget implications for future operating years. B. Create a citywide grant strategy to fully leverage grant funding opportunities.

OBSERVATIONS AND RECOMMENDATIONS		
3.	Observation	A Facility Condition and Use Efficiency Assessment was completed in December 2018 and identified more than \$78 million dollars of required maintenance. However, this assessment is not meeting current needs and is out of date.
	Recommendation	Continue efforts to commission a new facility conditions assessment.
PEOPLE		
4.	Observation	The City's CIP team is sufficiently staffed to meet the needs of its current workload. However, the team is not staffed to provide backup for key roles and relies heavily on select individuals for essential institutional knowledge.
	Recommendation	<p>Consider the following staffing changes:</p> <ul style="list-style-type: none"> A. Pursue retaining the two limited-term project managers as full-time City employees. B. Immediately hire support for the Public Works senior management analyst. C. Establish a senior project manager position. D. Hire a grant management position to support City operations.
PROCESSES AND SYSTEMS		
5.	Observation	The CIP team has yet to develop updated and comprehensive policies and procedures, hindering the team's ability to execute operational activities quickly and consistently.
	Recommendation	Inventory current policies and procedures and create a prioritized schedule for policy and procedure development.
6.	Observation	The CIP Division has strong expertise in managing procurements and contracts. However, as a result of the City's decentralized procurement model, the CIP team is experiencing similar challenges within their purchasing processes as other departments across the City.
	Recommendation	Maintain strong collaboration with the City's Finance department to remain up to date on procurement changes resulting from the 2022 Procurement Operational Review.
7.	Observation	The CIP Division's systems are insufficient to meet the team's need for comprehensive project and budget management.
	Recommendation	Continue current efforts to develop a comprehensive CIP Management solution and clarify expectations for use of the current systems until the new solution is implemented.
8.	Observation	While the CIP Division uses a variety of tools to report project progress, staff note that there are barriers to effectively communicating program needs and trade-offs to City leadership.

OBSERVATIONS AND RECOMMENDATIONS

Recommendation

- A. Establish an annual CIP report detailing project progress, prior year expenditures, and CIP accomplishments to effectively communicate opportunities and challenges to stakeholders, including City leaders, internal staff, and the public.
- B. Correct the data accuracy issues in the community-facing dashboard to ensure public information is always current and accurate.

II. PROJECT OVERVIEW

A. BACKGROUND

The City's CIP Division provides design and construction administration for all capital improvement projects, including streets, sidewalks, storm drainage, buildings, parks, bicycle and pedestrian infrastructure, and other public facilities. The CIP Division ensures that all public improvements are designed and constructed in accordance with community expectations and City standards, and places safety of the public, City employees, and workers as the highest priority in the delivery of capital projects.

Each year, the CIP Division develops a schedule of proposed capital improvement projects ranked by priority and an estimate of project costs and financing sources. The CIP plan is reviewed and approved by the City Council along with the CIP budget. Annually, the CIP plan is reviewed and updated to reflect changing community needs, priorities, and funding opportunities.

B. SCOPE AND METHODOLOGY

Moss Adams serves as the outsourced internal auditor for the City of Cupertino (the City), and reports to the City Council's Audit Committee. As part of the 2021–22 internal audit work plan, the Audit Committee approved a Capital Improvement Program (CIP) study to identify opportunities for improvement to the CIP's operations, structure, service delivery, and process efficiency.

Within the past several years, the CIP Division has experienced significant staff turnover. The current team has been making progress toward improving the consistency and efficiency of its operations. This report details additional steps that can be taken by the CIP Division and City leadership to continue the positive trajectory of this work and ensure that this team has the resources it needs to be highly successful.

Moss Adams conducted this engagement between October 2021 and February 2022. For this study, Moss Adams evaluated the structure, function, and role of the CIP Division to improve the operational effectiveness and efficiency of its program. The project consisted of four major phases.

PHASE		DESCRIPTION
1	Start-Up and Management	<p>➤ Project initiation consisted of collaborative project planning with the City and project management, including developing our scope of work and final work plan.</p>
2	Fact-Finding and Data Collection	<p>➤ The second phase included interviews, document review, and best practice research. We worked with City staff to obtain the most current information and insights.</p> <ul style="list-style-type: none">• <i>Interviews:</i> We conducted interviews and focus groups with 21 members of City staff.• <i>Document review:</i> We received documents including policies, procedures, planning documents, reports, and others.• <i>Best practice research:</i> Based on the opportunities for improvement identified, we conducted research to ascertain best practices within the public sector.

PHASE		DESCRIPTION
3	Analysis	➤ Based on the information gained during our fieldwork phase, we assessed the current conditions and identified opportunities for improvement. Leveraging best practice information and our own experience from working with similar entities, we developed practical recommendations.
4	Reporting Results	➤ We communicated the results of our analysis with observations and recommendations presented first in a draft report that was reviewed with management to confirm the practicality and relevance of recommendations before finalizing the report.

C. COMMENDATIONS

Based on the insights gathered through interviews and document review, it is evident that the City's CIP Division has many commendable organizational attributes. Some examples are provided below.

- **Good Collaboration:** Interviewed staff generally noted that the CIP Division is a collaborative partner that strives to build constructive relationships. This group has placed emphasis on improving collaboration by establishing practices like holding regular meetings with key internal stakeholder groups.
- **Healthy Investment:** The City has made strong financial investments into capital infrastructure to improve streets, sidewalks, storm drainage, buildings, parks, bicycle and pedestrian infrastructure, and other public facilities.
- **Strong Project Management:** The CIP Division is currently supporting 42 active projects. The group has also made significant improvements to the number of projects that are completed on time and on budget—shifting from 70% of projects completed on time and 62% of projects completed on budget in fiscal year 2019, to 93% and 81%, respectively, in fiscal year 2020.
- **Dedication to Continual Improvement:** Interviewed staff within the CIP Division were uniformly interested and invested in making improvements to increase the efficiency and effectiveness of the team. When speaking with key partners in other divisions and departments, a consistent theme was that the CIP team has made continual improvements over the past year and is on a strong, positive trajectory.

We would like to thank City leadership and staff for their willingness to assist in this assessment.

III. OBSERVATIONS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review, and focus groups, as well as comparisons to best practices, we prepared a comprehensive set of observations and recommendations.

A. PLANNING AND PRIORITIZATION

Capital Planning and Prioritization

1.	Observation	The City relies on the Annual CIP Budget document to prioritize projects and guide yearly operations but has not yet developed a long-range CIP plan.
	Recommendation	<p>A. Develop a long-range CIP plan to strategically guide capital improvement investments.</p> <p>B. Increase the standardization and transparency of the CIP project prioritization process.</p>

The City's capital planning process is well-defined but lacks two industry standard best practices: a long-range CIP plan and a standardized project prioritization process.

Capital Planning

To guide CIP activities, the City creates an Annual CIP Budget document that outlines the capital projects that will be initiated within the next 12 months. The Annual CIP Budget document focuses on the current fiscal year and includes new projects and existing projects with identified internal and external funding. While the plan does include existing projects with multi-year funding that are intended to be in-progress or completed over the course of the next five years, the plan does not provide a clear view of the City's planned capital improvements beyond the immediate upcoming year. The document does not include planning for projects starting in later years and does not maintain future estimates of CIP project impacts on the City's operating budget.

Industry best practice recommends that all municipalities develop a long-range (five- to ten-year) CIP plan. However, the City has historically placed a high value on responsiveness and flexibility to meet emergent needs. Continued changing priorities has made it difficult to prioritize or develop a useful long-range plan. In addition, the City's current funding structure (see Recommendation 3) creates barriers to effectively forecasting funding levels to support a realistic planning process. Despite these conditions, the City does have a Capital Improvement Policy that states the "City will prepare and update a five-year Capital Improvement Plan (CIP) encompassing all City facilities." The policy indicates that the plan shall encompass "all anticipated Capital Improvement Projects for the current fiscal year plus four additional fiscal years."

As noted in the 2020 Enterprise Risk Assessment, short-term planning for capital improvement projects can increase risks of higher long-term costs, reduce the City's ability to make strategic long-term investments, and can increase threats to health and safety. For example, employees reported

concerns about the safety of City Hall and the continued deferral of the City Hall project in favor of other CIP projects.

In alignment with industry best practice, the City should develop a five-year CIP plan and related financial forecast (see Recommendation 2). A prudent multi-year capital plan identifies projects beginning in later planning years (not just those starting in the current year's budget) and identifies and prioritizes expected needs based on the long-range vision articulated in the City's strategic plan and/or comprehensive plan. A CIP typically identifies capital project and acquisition needs; provides cost or expenditure estimates for those needs; identifies probable sources of financing; evaluates, prioritizes, and schedules projects and acquisitions; and forecasts the impact of projects and acquisitions on the operating budget.

A long-term CIP plan enables the City to be more strategic when prioritizing and planning for upcoming projects and is designed to be amended on an annual basis. Projects can be added or subtracted as the needs and resources of the community adjust. Typically, only the projects included in the first year of long-range CIP plans are legal appropriations. The second, third, fourth, and fifth years of the plan represent the City's best estimate of a fundable plan for capital improvements.

Project Prioritization

Another critical element of the City's CIP planning process is the prioritization of potential projects. Interviewed staff report that the current project selection and prioritization process functions well but is not highly formalized. The selection of CIP projects is informed by needs identified in various planning documents—including the City's General Plan, Parks and Recreation System Master Plan, Bicycle Transportation Plan, and Climate Action Plan—and an annual process by which individual departments submit project requests. Identified projects are then prioritized by the CIP Division staff who evaluate various factors including health and safety, available funding and grant opportunities, and political and community interest. High-priority projects are then submitted to City Council for approval. While the CIP Budget document lists several principles for project evaluation (like health and safety and funding availability), the City has not yet adopted a standardized or quantitative set of evaluative criteria to guide the prioritization process. As a result, some staff reported concerns that critical criteria—like sustainability—were inconsistently prioritized.

The CIP Division should create a scoring framework that can be applied to all projects and form the primary basis for prioritization. The criteria used to determine capital project prioritization varies across the industry with some cities simply utilizing a list of general criteria that a project must meet to be approved, while others have developed more complex ranking systems. Best practice is to use a rating system that assigns a quantitative value to a project priority. A decision-making tool such as a weighted decision matrix can be useful in attributing value to higher-priority criteria in the rating scale. The rating system helps facilitate decision making and standardizes the project prioritization process.

When evaluating capital project requests, the Government Finance Officers Association (GFOA) recommends that capital projects be prioritized by:

- Health and Safety – Priority should be given to high-risk safety issues that require a capital project to correct
- Asset Preservation – Capital assets that require renewal or replacement based on capital asset life cycle

- Service/Asset Expansion/Addition – Infrastructure improvements needed to support government’s policies, plans, and studies

Other common criteria to consider include:

- Input from major stakeholders and the community
- Submitting department initial prioritization
- The impact on operating budget
- Analytical techniques such as life cycle costing, cost-benefit analysis, and cash flow modeling
- Number of positively impacted residents

Appendix A contains a sample quantitative rating scale used by Chatham County, North Carolina.

Capital Program Funding

2.	Observation	The CIP financial forecasting process is short-term and prone to yearly variability. Long-term planning and stability in the program are hindered by fluctuations in annual budget allocation and City priorities.
	Recommendation	<p>A. Implement a multi-year financial forecast for CIP projects to analyze CIP and budget implications for future operating years.</p> <p>B. Create a citywide grant strategy to fully leverage grant funding opportunities.</p>

Financial Forecasting

In line with budget policy, the City uses a “pay as you go” funding approach for the CIP where project funds are approved on an annual basis. For multi-year projects, the City Council approves funding of capital improvements on a total project basis but allocates the funding annually. Within this context, the CIP fund allocation process is short-term and prone to change year-over-year, as there is no long-term CIP plan.

Capital projects are funded from a variety of sources including the General Fund, the Capital Reserve Fund, and external funds such as grants. The General Fund allocation is typically capped at \$1.5 million per year (which is fairly low in relation to the City’s capital improvement needs and activities), with the potential for additional mid-year transfers. While mid-year fund transfers are typically significant (the mid-year transfer for FY 2021 was around \$5 million), staff note that there can be a high degree of variability. The variation in the mid-year transfer makes developing accurate financial forecasts to support long-term CIP planning a challenging task.

This funding method enables the City to take a cautious approach to potential shortfalls in future revenue, and this strategy was developed, in part, to mitigate risks related to the City’s heavy reliance on revenue generated by the presence of Apple Inc. headquarters. However, without the ability to create a stable forecast for future projects, the City will not be able to develop a long-term CIP plan or make the most strategic long-term investments.

In alignment with developing a multi-year CIP Plan (Recommendation 1), a multi-year financial forecast for CIP projects should be implemented. A financial forecast puts local officials in a better position to select strategies that can be sustained over time as the forecast will assist in identifying opportunities, challenges, and limits that are likely to occur.

Financial forecasts are important tools to inform elected officials about revenue and spending trends and how changes in the local economy and environment are likely to affect future revenues and expenditures. A multi-year financial forecast can reveal whether future estimated revenues and other financing sources will support debt service, lease payment obligations, and pay-as-you-go capital financing on top of the continuation of current services in future years.

To support the forecast, the City can use trendlines to predict average CIP mid-year transfers. Trend analysis of historic revenue and expenditures data from prior fiscal years along with judgment-based forecasting are the industry standard for small- and medium-sized governments. For example, staff report that the average mid-year transfer was around \$9.6 million over the last five years, so \$7-\$9 million could be a reasonable estimate. Considering a practical implementation, the City should strive for the most realistic and accurate forecast that can reliably be used to make budgeting decisions. The assumptions used to forecast revenue and expenditure categories should be documented as the assumptions provide important context for interpreting the results and having buy in from stakeholders.

Grant Strategy

The City has not yet developed a comprehensive grant strategy to take advantage of CIP funding opportunities outside of City revenues. While grant funding is currently being used on CIP projects, staff report that there are large grant funding sources that have not yet been tapped into due to lack of staff capacity.

The City should develop a citywide grant strategy to utilize grant funding opportunities available to supplement City revenue and add stability to CIP funding and multi-year budgets. Diversifying CIP funding by adding a grant strategy would reduce some risk caused by the City's reliance on Apple-related revenue. This strategy could be led and supported by a grant manager position (see Recommendation 4).

Infrastructure Maintenance

3.	Observation	A Facility Condition and Use Efficiency Assessment was completed in December 2018 and identified more than \$78 million dollars of required maintenance. However, this assessment is not meeting current needs and is out of date.
	Recommendation	Continue efforts to commission a new facility conditions assessment.

Facility maintenance is overseen by the Public Works Department. As part of this work, the City commissioned a Comprehensive Facility Condition and Use Efficiency Assessment that was completed in December 2018. The intent of the study was to develop a long-range planning tool for investments needed to keep City facilities maintained and functioning adequately. The report

estimates that the ten-year cost for currently identified required maintenance is above \$78 million dollars.

These types of assessments are a critical tool to help City leadership identify pressing infrastructure needs that could result in major capital improvement projects. As such, this tool impacts the CIP group's work, as well as the City's ability to develop a strategic long-range CIP plan based on current infrastructure needs (see Recommendation 1).

However, multiple interviewed staff noted that the Comprehensive Facility Condition and Use Efficiency Assessment report is out of date and does not meeting staff needs. In particular, staff have questioned the methodology around how project needs are prioritized within the report, given that the assessment encompassed both building related issues and site-specific issues.

The City needs to have an up-to-date source of information to quantify relative needs and anticipated costs of current, future, and deferred maintenance. As such, the CIP team is currently developing a scope of work to commission a new analysis to capture all current and upcoming maintenance needs for City-owned buildings. The goal of this work would be to provide an updated understanding of deferred, current, and future infrastructure maintenance expenses. In general, the industry-standard recommendation is to reassess facility conditions every five years, so the timing of this work is appropriate.

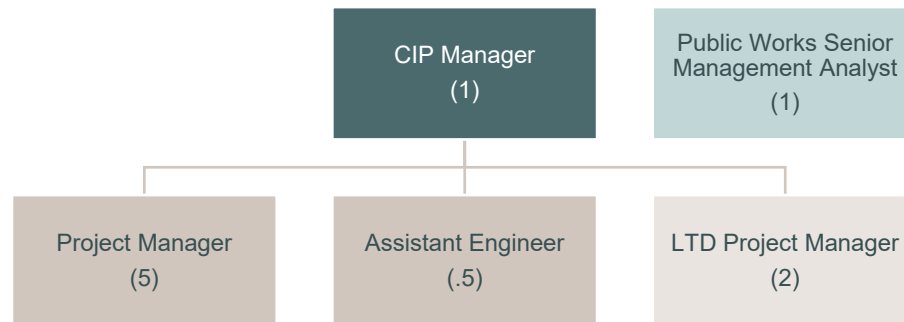
B. PEOPLE

Staffing

4.	Observation	The City's CIP team is sufficiently staffed to meet the needs of its current workload. However, the team is not staffed to provide backup for key roles and relies heavily on select individuals for essential institutional knowledge.
	Recommendation	<p>Consider the following staffing changes:</p> <ul style="list-style-type: none">A. Pursue retaining the two limited-term project managers as full-time City employees.B. Immediately hire support for the Public Works senior management analyst.C. Establish a senior project manager position.D. Hire a grant management position to support City operations.

CIP Structure

The CIP team is situated in the City's Public Works Department and consists of a CIP manager, five full-time project managers, two limited-term project managers, and an assistant engineer whose work is split evenly between the CIP and Transportation divisions. The CIP Division is further supported by the Public Works senior management analyst represented in the following graphic.



The overall staffing structure for the CIP Division is sufficient to accomplish the annual CIP plan. However, project volume, the lack of backups for key positions, and the flat structure present heightened areas of risk for the CIP Division. There are three key opportunities for the department to mitigate these risk areas and improve the overall efficiency of CIP operations. These are:

- Convert the limited-term project managers to permanent positions.
- Hire a project coordinator to provide critical support for the senior management analyst's tasks, including budget preparation and financial reporting, RFQ processing, and contract development and administration.
- Establish a senior project manager role by elevating a current project manager role.

Project Managers

The full-time and limited-term project managers, in addition to the assistant engineer, are responsible for managing the City's 42 active CIP projects. This results in a ratio of approximately 5.6 projects per individual. While current staffing levels are reportedly sufficient to manage the City's workload, staff expressed concern that workloads could become unsustainable if the two limited-term positions are not extended or made permanent.

The number of projects a person can simultaneously manage is an important element for departmental planning and resourcing. While there is no formalized standard, there are several methodologies that can help guide an individual's project load. For example, the Construction Management Guide recommends that 10% of the hours estimated for a project are for the project manager's work. The total volume of projects per individual can be calculated based on the total project hours and a standard 1,800-hour work year. However, this does not take into consideration project complexity or experience of the project manager.¹ Other studies of various industries indicate that three major projects at one time resulted in optimal efficiency.² However, several factors including project size, complexity, phasing, departmental structure, and the experience of the project manager can greatly influence the number of projects that should be managed by an individual.

Based on this information, the current number of projects per person is higher than industry standards. However, as mentioned above, interviewed staff noted that the current workload is manageable. If the City plans to continue investing in capital infrastructure projects at its current rate, leadership City should consider transitioning the two limited-term project managers into permanent

¹ Cabanis-Brewin, J. (2016, January 27). How many projects per pm? It depends. *PMSolutions*. Accessed February 23, 2022. <https://www.pmsolutions.com/blog/view/optimal-project-manager-load>.

² Patanakul, P. & Milosevic, D. (2009). The effectiveness in managing a group of multiple projects: Factors of influence and measurement criteria. *International Journal of Project Management*, 27, pp 216-233.

roles. If these positions are not converted to permanent roles, it is likely that the CIP Division will experience turnover in the limited-term positions. If the overall volume of project work does not decrease, that will require the CIP Division to continually onboard new limited-term roles—a process is inefficient and disruptive to ongoing projects.

When evaluating the optimal number of projects under management by one person, the CIP Division can use the 10% method as a baseline, then assess the experience of its managers, phasing, and complexity of projects, in addition to staff feedback to determine the target project load per person. This should be tracked over time to provide a baseline for the City's CIP team.

In addition, if the City invests in the creation of a multi-year CIP plan (see Recommendation 1), the Department will be significantly better equipped to forecast staffing needs and ensure that staffing levels are appropriate.

Administrative Support

The Public Works senior management analyst provides critical support to the entire Public Works function, and the CIP team, for many key activities, including budget preparation and financial reporting, RFQ processing, and contract development and administration. This individual is also often the sole Public Works user of the City's contract management and financial systems. This role is central to the success of several essential workflows for a large and complex department, and yet does not have a backup or counterpart in the City that can provide the same level of service if the need arises. For example, staff across the organization report that the senior management analyst is on call, even when taking time off, because no other staff members have the experience to take over these types of tasks. The lack of support and backup for this role has also resulted in extremely high workloads. This type of sole contributor role creates significant risks for the organization.

The CIP team does not have additional support staff or project coordinators to assist with administrative tasks such as scheduling, filing, and document management become the responsibility of the project manager. As a result, CIP staff report that they spend a significant amount of time coordinating these tactical tasks rather than completing higher-priority items. The volume of administrative work a project manager must conduct is an important factor that significantly impacts the projects-to-project-manager ratio.

The City should establish a project coordinator position and/or additional management analyst role to provide backup and additional support to the senior management analyst, CIP manager, and project managers. Shifting tactical coordination responsibilities to this role could help:

- Generate the capacity needed for the senior management analyst to focus on more strategic priorities.
- Provide essential backup of for the senior management analyst, and possibly a succession pathway.
- Improve operational continuity by supporting the whole CIP team with project coordination tasks.

Senior Project Manager

The CIP team operates in a flat organizational structure consisting of two levels, project managers and the CIP Manager. Under this current structure, the CIP Manager has eight direct reports. Industry best practices suggest that the ideal direct report ratio is no more than 1:7. While the number of direct reports is within an acceptable range, the additional administrative tasks required by the CIP manger

to successfully lead the team has resulted in a high workload for this position. Additionally, there is little career growth for project managers within the team.

This environment presents an opportunity for the CIP Division to establish a senior project management position. Senior project manager roles are common within municipal CIP divisions and have several benefits:

- They can provide oversight, coaching, and management to project managers, providing back-up and succession planning options for the CIP Manager.
- Establishing this position can help create a stronger career growth pathway within the CIP Division which can motivate employees and provide additional incentive to retain tenured staff who possess significant institutional knowledge.

Currently, the project manager with the most tenure in the group is informally undertaking additional leadership, coordination, and mentorship responsibilities. The City should consider elevating one of the currently approved project manager roles rather than adding an additional FTE to the team.

Grant Management

The CIP team—and Public Works, in general—does not have a grant management position. Without dedicated resources for this function, staff report that there are likely large grant funding sources that have not yet been tapped into due to lack of staff bandwidth (see additional details related to grant strategy in [Recommendation 1](#)).

The City as a whole would benefit from a grant manager position. While this role could be enterprise-wide, the size and volume of projects conducted by Public Works will make it important for the individual who fills this role to have considerable experience with Public Works grants. This role would be responsible for identifying grant opportunities, writing proposals, and providing support for grant coordination across the City. This role could also develop an overarching grant strategy for the City. Typically, the salary for grant management positions can be offset by grants awarded to the City.

C. PROCESSES AND SYSTEMS

Policies and Procedures

5.	Observation	The CIP team has yet to develop updated and comprehensive policies and procedures, hindering the team's ability to execute operational activities quickly and consistently.
	Recommendation	Inventory current policies and procedures and create a prioritized schedule for policy and procedure development.

Because of high levels of turnover and growth in the CIP team, several new CIP staff have been onboarded at varying stages of the program life cycle. During the onboarding period, staff report having limited documentation of standard operating procedures (SOPs) and rely on tenured team members to learn project processes. This is hindering the team's ability to perform the following functions quickly and consistently:

- Transition project knowledge among team members and departments. Historical project data and decision-making context is not always documented and stored in the project's folder.
- Manage project documents. While the CIP team has developed a standardized file structure, staff report that it is ungainly and has not been consistently adopted. The CIP Manager is in the process of developing a more streamlined standardized file structure to improve information management.
- Develop and administer contracts. The City has taken steps to update its contract templates and provide updated information to guide the contract development process. However, staff noted that not all templates have been updated and they continue to rely on peers for best practices.

There have been past efforts by administrative staff to document team SOPs, and the City is undertaking a broader effort to update and clarify citywide project processes, including contract development, purchasing, and budgeting. To support this process, the CIP team should inventory all current policies and procedures, determine what additional policies and procedures need to be created, and create a prioritized schedule for policy and procedure development and updates, starting with the procedures which will have the greatest impact on the efficiency of the team. Interviewed CIP staff highlighted opportunities to develop the following guidelines:

- Document management: This includes establishing standards for file naming, file structure, and guidelines for the types of documents contained in each folder, digitization, and retention requirements.
- CIP technology: This could include an overview of the various systems the team uses, their place in the project life cycle, and a superuser who can be contacted for training and questions.
- Review and approval: For example, a flowchart for decision-making requirements and approvals at different stages of the project life cycle.
- Reference materials: GL codes, phase checklists, and project templates are some examples of opportunities to optimize project operations.
- Interviewed staff also noted opportunities to develop policies and procedures related to the following topics:
 - Cost estimates: Developing a methodology to standardize and capture cost estimates can allow the team to track variances over time and determine if any issues arise.
 - Project prioritization: The team is mostly aligned on the informal elements that contribute to project prioritization. Formalizing this procedure will strengthen the team's planning abilities and lead to more consistently reproducible results.
 - Lessons learned: Capturing institutional knowledge is a valuable element to project management and the ability of the CIP team to advance its CIP program.

Prioritizing the development or updates to these guidelines will help the CIP Division to improve tactical capabilities, streamline operations, and onboard new staff more quickly.

Procurement and Contract Management

6.	Observation	The CIP Division has strong expertise in managing procurements and contracts. However, as a result of the City's decentralized procurement model, the CIP team is experiencing similar challenges within their purchasing processes as other departments across the City.
	Recommendation	Maintain strong collaboration with the City's Finance department to remain up to date on procurement changes resulting from the 2022 Procurement Operational Review.

Under the City's decentralized procurement model, CIP staff are the drivers of purchasing and contracting activities throughout the procurement life cycle. Other departments in the City use the CIP team as subject matter experts and as the primary source of updated information and best practices for the RFP/RFQ process because of the high volume of contracts and significant procurement the Public Works Department regularly processes. In addition, at times the CIP team has been asked to take on contract and procurement management for other departments, either because the department is short-staffed or their current staff is not as knowledgeable as the CIP division in this area. As a result, the CIP team sometimes performs work on non-CIP projects because of their specific skillset.

Throughout various stages of procurement, including budgeting, invoicing, and contract development, the CIP Division works closely with Finance and the City Attorney's Office. When partnering with other departments, interviewed staff positively characterized these relationships, and noted strong communication, collaboration, and responsiveness to CIP needs.

In conjunction with this engagement, Moss Adams conducted a Procurement Operational Review that captures the challenges experienced by CIP staff related to contract management, timely invoicing, and clear roles and responsibilities. The recommendations outlined in the 2022 Procurement Operational Review address the contracting and procurement process challenges experienced by the CIP team. The CIP team should maintain its strong collaboration with the City's Finance department to remain up to date on process changes.

The procurement operational review further recommends establishing a centralized purchasing authority, such as a procurement officer. If this happens, this role would be well positioned to take over leadership and guidance for procurement and contracting processes from the CIP team. If the City does not establish a centralized procurement role, the CIP team and other key contracting and procurement personnel across the City should continue to collaborate to develop self-serve guidance for procurement and contracting activities. In addition, the City should work to ensure that the CIP team is primarily focused on supporting procurement and contracting for CIP-related projects and that other departments can manage their own procurement and contracts.

Information Technology Systems

7.	Observation	The CIP Division's systems are insufficient to meet the team's need for comprehensive project and budget management.
	Recommendation	Continue current efforts to develop a comprehensive CIP Management solution and clarify expectations for use of the current systems until the new solution is implemented.

Project Management System

The CIP Division lacks a comprehensive project and budget management system. Historically, project managers have developed personal systems individually to manage projects and budgets outside any centralized system. For example, most project managers track project financials in Excel, passing along data to the senior management analyst, and then checking the financial reports generated out of New World Systems against their data. CIP Division project managers do not actively use New World Systems and rely on the senior management analyst to pull financial reports as needed (which interviewed staff report is the preferred method for all involved).

During the course of this assessment, the CIP Division began using Microsoft Project to provide updates on projects related to the City Council's Work Program. However, adoption of Microsoft Project for general project management is highly uneven, and staff report that expectations are not yet clear. This is exacerbated by the fact that Microsoft Projects does not currently integrate with New World Systems, so project financials must still be tracked manually outside the system.

In collaboration with information technology (IT), the CIP Division recently gained approval for a custom-built CIP Management solution. As described in the project charter, the goals for this implementation are that the management system will enable project managers to:

- Manage all project details including scheduling, budgeting, scope documents, reporting, and archiving.
- Enter project details such as project type, phase, project numbers, descriptions, and year initiated, as well as access a project document library, project-related links to Council Actions, and contract items.
- Pull in the pertinent financial data from New World Systems, such as approved budget, expense and encumbrance amounts, budget year, and funding sources.
- Provide an online portal for contractors/developers to upload submittals and invoices for City staff approval. Transitions will be set up to trigger notifications, log history, and display status. This process will also trigger and track the upload of financial records to New World Systems for processing.
- Access extensive reporting capabilities, including a view of entire CIP program and overviews of specific project scheduling and funds.

The City should continue current efforts to develop a comprehensive CIP Management solution, as many historical issues with IT systems will be resolved if the system meets the goals detailed in the project charter. Until the CIP Management solution is implemented, expectations for how the CIP Division project managers should be using Microsoft Project should be clarified.

Until the CIP Management solution is in place, the Public Works Department should consider establishing regular financial reports that are provided on a monthly basis to each project manager rather than relying on ad hoc requests. As part of this work, expectations should be set for what information each project manager should be reviewing monthly.

Other Systems

The CIP Division utilizes a variety of other systems to support their work.

- **Contracts:** In 2021, the City implemented Cobblestone software to improve the contract management process. The Public Works senior management analyst is the primary user of the Cobblestone system. No CIP Division staff have direct access to this system. Instead, information is routed through the senior management analyst. While this can create bottlenecks, staff generally appreciate the current process, as the senior management analyst provides a valuable quality control review.
- **Document Management:** The CIP Division uses Laserfiche as its primary document management system, and there are ongoing efforts to digitize and store all paper documents in the Laserfiche system. However, staff report that the group has struggled to implement an easy-to-navigate file structure. As a result, it has been challenging for new employees to find necessary information.

In collaboration with IT, efforts are currently underway to standardize the file naming and structure for all CIP Division project documents.

The CIP Division should continue current efforts digitize all CIP documents and standardize the file naming and structure for easy navigation.

Communication and Reporting

8.	Observation	While the CIP Division uses a variety of tools to report project progress, staff note that there are barriers to effectively communicating program needs and trade-offs to City leadership.
	Recommendation	<p>A. Establish an annual CIP report detailing project progress, prior year expenditures, and CIP accomplishments to effectively communicate opportunities and challenges to stakeholders, including City leaders, internal staff, and the public.</p> <p>B. Correct the data accuracy issues in the community-facing dashboard to ensure public information is always current and accurate.</p>

The CIP Division uses a variety of tools to communicate project progress to City leadership and members of the public. These tools include:

- CIP Adopted Budget document
- A section within the City's Adopted Budget document and an annual presentation to City Council as part of the budget development process
- A public-facing CIP dashboard

The CIP Adopted Budget document includes a narrative of Division accomplishments, descriptions and the status of currently budgeted projects, and proposed projects for the upcoming fiscal year. However, given that this report focuses primarily on the projects planned for the upcoming year, there is limited discussion on the performance of the previous year and forecasts for future year projects. The City's Adopted Budget document includes two key performance indicators (KPIs) to measure CIP performance: percentage of projects completed on budget and percentage of construction projects completed on time.

The CIP Manager makes an annual presentation to the City Council of the proposed projects for the next fiscal year. However, staff report that this annual presentation is too short to effectively present City Council with a holistic picture of the work performed by the CIP team.

Consistent with the City's emphasis on public transparency, the City has developed a community-facing dashboard to give Cupertino residents a snapshot of how taxes and fees are being used to maintain and improve the City's facilities and assets. This public dashboard is currently populated by data in an Excel spreadsheet, although there are plans in place to shift the data source to a more formalized system. The data is currently updated and reconciled with information from the financial system on a quarterly basis. However, this means that information provided to the public may be incorrect or incomplete between the quarterly reconciliations.

Despite the tools noted above, staff report challenges with clearly communicating CIP successes, challenges, and trade-offs to City leadership. While some of these issues may be resolved through the establishment of a multi-year CIP Plan (see Recommendation 2), CIP and Public Works management will need to place continued focus on ensuring that City leadership fully understands the opportunities and challenges associated with capital improvement efforts.

To enhance the City's communication efforts, the CIP Division should consider establishing an annual report detailing CIP accomplishments, prior year project expenditures, project progress, and expanded KPIs. The report should be presented to the City Council as an opportunity to represent CIP accomplishments and set expectations for the CIP budget. This is also an opportunity to articulate the City's total investments more clearly into capital improvements, which can be an important data point for members of the public. This report could be a standalone tool or part of an expanded Annual CIP Budget document.

Regardless of the specific format, for the annual report to be an effective tool, it is important to use plain language, be consistent, and provide project information to clearly communicate project status and activities to multiple stakeholders, including City leaders, internal staff, and the public. The report should highlight significant changes to project scope, scheduling, costs, or funding. It is best practice to report on project status by providing a comparison of actual results to the project plan. Those comparisons should include:

- Percent of project completed
- Progress on key project milestones
- Percent of project budget expended
- Contract status information including time remaining and percentage used
- Revenue and expenditure activity
- Cash flow and investment maturities
- Funding commitments

- Available appropriation
- Comparison of results in relation to established performance measures

In addition, the CIP Division should continue efforts to ensure that the community-facing dashboard can provide current, accurate CIP project data to the public. The data accuracy issues in the dashboard should be resolved to ensure the intention of the dashboard is realized.

APPENDIX A: SAMPLE PRIORITIZATION MATRIX

Source: *ICMA Capital Budgeting and Finance: A Guide for Local Governments*, page 92.

Rating Criteria	Definition/Explanation	Maximum Points	Percentage Weighting
Functional area priority	Priority of project among requests in functional area: 5 for top-ranked project to 0 for any project ranked sixth or below in priority.	5	3.79
Safety	Extent to which project eliminates, prevents, or reduces an immediate hazard to safety.	14	10.61
Mandates	Extent to which project helps county meet existing or new mandates.	13	9.83
Timing/linkages	Extent to which project is timely, a continuation of a project currently under way, related to other high-priority projects, etc.	12	9.09
Economic impact	Extent to which project enhances economic development in county, while it protects the environment or directly or indirectly adds to the tax base.	11	8.33
Efficiencies	Extent to which project contributes to savings in county operating or capital spending.	10	7.58
Maintaining current level of service	Extent to which project is necessary for county to continue to provide one or more services at current standards.	9	6.82
Improving access	Extent to which project improves citizen access to current services.	8	6.10
Service improvement	Extent to which project improves the quality of existing services.	7	5.30
Service addition	Extent to which project increases the quantity of existing services.	3	2.30
Operating budget impact	Projects that decrease future operating expenses receive a positive score, ranging from 0 to 15. Projects that have no effect on operating expenses receive a score of 0. Projects that increase operating expenses score anywhere from 0 to –15.	0 to 15, 0, or 0 to –15	11.34

Rating Criteria	Definition/Explanation	Maximum Points	Percentage Weighting
Community support and county long-term plans	Extent to which project has broad and/or strong support from the community and is consistent with the county strategic plan or other long-term plans.	10	7.58
Financing	Extent to which project can be financed with non-general fund revenue sources.	15	11.34
Maximum points, all categories		132	100.00



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