



Board Report

File #: 2021-0113, File Type: Budget

Agenda Number: 39.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
JUNE 16, 2021**

SUBJECT: UNION STATION LIFE OF PROJECT BUDGETS

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING an increase in Life of Project (LOP) budgets by a total of \$2,700,000 for three Union Station capital projects #210157, #210159, and #210161;
- B. AMENDING the FY22 budget for Union Station capital projects to include \$2,700,000 for the Union Station capital projects; and
- C. AUTHORIZING LOP budget for certain prior year Union Station capital improvements totaling \$4,237,415.

ISSUE

On May 23, 2019, the Board approved the Fiscal Year 2020 (FY20) Budget which included LOP budgets for the construction, repair, renovation and safety improvements for the following Union Station capital projects: Data Infrastructure Capital Project #210157, Basement Renovation Capital Project #210159 and Parking Lot G Repairs/ Improvements Capital Project #210161 ("Projects").

Due to COVID-19 budget reductions in FY20 and FY21, the Projects were significantly delayed resulting in increased construction costs and expanded timelines. In addition, scope development for the Data Infrastructure project has resulted in the project team obtaining more clarity in the requirements for ensuring a complete holistic project is delivered.

The proposed LOP budget increases are:

- a) Data Infrastructure Capital Project from \$1,900,000 to \$3,500,000 (increase of \$1,600,000)
- b) Basement Renovation Capital Project from \$900,000 to \$1,650,000 (increase of \$750,000)
- c) Parking Lot G Repairs/Improvements Capital Project from \$5,950,000 to \$6,300,000 (increase of \$350,000)

The total requested increase is from \$8,750,000 to \$11,450,000.

Also, Board authorization is required to establish an LOP budget of \$4,237,415 to capture current and past expenditures associated with Union Station capital improvements. These costs were paid from rental revenues collected and held in reserve by the contracted Union Station operator, but never formally authorized by Metro's Board. Use of these reserve funds would normally be brought to the Board either as part of the Annual Budget or in a separate Board report (as is being presented in this report's recommendations A. and B. for FY22 activity). Recommendation C seeks Board approval for prior year items paid from the contractor's operating revenues including amounts held in capital reserve, to meet criteria spelled out in Metro's Board approved Capitalization policy.

BACKGROUND

Data Infrastructure

The Data Infrastructure project has been commissioned to increase the technological efficiency of the Union Station staff and provide a full understanding of the station's systems. Due to years of technological growth on individual projects, the station needs to consolidate technology to operate efficiently and effectively. At the same time, the project will resolve the limit on its potential expansion. With this project the current systems will be reorganized, preparing the station for future growth as technology continues to advance.

Basement Renovation

The historic west side of the Union Station has been inundated with ever increasing drainage issues as it has aged over the years. In order to ensure the long-term integrity of the Station's infrastructure, this multi-phased project seeks to design and provide pre-construction investigative services for the renovation of the basement drainage system within the Union Station west basement. The objective of this project is to repair and improve the basement drainage system under the southern portion of the building and connect it to the main sump pump system.

Parking Lot G Repairs/Improvements

As part of Metro's continued renovation and restoration efforts for the Union Station site, the Parking Lot G Repairs/Improvements project has identified the parking lot's current conditions including structural integrity and load capacity, drainage and plumbing conditions, underground utility locations, accessibility pathways and security requirements.

Upon completion of pre-construction investigation, the project seeks to modify the usage from a back-of-house space to an income-generating parking lot. Before making this a publicly accessible lot, the site will require repair and upgrade including a structural review of the bridge supporting a portion of the parking lot. In addition, repair of the current drainage and plumbing is required. The parking lot will be designed and constructed to maximize parking stalls. Electrical and data infrastructure will be installed to support additional lighting, cameras, pay stations and EV chargers.

Capital Improvements Performed Under Union Station's Operating Budget

For the past five years and currently, Union Station's property management firm Morlin collects rental and other income including establishment of a capital and maintenance reserve. The contractor remits to Metro the revenues net of operating costs including amounts held in capital reserve. During the prior fiscal years, the operator used some of the capital reserve and lease revenues to make

repairs and upgrades to Union Station. These repairs and upgrades were not previously programmed in the annual Union Station operating budget. After further review, it was decided that these expenditures totaling \$4,237,415 fall under Metro’s capitalization parameters and were paid from current year operating revenues in the year of expenditure and capital reserves held by the contractor. These funds are flexible operating eligible funds for Metro’s own bus and rail operations. Because use of reserve amounts have not previously been presented to the Board this Recommendation C. seeks approval for the capital improvements.

Going forward Metro staff will include all capital costs in Metro’s annual budget process including use of capital reserves held by the contractor.

DISCUSSION

Findings

Based on staff findings, currently all project scopes, which were previously approved during the annual budget process, cannot be reduced or limited because of tightly defined scope of work. It is necessary for an increase in the LOP budget for all projects to be finalized.

To address capitalization of certain expenditures in the annual Union Station’s operating budget, moving forward, all capital improvements for Union Station will be forecasted in advance of expenditures and will be included in Metro’s Capital Program. Accordingly, an LOP budget will be established through the annual budget process. Board’s approval of the annual budget will allow staff to execute the necessary steps to record and capitalize assets in appropriate project(s) per Metro’s Capital Expenditure Policy ACC-14. For the \$4,237,415 of capital improvement charges, previously attributed to Union Station’s operating project, Board approval of the recommendation is needed to properly record and track the assets in accordance with Metro’s Capital Expenditure Policy ACC-14. It is important to note that these dollars have already been spent.

Name	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Elevator			\$ 142,300			\$ 142,300
Union Station Operation Restack	\$13,371	\$ 301,280	\$ 747,142			\$1,061,793
Historic Ceiling Cleaning Project	\$ 4,375	\$ 941,698				\$ 946,073
Wood/Metal Refurbishment			\$ 382,186	\$1,205,063		\$1,587,249
Landscape Refurbishment			\$ 165,375	\$ 256,398	\$78,227	\$ 500,000
Totals	\$17,746	\$1,242,978	\$1,437,003	\$1,461,461	\$78,227	\$4,237,415

Equity Platform

Many of Metro’s ridership come from economically disadvantaged communities. Performing these necessary upgrades meets the following Metro Goals:

- Pillar 1. Define & Measure - Each of the projects of this report have a measurable base

condition. Each project will have measurable improvements that bring, or aid in, greater mobility options for disadvantaged communities.

- Pillar 2.Listen & Learn - All three of these projects have an essential aspect that the communities have noted, Safety and Security. Parking Lot G Improvements include state of the art CCTV and Lighting systems. The Data Infrastructure Program will offer additional structure and support to the Fire/Life/Safety systems as well as CCTV and communications. Basement Renovations include replacement of aging pressure lines, and emergency pumps for flooding.
- Pillar 3 Focus & Deliver - These programs/projects support Metro's Equity Platform objectives of ensuring the actions, programs and policies lead to more equitable outcomes. They invest in a manner that supports increased opportunity for all.

Metro's equity platform is also enhanced by investing in the maintenance and expansion of existing transportation systems in order to increase the safety and state of good repair for Metro properties utilized by community members and Metro patrons. This also improves ridership experience in the historic Union Station.

DETERMINATION OF SAFETY IMPACT

The increase in LOP will have a positive impact on the safety standards of Metro.

FINANCIAL IMPACT

Adoption of the increased LOP budget will change the LOP budget for the following projects:

- a) Union Station Data Infrastructure Capital Project #210157 by \$1,600,000 increasing the total LOP from \$1,900,000 to \$3,500,000.
- b) Union Station Basement Renovation Capital Project #210159 by \$750,000 increasing the total LOP from \$900,000 to \$1,650,000.
- c) Union Station Parking Lot G Repairs/Improvements Capital Project #210161 by \$350,000 increasing the total LOP from \$5,950,000 to \$6,300,000.

Impact to Budget

To comply with the policy of the Metro Board of Directors, Metro staff has evaluated potential offsetting cost reductions including value engineering and scope reductions; however, because these projects are so far along, nearing completion, these actions are no longer feasible.

The increase to the Union Station capital projects for the FY22 budget is \$2,700,000. The funding source for the three projects is TDA 4, which is eligible for bus & rail operations and capital project.

As for the Board authorization to establish an LOP budget of \$4,237,415 to capture current and past expenditures associated with certain capital improvements, there is no current year financial impact to this recommendation. These expenses have already been incurred. The funding for these actual expenditures are PA35%, TDA4 and Union Station operating revenue including amounts held in capital reserve which were previously not presented to the Board. These costs have since been identified as meeting Metro's Capitalization policy criteria. The funding sources used for this activity are Metro bus and rail operating eligible.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following strategic plan goals:

- Goal 1: Provide high-quality mobility options that enable people to spend less time traveling.
- Goal 2: Deliver outstanding trip experiences for all users of the transportation system.
- Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

The Board may choose not to approve this staff recommendation. This alternative is not recommended as Metro would be unable to complete the projects according to the current schedule causing further delays and cost increases. Not moving forward with the projects will result in increased operational costs, reduction in revenue or potential liability, including:

- Lack of cohesive IT data technological infrastructure will continue to result in increased operational costs to manage partially functioning systems campus-wide. It is necessary to have best management practices implemented for the future of security and fire/life safety systems.
- Deterioration of basement-level building infrastructure will continue to increase repair and maintenance costs, interfere with station operations and result in unknown future scope and cost impacts. The basement houses large electrical vaults. Flooding must be avoided.
- Parking Lot G Repairs & Upgrades will create more efficient and safe use of parking as well as revenue opportunities. With the Union Station Forecourt project and Los Angeles Aerial Rapid Transit project utilizing Parking Lot B, Parking Lot G will become the west public parking facility and supplant the \$1M annual revenue loss of Parking Lot B.

The Board could also choose not to authorize the establishment of an LOP budget of \$4,237,415 to capture current and past expenditures associated with certain Union Station capital improvements. However, this is not advisable as the recommendation is to align the Union Station expenditures with Metro's Capital Expenditures Policy ACC-14 and GASB standards of accounting and reporting.

NEXT STEPS

Upon Board approval, the LOP budgets will be amended according to the Recommendation.

ATTACHMENTS

None

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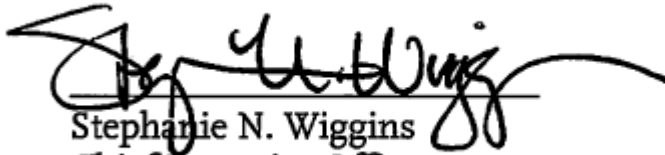
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