

**Board Report**

File #: 2025-0864, **File Type:** Informational Report**Agenda Number:**

**CONSTRUCTION COMMITTEE
OCTOBER 15, 2025****SUBJECT: PURPLE (D LINE) EXTENSION PROJECT SECTION 1****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AMEND the Life-of-Project (LOP) budget for the Purple (D Line) Extension Project Section 1 (Project) by \$154,000,000 from \$3,353,879,593 to \$3,507,879,593 using the fund sources as summarized in Attachment A and consistent with the provisions of the Board-adopted Measure R and Measure M Unified Cost Management Policy (Attachment B).

ISSUE

The Project has reached the final year of its anticipated ten-year duration and has entered the systems integration and testing phase. This Board action requests an increase to the Life-of-Project (LOP) budget which encompasses a settlement agreement with the design/build contractor, Skanska Traylor Shea (STS) that resolves all outstanding contract disputes and updates milestone completion dates. The increase also provides funding for other professional service contracts impacted by schedule extensions. Remaining contingency is limited but expected to be sufficient to support the final closeout of the Project.

BACKGROUND

Section 1 of the nine-mile Purple (D Line) Extension Project represents the initial phase of three sections, all part of Metro's Measure R Program. This section, entirely underground, encompasses the construction of approximately 3.92 miles of double-track heavy rail subway and introduces three new stations: Wilshire/La Brea, Wilshire/Fairfax, and Wilshire/La Cienega. Additionally, it includes the procurement of 34 heavy rail vehicles and the construction of a Maintenance-of-Way and Non-Revenue Vehicle Building at the south end of the existing Division 20 Yard (Location 64).

Wilshire/La Brea and Wilshire/Fairfax fall under the jurisdiction of the City of Los Angeles, while the Wilshire/La Cienega Station is within the jurisdiction of the City of Beverly Hills.

On July 24, 2014, the Board approved the initial LOP budget of \$2,773,879,593. Subsequently, on November 4, 2014, Metro awarded a 107-month design/build contract (C1045) to Skanska Traylor Shea (STS), with Notice to Proceed issued on January 12, 2015. On February 26, 2016, the Board

authorized an increase to the LOP budget, in the amount of \$5 million, for an alternative design for the site placement of the Division 20 MOW and NRV Building. On August 27, 2020, the Board authorized a \$200 million increase to the LOP budget to address differing site conditions, additional third-party and safety requirements, and scope changes. On May 27, 2021, the Board approved a further \$150 million increase to cover tunneling risks and schedule impacts associated with the Wilshire/San Vicente anomaly. Most recently, on May 16, 2024, the Board authorized a \$225 million increase, raising the LOP to \$3,353,879,593, to fund settlement of multiple contractor claims along with real estate, professional services, and contingency needs. As noted in the May 2024 report, there remained a claim from STS, which was not included in the requested amount. This current action seeks to further amend the LOP to enable execution of a final settlement agreement, which resolves all remaining disputed items.

DISCUSSION

Metro and the design/build contractor, Skanska Traylor Shea (STS), have reached agreement on a settlement that resolves all outstanding contract disputes and locks in the cost to finish the Project. This settlement follows years of complex construction that encountered differing site conditions, unforeseen third-party requirements, and scope adjustments. The agreement establishes revised milestone completion dates that support the advancement through systems integration and testing with reduced risk of further delay and no risk of litigation. As noted in the May 2024 Life-of-Project (LOP) budget increase, Request for Change (RFC-12) remained unresolved at that time. This LOP increase fully resolves RFC-12 as part of the settlement with STS.

The Project team is leveraging lessons learned from the recently completed Crenshaw/LAX and Regional Connector Projects, with experienced staff assigned to guide testing and startup. The settlement and budget amendment also include agreement with STS on updated milestone dates for contract completion, which include the remaining street-level activities.

Planned Project Completion

The Project has begun systems integration testing (SIT), building on lessons from Crenshaw/LAX and the Regional Connector. Metro has staff with prior startup and testing experience assigned to guide the work, and the contractor's team brings direct experience from the Regional Connector.

Initial systems verification (SIT1) testing is nearing completion and full systems integration (SIT2) testing has started and is ongoing. Although much testing remains to be completed, staff anticipate that the project will open for revenue service before the end of Winter 2026. Under the settlement, Substantial Completion is scheduled for January 1, 2026, with City of Beverly Hills street restoration to follow by November 1, 2026.

Economic Benefits of the Project

The economic benefits of the Project have been calculated using the REMI TranSight modeling tool using year of expenditure dollars (YOE\$). The model extends the economic impacts previously calculated by LAEDC beyond the construction phase and into the operations and maintenance phases and accounts for economic activity in addition to construction. This allows benefits such as

travel time savings, emissions reductions, leisure time savings, and safety impacts, in addition to the economic stimulus from the public investment to be incorporated, as well as the impact from permanent operating jobs created after the Project is placed in service. REMI is the leading software solution for evaluating the total economic effects of transportation policy and is used by various other large transportation agencies in the nation as well as the Southern California Association of Governments (SCAG). The total Project investment (including capital, interest, and operations and maintenance expenditures) is estimated to generate about \$5.2 billion in direct, indirect, and induced economic output for the Los Angeles regional economy through FY 2047. These figures consider this segment of the Project in isolation. The potential economic benefits that the Project creates for other components of the transportation network by increasing passenger trips and connectivity are not separately estimated. The Project is also expected to generate 30,600 construction jobs and 34,000 non-construction jobs (Each job is equivalent to a full-time position for a one-year period).

Metro's Project Labor Agreement (PLA) and Construction Careers Policy (CCP) are applicable to the Project's design/build contract (C1045). The Contractor is committed to complying with the PLA/CCP workforce requirements. To date, the Contractor is achieving the 40% Targeted Worker Goal (from economically disadvantaged areas) at 63.93%, the 20% Apprentice Worker Goal at 19.69%, and the 10% Disadvantaged Worker Goal at 11.66%. Female participation is at 4.15%, equivalent to a grade of C, and is anticipated to continually increase as construction progresses.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The adopted FY26 Budget provides the necessary funds under Project 865518 Purple (D Line) Extension Project Section 1 and 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 source of funds for the recommended action is local Measure R 35% Transit Capital and Proposition C 25%. Since the increase exceeds the remaining amount of Measure R available to the Project, additional funding from other sources must be added to free up the full amount. Surface-level street construction costs not subject to the 1998 ordinance restrictions were identified to be paid by Proposition C 25% and free up Measure R. These fund sources are not Subregional Equity Program funds and are not eligible for Metro Operations.

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 \$154,000,000 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. A projected breakdown of the cost allocation for the additional funding is included as Attachment C.

To comply with the Policy of the Metro Board of Directors, Metro staff has evaluated potential offsetting cost reductions, including scope reductions, value engineering, a shorter segment, and has determined these are not feasible. The source of funds to address the LOP budget increase is Measure R 35 Transit Capital and Proposition C 25%. The Measure R ordinance includes \$4,074,000,000 that can be expended on the Project, and the Board has approved transfers of Measure R to the Westside Subway Extension totaling \$415,391,156. Before the proposed LOP budget increase to the Project, the Board approved \$4,456,568,328 of Measure R for the Westside Subway Extension Sections 1, 2, and 3, and for Division 20, leaving a balance of \$32,822,827 that can be programmed on the Project. The remaining funding is from Proposition C 25%, which will reimburse prior, or pay future eligible street-related expenditures of the Project and of Westside Purple Line Extension Section 3. The Proposition C 25% programmed on Westside Purple Line Extension Section 3 will free up Measure R 35%, which will be programmed on the Project.

This report identifies additional funding resources consistent with the Policy approved by the Board in 2018. 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 ensure that financial impacts are limited to the local area where the project is located and do not have a region-wide impact.

The Policy defines a cascading list of actions that can be taken. Since the Project is so far along, actions such as value engineering or changes in scope are no longer feasible. Additional funding is the only option.

EQUITY PLATFORM

The Project is located in the Cities of Los Angeles and Beverly Hills. The LOP budget increase supports project completion to directly and positively impact the surrounding communities and the broader region by improving transit connectivity. The Project will provide opportunities such as improved mobility and access to employment, education, health, and other key destinations on the Westside and in other parts of the region.

While the Contractor made a 20.25% Disadvantaged Business Enterprise (DBE) commitment on the Design phase and a 17.00% DBE commitment on the Construction phase, the U.S. Department of Transportation has issued an Interim Final Rule (IFR) that makes changes to the DBE Program, including suspension of goals and enforcement, effective October 3, 2025. Metro is currently reviewing the IFR to identify necessary program and procedural changes to ensure full compliance. As such, while the DBE commitment is not a factor in the staff recommendation, there are 93 Metro certified small businesses participating in this contract. This is noteworthy since small businesses are vital for the economy as they drive job creation, foster innovation, and strengthen local communities.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the

SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT through investment activities that will benefit and further encourage transit ridership once the Project is completed. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This 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 not to move forward with amending the LOP budget. This is not recommended as Metro would not be able to execute the settlement and complete the Project according to the current schedule.

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 - Measure R and Measure M Unified Cost Management Policy Analysis

Attachment C - Projected Breakdown of Cost Allocation for \$154 Million

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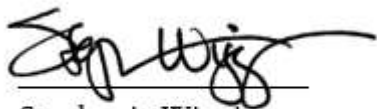
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A handwritten signature in black ink, appearing to read 'Step Wiggins', written over a horizontal line.

Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A
PURPLE (D LINE) EXTENSION PROJECT SECTION 1
Funding/Expenditure Plan
(Dollars in Millions)

Capital Project 865518	Current LOP Budget (May 2024)	Proposed LOP Budget Revision	Prior Expenditures	FY26	FY27	FY28	LOP Budget Forecast	% of Total
Uses of Funds								
Construction	2,359.8	2,504.3	2,276.0	121.7	106.6	-	2,504.3	71.4%
Right-of-Way	210.9	210.9	202.4	6.5	2.0	-	210.9	6.0%
Vehicles	108.3	108.3	47.2	25.0	25.0	11.1	108.3	3.1%
Professional Services	622.4	642.9	598.1	38.0	6.8	-	642.9	18.3%
Project Contingency	13.1	2.1	-	-	2.1	-	2.1	0.1%
Subtotal Project	3,314.5	3,468.5	3,123.7	191.2	142.5	11.1	3,468.5	98.9%
Environmental/Planning	39.4	39.4	39.4	-	-	-	39.4	1.1%
Total Project Cost	3,353.9	3,507.9	3,163.1	191.2	142.5	11.1	3,507.9	100.0%
Sources of Funds								
Section 5309 New Starts	1,250.0	1,250.0	1,081.5	132.2	25.2	11.1	1,250.0	35.6%
Section 5309 New Starts - American Rescue Plan Act of 2021	66.4	66.4	66.4	-	-	-	66.4	1.9%
Congestion Mitigation & Air Quality Program (CMAQ)	12.2	12.2	12.2	-	-	-	12.2	0.3%
Section 5339 Alternatives Analysis	0.5	0.5	0.5	-	-	-	0.5	0.0%
Measure R 35% (TIFIA Loan Proceeds)	749.3	749.3	749.3	-	-	-	749.3	21.4%
Measure R - Transit Capital (35%)	1,109.8	879.8	754.0	60.8	65.0	-	879.8	25.1%
Measure R 35% from Crenshaw*	83.6	415.4	415.4	-	-	-	415.4	11.8%
Proposition C - Transit-Related Streets and Highways (25%)	0.0	52.3	-	-	52.3	-	52.3	1.5%
Local Agency Transit Project Contributions	75.3	75.3	75.3	-	-	-	75.3	2.1%
Repayment of Capital Project Loans (Fund 3562)	0.0	(1.8)	-	(1.8)	-	-	(1.8)	-0.1%
Transportation Development Act (TDA) - Admin	4.1	5.9	5.9	-	-	-	5.9	0.2%
Regional Improvement Program Funds (RIP)	2.6	2.6	2.6	-	-	-	2.6	0.1%
Total Project Funding	3,353.9	3,507.9	3,163.1	191.2	142.5	11.1	3,507.9	100.0%

ATTACHMENT B

Westside Purple Line Extension Section 1 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 July 2018. The precursor Measure R cost management policy was adopted in March 2011. The purpose 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 Westside Purple Line Extension Section 1 Project (the Project) is subject to this policy analysis.

The life of project (LOP) budget for the Project was last approved by the Board on May 16, 2024, at \$3,353,879,593. The Project is now subject to the Policy analysis due to a proposed \$154,000,000 increase to the LOP budget. Funding for the cost increase is needed through FY 2027. The Project anticipates the revenue service date to extend through the winter of 2025. This analysis recommends trade-offs required by the Policy to identify the funds necessary to meet the cost increase.

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 before taking any action to permit the project to move to the next milestone. 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 subregion; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

Scope Reductions

The Project is nearly completed with “Substantial Completion” scheduled for January 1, 2026. There is no opportunity to materially reduce the Project scope to address the cost increase.

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 and is allocated a portion of the total \$4,074,000,000 of funding that is identified for the “Westside Subway Extension” in the Measure R sales tax ordinance Expenditure Plan. The Board has also approved transfers of Measure R to Westside Subway Extension totaling \$415,391,156 from the Crenshaw/LAX project. Prior to the proposed LOP increase to the Project, the Board has approved \$4,456,568,328 of Measure R Westside Subway Extension programming for Sections 1, 2, and 3, and for Division 20. Board policy (the May 2011 Fiscal Responsibility Policy for Measure R Transit and Highway Capital Project Contingencies) requires that under certain conditions interest on debt issued to finance a Measure R project is charged back to the project. Metro staff and County Counsel have determined that the conditions have not been met, and the debt interest can be funded from the Measure R contingency fund and not from the Project.

The Project is located in the Central City and Westside subregions and has station locations in the cities of Beverly Hills and Los Angeles. Local funding resources from both subregions and the cities could be considered for the cost increase.

Subregional Programs

Measure M has funding for a transit-eligible Subregional Equity Program (SEP) in the Central City Area and Westside Cities subregions. The subregions could allocate a portion of the funding for the Project, which requires notice to and approval by the subregions. Metro staff has previously recommended that the Measure M Subregional Equity Program (SEP) is used to address cost increases in the respective subregion. Staff recommended the South Bay and Central City Area subregions allocate a portion of the SEP to address a \$90,000,000 cost increase on the Crenshaw/LAX Transit Project, and the San Gabriel Valley subregion allocates \$126,000,000 for Gold Line Foothill 2B. Metro staff has also recommended that the Central City Area and Westside Cities subregions use the SEP to reimburse \$84,571,156 for a Westside Extension Section 1 cost increase, and Central City Area utilize SEP funding to address an \$11,900,000 shortfall on the Eastside Light Rail Access project (Board item #2020-0931). However, motion #2021-0435 from June 2021 states that, henceforth the Policy is amended to eliminate the Subregional Equity Program from consideration to address project funding shortfalls during construction. Because of this motion, the SEP is not considered for the Project cost increase.

Local Agency Contributions

The Cities of Los Angeles and Beverly Hills have Project stations and are expected to contribute funding to the Project as part of the 3% local agency funding assumption included in the Measure R ordinance and is a requirement of the Measure M ordinance. However, the cities are generally not responsible for cost increases to the Project, and the 3% contributions are not considered a source of funding for the Project cost increase.

Measure M, Measure R, and Propositions A and C provide “local return” funding to Los Angeles and Beverly Hills. Los Angeles will receive an estimated \$3.6 billion of local

return over the ten years from FY 2026 to FY 2035 while Beverly Hills is expecting \$30 million 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 increases to Gold Line Foothill 2B, Crenshaw/LAX Transit, Westside Subway Section 1, and Eastside Access did not support the use of local return. It is presumed these funds would similarly not be available for the cost increase to the Project.

State and Federal Funding (Discretionary)

The FTA has previously granted the Purple Line Subway Extension Section 1, Section 2, and Section 3 projects \$1.25 billion, \$1.187 billion, and \$1.3 billion, respectively, through the New Starts program. The March 2021 federal American Rescue Plan Act increased the New Starts grant on all three sections by \$218,284,002. In addition, through federal budgetary action, FTA provided an additional \$59,583,554 for Section 1 and has accelerated much of all three sections' New Starts funding compared to the scheduled payments in the Full Funding Grant Agreement.

Metro used the additional New Starts to address \$66,428,844 of a \$150,000,000 cost increase for Section 1 in May 2021, a \$75,000,000 cost increase for Division 20 in February 2022, an \$80,000,000 cost increase for Division 20 in April 2023, and a \$134,000,000 cost increase for Section 2 in July 2023, but no further capacity remains.

Additional State or federal discretionary funding (where Metro would compete for the funding) is not possible, given the Project is expected to achieve Substantial Completion in January 2026.

Value Engineering

The Project is nearly completed with Substantial Completion scheduled for January 1, 2026. There is no opportunity for value engineering to address the cost increase.

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

The city and subregion have existing funding programs that have funding amounts yet to be programmed to the subregion or spent. The SEP is discussed above in the section "Subregional Programs."

The city of Los Angeles also receives funding through the Call-For-Projects, the competitive grant program funded and managed by Metro for the benefit of LA County cities, transit operators, and State highway projects 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 no meaningful amount of de-obligated funds available unless the city chooses to terminate an existing project and all other projects are moving through their respective development process.

The subregions receive Measure M funding for other transit capital projects - Sepulveda Pass Transit Corridor, Crenshaw Northern Extension, West Santa Ana Branch, Vermont BRT, and Lincoln Blvd BRT. These projects have not been completed and are actively being developed by Metro in coordination with local agencies. It is too early to determine if they could be delivered with excess or surplus funding that could provide funding for the Project cost increase.

Countywide Cost Reductions and/or Other Funds

Regional or countywide funding could be considered if new local agency resources are not allocated to the Project cost increase. These funds are programmed for other uses in Metro's 2025 Short Range Transportation Plan financial forecast during the timeframe when funds are needed for the Project cost increase. Eligible sources of countywide funding, including operations-eligible funds, are limited due to the restriction on using Proposition A and C for the Project and include General Fund and Lease Revenues. To address the restriction on Proposition A and C for the new subway, Metro has previously implemented multi-project funding swaps where Proposition A and or C was programmed on a project and an equal amount of Measure R was then programmed on the subway project with the cost increase. Countywide funds would be considered if new local agency resources are not utilized for the cost increase.

State and Federal Funding (Formula)

Metro receives quasi-formula funding through the Congestion Mitigation & Air Quality Program (CMAQ), Regional Improvement Program (RIP), Local Partnership Program (LPP), and Surface Transportation Block Grant Program (STBGP) (Formerly RSTP). The approved funding plan, before the current LOP increase, includes \$12.2 million of CMAQ, but no STBGP, RIP, and LPP are allocated. There is currently no capacity in the RIP or LPP. The RIP has been allocated to projects to be submitted in Metro's 2026 RTIP and the RIP funds are not available until 2030. The current cycle of the LPP was allocated for other purposes during 2025. CMAQ and STBGP program guidelines after the 2021 corrective action now require any new project or new project phase funded with CMAQ and/or STBGP funds to be subject to a formal nomination and competitive project selection process. Metro has already submitted other projects for the 2025 nomination process.

Recommendation

Metro staff recommends using \$121,177,173 of Proposition C 25% Transit-Related Streets and Highways and \$32,822,827 of Measure R 35% Transit Capital for the proposed \$154,000,000 LOP budget increase. The Proposition C 25% will reimburse prior, or pay future eligible street-related expenditures of the Project and of Westside Purple Line Extension Section 3. The Proposition C 25% programmed on Westside Purple Line Extension Section 3 will free up Measure R 35%, which will be programmed on the Project, dollar-for-dollar. The following table illustrates the funding by project.

Strategy to Address Westside Purple Line Extension Section 1 LOP Increase

(\$ in millions)	Measure R 35%	Proposition C 25%	Total
Westside Purple Line Extension Section 1	\$101.7	\$52.3	\$154.0
Westside Purple Line Extension Section 3	\$(68.9)	\$68.9	-
Total	\$32.8	\$121.2	\$154.0

ATTACHMENT C

PURPLE (D LINE) EXTENSION PROJECT SECTION 1 Projected Breakdown of Cost Allocation for \$154 million

Amount	Description
\$144,500,000	Construction Tunnels, Stations, Trackwork, Systems and Systems Integration Testing (D/B Contract C1045)
\$9,500,000	Professional Services <ul style="list-style-type: none">o EMSS - WSP: Engineering management support services providing design review support and assessment of engineering issues during construction.o DSDC - SECOTrans: Systems Engineering management support services providing design review support and assessment of engineering issues during construction.o CMSS - WEST: 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.o Third Party Coordination - City of Beverly Hills: Provides engineering, construction support and legal services for City Staff and Consultants associated with the D/B Contract C1045.
\$154,000,000	Total Increase