

**Board Report**

File #: 2020-0195, **File Type:** Informational Report**Agenda Number:** 29.

**CONSTRUCTION COMMITTEE
APRIL 16, 2020****SUBJECT: CRENSHAW/LAX TRANSIT PROJECT****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

CONSIDER amending the Life-of-Project (LOP) budget by \$90,000,000 for the Crenshaw/LAX Transit Project (Project) of \$2,058,000,000 to \$2,148,000,000, consistent with the provisions of the Board-adopted Measure R and Measure M Unified Cost Management Policy (Attachment B).

ISSUE

The Substantial Completion date for the Project is currently forecast to be delayed to December 2020 and the revenue service in 2021. As a result, the Project LOP budget needs to be increased, requiring an additional \$90,000,000 million beginning in the second half of 2020 for Metro staff and professional service contracts to continue management and oversight of the Project. This represents the first LOP adjustment since the beginning of construction on the Project in 2013.

BACKGROUND

The Crenshaw/LAX Transit Project is a north/south light rail line that serves the cities of Los Angeles, Inglewood, Hawthorne and El Segundo as well as portions of unincorporated Los Angeles County. The alignment extends 8.5 miles, from the Metro E (Expo) line at Crenshaw and Exposition Boulevards to a connection with the Metro Green Line south of the Aviation/LAX Station. The project provides major connections with the Los Angeles International Airport (LAX) as well as links to the C Line (Green), the E Line (Expo) and countywide bus network.

The alignment is comprised of a double-tracked rail line consisting of sections of at-grade in-street, at-grade within railroad right-of-way, aerial, and below-grade guideway sections, eight stations, park and ride facilities at two locations, utilities, landscaping, roadway improvements required by the project and a maintenance & storage facility (Division 16 - Southwestern Yard).

On June 27, 2013, the Board authorized an LOP budget of \$1,923,000,000 for the base Project. In addition, the Board authorized an increase to the LOP budget in the amount of \$135,000,000 from \$1,923,000,000 to \$2,058,000,000, for the award of options for Leimert Park Station and Hindry Station (now called Westchester/Veterans Station). The LOP budget has not been

adjusted since that time.

Metro awarded a 57-month Design/Build contract to Walsh/Shea Corridor Constructors (WSCC) for construction of the Project in August 2013 and issued a Notice to Proceed to WSCC in September 2013. WSCC's Substantial Completion date was September 2018 with a revenue service date of October 2019.

DISCUSSION

In March 2017, Metro executed a Claims and Disputes Settlement Agreement with WSCC to resolve outstanding claims and disputes up to that point in the Project. WSCC's Contract Milestones were confirmed as part of the Agreement. WSCC committed to a Substantial Completion date of May 2019 as part of an approved Completion Schedule, which still enabled the October 2019 revenue service date.

WSCC's progress in 2018 fell behind the Completion Schedule dates agreed upon in the Claims and Disputes Settlement Agreement. Metro was informed by WSCC that, due to delays, it would not be able to complete its work by the projected deadline in the Completion Schedule. Since WSCC was not able to demonstrate that its forecasted delay was an Excusable Delay or a Compensable Delay under the Contract Terms and Conditions, Metro executed a Non-Compensable Time Extension. A Unilateral Change Order (CO-223.1) was executed in September 2018 resetting the Project Substantial Completion to December 11, 2019.

In 2019, the project continued to fall behind the dates reset in the Non-Compensable Time Extension. There have been several areas of work along the alignment that could not be completed due to damaged, incomplete and missing components (rework). This rework plus other performance issues caused the contractor's progress to be less than planned, impacting WSCC's follow-on subcontractors work and creating inefficient performance.

Due to extending the Project's Substantial Completion date, additional funding is now required. The existing LOP budget includes funding obligations for the contractor's work, but the LOP budget needs to be amended to provide additional funding for professional services that are required to support the completion of the Project. The required support includes Metro staff and professional services consultants who provide various services to assist in the management and oversight of the Project. The funding in Recommendation A is requested to provide support to achieve Substantial Completion in December 2020 and to allow revenue service to commence in 2021.

DETERMINATION OF SAFETY IMPACT

This Board action will not have an impact on established safety standards for Metro's construction projects.

FINANCIAL IMPACT

Funds required through fiscal year 2020, in the amount of \$127,950,000, are included in Project 865512 Crenshaw/LAX Transit Project, in Cost Center 8510 (Construction Project Management).

Since this is a multi-year capital project, the Chief Program Management Officer and the Project Manager will be responsible for budgeting costs in future fiscal years.

Impact to Budget

The sources of funds for the recommended actions are local funds available and eligible at the time of expenditure, including operating eligible funding sources. Eligible federal funds will also be utilized to fund the increase.

Multiyear Impact

The sources of funds for the Project are capital funds identified in the recommended Funding/Expenditure Plan as shown in Attachment A. The project cost, prior to the proposed cost increase, is included and funded in the 2019 Long Range Transportation Plan Financial Forecast. With respect to the \$90,000,000 increase, Attachment B shows the Measure R and Measure M Unified Cost Management Policy (the Policy) analysis and funding strategy required for cost increases to Measure R Projects.

To comply with the Policy of the Metro Board of Directors, Metro staff has evaluated potential offsetting cost reductions, including value engineering, shorter segment, and reductions to other Metro projects in the corridor and subregion, and has determined these are not feasible, and that additional local funding resources, which are to be considered prior to Metro's countywide funding, are potentially available. The Policy analysis identifies a Measure M multi-year subregional program, Measure R highway program, and federal formula CMAQ funding as available funding sources in the Long Range Transportation Plan Financial Forecast that can address the \$90,000,000 cost increase.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports Strategic Plan Goal #1 - Provide high-quality mobility options that enable people to spend less time traveling.

ALTERNATIVES CONSIDERED

The Board may choose to not move forward with amending the LOP Budget. This is not recommended as Metro will be unable to provide funding for Metro staff or obligate any extension to existing professional service contracts, or other required services beyond June 2020.

NEXT STEPS

Upon approval by the Board, the LOP Budget will be amended accordingly per Recommendation A.

ATTACHMENTS

Attachment A - Funding/Expenditure Plan

Attachment B - Measure R and Measure M Unified Cost Management Policy Analysis

Prepared by:

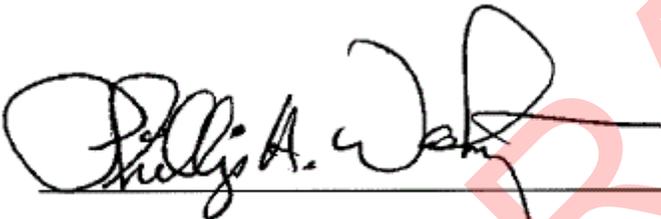
Sameh Ghaly, Sr. Executive Officer/Project Management (213) 264-0693

William Brown, Deputy Executive Officer, Program Control (323) 903-4109

Reviewed by:

Richard Clarke, Chief Program Management Officer, (213) 922-7557

James de la Loza, Chief Planning Officer, (213) 922-2920



Phillip A. Washington
Chief Executive Officer

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ATTACHMENT A

Crenshaw/LAX Transit Project
Funding / Expenditure Plan*
(Dollars in Millions)

Capital Project 865512	Prior	FY20**	FY21	FY22	FY23	FY24	TOTAL
Uses of Funds							
Construction	1,267.1	15.1	73.8	10.0	-	-	1,366.0
Right-of-Way	132.4	1.4	-	-	-	-	133.8
Vehicles	78.8	4.7	-	-	-	-	83.6
Prof Services	364.3	46.3	78.0	30.0	20.0	-	538.6
Project Contingency	-	-	-	-	-	-	-
Subtotal	1,842.6	67.5	151.8	40.0	20.0	-	2,122.0
Environmental Planning	26.0	-	-	-	-	-	26.0
Total Project Costs:							
	1,868.6	67.5	151.8	40.0	20.0	-	2,148.0
Sources of Funds							
FEDERAL - CMAQ	54.0	50.0	-	-	-	-	104.0
FEDERAL - SECTION 5309 BUS CAPITAL	8.6	-	-	-	-	-	8.6
FEDERAL - REGIONAL STP	91.2	-	8.7	-	-	-	99.9
FEDERAL - ALTERNATIVE ANALYSIS	1.2	-	-	-	-	-	1.2
FEDERAL - TIGER II	13.9	-	-	-	-	-	13.9
STATE REGIONAL IMPROVEMENT PROG	36.6	-	-	-	-	-	36.6
STATE PPM	0.2	-	-	-	-	-	0.2
STATE PROP 1B PTMISEA	128.9	-	-	-	-	-	128.9
STATE PROP 1 B LOCAL PARTNERSHIP PROGRAM	49.5	-	-	-	-	-	49.5
MEASURE R - TIFIA LOAN	545.9	-	-	-	-	-	545.9
MEASURE R 35%	467.5	4.5	92.3	(20.0)	-	(15.0)	529.3
CITY CONTRIBUTION	43.6	3.1	20.0	20.0	-	15.0	101.7
GENERAL FUNDS	54.3	-	-	-	-	-	54.3
PROPOSITION C 25% HIGHWAY	368.4	9.9	(20.0)	20.8	-	-	379.1
PROPOSITION C 40% DISCRETIONARY	-	-	-	-	-	-	-
PROPOSITION A 35% RAIL CAPITAL	4.9	-	-	-	-	-	4.9
Local/Federal Sources	-	-	50.8	19.2	20.0	-	90.0
TOTAL:							
	1,868.7	67.5	151.8	40.0	20.0	-	2,148.0

*Sources of funds are subject to change. Assumes Contractor Substantial Completion December 2020 and Metro

**FY20 is projected.

Crenshaw/LAX Transit Project

Measure R and Measure M Unified Cost Management Policy Analysis

Introduction

The Measure R and Measure M Unified Cost Management Policy (the Policy) was adopted by the Metro Board of Directors in June 2018. The precursor Measure R cost management policy was adopted in March 2011. The intent of the Policy is to inform the Metro Board of Directors regarding cost increases to Measure R- and Measure M-funded projects and the strategies available to close a funding gap. The Crenshaw/LAX Transit Project (the Project) is subject to this policy analysis.

The life-of-project (LOP) budget for the Project was last approved by the Board in June 2013 at \$2,058,000,000. The Project is subject to the Policy analysis now due to a proposed \$90,000,000 increase to the LOP budget. Funding for the cost increase is needed through FY 2023. This analysis recommends trade-offs required by the Policy to identify the funds necessary to meet the cost increase.

The Project has previously recognized cost increases and the Metro Board implemented the Policy in June 2013 to address a \$160,100,000 cost increase to the base project (excluding a \$135,000,000 increase to the LOP for station improvements that were not considered cost increases). The Board approved funding of the cost increase using \$149,910,000 of the countywide share of Proposition C 25% and \$10,090,000 that was taken from the Wilshire Bus Rapid Transit project.

Measure R and Measure M Unified Cost Management Policy Summary

The adopted Policy stipulates the following

If a project cost increase occurs, the Metro Board of Directors 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 will be measured against subsequent actions on cost estimates taken by the Metro Board of Directors, including the determination of the budget. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order as appropriate:

- 1) Scope reductions;
- 2) New local agency funding resources;
- 3) Value Engineering;
- 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 or highway cost reductions or other funds will be sought using pre-established priorities.

Scope Reductions

The Project cost increases ~~are~~^{is} attributable to schedule delays and the need for additional Metro project management support services. Any attempt to identify and negotiate agreeable reductions to the scope may result in further delays and potential additional costs. Because of this, we recommend moving to the next step.

New Local Agency Funding Resources

Local funding resources are considered in the next step as opposed to countywide or regional sources so as not to impact the funding of other Metro Board-approved projects and programs or subregions in the County.

The Project is eligible for both Measure M and Measure R funding and is currently allocated \$1,207,000,000 of funding that is identified in the Measure R sales tax ordinance Expenditure Plan, less \$131,800,000 that the Board reallocated to the Purple Line Extension project (Board item #2015-1630) to address a Regional Connector cost increase.

The Project is located in the South Bay and Central City Area subregions (as defined in the Policy, as amended), with station locations in the cities of Los Angeles and Inglewood. The Project is primarily in the South Bay (59%) with the remainder in the Central City Area (41%) based on distance. Local funding resources from both the subregions and cities could be considered for the cost increase.

Subregional Programs and Local Agency Contributions

Measure M includes funding for a transit-eligible multi-year subregional program (MSP) for the South Bay and Central City Area subregions. The subregion (represented by its Council of Governments) could allocate a portion of the funding for the Project. Measure R includes funding for a "highway program" in the South Bay. Any use of this funding source would require a transfer to ~~at~~^{the} transit fund and an amendment of the Measure R ordinance so that the funds are eligible for a transit use. The Measure R transfer amendment is in progress and expected to be considered by the Metro Board in June 2020.

In the South Bay, the MSP program with transit funding eligible beginning FY 2018 is the Subregional Equity Program (SEP). South Bay has two highway-eligible MSP but these cannot be used on the Project without an amendment to the Measure M ordinance (which cannot occur, per the Measure M ordinance, until July 2026). Metro has assigned \$130.0 million for the SEP in the Long Range Transportation Plan that would be available to the South Bay subregion, funded from Measure M, beginning in FY 2043. The Board has directed (Motion 36.1 #2019-0598) that the SEP is escalated to the year of expenditure. The escalation increases the SEP to \$287.5 million through FY 2057 (the final year of the Long Range Transportation Plan planning horizon) and \$355.0 million in total through FY 2062, if spent in these years. To utilize this funding for the project, the programming of the funds would need to be accelerated. However, the acceleration of the funds results in a funding shortfall as there is other Metro spending planned and to make capacity for the acceleration Metro must prioritize and reduce

funding for other project or programs, or use additional debt financing. In order to mitigate the impact of accelerating the funds on other Metro projects and programs, the SEP funding could be “discounted” or reduced, resulting in approximately \$90 million available now for the Project.

The Central City Area subregion also has a SEP that is transit-eligible. The Measure M Expenditure Plan includes \$235 million for the Central City Area SEP. With escalation, this increases to \$519.8 million through FY 2059 and \$641.8 million through FY 2062, if spent in these years. If accelerated to fund the Project cost increase, the reduced amount that mitigates the impact on other Metro spending is approximately \$160 million.

Measure R includes funding for the "Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay)," also described as the "South Bay Ramp and Interchange Improvements Project." In order that these funds can be programmed for use on the Project, they would need to be transferred to the Measure R transit fund, in accordance with the provisions of the ordinance. A process to amend the Measure R ordinance is underway and could provide funding for the Project. There is approximately \$500 million of funding (subject to verification from the South Bay COG) that has not already been programmed by Metro or otherwise committed for the existing highway program. This notwithstanding, the South Bay COG has identified alternative uses for the planned transfer of Measure R highway program funds.

Local Agency Contributions

The cities with Project stations have agreed to contribute funding to the Project as part of the 3% local agency funding assumption included in the Measure R ordinance. Metro is front-funding the Los Angeles share of \$5589.7 million with the city making payments to Metro through FY 2023. Inglewood has agreed to pay \$12 million, with \$6 million in-kind for future first-last-mile improvements, and \$6 million in payments made over 40 years (with no payments or interest accrued for ten years). The cities are generally not responsible for cost increases to the projects and this restriction is included in the local agency contribution agreements between Metro and the cities.

Measure M, as well as Measure R and Propositions A and C, provide “local return” funding to Los Angeles and Inglewood. The cities will receive an estimated \$3.3 billion of local return (Los Angeles \$3.2 billion, Inglewood \$90 million) over the ten year period FY 2021 to FY 2030 that is eligible for transit use and could contribute a portion to the Project (not adjusted for any negative impact to countywide sales tax due to the current global pandemic). However, prior Board actions relating to the Twenty-Eight by '28 Initiative and funding for the cost increase to Foothill Extension to Pomona did not support use of local return, and it is presumed these funds would not be available for the cost increase to the Project.

State and Federal Funding (Discretionary)

The State has previously granted the project \$129.1 million through Prop 1B grants and the USDOT has provided funding through a \$13.9 million TIGER grant and \$545.9 million TIFIA loan. Additional State or federal discretionary funding (where Metro would

compete for the funding) is not probable, given the Project has experienced multiple cost increases and the design/build contract is already awarded.

Value Engineering

The Project cost increases ~~are~~ is attributable to schedule delays and the need for additional Metro project management support services. Any attempt to identify and negotiate agreeable ~~reductions to the scope~~ value engineering may result in further delays and potential additional costs. As a result, we recommend moving to the next step.

Other Cost Reductions within the Same Transit or Highway Corridor, or within the Same Sub-region

The cities and subregions have existing funding programs that have ~~a maximum~~ funding amounts ~~that have~~ yet to be spent. The potential use of the MSP, SEP, and Measure R highway program are discussed above in section "New Local Agency Funding Resources."

The cities also receive funding through the Call-For-Projects, the competitive grant program that is funded and managed by Metro for the benefit of LA County cities, transit operators, and State highway projects that was ~~last held~~ in 2015. At times the funding for certain projects in the Call-For-Projects is "de-obligated" if not spent within a reasonable timeframe and this can be a funding source for other uses. Currently there is not a meaningful amount of de-obligated funds available, and all other projects are moving through their respective development process.

The Project is within the same corridor as the Airport Metro Connector, the planned Project station intended to be ~~a gateway to~~ LAX. This project is currently in final design and pending a construction bid in mid-2020 to determine the LOP budget. Funding is not yet available from the project.

Countywide Cost Reductions and/or Other Funds

If new local agency resources are not allocated to the Project cost increase, regional or countywide funding could ~~be~~ considered. These funds are programmed for other uses in Metro's financial forecast, during the timeframe when funds are needed for the Project cost increase. A reallocation of the funds to the cost increase would divert the funding from other Board-approved uses and or require additional debt financing. Eligible sources of countywide funding include Proposition C 25% (Transit-Related Streets and Highways), ~~and~~ Proposition C 40% (Discretionary), and Proposition A 35% (Rail Development).

Through FY 2023, the Proposition C 25% funds are currently planned, from highest to lowest, for debt service on Metro bonds, I-5 South Carpool and Mixed Flow Lanes I-605 to OCL, Freeway Service Patrol, Blue Line Track and System Refurbishment, and the Crenshaw/LAX Locally Funded Activities Project. The Proposition C 40% is planned for Metro bus operations, ADA-paratransit operations, debt service, Metro bus fleet replacement, and the municipal and non-Metro operators. The Proposition A 35% is

planned for debt service on Metro bonds, Metro rail operations, Division 20, Heavy Rail Vehicles, and Light Rail Vehicles.

The Project is currently allocated (prior to the proposed LOP increase) \$379.1 million in regional Proposition C 25% and \$4.9 million in regional Proposition A 35% funding.

State and Federal Funding (Formula)

Metro receives quasi-formula funding from the State through the Regional Improvement Program (RIP) and Local Partnership Program (LPP). This is considered regional funding as it can be applied countywide to both transit and highway spending. There is currently no capacity in the RIP or LPP through FY 2025. The RIP has been allocated to projects submitted in Metro's 2020 RTIP and the next cycle of the LPP is planned to be used on the \$801 million Division 20 project.

Due to the delay in revenue operation, approximately \$16.1 million from the State Low Carbon Transit Operations Program (LCTOP) and \$31.1 million from the federal Congestion Mitigation & Air Quality Program (CMAQ), which were allocated to operating costs of the Project in FY 2021, will no longer be needed for this purpose if the revenue service date is delayed ~~to FY 2022~~. The LCTOP funds have already been earmarked for bus charging infrastructure, as these funds needed to be allocated to satisfy State requirements. The CMAQ funds in FY 2021 could be used for the cost increase and this would not take away funding from another Metro purpose (procedurally, in order to satisfy grant eligibility requirements, the CMAQ may reimburse previously incurred expenditures).

The following table summarizes the potential funding options for the Project cost increase.

**Crenshaw/LAX
Potential Funding Sources/Cost Reductions
(\$ in millions)**

Options	Potential Funding	Year Available
Multi-Year Subregional Programs	not eligible	
Subregional Equity Program-South Bay*	\$ 90.0	2021
Subregional Equity Program-Central City Area*	160.0	2021
Measure R Highway Program**	500.0	2021
Local Return	-	2021
Value Capture Financings	-	2025
Scope Reductions/Value Engineering	-	
CMAQ	33.1	
Total	\$ 783.1	

* Represents “discounted” value of amount that is currently programmed beginning in FY 2043.

** Requires amendment to Measure R ordinance.

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