



## Board Report

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**File #:** 2018-0388, **File Type:** Contract

**Agenda Number:** 43.

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**CONSTRUCTION COMMITTEE  
JULY 19, 2018**

**SUBJECT: EXPOSITION METRO LINE CONSTRUCTION  
AUTHORITY CLOSEOUT AND DISSOLUTION**

**ACTION: APPROVE RECOMMENDATIONS**

**RECOMMENDATION**

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer to execute the Memorandum of Understanding (MOU) between the Los Angeles County Metropolitan Transportation Authority (Metro) and the Exposition Metro Line Construction Authority (Authority) for closeout of the Expo Phases 1 and 2 Projects (Attachment A);
- B. AUTHORIZING distribution of the remaining balance of estimated unused project funds as of June 2018 in the amount of \$216,600,000 (\*), in accordance with the Funding Agreement (Attachment B) from Expo accounts to Metro accounts for allocation and use as follows:
  - 1. \$11,500,000 to be distributed for the Metro Blue Line Track & System Refurbishment Project (CP 205115);
  - 2. \$5,100,000 to be distributed for Expo project close-out items; and
  - 3. \$200,000,000 distributed to the Metro Westside Purple Line Project, Section 2; and
- C. ADOPTING Board Resolution to accept the Delegation of Plan Administration (Attachment C) of the Expo Construction Authority Public Agency Retirement System (PARS) retirement plan.

**ISSUE**

The Authority is an independent transportation agency created in 2003 by the California State Legislature, SB 504. The agency was created to design, contract, and construct the Los Angeles to Santa Monica Expo Line (Expo Phases 1 and 2). Upon completion of the project, SB 504 requires the Authority to be dissolved and Metro to assume responsibility for operating and maintaining the Line.

Given that the Expo Corridor projects have been turned over for operation by Metro, it is anticipated

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the Authority will dissolve by the end of calendar year 2018. Further, the distribution of funds needs to occur consistent with the June 2016 previous Board direction for the CEO to assume that all savings from the Expo Phase 2 project be redirected to the Westside Purple Line Section 2 project at such time as the Expo project is closed out and the necessary actions of the Metro Board can be secured to free up those funds

## **BACKGROUND**

Expo Phase 1: Metro and the Authority entered into a Memorandum of Understanding (MOU) in May 2006, which was revised in March 2011 (Attachment D Amended MOU) to design and construct Phase 1 of the Expo Light Rail Line. The MOU defined the conditions for the Authority to administer the Phase 1 Project and receive funding from Metro as the funding agency. The MOU also defined the conditions under which the Authority designed and constructed the project, completed all testing and start up activities and received California Public Utilities Commission certifications. Phase 1 of the project was turned back to Metro for revenue operations in 2012 and demonstration of system performance has been achieved.

Expo Phase 2: On January 28, 2014, a Master Cooperative Agreement (and the Funding Agreement) were executed between Metro and the Authority to define the administration and funding for the Expo Phase 2 Light Rail Project. These agreements defined the requirements for design, construction and turnback of the completed project from the Expo Construction Authority to Metro. The project was completed and turned back to Metro for Revenue Operations on May 20, 2016, on time and under budget. The Authority and their contractors have been working with Metro support staff to complete remaining punch list and warranty items in order to close out the project. The Construction Authority has submitted a letter (ATTACHMENT D) certifying project completion in accordance with the Master Cooperative Agreement.

At last month's meeting, the Metro Board approved the reprogramming of \$11,500,000 in funds previously reserved for the Metro Blue Line Washington Siding Project from Mid-City Exposition Blvd LRT to the Metro Blue Line Track and System Refurbishment Project (CP 205115).

## **DISCUSSION**

Remaining Balance: Expo Phase 1 was turned back to Metro for revenue operations in 2012. The project has achieved system performance as required by the Project MOU between Metro and the Construction Authority. Given that the project was turned over and is operating as required, Expo 1 has items remaining to be addressed including construction of a Clean Mobility Bicycle Center and Restoration of Station Art Frames. The funds for the Metro Blue Line Washington Siding were reprogrammed last month to the New Blue.

Expo Phase 2 was turned back to Metro for revenue operations in May 2016. The Expo 2 Project has achieved system performance as required by the Master Cooperative and Funding Agreements for this project. Expo 2 was completed on time and under budget with surplus funds remaining. Similar to Expo 1, a number of items remain to be addressed, and a portion of remaining Expo funds are allocated for completion of the project close-out. The Expo Contractor has been working to complete these items with support from Metro staff.

Given the requirements of SB 504 requiring the Authority to be dissolved upon turnback of Expo 1 and Expo 2, Metro staff has coordinated with Authority staff on a draft Closeout MOU to transfer funds remaining as surplus funds back to Metro. As defined in the RECOMMENDATION Section of this Board Report, Metro and the Authority have agreed that remaining funding will be transferred to Metro for use as requested in RECOMMENDATIONS A, B and C to allocate surplus and reprogrammed Expo Corridor funds, address remaining Expo 1 and Expo 2 project needs and administer the Construction Authority PARS Retirement Program. The parties desire to enter into this MOU to identify the respective obligations and memorialize funding and implementation of the items that will remain after the Authority is dissolved.

PARS Administration: As part of the close out of the Authority, it is necessary to delegate the plan administration of the employee's PARS defined benefit plans to Metro to ensure that the current and future eligible Authority retiree's benefits will be delivered in accordance with plan requirements

The Authority approved the establishment of the PARS defined benefit pension plan in 2006 as an alternative to the California Public Employees Retirement System (CalPERS). In previous actions the Authority closed the plan as of June 30, 2017, and fully funded the Plans on a self-funded basis utilizing conservative investment return assumptions in March 2017. It is projected that the funding will be adequate to cover all benefit obligations and administrative costs associated through the life of the plans. As of this date, all six of the eligible employees are in retirement status.

The Authority had also established the PARS defined Contribution Plan in 2006. The Authority terminated that plan as of March 31, 2017, and all plan assets were distributed to the participants. In December 2016, the Authority approved terminating the contract with CalPERS effective as of June 30, 2017. A full funding deposit was made in May 2017 and CalPERS assumed all financially and administrative responsibilities for the plan pursuant to the CalPERS close out agreement as of June 1, 2017.

## **DETERMINATION OF SAFETY IMPACT**

There are no safety impacts resulting from this request.

## **FINANCIAL IMPACT**

The Authority is turning back estimated surplus and reprogrammed funds from the Expo Corridor Projects in the amount of \$216,600,000. Staff is recommending the allocation of the \$200,000,000 to be distributed to the Metro West Side Purple Line Section 2 in accordance with previous Board direction. Allocation of \$11,500,000 to be distributed to the Metro Blue Line rehabilitation project per previous Board direction and \$5,100,000 to be distributed to remaining Expo Phase 1 and Phase 2 project close-out requirements.

(\* ) Should final Expo Phase 2 amounts included in Recommendation B.1 above be less than \$16,600,000, pursuant to the Phase 2 Funding Agreement, additional monies will be due to the Cities

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of Los Angeles and Santa Monica based on their prorated shares of Measure R contributions to the project.

The Authority is also including funding for Metro's staff to administer the PARS plan over the remaining life of the plan that is estimated to be 30+ years from Phase 2 LOP budget.

### **NEXT STEPS**

Upon Board approval, Metro Chief Executive Officer will execute the final close out MOU with the Authority.

Transmit resolution to PARS to formalize Metro's acceptance of the plans' administration

### **ATTACHMENTS**

Attachment A - MOU for closeout of the Expo Phases 1 and 2 Project

Attachment B - Funding Agreement

Attachment C - PARS Resolution Delegating Plan Administration to Metro

Attachment D - Certification Letter for Project Completion

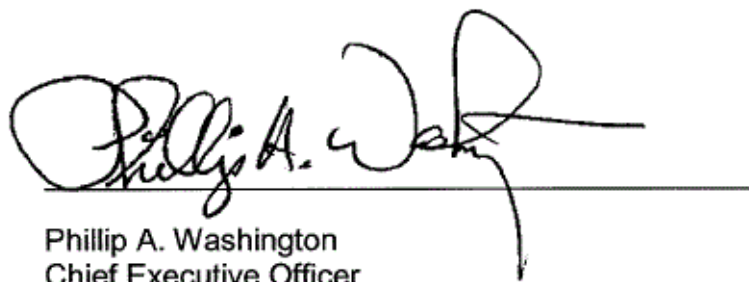
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