



Board Report

File #: 2022-0337, File Type: Project

Agenda Number: 33.

**CONSTRUCTION COMMITTEE
JUNE 16, 2022**

SUBJECT: CRENSHAW/LAX CLOSE-OUT PROJECT

ACTION: APPROVE LIFE-OF-PROJECT BUDGET INCREASE

RECOMMENDATION

AMEND the Life-of-Project (LOP) budget by \$17,000,000 for the Crenshaw/LAX Close-Out Project (CP 869512) from \$30,000,000 to \$47,000,000.

ISSUE

The Crenshaw/LAX Close-Out Project Life of Project (LOP) budget requires an increase of \$17,000,000 to pay for construction cost escalation due to market conditions, increased legal and claim support services, supported costs for Metro staff, and professional service contracts to continue management and oversight of the Project necessary for project completion.

The funding requested is to provide continued support for the close-out project and funding for punch-out work commencing after substantial completion of the Crenshaw/LAX Design-Build Project has been achieved, yet still allowing revenue service to commence in Fall 2022.

BACKGROUND

The Crenshaw/LAX (C/LAX) Transit Project is a north/south light rail line that will serve the cities of Los Angeles, Inglewood, Hawthorne and El Segundo as well as portions of unincorporated Los Angeles County. The alignment extends 8.5 miles, from the intersection of Crenshaw and Exposition Boulevards to a connection with the Metro Green Line south of the Aviation/LAX Station. The project provides major connections with the Los Angeles International Airport (LAX) as well as links to the C Line (Green), the E Line (Expo), and countywide bus network.

The alignment is comprised of a double-tracked rail line consisting of sections of at-grade in-street, at-grade within railroad right-of-way, aerial, and below-grade guideway sections, eight stations, park and ride facilities at two locations, utilities, landscaping, roadway improvements required by the project and a maintenance & storage facility (Division 16 - Southwestern Yard).

As the project neared completion, Staff requested a Close-Out Project to provide funding for work to commence after substantial completion of the C/LAX Design-Build Project was achieved. On May

28, 2020, the Board approved a Life-of-Project (LOP) budget of \$30,000,000 for the C/LAX Close-Out Project. Funding for the Close-Out Project is separate from the C/LAX Design-Build Project, allowing Metro flexibility to close out the Design-Build Project and related administrative elements more timely. The scope of the Close-Out Project includes additional work required for the project that, due to timing constraints, is not recommended to be issued to the Design-Builder (DB). Funding for the Close-Out Project also includes costs to extend Metro staff and professional services through the then forecasted substantial completion date and legal services required to defend against expected claims from the DB.

DISCUSSION

The approved LOP funding level was based on substantial completion forecasted for December 2020, and revenue service commencing in 2021. Since approval of the LOP budget in 2020, the C/LAX Design-Build Project has experienced additional schedule delays, the Design-Builder has submitted its claim, legal costs to analyze and defend the claim are accruing at a higher rate than anticipated, and the bid received for the Segments A and B Close-Out work far exceed the planned budget.

UNFORESEEN MARKET CONDITIONS AND INFLATION

During procurement of the Segments A and B C/LAX Construction Punch Out Work Contract (C1217), several factors contributed to cost increases and higher than anticipated bid prices:

- Materials shortages
- Construction cost increases
- Production delays
- Skilled Labor Shortages

Staff recommends a total LOP budget increase of \$17 million. This increase will provide funding for Segment C additional Punch Out construction work at the underground stations, increased legal services required to defend against the design-builder claim, extended Metro staff and professional services required to support completion of the Project through Revenue Service this Fall, and replenishment of project contingency. See below for a more detailed explanation.

TOTAL LOP INCREASE \$17,000,000

With this understanding, an LOP increase is requested to be allocated as follows:

- \$3,000,000 Segment C “Punch-List” construction work
- \$9,000,000 Legal Services for claim defense
- \$3,000,000 Claim Support Services
- \$1,000,000 Professional Services and Metro Staff
- \$1,000,000 Contingency

DETERMINATION OF SAFETY IMPACT

This Board action will not have an impact on established safety standards for Metro’s construction

projects.

FINANCIAL IMPACT

The current LOP budget for Project 869512, is funded with Metro Proposition C 25% Transit-Related Streets and Highways funds. If all actions are approved, the LOP budget will increase by \$17,000,000 from \$30,000,000 to \$47,000,000. Funds required through Fiscal Year 2022 have been requested through the annual Fiscal Year 2022 budget process. The additional LOP funding will be programmed through FY23 and FY24 in Cost Center 8510, Construction Contracts/ Procurement, under Project 869512.

Since this is a multi-year project, the Project Manager, Cost Center manager, and Chief, Program Management Officer will be responsible for budgeting the costs in future fiscal years.

Impact to Budget

Eligible local funds available at the time of expenditure will be utilized to fund this project. These may include operating eligible funding sources.

Multiyear 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 \$17,000,000 increase, Attachment D shows the Measure R and Measure M Unified Cost Management Policy (the Policy) analysis and funding strategy.

To comply with the Policy of the Metro Board of Directors, Metro staff has evaluated potential offsetting cost reductions, including reductions to other Metro projects in the corridor and subregion, and has determined these are not feasible and that additional local funding resources (i.e., funding specific to the affected corridor or subregion), which are to be considered prior to Metro's countywide funding, are not available. The Policy analysis identifies available and eligible local funds at the time of expenditure (Countywide Other Funds) as the funding that can address the \$17,000,000 cost increase. Metro staff attempted to identify local funding specific to the Project corridor and affected Central City Area and South Bay subregions but was not able due to restrictions on using those funds.

EQUITY PLATFORM

The Crenshaw/LAX Close-Out Project will support the Crenshaw/LAX (C/LAX) Transit Project, which will serve the cities of Los Angeles, Inglewood, Hawthorne and El Segundo as well as portions of unincorporated Los Angeles County. All eight stations (100%) are within or adjacent to Equity Focus Communities. Project equity benefits and impacts include:

1. Providing better transit connectivity and increasing light rail transportation service from the Metro

Expo Line to the Metro Green Line south of the Aviation/LAX Station.

2. Increasing service frequency, reliability, and access for communities that use the Metro transit system along the Century/Aviation, Westchester/Veteran, Downtown Inglewood, Fairview Heights, Hyde Park, Leimert Park, Martin Luther King and Exposition Stations for housing, jobs, educational, medical and entertainment needs.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Project is consistent with the following Metro Vision 2028 Goals and Objectives:

Goal 1: Providing high-quality mobility options and improving transit efficiency.

Goals 4 and 5: Transforming LA County through regional collaboration with Caltrans and the Corridor Cities by contributing funds and providing resources to assist Caltrans in management and delivery of these projects.

ALTERNATIVES CONSIDERED

The Board may choose not to move forward with amending the LOP Budget. This is not recommended as this may limit Metro's flexibility and ability to manage and complete the required scope of work in the most timely and cost-effective manner and could jeopardize Metro's ability to provide its best legal defense against claims submitted by the design-builder.

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 - Projected Breakdown of Cost Allocation

Attachment C - Close-Out Project Scope of Work

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

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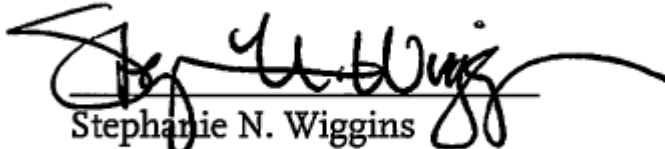
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