



Board Report

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REVISED
CONSTRUCTION COMMITTEE
JUNE 16, 2022

SUBJECT: FY23 ANNUAL PROGRAM EVALUATION FOLLOW UP

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on the FY23 Annual Program Evaluation Follow-Up (Attachment A).

SANDOVAL AMENDMENT: Direct the CEO to develop an Early Intervention Project Team comprised of Metro’s finest and the best staff from planning, program management, operations, government relations, OMB, and vendor/contract management to design a list of a comprehensive checklist of criteria on successful project delivery addressing such as (1) funding strategy (either it is local or federal project), (2) project delivery method and why the project is being recommended for such delivery method for all Measure M Expenditure Plan Projects.

DUPONT-WALKER AMENDMENT:

1. As part of the next report on the cost management action plan, direct the CEO to include metrics to help evaluate the success and progress of cost control efforts; and
2. In the monthly Countywide Planning Major Project Status Report, direct the CEO to include a cost estimate range and design level for all projects.

ISSUE

On April 21, 2022, Staff presented the Annual Program Evaluation to the Construction Committee. In response, Director Dupont-Walker requested staff respond to the following:.

1. Establish specific measures to ensure project scope growth is being managed and controlled during all phases of project delivery, not just Program Management.
2. Develop a breakdown of specific third party and utility requirements that contribute the most to growing project costs and the steps being taken to amend or alter these requirements.
3. Detail the steps being taken to both evaluate and revise Metro Rail System Design Criteria to adequately balance system safety with project cost efficiency.

BACKGROUND

Metro is delivering the largest transportation infrastructure program in the country. The Annual Program Evaluation (APE) initiative is a comprehensive evaluation of Metro's capital program, including Transit, Multimodal Highway, and Regional Rail projects. As part of the process, staff reviews and updates project costs and schedules to current conditions, challenges, and risks. 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.

In April 2022, the most recent annual APE update highlighted the role of construction market factors on the \$23.7 billion capital program. Specifically, 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 FY23 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 were also presented. During the discussion, Director Dupont-Walker requested a report back reflecting a broader, agency-wide strategy to mitigate cost growth in the delivery of capital projects.

DISCUSSION

The following departments contributed to the development of this report: Program Management, Planning and Development, Office of Management and Budget, Operations, and the Office of the CEO. This level of engagement lays the foundation for an ongoing collaborative and integrated approach to an effective cost containment strategy and aligns with the lifecycle of project development.

1. Establish specific measures to ensure project scope growth is being managed and controlled during all phases of project delivery, not just program management
 - Identify current best practices and new strategies to embed staff for planning, program management and operations in all stages of project delivery
 - Acknowledge that estimates of project schedule and cost become more accurate as project development advances. Report cost estimates in ranges, especially in early phases of project development when uncertainty is greatest
 - Extend project readiness review procedures across all lifecycle phases, including at various planning, engineering, and operational milestones
 - Assure configuration management process extends to cost and schedule variances from initial baseline plans

- Partner with jurisdictions and third parties to build consensus and buy-in on scope requirements, to freeze project designs earlier
- Conduct routine Board workshops to assure transparency and full understanding of scope alterations and cost implications
- Allocate staff and consultant resources to provide support

2. Third Party and Utility requirements that contribute the most to growing project costs and the steps being taken to amend or alter these requirements

Third Party/Utilities Cost Drivers

- Execution of agreements later in life cycle;
- Current agreements do not drive desired performance and accountability as follows:
 - Changing standards
 - Lack of adherence to timelines
 - Late design change requests; and
- Imposition of unexpected work hour restrictions by Third Parties.

Third Party/Utilities Mitigation Measures

- During project environmental clearance:
 - Engage third parties / utilities early and often
 - Finalize third party / utility agreements
 - Confirm applicable standards
 - Implement design freeze
 - Agree upon streamlined / expedited processes
 - Initiate subsurface exploration; and
- Beginning with project early works:
 - Expand subsurface exploration
 - Minimize changes relative to design freeze and enforce betterment policies
 - Adhere to agreed upon review and approval processes.

3. Metro Rail Design Criteria Plan for Cost Saving Measures

Two Primary Mitigation Strategies

1. Perform an internal assessment of opportunities to adjust requirements; and
2. Leverage alternative delivery contracts, specifically East San Fernando Valley, as an opportunity to further innovations that could result in cost reductions.

Plan for Cost Saving Measures

- Obtain input from the mega projects that are currently under construction as to which items related to Metro Rail Design Criteria for LRT and HRT may be a candidate for capital cost savings, including alternative technology;
- Secure funds and engage the services of an outside consultant to review and benchmark;
- Obtain the design criteria of three other transit rail peer agencies. Choose peer agencies that provide similar type of transit rail services as LA Metro;

- Identify items that will provide capital cost savings without compromising safety or adversely impact operations and maintenance or increase life cycle costs; and
- Coordinate with all the signatories to Metro Rail Design Criteria including Planning, Operations, Safety, and Quality and follow the Metro Systemwide Baseline Change Notice procedure to implement the identified changes.

The full Action Plan is outlined in Attachment A.

EQUITY PLATFORM

There are no equity concerns anticipated as a result of this update.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The 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

Metro staff's next steps are to report back to the Board in September with a more detailed plan for each of the three responses.

ATTACHMENTS

Attachment A - Action Plan

Prepared by:

Julie Owen, Sr. Executive Officer, Program Control (213) 922-7313

Reviewed by:

Bryan Pennington, Chief Program Management Officer (213) 922-7449

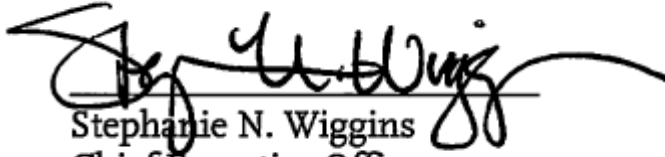
James De La Loza, Chief Planning Officer (213) 922-2920

Errol Taylor, Deputy Chief Operations Officer of Infrastructure Maintenance & Engineering (213) 922-3227

Conan Chung, Chief Operations Officer, Mobility Services & Development (213) 418-3034

Nalini Ahuja, Chief Financial Officer (213) 922-3088

Sharon Gookin, Deputy Chief Executive Officer (213) 418-3101



Stephanie N. Wiggins
Chief Executive Officer