



## Board Report

File #: 2022-0509, File Type: Budget

Agenda Number: 22.

### CONSTRUCTION COMMITTEE APRIL 20, 2023

**SUBJECT: CRENSHAW/LAX CLOSE OUT PROJECT**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

AMEND the Life-of-Project (LOP) Budget by \$10,000,000 for the Crenshaw/LAX Close Out Project (Project), increasing it from \$47,000,000 to \$57,000,000.

#### **ISSUE**

The Crenshaw/LAX Close-Out Project LOP budget requires an increase of \$10,000,000 to fund higher than anticipated costs for Catch-All Contract No. 2, newly identified scope of work for Catch-All Contract No. 2, additional legal and claim support due to the five (5) month hearing delay, and additional professional service contracts to support claim preparation and continue management and oversight of the Project necessary for project completion.

#### **BACKGROUND**

The Crenshaw/LAX (C/LAX) Transit Project is a north/south light rail line that serves 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 Metro E (Expo) Line at Crenshaw and Exposition Boulevards to a connection with the Metro C (Green) Line south of the Aviation/Century Station. The project provides major connections with the Los Angeles International Airport (LAX), as well as links to the C Line, E Line, and countywide bus network.

The alignment is comprised of a double-tracked rail line consisting of at-grade in-street, at-grade within railroad right-of-way, aerial, and below-grade guideway sections, eight new stations, park and ride facilities, 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 that could commence after substantial completion of the C/LAX Design-Build Project. Funding and timing for the Close Out Project are separate from the C/LAX Design-Build Project, allowing staff flexibility to close out the Design-Build Project and related administrative elements. The scope of the Close Out

Project includes additional work required for the Crenshaw/LAX Project that, due to timing constraints, was not recommended to be issued to the Design-Builder (DB).

The Metro Board approved on May 28, 2020, a LOP budget of \$30,000,000 for the C/LAX Close Out Project. The approved LOP funding level was based on Substantial Completion forecasted for December 2020, and Revenue Service commencing in 2021. Since the 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, and legal costs to analyze and defend the claim has accrued at a higher rate than anticipated. Furthermore, the bid received for Segments A and B Contract No. 1 Close Out work far exceeded the planned budget.

The Metro Board approved in June 2022, a LOP budget amendment of \$17,000,000 to 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 in Fall 2022, and replenishment of project contingency.

## **DISCUSSION**

Since the June 2022 approval of the LOP budget amendment to \$47M, the Design-Builder experienced additional schedule delays, the bid received for the Segments A and B Close Out work far exceeded the planned budget, legal costs to analyze and defend the claim accrued at a higher rate than anticipated, and the claims hearing was postponed by five (5) months.

To address impacts on the Catch-All Contract No. 2, staff recommends a total LOP budget increase of \$10 million. See below for detailed explanation.

- Staff anticipates bids for “Catch-All Contract No. 2” will exceed the current budget amount. Additional funds are required to cover items previously removed from Catch-All Contract No. 1, newly identified scope items, and increasing and continuing inflation costs.
- Due to the volume of material exchanged by the two parties as part of the DB claim, the parties mutually agreed to postpone the hearing by 5 months to allow each party sufficient time to prepare. Additional funds will cover a higher than anticipated burn rate on legal services required to defend against the design-builder claim, plus an additional five (5) months for legal services due to the five (5) month hearing delay.
- Additional professional services and Metro staff time were required during the five (5) month hearing delay to support claim preparation.

## **DETERMINATION OF SAFETY IMPACT**

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

## **FINANCIAL IMPACT**

Upon Board approval of the recommendation, the LOP budget will increase by \$10,000,000 from \$47,000,000 to \$57,000,000. Funds required in Fiscal Year 2023 are included as part of the FY23 budget adoption. The additional LOP funding will be programmed through FY24 and FY25 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 \$10,000,000 increase, Attachment C shows the Measure R and Measure M Unified Cost Management Policy (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 \$10,000,000 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 to identify such funding due to restrictions on the use of those funds.

## **EQUITY PLATFORM**

The Crenshaw/LAX Close Out Project supports the C/LAX Transit Project, which serves 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.

2. Increasing transportation and service frequency, reliability, and access for communities along the 8.5-mile alignment 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 to not move forward with amending the LOP Budget. This is not recommended as this choice may limit Metro's flexibility and ability to manage and complete the required scope of work for the C/LAX project in the most timely and cost-effective manner and could jeopardize Metro's ability to provide its best defense against claims submitted by the Design-Builder.

### **NEXT STEPS**

Upon approval by the Board, the LOP Budget will be amended in accordance with the Recommendation.

### **ATTACHMENTS**

Attachment A - Funding/Expenditure Plan

Attachment B - Projected Breakdown of Cost Allocation

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

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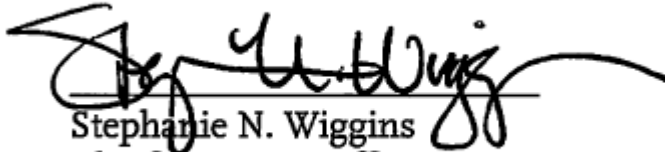
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