

**Board Report**

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**File #:** 2023-0316, **File Type:** Budget**Agenda Number:** 15.

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**CONSTRUCTION COMMITTEE  
JULY 20, 2023****SUBJECT: WESTSIDE PURPLE LINE EXTENSION SECTION 2****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AMEND the Life-of-Project (LOP) budget for the Westside Purple Line Extension Section 2 Project by \$134,000,000, from \$2,440,969,299 to \$2,574,969,299, using the fund sources as summarized in Attachment A and consistent with the provisions of the Board-adopted Measure R and Measure M Unified Cost Management Policy (Attachment B).

**ISSUE**

The Westside Purple Line Extension Section 2 Project (Project) is in its sixth year of construction and is 58% complete as of May 2023. To date, the Project has experienced unexpected conditions and additional requirements, resulting in a drawdown of Contingency to a level that Metro staff and the Federal Transit Administration (FTA) now believe is insufficient to address the remaining risks through the completion of the Project.

As a result of the cost contingency drawdowns detailed below, this Board Report requests an LOP budget increase of \$134 million, to replenish the Project's contingency and fund future impacts to the Project. This request assumes the most favorable outcome for current Project issues and risks.

**BACKGROUND**

The Project is the second of three sections of the nine-mile Purple Line Extension. It ranges from the future Wilshire/La Cienega Station that is part of the Section 1 Project to Century City. The Project is located entirely underground, primarily following Wilshire Boulevard, and includes the design and construction of approximately 2.59 miles of double-track heavy rail subway and two new stations, as well as the purchase of 20 heavy rail vehicles. The Wilshire/Rodeo Station is within the jurisdiction of City of Beverly Hills, and the Century City Constellation Station is within the jurisdiction of City of Los Angeles.

On January 26, 2017, the Metro Board approved the Life of Project (LOP) Budget of \$2,440,969,299 for the Project, excluding Finance Charges of \$88.7 million. Metro awarded a 3,100-calendar day

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design/build contract (Contract) to Tutor Perini/O&G (TPOG) on January 30, 2017, and Notice to Proceed was issued on April 26, 2017.

## **DISCUSSION**

The Project's LOP budget included a total contingency (allocated and unallocated) of \$345.7 million when it was established in January 2017. Since then, to pay for contract modifications and change orders addressing issues which were not known or undefined at the time of award and other impacts to the Project, \$241.13 million of Project contingency has been expended (which includes the positive impact of \$22 million of value engineering in 2018).

As of May 2023, the Project's remaining contingency of \$104.6 million is projected to be insufficient to support the Project through the end of fiscal year 2024.

The Project's cost contingency drawdowns to date can be categorized into the following three major categories: previously undefined scope, third party requirements, and professional services. All Contract Modifications and Change Orders have been subject to oversight from the Office of the Inspector General (OIG) and discussed in the Program Management Major Project Status Report and the Program Management Quarterly Change Report.

1. Previously Undefined Scope - Approximately \$137.62 million
2. Third Party Requirements - Approximately \$41.12 million
3. Professional Services and Utility Companies - Approximately \$62.39 million

In addition to the above listed categories of contingency drawdown, project staff have identified risks associated with pending and potential changes. Most notably, TPOG has submitted multiple Requests for Changes (RFCs) asserting schedule impacts for various reasons which Metro has not merited. As such, Metro has rejected most of the requests. Metro anticipates TPOG will advance some of them to a dispute resolution process. Since Metro is disputing most of TPOG's alleged delays, the requested amount in this Board Report does not include budget to fund the values claimed by the Contractor. Refer to Attachment C for the allocation of the proposed increase.

As reference, the FTA performed an independent 50% risk assessment in early February 2023 after the project reached 50% completion. The assessment concluded that the current budget is insufficient because it does not meet FTA's 65% confidence level requirement. The model identified a shortfall of \$232 million at the 65% confidence level. Metro staff also performed an independent risk assessment to the same confidence level and concluded a similar result. The Project's Full Funding Grant Agreement (FFGA) budget was based on a 50% confidence level. However, the FTA formally adopted the 65% confidence level as its new standard in 2022. If the FTA had maintained its 50% confidence level during its recent risk assessment, the projected budget shortfall would have been lower.

Major risks such as additional changes to project scope, professional services contracts exceeding

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current forecasts, and contractor claims may cause additional cost and schedule impacts. Project staff will continue to assess ongoing and future Project risks, and the potential impact they may have on the LOP Budget and Project schedule, while continuing to manage those risks to control costs. Staff will return, if necessary, to the Board to report on any additional funding requirements that are identified beyond this current request.

### **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 for fiscal year 2024 are included in the FY24 Adopted Budget. Since this is a multi-year capital project, the Chief Program Management Officer and the Project Manager are responsible for budgeting costs in future fiscal years.

#### Impact to Budget

The sources of funds for the recommended actions are Federal New Starts and local Measure R 35% Transit Capital. These funds are not Subregional Equity Program funds nor eligible for operating costs.

#### Multi-year Impact

The sources of funds for the Project are capital funds identified in the recommended Funding/Expenditure Plan as shown in Attachment A. With respect to the requested \$134,000,000 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 scope reductions, value engineering, shorter segments. Because the project is so far along, these actions are no longer feasible.

This report identifies additional funding resources consistent with the Policy approved by the Board in 2018. Attachment B provides a detailed discussion of the Policy. In summary, the Policy was developed in recognition that some projects would need additional funding. The Policy provides a consistent and equitable process to ensure that any financial impacts are limited to the local area where the project is located and does not have a region-wide impact.

The Policy defines a cascading list of actions that can be taken. Because the Project is so far along, actions such as additional value engineering or changes in scope are no longer feasible. Additional funding is the only option.

## **EQUITY PLATFORM**

The Project will increase service frequency, reliability and access for communities that use the Metro transit system to access housing, jobs, educational, medical and entertainment needs. This extension of the Purple (D) Line specifically impacts riders of the system from marginalized communities that travel along Red and Purple Line Corridors. The Project will provide access for riders traveling from Equity Focus Communities (EFCs), such as Downtown and Koreatown to resources and amenities within the Project area.

The Metro Purple Line Extension (PLE) Community Relations team produces and distributes construction work notices which include specific construction location updates, weekly construction work updates and monthly look ahead notices. They also conduct outreach for community meetings including distribution of digital notices, direct emails, mailed postcards, social media and paid online and print advertising. The Project's invitations for community meetings offer interpretation or translation services upon request, and all public meetings are held in locations that comply with Title IX. The Project continues efforts on behalf of Eat Shop Play and Business Interruption (BIF) in Century City and Beverly Hills.

The Contract has Disadvantaged Business Enterprise (DBE) goals of 17% for construction and 25.3% for design. Contract modifications that will be supported by the result from the request in this report will not change the level of commitments. The current level of participation, as of April 2023, is 15.6% for construction and 32.9% for design. There are approximately three more years left in the Contract to achieve the goals.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

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

## **ALTERNATIVES CONSIDERED**

The Board may choose not to move forward with amending the LOP budget. This is not recommended as Metro will be unable to provide funding to complete the Project according to the current schedule, as demonstrated by the FTA's risk assessment.

## **NEXT STEPS**

Upon approval by the Board, the LOP budget will be amended accordingly per the recommendation

## **ATTACHMENTS**

Attachment A - Funding/Expenditure Plan

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

Attachment C - Projected Breakdown of Cost Allocation for \$134 million

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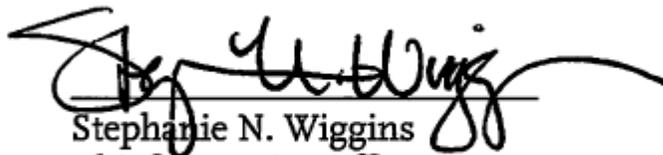
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