

**Board Report**

File #: 2023-0529, **File Type:** Budget

Agenda Number: 27.

**CONSTRUCTION COMMITTEE
SEPTEMBER 21, 2023**

SUBJECT: CRENSHAW/LAX TRANSIT PROJECT

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AMEND the:

- A. Life-of-Project (LOP) Budget by \$299.9 million for the Crenshaw/LAX Transit Project (Project) from \$2,148 million to \$2,447.9 million, consistent with the provisions of the Board-adopted Measure R and Measure M Unified Cost Management Policy (Attachment A); and
- B. Fiscal Year 2024 budget by \$299.9 million from \$25.2 million to \$325.1 million for the Crenshaw/LAX Transit Project.

ISSUE

Metro is anticipating the issuance of final acceptance to Walsh/Shea Corridor Constructors (WSSC) in 2023. This action is to achieve the final close-out with the WSSC.

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 C (Green) Line south of the Aviation/LAX Station. The project provides major connections with Los Angeles International Airport (LAX) as well as links to the C Line (Green), the E Line (Expo), and the 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, utilities, landscaping, roadway improvements required by the project, and a maintenance & storage facility (Division 16 - Southwestern Yard).

On June 27, 2013, in conjunction of the award of the 57-month Design/Build contract to WSSC, the Board authorized a LOP budget of \$1,923,000,000 for the base Project, plus an additional \$135,000,000 for implementation of contract options to construct the Leimert Park Station and the Hindry Station (now called Westchester/Veterans Station); thus, increasing the LOP budget to

\$2,058,000,000 for the project. WSCC's Substantial Completion date per the original contract was September 2018, with a revenue service date of October 2019.

WSCC's progress was delayed due to rework, performance, resource challenges, and other issues, many of which led to contractual disputes. On May 21, 2020, the Board authorized an increase to the LOP budget in the amount of \$90,000,000, increasing the LOP budget to \$2,148,000,000 which funded Metro staff and the professional service contracts, allowing Metro to continue the management and oversight of the Project through the extended construction duration. WSCC achieved Substantial Completion in June 2022, and the Project was opened for Revenue Service in October 2022.

DISCUSSION

Over the course of the Project, numerous disputes arose between Metro and WSCC. WSCC aggregated these disputes within a "Request for Equitable Adjustment (REA)", which they certified and submitted to Metro in December 2021, where they claimed \$809M of damages. This REA included asserted costs related to their position on delay, disruption, extended overhead, interest, subcontractor pass-through claims, and other unresolved direct cost changes and other issues. The parties undertook to resolve the REA in parallel processes. Certain direct cost changes and other issues and merited items were reviewed and negotiated by the parties at the Project level. The parties also retained the services of a mutually agreed upon independent and neutral evaluator (Evaluator) to mediate and assist in steps to resolve the larger disputes, including delay, disruption, extended overhead, interest, and subcontractor pass-through claims.

Both processes were successful in reaching mutually agreeable resolutions that are included within the LOP increase being requested. The Project staff was able to finalize the outstanding direct cost, change order and other issues that were not presented to the Evaluator for an amount of \$19.7 million. In addition, the senior executives of the Parties were able to resolve the larger issues presented to the Evaluator for the negotiated settlement amount of \$280.2 million. These two resolutions completely resolve all issues presented in WSCC's REA.

Metro staff is requesting the Board's approval of an increase to the LOP, which will cover both the settlement of the issues presented to the Evaluator, and the negotiated changes resolved by the Project staff. If approved, the settlement will fully resolve WSCC's REA claim and also facilitate Final Acceptance and closeout of the Project.

Lessons Learned

There are several lessons learned from the Project experience which are currently in practice, or are in the process of being advanced within Program Management, most notably the items below:

- Metro is at risk for resulting delays and disruption when there is a lengthy dispute between the parties, as there was with Fire Rated Cable (FRC). The delay and

disruption impact costs can dwarf the direct costs of the changed work itself. Metro will implement time-based escalation requirements to prevent lengthy disputes.

- The relationship between Metro and the City of Los Angeles (COLA) is critical for projects requiring COLA approvals and affecting COLA streets and utilities. Contractors contend there are impacts related to interfacing activities with COLA that result in changes, delays, and disruption to Metro projects. Where applicable and appropriate, Metro and COLA have advanced an update of the Master Cooperative Agreement to address some of the previous challenges.
- Metro's internal departments need to coordinate activities early and throughout construction to ensure that desired changes are addressed at the earliest stages of planning and design.

Final Project Budget & Budget Amendment

The final cost of the Project aligns with the Federal Transit Administration's (FTA) average cost increase standard (Attachment B). Based on the FTA 2020 Predicted Versus Actual (PvA) % Impacts of Capital Investment Grants Projects study of 17 light rail transit projects that opened to revenue service between 2007 and 2015 the average project cost increase was 17.2%. Metro's light rail transit projects track an average of 8.35% cost increase which is lower than the FTA's average. The requested LOP amendment of \$299.9 M (14%) results in a total Project cost increase of \$389.9 M (18.9%), relative to the Board authorized LOP at the time of contract award to WSCC.

Additionally, this budget amendment will fully settle all outstanding disputes with WSCC and enable achievement of the final close-out with WSCC.

Determination_Of_Safety_Impact

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 Recommendation B, \$299.9 million will be added to fiscal year 2024 Crenshaw/LAX project budget to cover the settlement and negotiated changes. The Project Manager and Chief Program Management Officer are responsible for ensuring all punch list items are delivered and the terms of the contract are fulfilled. Future budgeting and proper closeout of the Crenshaw/LAX project is the responsibility of the Project Manager.

Impact to Budget

The sources of funds for the Recommendations may be a combination of Proposition A

35%, Proposition C 25% , Proposition C 40%, and funds from the South Bay and Central City subregions as directed by Board approved Motion # 38.1 by Directors Garcetti, Butts, Garcia and Hahn (Attachment C). Proposition A 35% is eligible for the rail operating and capital improvements. Other eligible local funds available at the time of expenditure may also be utilized to fund the claim. These funds may include operating eligible funding sources.

Other local funds were considered to address the claim but were determined to be unavailable. The analysis of these funds is included in the attached Uniform Cost Management Policy. Previously, in May 2020, Metro staff conditionally recommended use of the Measure M Subregional Equity Program for funding of a \$90 million LOP increase for the Project. The recommended use of approximately \$22 million each was subject to approval by both the Central City Area and South Bay Cities subregions and this approval is still in progress.

EQUITY PLATFORM

The Crenshaw/LAX Project 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-Focused 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 south of the Aviation/LAX Station.
2. Increasing service frequency, reliability, and access for communities 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.

Staff will continue to propose mitigations that address any potential adverse equity impacts related to the availability of funds for future projects and operations-eligible local funds.

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 improve transit efficiency.

In September 2023, the Project was selected for the American Society of Civil Engineers Los Angeles Section Construction Project of the Year Award in recognition of the project's unique technical achievements, complexity, scope, and engineering features.

ALTERNATIVES CONSIDERED

The Board may choose not to move forward with amending the LOP Budget. This is not recommended as Metro will be unable to close out the Project and will be limited in its ability to minimize additional cost exposure and/or avoid potential litigation with this Contractor.

NEXT STEPS

Upon approval by the Board, the LOP Budget will be amended accordingly, and Metro staff will execute Contract Modifications with WSCC per the Recommendation and will continue the process of closing out the Project including issuing Final Acceptance.

ATTACHMENTS

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

Attachment B - FTA Predicted vs. Actual Impact Analysis

Attachment C - Motion # 38.1 by Directors Garcetti, Butts, Garcia and Hahn

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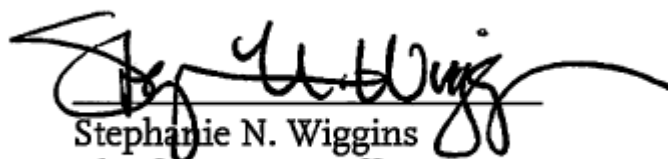
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