

California State Auditor

B U R E A U O F S T A T E A U D I T S

Los Angeles County:

**Millions Spent on Courthouse Projects
That May Never Be Built**



July 1998
97119

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CALIFORNIA STATE AUDITOR

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July 14, 1998

97119

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the Los Angeles County (county) courthouse construction program. Our review focused on eight courthouse construction projects the county has yet to complete although it has spent \$79 million on them since 1988. The county deferred six of the projects in 1994. This report concludes that, because of poor management, the county spent \$18.6 million planning, designing, and buying land for five projects that have scant chance of being built. In addition, it could have avoided much of this spending had it heeded early warnings of insufficient funding. The county has taken corrective action to address its main problems, but these changes are too recent to evaluate. Finally, if it can sustain current revenue levels, the county now projects it will have sufficient funds to complete one of the deferred projects—the Antelope Valley courthouse.

Respectfully submitted,

KURT R. SJOBERG
State Auditor

Table of Contents

<i>Summary</i>	<i>S-1</i>
<i>Introduction</i>	<i>1</i>
<i>Delays and Mismanagement Have Characterized Los Angeles County's Courthouse Construction Program</i>	<i>7</i>
<i>Recommendations</i>	<i>15</i>
<i>Appendix A</i>	
Sources and Uses of the Robbins Courthouse Construction Fund	17
<i>Appendix B</i>	
Sources and Uses of the Criminal Justice Facilities Temporary Construction Fund	19
<i>Appendix C</i>	
Summary of Costs for Eight Robbins Courthouse Construction Fund Projects	21
<i>Appendix D</i>	
Significant Milestones of Robbins Courthouse Construction Fund Projects	22
<i>Appendix E</i>	
Combined Cash Flow Projections of the Robbins Courthouse Construction Fund and the Criminal Justice Facilities Temporary Construction Fund	24
<i>Response to the Audit</i>	
Los Angeles County	27

Summary



Audit Highlights . . .

Our review of Los Angeles County's courthouse construction program reveals that the county:

- Spent \$79 million since 1988 on eight incomplete courthouse projects.*
- Spent \$18.6 million on five of the eight projects that have scant chance of being built.*
- Could have prevented spending millions of dollars unnecessarily on these five projects had it reacted promptly to a consultant's warning.*
- Encountered significant delays in the projects, some resulting from its poor control.*
- Now projects it has sufficient funds to complete three courthouses if current revenue levels continue.*

Results in Brief

Since 1988, Los Angeles County (county) has spent \$79 million on eight incomplete courthouse construction projects financed through its Robbins Courthouse Construction Fund. Five of these courthouse projects have scant chance of being built, yet the county spent \$18.6 million on them—\$9.9 million for planning and design, money from which it will derive no benefit, and \$8.7 million for land that now sits idle.

Following approval of its master courthouse construction program in 1988, the county started eight courthouse projects. However, it predicated its ambitious program on revenue projections that, because of subsequent changes in law, proved to be overly optimistic and cost projections that were too low. In addition, the county failed to perform comparative needs assessments and did not prioritize the courthouse projects to determine where construction funds could be most effectively spent.

To compound these problems, the courthouse projects have been plagued by significant delays. Some of the delays, such as those caused by the Northridge earthquake and relocation of one courthouse, were out of the control of the county. Other delays have resulted from the county's poor control over the projects.

Three years into the program, an outside consultant warned the county that it could not finance the entire courthouse construction program, but the county continued to purchase land and develop plans for all eight projects. The county was finally forced to defer six projects in 1994 due to insufficient funding. Had the county reacted promptly to the consultant's warning, it could have prevented spending as much as \$7.8 million of the \$9.9 million it spent on planning and designing projects it eventually deferred, and \$8.6 million on unnecessary land purchases.

Until revenues increased recently, the county lacked sufficient funding to complete any of the projects it deferred. However, the county now projects that if the current revenue levels continue, it will have sufficient funding to complete one

of the deferred projects—the Antelope Valley courthouse. Nevertheless, the county must proceed with caution. These revenues are subject to sudden changes, and even small decreases in revenues or increases in costs could jeopardize the county’s ability to fund the project. Unfortunately, the county has not identified the factors that account for the recent increase in revenue. Thus, it has no assurance its projections are based on realistic assumptions. As a result, the county risks repeating its past mistakes by spending money on projects it cannot complete.

Nonetheless, the county has taken steps to improve its project development process. In 1995, the county reorganized some duties and in 1997 it adopted a capital projects management process. Although these actions appear to address its main problems, changes are too recent to evaluate in practice.

Recommendations

To ensure it maximizes scarce resources for courthouse construction, the county should conduct a countywide comparative needs assessment and continue projects based on the greatest need.

To ensure project funding is realistic, the county should monitor factors that will affect revenues or costs, revise cash flow projections, and recommend changes to the courthouse construction program whenever warranted.

Agency Comments

The county generally agreed with the recommendations and provided additional comments.

Introduction

Background

Established in 1850, Los Angeles County (county) is one of 58 counties in the State. Located along the southern coast, it covers 4,083 square miles. As of January 1998, an estimated 9.7 million people lived in the county, making it the largest county in the United States and more populous than 42 states.

State law established the Robbins Courthouse Construction Fund (construction fund) to build, acquire, renovate, and purchase land for courthouses in the county. The law requires that money be spent for courthouse construction projects in specified geographical areas or court districts of the county using a three-tiered approach. Construction must be started in all first-tier areas before the county can begin to build in second-tier areas, and construction in all second-tier areas must be started before it can begin to build in any third-tier areas. State law does not restrict the county from spending money for preconstruction costs of courthouse projects in any of the tiers.

Although the law specifies and prioritizes the areas in which courthouses must be built, the county determines the projects it builds to satisfy these requirements. The following county courthouse construction projects are included in the tiers:

- Tier 1—San Fernando Courthouse, Van Nuys Municipal Court, and Los Cerritos Municipal Court
- Tier 2—Hollywood Municipal Court, Downey Municipal Court, East Los Angeles Municipal Court, West Los Angeles Municipal Court-South (Airport), West San Fernando Valley Municipal Court (Chatsworth), and West Los Angeles Municipal Court-North
- Tier 3—Antelope Valley Superior and Municipal Courts, North Hollywood Superior Court, Santa Monica Superior and Municipal Courts, Pasadena Municipal Court, South Bay Municipal Court, Southeast Municipal Court (Southeast), and Long Beach Superior and Municipal Courts (Long Beach)

By 1990, the county had completed construction on all projects in the first tier and the Hollywood, Downey, and East Los Angeles projects in the second tier. The county also began work on eight more courthouse construction projects, the three remaining in the second tier and five in the third tier. The county has not worked on two third-tier projects—Southeast and Long Beach.

The construction fund is financed by fines and penalties from parking violations and nonparking offenses, interest earned on the fund's cash balance, and other sources such as fees from renting office space in courthouses. The county uses the fund primarily to pay for preconstruction project costs, land, and for the debt service on bonds it issues to finance the actual construction of projects. The county also uses the fund to pay for leased courtrooms. Appendix A identifies the specific sources and uses of the construction fund since fiscal year 1988-89, the year the county adopted its master courthouse construction program.

In addition to the construction fund, state law also established the Criminal Justice Facilities Temporary Construction Fund (facilities fund) to construct, expand, improve, operate, and maintain criminal justice and court facilities in the county. Similar to the construction fund, the facilities fund is largely financed by fines and penalties from parking violations and nonparking offenses, and by interest income. Appendix B identifies the specific sources and uses of the facilities fund since fiscal year 1988-89.

A five-member board of supervisors (board) governs the county. The county's chief administrative officer (CAO) provides the board with recommendations on all fiscal and policy matters and, among other duties, coordinates and maintains budgetary oversight for all capital projects. Capital projects include constructing new buildings, expanding existing buildings, and purchasing land. From 1989 to 1995, the county's Internal Services Department (internal services) managed some of the county's capital projects, including construction of new courthouses. As part of a 1995 reorganization, the county transferred the project management duties from internal services to its Department of Public Works (public works). Project management services provide direction and coordination through all phases of a construction project.

The county's process for developing and constructing its courthouses consists of the following phases:

- **Planning** develops the basic uses, space needs, project costs, and design standards of a building that correspond to the operations of the proposed occupants. It results in an approved program for a project.
- **Design** consists of three components, each of which must be completed before proceeding to the next:
 - **Schematic design** refines the program into detailed plans and drawings that consider alternative designs for the proposed building and its location until an efficient and affordable design is approved for further development.
 - **Design development** revises the schematic design into drawings and documents that more fully define the building specifications, cost estimates, and building materials to be used.
 - **Construction documents** convert the design development documents into the final drawings, specifications, project schedules, cost estimates, and other data needed to construct the building. The necessary building permits are also obtained during this phase.
- **Construction** involves building a courthouse and includes all costs of labor, materials, and administration. It also includes the costs of building inspections and other services that ensure a project meets its schedule, design specifications, and applicable building codes.

Scope and Methodology

The Joint Legislative Audit Committee requested that the Bureau of State Audits audit courthouse construction activities in Los Angeles County. The committee was specifically concerned with inefficiencies that may adversely affect efforts to build courtrooms in the county and in Antelope Valley in particular.

To gain an understanding of the county's courthouse construction program, we reviewed the relevant state laws and county ordinances, minutes of board meetings, and the county's organizational structure.

To determine the sources and uses of funds for courthouse planning and construction in the county, we reviewed revenue and expenditure status reports for both the construction fund and facilities fund for fiscal years 1988-89 through 1997-98. In addition, we reviewed information supporting the accounting reports, such as lease agreements, invoices, deeds, and other county documents.

To assess the progress in the planning and construction of courthouses in Los Angeles County financed by the construction fund, we focused on the eight courthouse projects yet to be completed. For each project, we reviewed relevant board minutes, project cost data, available status reports, and other memoranda from the CAO, internal services, and public works. In addition, we reviewed various agreements for design services and construction for three projects.

To assess its planning and construction of courthouses, we reviewed the county's project design manual and its capital projects development process, and identified the various phases and components for construction projects. In addition, we reviewed the internal services restructuring study prepared by the CAO and a county commission's evaluation of this restructuring study that discussed, among other issues, problems with the oversight and management of the county's capital projects. We also reviewed a county auditor-controller report that raised concerns about the management and oversight of five county health service capital projects. Further, we obtained cost and timeline data associated with the eight courthouse projects started after 1988 and determined any changes in estimates for each of the projects. No adequate information was available for comparable projects, so we compared planned and actual completion dates for various phases of the three projects with the most progress.

To review the contracting process for planning, architectural, and construction services for courthouse projects in Los Angeles County, we reviewed state laws and county ordinances relevant to contracting procedures. In addition, we reviewed the county's project design manual and identified the types of contracts applicable to various phases and components. We then identified the process used to award each type of contract. Using these criteria, we reviewed a sample of contracts related to three of the courthouse construction projects. Based on our limited review, we determined that the county's contract award process complied with applicable laws and regulations and did not discourage competition.

To evaluate the effect of the state-mandated tiered system of courthouse construction funding, we requested and reviewed assessments of the county's courthouse construction needs. In addition, we reviewed the county's analyses of cash flow projections to fund courthouse projects not yet completed. However, the county either has not prepared or was unable to provide us with needs assessments comparing one project to another. As a result, we were unable to conclude that the state-mandated tiered system had a negative impact on the county's planning and construction of courthouse facilities.

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Delays and Mismanagement Have Characterized Los Angeles County's Courthouse Construction Program

Summary

Los Angeles County (county) spent \$18.6 million on five courthouse projects that have scant chance of being built. Of this amount, the county spent \$9.9 million on planning and design costs for which it will receive no benefit and, thus, we consider this money wasted. It unnecessarily spent the other \$8.7 million to buy land that now sits idle. Based on its ambitious 1988 master courthouse construction program, the county embarked on eight new courthouse construction projects within a period of three years. According to its June 1998 projections, the county will have the means to construct only three courthouses in the foreseeable future: the two currently in progress and one it plans to resume designing.

Even after an outside consultant warned in 1991 that it would be unable to finance the entire courthouse construction program, the county proceeded to develop plans and purchase land for all eight courthouses until it deferred most of them in 1994. By reacting more promptly to the consultant's negative cash flow projections and reining in its spending on multiple courthouses, the county could have prevented the loss of as much as \$7.8 million of the \$9.9 million spent on planning and design. Furthermore, the county could have avoided spending \$8.6 million on unnecessary land purchases.

To compound the county's problems, the courthouse construction projects it undertook have been plagued by significant delays. While some of the delays were out of its control, such as the effect of the Northridge earthquake, the county's poor management contributed significantly to others.

The county reorganized some duties in 1995 and adopted a capital projects process in 1997 to improve its project development. Although these actions appear to address its main problems, changes are too recent to evaluate in practice.

***The County Spent \$18.6 Million
on Courthouse Projects That
May Never Be Built***

Since 1988, the county has spent over \$79 million on eight courthouse projects financed through the Robbins Courthouse Construction Fund (construction fund). Though five of these courthouse projects have little chance of being built, the county spent \$18.6 million to plan, design, and purchase land for them. Table 1 shows the amounts the county has spent on the eight courthouse projects since 1988.

Table 1



***Amount Spent for Construction
Fund Projects Since 1988
(In Thousands)***

<i>Project</i>	<i>Planning and Design</i>	<i>Land</i>	<i>Total Spent</i>
Ongoing:			
West Los Angeles Municipal Court-South (Airport)	\$12,589	\$17,073	\$29,662 ^a
West San Fernando Valley Municipal Court (Chatsworth)	6,939	12,320	19,259
Ongoing Project Costs	19,528	29,393	48,921
Deferred:			
Recommended to Resume			
Antelope Valley Superior and Municipal Courts	8,248	3,580 ^b	11,828
Indefinitely			
North Hollywood Superior Court	2,526	15	2,541
West Los Angeles Municipal Court-North	5,187		5,187
South Bay Municipal Court	1,461	8,640	10,101
Santa Monica Superior and Municipal Courts	505		505
Pasadena Municipal Court	241		241
Indefinitely Deferred Project Costs	9,920	8,655	18,575
Total Project Costs	\$37,696	\$41,628	\$79,324

^aThe city of Los Angeles reimbursed the county for \$15,000,000 of these costs.

^bLand cost includes approximately \$1,680,000 to purchase the courthouse site and \$1,900,000 spent to relocate and rebuild an existing fire station.

After spending money on all eight courthouse projects, the county deferred six for lack of sufficient funds. The county is not likely to derive any benefit from the \$9.9 million spent planning and designing five of these courthouses because funding to complete them is not available in the foreseeable future, thus making such efforts obsolete. The planning and


The county spent \$9.9 million on planning and design costs and another \$8.7 million on land for five courthouses that may never be built.




design work already performed will not be usable by the time funding is available because the operational requirements for courthouses may change, building codes may be revised, and judicial system needs may change. Therefore, we considered the costs associated with planning and designing these courthouse projects to be wasted. However, because the county may sell land or use it for other purposes, we did not consider land purchases as wasted. Nevertheless, since the county could have put these funds to better use than lying idle in unused land, we considered such expenditures unnecessary.

We did not consider the money spent for the Airport and Chatsworth projects wasted since these two projects are expected to be completed in the next few years. However, we did not determine whether the county used funds optimally in the planning and design of the Airport and Chatsworth projects. Further, the county may be able to proceed with the Antelope Valley Superior and Municipal Courts (Antelope Valley), so we did not consider amounts spent on this project wasted. Appendix C provides a detailed schedule of expenditures by project and year.

The County Did Not Meet Its Overly Ambitious 1988 Program Goals

In August 1988, the board of supervisors (board) approved the county's master courthouse construction program. The \$508 million program planned for the construction of numerous courthouses and renovation of existing courtrooms. However, the county's assumptions for funding the program proved to be too optimistic.

First, the county predicated its plans on overly optimistic revenue projections. The county based the program on changes in state law that it estimated could generate an additional \$20 million annually. Though the county was aware at the time that its revenue projections were subject to unforeseeable changes in laws, judicial sentencing practices, and financial trends, it did not react promptly when changes occurred. For example, another change in state law in 1991 caused a significant decrease in revenues, yet the county did not promptly reduce its courthouse construction program to reflect the decrease in available funding.


The county's estimated cost for the Antelope Valley courthouse has jumped from \$43 million to \$92 million.


In addition, the county's cost projections were low. For example, the original 1988 estimated cost for the Antelope Valley courthouse was \$43 million; it has now jumped to \$92 million. According to the county, the 1988 projections were general estimates since specific program needs were unknown at that time. Once it defined specific needs, the county found that many of its original estimates were too low. Factors that contributed to project cost escalation included the following:

- Construction cost increases related to inflation
- Building code changes
- Higher than anticipated land acquisition costs
- Increases in courthouse size or additional courtrooms due to increased caseload

Nevertheless, factors the county should have controlled also contributed to higher project costs. For example, the \$6.6 million design contract for Antelope Valley should have resulted in completed schematic, design, and construction documents. Instead, the county spent the entire \$6.6 million for schematic and design documents, which comprised only half of the original contract price. The county will now have to pay an estimated \$5.2 million more for complete construction documents, which were originally included in the \$6.6 million price. The county stated that spending the extra money on "enhancements" of the design documents would result in savings on construction when it built the courthouse. However, we question whether these savings will materialize because these documents, which are now over two years old, have never been finalized or approved and are subject to revision. They will also have to be updated to meet current building codes.

Further, the county's estimates of time to build projects were overly optimistic. When it adopted the master courthouse construction program in 1988, the county estimated it would complete all eight new projects by fiscal year 1992-93. Based on these estimates, the Airport courthouse, now under construction, has encountered approximately six years of delays, and the Chatsworth courthouse is even further behind because construction will not begin until at least 1999.

However, the 1988 master courthouse construction program was a working plan subject to revision. Further, it is not feasible to develop design or construction schedules for a given

courthouse project until the planning phase is complete. Once planning is complete, the county can develop schedules for design and construction. Nevertheless, even using schedules developed after the planning phase was complete, we found that actual completion dates significantly exceeded scheduled dates for the three courthouse projects shown in Table 2.

Table 2

Planned Versus Actual Completion Dates

Phase	West Los Angeles Municipal Court- South (Airport)		West San Fernando Valley Municipal Court (Chatsworth)		Antelope Valley Superior and Municipal Courts	
	Planned	Actual	Planned	Actual	Planned	Actual
Schematic design	Nov 1991	Feb 1992	Aug 1991	Sep 1991	Apr 1992	Feb 1993
Design development	Apr 1992	Jan 1993	Jan 1992	Mar 1992	Aug 1992	*
Construction documents	Dec 1992	Oct 1996	Aug 1992	In progress	Apr 1993	
Construction	Sep 1995	In progress	Jun 1994		Jan 1996	


Source: Project status reports and board minutes.

*All work on this phase of the project was suspended in April 1996.


The county could not control all of the delays. For example, after the Northridge earthquake struck in January 1994, new seismic codes were enacted, resulting in some projects requiring seismic redesign work. The county estimated that the seismic redesign delayed the start of construction for the Airport and Chatsworth courthouses by six to nine months. Another delay occurred when the expansion plans of Los Angeles International Airport forced the county to relocate the Airport courthouse just as it was ready to start construction. This compelled the county to identify a suitable location and adapt the existing design to conform to the new site, all of which caused a one-year delay in the start of construction.

Other delays were attributable to the county's lack of control of its capital projects. For example, the Antelope Valley courthouse still has not progressed past the design development phase, even though it was slated for completion in 1996. In 1992, the county contracted with a private firm (developer) to develop and design the courthouse. The county's first misstep occurred approximately one month into the schematic design work when it decided to stop this work midstream and hire an architect to revise the architectural program. The architectural program, prepared in the planning phase of a project, defines the project's basic spatial and functional requirements and must be completed before starting the schematic design. The developer's architect suspended

schematic design work for over two months while the revision was completed. Though the original two-month delay was not significant, this episode began a lengthy dispute with the developer's architect that ultimately led to the county paying the developer for yet another architect to redo much of the design development. Because the funds for design have been depleted paying for major unbudgeted revisions, the completion of the design for this project has been delayed for several years. Appendix D identifies the schedule of significant dates and milestones for courthouse construction projects.



The county did not perform comparative needs assessments, thereby not ensuring that it spent limited funds where the needs were greatest.



The county also failed to prioritize the projects based on needs assessments or other analytical measures. While state law specifies which tier of courthouses must be started before the next tier, the county did not prioritize projects within tiers, which the law permits. We found that the county did not perform comparative needs assessments to determine where courthouse construction funds could be most effectively spent. Instead, it initiated eight projects within the first three years after adoption of the program; thus, it did not ensure that the limited funds were spent where the needs were greatest.


The County Had Warning That Its Program Was Not Financially Feasible but Continued Spending on Projects

When the county adopted the master courthouse construction program in 1988, it noted that the program was subject to changes as funding sources, costs, and priorities in the judicial system changed. The county further stated that it would periodically revise projections and recommend appropriate changes to reflect ongoing needs and available resources. However, it does not appear the county adequately reviewed or recommended changes to the program to prevent ineffective use of resources.

Three years into the program, circumstances had changed enough that the county should have known it was time to revise its master courthouse construction program. In July 1991, an outside consultant's report alerted the county that it would be unable to complete all the courthouses it planned. Specifically, the consultant analyzed the projected cash flows for the master courthouse construction program and concluded that the county would be unable to finance the entire program with the cash balance and revenues being generated by the construction fund and the Criminal Justice Facilities Temporary Construction Fund (facilities fund). The consultant's report


predicted that the funding shortfall at the then-current interest rate and revenue growth assumptions would be approximately \$62 million. In the event of less favorable interest rates or revenue growth, the shortfall could increase to over \$300 million.

The county should have been alarmed at the prospect of such a drastic funding shortfall and could have reined in its spending based on this analysis, but did not do so. In January 1994, more than two years after the consultant's warning, the county finally curtailed expenditures and deferred all but two of the eight construction fund projects. The county admitted that its optimistic vision of revenue growth had not materialized and its aggressive spending would soon surpass available funding. The county concluded that if it continued with the courthouse construction program as planned, it could incur deficits of as much as \$312 million.



The county could have prevented spending as much as \$7.8 million wasted on planning and design and \$8.6 million on unnecessary land purchases.


Unfortunately, because the county continued spending on all eight courthouse projects, it wasted money on projects it had no realistic expectation of completing. Had the county reacted promptly to the consultant's warning of funding shortfalls, it could have prevented spending as much as \$7.8 million of the \$9.9 million it spent on planning and design and \$8.6 million on unnecessary land purchases.



***If Current Revenue Levels Continue,
the County Will Have Adequate Funds
to Complete Three Courthouses***

As of June 1998, the county's cash flow projections indicated that, if the construction and facilities funds can sustain their current revenue levels, the county will have sufficient funding to build the Antelope Valley courthouse in addition to completing the Airport and Chatsworth courthouses. It will not, however, be able to afford any of the other five deferred courthouses in the foreseeable future. Appendix E presents the detailed cash flow projections.

Since 1994, when six courthouse projects were deferred for lack of funding, the county has prepared several cash flow projections to assess the feasibility of continuing with the Antelope Valley courthouse. We analyzed the projections and agree that if revenues remain at the current year's level, the county should have sufficient funding to complete construction of the Antelope Valley courthouse. However, the county must be cautious because the balance in the combined construction and facilities funds will decrease to only \$1.7 million in fiscal year 2014-15, according to the June 1998 projection. Thus, if


A small decrease in revenues or increase in costs could push the combined funds into a deficit.

the county proceeds with the Antelope Valley courthouse, even a small decrease in revenues or increase in costs could push the combined courthouse and facilities funds into a deficit. Further, the revenues of these funds are volatile and subject to sudden changes. For example, only three months ago, the county projected its cash flows based on fiscal year 1996-97 revenues. This projection showed that if the county built the Antelope Valley courthouse, it would face a cumulative shortfall of approximately \$100 million with deficits starting in fiscal year 2005-06, in contrast to its most recent projection, which shows it will be able to build Antelope Valley and incur no deficits. Both projections were reasonable based on the limited information the county had at the time.

Although revenues have increased in recent periods, the county has not identified factors that account for the increase. For example, two recent changes in state law have increased penalties for certain traffic violations, which may increase revenues in the construction and facilities funds. One change increases fines for failure to stop for a red light, and the other sets fines for uninsured motorists. However, the law establishing the fine for uninsured motorists expires in January 2000 so any related revenue increase will disappear at that time. The county has no data quantifying the effects of such changes on revenues. Thus, it has no assurance that its cash flow projections are based on realistic assumptions. As a result, it is in jeopardy of repeating its past mistakes by spending money on projects it cannot complete.

***The County Has Taken
Corrective Action***

Recognizing the weaknesses in its management of capital projects, the county reorganized some of its departments in 1995 and adopted a capital projects management process in 1997. Our review of the county's management of capital projects before and after the changes found that its recent reorganization and newly implemented process appear to address the main problems its former practices caused. Unfortunately, these changes occurred after many poor decisions had already been made.

Specifically, the reorganization and new process established clearly defined roles, responsibilities, and guidelines for capital projects. These changes reflected the need for centralized oversight of capital projects by the CAO and reassigned the management of courthouse construction projects to the Department of Public Works (public works). In addition, the new process established controls to ensure accountability

and minimize design changes, construction delays, and excess spending. The county intended to ensure that projects could be realistically funded and that public works, the CAO, and prospective users of the building, such as judges and sheriffs, interacted at the beginning of a project to limit unnecessary changes and delays. The county believes these actions solved the problems it encountered with its capital projects process. The new process was put into practice too recently for us to assess its effectiveness.

Conclusion

Because of poor control over capital projects, the county has spent \$18.6 million planning, designing, and acquiring land for courthouse projects that may never be built. Much of this spending could have been avoided had the county adequately monitored cash flow projections, prioritized the construction projects based on comparative needs assessments, and avoided starting projects it had no realistic expectation of completing. Moreover, the county should have heeded early warnings of funding shortfalls and acted sooner to lessen the negative impact of its overly optimistic construction program.

Recommendations

To ensure it maximizes scarce resources for courthouse construction, the county should conduct a countywide comparative needs assessment before starting any new or deferred courthouse projects. It should proceed with courthouse construction in areas with the greatest needs.

To ensure project funding is realistic, the county should monitor and analyze factors such as changes in laws and judicial system requirements that will affect revenues or costs, revise cash flow projections, and update the courthouse construction program when warranted.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kurt Sjoberg". The signature is fluid and cursive, with the first name "Kurt" being more prominent than the last name "Sjoberg".

KURT R. SJOBERG
State Auditor

Date: July 14, 1998

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Appendix A

Sources and Uses of the Robbins Courthouse Construction Fund (In Thousands)

Sources

Fiscal Year	Fines and Penalties	Interest	Other	Total
1988-89	\$ 24,708	\$ 2,724	\$ 13	\$ 27,445
1989-90	29,061	4,049	47	33,157
1990-91	22,501	4,827		27,328
1991-92	18,223	3,552		21,775
1992-93	16,282	1,482	2,227 ^a	19,991
1993-94	16,068	1,067	275	17,410
1994-95	16,017	1,367	169	17,553
1995-96	17,422	1,652	154	19,228
1996-97	17,479	2,003	16,618 ^b	36,100
1997-98 ^c	10,244	1,183	11,341 ^d	22,768
Total	\$188,005	\$23,906	\$30,844	\$242,755

Uses

Fiscal Year	Planning and Design	Land	Debt Service	Courtroom Leases	Other	Total
1988-89	\$ 8,500		\$ 7,542		\$ 26	\$ 16,068
1989-90	5,563	\$ 15	11,170			16,748
1990-91	5,255	18	11,639			16,912
1991-92	10,610	30,245	10,850		9	51,714
1992-93	14,347	1,675	11,174		205	27,401
1993-94	2,670	9,674	10,568		123	23,035
1994-95	2,834		10,868		20	13,722
1995-96	2,033		9,945	\$ 703	1,044 ^e	13,725
1996-97	2,099		9,219	639	1,664 ^e	13,621
1997-98 ^c	21		8,484	197	79	8,781
Total	\$53,932^f	\$41,627	\$101,459	\$1,539	\$3,170	\$201,727

Sources: County revenue and expenditure status reports.

^a Includes a one-time reimbursement of \$2,130,142 from bond proceeds for the East Los Angeles Municipal Court project.

^b Includes a one-time reimbursement of \$12,673,652 from bond proceeds for the West Los Angeles Municipal Court-South (Airport) project and \$3,750,000 of \$15,000,000 paid by the city of Los Angeles to the county for relocation of the Airport courthouse.

^c Amounts are as of February 28, 1998.

^d Includes the remaining \$11,250,000 of \$15,000,000 paid by the city of Los Angeles for relocation of the Airport courthouse.

^e Fiscal years 1995-96 and 1996-97 amounts are comparatively large due to legal service costs of \$476,819 and \$911,204, respectively.

^f Total includes costs for completed courthouses as well as ongoing and deferred projects.

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Appendix B

Sources and Uses of the Criminal Justice Facilities Temporary Construction Fund (In Thousands)

Sources

Fiscal Year	Fines and Penalties	Interest	Other	Total
1988-89	\$ 20,978	\$ 2,552	\$ 12	\$ 23,542
1989-90	21,192	2,913	31	24,136
1990-91	20,694	2,981	32	23,707
1991-92	20,041	1,730	1,291	23,062
1992-93	18,541	623	754	19,918
1993-94	18,426	356	4,495 ^a	23,277
1994-95	18,409	576	42	19,027
1995-96	20,153	499	(251)	20,401
1996-97	19,965	491		20,456
1997-98 ^b	11,691	138		11,829
Total	\$190,090	\$12,859	\$6,406	\$209,355

Uses

Fiscal Year	Buildings and Improvements	Court Operations	Courtroom Leases	Debt Service	Planning and Design	Other	Total
1988-89	\$11,374	\$ 3,471	\$1,529		\$ 166	\$1,034	\$ 17,574
1989-90	10,490	3,369	1,903		322	469	16,553
1990-91	6,657	11,993		\$ 3,175	409	780	23,014
1991-92	16,465	11,158	686	5,104	1,112	737	35,262
1992-93	9,619	20,837	66	5,647	1,182	372	37,723
1993-94	3,765	10,837	227	5,043	1,477	284	21,633
1994-95	2,665	9,809	193	5,829	2,010	184	20,690
1995-96	2,574	9,409	273	6,774	1,024	58	20,112
1996-97	1,243	9,409	272	7,360	1,840	75	20,199
1997-98 ^b	262	3,860	1,756	3,153	84	(2)	9,113
Total	\$65,114	\$94,152	\$6,905	\$42,085	\$9,626	\$3,991	\$221,873

Sources: County revenue and expenditure status reports.

^a Includes a reimbursement of \$4,451,892 from bond proceeds for court expansion projects.

^b Amounts are as of February 28, 1998.

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Appendix C

Summary of Costs for Eight Robbins Courthouse Construction Fund Projects (In Thousands)

Fiscal Year	West San Fernando Valley Municipal Court (Chatsworth)			West Los Angeles Municipal Court ^a		Antelope Valley Superior and Municipal Courts	South Bay Municipal Court	North Hollywood Superior Court	Santa Monica Superior and Municipal Courts	Pasadena Municipal Court	Annual Total
	TIER 2	South (Airport)	North	TIER 3							
1988-89		\$ 168			\$ 45				\$ 2		\$ 215
1989-90		230			5		\$ 33 ^b		54		322
1990-91	\$ 1,248 ^c	1,099	\$1,576	\$ 177	74	342		\$ 12	11		4,539
1991-92	15,272 ^d	20,378 ^e	1,480	2,214 ^f	433	705		220	56		40,758
1992-93	1,636	2,325	1,634	5,423 ^g	529	1,060		214	101		12,922
1993-94	317	686	423	1,680 ^h	8,961 ⁱ	351		29	17		12,464
1994-95	312	1,030	39	1,340	54	50		30			2,855
1995-96	306	1,330	34	925							2,595
1996-97	150	2,416		51							2,617
1997-98 ^j	18		1	18							37
TOTAL	\$19,259	\$29,662	\$5,187	\$11,828	\$10,101	\$2,541	\$505	\$241			\$79,324

Source: Expenditure status reports.

^a State law requires the county to build a courthouse for the West Los Angeles Municipal Court. The county originally planned two courthouses. Although it deferred one project, the county has met the requirement for a West Los Angeles Municipal Court with its Airport project.

^b Includes land purchase of \$14,922.

^c Includes land purchase of \$18,235.

^d Includes land purchase of \$12,301,424.

^e Includes land purchase of \$17,073,027.

^f Includes \$866,896 to purchase land for fire station relocation.

^g Includes land purchase of \$1,678,996.

^h Includes \$1,033,450 to relocate and rebuild the fire station.

ⁱ Includes land purchase of \$8,640,498.

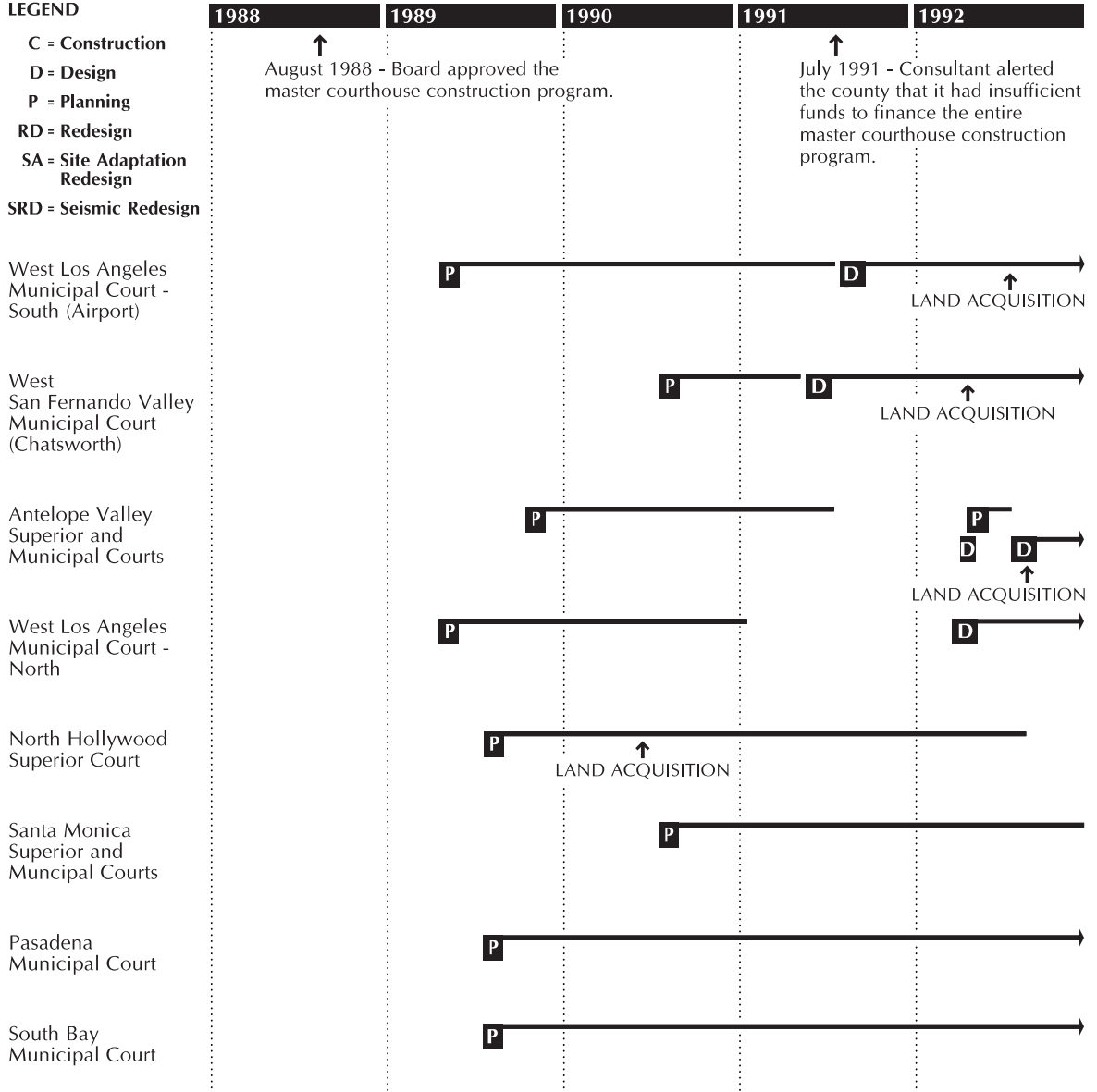
^j Amounts are as of February 28, 1998.

Appendix D

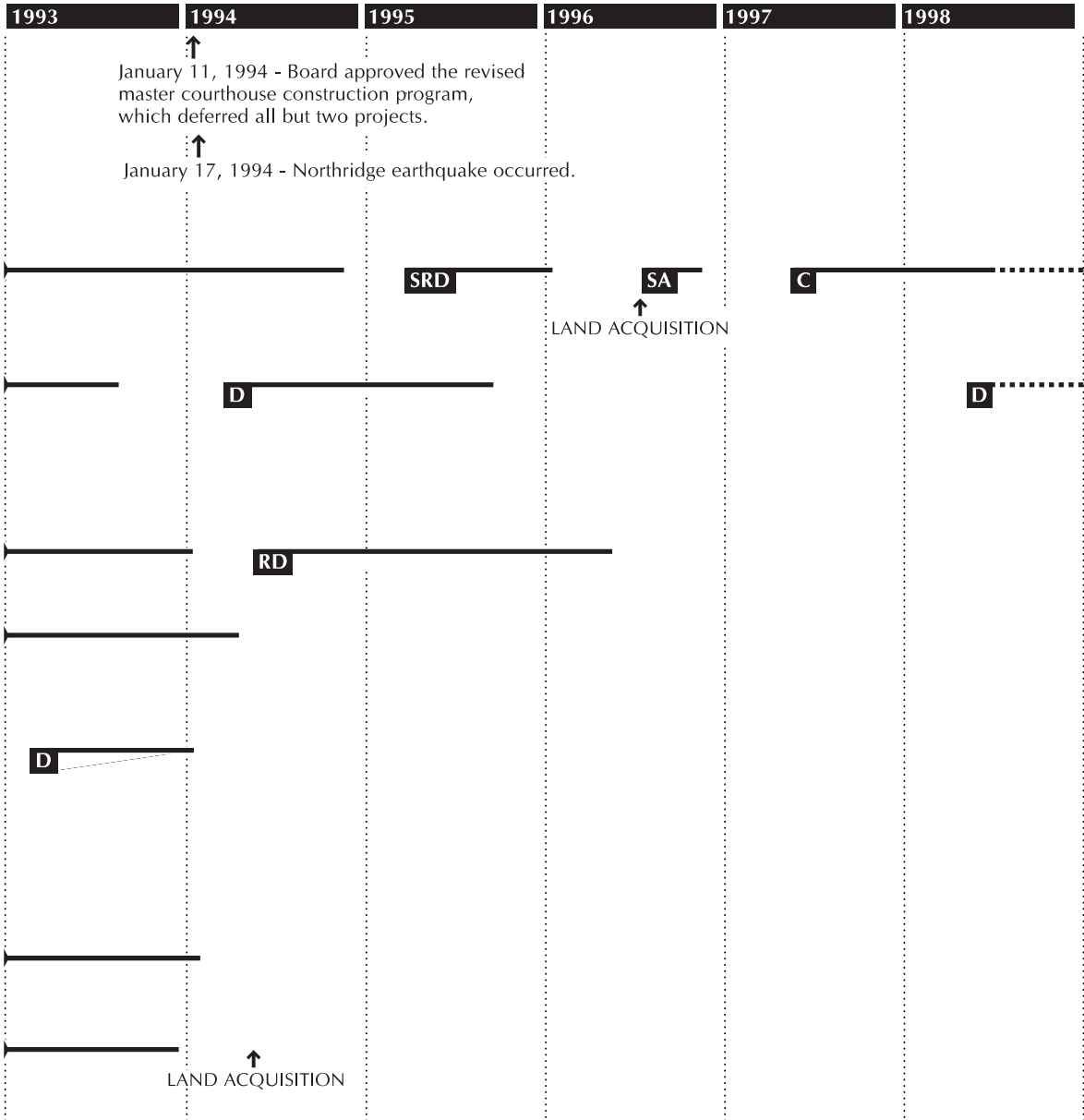
Significant Milestones of Robbins Courthouse Construction Fund Projects

LEGEND

- C = Construction
- D = Design
- P = Planning
- RD = Redesign
- SA = Site Adaptation Redesign
- SRD = Seismic Redesign



Source: Various county documents.



Appendix E

Combined Cash Flow Projections of the Robbins Courthouse Construction Fund and the Criminal Justice Facilities Temporary Construction Fund (In Thousands)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Available Funds:								
Carryover fund balance	\$ 59,952	\$ 78,565	\$ 76,767	\$ 79,297	\$ 71,384	\$ 66,914	\$ 62,280	\$ 57,472
Revenue ^a	56,693	45,443	45,480	45,619	45,505	45,336	45,162	44,983
Total Available Funds	116,645	124,008	122,247	124,916	116,889	112,250	107,442	102,455
Fund Requirements:								
Services and supplies ^b	7,881	13,773	11,874	13,057	7,361	7,356	7,356	7,356
Facilities fund leases and debt service	7,910	7,842	7,842	7,736	7,736	7,736	7,736	7,736
Construction fund debt service: ^c								
Hollywood Municipal Court	710	613	613	613	613	613	613	613
Van Nuys Municipal Court	4,759	4,106	4,106	4,106	4,106	4,106	4,106	4,106
San Fernando Courthouse	1,995	1,983	1,995	1,995	1,995	1,995	1,995	1,995
Downey Municipal Court	1,411	1,413	1,411	1,411	1,411	1,411	1,411	1,411
East Los Angeles Municipal Court	1,461	1,445	1,461	1,461	1,461	1,461	1,461	1,461
West Los Angeles Municipal Court-South (Airport)			766	7,260	7,260	7,260	7,260	7,260
San Fernando Valley Municipal Court (Chatsworth)					5,461	5,461	5,461	5,461
Antelope Valley Superior and Municipal Courts					5,524	5,524	5,524	5,524
Fixed assets ^d	5,306	9,419	5,835	8,846				
Court operations	6,647	6,647	7,047	7,047	7,047	7,047	7,047	7,047
Total Fund Requirements	38,080	47,241	42,950	53,532	49,975	49,970	49,970	49,970
Fund Balance	\$ 78,565	\$ 76,767	\$ 79,297	\$ 71,384	\$ 66,914	\$ 62,280	\$ 57,472	\$ 52,485

Source: County cash flow projections.

^aPrimarily includes fines and penalties, interest, and rent.

^bPrimarily includes cost of furnishings, maintenance, and leases.

^cIndividual debt service amounts include a number of inaccuracies. For example, most are based on average rather than actual annual debt service costs and some do not reflect the effects of recent debt refinancing. As a result, annual fund requirements are overstated by \$873,000 on average and up to \$1,619,000 in some years.

^dPrimarily includes project design and construction costs.

2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
\$52,485	\$47,311	\$41,944	\$36,378	\$30,605	\$24,619	\$18,411	\$11,974	\$ 5,907	\$ 3,401	\$ 1,673
44,796	44,603	44,404	44,197	43,984	43,762	43,533	43,299	43,611	43,754	43,918
97,281	91,914	86,348	80,575	74,589	68,381	61,944	55,273	49,518	47,155	45,591
7,356	7,356	7,356	7,356	7,356	7,356	7,356	7,356	4,107	4,107	3,755
7,736	7,736	7,736	7,736	7,736	7,736	7,736	7,132	7,132	6,497	6,497
613	613	613	613	613	613	613	613	613	613	
4,106	4,106	4,106	4,106	4,106	4,106	4,106	4,106	4,106	4,106	
1,995	1,995	1,995	1,995	1,995	1,995	1,995	1,995	1,995	1,995	1,995
1,411	1,411	1,411	1,411	1,411	1,411	1,411	1,411	1,411	1,411	1,411
1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461
7,260	7,260	7,260	7,260	7,260	7,260	7,260	7,260	7,260	7,260	7,260
5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461
5,524	5,524	5,524	5,524	5,524	5,524	5,524	5,524	5,524	5,524	5,524
7,047	7,047	7,047	7,047	7,047	7,047	7,047	7,047	7,047	7,047	7,047
49,970	49,970	49,970	49,970	49,970	49,970	49,970	49,366	46,117	45,482	40,411
\$47,311	\$41,944	\$36,378	\$30,605	\$24,619	\$18,411	\$11,974	\$ 5,907	\$ 3,401	\$ 1,673	\$ 5,180

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Agency's response to the report provided as text only:

COUNTY OF LOS ANGELES
Chief Administrative Office
713 Kenneth Hahn Hall of Administration
Los Angeles, California 90012
(213) 974-1101

DAVID E. JANSSEN
Chief Administrative Officer

July 8, 1998

Mr. Kurt R. Sjoberg
State Auditor
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg:

RESPONSE TO COURTHOUSE CONSTRUCTION FUNDS AUDIT

Thank you for the opportunity to comment on the draft version of the Courthouse Construction Funds audit. In the audit report you made recommendations concerning future courthouse construction decision making and, in general, we agree with the recommendations. We would like to make the following comments.

Since 1988 the Courthouse Funds have provided for the addition of 133 courtrooms to the Los Angeles County judicial system. With the completion of the Airport Courthouse (currently under construction), the West San Fernando Valley and the proposed Antelope Valley Courthouses (both currently under design) the total will reach 172. This is evidence of a highly successful building program and execution of legislative intent.

Of the \$18.5 million identified in the audit as expenditures for projects unlikely to be built, \$8.6 million was spent on land acquisition resulting in the addition of a County asset which can be sold to support future court construction. The remaining \$9.9 million represents only 2.1 percent of project costs for all of the Board approved courthouse construction projects. As identified in your report, this spending issue was addressed by the Board in 1994.

As also noted in the audit, the courthouses to be built were specified in State law and grouped into three Tiers. Construction of the West San Fernando Valley Courthouse will complete the Tier II projects and allow for the Antelope Valley Courthouse to proceed, which is the Board of Supervisors' highest priority of the Tier III projects. The selection of any future courthouse buildings for construction should result from a Countywide needs assessment.

Thank you again for the occasion to comment on the draft report.

Sincerely,

DAVID E. JANSSEN
Chief Administrative Officer

ALAN SASAKI
Auditor-Controller

DEJ:AS

Board of Supervisors
GLORIA MOLINA
First District
YVONNE BRATHWAITE BURKE
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

cc: Members of the Legislature
Office of the Lieutenant Governor
Attorney General
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps