



Board Report

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CONSTRUCTION COMMITTEE MARCH 16, 2023

SUBJECT: EARLY INTERVENTION TEAM STATUS REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on the Early Intervention Team.

ISSUE

In response to the FY23 Annual Program Evaluation (APE) Follow-up Report presented in June 2022, the Board requested development of an Early Intervention Team (EIT) to: create a list of comprehensive checklist criteria on successful project delivery to address topics such as funding strategy and project delivery method for all Measure M Expenditure Plan Projects; and include metrics to help evaluate the success and progress of cost control efforts. Implementation of this directive has been advanced with a status report provided in October 2022. This report is the second progress update.

BACKGROUND

Los Angeles Metro is delivering the largest transportation infrastructure program in the country. The Program Management FY24 Annual Program Evaluation (APE) reported a FY24 program size of up to \$26.8 billion, a 13.1% increase from FY23, and a portfolio of more than 70 projects. The program has been experiencing construction market pressures from labor shortages, material costs, and market risks. Updated economic projections indicate that these challenges will continue throughout 2023 and will continue to drive construction inflation. Inflation has decreased to 6.5% but remains well above the Federal Reserve's 2% target.

The EIT is setup to draw on the collective wisdom of cross department collaboration to review and assess cost and schedule drivers, potential corresponding mitigation strategies currently in practice at Metro, as well as new mitigation strategies needed across the full life cycle of projects, from planning through construction and finally into operations and maintenance. Led by the Deputy Chief Executive Officer, the EIT kicked off their effort in July 2022.

The EIT was established to provide additional leadership support for LA Metro's capital program, given the capital portfolio was experiencing elevated fluctuations in project cost and delayed delivery timelines. Structured, increased cross-collaboration across LA Metro development and delivery teams was highlighted as a way to improve delivery outcomes across LA Metro's portfolio of

interrelated and complex capital projects. This was especially important given the magnitude of projects being developed and delivered in the near-term, as well as providing necessary transportation infrastructure in service to the 2028 Olympic and Paralympic Games.

Since July 2022, the EIT has been meeting at least bimonthly as a cross-departmental team and has identified and agreed upon overall objectives and selected planned actions to guide the team's work.

EIT Objectives

In October 2022, staff provided to the Board an initial status update of the EIT purpose, objectives, and progress. The overarching objectives of the EIT initiative included:

- Improving successful delivery of the capital program, with a focus on cost and schedule containment strategies and clear, shared inter-departmental objectives;
- Considering and complementing existing agency programs; and
- Advancing an update of project forecasts, with consideration of full lifecycle costs, in a manner that would enable the CEO and the Board to assess and address the agency's ability to continue delivery of the planned capital projects with existing available resources.

The following EIT actions have also been established in previous updates to the Board and are currently underway:

- Assess primary cost drivers and corresponding mitigation actions that need to be considered for successful project delivery, including decision points related to funding strategies and delivery models;
- Update project cost estimates, with consideration of significant external market drivers, for use as the basis for future metrics to evaluate the success and progress of agency cost control efforts;
- Confirm the method for providing estimate ranges, as appropriate for major projects in all phases of delivery (planning, design, construction, and ongoing operations and maintenance);
- Propose processes that support cost control efforts and indicate which processes effectively build upon previous department specific approaches (e.g., Cost Control Policies, BR 2017-0596), including the adoption and update of comprehensive checklists within the current stage gate and corresponding readiness review procedures;
- Conduct project-focused reviews to align EIT interventions and discussions more quickly with immediate and long-term project needs; and
- Identify required resource needs to implement the scope of recommended EIT processes and procedures.

DISCUSSION

Below is a summary of key approach and actions of the EIT effort since October 2022. Attachment A includes a more detailed status update and progress review of the EIT.

The EIT has focused its attention on the earlier phases of the project lifecycle, where it has the greatest opportunity to influence project outcomes and where a cross-functional leadership team is

best positioned to create and pressure test approaches and alternatives to drive increased value assurance. The EIT has identified six intervention points for EIT Project Reviews (Attachment B). For each intervention point, the EIT has identified an extensive list of potential cost drivers and risks and translated those into a comprehensive set of targeted questions to guide EIT Project Reviews.

The EIT has focused on understanding the intervention points across the project lifecycle that enable, protect, and enhance project value. The EIT team selected three projects to undergo the initial EIT Project Reviews with the intention to improve cost and schedule outcomes by providing a forum for meaningful cross-departmental dialogue in advance of approaching key project decision points, as well as test and improve the EIT processes to make the EIT more useful for future projects' EIT engagement. The projects selected for this round of feedback from the EIT included:

- East San Fernando Valley (ESFV) Transit Corridor project,
- East Side Transit Corridor Phase 2 (ESP2), and
- I-105 Express Lanes.

All three projects have already undergone their first EIT Project Review with the full cross-functional EIT. Each project team provided responses to the EIT targeted questions and prepared a presentation on the status of their project. These documents facilitated the dialogue around key cost drivers, project scoping, basis for selection of the project delivery method, project risks, and challenges with select stakeholders. Having senior representatives from all key departments present in the discussion led to cross-departmental collaboration on key issues, instant feedback for the project teams, fast unlocking of roadblocks, and accelerated decision-making. During the EIT Project reviews, action items were noted, including potential opportunities for improvement. Finally, a representative of the EIT followed up with each project team's leadership to share their written findings and recommendations as the projects continue to advance to future decision points.

Value of EIT To Date

By bringing together a group of senior leaders with diverse experience to provide guidance at critical moments in a projects' trajectory, the initial EIT Project Reviews have started to improve project outcomes and have received positive feedback from project teams.

Examples of the value to date are:

East San Fernando Valley Transit Corridor:

- Exploring an alternative solution to the existing ROW acquisition needs by utilizing PDB contractor resources
- Creation of a value engineering process that is optimal for an alternative delivery method
- Early identification and management of project risk by creating opportunities to work with contractors and stakeholders during design development
- Confirm that project outcomes align with LA Metro's goals

Eastside Transit Corridor Phase 2:

- Increased understanding of the complexity of the construction, operations, and engineering associated with the project being an extension of an existing system. (e.g.,

phasing of work, customer experience considerations, and potential extension of the fiber network).

- Discussion with EIT assisted with the direction of the recommended LPA to choose a larger yard that accommodated future system capacity.
- Creation of greater awareness within the team on what work is needed and future steps so that they can effectively integrate them into technical solutions

I-105 Express Lanes:

- Early engagement of LA Metro's Operations decision makers to problem-solve key project scope elements (e.g., West Santa Ana Branch crossing) and identification of innovative design solutions to deliver a successful project outcome and mitigate integration risk with the existing system,
- Implementation of a proactive stakeholder engagement process and early coordination discussions with contractors, which could reduce cost and schedule overruns, as well as benefit the success of adjacent projects,
- Development of a more complete construction scope definition, with buy-in from third-party stakeholders, and
- Reduction in rework for third parties and owners of adjacent projects by involving them earlier in the schedule coordination discussions with Metro's contractor

The EIT will continue to expand and adapt to further support LA Metro's capital program by formalizing processes and policies, conducting additional project reviews, and supporting the three projects above as they advance through other EIT points in their project lifecycle.

EQUITY PLATFORM

The recent EIT project focused reviews examined three projects that are all in equity focus communities with a desired outcome to deliver the projects on-time and within budget. The projects selected were the East San Fernando Transit Corridor, Eastside Transit Corridor Phase 2 and, 105 Express Lanes from I-405 to I-605. The East San Fernando and Eastside projects are 100% within or adjacent to Equity Focus Communities. The 105 Express Lanes is 70% within or adjacent to Equity Focus Communities. Each of these projects are working with the stakeholder communities to minimize disruption and balance community benefits and stakeholder engagement. Collaborative cost management and risk mitigation strategies help ensure Metro remains a responsive and responsible steward of taxpayer dollars. This helps focus Metro's infrastructure program on riders and residents who rely the most on Metro's system. Future Project Reviews will continue to build on lessons learned from ongoing projects and prior EIT interventions to improve processes with the intention of realizing improved project outcomes and associated equity benefits.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following strategic goals:

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.

Strategic Plan Goal #5 - Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

In July 2023, EIT will report back to the Board with an update on the program-wide, organization-wide Early Intervention Team process, including the status on further advancement of all identified EIT objectives and planned actions.

ATTACHMENTS

Attachment A - EIT Status Report

Attachment B - Appendix EIT Status Report

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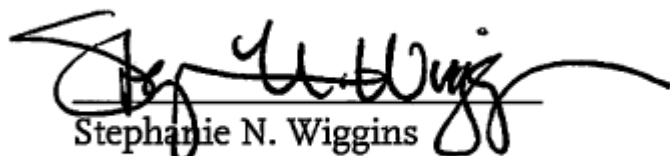
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