Office Of The City Auditor
Colorado Springs, Colorado

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19-08 Colorado Springs Utilities Westside Avenue Action Plan

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Purpose

To determine whether the Colorado Springs Utilities work in the Westside Avenue Action Plan (WAAP) is being adequately coordinated by the entities involved and review related costs. The audit period was 2015 through 2018. This joint project was lead by EL Paso County and funded primarily by Pikes Peak Regional Transportation Authority (PPRTA) funds.

Highlights

We conclude Colorado Springs Utilities (Utilities) coordinated appropriately with the project team. Utilities costs on the project were reasonable.

WAAP is a multi-jurisdiction infrastructure project to improve safety and mobility while providing a long-range economic vision for the 1.5 mile corridor along West Colorado/Manitou Avenue (from 31st Street to the U.S. 24 Interchange). WAAP was principally funded by the City of Colorado Springs, City of Manitou Springs, and El Paso County based on their share of PPRTA revenues. Other funding sources included CDOT, Utilities, Manitou Springs Urban Renewal Authority, and Colorado Springs Stormwater Enterprise. El Paso County was the designated Project Manager. As the project manager, the County provided procurement, oversaw design, and managed construction activities. Cost changes were managed by the County and approved by the PPRTA Board.

Utilities' portion of WAAP was primarily limited to gas, electric, streetlights, water, and wastewater relocations. Utilities also provided input into project design, construction of electric and gas services, along with review of general contractor pay applications for utilities work. Depending on the type of service, Utilities either paid others to relocate their infrastructure or Utilities was reimbursed for in-house crew time and material costs, according to a cost sharing agreement with the City of Colorado Springs.

We interviewed key stakeholders from Utilities, Colorado Springs, El Paso County, and PPRTA. We observed multiple construction coordination meetings, PPRTA Board meetings, and reviewed available public data regarding the project. We reviewed Utilities support for their portion of the work, including financial and work order data.

Management Response

Management was in agreement with our recommendations. See page three.

Recommendations

1. Utilities should review their equipment billing rates and consider setting them based on an industry standard.

2. Utilities Water division should correct their project cost reconciliation before the project is complete.

3. Colorado Springs and Utilities management should consider reviewing the 2001 Utilities Relocation Executive Agreement and determine if it should be updated or revised. Any revision should anticipate the methodology for cost sharing on PPRTA funded joint projects.

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Total WAAP project costs by jurisdiction as of December 2018:

Estimated Cost by Entity

As of December 2018

Colorado Springs PPTRA	$ 24,077,835
El Paso County PPRTA	$ 9,418,215
Manitou Springs PPRTA	$ 411,950
Other Funding Sources	$ 7,349,908
Total	$ 41,257,908

Utilities' project costs by service:

Original cost estimates were prepared by Utilities for the related work and presented to the Utilities Board in October 2016. These estimates have been updated as construction and land acquisition progressed. Given land acquisition and construction are not yet complete, the costs associated with Utilities' work may change before the project is complete. These costs represent the total cost for all utility work, some of these costs will be reimbursed by the PPRTA.

Please see page three of this report for observation details.

Utilities' Project Costs by Service

	Original Estimate (1)	Updated Estimate (2)	Anticipated Costs (3)	Anticipated/ Original	Anticipated / Updated
Electric	$ 2,082,000	$ 1,824,186	$ 1,824,761	-12%	0%
Streetlights	$ 628,000	$ 620,608	$ 620,608	-1%	0%
Natural Gas	$ 62,500	$ 190,797	$ 317,865	409%	67%
Water	$ 2,900,000	$ 2,997,925	$ 2,999,440	3%	0%
Wastewater	$ 210,000	$ 439,170	$ 449,272	114%	2%
	$ 5,882,500	$ 6,072,686	$ 6,211,946		

(1) Original estimates were prepared for the Utilities Board in October 2016 before plans were finalized.

(2) Updated estimates were prepared as plans were finalized.

(3) Anticipated costs represent the estimated cost to complete as of December 2018.

We would like to thank all who assisted us with this audit.

Observation 1

Utilities electric and gas relocations were completed with in-house crews and equipment. The cost of this work had been invoiced to the project. Our review showed the rates for equipment used to support these invoices were very low.

These costs were provided by the fleet management system which only shows the three year average of maintenance cost. Typical equipment costs such as fuel and acquisition costs were not included.

Using low equipment rates to generate invoices for work done results in under charges for the services provided. To estimate the amount of the under charge, the auditors recalculated one work order on this project using FEMA rates. This resulted in a 341% increase. If that factor were applied to all work orders for this project, the equipment cost would go from $107,771 to $475,156.

Recommendation

Utilities should review their equipment billing rates and consider setting them based on an industry standard.

Management Response

Utilities agrees with this recommendation. Utilities will begin the process of reviewing and updating equipment billing rates.

Observation 2

Utilities prepaid for their portion of the Water and Waste Water relocations. Utilities reconciled pay applications to the estimated cost of the water and waste water portion of the project. At the end of the project, a payment or refund will be due based on this reconciliation. A number was carried forward incorrectly, resulting in the estimated refund being understated by approximately $30,000.

Recommendation

Utilities Water division should correct their project cost reconciliation before the project is complete.

Management Response

Utilities agrees with this recommendation. Utilities Water Services Division will reconcile and correct costs before the end of the project.

Observation 3

The City of Colorado Springs and Colorado Springs Utilities signed an executive agreement in 2001 that dictates cost sharing of replacing Utilities infrastructure when City projects require Utilities relocations. This agreement was used to determine the amount Utilities would contribute to the project. The agreement was signed in 2001 prior to the creation of the PPRTA and Issue 300.

Per the agreement: "Projects paid by … other City revenue streams, relocation of utilities will be 100% paid by CSU as long as the annual magnitude remains in the range of $1M to $1.5M. In the event these revenue streams change significantly ... then the cost allocations to CSU and the City as outlined above will be subject to review by all parties."

Recommendation

Colorado Springs and Utilities management should consider reviewing the 2001 Utilities Relocation Executive Agreement and determine if it should be updated or revised. Any revision should anticipate the methodology for cost sharing on PPRTA funded joint projects.

Management Response

Utilities agrees with this recommendation. Utilities is in the process of reviewing and updating the 2001 Utilities Relocation Agreement and should be completed by the end of 2019.

City Public Works: Agree, happy to review the agreement with a projected implementation date of May 31 2020. The City Attorney's Office reviewed the agreement 2-3 years ago and should be involved in this effort as well.