



## Board Report

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Agenda Number: 22.

### PLANNING AND PROGRAMMING COMMITTEE JULY 18, 2018

**SUBJECT: MEASURE R AND MEASURE M  
COST MANAGEMENT POLICY**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

ADOPT the revised Measure R and new Measure M Cost Management Policy (Attachment A).

#### **ISSUE**

The center of the expenditure plans for both Measure R and Measure M is the significant capital project portfolio. Managing a mix of projects - either several large or “mega” capital projects with multi-year timelines, or a multitude of small capital projects - comes with inherent uncertainties that can affect costs. To effectively manage the complex capital program, the Board adopted a cost management policy for Measure R; with the recent passage of Measure M, an update of the cost management policy is in order.

The revised Measure R and Measure M Cost Management Policy (Policy) updates the original Measure R Cost Management Policy to provide consistency between the existing policy and the Measure M Cost Management Policy in the Measure M Guidelines. The updated Policy also addresses ambiguity in the application of the Policy with projects that are between development phases.

#### **BACKGROUND**

The Metro Board adopted the original Measure R Cost Management Policy in 2011 to help document and address potential cost increases for the capital program. The Policy identifies key events in a project’s development when costs are to be evaluated and steps to address cost increases, including value engineering, local agency funding, shorter segmentation, cost reductions to other projects, and prioritizing the funding and scheduling of projects.

In 2015, the Metro Board amended the Policy to include regional facilities. Regional facilities are generally defined as airports, seaports, and Union Station. This amendment allowed Metro projects within the boundary of those facilities to be exempted from corridor and subregional cost reduction requirements.

Staff has applied the Policy to a number of potential cost increases since 2011 in both the Measure R highway and transit program. The Policy has been successful in providing clarity and transparency to the Board, Metro staff, and the public.

The Metro Board approved the Measure M Guidelines in 2017, which included a Cost Management Policy for Measure M. However, there has not been a unified cost management policy which applies to both Measure R and Measure M projects. Given the magnitude of investment in the coming years, staff believes it is appropriate to return to the Board to present an updated Policy that can better assist in the management of the capital program.

## **DISCUSSION**

### **Summary of Revisions**

The major focus of the update is to clarify as much as possible how and when the Policy is applied to projects. For example, a definition of “Transit or Highway Corridor” is included that clarifies the subregion where offsetting cost reductions would be evaluated. Additionally, Metro staff has amended the Policy to include both highway and transit projects in all steps.

Another significant change is the addition of a new review milestone. The new milestone requires updates to cost estimates resulting from specific actions (e.g., approved final environmental documents; completion of 30% design cost related to Measure M 3% local agency contribution policy). This will serve to ensure that public reporting and documentation of project specific costs are consistent throughout the life of the project since a number of projects are moving through the planning process. It is critical to maintain a clear and transparent process for documenting cost assumptions and estimates.

Lastly, staff further recommends updates to the Policy to incorporate the cost management policy from the Measure M Guidelines in order to provide consistency and added specificity. Going forward staff believes these additions and clarifications will strengthen the Policy and allow the Board to continue to make informed decisions.

## **DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on safety standards for Metro.

## **FINANCIAL IMPACT**

Adoption of the revised Measure R and Measure M Cost Management Policy is intended to improve Metro’s financial management and cost controls. This update further reinforces tools the Metro Board and staff have to address cost increases.

### **Impact to Budget**

There is no impact to the FY 18 Budget.

### **ALTERNATIVES CONSIDERED**

The Board could elect not to make the recommended revisions to the Policy. Metro staff recommends against this approach as the revised Policy addresses some omissions which limit the ability to manage and control costs. The omissions addressed include clarification on milestones for project evaluation and providing more consistency between the existing policies.

### **NEXT STEPS**

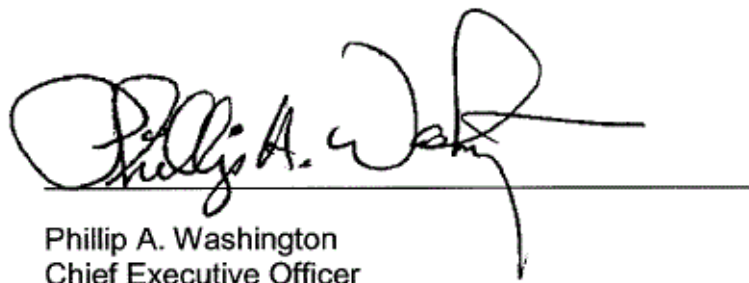
Approval of this item will allow staff to apply the new Policy going forward and will be in place for the update to the Long Range Transportation Plan and other future planning efforts.

### **ATTACHMENTS**

Attachment A - Revised Unified Cost Management Policy for Measure R and Measure M Projects

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