

# Metro Board Approved Policy

## Construction Management Consultant Services

*Adopted: February 22, 2001*

### Historical Perspective

See Metro's Acquisition Policy Appendix A.2

Before this policy was adopted, the criteria used to estimate the cost of Construction Management Consultant Services included:

1. the size, type and duration of construction projects; and
2. specialized expertise required

After award of the contract, any changes that staff wanted to make had to be within the project's budget and if in excess of \$200,000 are approved by the Board.

Every construction project that is undertaken requires Construction Management consultant services to provide constructability reviews during the design stage, as well as to provide management assistance during construction activities to ensure that the agency's interests are protected so that it receives a completed quality project within budget and on schedule. Construction management can be performed in any of the three following scenarios:

1. Contract out the Construction Management services to outside consulting firms;
2. Perform the construction management with in-house staff; and
3. Perform Construction Management with a combination of in-house staff and outside consultant staff working under agency direction as part of an integrated project organization.

In November 2000, the Board directed staff to submit a cost guideline for Construction Management Consultant Services to the Construction Committee. Staff reviewed the practices of other public agencies and determined that Construction Management Consultant Services

for various size projects ranged from 6% to 14% of the overall Project budgets. An analysis of the Metro Red Line Segment 3, North Hollywood Extension Project, which opened ahead of schedule and within the original budget, revealed that Construction Management Consultant Services costs were 9.6% of the total Project Budget. The Board adopted the latter figure as its guideline for future construction projects.



**Metro**



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MTA BOARD MEETING  
February 22, 2001

Los Angeles County  
Metropolitan  
Transportation  
Authority

One Gateway Plaza  
Los Angeles, CA  
90012

213.922.6000

Mailing Address:

P.O. Box 194  
Los Angeles, CA 90053

**SUBJECT: CONTRACTING OUT OF CONSULTANT CONSTRUCTION MANAGEMENT SERVICES**

**ACTION: APPROVE GUIDELINE FOR CONTRACTING OUT OF CONSULTANT CONSTRUCTION MANAGEMENT SERVICES**

**RECOMMENDATION**

Approve guideline for construction management services of 9.6% of total project cost, and notify the MTA Construction Committee of any change regardless of dollar amount that would increase consultant construction management cost above 9.6% of total project cost.

**ISSUE**

At the November 2000 MTA Board Meeting, Director Knabe requested staff to submit to the Construction Committee a cost guideline for contracting out of consultant construction management services.

**BACKGROUND**

Every construction project that is undertaken requires Construction Management services to provide constructability reviews during the design stage and once in construction to provide management of construction activities to ensure that the Authority's interests are protected and it receives the quality product the authority contracted for, within budget and on schedule. These construction management services could be performed in any of the three following scenarios:

- Scenario 1) Contract out the Construction Management services to outside consulting firms.
- Scenario 2) Perform the construction management service with in-house Authority staff.
- Scenario 3) Perform Construction Management services with a combination of Authority in-house staff and outside contracted consultant staff working under an integrated project organization to avoid duplication of efforts.

Some established agencies that have only one or two large construction projects with no long-term construction program, and most newly formed agencies contract their entire construction management service requirements to outside consultants. This is due to the lack of experienced employees on staff to manage construction projects. In addition, by contracting this work out, the agency is relieved from having to hire and lay off properly experienced employees where there is no potential for a long-term construction program.

Older transit agencies that have long term construction programs such as Baltimore MTA, Washington (WMATA) and Boston (MBTA) perform a large part, if not all of their construction management services, by in-house staff supplemented by staff from outside consulting firms as needed. Attachment Table A shows in more detail what types of services are performed under construction management services for some public transit agencies listed above either by in-house staff or outside consulting firms. Attachment Table B shows similar information for non-transit public agencies.

As can be seen from the attached tables, all of the construction management services for MTA or its predecessor LACTC and RTD, with very few exceptions, were contracted out for Metro Red Line Segments 1, 2 and 3, Metro Blue Line Long Beach to Los Angeles and Metro Green Line.

Attachment Table C shows the construction management costs as a percent of project costs for MTA managed projects.

Metro Red Line Segment 3, North Hollywood Extension, which opened up in June 2000 six months ahead of schedule and within original project budget, and is considered to be a well-managed project, had a 9.6% construction management service costs. The construction management services costs for the North Hollywood Extension were fully contracted out.

It should be noted that the construction management services costs for public transit agencies are typically higher than for private sector companies. This is due to a number of factors as listed below:

- Projects receiving federal and state funding are required to be managed under certain requirements and guidelines.
- Added internal public reporting and procedures requirements necessitate a higher level of administration.
- Involvement and coordination with other public agencies.
- Community relations and public community mitigation efforts.

In addition to the above cost generating growth components, MTA is in a unique position being governed by state legislation AB1869, which has increased the administrative portion of the construction management services.

Up to now MTA and its predecessor LACTC and RTD did not have a firm cost target covering the contracting out of consultant construction management services. Each of the past projects

was evaluated as to their construction management needs and requirements to support a defined scope of work. Based on that scope of work a price was negotiated with the firms and the amount was brought forth to the MTA Board for approval.

Due to the experience level of the MTA Construction staff gained in the past number of years, in-house staff during the past 12 to 18 months has taken on and performed a substantial amount of construction management services covering the Capital Improvement Projects such as the Metro Blue Line Platform Extensions, Modification of bus facilities to accommodate CNG buses, the new Metro Green Line Maintenance of Way Facility to name a few.

A preliminary review of the un-audited costs of consultant construction management services of other public agencies showed a range of approximately 6% to 14% as a percent of total project costs. The agencies that did more construction management services work with in-house staff were generally at the lower end of the range. None of the public agencies that we are aware of have a cap on the cost of contracting out of consultant construction management services. They are generally guided by the complexity of the project and it is associated scope of services.

Overall, construction management services costs will vary from project to project due to the complexity of the project and the public mitigation efforts associated with the project. Complex underground construction work requires a higher level of oversight services than surface construction of a lesser complex nature and thus has a higher construction management services cost.

Based on lessons learned and knowledge of past MTA project construction, staff feels that future construction management services can be performed at a lower cost than previously done using an integrated in-house and consultant staff. As can be seen from the information provided above, due to the variation of the technical nature, the complexity and the various size of the project, it may not be appropriate to set a cap on the contracting out of the consultant construction management services. At present, we are not aware of any other agency that has such a cap. In addition, any amount in excess of \$200,000 for consultant construction management services by Board policy automatically goes to the MTA Board for approval. At that time, we would highlight the consultant construction management services cost as a percentage of project cost and provide more details as to its requirements and necessity.

The Metro Red Line Segment 3, North Hollywood Extension, which opened ahead of schedule and within original budget incurred a 9.6% consultant construction management services cost of total project cost and this percentage cost guideline will be used on future projects for consultant construction management services.

#### ATTACHMENTS

Table A – LACMTA Comparison of Construction Management Services

Table B – Construction Management Comparison Study

Table C – Construction Management Consultant Cost as a Percent of total Project Cost