



SUBJECT: PROGRAMMING COST CHANGES - HIGHWAY PROJECTS

Metropolitan
Transportation
Authority

ACTION: RECEIVE AND FILE ANNUAL REPORT

One Gateway Plaza
Los Angeles, CA
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RECOMMENDATION

Receive and File this Annual Report on the MTA Policy for Programming Cost Changes For STIP and Federal/Local Funded State Highway Projects.

ISSUE

The Board first adopted the Policy For Programming Cost Changes For STIP Highway Projects on March 25, 1999 to streamline the MTA review and approval process for project cost, schedule and scope changes of projects in design and/or construction. The policy covered only STIP funded state highway projects. On June 23, 2000, the MTA Board revised the Policy by adding Federal/Local funded state highway projects (Attachment A). The Policy provides that Caltrans STIP and Federal/Local funded state highway project cost change requests cumulative to \$5,000,000 and requests for cost neutral changes between two or more projects in a major corridor, may be approved by the MTA CEO after a thorough 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 that were administratively approved by the CEO.

BACKGROUND

The "Policy For Programming Cost Changes For STIP and Federal/Local Funded State 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. STIP funds include both state-only funds derived from state transportation taxes and federal funds such as Surface Transportation Program funds allocated to the states under TEA-21 statutes. Federal/Local Funds include federal CMAQ and RSTP funds that are programmed by MTA and local Prop C 25% funds.

MTA staff during the last year from May 1, 2000 to April 30, 2001 has processed six cost change requests and two cost-neutral schedule change requests from Caltrans under the Policy. Attachment B summarizes the scope, schedule and cost change

requests that have been approved between May 1, 2000 and April 30, 2001. Under the Policy, a two-week advance notice is sent to Board Members before the administrative action is finalized.

During the past year (May 1, 2000 to April 30, 2001) the total cumulative amount of cost changes for Caltrans' projects was \$9,717,000 out of a total project cost of \$46,387,200, resulting in a cost change of 20.9%. Of the cost changes, five projects were cost increases, generally due to unplanned and unexpected changes to projects due to conditions discovered after the projects were well into design or construction. For one project, \$1,647,000 in STIP dollars was required to backfill local funds and was not a cost increase. Of the \$9,717,000, a total of \$9,579,000 required programming of STIP dollars which will be deducted from the freeway modal category funding target in the 2003 Call For Projects.

The administrative approval process continues to work well in improving the efficiency of the overall MTA administrative process by providing a more timely procedure for approving unexpected cost increases for state highway projects. The streamlined procedure has helped keep state highway projects on schedule and assisted Caltrans in obtaining funding allocation votes from the California Transportation Commission in a more timely manner.

NEXT STEPS

Staff will continue to process requests for cost increases for Caltrans' STIP and Federal/Local funded state highway projects under the Policy and submit the Annual Report.

ATTACHMENTS

- A. Board Policy For Programming Cost Changes For STIP and Federal/Local Funded State Highway Projects (Approved June 23, 2000)
- B. Annual Report Summary – STIP, Federal and Local Funded State Highway Projects - Scope, Schedule And Cost Changes (May 1, 2000 to April 30, 2001)

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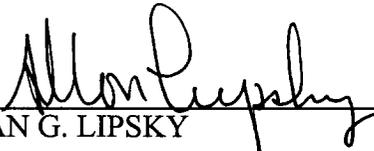
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**BOARD POLICY
FOR PROGRAMMING COST CHANGES FOR
STIP AND FEDERAL/LOCAL FUNDED
STATE HIGHWAY PROJECTS
(Approved June 23, 2000)**

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) and for federal/local funded projects in the HOV Lane Program, 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 and for each federal/local funded project in the HOV Lane Program.
- 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 and federal/local funded projects in the HOV Lane Program and make appropriate recommendations to the Board.
- d. Project cost-change requests accumulative to \$5,000,000, including requests for cost neutral changes between projects in a major corridor, for STIP projects and for federal/local funded projects in the HOV Lane Program 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.
- e. Before the MTA staff makes recommendations for supporting a request for supplemental funds for STIP projects and for federal/local funded 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.

ATTACHMENT B

**ANNUAL REPORT SUMMARY
STIP FEDERAL AND LOCAL FUNDED HIGHWAY PROJECTS
SCOPE, SCHEDULE AND COST CHANGES
(May 1, 2000 to April 30, 2001)**

Line No.	Project Name	EA Project Number	Sponsor	Original Cost (\$)	Cost Changes		Type of Funds			Cumulative Cost Changes (\$)	Approval Date	Comments
					Amount (\$)	%	STIP	Fed.	Prop C			
1	Rt 405 Soundwall S/O Victory Bl.	07-053571	Caltrans	6,861,000	0	0.0%	X				6/23/00	Time Extension for \$1,561,000 portion of wall
2	Route 405 Southwest Collector Road Bridge 353-2810K (at I-710 Interchange)	07-185004	Caltrans	1,883,700	138,000	7.3%		X	X	138,000 *	7/11/00	To correct design defect, bridge span too long. Cost increase within amount programmed by the MTA
3	Baseline Road Widening Project Route 30 Gap Closure Project	07-1050E4	Caltrans	4,621,500	630,000	13.6%	X			768,000	8/1/00	Increased cost for traffic signal and safety lighting; and relocation of water line and drainage
4	Soundwall Project; LA-91, Rt. 605 to OCL (to replace local funds not programmed)	07-19020K	Caltrans	3,071,000	1,647,000	53.0%	X			2,415,000	12/5/00	Not cost increase; to replace local funds not programmed
5	US-101/I-405 Gap Closure Project (cost increase is one-half of total cost increase, balance from ITIP; also has TCRP funds)	07-201200	Caltrans	26,338,000	5,000,000	19.0%	X			7,415,000	11/28/00	Revised cost estimate based on final design higher than PSR estimates
6	I-405/US-101 Connector Widening Project (this cost increase is funded by RIP funds which is one-half of total cost increase, balance from ITIP)	07-191300	Caltrans	5,053,000	402,000	8.0%	X			7,817,000	3/13/01	Final design identified additional Right-of-Way needs and relocation of underground electrical vault

ATTACHMENT B (Continued)

Line No.	Project Name	EA Project Number	Sponsor	Original Cost (\$)	Cost Changes		Type of Funds			Cumulative Cost Changes (\$)	Approval Date	Comments
					Amount (\$)	%	STIP	Fed.	Prop C			
7	Route 105 from Sepulveda Blvd. to Nash St. – Widen off-ramp westbound) In City Los Angeles	07-17850K	Caltrans	7,394,000	0	0%	X			7,817,000	4/16/01	One year time delay due to additional bridge design work
8	Manhattan Beach and El Segundo Sepulveda Blvd (Route 1) Marine Ave. to Grand Ave. Widen to 8 lanes and add turn pockets	07-102914	Caltrans	5,420,000	1,900,000	35.1%	X			9,717,000 *	7/18/00	Additional utility relocations, increase in cost of base materials; additional utility potholes needed

Note: In addition to the above actions, the Board approved increased funding of \$5,500,000 for the Route 10 HOV Project from Baldwin to Route 605 at its February, 2001 meeting. This was approved outside of the Cost Change Policy because MTA directly manages this contract. The \$5,500,000 was deducted from the freeway modal category funding target in the 2001 Call For Projects.

* Of the \$9,717,000, \$9,579,000 will be earmarked for deduction from the Freeway Modal Category of the 2003 Call For Projects because \$138,000 of project Line No. 2 did not require any additional funding (the \$138,000 was taken from the original MTA allocation for that project).