



Board Report

File #: 2023-0397, File Type: Budget

Agenda Number: 17.

CONSTRUCTION COMMITTEE MAY 16, 2024

SUBJECT: PURPLE (D LINE) EXTENSION PROJECT SECTION 1

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AMEND the Life-of-Project (LOP) budget for the Purple (D Line) Extension Project Section 1 (Project) by \$225,000,000 from \$3,128,879,593 to \$3,353,879,593 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 Project has reached the ninth year of its anticipated 10-year duration, and as of April 2024 is 91% complete. Currently, the Project has less than 3% of its current LOP budget contingency remaining. It is expected that this contingency will be exhausted by June 2024. This Board Report requests an LOP budget increase to address several unresolved requests for changes (RFCs). This LOP budget increase encompasses the settlement of a comprehensive claim submitted by the design/build Contractor, Skanska Traylor Shea (STS), which resolves thirty-three unresolved RFCs as well as a request for an extension of Contract Time. It also provides additional funding that is needed for real estate and professional services that were impacted by schedule delays, while replenishing sufficient contingency needed for the remainder of the Project.

BACKGROUND

Section 1 of the nine-mile Purple (D Line) Extension Project represents the initial phase of three sections, all part of Metro's Measure R Program. This section, entirely underground, encompasses the construction of approximately 3.92 miles of double-track heavy rail subway and introduces three new stations: Wilshire/La Brea, Wilshire/Fairfax, and Wilshire/La Cienega. Additionally, it includes the procurement of 34 heavy rail vehicles and the construction of a Maintenance-of-Way and Non-Revenue Vehicle Building at the south end of the existing Division 20 Yard (Location 64).

Wilshire/La Brea and Wilshire/Fairfax fall under the jurisdiction of the City of Los Angeles, while the Wilshire/La Cienega Station is within the jurisdiction of the City of Beverly Hills.

On July 24, 2014, Metro's Board approved the LOP budget of \$2,773,879,593 for the Project. Subsequently, on November 4, 2014, a 107-month design/build contract (C1045) was awarded to Skanska, Traylor, and Shea (STS). The Notice to Proceed was issued on January 12, 2015. On August 27, 2020, the Board authorized a \$200 million increase to the LOP budget. This adjustment aimed to address differing site conditions, an increase in third-party and safety requirements, and changes in scope-related items. The Wilshire/San Vicente anomaly was identified as a potential change to the Project at that time. However, the full extent of the scope of work needed to safely tunnel through the intersection and the associated risks to the Project schedule were not fully known.

On May 27, 2021, the Board authorized a \$150 million increase to the LOP budget. This allocation was intended to address the challenges associated with the Wilshire/San Vicente anomaly.

DISCUSSION

The settlement agreement between Metro and STS is the result of several months of fact-finding on Contract Time, along with numerous meetings, discussions, and exchanges of information. These discussions clarified specific cost and schedule elements in STS's submitted comprehensive claim.

This Project has been adversely affected over the last nine years by unforeseen third-party requirements, including changes mandated by LADWP, LABOE, and the City of Beverly Hills. Additionally, the Project has encountered differing site conditions (DSCs) at various locations. At Wilshire/La Brea Station, additional water was encountered during excavation. At Wilshire/Fairfax Station, along with the adjacent tunnels, the Project faced additional gas mitigations. Similarly, at Wilshire/La Cienega Station and the adjacent tunnel, the Project had to address anomalies discovered along the tunnel alignment and contend with additional water during Station excavation.

In addition to the DSCs outlined above, the Contractor has submitted over thirty RFCs that were not funded in the previous LOP budget Board requests. The Project attempted to resolve some of these RFCs through the use of the Alternate Disputes Resolution (ADR) process, which included a Disputes Review Board (DRB) and the use of a Neutral Evaluator (NE). This ultimately allowed Metro and the Contractor to reach a settlement agreement, which is included in this LOP budget request.

Although most STS claims are resolved within this requested LOP budget increase, there remains a claim from STS that is still a disputed item, which is RFC-12. Within RFC-12, STS continues to claim entitlement to delay compensation for its inability to complete the Project early. Since Metro continues to dispute this claim, the requested amount in this Board Report does not include any amounts for the claim.

Planned Project Completion

The Project has commenced its systems integration phase, leveraging insights gleaned from the recently inaugurated Crenshaw/LAX and Regional Connector Projects. Throughout these systems integration processes, the Project's management team communicated with their mega-project counterparts, actively learning from their experiences and successes.

Additionally, key staff members from Metro who contributed to the systems integration of the Crenshaw/LAX Project are now working on this Project. Furthermore, STS served as a major joint venture partner on the Regional Connector Project and employs the same systems integration team for this Project. This is consistent with OIG recommendations on construction best practices, fostering a culture of reporting lessons learned to those involved in capital projects, thereby ensuring the utilization of all insights to enhance each project throughout its planning, design, development, and construction phases.

The Project maintains a robust partnership with Metro Operations, facilitating multiple weekly meetings to review ongoing project scopes, particularly at the existing Wilshire/Western Station interface. The Project is coordinating the receipt of critical materials from the Metro Red (B) Line Yard and reviewing support measures for testing and startup.

Although The Project's systems integration phase is in its initial stages, proactive measures are underway to ensure its successful and timely completion. The Project anticipates the substantial completion date of July 5, 2025.

Economic Benefits of the Project

The economic benefits of the Project have been calculated using the REMI TranSight modeling tool using year of expenditure dollars (YOE\$). The model extends the economic impacts previously calculated by LAEDC beyond the construction phase and into the operations and maintenance phases and accounts for economic activity in addition to construction. This allows benefits such as travel time savings, emissions reductions, leisure time savings, and safety impacts, in addition to the economic stimulus from the public investment to be incorporated, as well as the impact from permanent operating jobs created after the Project is placed in service. REMI is the leading software solution for evaluating the total economic effects of transportation policy and is used by various other large transportation agencies in the nation as well as the Southern California Association of Governments (SCAG). The total Project investment (including capital, interest, and operations and maintenance expenditures) is estimated to generate about \$5.2 billion in direct, indirect, and induced economic output for the Los Angeles regional economy through FY 2047. These figures consider this segment of the Project in isolation. The potential economic benefits that the Project creates for other components of the transportation network by increasing passenger trips and connectivity are not separately estimated. The Project is also expected to generate 30,600 construction jobs and 34,000 non-construction jobs (Each job is equivalent to a full-time position for a one-year period).

Metro's Project Labor Agreement (PLA) and Construction Careers Policy (CCP) are applicable to the Project's design/build contract (C1045). The Contractor is committed to complying with the PLA/CCP workforce requirements. As of March 2024, the Contractor is achieving the 40% Targeted Worker Goal (from economically disadvantaged areas) at 63.69%, the 20% Apprentice Worker Goal at 20.14%, and the 10% Disadvantaged Worker Goal at 11.66%. Female participation is at 3.97%, equivalent to a grade of C, and is anticipated to continually increase as construction progresses.

DETERMINATION OF SAFETY IMPACT

This Board action will not impact established safety standards for Metro's construction projects.

FINANCIAL IMPACT

FY24's budget provides the necessary funds under Project 865518 Purple (D Line) Extension Project Section 1 and in Cost Center 8510 (Construction Project Management).

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

Impact to Budget

The source of funds for the recommended actions is local Measure R 35% Transit Capital. These funds are not Subregional Equity Program funds nor eligible for operating costs.

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 \$225,000,000 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, a shorter segment, and has determined these are not feasible. The source of funds to address the LOP budget increase is Measure R Transit Capital (35%). The Measure R ordinance includes \$4,074,000,000 that can be expended on the Project, and the Board has approved transfers of Measure R to the Westside Subway Extension totaling \$415,391,156. Before the proposed LOP budget increase to the Project, the Board approved \$4,110,355,492 of Measure R for the Westside Subway Extension Sections 1, 2, and 3, and for Division 20.

This report identifies additional funding resources consistent with the Policy approved by the Board in 2018. In summary, the Policy was developed in recognition that some projects would need

additional funding, and the Policy provides a consistent and equitable process to ensure that financial impacts are limited to the local area where the project is located and do not have a region-wide impact.

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

EQUITY PLATFORM

The Project is located in the Cities of Los Angeles and Beverly Hills and is not within any Equity Focus Communities. However, once the Project is completed, it will directly and positively impact the surrounding communities of color as well as EFC populations who work on the westside. The completed Project will provide opportunities such as improved mobility and access to not only employment on the Westside but also other parts of the City, improving the overall quality of life. The LOP budget increase will support the completion of the Project so that EFC populations can benefit from improved mobility.

The Contract has Disadvantaged Business Enterprise (DBE) goals of 17.0% for construction and 20.3% for design. The current level of participation as of February 2024 is 18.91% for construction and 22.34% for design.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports Strategic Plan Goal #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 cannot complete the Project according to the current schedule.

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 \$225 Million

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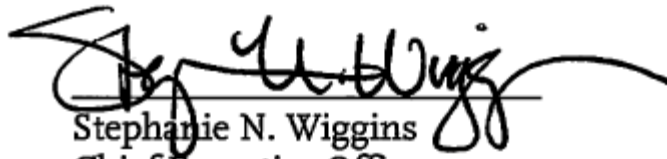
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