



**Board Report**

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**CONSTRUCTION COMMITTEE  
APRIL 16, 2025**

**SUBJECT: FISCAL YEAR 2026 PROGRAM MANAGEMENT ANNUAL PROGRAM EVALUATION**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE this report summarizing the FY26 Program Management Annual Program Evaluation (Attachment A).

**ISSUE**

The Annual Program Evaluation (APE) is a priority initiative to provide transparency into the performance of Metro’s capital program. A comprehensive review of the risks associated with the costs and schedules of the program is conducted annually. This report summarizes the results of the FY26 APE review performed by Program Management, Program Controls, and Countywide Planning and Development departments, with additional participation from Operations.

**BACKGROUND**

The Annual Program Evaluation initiative began in 2016 to provide consistent yearly evaluation of Metro’s capital program. Metro is responsible for delivery of one of the largest transportation infrastructure programs in the country, and the APE provides current information and transparency into the performance of capital projects. The APE is a project management tool summarizing a variety of initiatives to improve cost and schedule certainty, current trends, and provides the Board with the current status of the various project budgets through completion.

The APE aligns with Program Management’s mission statement that “together we build World Class transportation to transform the quality of life in our communities.” In support of the mission statement, the APE initiative comprehensively evaluates Metro’s capital program, including Transit, Highway, and Regional Rail. Planning projects anticipated to transition to design and construction during fiscal year 2026 are also included. .

**DISCUSSION**

Findings

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The Program Management Department is responsible for a diverse portfolio of transportation infrastructure projects. The APE report is primarily focused on existing projects estimated at \$5 million or greater, new projects that will carry-over through FY26, and projects which are anticipated to transition from planning to implementation during FY26. The total value of projects in development and implementation increased from \$25.7-\$27.2 billion in FY25 to \$33.7-\$35.9 billion in FY26. In addition, four additional projects are nearing transition from Planning to Implementation phase, which are currently estimated at \$11.8-\$13.9 billion. Attachment A FY26 Program Management APE presentation includes a complete project listing. The list of projects is grouped into the following categories:

- Major transit projects under construction with a life of project (LOP) budget greater than \$1 billion
- Capital projects with a LOP less than \$1 billion
- Alternative delivery projects
- Projects in development/shovel ready
- Projects in closeout
- Capital Projects - Planning to Implementation

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. These challenges are further exacerbated by risks in the infrastructure marketplace including workforce constraints, cost escalation, and the fluctuating price of construction materials. As summarized in the attached report, Program Management and Program Control have completed and implemented several strategic initiatives to improve planning, consistency, transparency, risk management, and discipline to project delivery. These strategic initiatives are complementary and performed in conjunction with the Early Intervention Team (EIT) to benefit from this proactive agency-wide engagement at significant stages of project development. Key initiatives implemented in FY24 and FY25, which are consistent with the OIG Construction Best Practice report, include contracting strategy and cost containment, best practices, CEO delegated authority, cost and schedule controls processes and contingency level updates, material initiatives, alternative delivery manual, alternative delivery team training, and differing site conditions, geotechnical and environmental program rollout.

In addition, many initiatives have been successfully established and will be continuously implemented to foster improvement, such as:

- Staff consultant ratio - Program Management has established an aspirational consultant to staff ratio and created a tracking system across all projects; however, reaching the 50/50 goal will be an on-going effort for all current and future PM projects.
- New Recruitment Strategies - Improving candidate selection and employment offer timelines, securing new talent to grow our own future PM's, and salary study
- Deliver Progressive Design Build (PDB) and Construction Manager/General Contractor (CM/GC) projects - the alternative delivery process/procedure manuals and training is complete; however, delivering PDB and CMGC projects are progressing and will remain an on-going effort.

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- Third Party and Utilities - Master Cooperative Agreements (MCAs) in project corridors, new MCA with City of Los Angeles, Master Utility Cooperative Agreements with utilities in project corridors
  - Professional Services Soft Costs - Monitor, control, and reduce professional services costs as a percentage of the construction cost
  - EIT - Continue to use the Early Intervention Team framework to ensure proactive agency-wide collaboration, issue resolution and readiness at key stage gates early in the project lifecycle.

## Considerations

### **2025 Construction Market Outlook**

Entering 2025, Metro is poised to achieve significant construction milestones, including groundbreaking for the G Line Bus Rapid Transit Improvements, I-105 Express Lanes, and East San Fernando Valley Transit Corridor, as well as ribbon cuttings for the LAX/Metro Transit Center, Foothill Gold Line Extension Phase 2B, and Westside D Line Extension - Section 1. This wave of construction activity coincides with significant local and national volatility. January 2025 witnessed devastating wildfires in Los Angeles County, resulting in the tragic loss of life and widespread property damage, alongside the implementation of sweeping new federal economic policies. These challenges compound existing construction market pressures, including escalating capital costs, inflation, supply chain disruptions, and heightened labor demand since the passage of Measure M in 2016.

To address these dynamic market conditions and their potential impact on Metro's \$33.6 billion capital program, a 2025 Construction Market Outlook Special Report (Attachment B) was prepared. This report provides a focused analysis of near- and long-term market drivers, aimed at informing Metro's fiscal management and ensuring the timely delivery of transportation infrastructure for Los Angeles County. Key findings include:

- *Federal Trade Policy Impacts:* New import taxes on steel, aluminum, and other key construction materials from Mexico, Canada, and China are causing market uncertainty. Retaliatory measures and increased steel and aluminum prices pose potential risks to Metro's pipeline of projects, where Metro does not have agreed-upon pricing.
- *Wildfire Recovery Effects:* The wildfires' recovery efforts are expected to generate regional construction materials inflation in Southern California, particularly affecting lumber prices. Short-term impacts include high pricing and limited availability for trucking services and underground cables/conduits. Furthermore, local jurisdictions and utility agencies, prioritizing recovery, may face delays in supporting Metro projects, potentially causing 6- to 12-month delays in design reviews, construction inspections, and permit approvals. Metro should seek streamlined permitting to mitigate this risk.

In response to price uncertainties stemming from tariffs and the extensive reconstruction demands of the Palisades and Eaton wildfires, the report outlines strategic approaches for Metro to successfully

navigate the current complex construction market.

### **Alternative Delivery Projects Update**

The Alternative Delivery Process/Procedure (ADP) Manuals for PDB and CM/GC contracts have been completed, with associated training implemented and ongoing. To date, five alternative delivery contracts have been awarded, with one additional contract in process. Among these, two projects-the G-Line Improvements and I-105 Express Lanes Segment 1 projects-have successfully reached their guaranteed maximum price (GMP) milestones, while three newer projects are actively progressing. Another project is currently under industry review. Additionally, a new procedure for project delivery selection has been adopted and is now utilized for all new project selections. Notably, construction activities for both the G-Line and I-105 Express Lanes projects commenced in February 2025.

The procurement process has yielded positive results, with five contracts successfully awarded, demonstrating strong competition and adherence to schedule. Key areas of improvement include streamlining the execution of Early Work Packages and reducing the time required to reach GMP agreements. Lessons learned throughout the process are being incorporated into Version 2 of the Manual, currently under preparation. Positive trends have emerged, including a Project First mentality, strong partnerships, efficient procurement, competitive bidding, cost transparency, and active executive involvement. Looking ahead to FY26, the focus will be on maintaining partnerships and commitments as projects move further into the construction phase, negotiating favorable contract prices that align with budget objectives for key projects, and continuing to roll out these delivery methods to additional projects and programs.

### **Potential FY26 Program Management Risks**

As described in the 2025 Construction Market Outlook, fiscal year risks include the availability of federal funding, impacts of tariffs, and the effects of wildfires on labor and materials. Additionally, the number of project openings, the size of the program moving forward, and growing agency staffing needs pose significant risks. Coordination with third parties, including assessment of betterment requests and the need to streamline permitting processes is also a risk. Collectively, these items could influence project health and budget planning.

### **Cost Benefit Analysis for Metro Capital Projects**

In February, the Metro Board directed the development of a Cost Benefit Analysis (CBA) framework that may be used to support funding decisions and to inform a more data-driven and transparent decision-making process. A framework for CBA is one of many tools that can be used to support decisions for infrastructure investments. CBAs may be used to assess the viability of a project, evaluate the cost-effectiveness of project investments, identify contributions to economic vitality, strategically position projects for federal and state funding opportunities, and assess reflection of Board priorities and evaluation criteria.

Countywide Planning and Development continues to support the capital program by developing a standardized model and methodology for CBA, including national and other economic data to support Government Relations advocacy programs, state and federal funding programs, stakeholder engagement, and Metro strategic planning. The Cost Benefit Analysis Framework consists of the

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following: (1) Identification of Project benefits, which may be quantitative, qualitative, or both, (2) determination of Project costs, using a standardized estimating methodology that includes soft costs, probabilistic risk, cost escalation and accuracy range based on level of design, and normalized to year of expenditure or construction, (3) evaluation and presentation of costs compared to benefits, tailored to the appropriate audience such as federal grant programs, state funding agencies, and/or local stakeholders and communities.

## **EQUITY PLATFORM**

All of the capital projects have project-specific community engagement activities and equity impacts. The projects have been grouped and assessed under six categories of high-level equity impact, as described below.

### **Major Transit Capital Projects**

These major 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, such as Crenshaw LAX and Regional Connector which were recently opened for revenue service, all intended to improve access to key opportunities at essential destinations, such as jobs, health care, school, and neighborhood amenities, via high-quality transit. Other potential anticipated equity benefits include a reduction in single occupancy vehicle use and reliance, improved air quality, and a reduction in household transportation costs.

### **Multi-modal Capital**

These 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. Transit and active transportation infrastructure enhancements such as LAX/Metro Transit Center Station and Gold Line Foothill Extension Phase 2B Project, are anticipated to improve safety for people walking and rolling.

### **Assets Capital**

Capital improvements for Metro asset projects will serve Metro employees as well as the public. These projects will update equipment and other assets, which are required to maintain safe working conditions for Metro employees and minimize project and service delivery disruptions for Metro riders. Specifically, the recently completed Metro Training and Innovation 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, such as the Division 20 Portal Widening Turnback and the completed Metro Blue Line Pedestrian Safety Enhancements at Grade Crossing, 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.

### **Regional Rail**

The projects that fall under the Regional Rail capital program will 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.

### Highways

The highway capital projects, such as I-5 North County Enhancement Project and I-105 Express Lanes, will improve safety 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.

## **VEHICLE MILES TRAVELED OUTCOME**

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide. These declining VMT trends are due, in part, to Metro's significant investment in rail and bus transit.\* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

The projects in this report have mixed outcomes, but on the whole, most of the projects in this report will likely decrease VMT in Los Angeles County. Within this suite of projects, Metro seeks to reduce single-occupancy vehicle trips, provide a safe transportation system, and increase accessibility to destinations via transit, cycling, walking, and carpooling. Some of the projects within this status report include items that will ease congestion for cars and trucks, or expand vehicle capacity, resulting in the possibility of increased VMT. However, these projects also provide for carpooling infrastructure and reinvestment of funding towards transit projects. In addition, the projects' multi-modal benefits may contribute to offsetting the possible increase in VMT.

While the agency remains committed to reducing VMT through transit and multimodal investments, some projects may induce or increase personal vehicle travel. However, these individual projects aim to ensure the efficient and safe movement of people and goods. Although the Highway projects and Express lanes projects may not directly contribute to the achievement of the Board-adopted VMT Reduction Targets, the VMT Targets were developed to account for the cumulative effect of a suite of programs and projects within the Metro region, which individually may induce or increase VMT. Additionally, Metro has a voter-approved mandate to deliver multimodal projects that enhance mobility while ensuring the efficient and safe movement of people and goods.

\*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

## **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**

Program Management will request the resources required for project delivery success through the FY26 Budget process for Board approval. Project managers will work to deliver projects safely, on time, and within the Board-approved budgets. Bi-monthly project updates will continue to be provided to the Board throughout the year. Projects identified in this APE requiring LOP adjustments will return to the Board for a request for approval as necessary. In addition, staff will continue to pursue continuous improvement initiatives, implement recommendations from the construction market analysis, and move forward with implementing CBA's for Metro projects.

## **ATTACHMENTS**

Attachment A - FY26 Annual Program Evaluation Presentation

Attachment B - 2025 Construction Market Outlook Special Report

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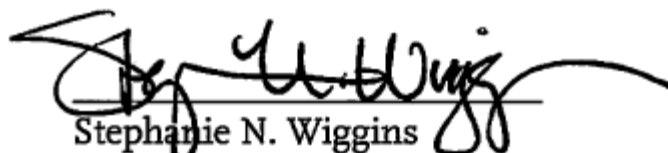
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