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EXECUTIVE MANAGEMENT & AUDIT COMMITTEE

MARCH 17, 2010

SUBJECT: IMPROVING MTA POLICIES, PRACTICES & ORGANIZATIONAL STRUCTURE TO ENSURE SUCCESSFUL MEASURE R PROJECT DELIVERY

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file a status report on work pursuant to a motion by Director Villaraigosa and Chair Najarian presented during the Executive Management & Audit Committee on November 19, 2010 (Attachment A) to improve MTA policies, practices and organizational structure to ensure successful Measure R project delivery.

ISSUE

The passage of Measure R will generate an estimated \$38 billion in new revenue over the next 30 years for transit, highway and other transportation programs. These projects will help improve regional transportation service, reduce green house gases and connect commuters to employment centers in Los Angeles County.

In order to keep faith with LA County tax payers, MTA must deliver these projects on-time and on-budget as well as explore ways to accelerate project delivery. One way to expedite transportation projects is through creative procurement and project delivery methods. MTA needs to evaluate its current procurement policies, procedures, practices and organizational structure to ensure that the agency can deliver the projects in the fastest possible timeframe and that there are no institutional barriers that will prevent MTA from achieving the fastest possible project schedules.

DISCUSSION

To assist in complying with the motion, the Chief Executive Officer (CEO) has obtained strategic advisory services from PB Americas (PB). PB was given nine tasks to perform. Their interim status report is provided in Attachment B.

As set forth in the motion, staff formed an *industry peer review and advisory group*. The group consists of private sector companies that provide transportation construction services (including, but not limited to architecture & engineering, construction

management and contractors). It will advise the CEO on potential changes to MTA's procurement policies and processes that will speed up overall project delivery. The group's initial deliberations are incorporated in PB's status report.

NEXT STEPS

PB will continue its work through May and present a final report to the Board in June 2010.

ATTACHMENT(S)

- A. Board Motion
- B. Status Report

Prepared by: Patricia Soto, Administrative Director, Office of the CEO



Paul Taylor
Deputy Chief Executive Officer



Arthur T. Leahy
Chief Executive Officer

**MOTION BY
MAYOR ANTONIO R. VILLARAIGOSA & DIRECTOR ARA NAJARIAN**

**Executive Management and Audit Committee
November 19, 2009**

**Improving MTA Policies, Practices & Organizational Structure
to Ensure Successful Measure R Project Delivery**

The passage of Measure R will generate an estimated \$38 billion in new revenue over the next 30 years for transit, highway, and other transportation programs.

These projects will help improve regional transportation service, reduce green house gases and connect commuters to employment centers in Los Angeles County.

In order to keep faith with LA County tax payers, MTA deliver these projects on-time and on-budget as well as explore ways to accelerate project delivery.

One way to expedite transportation projects is through creative procurement and project delivery methods.

MTA needs to evaluate its current procurement policies, procedures, practices, and organizational structure to ensure that the agency can deliver the projects in the fastest possible time frame and that there are no institutional barriers that will prevent MTA from achieving the fastest possible project schedules.

I THEREFORE MOVE that the MTA Board direct the CEO to

- 1. Form an industry peer review and advisory group consisting of private sector companies that provide transportation construction services - including but not limited to architecture & engineering, construction management, and contractors - to provide recommendations to the CEO on potential changes to MTA's procurement policies and processes that will speed up overall project delivery**
- 2. Evaluate whether MTA's existing procurement department is positioned to efficiently deliver Measure R and other capital projects in the next decade, on both the LRTP and an accelerated 10-year schedule, including but not limited to:**
 - A. Organizational structure, including creation of a construction procurement position within MTA**
 - B. Staffing levels**
 - C. Procurement policies and procedures**

CONTINUED

3. **Evaluate changes to MTA's construction policies, procedures, and practices that could accelerate project delivery schedules, including but not limited to:**
 - A. **Pre-qualification of architecture & engineering, construction management, and construction companies**
 - B. **Increasing the CEO's signature authority and/or Construction Committee authority for contract change orders**
 - C. **Completing all utility work, right-of-way, and pre-construction work before the contract award or notice to proceed for the main project construction**
 - D. **Executing signed agreements with all third party entities (i.e. cities, county, utility companies, etc.) for project design requirements, specifications, and special provisions before contract award**
 - E. **Purchasing or securing futures for raw construction materials (e.g. aggregate, concrete, steel, timber, etc.) in advance of project construction**
4. **Evaluate whether changes to MTA's current audit policies and practices can be made to accelerate project delivery schedules without compromising audit integrity**
5. **Evaluate whether MTA's current project and program management systems conform with the best practices used in the architecture & engineering, construction management, and construction fields and determine whether MTA should upgrade its systems to improve project delivery**
6. **Determine the project delivery schedule savings if MTA received federal approval (e.g. in SAFETEA-LU reauthorization) to study projects under the California Environmental Quality Act (CEQA) in lieu of the National Environmental Policy Act (NEPA)**
7. **Evaluate whether a semi-autonomous or autonomous organizational unit (e.g. construction authority) would enable MTA to deliver projects more effectively**
8. **Consider any other organizational changes that will ensure the fastest possible project delivery**

I FURTHER MOVE that the MTA Board direct the CEO to provide an interim progress report during the March 2010 Board cycle and final recommendations during the June 2010 Board cycle.

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Metro Strategic Advisor

Status Report

Presentation to:

Measure R Project Delivery Committee

March 18, 2010



Approach

- Board Motion (12/10/09)
- Focus on Acceleration of Measure R
- Primary Research
 - Kick-off meeting
 - Held two industry panels
 - Interviewed Metro staff and PB senior staff
- Secondary Research
- Analysis
- Major Themes and Recommendations

Los Angeles Metro – Acceleration of Measure R Status Report

March 1, 2010

Primary Research

- Two industry advisory meetings, received input from private-sector senior executives representing planning, design, construction and finance, senior managers at Metro, and city staff
- Compiled major recommendations into summary reports
- Formulated interview questions and conducted interviews with:
 - Twelve (12) senior staff within PB
 - Nine (9) senior managers at Metro

Secondary Research

- Initial scan of studies relevant to project acceleration, “transportation stakeholder” perspectives
- Identified over sixty (60) reports published by over twenty (20) organizations
- Prepared a first draft of an annotated bibliography
- Received a *Procurement Operations Review*, (aka *Polan Report, 2004*), offering a critique and recommendations of certain aspects of Metro’s Procurement

Analysis

- Compiled and summarized interviews
- Compared recommendations to major elements contained in a number of published reports
- Prepared preliminary SCOT (Strengths, Challenges, Opportunities, Threats)
- Identified general themes/categories/recommendations
- Identified anticipated activities over next two months
- Included (as an appendix to this presentation) recommendations for finalizing and implementing acceleration strategies

Task 1: Industry Peer Review Advisory Meetings 1/29 & 2/19

- **General themes from industry meetings**
 - Consistency
 - Allocation of risk
 - Streamlining of policies, processes and procedures
 - Spirit of partnership



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Task 2: Procurement Department Policies and Procedures

- **Procurement review with emphasis on facilitating ability and commitment to accelerate delivery of program in form of quality projects:**
 - Organizational structure, staffing, policies and procedures
 - Industry advisory group: Metro must be fully educated in relationship of extensive risk transfer to contractors with contract costs and quality of bidders

Figure 1: Potential Sources of Lessons Learned in Procurement Based on Motivators to Accelerate Project Delivery

Changes in Policies and Procedures

EMERGENCY



Major projects completed in days vs. years. Intense managerial focus, accelerated procurement facilitated by emergency status, (e.g. central repository of pre-qualified contractors, IDIQs, waivers to liquidated damages and other risks, pay costs associated with quick response).

High-Profile Events and Projects



Major project schedules compressed 20% to 50%+-. Intense managerial focus, accelerated procurement facilitated by hard deadlines, leadership, extensive coordination and a spirit of cooperation.

Public Agencies with Flexible Funding

Funding allows more flexibility to accelerate project delivery. Performance varies by agency.



Traditional sources of funds (FTA, FHWA). Large programs where acceleration varies widely, by agency.

Major New Systems and Expansions



Time

Task 3: Metro's Construction Policies, Procedures, Practices

Presented below are examples from nearly 30 major strategies identified during the first phase of this study. All but one of the recommendations in the December 10, 2009 Board Motion were identified as methods for accelerating construction .

Category	Observations
Organizational/Policy	<ol style="list-style-type: none">1. Construction as a cohesive, integrated unit with authority to act independently and expeditiously2. Increase CEO/Committee's signature authority beyond current amendment3. Execute signed agreements with third parties
Pre-Construction Activities	<ol style="list-style-type: none">1. Well-defined Program Management Plan<ul style="list-style-type: none">- Types, size of projects (rail, highway, other)- Drills into construction tasks- Drills into labor and construction materials needed
Procurement	<ol style="list-style-type: none">1. Include Prequalification Program2. Pre-purchasing = yes3. Purchasing/securing futures not well supported
Construction Methods and Approach	<ol style="list-style-type: none">1. Extensive use of alternative project delivery methods2. Complete utility work and other enabling projects ahead of the "main project"

Task 4: Audit Department Policies and Procedures

- Minor adjustments could be made to accelerate project delivery, according to review-to-date.
- Potential review/change of long-standing thresholds for some audits, especially in regard to prequalification of small businesses.

Task 5: Metro's Program and Project Management Systems

Presented below are Best Practices from literature, interviews from nearly 30 major strategies identified during the first phase of this study.

Category	Observations
Program Management	<ol style="list-style-type: none">1. Well-defined Program Management Plan<ul style="list-style-type: none">- Types, size of projects (rail, highway, other)- Financing sources and cash flow2. Ongoing assessment of program delivery
Project Management	<ol style="list-style-type: none">1. Stakeholders work as integrated project team2. A "cradle to grave" approach3. Operations is integral to up front planning and is part of delivery team
Skills	<ol style="list-style-type: none">1. Project Managers must have skills2. Skill/experience must match the complexity and demands of projects they manage
Tools	<ol style="list-style-type: none">1. Management reports are timely, concise and provide data in real time2. Transparency is essential

Task 6: CEQA / NEPA

Further review and discussions are required to respond to this task.

- **Document project status relative to existing environmental sponsors and status of Measure R projects**
 - **Metro staff has reviewed a PMIS system to track status of projects that includes status of environmental schedules**

Task 7: Semi-Autonomous or Autonomous Organizational Unit

Category	Observations
Separate Measure R department within Metro	<p>Pros Dedicates staff; effectively manage details, teams and funding; and integrated team</p> <p>Cons Development of separate, streamlined processes; additional FTEs; and possibility of too many components and leaders</p>
JPA for construction	<ol style="list-style-type: none"> 1. Varied opinions of JPA performance 2. Not necessarily an expeditious process 3. Lengthy deliberations distract decision making for accelerating Measure R 4. New organization not a panacea, not advantageous to federal funding
Separate Board committee for approvals	<ol style="list-style-type: none"> 1. Acceleration requires timely decision making 2. Consideration of smaller Measure R Board committee 3. Delegate change order authority at significant threshold level
Independent Measure R "Czar"	<ol style="list-style-type: none"> 1. Members of industry panel recommend appointment of position to oversee program, would report to CEO (similar position on Chicago for school district)

Task 8: Other Organizational Changes

Best Practices noted in literature review and interviews.

- **Board awareness of constructive feedback from industry**
- **Support bold actions to affect change**
- **Strengthen leadership and team building**
- **Increase involvement of other departments and up-front activities associated with accelerating Measure R**
- **Increase organizational capacity for innovation and continuous improvement**
- **All involved must understand that acceleration is not “business as usual”**

Task 9: Funding Strategies

- **February 12, first monthly meeting between Metro Government relations staff and PB consultants to review and discuss:**
 - **New Starts as an accelerated entry, enhancing Metro's position and maximizing opportunities for success**
 - **Exploring flexibility in existing programs, leveraging Measure R at programmatic levels as well as at project-specific level**
 - **Exploring legislative changes – NEPA Delegation**

Tasks 1 – 2: Over the Next Two Months

- **Task 1: Industry Peer Review Advisory Meetings**
 - Interviews with individuals to gather more specifics
 - Expand stakeholder input (e.g. broader supply chain and labor)
- **Task 2: Procurement Department Policies and Procedures**
 - Detailed validation of procurement recommendations against hard examples of procurement tools used by agencies that have successfully accelerated major programs in conjunction with Metro staff observations (See Figure 1)
 - Work with Metro staff to determine key procurement staff characteristics necessary to ensure effective delivery of the Measure R program
 - Follow-up with individuals from industry advisory group for more detailed recommendations
 - Collaborate with Metro staff to prepare flow chart detailing proposed revisions to procurement process to expedite Measure R program delivery

Tasks 3 – 4: Over the Next Two Months

- **Task 3: Metro's Construction Policies, Procedures and Practices**
 - Formulate immediate Board recommendations to improve third party coordination.
 - Implement staff recommendations for improving procurement and increasing CEO's signature authority.
- **Task 4: Audit Department Policies and Procedures**
 - Implement current staff recommendations
 - Audit staff conducted informal poll of other transit agencies. A more comprehensive review of these responses is in order, in addition to review of the audit of other organizations.

Tasks 5 - 6: Over the Next Two Months

- **Task 5: Metro's Program and Project Management Systems**
 - Review establishment of dedicated Measure R program management activities
 - Widen and more effectively engage external stakeholders to provide input
 - Mobilize advocacy with state and feds
 - Consider development of risk management system for early identification and assessment of risks to accelerated delivery of Measure R program
- **Task 6: CEQA/NEPA**
 - Identify efforts to secure approvals as suggested would be effective given existing schedules
 - Review Board Committee configuration
 - Review where Metro can work with Caltrans to expedite highway projects

Tasks 7 – 9: Over the Next Two Months

- **Task 7: Semi-Autonomous or Autonomous Organizational Unit**
 - Further investigation of signature authority issue
 - Review performance of construction authorities
- **Task 8: Other Organizational Changes**
 - Discuss options for expanding participation of Metro departments and industry stakeholders
- **Task 9: Funding Strategies**
 - Hold additional strategy meetings