



Board Report

File #: 2015-1556, File Type: Budget

Agenda Number: 62.

CONSTRUCTION COMMITTEE OCTOBER 15, 2015

SUBJECT: I-405 SEPULVEDA PASS IMPROVEMENTS PROJECT

ACTION: AUTHORIZATION FOR LIFE-OF-PROJECT BUDGET INCREASE

RECOMMENDATION

CONSTRUCTION COMMITTEE FORWARDED DUE TO ABSENCES AND CONFLICTS the approval of the attached agreement referred to as "Contract Modification", including partial close-out of the **I-405 Sepulveda Pass Widening Project** ("Project"), in the amount of \$103M and modifications to the schedule of the Arbitration Agreement. This recommendation is an interim increase to the Life-of-Project (LOP) budget by \$103M, increasing the LOP budget from \$1,205.4M to \$1,308.4M and amend the FY16 budget by \$103M.

ISSUE

In order to initiate the close-out process for the Project, Metro staff is requesting an increase in the LOP of \$103M for partial close-out of the Project in accordance with the Contract Modification.

DISCUSSION

The 2006 California State Senate Bill 1026 authorized Metro to conduct a demonstration program to enter into a design-build contract for the construction of the northbound high-occupancy vehicle (HOV) lane and related improvements on Interstate 405 freeway through the Sepulveda Pass that would complete the final link in one hundred miles of HOV lanes stretching from Orange County to North Los Angeles County. The strategy to proceed with a design-build contract arrangement was undertaken as a means to facilitate acceleration of the Project, reducing the duration of impact to adjacent communities and returning the corridor to full utility a number of years earlier, including significant improved safety with interchange improvements, wider shoulders, ramps and bridges.

On April 23, 2009, the Board awarded Contract C0822 for the design and construction of the I-405 Sepulveda Pass Widening Project to Kiewit Infrastructure West, Co. and established an original LOP budget of \$1,034M for the Project.

A report prepared in 2014, found the improvements had provided the following benefits:

- Reduced peak-period congestion by 2 hours.
- Reduced daily vehicle delays by 37%.
- Increased northbound vehicle capacity by 15%.
- Reduced arterial flow volumes on adjacent major streets by 20-50%.
- Improved safety - 25% fewer Freeway Service Patrol (FSP) requests and 35% fewer incidents on I-405.

On May 15, 2015, Metro and Kiewit signed an Alternative Dispute Resolution Contract Modification (“Arbitration Agreement”), which amended the Contract to resolve the issues between them by a binding arbitration process established and defined by the Arbitration Agreement. The Arbitration Agreement specifically identified which issues were to be addressed in Hearing 1 and Hearing 2.

Substantial Completion was issued by Metro to Kiewit on September 18, 2015. In order to expedite Project close-out, the attached Contract Modification would resolve all of the Hearing 1 issues that otherwise would have to be decided in the arbitration. This agreement comprises the \$103M and closes out Hearing 1 completely. The terms of the Contract Modification provide additional details and information in this regard. The Contract Modification does not resolve any Hearing 2 issues which will still proceed in the arbitration under a new schedule culminating in a hearing in February 2017 pursuant to the Contract Modification.

DETERMINATION OF SAFETY IMPACT

The changes identified in this board report will have no impact on safety of the overall I-405 at completion.

FINANCIAL IMPACT

Impact to Budget

Funding for the \$103.0M action was not included in the FY16 budget for Project 405523. In order to execute the payment of partial close-out, the FY16 budget will need to be amended by \$103.0M. The funding sources for the payment are a combination of previously obligated federal Regional Surface Transportation Program funds (approximately \$26M) and Proposition C 25% cash/bonds, approximately \$77M. We will seek to maximize the use of federal grants and use the Proposition C 25% funds as the funds of last resort. Since this is a multi-year project, the project manager and cost center manager will be responsible for budgeting future fiscal years.

The Proposition C 25% funds are not eligible for bus and rail operations. The Regional Surface Transportation Program funds are broadly eligible for any transportation capital purpose, including transit preventative maintenance and contracted-out paratransit services.

ALTERNATIVES CONSIDERED

Metro could reject the Contract Modification and increase in LOP and continue with arbitration of the Hearing 1 issues.

NEXT STEPS

Subject to Board approval, as requested above, the Chief Executive Officer will execute the Contract Modification closing out Hearing 1 issues. At the next Board meeting, staff will request authorization for soft costs to close out the Project and continue to provide support for the arbitration of Hearing 2 issues.

ATTACHMENTS

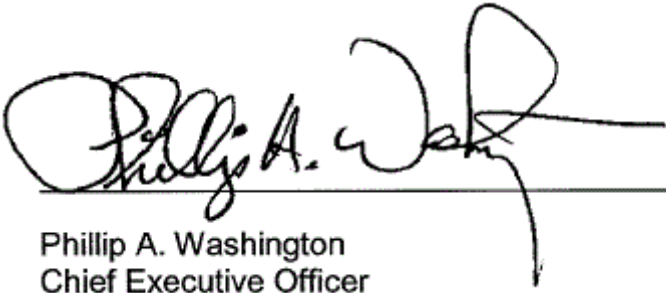
Attachment A - Contract Modification

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