

# Metro Board Approved Policy

## Unified Cost Increase Process & Policy for MR

*Adopted: June 24, 2010*

### Historical Perspective

The full name of this policy is Unified Cost Increase Process and Policy for Measure R Projects. This policy was amended on January 22, 2015.

MTA Board Members asked staff to recommend a process and policy to be followed to control and address cost increases in the 12 transit projects included in the 30/10 initiative.

The proposed Project Cost/Schedule Containment procedures for all projects require that projects shall be managed by the project managers to the approved budget and schedule. However, if the project scope has yet to be defined or the project budget is projected to be above the approved Life of the Project budget, for reasons beyond the control of the project managers and for conditions unknown at the time of budget establishment, guidelines are needed for the project managers. This recommendation is to seek Board Approval to establish such guidelines in the form of an MTA Board adopted policy.

The 30/10 Initiative seeks to 1) complete construction of 12 transit projects in 10 years; 2) reduce project costs by minimizing anticipated cost escalation (due to inflation); 3) take advantage of any continuation of the current soft construction market to potentially reduce costs. Accelerating transit corridor project delivery and the clear emphasis on project cost savings in the 30/10 Initiative could be undermined if the scope and cost of the projects contemplated are not properly sized for the resources available.

In January 2015, the Board amended the policy to include a new Section 11 to ensure that Measure R Funded projects located in the Regional facilities Planning Area are not the responsibility of subregional agencies.



**Metro**

**REVISED**  
**ATTACHMENT D**  
**Unified Cost Management Process and Policy**  
**for Measure R Projects**  
**(amended January 22, 2015)**

**(Note: Underlines and strike-outs that were from original Board-adopted Policy document were inadvertently included in this Attachment. These have been removed. Only the language in Section 11 is new and remains underlined).**

**Introduction**

The MTA will follow a unified cost management process and policy for the control and minimization of project costs for the Measure R transit and highway projects. At the core of the unified cost control management process and policy is a commitment to follow a new step-by-step evaluation of project costs against possible resources to address project shortfalls. Shortfalls that cannot be addressed at the project level by value engineering or other measures, such as changes in the scope of the project, will be subject to a new stepwise evaluation process.

The new step-by-step cost management process will require the MTA Board to review and consider approval of project cost estimates against funding resources at key milestone points throughout the environmental, design, and construction phases of the Measure R transit and highway projects. At each milestone, MTA staff is directed to: (1) submit a project that is consistent with the budget; (2) identify any issues when a project is not consistent with the budget; and (3) propose corrective actions before the project advances further, if it is not consistent with the budget. For Measure R funds, the planned funding resources (including any prior Measure R expenditures) shall not exceed the amount shown in the "New Sales Tax Total" column of the Measure R expenditure plan. At each milestone, the planned funding resources shall not exceed the amounts shown. These key milestones include the following decision points:

- 1) Selection of conceptual design alternatives to be studied in the environmental phase;
- 2) Selection of the Locally Preferred Alternative and entrance into the Preliminary Engineering phase;
- 3) Approval of the final environmental document and entrance into the final design phase;
- 4) Establishment of a life-of-project budget prior to construction; and,
- 5) Any amendment to the life-of-project budget.

If increases in cost estimates occur, the MTA Board must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Increases in cost estimates will be measured against the 2009 Long Range Transportation Plan as adjusted by subsequent actions on cost

estimates taken by the MTA Board. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order:

- 1) Value Engineering and or scope reductions;
- 2) New local agency funding resources;
- 3) Shorter segmentation;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same sub-region; and finally,
- 6) Countywide transit cost reductions or other funds will be sought using pre-established priorities.

The objective of the cost management process and policy is to insure the prompt development and consideration of project cost alternatives that genuinely address the cost controls necessary to successfully deliver all Measure R transit and highway corridor projects.

### **Process and Policy Detail**

The unified cost management processes and policies that are proposed controls are as follows:

- 1) A regional long-range transportation plan (covering at least 20 years) for Los Angeles County shall be adopted at least once every five years. For interim years, staff will report on changes affecting the major financial assumptions of the plan and progress toward the implementation of new projects and programs. The plan update report shall also highlight Board approved actions taken during the interim period that affect the plan outcomes or schedules (*from Financial Stability Policy*);
- 2) MTA shall complete projects accelerated through the 30/10 Initiative in the same sequence as the adopted 2009 Long Range Transportation Plan (LRTP) (*from 30/10 Initiative Position Statement*);
- 3) MTA shall only utilize pledged federal assistance from the 30/10 Initiative if the construction and financing costs are less than the available funds (adjusted for inflation) planned in the adopted 2009 LRTP, unless those costs are being adjusted by the minimum necessary to accomplish an operable segment for the corridor (*from 30/10 Initiative Position Statement*);
- 4) Measure R transit corridor and highway projects shall be presented separately for approval by the Board in a step-by-step cost control process that will evaluate project cost estimates against funding resources at key milestones points throughout the environmental, design, and construction phases of the 30/10 transit projects. For Measure R funds, the planned funding resources (including any prior Measure R expenditures) shall not exceed the amount shown in the "New Sales Tax Total" column of the Measure R expenditure plan. These key milestones include the following decision points:
  - a. Selection of conceptual design alternatives to be studied in the environmental phase;

- b. Selection of the Locally Preferred Alternative and entrance into the Preliminary Engineering phase;
  - c. Approval of the final environmental document and entrance into the Final Design phase;
  - d. Establishment of a life-of-project budget prior to construction; and,
  - e. Any amendment to the life-of-project budget.
- 5) At any of the milestones above, the MTA will seek to control and minimize Measure R transit and highway project costs prior to taking any action necessary to permit the project to move to the next milestone. Cost minimization efforts will be measured against the 2009 Long Range Transportation Plan as adjusted by subsequent actions on cost estimates taken by the MTA Board. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order:
- a. Value engineering and/or scope reductions;
  - b. New local agency funding resources;
  - c. Shorter segmentation;
  - d. Other cost reductions within the same transit or highway corridor (see Attachment B);
  - e. Other cost reductions within the same sub-region (See Attachment B); and,
  - f. Countywide transit and highway cost reductions and/or other funds will be sought using pre-established priorities, as follows:
    - i. Where applicable, Measure R Transit Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 2 of 4, Line 18);
    - ii. Where applicable, Measure R Highway Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 3 of 4, Line 39); and,
    - iii. Where Line 18 is not applicable, the LRTP Near-Term Strategies and Priority Setting Criteria will be followed (Item 9, as Adopted by the Board of Directors in March 2010).

Each Measure R transit or highway project will be considered on a case-by-case basis at each milestone and a rationale developed if resources from the prior step above are insufficient or not recommended for good reason. The MTA Board will be presented with all viable options and will have the sole authority to make any final funding and project delay decisions.

- 6) Prior to inclusion in the annual budget, Measure R transit corridor and highway projects shall be presented separately for approval by the Board for a life-of-project budget. Subsequently, capital projects with life-of-project budget changes that cause the project to exceed \$1 million or if the change exceeds \$1 million shall be presented to the Board for approval (*from Financial Stability Policy*);
- a. Prior to life-of-project budget approval, the MTA shall compare the sum of the cost of the Measure R transit and highway projects to date and the

proposed life of project budget (as de-escalated) to the most up-to-date LRTP funding forecast for Measure R transit and highway projects. If the life-of-project budget is less than the anticipated funds available as compared to the up-to-date LRTP funding forecast, then MTA can approve the life of project budget. If the life-of-project budget are more than the available funds, then MTA would not execute a construction contract unless the MTA Board approved cost reductions, project delays or other funding to make up the difference (*modifies and would supersede language from the body of 30/10 Initiative Position Statement*);

- 7) Prior to approval of a life-of-project budget that exceeds currently committed revenues and prior to approval of a life-of-project budget cost increase, MTA staff will evaluate the possibility of securing the necessary cost savings or revenues for the project. Within the parameters of the MTA Board's policy not to seek transit funds from highway resources, or vice-versa, staff will first seek to identify cost and/or additional funds in a step-by-step manner from:
  - a. Value engineering and/or scope reductions;
  - b. New local agency funding resources;
  - c. Shorter segmentation;
  - d. Other cost reductions within the same transit or highway corridor;
  - e. Other cost reductions within the same sub-region; and,
  - f. Countywide transit cost reductions and/or other funds will be sought using pre-established priorities, as follows:
    - i. Where applicable, Measure R Transit Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 2 of 4, Line 18);
    - ii. Where applicable, Measure R Highway Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 3 of 4, Line 39); and,
    - iii. Where Line 18 is not applicable, the LRTP Near-Term Strategies and Priority Setting Criteria will be followed (Item 9, as Adopted by the Board of Directors in March 2010).
- 8) A specific MTA Board action is required to re-program highway capital project funding for use on transit or highway capital projects as a result of 30/10, unless such re-programming does not result in a net decrease to the highway capital project funding (*from 30/10 Initiative Position Statement*);
- 9) Likewise, a specific MTA Board action is required to re-program transit capital project funding for use on highway capital projects as result of 30/10, unless such re-programming does not result in a net decrease to the transit capital project funding (*from 30/10 Initiative Position Statement*); and,
- 10) Any capital project savings above \$200,000 must return to the Board for approval prior to the reprogramming or transfer of funds to other projects or programs (from Financial Stability Policy).

- 11) **A Regional Facility Area has been established, separate from subregional planning areas, which include Los Angeles International Airport (LAX), Burkank Bob Hope Airport, Long Beach Airport, Palmdale Regional Airport; the Ports of Long Beach and Los Angeles; and Los Angeles Union Station. Any capital project cost increases to Measure R funded projects within the boundaries of these facilities are exempt from the corridor and subregional cost reduction requirements of 7(d) and 7(e) above. Cost increases regarding these projects will be addressed from the regional programs share.**

# ATTACHMENT B

## Measure R Transit Corridor Map With Sub-regional Boundaries

