



**PLANNING AND PROGRAMMING COMMITTEE
SEPTEMBER 19, 2007**

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

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the Annual Report on the Metro Policy for Programming Cost Changes for STIP and Federal/Local Funded State Highway and Soundwall Projects for FY 2006-2007.

ISSUE

As required by Metro Board Policy for Programming Cost Changes to State Highway and Soundwall Projects, this Annual Report (Attachment A) lists the various instances the Policy was utilized in the past fiscal year to address cost changes. The Policy was used to address cost increases on two freeway projects. For each project, a standardized one-page report was distributed to Metro Board members. Per the Policy, the cost increases were administratively approved after 10 days, if no objections were received.

BACKGROUND

The Metro Board first adopted the Policy on March 25, 1999 to streamline the Metro review and approval process for Caltrans requested cost, schedule and/or scope changes of projects in design and/or construction. The Policy further capped administrative approval at \$5 million in the aggregate per project. The Policy can also be used for cost neutral changes between two or more projects in a major corridor.

At that time, the Policy covered only STIP funded state highway projects. On June 23, 2000, the Metro Board revised the Policy to include federal and local funding as well. Most recently, on October 26, 2005, the Metro Board further amended the Policy to include changes to federal/local funded soundwalls up to a maximum of \$1 million per package. (Attachment B)

Administrative Approval Procedures

Upon receiving a request from Caltrans consistent with the Policy, Metro reviews the engineering issues with Caltrans to determine if the proposed change is warranted. If so, a one-page report is prepared and distributed to Board members detailing the reason for the change, the original programmed amount and the revised amount identifying a source of funding. The CEO is authorized to approve the cost change administratively, if there are no objections from the Board within the 10-day comment period.

Annual Report

During FY 2006-2007, two (2) cost change requests for a total cumulative amount of \$4,780,000 were processed. For these projects, the final design estimates increased due to the costs of concrete and steel and/or Right-of-Way capital and relocation costs. No soundwall project was reported this year.

As a point of clarification, during FY 2006-2007, other cost change requests from Caltrans, which were not addressed under this Policy were received. These other cost change requests were approved via formal Board actions, and therefore, are not included in this report.

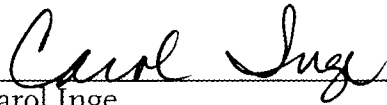
NEXT STEPS

Future requests for cost increases will continue to be processed as required by the Policy. The Board will be updated at the end of FY 2007-2008.

ATTACHMENTS

- A. Annual Report Summary (FY 2006-2007) – Administratively Approved – STIP, Federal and Local Funded State Highway Projects - Scope, Schedule And Cost Changes (July 1, 2006 to June 30, 2007)
- B. Board Policy for Programming Cost Changes for State Highway Projects (Amended October 26, 2005)

Prepared by: Suah Pak, Planning Manager
Brian Lin, Acting Director
San Fernando Valley/North County Area Planning Team



Carol Inge
Chief Planning Officer
Countywide Planning and Development



Roger Snoble
Chief Executive Officer

ANNUAL REPORT SUMMARY (FY 2006-2007)
ADMINISTRATIVELY APPROVED

STIP, FEDERAL AND LOCAL FUNDED STATE HIGHWAY PROJECTS
SCOPE, SCHEDULE AND COST CHANGES

(July 1, 2006 to June 30, 2007)

Line No.	Project / Reasons for Cost Increase	EA Project Number	Sponsor	Original Cost (\$)	Cost Changes		Type of Funds		Cumulative Cost Changes (\$)	Approval Date	Comments
					Amount (\$)	%	STIP	Fed.			
1	I-105 Sepulveda Blvd Off-Ramp Widening Project: Widen I-105 WB Sepulveda Blvd off-ramps, between Sepulveda Blvd and Nash Street, from one to two lanes. <u>Cost Increase:</u> for Right-of-Way and Construction. Construction costs have increased by 22.0% from September 2005 to present. Right-of-Way capital and support costs have increased from the original cost estimate prepared in 2003, including relocation of utilities and tenants improvements.	07-178504	Caltrans	17,907,000	1,780,000	9.9%			X	4/7/07	Total cost increase is \$8,480,000 (47.4% of original project cost). Metro's share of \$1,780,000 represents 9.9% of the original project cost. All parties agreed to fund the total cost increase amount proportionately based on the original percentage shares for the project: - Metro: \$1,780,000 (21%); - Caltrans: \$5,767,000 (68%); - LADOT/LAWA: \$933,000 (11%).
2	I-5 Western Ave Interchange Modification Project: Modify I-5 Western Ave Interchange and realign ramps between Sonora Ave and Allen St in the City of Glendale. <u>Cost Increase:</u> for Right-of-Way capital. Since the original cost estimates were developed in 2001, there has been an increase in property values and costs associated with relocation of businesses within the project area. Caltrans has updated the Right-of-Way costs; the additional funds will fully-fund the project.	07-1786A1	Caltrans	28,087,000	3,000,000	10.7%			X	5/18/07	Caltrans has committed funding for construction.
TOTAL											4,780,000

**BOARD POLICY
FOR PROGRAMMING COST CHANGES FOR
STIP AND FEDERAL/LOCAL FUNDED
STATE HIGHWAY PROJECTS**

(Approved March 25, 1999; Amended June 23, 2000; Amended October 26, 2005)

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, **and for federal/local funded soundwall projects**, 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 Metro informed on the status of all projects in the STIP and TIP Call For Projects **and federal/local funded soundwall 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 Metro 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, **and for each federal/local funded soundwall project**.
 - d. Caltrans shall submit requests for additional funds to Metro 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 Metro staff of its monthly Project Management Information Meetings so Metro 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 Responsibilities

- a. Metro 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. Metro 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. Metro 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 federal/local funded soundwall packages and make appropriate recommendations to the Board. **Typically, qualifying soundwall projects along individual freeways will be grouped together into a "package" for contracting and cost efficiencies.**
- 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, **and cost-change requests accumulative to \$1,000,000 per soundwall package for federal/local funded soundwall projects,** 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 requested 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 Metro 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. Metro staff will participate in Caltrans monthly Project Management Information Meetings to monitor projects to enable early identification of potential changes including cost increases/reductions.