Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

# Board Report

**File #:** 2017-0384, **File Type:** Contract **Agenda Number:** 8

**AD-HOC CONGESTION, HIGHWAY AND ROADS COMMITTEE**
**JULY 19, 2017**

**SUBJECT: INTERSTATE 5/STATE ROUTE 14 HOV DIRECT CONNECTOR PROJECT - PROJECT CLOSURE AND RELEASE OF UNSPENT FUNDS**

**ACTION: APPROVE PROGRAMMING RECOMMENDATIONS**

## RECOMMENDATION

CONSIDER:

A. ACKNOWLEDGING completion of the I-5/SR-14 HOV Direct Connector Project and AUTHORIZING to close of the project;

(REQUIRES TWO-THIRDS VOTE OF THE FULL BOARD)

B. AUTHORIZING the Chief Executive Officer to reprogram $85.8 million dollars of planned $90.8 million dollars unspent in original Measure R 20% funds for the I-5/SR-14 HOV Capacity Enhancements Project to other eligible highway operational improvement projects in North County;

C. AUTHORIZING retention of $5 million from the $90.8 million to remain within the I-5/SR-14 HOV Direct Connector Project for completion of the outstanding workscope with any unspent funds to remain within the North County region, and;

D. AMENDING FY18 budget for $2 million dollars to create and fund the I-5 / SR-14 Direct Connector Project to address a remaining utility relocation.

## ISSUE

On December 23, 2012, the I-5/SR-14 HOV Direct Connector was opened to traffic. All major activities related to the project have been completed except for the final relocation of Southern California Edison (SCE) powerlines for an estimated Rough Order Magnitude (ROM) cost of $5 million. Delays in relocation of SCE's power lines to outside the State right-of-way has caused delay in closing the project. As such, the remaining Project funds are tied up. With the opening of the project in 2012, Metro wishes to release those funds from the Project and reprogram the funds to other highway operational improvement projects in North County, only when the Metro Board

determines the project is complete.

## DISCUSSION

In 2016, Metro requested California Department of Transportation's (Caltrans) approval to close the project. This would have enabled Metro to reprogram the unspent funds to other projects in North County.

In a letter dated May 26, 2017, Caltrans requested Metro to leave $5 million of the original programmed funds in the Project to pay for the SCE utility relocation costs and approved release of the remaining balance (Attachment A). Approval of the $5 million cost is consistent with the Revised Unified Cost Management Process and Policy for Measure R projects amended January 22, 2015 (Attachment B).

Construction of an HOV direct connector at the I-5/SR-14 interchange was deemed complete by Caltrans as of August 20, 2015. State policy requires that existing longitudinal utilities within the project limits be relocated to outside the State right-of-way. Caltrans temporarily permitted the SCE utility poles to stay within the freeway right-of-way to allow the project construction to commence in a timely manner without any costly delays and to be relocated to their ultimate location after completion of construction. Now that the construction is complete, the power lines need to be relocated to an adjacent private property via an easement. Caltrans has been in communication with SCE to expedite the relocation efforts. Based on a letter from Caltrans, they determined that setting aside an amount not to exceed $5 million would be sufficient for the relocation of the SCE power lines and to complete the project.

The Measure R Ordinance states that for projects funded from other sources on or before December 31, 2008, the funds freed-up by passage of the sales tax shall remain within the subregion in which the project is located for projects or programs of regional significance (per Assembly Bill 2321). The Measure R Ordinance requires that the Metro Board of Directors determine by a two-thirds vote whether a highway capital project in the Measure R program is complete. Following this action any surplus revenues allocated to that highway capital project may be credited to the Measure R Highway Capital Subfund for expenditure on highway capital projects within the same subregion as the completed project. The $90.8 million in Measure R (MR) 20% funding was programmed for the I-5/SR-14 HOV Capacity Enhancements project in line 26 of the Measure R Expenditure Plan. The original I-5/SR-14 HOV Capacity Enhancements project was developed and entitled as I-5/SR-14 HOV Direct Connector Interchange Project and was eligible for MR20% funding. Under recommendation B, these funds are assumed as Measure R highway capital project credits for the to-be-determined projects late in the third decade of Measure R (2030-2039) through Metro Board action on the 2009 Long Range Transportation Plan and the 2014 Short Range Transportation Plan.

Upon completion of the SCE power lines relocation, any unspent funds or savings from the $5 million funds retained in the I-5/SR14 project under recommendation C shall remain in the North County subregion for allocation to other eligible North County project(s).

## DETERMINATION OF SAFETY IMPACT

There are no impacts to safety of the users of the highways by approving this action.

## FINANCIAL IMPACT

The SCE utility relocation effort for this project was not planned in the FY18 budget. Upon approval of recommendation D, FY18 budget will be amended for $2 million dollars to initiate the project in the system and to start the outstanding project workscope. With approval of recommendation C, the budget for the I-5 /SR-14 HOV Direct Connector Construction Project will be amended to a cumulative amount of $5 million dollars in MR20% funds budgeted under Account 54001 Subsidies - in cost center 0442, Task 5.4.100. Caltrans anticipates that the proposed utility relocation will be completed over an 18 month period.

Since this is a multi-year project, the Project Manager, the Cost Center Manager and the Senior Executive Officer, Program Management - Highway Program will be responsible for budgeting costs in future years for Metro's share within the updated project budget.

Impact to Budget

With approval of recommendation B, $85.8 million dollars of MR 20% savings from the project will be reprogrammed to other North County sub-region project(s).

Under Line 26 of the Measure R Ordinance, $90.8 million in MR 20% Highway funds were programmed for the original I-5/SR 14 HOV Capacity Enhancements project. Recommendation C cumulatively reduces the $90.8 million dollars to $5.0 million dollars of MR20% funding planned for I-5 / SR14 HOV Direct Connector project. Prior to FY18, CMAQ and TIP funds were used to construct the project.

The source of funds for recommendations B, C and D is MR 20% Highway funds, which is not eligible for bus or rail operations. No other funds were considered.

## ALTERNATIVES CONSIDERED

The Board may choose not to approve staff recommendations state herein. This option is not recommended as the resulting delays will be neither to the advantage of the Project nor the other projects that might be advanced by the availability of funds released from the Project.

## NEXT STEPS

Upon Board approval of the staff recommendation an amendment to the funding agreement with Caltrans will be executed to maintain $5 million in the Project. The remaining $85.8 million will be released form the Project and reprogrammed to other eligible highway improvement projects in North County.

## ATTACHMENTS

Attachment A -Caltrans letter on cost to close the Project
Attachment B -Revised Unified Cost Management Process and Policy for Measure R Projects

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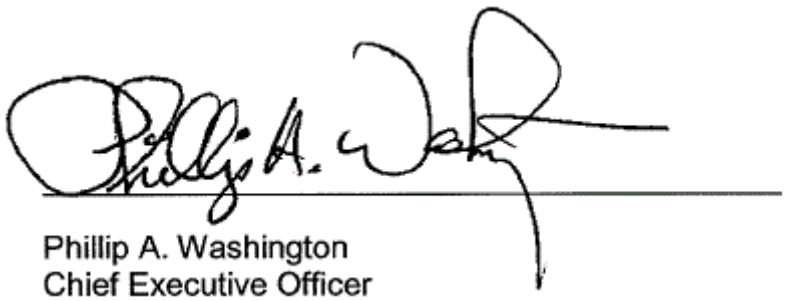
Reviewed by: Richard F. Clarke, Chief Program Management Officer, (213) 922-7557



Phillip A. Washington
Chief Executive Officer

**ATTACHMENT A**



**DEPARTMENT OF TRANSPORTATION**
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May 26, 2017

Mr. Abdollah Ansari
Managing Executive Officer
Los Angeles County Metropolitan Transportation Authority (Metro)
One Gateway Plaza
Los Angeles, CA 90012

Dear Mr. Ansari:

This letter is in reference to your request to expedite the close out of the Interstate 5 / State Route 14 High Occupancy Vehicles (HOV) Connector Project and our letter dated April 4, 2017 regarding a budget reserve to cover the cost of the Southern California Edison's (SCE) project related powerlines relocation activities.

Caltrans has been in communication with SCE to expedite the relocation redesign effort and provide a detailed estimate for its work for accurate budgeting purposes as you have requested.

SCE however, advised of the need for the final relocation design to be completed before any detailed estimate could be provided and indicated that August of 2017 would be the earliest date for such estimate.

As we recognize the urgent need to close this project, please set aside a $5 million budget to cover all costs associated with the relocation of the SCE powerlines.

Such budget should be added to the project's right of way capital budget via amendment No. 4 of the funding agreement (FA) No. 4764.

Please contact Osama Megalla, Alternative Delivery Projects Manager at 213-897-0520 if you have any question(s) or need additional information regarding this request

Sincerely,

Robert So
Deputy District Director
Division of Program and Project Management

CC: G. Farr (Caltrans)
O. Megalla (Caltrans)
W. Ridder (Metro)
T. Oyewole (Metro)
A. Ogunrinde (Metro)

**REVISED**

# Unified Cost Management Process and Policy for Measure R Projects (amended January 22, 2015)

**(Note: Underlines and strike-outs that were from original Board-adopted Policy document were inadvertently included in this Attachment. These have been removed. Only the language in Section 11 is new and remains underlined).**

## Introduction

The MTA will follow a unified cost management process and policy for the control and minimization of project costs for the Measure R transit and highway projects. At the core of the unified cost control management process and policy is a commitment to follow a new step-by-step evaluation of project costs against possible resources to address project shortfalls. Shortfalls that cannot be addressed at the project level by value engineering or other measures, such as changes in the scope of the project, will be subject to a new stepwise evaluation process.

The new step-by-step cost management process will require the MTA Board to review and consider approval of project cost estimates against funding resources at key milestone points throughout the environmental, design, and construction phases of the Measure R transit and highway projects. At each milestone, MTA staff is directed to: (1) submit a project that is consistent with the budget; (2) identify any issues when a project is not consistent with the budget; and (3) propose corrective actions before the project advances further, if it is not consistent with the budget. For Measure R funds, the planned funding resources (including any prior Measure R expenditures) shall not exceed the amount shown in the "New Sales Tax Total" column of the Measure R expenditure plan. At each milestone, the planned funding resources shall not exceed the amounts shown. These key milestones include the following decision points:

1) Selection of conceptual design alternatives to be studied in the environmental phase;
2) Selection of the Locally Preferred Alternative and entrance into the Preliminary Engineering phase;
3) Approval of the final environmental document and entrance into the final design phase;
4) Establishment of a life-of-project budget prior to construction; and,
5) Any amendment to the life-of-project budget.

If increases in cost estimates occur, the MTA Board must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Increases in cost estimates will be measured against the 2009 Long Range Transportation Plan as adjusted by subsequent actions on cost

estimates taken by the MTA Board. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order:

1) Value Engineering and or scope reductions;
2) New local agency funding resources;
3) Shorter segmentation;
4) Other cost reductions within the same transit or highway corridor;
5) Other cost reductions within the same sub-region; and finally,
6) Countywide transit cost reductions or other funds will be sought using pre-established priorities.

The objective of the cost management process and policy is to insure the prompt development and consideration of project cost alternatives that genuinely address the cost controls necessary to successfully deliver all Measure R transit and highway corridor projects.

## Process and Policy Detail

The unified cost management processes and policies that are proposed controls are as follows:

1) A regional long-range transportation plan (covering at least 20 years) for Los Angeles County shall be adopted at least once every five years. For interim years, staff will report on changes affecting the major financial assumptions of the plan and progress toward the implementation of new projects and programs. The plan update report shall also highlight Board approved actions taken during the interim period that affect the plan outcomes or schedules *(from Financial Stability Policy)*;

2) MTA shall complete projects accelerated through the 30/10 Initiative in the same sequence as the adopted 2009 Long Range Transportation Plan (LRTP) *(from 30/10 Initiative Position Statement)*;

3) MTA shall only utilize pledged federal assistance from the 30/10 Initiative if the construction and financing costs are less than the available funds (adjusted for inflation) planned in the adopted 2009 LRTP, unless those costs are being adjusted by the minimum necessary to accomplish an operable segment for the corridor *(from 30/10 Initiative Position Statement)*;

4) Measure R transit corridor and highway projects shall be presented separately for approval by the Board in a step-by-step cost control process that will evaluate project cost estimates against funding resources at key milestones points throughout the environmental, design, and construction phases of the 30/10 transit projects. For Measure R funds, the planned funding resources (including any prior Measure R expenditures) shall not exceed the amount shown in the "New Sales Tax Total" column of the Measure R expenditure plan. These key milestones include the following decision points:

    a. Selection of conceptual design alternatives to be studied in the environmental phase;

b. Selection of the Locally Preferred Alternative and entrance into the Preliminary Engineering phase;
c. Approval of the final environmental document and entrance into the Final Design phase;
d. Establishment of a life-of-project budget prior to construction; and,
e. Any amendment to the life-of-project budget.

5) At any of the milestones above, the MTA will seek to control and minimize Measure R transit and highway project costs prior to taking any action necessary to permit the project to move to the next milestone. Cost minimization efforts will be measured against the 2009 Long Range Transportation Plan as adjusted by subsequent actions on cost estimates taken by the MTA Board. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order:

a. Value engineering and/or scope reductions;
b. New local agency funding resources;
c. Shorter segmentation;
d. Other cost reductions within the same transit or highway corridor (see Attachment B);
e. Other cost reductions within the same sub-region (See Attachment B); and,
f. Countywide transit and highway cost reductions and/or other funds will be sought using pre-established priorities, as follows:
    i. Where applicable, Measure R Transit Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 2 of 4, Line 18);
    ii. Where applicable, Measure R Highway Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 3 of 4, Line 39); and,
    iii. Where Line 18 is not applicable, the LRTP Near-Term Strategies and Priority Setting Criteria will be followed (Item 9, as Adopted by the Board of Directors in March 2010).

Each Measure R transit or highway project will be considered on a case-by-case basis at each milestone and a rationale developed if resources from the prior step above are insufficient or not recommended for good reason. The MTA Board will be presented with all viable options and will have the sole authority to make any final funding and project delay decisions.

6) Prior to inclusion in the annual budget, Measure R transit corridor and highway projects shall be presented separately for approval by the Board for a life-of-project budget. Subsequently, capital projects with life-of-project budget changes that cause the project to exceed $1 million or if the change exceeds $1 million shall be presented to the Board for approval *(from Financial Stability Policy)*;

a. Prior to life-of-project budget approval, the MTA shall compare the sum of the cost of the Measure R transit and highway projects to date and the

proposed life of project budget (as de-escalated) to the most up-to-date LRTP funding forecast for Measure R transit and highway projects. If the life-of-project budget is less than the anticipated funds available as compared to the up-to-date LRTP funding forecast, then MTA can approve the life of project budget. If the life-of-project budget are more than the available funds, then MTA would not execute a construction contract unless the MTA Board approved cost reductions, project delays or other funding to make up the difference *(modifies and would supersede language from the body of 30/10 Initiative Position Statement)*;

7) Prior to approval of a life-of-project budget that exceeds currently committed revenues and prior to approval of a life-of-project budget cost increase, MTA staff will evaluate the possibility of securing the necessary cost savings or revenues for the project. Within the parameters of the MTA Board's policy not to seek transit funds from highway resources, or vice-versa, staff will first seek to identify cost and/or additional funds in a step-by-step manner from:

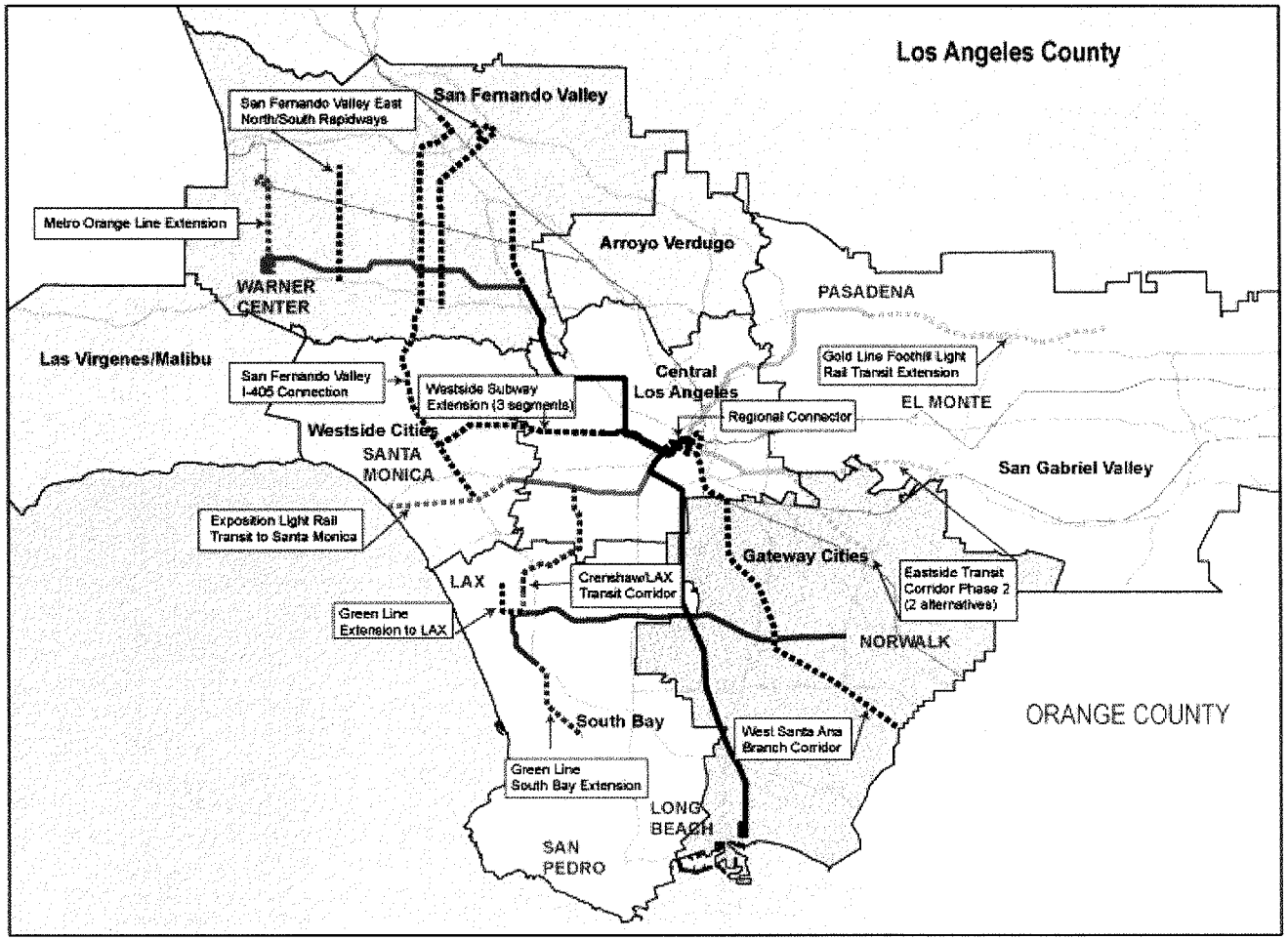
    a. Value engineering and/or scope reductions;
    b. New local agency funding resources;
    c. Shorter segmentation;
    d. Other cost reductions within the same transit or highway corridor;
    e. Other cost reductions within the same sub-region; and,
    f. Countywide transit cost reductions and/or other funds will be sought using pre-established priorities, as follows:
        i. Where applicable, Measure R Transit Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 2 of 4, Line 18);
        ii. Where applicable, Measure R Highway Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 3 of 4, Line 39); and,
        iii. Where Line 18 is not applicable, the LRTP Near-Term Strategies and Priority Setting Criteria will be followed (Item 9, as Adopted by the Board of Directors in March 2010).

8) A specific MTA Board action is required to re-program highway capital project funding for use on transit or highway capital projects as a result of 30/10, unless such re-programming does not result in a net decrease to the highway capital project funding *(from 30/10 Initiative Position Statement)*;

9) Likewise, a specific MTA Board action is required to re-program transit capital project funding for use on highway capital projects as result of 30/10, unless such re-programming does not result in a net decrease to the transit capital project funding *(from 30/10 Initiative Position Statement)*; and,

10) Any capital project savings above $200,000 must return to the Board for approval prior to the reprogramming or transfer of funds to other projects or programs (from Financial Stability Policy).

11) **A Regional Facility Area has been established, separate from subregional planning areas, which include Los Angeles International Airport (LAX), Burkank Bob Hope Airport, Long Beach Airport, Palmdale Regional Airport; the Ports of Long Beach and Los Angeles; and Los Angeles Union Station. Any capital project cost increases to Measure R funded projects within the boundaries of these facilities are exempt from the corridor and subregional cost reduction requirements of 7(d) and 7(e) above. Cost increases regarding these projects will be addressed from the regional programs share.**

**ATTACHMENT B**

# Measure R Transit Corridor Map With Sub-regional Boundaries