



Cost Containment Working Group Board Update

January 24, 2019



Initiative announced in June 2018

Main Drivers of Cost and Delay

1. Unbalanced risks
2. Layers of bureaucracy and red tape
3. Weak project management

Goal: Deliver projects on time and on budget

June Recommendations

1. Rebalancing Risk

- More design-build
- 3rd Party Dispute Resolution
- Use incentives & penalties
- Expand competition

2. Red Tape

- Cut change order processing time
- Cut submittal processing time
- Simplify specifications

3. Project Management

- Appoint project CEOs
- Aggressively manage scope expansion
- Better cost forecasting

Rebalancing risk – design-build contracts

More projects done as design-build

- **Bridges & Tunnels** – seven D-B projects in 2018 for \$251 million
- **Metro-North** – four D-B projects kicked-off in 2018 worth \$580 million; three more coming in 2019 worth over \$130 million.
- **NYCT** – 19 stations done with design-build under enhanced station initiative
- **LIRR** – using D-B for 14 station enhancements & one traction power substation; 2 more substations in 2019

Rebalancing risk – contract dispute resolution

Using neutral third parties to resolve disputes, not MTA employees

- MNR not using MTA employees as arbiters on all contracts
- In 2019, all new construction contracts over \$50 million will adopt independent / neutral third party model

Rebalancing risk – other contract reforms

Reducing financial risk

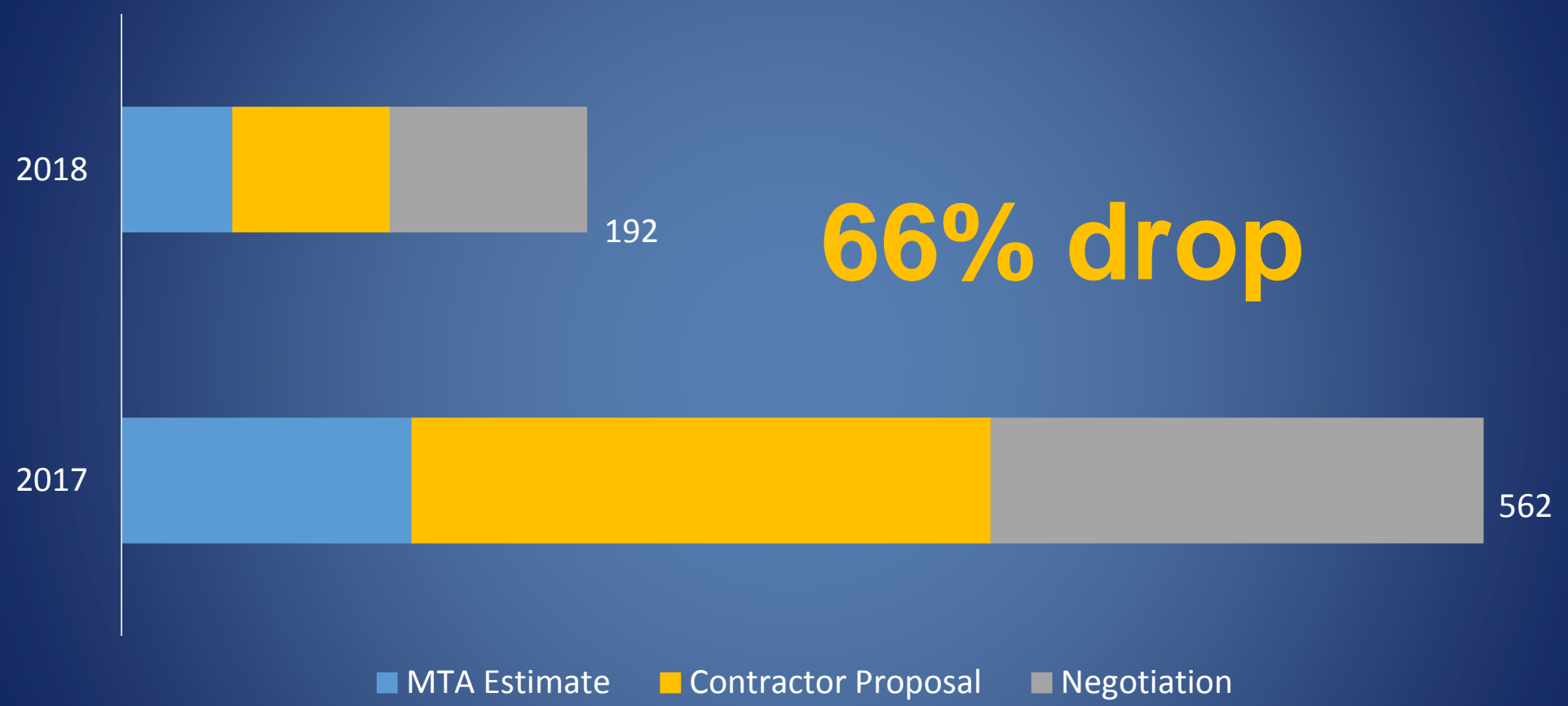
- **Bond requirements** – Going forward, payment bonds will be cut in half on contracts exceeding \$250 Million
- **Faster payments** – reduce internal payment cycle to 21 days
- **Partial payments** – even when some items are in dispute

Rebalancing risk – smarter risk allocation

Sharing risk drives lower bids

- **Track outage** – MTA and contractors each responsible for own performance
- **Utilities** – contractor not liable for delay caused by utilities
- **Hazardous materials** – allocated contingency for unknown risks
- **Unexpected subsurface conditions** – risk is shared

Cutting red tape – change order processing time



Cutting red tape – NYCT process improvements

NYCT attacking red tape on many fronts

- Rewriting 50+ design specifications
- 40% increase in track outage for capital projects
- Streamlined cost forecasting – Sea Beach subway station
- 13% increase in NYCT work train locomotive availability
- 30% increase in flat car availability
- Better management eliminating flagger shortages
- New NYCT executive committee meets bi-weekly to resolve scope and schedule issues

Stronger project management – project CEO

Strong project leadership controls scope creep

- Project Leads for projects over \$50 million at B&T
- MNR using Project Lead for \$365 million Harmon Shop Phase 5 Stage 2
- LIRR using Project Lead for Jamaica Capacity Improvements Phase I (\$301 million, in construction) and Phase II (in design)
- Agencies revising project management policies & job descriptions for project leads

Incremental Progress

MTA needs a culture change around capital projects

- Memo from the Chairman
- Agencies asked to report by April 1
- Make progress on multiple fronts

Next steps

Additional cost issues to be addressed

- **Utilities** – MTA only agency that pays utility relocation costs
- **Labor costs & work rules** – MTA should have a seat at the table
- **Force account** – internal labor (flaggers, design review, inspection, etc.) drives project costs
- **MWBE contracts** – administer effectively to grow expertise and capacity to deliver
- **Project management** – external consultant costs



Questions

