



Board Report

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**REVISED**  
**CONSTRUCTION COMMITTEE**  
**MARCH 16, 2023**

**SUBJECT: FISCAL YEAR 2024 PROGRAM MANAGEMENT ANNUAL PROGRAM EVALUATION**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE status report on FY24 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 annually. This report summarizes the results of the FY24 APE review performed by Program Management.

**BACKGROUND**

Los Angeles Metro Program Management is delivering the largest transportation infrastructure program in the country. The Program Management department implemented the Annual Program Evaluation initiative in 2016 to provide transparency into the performance of capital projects. The Program Management department’s mission statement is “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 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 will be reported to the Board annually for approval. In addition, APE is a project management tool that brings greater consistency, transparency, and discipline to better manage and deliver Board-approved projects. The APE is a dynamic tool updated annually as projects progress toward completion and any changes approved by the Board are incorporated.

**DISCUSSION**

Program Management is responsible for a portfolio of projects comprising more than 70 projects in total. For the FY24 APE, Program Management is primarily focused on new projects that will carry-over through FY24, and all other projects estimated at \$5 million or greater. Program Management staff evaluated 36 projects for the APE, including six Major Transit Construction projects, five Alternative Project Delivery Projects, eight Shovel Ready projects, eleven Capital projects, and six projects in Closeout, which totals between \$25.2-\$26.8 billion. The total program size has increased approximately 13.1% from \$23.7 billion in FY23 (see Attachment A FY24 Program Management APE presentation for a complete project listing).

The primary 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 FY24 is included in the attached FY24 Program Management APE presentation.

Market conditions, material costs, and resource availability continue to drive construction inflation. Inflation is fading from 9.1% (40 year high) to 6.5% but remains well above the Federal Reserve's 2% target. Three months ago, construction craft labor unemployment was 3.3% (a 23 year low); and professional, scientific, and technical services (A/E) unemployment rate 2.1%. Updated economic projections indicate that these challenges will continue into 2023, and supply chain issues and labor impacts will continue as cost and schedule drivers. The sheer size of Metro's capital program and aggressive implementation schedule create unprecedented challenges to project delivery. In response to these challenges, Program Management implemented several strategic initiatives to improve planning, consistency, transparency, and discipline to project delivery. These strategic initiatives are complementary and performed in conjunction with the Early Intervention Team (EIT) strategic initiatives. Program Management's key initiatives for contracting strategy and cost containment include:

- Organization
  - The current staff/consultant Ratio is 23% FTEs and 77% consultants, with a target of 50/50. Recruitment efforts are underway to rebalance the staff/consultant ratio which will provide future cost saving benefits and ensure the retention of organizational knowledge and experience.
  - As part of our best practices review, we are updating the Metro Rail System Design Criteria and have focused on several lessons learned, including review of contract changes on the Crenshaw and Regional Connector projects, defining root causes, and making corrections; and review and revision of contractual language in master contracts with the assistance of counsel and Vendor Contracts Management; and review of our contract for claims avoidance language.
  - To invest in staff careers and improve corporate knowledge, Program Management managers are developing training programs to further increase skills and the level of competency within the department.
  - Program Management, in collaboration with the Chief People Office, is proposing a new hiring strategy to successfully recruit industry leaders.
- Processes

- Stage Gate Reviews at key points during project development are conducted in conjunction with the EIT to provide cross agency collaboration and cost control as outlined within the Early Intervention Team status report.
- Project Control procedures are being updated to address Alternative Delivery and Federal Transit Administration oversight procedures for new cost and schedule contingency targets. Currently, 28 of the 35 Project Control procedures are updated with target completion in 2023.
- CEO board delegated authority is utilized to accelerate the contract change process within the Board adopted the life of project budget.
- Updated processes are rolled out whereby cost/schedule/risk are managed and controlled across the project life cycle. More information is found in the Early Intervention Team status report.
- Alternative Delivery
  - As part of the Alternative Delivery roll-out, staff has delivered new contract templates for use with Construction Manager/General Contractor (CMGC) and Progressive Design-Build (PDB) contracts; developed a guidance manual and training program; completed training for core Alternative Delivery project staff; and scheduled training for all Program Management staff. In addition, material initiatives addressing price fluctuations are being studied.
- Risk
  - New technology to map subsurface utilities was piloted to mitigate risks that contribute to contract change orders.
  - Standard specification and investigation protocols were updated to address differing site conditions for geotechnical and environmental matters, including adopting state-of-the-art technology for horizontal directional drilling.
- Scope Issues
  - A new Master Cooperative Agreement (MCA) with the City of Los Angeles is underway to ensure better scope control. Memorandums of Understanding (MOUs) are being developed assuring thorough engagement with other agencies for project delivery.
  - Professional services soft costs are being monitored and mitigated as they can account for up to a third of project costs.

## **FINANCIAL IMPACT**

The FY24 Program Management APE report has no 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 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.

## **EQUITY PLATFORM**

While the APE encompasses 36 separate projects with project-specific community engagement activities and equity impacts, the program can generally categorize projects into the following six groups for a high-level equity assessment of anticipated benefits and considerations.

### **Major Transit Capital**

These eight mega-capital 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 are all intended to improve access to key 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. Any needed mitigation strategies are determined and implemented at the project-level.

### **Multi-modal Capital**

These five capital 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. In particular, transit and active transportation infrastructure enhancements are anticipated to improve safety for people walking and rolling. Any needed mitigation strategies are determined and implemented at the project-level.

### **Assets Capital**

Capital improvements for six Metro asset projects will serve Metro employees as well as the public. These projects will update equipment and other assets, which are anticipated to maintain safe working conditions for Metro employees and minimize project and service delivery disruptions for Metro riders. Specifically, the Transit Learning 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 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. These five capital projects are anticipated to have minimal if any, equity impacts.

### **Regional Rail**

Similar to the Major Transit Capital projects and Multi-modal Capital Projects, the six projects that fall under the Regional Rail capital program are anticipated to 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. Any needed mitigation strategies are determined and implemented at the project level.

### **Highways**

The seven Highway capital projects are anticipated to improve 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.

### **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**

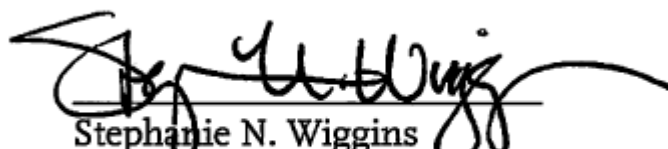
Program Management will request the resources required for project delivery success through the FY24 Budget process for Board approval. Project managers will work to deliver projects safely, on-time and within the Board-approved budgets. Staff will continue to provide the Board with monthly updates on the project status throughout the year. The next FY24 Program Management APE report will be presented to the Board in Spring 2024. Projects with Individual LOP identified increases will return to the Board for a request for approval as necessary.

### **ATTACHMENTS**

Attachment A – FY24 Annual Program Evaluation Report

Prepared by : Julie Owen, Senior Executive Officer, (213) 922-7313

Reviewed by: Sameh Ghaly, Interim Chief Program Management Officer,  
(213) 418- 3369

  
Stephanie N. Wiggins  
Chief Executive Officer