

WESTSIDE PURPLE LINE EXTENSION PROJECT SECTION 1

Measure R Cost Management Process and Policy Analysis

Introduction

The Measure R Cost Management Process and Policy (the Policy) was adopted by the Metro Board of Directors in March 2011. The Policy caps Measure R project funding at the amounts in the Expenditure Plan approved by voters. The intent of the Policy is to inform the Metro Board of Directors regarding potential cost increases to Measure R-funded projects and the strategies available to close any funding gaps

The Westside Purple Line Extension Section 1 Project warrants such an analysis due to a \$5 million cost increase described in the report accompanying this analysis. The Measure R funds targeted to the first two Westside Purple Line Extension sections to date amount to \$2,330.6 million (out of a total Measure R commitment of \$4,074 million). The remaining \$1,743.4 million may be available to address cost increases, as described in the “Other Cost Reductions in the Same Subregion” section of this analysis.

Measure R Cost Management Policy Summary

The adopted Policy stipulates the following:

If a project increase occurs, the LACMTA 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 the 2009 Long Range Transportation Plan (LRTP) as adjusted by subsequent actions on cost estimates taken by the LACMTA Board of Directors. With certain exceptions, 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 corridor or highway corridor;
- 5) Other cost reductions within the same sub-region; and finally,
- 6) Countywide transit and highway cost reductions and/or other funds will be sought using pre-established priorities.

The policy was amended in January 2015 to establish Regional Facility Areas at Ports, airports and Union Station; and states that any:

“...capital project cost increases to Measure R funded projects within the boundaries of these facilities are exempt from the corridor and subregional cost

reductions. Cost increases regarding these projects will be addressed from the regional programs share.”

The Westside Purple Line Extension Project, Section 1 does not fall within a Regional Facility Area.

Value Engineering and/or Scope Reductions

During the development of the Preliminary Engineering for the Request for Proposal (RFP) documents, staff conducted Value Engineering (VE) Workshops utilizing a VE Panel of transit industry professionals with participation including the FTA’s Project Management Oversight Consultant (PMOC). The VE items believed to have the potential of yielding the largest cost savings were incorporated into the Advanced Preliminary Engineering (PE) designs in 2012. These items included the reduction of underground station footprint sizes and station depths. Station room layouts and other architectural elements were standardized to reduce design, construction, operations and maintenance costs. The cross-over ventilation extended plenum design which is not required as part of the normal ventilation design, was included as an option to supplement ventilation during periodic track maintenance work. The Project Team also analyzed constructability issues and various construction sequencing scenarios to reduce risks and the overall durations for tunneling and cut-and-cover underground construction.

Further reductions in scope would likely substantially delay the project or result in a project not consistent with the Locally Preferred Alternative. As a result, we recommend moving to the next step.

New Local Agency Funding Resources

Per Note G in the Measure R Expenditure Plan, local agencies are expected to contribute an amount equal to three percent of total costs for transit projects. Metro and the City of Los Angeles agreed to a 3% contribution amount in April of 2014. That agreement states the following with respect to cost increases and betterments:

“The parties understand the City’s Westside Subway Extension Section 1 Share will not increase even if the final LACMTA adopted life-of-project budget for the Westside Subway Extension Section 1 project exceeds \$2,509,100,000.”

and

“Any Project betterments for each Project shall be paid by the City separate and apart from this Agreement and shall be defined in and paid pursuant to the Master Cooperative Agreement, dated January 21, 2003 (“MCA”).”

Pursuant to the agreement above, we are not assuming any additional commitment from the City of Los Angeles for the project as these are not betterments as defined in the MCA.

Similarly, the \$1.25 billion New Starts Full Funding Grant Agreement executed between the FTA and Metro on May 21, 2014 states that all cost increases are to be borne by the project sponsor, not the Federal Transit Administration. Pursuant to that agreement, we are assuming that no additional New Starts funds can be made available to cover the cost increase.

Shorter Segmentation

While shorter segmentation is possible for the Westside Purple Line Extension, we recommend against this step for several reasons. Section 1 was extended to Wilshire/La Cienega due to engineering constraints at the initial Section 1 terminus at Wilshire/Fairfax. Shortening Section 1 would likely result in further cost increases to the project and require deferral of other projects. The only Section which could be shortened is Section 3. This would require eliminating the Veteran Affairs Station and moving the terminus to Westwood. In addition to higher real estate prices in Westwood, eliminating the Veteran Affairs station would require LACMTA to prepare a supplemental Environmental Impact Statement/Environmental Impact Report (EIS/EIR) due to significant project changes. As a result, there may be significant project delays and increased costs to the project. We do not recommend shorter segmentation.

Other Cost Reductions within the Same Transit Corridor

The Westside Purple Line Extension corridor had included the Wilshire Bus Rapid Transit project. This project was bifurcated into two parts. One is a limited peak hour only version of BRT that is already funded with federal grants and the other was a more robust BRT with dedicated lanes and ride improvements. This second Wilshire BRT project was already eliminated from the LRTP to deal with prior cost increases.

To date, the Measure R funds targeted to the first two Westside Purple Line Extension sections amount to \$2,330.6 million (out of a total Measure R commitment of \$4,074 million). The entire remaining amount of \$1,743.4 million is scheduled for use on the Westside Purple Line Extension Section 3.

Other Cost Reductions within the Same Subregion

Should the Board elect not to use Measure R 35%, there are several Call for Projects projects located within the subregion. The Board could opt to reallocate \Call for Projects funds awarded to projects within the Central Subregion. The potential funding source could come from either deobligated Metro Call for Projects or projects selected for funding in the 2015 Call for Projects. Should the Board chose this option, we can return to the Board identifying Call for Projects deobligations and/or project cancellation/deferral.

Countywide Transit Cost Reductions and/or Other Funds

This cost increase does not require any countywide cost reductions or other funds.