



Board Report

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**CONSTRUCTION COMMITTEE
APRIL 21, 2022**

**SUBJECT: FISCAL YEAR 2023 PROGRAM MANAGEMENT ANNUAL PROGRAM EVALUATION
DESCRIPTION**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on FY23 Program Management Annual Program Evaluation.

ISSUE

The Annual Program Evaluation (APE) is a priority initiative created to evaluate Metro’s capital program annually. Given the challenges of managing a multi-billion-dollar capital program, a comprehensive review of the risks associated with the costs and schedules of the program is conducted on an annual basis. This report summarizes the results of the FY23 APE review performed by Program Management.

BACKGROUND

Los Angeles Metro Program Management is delivering the largest transportation infrastructure program in the country. The Program Management department implemented the Annual Program Evaluation initiative in 2016 to provide transparency into the performance of capital projects. The Program Management department mission statement is “together we build World Class transportation to transform the quality of life in our communities.”

In support of the mission statement, the APE initiative is a comprehensive evaluation of Metro’s capital program, including Transit, Highway, and Regional Rail projects. As part of the process, staff reviewed and updated project costs and schedules to current conditions, challenges, and risks. Any changes to project budgets/schedules and the reasons for the adjustments are to be reported to the Board annually for approval. In addition, APE serves as a project management tool bringing greater consistency, transparency, and discipline to better manage and deliver Board-approved projects. The APE is a dynamic tool, which is updated annually as projects move toward completion and any changes approved by the Board are incorporated.

DISCUSSION

On February 24, 2022, there was a Motion by Directors Butts, Dutra and Najarian, Item No. 34, Construction Market Analysis:

“Move to Instruct the CEO and staff to return to the Board in the upcoming fiscal year Annual Program Evaluation:

1. With an assessment of what construction projects can reasonably continue without facing new budget shortfalls prior to their completion [...]”

In response to the Motion, Metro staff has revised the FY22 APE’s prior format of funded through current phase to show current cost and schedule forecast, funding availability, and mitigation measures for each project.

FY23 Results

Program Management is responsible for a portfolio of projects comprising more than 75 projects in total. The FY23 APE, Program Management focused on new projects, and projects that will carry-over through FY23, with project costs estimated at \$5 million or greater. Program Management staff evaluated 32 projects for the APE, including 8 Major Transit Construction projects, 13 Other Transit Capital projects, five Highway projects, and six Regional Rail projects (see Attachment A presentation for a complete project listing), which total approximately \$23.6 billion. The total program size has increased 13.1% from \$20.6 billion in FY22 to \$23.7 billion in FY23.

The major focus remains on managing the projects within the Board-approved life of project (LOP) budgets and schedules established for these projects. A summary of the potential adjustments requiring future Board approval to Metro’s capital program in FY23 is reported in the FY23 Program Management APE presentation.

Challenges

Market factors arising from the ongoing recovery from the COVID pandemic and Ukrainian conflict continue to escalate project related costs. Updated economic projections indicate that this will continue into 2022/2023 and supply chain issues and labor impacts will continue to be potential cost and schedule drivers. In addition, with the significant number and size of Program Management projects and the accelerated implementation schedule for delivering Metro’s capital program. Metro’s capability and capacity to deliver multiple complex projects on-time and within budget creates unprecedented challenges to project delivery.

Efforts to improve, innovate, and increase our capabilities to deliver projects are essential. Program challenges include:

- Market Conditions
- Project Delivery Method
- Scope Issues
- Unforeseen Conditions

Strategic Initiatives

Program Management continues to implement various strategic initiatives to bring improved planning,

consistency, transparency, and discipline to project delivery. The key initiatives for Contracting Strategy and Cost Containment include:

- Organization
 - Re-evaluate Metro Staff / Consultant Ratio
 - Best Practices Review
- Processes
 - Material supply initiatives
 - Implement stage gate lifecycle project readiness reviews
 - Increase focus on program and project cost/schedule/risk
 - Update controls processes and contingency levels
 - CEO board delegated authority
- Contract Documents
 - Adapt contract documents to contract delivery method
- Mitigation Measures
 - Risk
 - Update Risk Profile and Contingency Through Stage Gate Process
 - Third Party and Utilities
 - Differing Site Conditions - Geotechnical and Environmental
 - Scope
 - Improve Scope Definition and Risk Transfer Prior to Pricing
 - Design Criteria
 - Professional Services Soft Costs
 - Schedule Delays

FINANCIAL IMPACT

The FY23 Program Management APE report does not have any specific budgetary or financial impacts. The APE report serves as an annual and early notice instrument to assess the scope, cost and schedule risk items affecting the respective projects under the oversight of Program Management. Risk items affecting scope, cost and schedule are identified on a project-by-project basis within the APE Presentation.

Should any of the potential project risks affecting scope, cost and schedule parameters be realized, the Chief Program Management Officer will return to the Board with separate recommendations to address the identified risks and adjust the project cost and/or schedule accordingly.

EQUITY PLATFORM

While the APE encompasses 32 separate projects with project-specific community engagement activities and equity impacts, the program can generally categorize projects into the following six groups for a high-level equity assessment of anticipated benefits and considerations.

Major Transit Capital

These 8 mega-capital projects support transit access and connectivity through new construction and expansion across Los Angeles County. While specific project areas vary in demographics, land use, and jurisdiction, these projects are all intended to improve access to key destinations, such as jobs, health care, school, and neighborhood amenities, via high-quality transit. Other potential anticipated equity benefits include reduction in single occupancy vehicle use and reliance, improved air quality, and reduction in household transportation costs. Any needed mitigation strategies are determined and implemented at the project-level.

Multi-modal Capital

These five capital projects are anticipated to expand multi-modal options for travelers through a variety of interventions, including light rail, active transportation infrastructure, and high-occupancy vehicle lane improvements. While project types and geographies vary, the shared impact is anticipated to diversify modes and costs of travel choices. In particular, transit and active transportation infrastructure enhancements are anticipated to improve safety for people walking and rolling. Any needed mitigation strategies are determined and implemented at the project-level.

Assets Capital

Capital improvements for five Metro asset projects will serve Metro employees as well as the public. These projects will update equipment and other assets, which are anticipated to maintain safe working conditions for Metro employees and minimize disruptions to project and service delivery for Metro riders. Specifically, the Transit Learning Center is an exciting resource for a new generation of potential Metro workforce members to gain skills and connections for future career opportunities.

Infrastructure Capital

Infrastructure maintenance and improvements contribute to safe and accessible conditions for Metro riders and the general public, including soundwall protection, wayfinding, grade and modal separation, and transit station upgrades. These four capital projects are anticipated to have minimal, if any, equity impacts.

Regional Rail

Similar to the Major Transit Capital projects and Multi-modal Capital Projects, the six projects that fall under the Regional Rail capital program are anticipated to expand transit and other multi-modal choices for travelers in Los Angeles. Anticipated improvements include improved station access, increased rail capacity, and safer right-of-way improvements between different modes. Any needed mitigation strategies are determined and implemented at the project-level.

Highways

The four Highway capital projects are anticipated to improve conditions for travelers and the surrounding project areas of existing highway corridors via soundwall protection, high-occupancy vehicle lane expansion, highway safety design, and some multi-modal infrastructure. These projects are not anticipated to encroach on surrounding communities or further burden neighborhoods adjacent to existing highways.

Future fiscal year APE updates will continue to assess the capital program for equity benefits and impacts.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports Strategic Plan Goal #1 - Provide high-quality mobility options that enable people to spend less time traveling. This will be accomplished by planning and delivering multiple capital projects on time and on budget.

NEXT STEPS

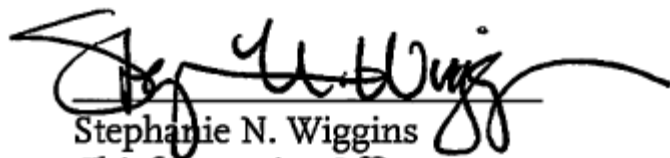
Program Management will request the resources required for project delivery success through the FY23 Budget process for Board approval. Project managers will work to deliver projects safely, on-time and within the Board-approved budgets. Staff will continue to provide the Board with monthly updates on the project status throughout the year. The next FY24 Program Management APE report will be presented to the Board in Spring 2023.

ATTACHMENTS

Attachment A - FY23 Annual Program Evaluation PowerPoint

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