



Board Report

File #: 2016-0980, File Type: Agreement

Agenda Number: 48

**REVISED**  
**PLANNING AND PROGRAMMING COMMITTEE**  
**JANUARY 18, 2017**  
**CONSTRUCTION COMMITTEE**  
**JANUARY 19, 2017**

**SUBJECT: CRENSHAW/LAX TRANSIT PROJECT AND AIRPORT METRO CONNECTOR ACCOMMODATIONS**

**ACTION: APPROVE CONTRACT MODIFICATION FOR 96<sup>TH</sup> STREET ACCOMMODATIONS AND COST/SCHEDULE IMPACTS AGREEMENT**

**RECOMMENDATION**

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer (CEO) to negotiate and execute contract modification(s) to Contract No. C0988 with **Walsh/Shea Corridor Constructors (WSCC)**, for **final costs associated with construction on accommodations so as not to preclude a future Light Rail Transit (LRT) Station at 96<sup>th</sup> Street** and implement an agreement on critical cost and schedule impacts in an amount of \$59,150,000 increasing the total contract value from \$1,311,627,532 to \$1,370,777,532, no impact to Crenshaw/LAX Project Life-of-Project Budget;
- B. AMENDING the FY17 budget by \$28,600,000 for Project 460303 Airport Metro Connector Accommodations from \$10,760,760 to \$39,360,760 for the allocable portion of its costs related to the \$59,150,000 under Recommendation A; and
- C. AUTHORIZING the CEO for a pilot period of 1 year to negotiate and execute project-related agreements, including contract modification(s) up to the authorized Life-of-Project budget, to streamline project management of the Crenshaw/LAX Transit Project subject to monthly reporting requirements, that would include any pending project-related agreements, change orders/contract modifications and any significant changes to contract contingency to the Board of Directors. This action would allow the board to see in advance all project-related agreements and change orders.

**ISSUE**

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WSCC commenced construction of the accommodations so as not to preclude a future LRT Station at 96<sup>th</sup> Street in July 2016. Metro and WSCC have completed negotiations for the direct, indirect and delay impact costs associated with the Crenshaw/LAX Transit Project constructing the accommodations. Board authorization is requested to provide funding to modify the WSCC contract to allow construction to be completed and implement the agreement on cost and schedule impacts for the accommodation scope of work and to gain commitment from WSCC to complete Contract work for a fall 2019 Revenue Operations Date.

## **DISCUSSION**

### Accommodations so as not to preclude a future LRT Station at 96<sup>th</sup> Street

On May 28, 2015, the Board approved Design Option 3 for the Crenshaw/LAX track alignment so as not to preclude a future LRT Station at 96<sup>th</sup> Street. Subsequently, staff issued change orders to Walsh-Shea Corridor Constructors (WSCC), Metro's Crenshaw/LAX Transit Project design-builder, for engineering design services to incorporate the design changes for Option 3. The design modifications increased construction costs specifically associated with the required accommodations. On June 23, 2016, the Board approved funding to commence construction on the accommodations so as not to preclude a future LRT Station at 96<sup>th</sup> Street. Metro has now concluded negotiations with WSCC for the direct, indirect and delay impact costs associated with the Crenshaw/LAX Transit Project constructing the accommodations.

### Underground Stations Deluge Impacts

Metro and WSCC have concluded negotiations to resolve cost impacts for the addition of an underground station deluge system within the Expo/Crenshaw Station crossover area. This system is required for Fire Life Safety requirements. The value represents a negotiated agreement.

### Critical Cost and Schedule Impacts

Metro and WSCC have concluded negotiations to resolve schedule and cost related disputes that occurred during the first three years of the Contract with WSCC.

The schedule component of the agreement includes all time related matters for the first three years of the Contract through October 24, 2016. As part of the agreement, WSCC has submitted a Completion Schedule, that Metro has accepted, which provides a detailed description of how WSCC and Metro will collaboratively work together to complete the remaining project scope of work. WSCC has committed to Metro to complete Contract scope of work to support Metro in maintaining a fall 2019 Revenue Operations Date. This commitment by WSCC allows Metro to maintain the commitment made in the TIFIA loan document of completing the Crenshaw/LAX Transit Project by fall 2019. Another advantage of this commitment by WSCC to a fall 2019 Revenue Operations Date is that Metro and supporting staff cost can be maintained at its planned level that otherwise would have to be increased if a later Revenue Operations Date was established. Therefore, this decreases

the Project risk for additional cost increases.

Attachment “D” identifies the WSCC issues and amounts related to cost and schedule impacts that are included in the agreement. Attachment “E” identifies the Metro issues and amounts such as requests for cost and time credits that are included in the agreement. Both WSCC and Metro continue to have the right to pursue previously submitted non-time related cost impacts that are not identified as resolved by the agreement in either Attachment D or E.

### Project Authority Levels

The Crenshaw/LAX project like many Metro mega projects, is a fast-moving, challenging and complex design-build project. Quick decision-making is required to take advantage of cost and scheduling opportunities and to keep the project moving. A lengthy change order approval process is not consistent with the needs of a large, design-build project and is being addressed at the staff level. Part of the process is the requirement to receive Board of Directors approval for changes above a specified threshold. On the Crenshaw/LAX Project, this threshold is for any change above \$1 million.

As Metro projects have grown in size and complexity over the years, the authorization levels have not kept pace with the demands of the projects. On a large mega-project, the thresholds requiring approval are easily exceeded. The need to bring a contract modification to the Board for approval can add two months to the schedule when contractors could have started the work immediately. This time can be critical to project schedules and risks exposure to extended overhead payments due the contractor, should the project be delayed.

As mentioned in the most recent Los Angeles Construction Market Analysis Update received by the Board in September 2015, contractors have indicated that delays in processing changes to be a significant risk when working on Metro projects. As a result they have had to include contingencies in their proposals to address this risk. This delay also puts DBEs subs at risk of not receiving timely payment for work performed.

The cost to the Crenshaw and Regional Connector projects for schedule delays ranges from \$3.3 to \$5 million per month for a total of \$6.6 million to \$10 million for a 2-month delay. Much of this delay can be avoided if Board approval was not required prior to implementing a change.

Therefore, staff is proposing CEO authority, as a one-year pilot, to execute contract project related agreements including contract modifications up to the Life of Project budget subject to monthly reporting requirements, that would include any pending project-related agreements, change orders/contract modifications and any significant changes to contract contingency. This action will allow the Board to see in advance all project-related agreements and change orders but would allow the staff the flexibility, responsibility and authority to manage this large, fast moving project consistent with the need for rapid decision-making and Project Schedule. Any change that results in a LOP budget increase would still require Board approval, which is the most critical aspect of managing

projects. This approach is consistent with other transit agencies including San Jose, Seattle, and Denver.

In addition, staff would continue to report on the project budget, project labor agreement and small business/disadvantaged business compliance as part of the monthly updates to the Construction Committee and the detailed monthly reports that are issued to all stakeholders including the Board.

The benefits of this action:

- Provides staff with the flexibility, responsibility and authority to manage this large, fast moving project consistent with the need for rapid decision-making and project schedule.
- Still requires approval for any action requiring a LOP budget increase.
- Keeps the big picture focus on overall project budget management as opposed to detailed change orders.
- Consistent with industry best practices for time sensitive, effective project management.

### **DETERMINATION OF SAFETY IMPACT**

This Board action will not have an impact on established safety standards.

### **FINANCIAL IMPACT**

Under recommendations 1 and 3, distinct financial impacts arise from the cost and schedule impacts Agreement affecting the Airport Metro Connector Project Accommodations (460303) and the Crenshaw/LAX Transit Project (865512).

#### **Airport Metro Connector (AMC) Accommodations**

If recommendations A and B are approved, \$28,600,000 will be added to the FY17 budget under Project 460303, AMC Project Accommodations, in Cost Center 8510, Program Management-Construction Procurement. Added to the previously approved \$7,400,000 from the June 2016 Board action, brings the total FY17 funds required for this effort to \$36,000,000. Although WSCC is the design-build contractor for the Crenshaw/LAX Transit Project, this recommendation is funded by the AMC Project (460303). The Crenshaw/LAX Transit Project Life-of-Project budget is a separate allocation.

#### **Crenshaw/LAX Transit Project**

If recommendation A is approved, the Crenshaw/LAX Transit Project (865512) will fund two items of the cost and schedule impacts Agreement as follows: 1) Underground Stations Deluge for \$650,000 and 2) Critical Cost and Schedule for \$29,900,000. The combined total of \$30,550,000 is included in the adopted FY17 budget for Project 865512, Crenshaw/LAX Transit Project, in Cost Center 8510, Program Management-Construction Procurement. The Crenshaw/LAX Transit Project FY17 and Life-of-Project budget is not impacted by this action.

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Under existing Project Contingency Management policy, staff is required to inform the Board when project contingency is drawn down below the 3% project reserve line. The funding for this action of \$30,550,000 draws down from the Project 865512, Crenshaw/ LAX Transit Project contingency cost element and total project contingency remains above the reserve line upon approval of this Board action. Since this is a multi-year project the Chief Program Management Officer and the Project Manager will be responsible for budgeting in future fiscal years.

### **Impact to Budget**

Measure R 35% is the planned funding source for the \$28,600,000 AMC Accommodations allocation. Existing Project contingency within the Crenshaw/LAX Transit Project Life of Project Budget will be used to fund the \$30,550,000 allocation of the Claims Agreement. Funding sources for the Crenshaw/LAX Transit Project include; Federal STP, CMAQ, State Proposition IB, Proposition A 35% and Measure R 35% as identified in the Crenshaw/LAX project funding plan. The FY17 budget does not include any Prop A 35% funds which are eligible for rail operations and capital projects. The other Crenshaw fund sources are not eligible for bus and rail operating expenditures as they have been programmed to support the Life of Project Budget plan. No other funds were considered.

### **ALTERNATIVES CONSIDERED**

For the 96<sup>th</sup> Street accommodations, the Board may elect not to approve the negotiated final costs, including resolution of delay impact costs. Staff does not recommend this alternative since the Board in June 2016 approved beginning construction of the accommodations and construction is underway. Any delay would further impact the schedule to complete construction of the Crenshaw/LAX Transit Project and jeopardize the Project from maintaining the fall 2019 Revenue Operations Date.

The Board may elect to defer approval of the resolution of cost and schedule impacts at this time. Staff does not recommend this alternative for the Crenshaw/LAX Transit Project. Historically, cost and schedule impacts not addressed timely have increased in value over time when deferred. WSCC has, based on the agreement resolving the cost and schedule impacts, committed to complete Contract work to support Metro in maintaining a planned fall 2019 Revenue Operations Date. If the outstanding cost and schedule impacts are not resolved at this time, the associated delay cost may be higher as the costs tend to escalate with time. Also, if the contract modification for the agreement is not executed at this time, the current planned date of fall 2019 Revenue Operation Date would be in jeopardy.

### **NEXT STEPS**

Upon Board Authorization, staff will proceed with issuing the required modifications to WSCC's contract.

### **ATTACHMENTS**

Attachment A - Procurement Summary  
Attachment B - Contract Modification/Change Order Log  
Attachment C - DEOD Summary

Attachment D - WSCC Claims/Request for Changes included in Agreement

Attachment E - Metro Request for Credit included in Agreement

Prepared by:

Charles B. Beauvoir, DEO, Project Management (323) 903-4113

Kimberly Ong, Interim DEO, Project Management (323) 903-4112

Frederick Origel, Director, Contract Administration (213) 922-7331

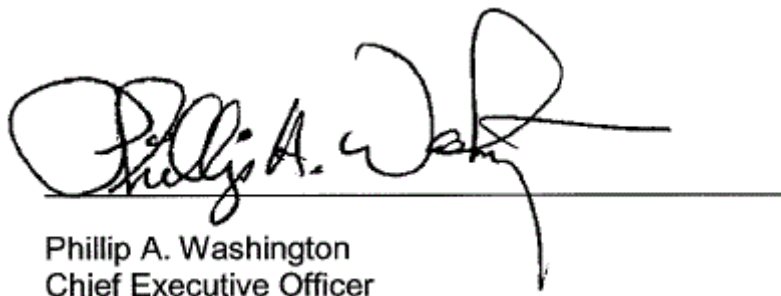
Rick Meade, Executive Officer, Project Management (213) 922-7917

Dave Mieger, Executive Officer, Countywide Planning and Development (213) 922-3040

Reviewed by:

Richard Clarke, Executive Director, Program Management (213) 922-7557

Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051



Phillip A. Washington  
Chief Executive Officer