

SOUTH BAY CITIES COUNCIL OF GOVERNMENTS

INFRASTRUCTURE WORKING GROUP LUNCH MEETING

Cost of lunch, including soft drinks, coffee, dessert, and tip, is **\$25.00** per person. Payment will be collected during the meeting. Lunch selection will be available at the meeting.

Wednesday, January 26, 2011 from 11:30 A.M. – 1:30 P.M.

LOCATION: Blue Water Grill, 665 North Harbor Drive, Redondo Beach 90277

For map of location go to www.bluewatergrill.com.

To ensure seating for everyone, please RSVP your attendance by close of business, Monday, January 24 to Kim Fuentes at Kim@southbaycities.org

----- AGENDA -----

11:30 p.m. Self Introductions & Approval of Minutes

11:35 p.m. South Bay Measure R Hwy Implementation Plan – SBCCOG & Iteris, Inc.

Formation of SBCCOG Program Oversight Subcommittee of the Board - SBCCOG
SBCCOG staff will provide an update on SBCCOG Board activities and status of project list.

Measure R Hwy Proposed Policies -- Iteris

The Iteris team will be providing an update on program status and timeline. The team will also present and collect input from the attendees on the following proposed policies:

- Approach to Category Zero Projects
- Draft Cost Containment Policies
- Approach to Categories 2 & 3 Funding Allocations

*The South Bay subregion is expected to receive approximately \$906 million of Measure R funds for Hwy related improvements (**these funds are in addition to local return**). Over the next few months, the Iteris team will be developing the Implementation Plan.*

12:35 p.m. South Bay Bicycle Master Plan - Marissa Christiansen, South Bay Initiative Director, LA County Bicycle Coalition

The South Bay Bicycle Master Plan is a grant-funded initiative that seeks to propose new and expanded bikeways interconnecting seven cities in the South Bay: El Segundo, Gardena, Hermosa Beach, Lawndale, Manhattan Beach, Redondo Beach, and Torrance. The objectives of the project include improved community health, obesity prevention, reductions in car dependence, and increased road safety. The project is funded through the RENEW initiative through the Los Angeles County Department of Public Health and is managed in partnership by the Los Angeles County and South Bay Bicycle Coalitions.

12:55 p.m. Agency & Other Reports

- SBCCOG – *Program update - SBCCOG*
- SOUTH BAY TRAFFIC FORUM, LA County Dept. of PW – *Status – Jane White*
- Metro – *Update – Fanny Pan*
- Metro TAC & Streets and Freeway Subcommittee – *Update - Fanny Pan*

1:20 p.m. Other Business

1:30 p.m. Adjournment — *Next meeting Wed., February 23, 2011. If you want to agendize an item please send e-mail to: Kim@southbaycities.org before Mon., February 7, 2011.*

3-month Look-ahead on Committee Meetings and Decision Milestones

January 19, 2011

DRAFT for Discussion Purposes Only (meeting dates subject to change)

January 2011	February 2011	March 2011	April 2011	May 2011
<p>10. Steering Committee</p> <ul style="list-style-type: none"> • Early Action Plan and Funding allocations 	<p>9. Measure R Subcommittee</p> <ul style="list-style-type: none"> • Draft Cost Containment Policies • <u>Approach</u> to Categories 2 & 3 Allocations • <u>Approach</u> to Category Zero Projects 	<p>14. Measure R Subcommittee</p> <ul style="list-style-type: none"> • Draft Recommendations for Categories 2 & 3 Allocations • Recommendations on Cost Containment Policies • Integration Concept for PPMS / PIMS 	<p>13. Measure R Subcommittee</p> <ul style="list-style-type: none"> • Recommendations for Full Five-Year Funding Allocations • Draft Final Implementation Plan Report 	
<p>26. IWG</p> <ul style="list-style-type: none"> • Draft Cost Containment Policies • <u>Approach</u> to Categories 2 & 3 Funding Allocations • <u>Approach</u> to Category Zero Projects 	<p>23. IWG</p> <ul style="list-style-type: none"> • <u>Recommendations</u> on Cost Containment Policies • Draft <u>Recommendations</u> for Categories 2 & 3 Funding Allocations • Draft Implementation Report • Integration concept for PPMS and PIMS 	<p>23. IWG</p> <ul style="list-style-type: none"> • Final Category 2 & 3 Allocations • Draft Final Implementation Plan Report 		
<p>27. SBCCOG Board</p> <ul style="list-style-type: none"> • Early Action Plan with Five-year Programming Recommendations 	<p>24. Metro Board Approval of Early Action Five-year Programming and fully funded projects</p>		<p>28. SBCCOG Board</p> <ul style="list-style-type: none"> • Full Five-year Funding Allocations • Approve Final Implementation Plan 	<p>26. Metro Board Approval of Full Five-year Funding Allocations</p>



DRAFT TECHNICAL MEMORANDUM

TO: South Bay Measure R Highway Program **Date:** January 17, 2011
Technical Working Group

FROM: Viggen Davidian, Michael Meyer **Job No:** 16-J10-1642
Iteris, Inc.

SUBJECT: Policies for Eligibility of Highway Projects to Receive **Supplemental Measure R Funds** to
Replace Lost or Expended Funding or to Compensate for Increased Costs

This memorandum presents the initial policies and processes for the South Bay Measure R Highway Program to address three potential situations which could result in a previously fully funded project requiring supplemental funding:

1. Escalation in project costs
2. Change/loss in previous local funding commitments
3. The reimbursement of funds expended by agencies on a project prior to the Measure R Highway Program

The policies stated below, include current guidance from Metro management related to this subject which are consistent with Measure R Highway Program requirements.

Project Cost Changes & Escalation

In order for fully funded projects to be eligible for South Bay Measure R Highway Program funds, they must be included in the South Bay Measure R Highway Program project tracking system. Cost changes due to changing scope or changes in estimated costs will be addressed through the annual South Bay Measure R Highway Program Process. Changes to costs of projects in the current fiscal year will be handled by the South Bay COG Measure R Steering Subcommittee on a case-by-case basis. The Steering Committee will make recommendations to the full SBCCOG Board of Directors.

More detail on this subject and additional policies are included in a separate memorandum entitled ***Measure R Highway Program Cost Containment Policies***.

Metro's Advise on Change in Previous Local Funding Commitments

Under very exceptional circumstances, where previous funds were committed in good faith but may no longer be available, Metro may consider the use of South Bay Measure R Highway funds as a replacement for previously committed funds.



The Metro Board of Directors, in approving Measure R and placing it before the voters, did so with the intent that Measure R funds should, to the maximum extent possible, be used to *supplement*, not *supplant*, existing sources and commitments of funding for transportation in Los Angeles County.

In order to consider a request for substitution of South Bay Measure R Highway Funds for previously committed local funds, Metro will require detailed documentation as to the need and reason for the substitution. In evaluating any request to substitute South Bay Measure R Highway funds for a prior local commitment, the local jurisdiction will need to certify, by way of its City Council, and demonstrate to the satisfaction of Metro the following:

1. Was the “prior commitment” by the sponsoring jurisdiction genuine; e.g., was it simply a number entered into a table to complete an application or did it have the full and explicit approval by the sponsoring jurisdiction’s governing board?
2. Has the request for substitution of funds been approved by the sponsoring jurisdiction’s governing board?
3. Has a funding shortfall developed due to circumstances beyond the sponsoring jurisdiction’s control, or have funds been moved from the project at the sponsoring jurisdiction’s discretion?
4. Does the sponsoring jurisdiction have access to other sources of local funding that could be used to make up all or a portion of the funding shortfall?
5. If Metro approves the substitution of Measure R funds for previously committed local funds, would the local funds that are no longer committed to the project still be available for another transportation purpose. In other words, will there be no net loss of dollars for transportation as a result of the substitution?

If a construction contract for a project has already been awarded, Metro will exercise an even higher level of critical evaluation of any such supplemental funding request. A contract is a legally binding agreement for the sponsoring jurisdiction entered into with the understanding and expectation that the local funds committed therein will in fact be made available.

Reimbursement of Funds Expended Prior to South Bay Measure R Highway Program

If a sponsoring jurisdiction has previously expended local funds (e.g., Prop A or C local return, general fund, CRA) on a project (e.g., right-of-way acquisition, design, environmental clearance) prior to the Metro Board adopting the project as part of the South Bay Measure R Implementation Plan, South Bay Measure R Highway funds cannot be used to reimburse the jurisdiction in the absence of a Letter of No Prejudice or similar instrument that specifies the terms and conditions of such reimbursement.

Metro’s policy is the same as that of the U. S. Department of Transportation’s with respect to voluntary expenditure of funds on a project by a sponsoring agency before the project has (1) been approved by the Metro Board of Directors as part of the South Bay Measure R Highway Program Implementation Plan, or as an amendment thereto, and (2) there is an executed project Memorandum of Understanding (MOU) between Metro and the sponsoring jurisdiction.



In the event of exigent circumstances, such as the need to protect right-of-way that might otherwise become unavailable, Metro will consider issuing a Letter of No Prejudice (LONP) from Metro to the sponsoring jurisdiction to allow pre-MOU expenditure of funds, but any funds expended in the absence of such an LONP are not eligible for reimbursement from the South Bay Measure R Highway Program.

Next Steps

1. Presentation of recommended policy to January 26, 2011 Infrastructure Working Group Meeting.
2. Integration of policy into South Bay Measure R Highway Program Implementation Plan (February-March 2011)
3. Formal announcement for South Bay review of City requests for previously committed funds (March 2011)



DRAFT TECHNICAL MEMORANDUM

TO: South Bay Measure R Highway Program **Date:** January 17, 2011
Technical Working Group

FROM: Vigen Davidian, Michael Meyer **Job No:** 16-J10-1642
Iteris, Inc.

SUBJECT: **Cost Containment Principles and Policy Recommendations**

Containing costs for infrastructure projects is a common problem for transportation agencies. Cost overruns can lead to adverse consequences, including:

- Limiting the number of projects that could be funded through the South Bay Measure R Highway Program
- Disruption of plans, postponing, or canceling scheduled projects
- Reduction in project scope
- Loss of public's trust in agency competency or trustworthiness

Projects experience cost escalation for different reasons and at different points in the project development process. The South Bay Cities COG can address risks associated with cost escalation through the implementation of **Cost Containment Policies**.

This memorandum identifies a set of principles to guide the South Bay Measure R Program's approach to cost containment and recommends policies for cost containment in the overall program during the project programming phase of the Program as well as during individual project development and construction activities.

A. Cost Containment Principles

The following are suggested principles to guide the cost containment policies and program:

Overall Principles:

1. Have a consistent, even-handed approach for all projects that receive Measure R funds
2. Have clear, consistent policies so the lead agencies know what to expect (how much money they can get for their project, when they can get it, and under what circumstances)
3. Get projects delivered – don't let them stall due to lack of sufficient funding caused by cost escalation

Principles During the Project Programming Phase:

4. Define eligible project elements for Measure R funds
5. Adopt Measure R funding commitment policies that incentivize cost containment practices by the lead agencies



6. Encourage opportunities to bring in additional funding for Measure R projects

Principles for Project Development and Construction Phases:

7. Contain the amount of supplemental Measure R funds that any one project can obtain due to cost escalation factors
8. Do not let one project's cost escalation result in another project losing Measure R funding commitments

As part of its annual assessment of the South Bay Measure R Highway Program, the SBCCOG will likely encounter two types of cost changes:

1. Scheduled cost revisions as part of its progressively refined project programming activities (initial programming, PSR/PSRE, PS&E, Construction Award)
2. Unscheduled/unexpected cost revisions due to unforeseen project cost changes during project development and construction

B. Project Programming Phase Cost Containment

The South Bay Cities COG's role, as the primary programming government body for the South Bay Measure R Highway Funds, makes it responsible for timely management of its overall program on, at a minimum, an annual basis. The keys to reducing the amount of cost escalation are good practices in cost estimation through the adoption of uniform standards and a comprehensive evaluation of cost escalation risks.

Recommendations:

- Each lead agency shall follow the Caltrans PSR guidelines and Metro guidelines for the development of cost estimates and tentative delivery schedules when proposing a project for the South Bay Measure R Highway Program
- Eligible elements of a project include all traffic operational improvement costs as well as a limited amount of costs for:
 - System preservation (rehabilitation, reconstruction and resurfacing)
 - Aesthetic improvements (e.g. landscaping)

Consistent with Measure R and Regional Surface Transportation Improvements (RSTI) guidelines, projects whose principal intent involves street repair, maintenance work, or aesthetic enhancements will not be considered for funding. However, a project that includes a component (i.e., less than 15% of the project cost, as consistent with RSTI) for such elements may be considered for Measure R highway funding. To be considered for funding:

- The component must be within the same project limits as the proposed operational improvement
- The project applicant must break out and present the non-operational cost from the other project components and meet the specified maximum allowable threshold
- The project applicant must explain in detail why the non-operational element is a necessary component of the project and not funded using other available local fund sources



C. Project Development and Construction Phase Cost Containment

The primary cost containment mechanism for South Bay Measure R Highway Program projects during the project development and construction phases is the Memorandum of Understanding (MOU) which will be executed between Metro and each lead agency for every project. Through this MOU, lead agencies will be required to comply with Metro policies such as: Maintenance of Effort, Fund Lapsing Policies, Overhead Rates, Cap on Project Management/Administration (10% of total project cost), etc.

Metro will require that agencies receiving South Bay Measure R Highway funds use the funds in the most cost-effective manner. Through a contract with the South Bay Cities COG, the Iteris team is available to assist lead agencies on a task order basis consistent with local contracting policies. If an agency that is awarded funds intends to use an outside consultant to implement all or part of their project, Metro requires that such activities be procured in accordance with that agency's contracting procedures and state and Federal law. The effective use of provided funds will be verified by Metro through on-going project management and the annual Measure R audit process.

Project lead agencies are liable for project costs above their program allocation and therefore will not adversely affect the South Bay Measure R Highway Program. However, it is possible that a lead agency will request the South Bay Cities COG to program additional funds due to cost escalation or to loss of previously-committed funds. The following proposed policy is meant to address the conditions under which the South Bay will consider the programming of additional funds for a project on the South Bay Measure R Highway Program due to cost escalation. Policies that address the loss of previously-committed funds are addressed in a separate Memorandum entitled "*Policies for Eligibility of Highway Projects to Receive **Supplemental Measure R Funds** to Replace Lost or Expended Funding or to Compensate for Increased Costs*".

Cost escalation can occur at various points in the project development process, and for a variety of reasons. At each level of design, appropriate project cost contingency factors are included to account for cost increases that often occur as project details are fleshed out and previously unknown cost factors are identified.

Recommendations:

- The following cost escalations may be recommended to be funded with Measure R Highway funds during the annual administrative adjustments to the Measure R Program:
 - Escalation of construction costs
 - Discovery of unexpected essential cost items
- The following cost escalations may NOT be recommended to be funded with Measure R Highway funds, but to be reviewed on a case-by-case basis:
 - Design to a higher-than-necessary standard
 - Changes in project definition or scope
 - Costs not consistent with typical costs or value



DRAFT TECHNICAL MEMORANDUM

TO: South Bay Measure R Highway Program **Date:** January 17, 2011
Technical Working Group

FROM: Vigen Davidian, Michael Meyer **Job No:** 16-J10-1642
Iteris, Inc.

SUBJECT: Recommended **Funding Allocation Process** for “Strategic Positioning” and “Long Term Project Development” Categories

Background and Overall Approach

The balance of projected funds in the South Bay Measure R Highway Program’s first five-year funding allocation plan after the Early Action Program (Category 1), contingency funds, and any programming for the loss of previously committed funds (Category Zero) are allocated are projected to be approximately **\$28 million**. These remaining funds will be allocated for the project development of Strategic Positioning Projects (Category 2) and Long-Term Projects (Category 3).

The Project team is recommending a process similar to the methodology used for allocations of funds to Early Action Program projects; however, some criteria will be emphasized and others deemphasized in this round of assessment. The three primary criteria by which projects would be prioritized for project development funds are:

1. Level of Congestion Relief
2. Project need and Benefit to the Highway System
3. Cost-effectiveness

Other criteria used to assess the Early Action Program will be deemphasized, not because they are less important, but because nearly every Strategic Positioning State Highway facility project and Long-Term project are very similar in how they relate to the those remaining criteria including: Project Readiness, Multi-jurisdictional Effort, Regional Significance and Intermodal Integration, and Land Use, Environmental Compatibility and Sustainability.

Principles

The Project Team has considered several key principals as guideline for this approach, as follows:

- Coordinate City and Caltrans Priorities
- Comply with the intent of the Measure R ballot language
- Focus on Freeway Projects
- Update Previous Assessment Scores with operational performance (delay reduction) data
- Weighing cost/benefit for each project
- Consider related improvement projects
- Leverage local funds with state and federal funds



Recommended Funding Allocation Process

1. Define Considered Projects: Strategic Positioning Projects (Category 2) that are located on a state highway or freeway and all Long-Term Projects (Category 3)
2. Project Development Recommendation – The seven factors below would be used to select recommended projects:
 - a. Project Assessment as previously approved by the IWG
 - b. Operational Benefit (Delay Reduction during the AM and PM Peak Hours in 2035)
 - c. Cost Benefit Ratio (e.g. \$ per unit of delay reduction)
 - d. Operational Relationship with Other Improvements
 - e. Caltrans/City coordination requirements and priorities
 - f. Geographic Equity
 - g. Potential to leverage state and federal funding
3. Funding Allocation Recommendation
 - a. Annual South Bay Measure R Highway Program funding allocations to individual projects will be based on estimated project development costs. In the absence of specific estimates, 15 percent of the estimated construction cost will be programmed for project development.
 - b. The limits of project allocation will be based on the available funds remaining after allocation of funds to the Early Action Program, coverage for lost funds (approved) for Fully-Funded Projects, and program contingency.

Next Steps

1. Presentation of recommended policy to January 26, 2011 Infrastructure Working Group Meeting.
2. Technical analysis (January – February 2011)
3. Presentation of Draft Recommended Projects for funding allocation at February Infrastructure Working Group Meeting (February 2011)
4. Presentation of Final Recommended Projects to March Infrastructure Working Group Review (March 2011)
5. Steering Committee Review and approval for South Bay Cities COG Board (April 2011)
6. South Bay Cities COG Board Approval (April 2011)
7. Metro Board Approval (May/June 2011)