

Metro Board Approved Policy

Board Delegated Authority

Adopted: January 26, 2017

Historical Perspective

This policy was amended on January 25, 2018.

The Crenshaw/LAX project like many Metro mega projects, is a fast-moving, challenging and complex design-build project. Quick decision-making is required to take advantage of cost and scheduling opportunities and to keep the project moving. A lengthy change order approval process is not consistent with the needs of a large, design-build project and is being addressed at the staff level. Part of the process is the requirement to receive Board of Directors approval for changes above a specified threshold. On the Crenshaw/LAX Project, this threshold is for any change above \$1 million. As Metro projects have grown in size and complexity over the years, the authorization levels have not kept pace with the demands of the projects. On a large mega-project, the thresholds requiring approval are easily exceeded. The need to bring a contract modification to the Board for approval can add two months to the schedule when contractors could have started the work immediately. This time can be critical to project schedules and risks exposure to extended overhead payments due the contractor, should the project be delayed.

As mentioned in the most recent Los Angeles Construction Market Analysis Update received by the Board in September 2015, contractors have indicated that delays in processing changes to be a significant risk when working on Metro projects. As a result they have had to include contingencies in their proposals to address this risk. This delay also puts DBEs subs at risk of not receiving timely payment for work performed.



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Therefore, staff is proposing CEO authority, as a one-year pilot, to execute contract project related agreements including contract modifications up to the Life of Project budget subject to monthly reporting requirements, that would include any pending project-related agreements, change orders/contract modifications and any significant changes to contract contingency. This action will allow the Board to see in advance all project-related agreements and change orders but would allow the staff the flexibility, responsibility and authority to manage this large, fast moving project consistent with the need for rapid decision-making and Project Schedule. Any change that results in a LOP budget increase would still require Board approval, which is the most critical aspect of managing projects. This approach is consistent with other transit agencies including San Jose, Seattle, and Denver.

In addition, staff would continue to report on the project budget, project labor agreement and small business/disadvantaged business compliance as part of the monthly updates to the Construction Committee and the detailed monthly reports that are issued to all stakeholders including the Board.

The benefits of this action:

- Provides staff with the flexibility, responsibility and authority to manage this large, fast moving project consistent with the need for rapid decision-making and project schedule.
- Still requires approval for any action requiring a LOP budget increase.
- Keeps the big picture focus on overall project budget management as opposed to detailed change orders.
- Consistent with industry best practices for time sensitive, effective project management.

Under the current pilot program, changes and modifications are thoroughly reviewed and evaluated by a number of Program Management and Vendor/Contract Management (V/CM) executive management staff as follows:

- Up to \$500,000 by Director, Contract Administration and Project Manager;
- Above \$500,000 up to \$1M by Executive Officer, Vendor/Contract Management (V/CM) and Deputy Chief Program Management Officer;
- Above \$1M up to \$5M by Chief V/CM Officer and Chief Program Management Officer; and
- Above \$5M are elevated to the CEO for approval.



Board Report

File #: 2017-0924, **File Type:** Motion / Motion Response

Agenda Number: 31.1.

**REGULAR BOARD MEETING
JANUARY 25, 2018**

Motion by:

GARCETTI, BUTTS, AND DUPONT-WALKER

Board Delegated Authority

In January 2017, the MTA Board approved a one-year pilot to delegate the CEO the authority to execute project agreements up to the Life-of-Project (LOP) budget for the Crenshaw/LAX, Regional Connector, and Purple Line Extension Section 1 & 2 projects.

The one-year contract authority pilot program appears to be effective, and MTA states that the pilot has generated an estimated of over \$20 million in cost savings.

The pilot program allows quick decision-making to avoid potential delays, allows for DBE's to receive adequate compensation, and avoids delays in payments.

An additional benefit also includes the lowering of cost risk factors when interested bidders submit their proposals.

Currently, MTA Chief Program Management Officer provides a monthly project status update at MTA Construction Committee that includes a Change Activity list for each capital transit project.

Each change consists of one line item with a brief description and cost.

Additional details on the justification for each change are required to enhance transparency, Los Angeles County voters expect every tax dollar is accounted for in a transparent manner.

With the flexibility of executing project agreements up to the Life-of-Project (LOP) budget, it should also come with greater responsibilities in accountability.

SUBJECT: MOTION BY GARCETTI, BUTTS, AND DUPONT-WALKER

Board Delegated Authority

WE THEREFORE MOVE that the Board direct the CEO to:

- A. Include the following information in the form of quarterly report to the Board:

1. Provide a detailed description and explanation of each change order above \$500,000 issued and executed;
 2. Provide details of the timeline for each change order and/or claim that is submitted and approved. Including the date of contractor submission and MTA execution;
 3. Include the contract modification and/or change order amount that was submitted and what was approved by MTA staff and/or the CEO; and
 4. Issue the first quarterly report to the Board by April 2018.
- B. Include the following pre-conditions to ensure accountability:
- All MTA transit and regional rail capital projects program-wide must establish a Life of Project budget at the beginning of the project in order to be eligible for inclusion in this policy.

WE FURTHER MOVE that the Inspector General:

- C. Perform periodical random spot-check audits of these projects to ensure to the Board that the system and policy are performing in the manner described in the recommendation.