



Board Report

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Agenda Number: 33.

CONSTRUCTION COMMITTEE APRIL 12, 2018

**SUBJECT: FISCAL YEAR 2019 PROGRAM MANAGEMENT
ANNUAL PROGRAM EVALUATION**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE report on FY2019 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 FY2019 APE review performed by Program Management.

DISCUSSION

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 towards completion and any changes approved by the Board are incorporated.

FY19 Results

For the FY2019 APE, Program Management focused on new and carry-over projects to FY2019 with project cost estimated at \$5 million or greater. Program Management staff evaluated 66 projects, including 31 Transit projects, 28 Highway projects, and 7 Regional Rail projects (see presentation for a complete project listing), which total approximately \$16 billion. Compared to the FY18 APE review, the FY19 program size has increased 16% or approximately by \$2.2 billion since the FY18 review.

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 FY19 is reported in the FY2019 Program Management APE presentation (page 54).

Challenges

With the significant increase in number and size of projects and the accelerated implementation schedule for delivering Metro's capital program, including the projects on the 28 by 2028 initiative, Metro is currently undertaking the largest transportation capital program in the nation. Metro's capability and capacity to deliver multiple complex mega projects on-time and within budget creates an unprecedented challenge to project delivery.

Efforts to improve, innovate, and increase our capabilities to deliver projects are essential. Our ability to encourage and attract a competitive and qualified pool of contractors, small businesses, and workforce on Metro projects is integral to project delivery. Building and delivering projects in a growing construction market with a shortage of skilled workers may impact project costs and must be managed effectively. Also, continued commitment by various external jurisdictions for efficient Third Party review and approval is key to successful delivery of Metro's capital program.

Strategic Initiatives

Program Management has begun and will continue to implement various strategic initiatives to bring improved planning, consistency, transparency, and discipline to project delivery. There are new organizational approaches, including systematic approaches to Quality Assurance. Program Management has made significant efforts to develop new and enhance existing project management procedures, establish new training program, and improve its Best Practices/Lessons Learned Program. Recently at the January 2018 Board meeting, the Board approved delegation of authority for LOP budget management on all transit and regional rail projects.

In an effort to consistently manage and support successful delivery of capital projects, staff recommends establishing and consistently implementing a Concurrent Non-Project Activities project for each major capital project. The Concurrent Non-Project Activities project, already implemented on several Metro major capital projects, tracks betterments, non-federally eligible costs, unknown regulatory requirements, and other activities that are not included as part of the core project scope. A Board adoption of these Concurrent Non-Project Activities projects is required and is typically budgeted outside of the Board adopted major capital project LOP budget. Having these Concurrent Non-Project Activities projects will protect the integrity of the major capital project core LOP budget and improve transparency.

FINANCIAL IMPACT

The FY19 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.

NEXT STEPS

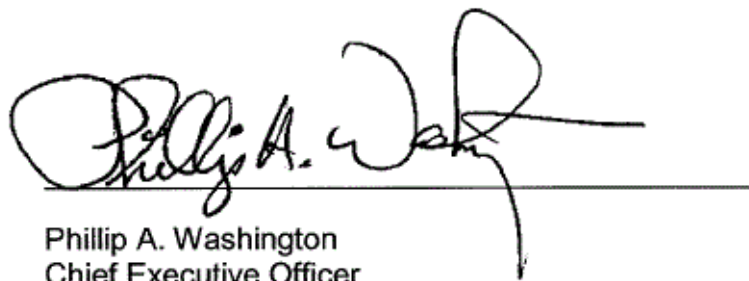
Program Management will request the resources required for project delivery success through the FY19 Budget process for Board approval. Project managers will manage to deliver projects safely, on-time and within the Board-approved budgets. Staff will continue to provide the Board with monthly updates on the project status throughout the year. The next FY20 Program Management APE report will be presented to the Board in spring 2019.

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