



**PLANNING & PROGRAMMING COMMITTEE  
AUGUST 18, 2004**

**SUBJECT: PROGRAMMING COST CHANGES – STATE HIGHWAY PROJECTS**

**ACTION: RECEIVE AND FILE ANNUAL REPORT**

**RECOMMENDATION**

Receive and File this Annual Report on the MTA Policy for Programming Cost Changes For STIP and Federal/Local Funded State Highway Projects for both FY 2002-2003 and FY 2003-2004.

**ISSUE**

The Board first adopted the Policy For Programming Cost Changes For STIP Highway Projects on March 25, 1999 to streamline the MTA review and approval process for Caltrans requested project cost, schedule and scope changes of projects in design and/or construction. The policy covered only STIP funded state highway projects. On June 23, 2000, the MTA Board revised the Policy by adding Federal/Local funded state highway projects (Attachment A). The Policy provides that Caltrans STIP and Federal/Local funded state highway project cost change requests cumulative to \$5,000,000 and requests for cost neutral changes between two or more projects in a major corridor, may be approved by the MTA CEO after a thorough engineering technical review demonstrates the changes are technically warranted. In addition, the Policy provides for an annual report to be presented to the Board summarizing all Caltrans requests that were administratively approved by the CEO.

**BACKGROUND**

The “Policy For Programming Cost Changes For STIP and Federal/Local Funded State Highway Projects” (Policy) has been implemented and procedures are in place for carrying out all of the responsibilities listed in the Policy by both Caltrans and MTA staff. STIP funds include both state-only funds derived from state transportation taxes and federal funds such as Surface Transportation Program funds allocated to the states under TEA-21 statutes. Federal/Local Funds include federal CMAQ and RSTP funds that are programmed by MTA and local Prop C 25% funds.

MTA staff during the last two years from May 1, 2002 to April 30, 2004 has processed seven cost change requests from Caltrans under the Policy. Attachment B summarizes the scope, schedule and cost change requests that were approved between May 1, 2002 and April 30, 2003. Attachment C summarizes the scope, schedule and cost change requests that were approved between May 1, 2003 and April 30, 2004. Under the Policy, a two-week advance notice is sent to Board Members before the administrative action is finalized.

In FY 2002-2003 (May 1, 2002 to April 30, 2003) the total cumulative amount of cost changes that MTA approved administratively for Caltrans' projects was \$8,304,230 for four projects. Three of the cost change requests approved were for cost increases, generally due to unplanned and unexpected changes to projects due to conditions discovered after the projects were well into design or construction. In one of these cases all bids came in slightly higher than estimated. For the fourth project, the increase was recommended to avoid unnecessary reconstruction. Two of the four projects were approved through a cost neutral fund swap or advance which did not require additional programming of funds. Of the \$8,304,230, a total of \$5,765,000 required programming new federal dollars which will be deducted from the freeway modal category funding target in the next Call for Projects.

In FY 2003-2004 (May 1, 2003 to April 30, 2004) the total cumulative amount of cost changes that MTA approved administratively for Caltrans' projects was \$2,445,000 for three projects. Two of the cost change requests were approved for cost increases, generally due to unplanned and unexpected changes to projects due to conditions discovered after the projects were well into design or construction. The third project was not a cost increase since there was a realignment of funds between the design and construction phase but no cost change to the overall project budget. Of the \$2,445,000, a total of \$445,000 required programming new STIP dollars which will be deducted from the freeway modal category funding target in the next Call for Projects.

The administrative approval process continues to work well in improving the efficiency of the overall MTA administrative process by providing a more timely procedure for approving unexpected cost increases for state highway projects. The streamlined procedure has successfully helped to keep state highway projects on schedule and assisted Caltrans in obtaining funding allocation votes from the California Transportation Commission in a more timely manner.

## **NEXT STEPS**

Staff will continue to process requests for cost increases for Caltrans' STIP and Federal/Local funded state highway projects under the Policy and submit the Annual Report.

## **ATTACHMENTS**

- A. Board Policy For Programming Cost Changes For STIP and Federal/Local Funded State Highway Projects (Approved June 23, 2000)

- B. Annual Report Summary (FY 2002-2003) – Administratively Approved – STIP, Federal and Local Funded State Highway Projects - Scope, Schedule And Cost Changes (May 1, 2002 to April 30, 2003)
- C. Annual Report Summary (FY 2003-2004) – Administratively Approved – STIP, Federal and Local Funded State Highway Projects - Scope, Schedule And Cost Changes (May 1, 2003 to April 30, 2004)

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**BOARD POLICY  
FOR PROGRAMMING COST CHANGES FOR  
STIP AND FEDERAL/LOCAL FUNDED  
STATE HIGHWAY PROJECTS  
(Approved June 23, 2000)**

To assure an expeditious and reasonable technical review and assessment of requests for the disposition of cost savings or for additional funding for freeway projects listed in the State Transportation Improvement Program (STIP) and for federal/local funded projects in the HOV Lane Program, the MTA establishes the following Policy:

I. Caltrans Responsibilities:

- a. Caltrans will continue its current internal process of rigorously reviewing, assessing and scrutinizing all proposed contract cost changes as provided for in its Construction Manual and Standard Specifications; and its approval process that requires approval by the Resident Engineer, the Project Manager and District management, and for certain specialized projects, concurrence by Headquarter personnel with specialized expertise.
- b. Caltrans shall keep MTA informed on the status of all projects in the STIP and TIP Call For Projects, including the progress against the original schedule as established during the first STIP or TIP Call For Projects program and the status of all change orders and the use of contingency funds.
- c. Caltrans shall provide MTA with copies of the Project Study Report (PSR), the Project Report (PR), the environmental document, the Plans, Specifications and Estimates (PS&E), the construction plans and the bid contract package for each STIP Project and for each federal/local funded project in the HOV Lane Program.
- d. Caltrans shall submit requests for additional funds to MTA approximately 12 weeks before the Board meeting date to allow MTA staff sufficient time to review the request, and if appropriate, prepare a Board Report for the next appropriate Board Meeting.
- e. Caltrans will notify MTA staff of its monthly Project Management Information Meetings so MTA staff can attend to ensure ongoing project specific monitoring that will enable early identification of potential changes including cost increases/reductions.
- f. Caltrans will continue to deal with issues involving the benefits of a freeway project, the impacts on the community and the mitigation measures proposed for a project.

## II. MTA Staff Responsibilities

- a. MTA will maintain a log and a running total of all cost increases and cost savings in Caltrans project funding that would impact Los Angeles County STIP Shares.
- b. MTA will make appropriate adjustments in TIP Call For Projects Freeway HOV/Gap Closure category funding marks to reflect the running total of all cost increases granted or for all cost savings for STIP and TIP Call For Projects projects.
- c. MTA staff, in consultation with Caltrans or the local sponsoring agency and concurrently with Caltrans' internal review process, will review and evaluate all requests for additional funds for STIP and federal/local funded projects in the HOV Lane Program and make appropriate recommendations to the Board.
- d. Project cost-change requests accumulative to \$5,000,000, including requests for cost neutral changes between projects in a major corridor, for STIP projects and for federal/local funded projects in the HOV Lane Program may be approved by the CEO after a thorough staff engineering technical review demonstrates the changes are technically warranted. The CEO shall submit to the Board an informational report for each cost increase request at least two weeks before administrative approval of the request. Furthermore, an annual report shall be presented to the Board summarizing all requests approved by the CEO.
- e. Before the MTA staff makes recommendations for supporting a request for supplemental funds for STIP projects and for federal/local funded projects, a thorough review and assessment of the reasons for the cost increases and the benefits that will be derived from the additional costs shall be conducted. MTA staff will coordinate with the staff of each Board Member in whose district the project is located during the review and assessment of each cost increase request. There must be reasonable benefit/value added to Los Angeles County before staff can recommend support for additional funding.
- f. Reasons for requests for additional funds include: project scope changes (including cost neutral changes), added environmental mitigation measures, STIP Amendments, inflation and changing economic cycles, bids higher than Engineer's Estimate/programmed amount, delay in projects due to weather, unforeseen circumstances, or transfer of work between projects.
- g. MTA staff will participate in Caltrans monthly Project Management Information Meetings to monitor projects to enable early identification of potential changes including cost increases/reductions.

**ATTACHMENT B**

**ANNUAL REPORT SUMMARY (FY 2002-2003)  
ADMINISTRATIVELY APPROVED  
STIP FEDERAL AND LOCAL FUNDED STATE HIGHWAY PROJECTS  
SCOPE, SCHEDULE AND COST CHANGES  
(May 1, 2002 to April 30, 2003)**

Line No.	Project Name	EA Project Number	Sponsor	Original Cost (\$)	Cost Changes		Type of Funds			Cumulative Cost Changes (\$)	Approval Date	Comments
					Amount (\$)	%	STIP	Fed.	Prop C			
1	<b>I-5 HOV Lanes from Route 118 to Route 14 (Design)</b> Freeway widening to meet updated state safety guidelines requirements, design for utility relocations, and updated noise study report.	07-122001	Caltrans	2,610,000	1,450,000	55.6%			X	1,450,000	10/1/02	Cost Neutral Fund Swap from project savings from an adjacent project.
2	<b>I-5 Soundwall Project along the NB I-5 from Hollywood Way to Sunland Blvd.</b> Advance roadway work and structural items constructed to accommodate future HOV lanes to avoid having to reconstruct soundwall when future HOV is constructed.	07-023121	Caltrans	1,130,904	1,089,230	96.3%*	X			2,539,230	11/15/02	Cost Neutral Fund Advance for roadway construction will reduce overall cost of future HOV lanes project.
3	<b>Route 405 HOV Lanes from Route 105 to Route 90</b> Additional funds to award construction contract; lowest bid was 4% higher than engineer's estimate.	07-1198U	Caltrans	30,615,000	1,123,000	3.7%		X		3,662,230	12/17/02	
4	<b>Route 405 HOV Lanes from Route 90 to Route 10</b> Additional design and safety features, including safety median barriers and concrete shoulders, incorporated to comply with updated federally mandated safety requirements.	07-1178U1	Caltrans	143,196,000	4,642,000	3.2%		X		8,304,230	4/17/03	

\* Increase was to advance work from a future project to avoid duplications. Project savings from future project will offset this increase.

**ATTACHMENT C**

**ANNUAL REPORT SUMMARY (FY 2003-2004)  
ADMINISTRATIVELY APPROVED  
STIP FEDERAL AND LOCAL FUNDED STATE HIGHWAY PROJECTS  
SCOPE, SCHEDULE AND COST CHANGES  
(May 1, 2003 to April 30, 2004)**

Line No.	Project Name	EA Project Number	Sponsor	Original Cost (\$)	Cost Changes		Type of Funds			Approval Date	Comments
					Amount (\$)	%	STIP	Fed.	Prop C		
1	Route 14 HOV Lanes from Pearblossom Highway to Avenue P-8 (Design and Construction) Increase in design costs.	07-125201 07-125204	Caltrans	40,834,000	2,000,000	0.0%*		X		10/17/03	Cost Neutral Fund Swap between project design and construction phases - no increase to total project cost.
2	I-405 Extend NB HOV from Ventura Blvd to Burbank Blvd. Additional acquisition of construction easement and permanent footing easement.	07-19962	Caltrans	6,237,000	150,000	2.4%	X			2/9/04	
3	Route 110 Freeway Widening (Post Mile 39.6 to 41.4) Claims for Contract Change Orders (CCO).	07-118084	Caltrans	16,100,000	295,000	1.8%	X			4/30/04	

\* No change to overall project budget (see Comments column)