



Board Report

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**CONSTRUCTION COMMITTEE
APRIL 15, 2021**

SUBJECT: FISCAL YEAR 2022 PROGRAM MANAGEMENT ANNUAL PROGRAM EVALUATION

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on FY22 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 FY22 APE review performed by Program Management.

BACKGROUND

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

FY22 Results

For the FY22 APE, Program Management focused on new projects, and projects that will carry-over through FY22, with project costs estimated at \$5 million or greater. Program Management staff evaluated 54 projects, including 10 Major Transit Construction projects, 17 Other Transit Capital projects, 22 Highway projects, and five Regional Rail projects (see Attachment A presentation for a complete project listing), which total approximately \$19.8 billion. The program size has decreased

1.5% from \$20.1 billion in FY20 to \$19.8 billion in FY21.

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 FY22 is reported in the FY22 Program Management APE presentation.

Challenges

With the significant number and size of Program Management projects and the accelerated implementation schedule for delivering Metro's capital program, Metro is currently undertaking the largest transportation capital program in the nation. 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:

- Deliver multiple large and complex projects on-time within budget
- Collaborate with stakeholders to meet community expectations
- Commitment of efficient third-party review/approval by various external jurisdictions
- Encourage competitive and qualified pool of contractors, small businesses, and workforce on Metro projects
- Manage cost risks impacted by shortage of skilled workers, good Contractors, and utility resources in a growing construction market
- Maintain sufficient resources and staffing needed to manage and support project delivery
- Address Contractor claims in a fair and equitable manner consistent with contractual requirements
- Achieve continuous improvement in project delivery through innovation and application of best practices and lessons learned

Strategic Initiatives

Program Management continues to implement various strategic initiatives to bring improved planning, consistency, transparency, and discipline to project delivery. These initiatives include:

- Conduct Annual Program Evaluation of Metro's capital program
- Establish reliable Life-of-Project budgets
- Continue use of robust management and support services consulting teams to augment technical expertise and resources
- Improved Best Practices/Lessons Learned Program
- Conduct readiness reviews before projects are released
- Utilize project delivery method selection process
- Evaluate reasons for rail project cost increases and implement recommended actions

FINANCIAL IMPACT

The FY22 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.

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 while increasing opportunities for small business development and innovation.

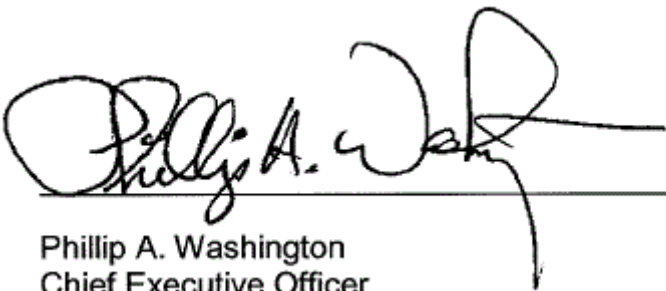
NEXT STEPS

Program Management will request the resources required for project delivery success through the FY22 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 FY23 Program Management APE report will be presented to the Board in Spring 2022.

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