

ATTACHMENT E

SOUNDWALL PACKAGE 11 HIGHWAY PROJECT

Measure R and Measure M Unified Cost Management Policy Analysis

Introduction

The Measure R and Measure M Unified Cost Management Policy (the Policy) was adopted by the Metro Board of Directors in June 2018. The precursor Measure R cost management policy was adopted in March 2011. The intent of the Policy is to inform the Metro Board of Directors regarding cost increases to Measure R- and Measure M-funded projects and the strategies available to close a funding gap. The Soundwall Package 11 Highway Project (the Project) is subject to this policy analysis.

The life of project (LOP) budget for the Project as approved by the Board is \$89,183,000. The Project is subject to the Policy analysis now due to a proposed \$13,303,000 increase to the LOP budget. Funding for the cost increase is needed through FY 2022. This analysis recommends trade-offs required by the Policy to identify cost reductions or the funds necessary to meet the cost increase.

Measure R and Measure M Unified Cost Management Policy Summary

The adopted Policy stipulates the following.

If a project cost increase occurs, the Metro Board of Directors must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Increases will be measured against subsequent actions on cost estimates taken by the Metro Board of Directors, including the determination of the budget. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order as appropriate:

- 1) Scope reductions;
- 2) New local agency funding resources;
- 3) Value Engineering;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same subregion; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

Scope Reductions or Value Engineering

The Project has an awarded Design/Bid/Build contract with a FY 2022 estimated completion. Any scope reduction or value engineering would require negotiation and agreement with the contractor that could delay the schedule. Because of this, we recommend moving to the next step.

New Local Agency Funding Resources

Local funding resources (i.e., specific to the affected corridor or subregion) are considered in the next step as opposed to countywide or regional sources so as not to

impact the funding of other Metro Board-approved projects and programs or subregions in the County.

The Project is a component of the broader Metro soundwall program, which consists of the construction of soundwalls throughout the county that meet state eligibility criteria. The program is prioritized into a Phase I (required to be constructed as part of High Occupancy Vehicle Lanes projects but were deferred) and Phase II (all others). Within Phase I, there are three priority lists. Priority 1 projects are completed. Priority 2 projects, which include the Soundwall Package 11 Highway Project, have funding programmed in the Long-Range Transportation Plan (LRTP) financial forecast. All the Priority 2 projects have funded LOP budgets approved by the Board, with the exception of three remaining Package 12, 13, and 14 projects, which are in the project initiation/approval stage. The Priority 3 projects are currently programmed in the LRTP beginning in FY 2035.

The Project is eligible for Measure R funding and is allocated a portion of the \$250,000,000 of funding in the Measure R sales tax ordinance Expenditure Plan from the highway project entitled "Countywide Soundwall Construction." The Measure R funds have been programmed to the Priority 1 and Priority 2 projects, including Package 12, 13, and 14.

As the Package 12, 13, and 14 projects do not have a LOP budget and are still in the project development phase, a portion of the Measure R funding equal to \$13,303,000 can be reprogrammed and allocated to the LOP increase on the Project. This will reduce funding for the Package 12, 13, and 14 projects and may result in a need to seek additional, future State and or federal grant funding, or local funding. The Package 12, 13, and 14 projects are within subregions that have been programmed Proposition C 25% "replacement project credits" and these could potentially be used.

Other Cost Reductions within the Same Transit or Highway Corridor, or within the Same Sub-region

The Project is in the same subregion as the I-5 North Capacity Enhancements project. This project is under construction and it is currently not known if there will be any future cost reductions. This project has a proposed \$73,200,000 increase to the LOP budget, and the funding for this (pending Board approval), would use all remaining Measure R 20% highway funds programmed to the project, and would then not be available for the LOP increase to the Soundwall Package 11 Highway Project. The project also has unused Proposition C 25% "replacement project credits" that are programmed; however, these are currently not available for use until the third decade of the LRTP.

Countywide Cost Reductions and/or Other Funds

If new local agency resources are not allocated to the Project cost increase, regional or countywide funding could be considered. These funds are programmed for other uses in Metro's financial forecast, during the timeframe when funds are needed for the Project cost increase, and additional debt financing would be needed to provide sufficient cash

flow for the Project cost increase. The primary eligible source of countywide funding is Proposition C 25%.

State and Federal Funding (Formula)

Metro receives quasi-formula funding from the State through the Regional Improvement Program (RIP) and Local Partnership Program (LPP). This is considered regional funding as it can be applied countywide to both transit and highway spending. There is currently no capacity in the RIP or LPP through FY 2025. The RIP has been allocated to projects submitted in Metro's 2020 RTIP and the next cycle of the LPP is planned to be used on the \$801 million Division 20 project. Metro also receives an allocation of funds from the "Highway Infrastructure Program," which is a federal formula grant created in 2018 for uses that include the construction of highways, bridges, tunnels, transit capital, and ITS; operational improvements; highway and transit safety improvements; and pedestrian and bicycle projects, among others. Funding from this grant will be programmed in the pending 2021 Short Range Transportation Plan.

Recommendation

Metro staff recommends the use of \$13,303,000 of Measure R 20% highway funds that are currently programmed to the Priority 2, Package 12, 13, and 14 projects to address the Project LOP budget increase. Funding for the Package 12, 13, and 14 projects will be identified at the time the scope and cost are determined.