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**PLANNING AND PROGRAMMING COMMITTEE
JULY 15, 2009**

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

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the Annual Report on our Policy for Programming Cost Changes for State Transportation Improvement Program (STIP) and Federal/Local funded State Highway and Soundwall Projects for FY 2008-2009.

ISSUE

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

BACKGROUND

The MTA first adopted the Policy on March 25, 1999 to streamline the review and approval process for Caltrans requested cost, schedule and/or scope changes for projects in design and/or construction and 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. Originally, it covered only STIP funded State Highway Projects. On June 23, 2000, MTA revised the Policy to include federal and local funding. On October 26, 2005, the Policy was further amended to include changes to federal and local funded Soundwalls up to a maximum of \$1 million per package (Attachment B). Most recently, on March 26, 2009, MTA approved the Caltrans Cost Control procedure to control cost changes for highway and Soundwall projects.

Administrative Approval Procedures

Upon receiving a request from Caltrans consistent with the Policy, our Construction department reviews the request to determine whether it is warranted and if costs are reasonable for the work being performed. If the request is warranted and reasonable, a one-page report is prepared and distributed to MTA Board members detailing the reason for the change, the original programmed amount and the revised amount identifying a source of funding. The Chief Planning Officer is authorized to approve the cost change administratively, if there are no objections from MTA Board members within the 10-day comment period.

Annual Report

During FY 2008-2009, we processed two cost change requests from Caltrans as summarized in Attachment A. For the year, the total cumulative cost changes approved under the Policy totaled \$1,828,528. The first cost change request was approved to address a final close-out claim that included overhead and material escalation costs. The request did not impact the overall total project budget, but needed MTA authorization due to the order being equal or greater than \$200,000. The second request realigned funds between the design and construction phases of the project and did not affect the overall project budget.

As a point of clarification, during FY 2008-2009, other cost change requests from Caltrans were received. However, these requests were approved by formal actions, and therefore, are not included in this report.

NEXT STEPS

Future requests for cost changes will continue to be processed as required by the Policy and the Cost Control Procedure. The MTA will be updated at the end of FY 2009-2010 on any administratively approved cost changes for both highway and Soundwall projects that fall under the Policy.

ATTACHMENTS

- A. Annual Report Summary FY 2008-2009
- B. MTA Policy for Programming Cost Changes for State Highway Projects (Amended October 26, 2005)

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**ANNUAL REPORT SUMMARY (FY 2008-2009)
ADMINISTRATIVELY APPROVED
STIP, FEDERAL AND LOCAL FUNDED STATE HIGHWAY PROJECTS
SCOPE, SCHEDULE, AND COST CHANGES
(July 1, 2008 to June 30, 2009)**

Line No.	Project/ Reasons for Cost Adjustment	EA Project Number	Sponsor	Original Cost (\$)	Cost Changes Amount (\$)		Type of Funds	Cumulative Cost Changes (\$)	Approval Date	Comments
					Amount (\$)	%				
1	<p>Route 405 SB HOV Lane between Wilshire Blvd. and US 101</p> <p>The Cost Change Order was an adjustment to overhead and material escalation cost.</p>	EA -1667U3 EA -1667U4	Caltrans	\$ 20,334,298	0	0	Prop C	0	July 24, 2008	The Cost Change Order in the amount of \$328,528 covered a final close-out claim. The cost adjustment did not impact the overall total project cost.
2	<p>I-5/SR-14 High Occupancy Vehicle Lane Connector</p> <p>The Cost increase in Design covered various modifications required for the completion of the project.</p>	EA-168001	Caltrans	\$ 161,100,000	0	0	Prop C	0	June 30, 2009	Cost neutral adjustment of \$1,500,000 from Construction Support funds to cover Design Support to complete design modifications required to deliver the project.

**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 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 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.