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Metropolitan Transportation Authority

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**CONSTRUCTION COMMITTEE
JUNE 21, 2012**

SUBJECT: EXPOSITION AND FOOTHILL EXTENSION PROJECT OVERSIGHT

ACTION: RECEIVE AND FILE REPORT

RECOMMENDATIONS

Receive and file this staff report regarding Metro monitoring and oversight of Exposition Phase 2 and Foothill Extension projects.

ISSUE

Board staff requested a report on how Independent Authorities were being managed by Metro and what oversight arrangements were being employed for cost and schedule, design, construction, testing, and startup of each project.

BACKGROUND

In February 2010, a term sheet was approved for the Foothill Authority which authorized the execution of a Funding and Master Cooperative Agreement. The term sheet outlined the concept and structure for project funding and a shared management oversight between Metro and the Authority. In March 2010, the Funding and Master Cooperative Agreement was executed. The Funding Agreement provides the guidelines and mechanism by which Metro will fund the project while the Master Cooperation Agreement provides the guidelines and mechanism by which Metro oversees the design, construction, testing, and start-up of the project. Subsequent Board approved amendments were executed to the Funding Agreement in June 2011 and November 2011 with one planned in June 2012.

In February 2011, the Funding and Master Cooperative Agreement term sheet was approved for the Exposition Phase 2 light rail and bike path projects and authorized the execution of a Funding and Master Cooperative Agreement. The Funding Agreement provides the guidelines and mechanism by which Metro would fund the Project. The

Master Cooperative Agreement provides the guidelines and mechanism by which Metro would oversee the design, construction, testing, and start-up of the Project. The Exposition Funding Agreement and Master Cooperative Agreement are planned for execution in June 2012.

DISCUSSION

- The general content of the Funding and Master Cooperative Agreements have been summarized into key areas for communication of the general oversight and project coordination for project delivery as follows:
 - Staff Augmentation: Metro staff participates in oversight of the Exposition and Foothill projects to ensure that the projects are compatible, functionally connected and operative with the Metro existing rail system. Metro's participation as outlined by the Funding and Master Cooperative Agreement includes management meetings, authority reporting, project controls oversight, financial report review, coordination meetings, participation in inspection and testing, design review and comment, review and approval of significant changes, participation in third party approvals, substantial completion punch list walk through, safety and security certification and final acceptance.
 - Design Compliance: The Metro Design Criteria and Standards are one of the tools used by Metro to ensure the Projects will be compatible, functionally connected and operative with Metro's existing Metro rail system as set forth in Public Utilities Code Section 132625(b). To insure that the Projects meet the expectations of the Construction Authorities and Metro, the Construction Authorities and their consultants and contractors will comply with Metro Design Criteria and Standards in effect prior to the date that proposals for the Design/Build Contract were due, except as waived in writing by Metro. Metro shall have the sole and exclusive right to grant waivers to Metro Design Criteria and Standards and no decision by Metro to waive or not waive Metro Design Criteria and Standards shall constitute betterment or change order that will result in a cost to Metro. Metro's Design Criteria and Standards in effect prior to the date that proposals for the Design/Build Contract are due will be contained in the mandatory requirements of the performance specifications of the Design/Build Procurement Documents.
 - Staff Authority: Metro has assigned a member of its senior staff on a part time basis as Metro's representative as the focal point of coordination and communication with Construction Authority's representative. Metro also has designated engineering and project management discipline experts to participate in the working groups and technical subcommittees to address the issues and subjects which arise as part of the design review process. As both the Exposition and Foothill projects are now in the final design and construction phases, the part time support provided by Metro staff needs to be replaced with a dedicated full time position to attend engineering and construction meetings, make site

visits, coordinate needed approvals by MTA's various technical disciplines including operations, and advise MTA's management on project issues for resolution relevant to timely completion and transfer of the projects for operations. .

- Project Controls: Metro provides project control oversight of Authority expenditures to ensure costs are expended in accordance with the Funding Agreements. The following project control functions will be performed:
 - Project Budget change review shall be performed monthly. No change may be made that will increase project funds or Metro project costs without Metro written approval.
 - The cost and cash flow budget will be reviewed annually. Annual review shall determine the funds anticipated needed for both Metro and the Authority costs for each fiscal year.
 - Metro shall review the Authority project schedule and cost report to ensure management visibility into the cost, schedule, and change status of the Project. Metro shall review program level information as incorporated into the Metro Program Management Information System (PMIS).
 - Monthly management meetings will be conducted to review project cost and schedule performance. Agenda items for discussion include management issues, cost control status and forecast, cost trends, contingency analysis, project risks, and construction contract progress for cost, schedule, delays, and mitigation measures.
 - Metro shall review monthly invoice summaries provided by the Authority to ensure terms are adhered to as per the Funding Agreement.
 - Metro shall review monthly and quarterly reports submitted that cover project progress, use of funds during the previous month, milestone progress versus cost, expenditures to date, funds committed and forecast at completion, updated project schedule and any major problems including cost impacts of \$10 million or more, schedule impacts of 90 days or more, quality issues which materially deviate from the Metro Design Criteria or approved Metro submittal, or safety issues which deviate from the Metro Design Criteria.
 - Metro shall monitor its own internal project costs and ensure that costs do not exceed costs as specified by the Funding Agreement. Metro shall report costs each month to the Authority as specified in the Funding Agreement through the Monthly Progress/Expenditure report.
- Inspection and Testing Rights: Metro has inspection rights at any time with proper coordination with Authority field staff. Metro may participate in inspection

for any program element and findings communicated with Authority field staff. Metro may participate in pre-construction activities and review of construction work plans. Metro is notified by the Authority of all systems factory testing, local field tests, and integration testing. Metro is afforded the opportunity to monitor and test components and systems related to train operations and maintenance of trains and property.

- Project Turnover: Metro participates in the project turnover process where the Authority and its contractors turnover the project to Metro's control for operation. The turnback process begins upon issuance of the Certificate of Substantial Completion and CPUC certification and approval. The Construction Authority must verify that there are no liens or encumbrances filed on account of any labor performed or materials furnished in connection with any work performed for the Project on the Metro real or personal property to be turned back to Metro. The Construction Authority will issue to Metro its Certification of Turnback. Upon issuance of the Certification of Turnback, Metro will initiate its review of the status of the System Performance Demonstration and Certificates of Occupancy. The Authority is responsible for working out any Turnback provisions with any cities within the project alignment.

DETERMINATION OF SAFETY IMPACT

This report has no impact on safety.

FINANCIAL IMPACT

Costs for Metro oversight of the Exposition and Foothill Extension projects shall come from the funds held back by Metro for this purpose under Measure R project numbers 860301 and 860200, cost center 8510, and account 50316.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the level of oversight proposed. This is not recommended as it will compromise our ability to provide adequate oversight of the Exposition and Foothill Extension projects.

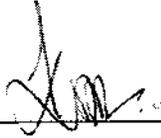
NEXT STEPS

Metro staff will continue with the oversight activities as described previously for the Exposition 2 and Foothill Extension projects. In addition to the monthly oral reports to the Construction Committee on these projects, staff will periodically present written reports to the Board on the status of our oversight activities.

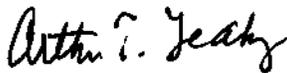
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