

**Board Report**

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**CONSTRUCTION COMMITTEE  
MAY 21, 2020****SUBJECT: CRENSHAW/LAX TRANSIT PROJECT****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

CONSIDER amending the Life-of-Project (LOP) budget by \$90,000,000 for the Crenshaw/LAX Transit Project (Project) of \$2,058,000,000 to \$2,148,000,000, consistent with the provisions of the Board-adopted Measure R and Measure M Unified Cost Management Policy (Attachment B).

**ISSUE**

The Substantial Completion date for the Project is currently forecast to be delayed to December 2020 and the revenue service in 2021. As a result, the Project LOP budget needs to be increased, requiring an additional \$90,000,000 million beginning in the second half of 2020 for Metro staff and professional service contracts to continue management and oversight of the Project. No additional funding from this LOP increase is designated for the contractor. This represents the first LOP adjustment since the beginning of construction on the Project in 2013.

**BACKGROUND**

The Crenshaw/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 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).

On June 27, 2013, the Board authorized an LOP budget of \$1,923,000,000 for the base Project. In addition, the Board authorized an increase to the LOP budget in the amount of \$135,000,000 from \$1,923,000,000 to \$2,058,000,000, for the award of options for Leimert Park Station and Hindry Station (now called Westchester/Veterans Station). The LOP budget has not been

adjusted since that time.

Metro awarded a 57-month Design/Build contract to Walsh/Shea Corridor Constructors (WSCC) for construction of the Project in August 2013 and issued a Notice to Proceed to WSCC in September 2013. WSCC's Substantial Completion date was September 2018 with a revenue service date of October 2019.

## **DISCUSSION**

In March 2017, Metro executed a Claims and Disputes Settlement Agreement with WSCC to resolve outstanding claims and disputes up to that point in the Project. WSCC's Contract Milestones were confirmed as part of the Agreement. WSCC committed to a Substantial Completion date of May 2019 as part of an approved Completion Schedule, which still enabled the October 2019 revenue service date.

WSCC's progress in 2018 fell behind the Completion Schedule dates agreed upon in the Claims and Disputes Settlement Agreement. Metro was informed by WSCC that, due to delays, it would not be able to complete its work by the projected deadline in the Completion Schedule. Since WSCC was not able to demonstrate that its forecasted delay was an Excusable Delay or a Compensable Delay under the Contract Terms and Conditions, Metro executed a Non-Compensable Time Extension. A Unilateral Change Order (CO-223.1) was executed in September 2018 resetting the Project Substantial Completion to December 11, 2019.

In 2019, the project continued to fall behind the dates reset in the Non-Compensable Time Extension. There have been several areas of work along the alignment that could not be completed due to damaged, incomplete and missing components (rework). This rework plus other performance and resource issues caused the contractor's progress to be less than planned, impacting WSCC's follow-on subcontractors work and creating inefficient performance. Metro has been assessing liquidated damages.

Due to extending the Project's Substantial Completion date, additional funding is now required. The existing LOP budget includes funding obligations for the contractor's work, but the LOP budget needs to be amended to provide additional funding for professional services that are required to support the completion of the Project. The required support includes Metro staff and professional services consultants who provide various services to assist in the management and oversight of the Project. The funding in Recommendation A is requested to provide support to achieve Substantial Completion in December 2020 and to allow revenue service to commence in 2021. A detailed breakdown of the proposed uses for the additional \$90 million LOP is contained in Attachment C.

## **DETERMINATION OF SAFETY IMPACT**

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

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## **FINANCIAL IMPACT**

Funds required through fiscal year 2020, in the amount of \$127,950,000, are included in Project 865512 Crenshaw/LAX Transit Project, 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 sources of funds for the recommended actions are local funds available and eligible at the time of expenditure, including operating eligible funding sources. Eligible federal funds will also be utilized to fund the increase.

### **Multiyear Impact**

The sources of funds for the Project are capital funds identified in the recommended Funding/Expenditure Plan as shown in Attachment A. The project cost, prior to the proposed cost increase, is included and funded in the 2019 Long Range Transportation Plan Financial Forecast. With respect to the \$90,000,000 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 value engineering, shorter segment, and 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 potentially available. The Policy analysis identifies a Measure M multi-year subregional program, Measure R highway program, and federal formula CMAQ funding as available funding sources in the Long Range Transportation Plan Financial Forecast that can address the \$90,000,000 cost increase. Metro staff has discussed the potential funding sources with representatives of each subregion and recommends the use of \$46.7 million from the subregional equity program (with the subregion's share based on a proportion to be agreed upon by the subregions), \$33.1 million of CMAQ, and the remaining \$10.2 million of other regional funds to cover the LAX portion of the project as it is a regional facility within LA County. The use of the subregional equity program will be subject to approval by the governing body of each subregion. Metro has allocated funding for the SEP starting in FY 2043 in the Long Range Transportation Plan Financial Forecast and has not developed yet an administrative process to program SEP funds to the subregions. Staff plans to discuss this further in the June/July Board cycle.

Attachment B provides a detailed discussion of the Policy. 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 assure that any financial impacts are limited to the subregion where the project is located and not have a region-wide impact.

The Policy defines a cascading list of actions that can be taken. Because the Project is so far along,

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actions such as value engineering or changes in scope are no longer feasible. Additional funding is the only option.

The table at the end of Attachment B identifies the potential funding sources that are available and recommended funding. The selection and application of specific resources has involved the affected stakeholders but requires further discussion.

It is important to note that the Project spans two subregions - South Bay and Central City - and a method to determine each subregion's share of the funding for the cost increase will need to be identified. Metro staff will conduct outreach to the subregions for their consensus and approval.

The most recent project to be evaluated under the Policy was the Foothill Extension to Pomona in 2019. Although the two projects are not directly comparable (Foothill was not yet under construction, so had more opportunity for scope changes), there are similarities that could be instructive.

In that case, the financial deficit was addressed by the subregional equity program of the San Gabriel Valley. Funds were accelerated to be taken from the subregional equity pool in the year that funding became available (2043). A board motion directed this approach and was subject to approval by the San Gabriel Valley Council of Governments.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

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 to not move forward with amending the LOP Budget. This is not recommended as Metro will be unable to provide funding for Metro staff or obligate any extension to existing professional service contracts, or other required services beyond June 2020.

### **NEXT STEPS**

Upon approval by the Board, the LOP Budget will be amended accordingly per the Recommendation.

Metro staff will continue discussions with each subregion and identify the proportional shares that each subregion will contribute to the LOP increase, and work with the governing bodies of the subregions to obtain their approval for the use and amount of subregional equity program funds. Metro staff will make every effort to conclude these steps within three months and report back to the Board with an update at that time.

### **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 \$90 million

Attachment D - SBCCOG letter to Metro CEO

Prepared by:

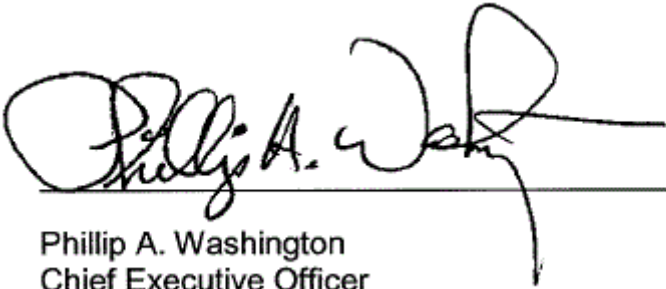
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