

ATTACHMENT B

Regional Connector Concurrent Non-FFGA Activities

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 potential cost increases to Measure R-funded projects and the strategies available to close any funding gaps. The Regional Connector Concurrent Non-FFGA Activities Project (the Project) is subject to this policy analysis.

The Regional Connector Concurrent Non-FFGA Activities Project was created in April 2014 at the time the design-build contract was awarded and initial Life-of-Project (LOP) budget set for the Regional Connector Project. The Project is a component of the Regional Connector Project and was created due to constraints on costs that are not eligible under the New Starts full funding grant agreement that has been awarded to the Regional Connector Project.

The LOP requires an increase of \$12,948,000, from \$46,441,168 to \$59,389,168. This analysis recommends trade-offs required by the Policy to identify the funds necessary to meet the cost increase.

Measure R and Measure M Unified Cost Management Policy Summary

The adopted Policy stipulates the following:

If a project 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 LOP. 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.

The Policy analysis considers options for the Project as well as the related Regional Connector Project.

Scope Reductions or Value Engineering

The Project is proceeding under a design-build contract with an April 2022 completion date. Any scope reduction or value engineering would require negotiation and agreement with the Contractor that could delay the schedule. Given the current action involves the payment of an incentive to the Contractor to complete construction 10 weeks faster, we recommend moving to the next step.

New Local Agency Funding Resources

The Project is located in the City of Los Angeles and the Central City Area subregion (as defined in Measure M). These entities have local return, Multi-Year Subregional Program, and other transportation funding that is eligible for the Project. However, given the name of the Project is intended to benefit the regional Metro rail network, the local agency funding is not being considered for the cost increase.

Other Cost Reductions within the Same Transit Corridor

The corridor of the Project includes Exposition Light Rail Transit, Gold Line Foothill Extension, and the Gold Line Eastside Extension. The Exposition Light Rail Transit Phase II (Expo II) and Gold Line Foothill Extension have been completed and have no savings or surplus which could be transferred to the Project. The Expo II project did realize Measure R savings, but the Board directed those savings to the Westside Subway Section 2 project (Board report #2016-0379), then subsequently to the Westside Subway Section 1 project (Board report #2020-0351). The Foothill Extension II, now ending in Pomona, does not have available funding, as it has been shortened due to cost increases from the initial terminus in Claremont, and has required the use of subregional and State grant funding. While the Gold Line Eastside Transit Corridor Extension Phase II is in the same corridor, the funding for this project is outside of the timeframe needed for the Project.

Other Cost Reductions within the Same Sub-region

The Regional Connector Project is located within the Central, or Central City Area Subregion. Given that the project will create continuous corridors between several subregions (Central, Gateway, San Gabriel Valley, and Westside), we are recommending that any remaining funding shortfall for the Project be dealt with at the Countywide level.

Countywide Cost Reductions and/or Other Funds

The Project is eligible for Measure R 35% Transit funds listed in the ordinance Expenditure Plan, but these have all been allocated to the Regional Connector Project. The Project is not eligible for Proposition A and Proposition C as much of the Project is deemed "new subway" and not allowed under the Act of 1998. The Project is eligible for Measure R Rail Capital General Improvements 2%, Metro Lease Revenues, Measure M State of Good Repair 2% (for certain components of the Project only), State Repayment Fund 3562, and Transportation Development Act Article 4 funds. A combination of the funds is recommended to address the increase in the Project LOP.