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Transportation
Authority

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TO: BOARD OF DIRECTORS

FROM: JAMES L. de la LOZA 
EXECUTIVE OFFICER
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DEVELOPMENT

SUBJECT: POLICY FOR PROGRAMMING COST CHANGES FOR STIP
HIGHWAY PROJECTS

ISSUE

The Board adopted the "Policy For Programming Cost Changes For STIP Highway Projects" on March 25, 1999 (Attachment A). The Policy provides that Caltrans highway project requests for cost neutral changes between projects in a major corridor and cost increase requests accumulative to \$5,000,000, may be approved by the CEO after a thorough staff engineering technical review demonstrates the changes are technically warranted. In addition, the Policy provides for an annual report to be presented to the Board summarizing all Caltrans requests administratively approved by the CEO.

DISCUSSION

The "Policy For Programming Cost Changes For STIP Highway Projects" (Policy) has been implemented and procedures are in place for carrying out all of the responsibilities listed in the Policy for both Caltrans and MTA Staff. Staff has processed two cost increase requests from Caltrans under the new Policy. Attachment B summarizes the cost increase requests that have been approved up to December 31, 1999. The first three were approved by Board action (prior to the adoption of the Policy) and the remainder were approved under the Policy. Under the Policy, a two-week advance notice has been sent to Board Members before the administrative action is finalized. The administrative approval process has worked well and has improved the efficiency of the overall MTA administrative process.

The total cumulative amount of cost increases for STIP Projects, as of December 31, 1999, is \$5,325,067. The cost increases approved prior to the adoption of the Policy averaged 17% while the average after the Policy was implemented was 10%. The reason for the reduction may have been because of the more active participation of the MTA staff in the overall STIP process with the additional staff that was authorized by

the MTA Board. Note that these cost increases will be deducted from MTA's future STIP Fund Estimates.

In addition to the STIP Highway Projects Cost Increases, there has been other changes to STIP Highway Projects that involve scope, schedule or cost neutral changes and changes in Non-STIP Highway Projects. These are projects funded with Prop C or federal funds and consequently are not STIP projects. A summary of actions involving these type of changes is also shown in Attachment C. All of the cost increase actions were similar to the STIP cost changes that are now approved under the STIP Policy, but required formal action by the Board. If the Policy was extended to cover Prop C and federal funded highway projects, MTA would realize still greater administrative process efficiencies while ensuring the continued cost efficient delivery of these highway projects.

NEXT STEPS

Staff will continue to process requests for cost increases for STIP Highway Projects under the Policy and will submit the Annual Report, with an assessment of the Policy, in July, 2000 to conform with the MTA's fiscal year. In addition Staff will proposed an extension of the Policy to Prop C and federally funded projects as part of the Annual Report.

ATTACHMENTS

- A. Board Policy For Programming Cost Changes For STIP Highway Projects (Approved March 25, 1999)
- B. Summary of Cost Increases Approved For STIP Highway Projects (Through December 31, 1999)
- C. Summary of Other Highway Project Changes for Scope, Schedule and Costs (Through December 31, 1999)

**BOARD POLICY
FOR PROGRAMMING COST CHANGES
FOR STIP HIGHWAY PROJECTS
(Approved March 25, 1999)**

To assure an expeditious and reasonable technical review and assessment of requests for the disposition of cost savings or for additional funding for freeway projects listed in the State Transportation Improvement Program (STIP), the MTA establishes the following Policy:

I. Caltrans Responsibilities:

- a. Caltrans will continue its current internal process of rigorously reviewing, assessing and scrutinizing all proposed contract cost changes as provided for in its Construction Manual and Standard Specifications; and its approval process that requires approval by the Resident Engineer, the Project Manager and District management, and for certain specialized projects, concurrence by Headquarter personnel with specialized expertise.
- b. Caltrans shall keep MTA informed on the status of all projects in the STIP and TIP Call For Projects, including the progress against the original schedule as established during the first STIP or TIP Call For Projects program and the status of all change orders and the use of contingency funds.
- c. Caltrans shall provide MTA with copies of the Project Study Report (PSR), the Project Report (PR), the environmental document, the Plans, Specifications and Estimates (PS&E), the construction plans and the bid contract package for each STIP Project.
- d. Caltrans shall submit requests for additional funds to MTA approximately 12 weeks before the Board meeting date to allow MTA staff sufficient time to review the request, and if appropriate, prepare a Board Report for the next appropriate Board Meeting.
- e. Caltrans will notify MTA staff of its monthly Project Management Information Meetings so MTA staff can attend to ensure ongoing project specific monitoring that will enable early identification of potential changes including cost increases/reductions.
- f. Caltrans will continue to deal with issues involving the benefits of a freeway project, the impacts on the community and the mitigation measures proposed for a project.

II. MTA Staff Responsibilities

- a. MTA will maintain a log and a running total of all cost increases and cost savings in Caltrans project funding that would impact Los Angeles County STIP Shares.

- b. MTA will make appropriate adjustments in TIP Call For Projects Freeway HOV/Gap Closure category funding marks to reflect the running total of all cost increases granted or for all cost savings for STIP and TIP Call For Projects projects.
- c. MTA staff, in consultation with Caltrans or the local sponsoring agency and concurrently with Caltrans' internal review process, will review and evaluate all requests for additional funds for STIP projects and make appropriate recommendations to the Board.
- d. Project requests accumulative to \$5,000,000 and requests for cost neutral changes between projects in a major corridor, may be approved by the CEO after a thorough staff engineering technical review demonstrates the changes are technically warranted. The CEO shall submit to the Board an informational report for each cost increase request at least two weeks before administrative approval of the request. Furthermore, an annual report shall be presented to the Board summarizing all requests approved by the CEO and at that time the Board will re-ratify or modify the delegation policy.
- e. Before the MTA staff makes recommendations for supporting a request for supplemental funds for STIP projects, a thorough review and assessment of the reasons for the cost increases and the benefits that will be derived from the additional costs shall be conducted. MTA staff will coordinate with the staff of each Board Member in whose district the project is located during the review and assessment of each cost increase request. There must be reasonable benefit/value added to Los Angeles County before staff can recommend support for additional funding.
- f. Reasons for requests for additional funds include: project scope changes (including cost neutral changes), added environmental mitigation measures, STIP Amendments, inflation and changing economic cycles, bids higher than Engineer's Estimate/programmed amount, delay in projects due to weather, unforeseen circumstances, or transfer of work between projects.
- g. MTA staff will participate in Caltrans monthly Project Management Information Meetings to monitor projects to enable early identification of potential changes including cost increases/reductions.

COST INCREASES APPROVED FOR STIP HIGHWAY PROJECTS
(Through December 31, 1999)

Index No.	Project Name	EA Project Number	Sponsor	Original Cost (\$)	Cost Increase		Type of Funds			Cumulative STIP Cost Increase (\$)	Approval Date	Comments
					Amount (\$)	%	STIP	Fed.	Prop C			
1	I-110 Harbor Transitway, Transit Stations at Pacific Coast Hwy and Carson St.	07-1191A4	Caltrans	7,186,100	477,900	6.7%	X			477,900	1/28/99	MTA Bd. Approved
3	SR-110 Pasadena Fwy I-5 to Stadium Way	07-118081	Caltrans	12,500,000	3,600,000	28.8%	X			4,077,900	03/25/99	MTA Bd. Approved
4	SR-90 Marina Fwy W/O Culver Blvd.	07-1693U1	Caltrans	8,332,000	700,000	8.4%	X			4,777,900	03/25/99	MTA Bd. Approved
HPDIT 99.01	Ventura Fwy at Mulholland Dr. Overcrossing	07-018744	Caltrans	10,933,944	377,167	3.4%	X			5,155,067	06/08/99	Approved under Bd. Policy
HPDIT 99.02	I-110 Harbor Transitway, Transit Stations at Rosecrans, Slauson, Manchester and 37 th	07-119114	Caltrans	12,500,000	170,000	1.4%	X			5,325,067	06/30/99	Approved under Bd. Policy

Other Highway Project Changes for Scope, Schedule and Costs (Through December 31, 1999)

Index No.	Project Name	EA Project Number	Sponsor	Original Cost (\$)	Cost Increase		Type of Funds			Cumulative STIP Cost Increase (\$)	Approval Date	Comments
					Amount (\$)	%	STIP	Fed.	Prop C			
2	SR-30 Foothill Freeway Cost Neutral Transfer from Roadway Construction to New Detour Construction On Baseline Road Project	07-1050E4	Caltrans	0			X				1/28/99	MTA Bd. Approved \$2,500,000 Fund Swap within SR 30 Corridor Project
5	SR-30 Foothill Freeway Cost Neutral Transfer from Roadway Construction to Soundwall Construction	07-126241	Caltrans	1,456,000		0.0%	X				03/25/99	MTA Bd. Approved \$1,444,000 Fund Swap within SR 30 Corridor Project
HPDIT 99-03	I-105 Soundwall Project	07-147511	Caltrans	4,200,000	0	0.0%	X				07/23/99	MTA concur/build soundwalls
HPDIT 99-05	Route 30 Freeway Gap Closure Project	07-172121	Caltrans	362,697,000	0		X		X		08/09/99	Approved under Board Policy
	Route 605 HOV Lanes (Orange County Lint to South Street)	07-1347U4	Caltrans	14,774,000	(3,419,298)	-23.1%			X		07/29/99	Approved By Bd transfer of funds to 405 Project
	I-405 San Diego Freeway HOV Lane Southbound from Waterford to Rt 101	07-1667U4	Caltrans	16,915,000	3,419,298	20.2%			X		07/29/99	Approved By Bd transfer of funds from 605 Project
	I-405 San Diego Freeway HOV Lane From Rt 101 to Rt 5	07-120334	Caltrans	13,669,893	535,000	3.9%		X			12/02/99	Approved by Bd additional cost to settle construction claims.
	I-10 HOV Lane Project From Rt 57 to San Bernardino County Line (Design Contract with consultant)	07-122401	Caltrans	8,510,000	505,436	5.9%			X		12/02/99	Approved by Bd increase in Scope of Work for Design Consultant Contract