



**PLANNING & PROGRAMMING COMMITTEE
AUGUST 17, 2005**

SUBJECT: PROGRAMMING COST CHANGES – STATE HIGHWAY PROJECTS

ACTION: RECEIVE AND FILE ANNUAL REPORT

RECOMMENDATION

Receive and File this Annual Report on the METRO Policy for Programming Cost Changes for STIP and Federal/Local Funded State Highway Projects for FY 2004-05.

ISSUE

The Board first adopted the Policy For Programming Cost Changes For STIP Highway Projects on March 25, 1999 to streamline the METRO 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 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 METRO 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 METRO 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 METRO and local Prop C 25% funds.

Staff during the FY 2004-05 has processed five (5) cost change requests from Caltrans under the Policy. Attachment B summarizes the scope, schedule, and cost change requests that were approved between July 1, 2004 and June 30, 2005. Under the Policy, a two-week advance notice is sent to Board Members before the administrative action is finalized.

In FY 2004-05 (July 1, 2004 to June 30, 2005) the total cumulative amount of cost changes that METRO approved administratively for Caltrans' projects was \$9,287,450 for five (5) projects. In three of the cost change requests approved, the lowest construction bid prices exceeded the engineer's estimate primarily due to significant increase in price of materials, specifically, concrete and steel. One of the cost change requests approved was due to right of way cost increase and the other was due to an unusual noise abatement study.

The administrative approval process continues to provide a more timely procedure for approving unexpected cost increases for State highway projects. In FY 2004-05, the streamlined procedure has successfully helped Caltrans to award construction contracts without further delay and to keep projects on schedule.

During FY 2004-05, staff also received other cost change requests from Caltrans. These other cost change requests were approved by Board actions and were not processed under the Policy, and therefore, are not included in Attachment B. Again, these other cost change requests were due to significant increase in material costs, concrete and steel, in particular.

NEXT STEPS

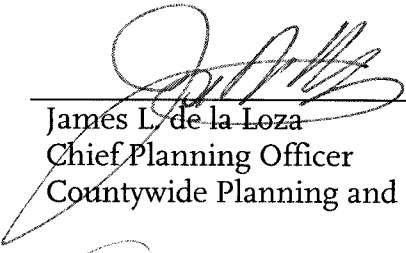
Staff will continue to process requests for cost increases for Caltrans' STIP and Federal/Local funded state highway projects under the Policy and submit the Annual Report.

ATTACHMENTS

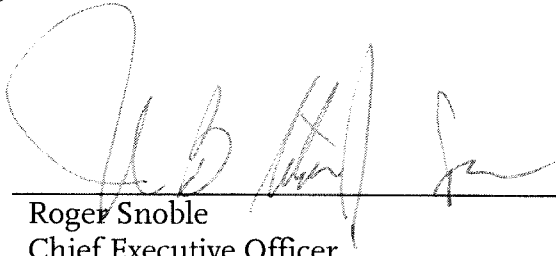
- A. Board Policy For Programming Cost Changes For STIP and Federal/Local Funded State Highway Projects (Approved June 23, 2000)
- B. Annual Report Summary (FY 2004-05) – Administratively Approved – STIP, Federal and Local Funded State Highway Projects - Scope, Schedule and Cost Changes (July 1, 2004 to June 30, 2005)

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ATTACHMENT A

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 LACMTA 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 LACMTA 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 LACMTA 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 LACMTA approximately 12 weeks before the Board meeting date to allow LACMTA staff sufficient time to review the request, and if appropriate, prepare a Board Report for the next appropriate Board Meeting.
- e. Caltrans will notify LACMTA staff of its monthly Project Management Information Meetings so LACMTA 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. LACMTA Staff Responsibilities

- a. LACMTA 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. LACMTA 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. LACMTA 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 LACMTA 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. LACMTA 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. LACMTA 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 2004-05)
ADMINISTRATIVELY APPROVED
STIP FEDERAL AND LOCAL FUNDED STATE HIGHWAY PROJECTS
SCOPE, SCHEDULE AND COST CHANGES**

(July 1, 2004 to June 30, 2005 *)

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	I-405/US-101 Connector Gap Closure	07-20120	Caltrans	38,911,000	4,996,600	12.8		X	4,996,600	08/03/04	Right-of-Way cost increase not covered by State funds
2	I-405 HOV from I-105 to SR-90	07-1198U	Caltrans	35,955,300	197,750	0.5		X	5,194,350	09/02/04	Cost increase was due to an unusual and extraordinary noise abatement study.
3	SR-1 Widen Loyola Marymount University Drive to La Tijera Blvd.	07-1661A	Caltrans	3,190,000	834,000	26.0		X	6,028,350	01/31/05	Lowest bid was higher than engineer's estimate.
4	SR-90 Extension of SR-90 west of Culver Boulevard	07-1693A	Caltrans	2,280,000	1,090,100	48.0		X	7,118,450	01/31/05	Lowest bid was higher than engineer's estimate.
5	SR-90 Construct SR-90/Centinela Avenue Interchange	07-1693C	Caltrans	10,950,000	2,169,000	20.0		X	9,287,450	01/31/05	Lowest bid was higher than engineer's estimate.

* The FY2003-04 Annual Report covers the time period up to April 30, 2004. This Annual Report covers the time period from July 1, 2004 to June 30, 2005. No cost change request was approved during the period between May 1, 2004 and June 30, 2004.