

## ANALYSIS OF UNIFIED COST MANAGEMENT PROCESS AND POLICY FOR MEASURE R PROJECTS

### Introduction

The Measure R Cost Management Process and Policy (the Policy) was adopted by the Metro Board of Directors in March 2011. The Policy caps Measure R project funding at the amounts in the Expenditure Plan approved by voters. The intent of the Policy is to inform the Metro Board of Directors regarding potential cost increases to Measure R-funded projects and the strategies available to close any funding gaps.

The I-5 Carmenita Road Interchange Life-of-Project budget requires an increase in cost of \$50.11 million, from \$369.77 million to \$419.88 million. This Measure R project is subject to this policy analysis. To increase the I-5 South Carmenita Road Interchange Life-of-Project budget, the Board's Policy calls for approval of an action plan to address the increase at the project level, i.e. with value engineering, scope reductions, local contributions, corridor and/or sub-regional contributions, prior to using countywide resources, as described below.

### Measure R Cost Management Policy Summary

The adopted Policy stipulates the following: If a project increase occurs the LACMTA 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 the 2009 Long Range Transportation Plan (LRTP) as adjusted by subsequent actions on cost estimates taken by the LACMTA Board of Directors. With certain exceptions, shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order:

- 1) Value engineering and/or scope reductions;
- 2) New local agency funding resources;
- 3) Shorter segmentation;
- 4) Other cost reductions within the same transit corridor or highway corridor;
- 5) Other cost reductions within the same sub-region; and finally,
- 6) Countywide transit and highway cost reductions and/or other funds will be sought using pre-established priorities.

The policy was amended in January 2015 to establish Regional Facility Areas at Ports, airports and Union Station; and states that any:

*"...capital project cost increases to Measure R funded projects within the boundaries of these facilities are exempt from the corridor and subregional cost reductions. Cost increases regarding these projects will be addressed from the regional programs share."*

While the I-5 Carmenita Road Interchange Project does not fall within a Regional Facility Area, the same motion requires that Measure R highway projects be considered on a case-by-case basis. This is the case analysis required by the policy and motion.

Value Engineering and/or Scope Reductions

There were a significant number of parcels that were identified as partial acquisitions that settled as full-takes due to exacerbating part-take impacts to businesses. In addition, thirty five out of thirty nine commercial parcels have to go through condemnation. Consequently, the high number of court settlements exceeded the programmed estimates.

New Local Agency Funding Resources

Per a letter dated August 21, 015, Caltrans recommended using a combination of Regional Improvement Program (RIP) Future County Share, and State Highway Account (SHA) funds to close the funding gap. Metro staff is in concurrence with this approach as it maximizes the amount of available local funds to maintain the delivery schedules for other Measure R Projects while also utilizing funds available only to Caltrans. The funding share attributable to Caltrans is the IPP and SHA funds shown below:

<b>Fund Source</b>	<b>State/Local</b>	<b>Phase</b>	<b>Amount</b>
SHA	State	PAED & PS&E	\$00.667 million
SHA	State	Construction Support	\$14.000 million
<b>Total State Contribution</b>			<b>\$14.667 million</b>

Of the \$50.111 million need to complete the project, the staff recommendation indicates that approximately \$35.444 million is needed from Metro’s County Share of the STIP, (Regional Improvement Program funds) as further discussed in the Countywide Cost Reductions and/or Other Funds section below.

Shorter Segmentation

Since this project links to other projects to the immediate north and south, has completed the design phase, and is under construction, shorter segmentation is not possible.

Other Cost Reductions within the Same Highway Corridor

The I-5 South Carpool and Mixed Flow Lanes I-605 to Orange County Line is the only other project within this corridor. All segments of this project are either under

construction or are about to enter procurement. There is no feasible way to reduce project costs on the I-5 South Carpool and Mixed Flow Lanes I-605 to Orange County Line Project without jeopardizing the completion of the project, a critical link between Orange County and Los Angeles County.

#### Other Cost Reductions within the Same Sub-region

The 2015 Short Range Transportation Plan identifies the following Measure R-funded projects within the Gateway Cities sub-region in Fiscal Years 2016 and 2017: BNSF Grade Separations (\$31.5 million), I-605 Hot Spots (\$29.6 million), I-710 South (\$20 million), I-710 South Early Action Projects in Long Beach (\$35.3 million)<sup>1</sup>.

Of these projects, the BNSF Grade Separations Project is fully funded through construction. Diverting funding from this project to the I-5 Carmenita Road Interchange Project would delay a critical goods movement and safety project. For this reason, staff does not recommending delay of this project.

The remaining projects, I-605 Hot Spots, I-710 South, I-710 South Early Action Projects in Long Beach are in the planning or design phases. The Board could elect to defer all or portions of these projects to full fund the I-5 Carmenita Road Interchange Project. Staff however recommends not deferring these projects. The I-605 Hot Spots and I-710 South Early Action Projects identify and fund discreet and actionable projects as funding becomes available. Reprogramming Measure R 20% from these projects to the I-5 Carmenita Road Interchange Project would unnecessarily delay advancement of critical improvements to two major north-south freeways in Los Angeles County.

The I-710 South Project is currently in the environmental review process. It is imperative that all funding be available once this project has secured environmental clearance to advance to the design and right-of-way phases. Deferral of this project would further delay a critical project to improve regional mobility and goods movement.

Staff recommends moving to the final step, consistent with the approach recommended by Caltrans.

#### Countywide Cost Reductions and/or Other Funds

As the local agency partner, Metro can program \$35.444 million in Measure R 20% Highway Capital Subfunds. Staff does not recommend using Measure R 20% as this approach will limit our ability to deliver other highway projects in the near term.

Instead, Metro staff recommends using future County Share of Regional Improvement Program (RIP) to cover the cost increases in the Right-of-Way phase. In this situation, committing future RIP shares indicates that Metro will debit its RIP County Share when available. While the 2016 State Transportation Improvement Program (STIP) did not include any new funding, Caltrans and Metro staff are confident that future STIP cycles

---

<sup>1</sup> Dollar amounts indicated here is the Measure R 20% portion of these projects.

will have sufficient programming capacity to deliver this project. Using future RIP County Share now allows Metro to preserve Measure R 20% to maintain the delivery schedule of other Measure R Highway Projects.

<b>Fund Source</b>	<b>State/Local</b>	<b>Phase</b>	<b>Amount</b>
Regional Improvement Program	Local	Right-of-Way	\$29.415 million
Regional Improvement Program	Local	Right-of-Way Support	\$06.029 million
<b>Total Metro Contribution</b>			<b>\$35.444 million</b>