



Board Report

File #: 2022-0337, **File Type:** Project

Agenda Number: 33.

CONSTRUCTION COMMITTEE JUNE 16, 2022

SUBJECT: CRENSHAW/LAX CLOSE-OUT PROJECT

ACTION: APPROVE LIFE-OF-PROJECT BUDGET INCREASE

RECOMMENDATION

AMEND the Life-of-Project (LOP) budget by \$17,000,000 for the Crenshaw/LAX Close-Out Project (CP 869512) from \$30,000,000 to \$47,000,000.

ISSUE

The Crenshaw/LAX Close-Out Project Life of Project (LOP) budget requires an increase of \$17,000,000 to pay for construction cost escalation due to market conditions, increased legal and claim support services, supported costs for Metro staff, and professional service contracts to continue management and oversight of the Project necessary for project completion.

The funding requested is to provide continued support for the close-out project and funding for punch-out work commencing after substantial completion of the Crenshaw/LAX Design-Build Project has been achieved, yet still allowing revenue service to commence in Fall 2022.

BACKGROUND

The Crenshaw/LAX (C/LAX) Transit Project is a north/south light rail line that will serve 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 intersection of 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).

As the project neared completion, Staff requested a Close-Out Project to provide funding for work to commence after substantial completion of the C/LAX Design-Build Project was achieved. On May

28, 2020, the Board approved a Life-of-Project (LOP) budget of \$30,000,000 for the C/LAX Close-Out Project. Funding for the Close-Out Project is separate from the C/LAX Design-Build Project, allowing Metro flexibility to close out the Design-Build Project and related administrative elements more timely. The scope of the Close-Out Project includes additional work required for the project that, due to timing constraints, is not recommended to be issued to the Design-Builder (DB). Funding for the Close-Out Project also includes costs to extend Metro staff and professional services through the then forecasted substantial completion date and legal services required to defend against expected claims from the DB.

DISCUSSION

The approved LOP funding level was based on substantial completion forecasted for December 2020, and revenue service commencing in 2021. Since approval of the LOP budget in 2020, the C/LAX Design-Build Project has experienced additional schedule delays, the Design-Builder has submitted its claim, legal costs to analyze and defend the claim are accruing at a higher rate than anticipated, and the bid received for the Segments A and B Close-Out work far exceed the planned budget.

UNFORESEEN MARKET CONDITIONS AND INFLATION

During procurement of the Segments A and B C/LAX Construction Punch Out Work Contract (C1217), several factors contributed to cost increases and higher than anticipated bid prices:

- Materials shortages
- Construction cost increases
- Production delays
- Skilled Labor Shortages

Staff recommends a total LOP budget increase of \$17 million. This increase will provide funding for Segment C additional Punch Out construction work at the underground stations, increased legal services required to defend against the design-builder claim, extended Metro staff and professional services required to support completion of the Project through Revenue Service this Fall, and replenishment of project contingency. See below for a more detailed explanation.

TOTAL LOP INCREASE \$17,000,000

With this understanding, an LOP increase is requested to be allocated as follows:

- \$3,000,000 Segment C “Punch-List” construction work
- \$9,000,000 Legal Services for claim defense
- \$3,000,000 Claim Support Services
- \$1,000,000 Professional Services and Metro Staff
- \$1,000,000 Contingency

DETERMINATION OF SAFETY IMPACT

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

projects.

FINANCIAL IMPACT

The current LOP budget for Project 869512, is funded with Metro Proposition C 25% Transit-Related Streets and Highways funds. If all actions are approved, the LOP budget will increase by \$17,000,000 from \$30,000,000 to \$47,000,000. Funds required through Fiscal Year 2022 have been requested through the annual Fiscal Year 2022 budget process. The additional LOP funding will be programmed through FY23 and FY24 in Cost Center 8510, Construction Contracts/ Procurement, under Project 869512.

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

Impact to Budget

Eligible local funds available at the time of expenditure will be utilized to fund this project. These may include operating eligible funding sources.

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 \$17,000,000 increase, Attachment D shows the Measure R and Measure M Unified Cost Management Policy (the Policy) analysis and funding strategy.

To comply with the Policy of the Metro Board of Directors, Metro staff has evaluated potential offsetting cost reductions, including 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 not available. The Policy analysis identifies available and eligible local funds at the time of expenditure (Countywide Other Funds) as the funding that can address the \$17,000,000 cost increase. Metro staff attempted to identify local funding specific to the Project corridor and affected Central City Area and South Bay subregions but was not able due to restrictions on using those funds.

EQUITY PLATFORM

The Crenshaw/LAX Close-Out Project will support the Crenshaw/LAX (C/LAX) Transit Project, which will serve 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 Focus 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.

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 improving transit efficiency.

Goals 4 and 5: Transforming LA County through regional collaboration with Caltrans and the Corridor Cities by contributing funds and providing resources to assist Caltrans in management and delivery of these projects.

ALTERNATIVES CONSIDERED

The Board may choose not to move forward with amending the LOP Budget. This is not recommended as this may limit Metro's flexibility and ability to manage and complete the required scope of work in the most timely and cost-effective manner and could jeopardize Metro's ability to provide its best legal defense against claims submitted by the design-builder.

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 - Projected Breakdown of Cost Allocation

Attachment C - Close-Out Project Scope of Work

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

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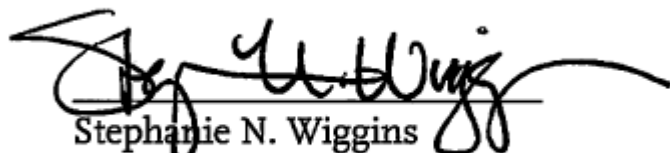
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ATTACHMENT A

(2022-0337)

Crenshaw/LAX Closeout Project Funding / Expenditure Plan* (Dollars in Millions)

Capital Project CP869512	FY21	FY22	FY23	FY24	FY25	TOTAL	% Of Total
Uses of Funds	Actual						
Construction	-	-	7.04	4.76	0.20	12.00	25.5%
Prof Services	0.01	11.75	16.28	4.09	0.37	32.50	69.1%
Project Contingency	-	-	-	-	2.50	2.50	5.3%
Subtotal	0.01	11.75	23.32	8.85	3.07	47.00	100.0%
Total Project Costs:	0.01	11.75	23.32	8.85	3.07	47.00	100%
Sources of Funds							
Local/Federal Sources	0.01	11.95	18.04	15.80	1.20	47.00	100%
TOTAL:	0.01	11.95	18.04	15.80	1.20	47.00	100%

*Sources of funds are subject to change. Assumes Contractor Substantial Completion May 2022 and Metro Revenue Service October 2022.

**FY23-FY25 is projected.

ATTACHMENT B

(2022-0337)

C/LAX Close Out Project (CP869512)

Projected Breakdown of Cost Allocation for \$17 million

Amount	Descriptions
\$3,000,000	Construction <ul style="list-style-type: none">○ Segment C "Punch-List" Contract (includes testing)
\$9,000,000	Professional Services Legal Services <ul style="list-style-type: none">○ Procured legal services to assist project management with preparing documentation and analysis in support of Metro's defense against claims submitted by the contractor.
\$3,000,000	Claim Support Services <ul style="list-style-type: none">○ Arcadis Inc.: claims support consultant to assist with preparing documentation and analysis in support of Metro's defense against claims submitted by the contractor.
\$1,000,000	Other Professional Services <ul style="list-style-type: none">○ Metro Staff at Gateway and at multiple field offices who perform oversight in various disciplines.○ CMSS - STANTEC: Construction management support services procured to support Metro staff in oversight of specific areas of project construction disciplines such as field inspectors, resident engineers and other construction support.○ Miscellaneous professional Services support .
\$1,000,000	Unallocated Contingency <ul style="list-style-type: none">○ Amount not yet allocated to a specific line item but is required for anticipated unknown cost increases.
\$17,000,000	Total Increase

ATTACHMENT B
(2022-0337)
C/LAX Close Out Project (CP869512)
Scope of Work

Item No.	Item Description	Package
1	Procure and install left turn gates along PMH	A
2	Modify the existing traffic signal at Florence/West	A
3	Replace an existing 24" steel water line with a new 24" ductile iron water line. Approximatley 620' of ductile iron pipe	A
4	Trim (127) palm trees adjacent to the alignment	A
5	Build a redundant Radio Fiber Channel System	A
6	Procure and install 4' drop signs at the UG stations	A
7	Install suicide prevention signs	A
8	Construct a new water line and new fire hyrdant	A
9	Remove an existing step up transformer and replace with a new Metro furnished step up transformer	A
10	Remove temporary room signs and procure and install new signs	A
11	Additional wayfinding signs	A
12	Procure and install additional map cases	A
13	Paint hatch covers at UG stations	A
14	Construct Fairview Heights parking lot	B
15	Install CCTV's and EV chargers at the parking lot	B
16	Paint existing and install missing wrought iron fence	B
17	Florence Ave and La Colina paving improvements	B
18	Striping for the paving improvements	B
19	Construct 60 LF of concrete barrier and install (2) crash cushion end treatments	B
20	Install about 480 LF of metal beam guard rail	B
21	PCC pave 3,840 SF area on SB Aviation, south of Imperial Hwy	B
22	Procure and install a stainless steel vertical trim piece	B
23	Paint black the backside of existing wayside signs	B
24	Construct minor civil improvements	B
25	Install infrasttucture for a video wall	B
26	Adjust, relocate and/or remove conflicting utilities or unknown buried obstructions	B
27	Provide support for special events	B
28	Install bird deterrents at stations	B

ATTACHMENT D

Crenshaw/LAX Close Out Project

Measure R and Measure M Unified Cost Management Policy Analysis

Introduction

The Measure R and Measure M Unified Cost Management Policy (the Policy) was adopted by the Metro Board of Directors in June 2018. The precursor Measure R cost management policy was adopted in March 2011. The intent of the Policy is to inform the Metro Board of Directors regarding cost increases to Measure R- and Measure M-funded projects and the strategies available to close a funding gap. The Crenshaw/LAX Close Out Project (the Project) is subject to this policy analysis.

The life-of-project (LOP) budget for the Project was last approved by the Board in May 2020 at \$30,000,000. The Project is subject to the Policy analysis now due to a proposed \$17,000,000 increase to the LOP budget. Funding for the cost increase is needed through FY 2025. This analysis recommends trade-offs required by the Policy to identify the funds necessary to meet the cost increase.

The LOP budget requires an increase of \$17,000,000 to pay for construction escalation due to market conditions, increased legal services, Metro staff, and professional service contracts to continue management and oversight of the Project.

The original LOP was to provide support to achieve Substantial Completion in December 2020 and revenue service to commence in 2021. The revenue service date for the Project is currently forecasted to be fall 2022.

Measure R and Measure M Unified Cost Management Policy Summary

The adopted Policy stipulates the following

If a project cost increase occurs, the Metro Board of Directors must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Increases will be measured against subsequent actions on cost estimates taken by the Metro Board of Directors, including the determination of the budget. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order as appropriate:

- 1) Scope reductions;
- 2) New local agency funding resources;
- 3) Value Engineering;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same sub-region; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

Scope Reductions

The Project cost increase is attributable to higher construction costs due to market conditions, increased legal and claim support services, and additional management and oversight. Any attempt to identify and negotiate agreeable reductions to the scope may result in further delays and potential additional costs. Because of this, we recommend moving to the next step.

New Local Agency Funding Resources

Local funding resources (i.e., specific to the affected corridor or subregion) are considered in the next step as opposed to countywide or regional sources so as not to impact the funding of other Metro Board-approved projects and programs or subregions in the County. The Project is eligible for Measure R funding but this is entirely allocated to the Crenshaw/LAX Transit project.

The Project is located in the South Bay and Central City Area subregions (as defined in the Policy, as amended), with station locations in the cities of Los Angeles and Inglewood. Local funding resources from both the subregions and cities could be considered for the cost increase.

Subregional Programs and Local Agency Contributions

Measure R, as amended, includes funding for a "South Bay Transit Investments" program and the South Bay subregion (represented by its Council of Governments) could allocate a portion of the funding for the Project. Metro staff will contact the subregion to determine if it would allocate any funding. However, due to the time constraints of this Board item, this funding is not considered available for the Project cost increase.

Measure M includes funding for a transit-eligible multi-year subregional program (MSP) for the South Bay and Central City Area subregions. The MSP is eligible beginning FY 2018 and entitled the Subregional Equity Program (SEP). However, Motion #2021-0435 amends the Policy to "eliminate the Subregional Equity Program from consideration to address project funding shortfalls during construction" and is not considered available for the Project cost increase.

Local Agency Contributions

The cities with Project stations have agreed to contribute funding to the Project as part of the 3% local agency funding assumption included in the Measure R ordinance. Metro is front-funding the Los Angeles share of \$89.7 million with the city making payments to Metro through FY 2023. Inglewood has agreed to pay \$12 million, with \$6 million in-kind for future first-last-mile improvements, and \$6 million in payments made over 40 years (with no payments or interest accrued for ten years). The cities are generally not responsible for cost increases to the projects and this restriction is included in the local agency contribution agreements between Metro and the cities.

Measure M, as well as Measure R and Propositions A and C, provide "local return" funding to Los Angeles and Inglewood. The cities will receive an estimated \$3.3 billion

of local return (Los Angeles \$3.2 billion, Inglewood \$90 million) over the ten year period FY 2023 to FY 2032 that is eligible for transit use and could contribute a portion to the Project. However, prior Board actions relating to the Twenty-Eight by '28 Initiative and funding for the cost increase to Foothill Extension to Pomona, Crenshaw/LAX Transit, Westside Subway Section 1, and Eastside Access did not support use of local return, and it is presumed these funds would not be available for the cost increase to the Project.

State and Federal Funding (Discretionary)

The State has previously granted the Crenshaw/LAX Transit project \$129.1 million through Prop 1B grants and the USDOT has provided funding through a \$13.9 million TIGER grant and \$545.9 million TIFIA loan. Additional State or federal discretionary funding (where Metro would compete for the funding) is not probable, given the Crenshaw/LAX Transit project and Crenshaw Close Out Project have experienced multiple cost increases and the design/build contract is almost completed.

Value Engineering

The Project cost increase is attributable to higher construction costs due to market conditions, increased legal and claim support services, and additional management and oversight. Any attempt to identify and negotiate agreeable value engineering may result in further delays and potential additional costs. As a result, we recommend moving to the next step.

Other Cost Reductions within the Same Transit or Highway Corridor, or within the Same Sub-region

The cities and subregions have existing funding programs that have funding amounts yet to be spent. The potential use of the MSP and SEP are discussed above in section "New Local Agency Funding Resources."

The cities also receive funding through the Call-For-Projects, the competitive grant program that is funded and managed by Metro for the benefit of LA County cities, transit operators, and State highway projects that was last held in 2015. At times the funding for certain projects in the Call-For-Projects is "de-obligated" if not spent within a reasonable timeframe and this can be a funding source for other uses. Currently there is not a meaningful amount of de-obligated funds available, and all other projects are moving through their respective development process.

The Project is within the same corridor as the Airport Metro Connector, which is currently in construction with an LOP budget of \$898,581, approved by the Board in April 2021. This project is not yet completed and does not have cost reductions that could be used for the Project.

Countywide Cost Reductions and/or Other Funds

If new local agency resources are not allocated to the Project cost increase, regional or countywide funding could be considered. These funds are programmed for other uses in Metro's financial forecast, during the timeframe when funds are needed for the Project

cost increase. A reallocation of the funds to the cost increase would divert the funding from other Board-approved uses and or require additional debt financing. Eligible sources of countywide funding include Proposition C 25% (Transit-Related Streets and Highways), Proposition C 40% (Discretionary), and Proposition A 35% (Rail Development).

Through FY 2025, the Proposition C 25% funds are currently planned, from highest to lowest, for debt service on Metro bonds, I-5 South Carpool and Mixed Flow Lanes I-605 to OCL, Freeway Service Patrol, Blue Line Track and System Refurbishment, and the Crenshaw/LAX Locally Funded Activities Project. The Proposition C 40% is planned for Metro bus operations, ADA-paratransit operations, debt service, Metro bus fleet replacement, and the municipal and non-Metro operators. The Proposition A 35% is planned for debt service on Metro bonds, Metro rail operations, Division 20, Heavy Rail Vehicles, and Light Rail Vehicles.

State and Federal Funding (Formula)

Metro receives quasi-formula funding from the State through the Regional Improvement Program (RIP) and Local Partnership Program (LPP). This is considered regional funding as it can be applied countywide to both transit and highway spending. There is currently no capacity in the RIP or LPP through FY 2027. The RIP has been allocated to projects submitted in Metro's 2022 RTIP and the next cycle of the LPP is planned to be used on the Division 20 project.

The Crenshaw/LAX Transit project has previously received federal Surface Transportation Block Grant Program (STBG) and Congestion Mitigation & Air Quality Program (CMAQ) funding and these may be eligible for use on the Project to address the cost increase. However, the funding is currently programmed for other uses in the Long Range Transportation Plan Financing Forecast including Crenshaw/LAX Transit and other Metro rail operating expenses, and HOV projects, and any allocation to the Project would reduce the availability for competing uses as is not recommended.

Recommendation

We recommend that the \$17,000,000 cost increase for the Project is funded with available and eligible local funds at time of expenditure (Countywide Other Funds) as the funding (including debt financing). The Policy analysis has looked at potential cost reductions and these are not feasible given the status of the Project and timing of the funding need. The Policy analysis has also considered local funding from the subregions, including Measure R South Bay Transit Investments, the Subregional Equity Program, local return, and the defunding of projects in the Call For Project and or cost savings from other projects and has determined that this funding is not available. State and federal formula funding were also evaluated but these are not available as they are programmed for other uses in Metro's financial forecast.

Board Report File #2022-0337

Subject: Crenshaw/LAX Closeout Project

Amend LOP Budget by \$17M from \$30M to \$47M



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Subject: Crenshaw/LAX Closeout Project

Amend LOP Budget by \$17M from \$30M to \$47M

- **ACTION: APPROVE LIFE-OF-PROJECT BUDGET INCREASE**
- **Scope**
 - Maximize the ability to mitigate the delay of Crenshaw's substantial completion by completing some non-revenue service required items before and after substantial completion
 - Provide funding for Segment C "Punch-List Contract" to be solicited to handle the remaining miscellaneous items required to be constructed but as schedule mitigation, can be completed after substantial completion
 - Legal and claim support services support to defend against any claims by the design-builder
 - Includes close out of professional services contracts

Board Report File #2022-0337

Subject: Crenshaw/LAX Closeout Project

Amend LOP Budget by \$17M from \$30M to \$47M

ATTACHMENT A

(2022-0337)

Crenshaw/LAX Closeout Project

Funding / Expenditure Plan*

(Dollars in Millions)

Capital Project CP869512	FY21	FY22	FY23	FY24	FY25	TOTAL	% Of Total
Uses of Funds	Actual						
Construction	-	-	7.04	4.76	0.20	12.00	25.5%
Prof Services	0.01	11.75	16.28	4.09	0.37	32.50	69.1%
Project Contingency	-	-	-	-	2.50	2.50	5.3%
Subtotal	0.01	11.75	23.32	8.85	3.07	47.00	100.0%
Total Project Costs:	0.01	11.75	23.32	8.85	3.07	47.00	100%
Sources of Funds							
Local/Federal Sources	0.01	11.95	18.04	15.80	1.20	47.00	100%
TOTAL:	0.01	11.95	18.04	15.80	1.20	47.00	100%

*Sources of funds are subject to change. Assumes Contractor Substantial Completion May 2022 and Metro Revenue Service October 2022.

**FY23-FY25 is projected.



Metro

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Subject: Crenshaw/LAX Closeout Project

Amend LOP Budget by \$17M from \$30M to \$47M

Capital Project CP869512	\$30M Original LOP Jul-20	\$30M Adjusted LOP Current	\$17M LOP Increase Jun-22	\$47M Revised LOP Jun-22	Expended thru 4/30/2022	\$47M Cost To-Go thru 4/30/2022
June 2022 LOP Increase					-	
Construction	15,000,000	10,000,000	3,000,000	13,000,000	-	13,000,000
Prof Services	2,700,000	8,138,896	1,000,000	9,138,896	1,142,950	7,995,946
Legal/Claim Services	7,200,000	11,361,105	12,000,000	23,361,105	6,553,280	16,807,825
Project Contingency	5,100,000	500,000	1,000,000	1,500,000	-	1,500,000
Total :	30,000,000	30,000,000	17,000,000	47,000,000	7,696,230	39,303,770