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**CONSTRUCTION COMMITTEE
JANUARY 17, 2013**

SUBJECT: WESTSIDE SUBWAY EXTENSION PROJECT

ACTION: AUTHORIZE BID STIPEND AGREEMENTS

RECOMMENDATION

Authorize the Chief Executive Officer (CEO) to enter into a bid stipend agreement with each of the pre-qualified proposers for the Westside Subway Extension Project in an amount of \$1,500,000 per stipend agreement for unsuccessful responsive proposers. Upon contract award to the successful responsive and responsible proposer, the common construction industry practice is to pay a stipend to each unsuccessful responsive proposer because of the high cost of producing a competitive and comprehensive proposal.

ISSUE

Board approval is necessary to authorize the CEO to enter into bid stipend agreements for Contract C1045 Westside Subway Extension Project to compensate each of the unsuccessful responsive proposers and to purchase their work products, which may include, but not limited to, alternative technical concepts, which in turn will entitle Metro to use all of the work products in implementing the Project.

DISCUSSION

In September 2012, the Board authorized the use of a design-build contracting approach for the Westside Subway Extension Project. The Request for Qualifications (RFQ) was issued in November 2012 and the Request for Proposals (RFP) will be issued in March 2013. As part of the contract terms and conditions, a stipend is recommended to be included.

In February 2012 and in December 2012, the Board approved an amount of \$1,000,000 per stipend agreement for unsuccessful responsive proposers for the Crenshaw/LAX Transit Corridor Project and the Regional Connector Transit Corridor Project,

respectively. The estimated cost of the Westside Subway Extension Project design/build contract is estimated to be 50% more than the range of the major design/build contracts for the Crenshaw/LAX Transit Corridor and the Regional Connector Transit Corridor Projects, for which the stipend agreement was approved.

It is estimated that the preparation of a proposal for the size of this contract may cost upwards of five to seven million dollars per proposer. Stipends will not only encourage more proposers, but the resulting work products, which may include, but not limited to alternative technical concepts, will become the property of Metro. These work products often result in cost saving features that may be subsequently incorporated into the construction contracts, resulting in a lower overall project cost.

Should Metro decide not to award the design/build contract after proposals have been submitted, the top responsive, qualifying proposer shall also be awarded a stipend in the amount of \$1,500,000.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Funds are included in FY14 budget for this action under Measure R Project 865518 (Westside Subway Extension Project), in Cost Center 8510 (Construction Project Management), and Account No. 53101 (Acquisition – Building and Structure). Since this is a multi-year project, the Executive Director of Transit Project Delivery and the Project Manager will be responsible for budgeting costs in future years.

Impact to Budget

The source of funds for this action is Federal 5309 New Starts and Federal 5309 New Starts Capital Grant Receipt Revenue Bonds Proceeds. The FY14 funds are designated for the Westside Subway Extension Project and do not have an impact to operations funding sources. These funds were assumed in the LRTP for the Westside Subway Extension Project. This Project is not eligible for Propositions A and C funding due to the proposed tunneling element of the project. Although Measure R funds became available in FY13, no Measure R funds are available within FY14 and FY15. Measure R funds for the Project resume in FY16 and continue through FY34. No other funds were considered.

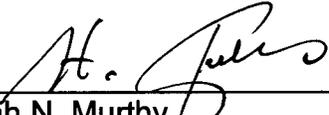
ALTERNATIVES CONSIDERED

The Board may reject the recommendation to compensate each of the qualified unsuccessful responsive proposers to defray some of the costs of preparing a proposal, but this may limit the competition and would not allow MTA to take advantage of their work products and innovation, which may reduce overall project cost.

NEXT STEPS

Upon Board approval, stipends will be included as part of the solicitation documents for RFP C1045, Westside Subway Extension Project. Stipend agreements will be completed with all responsive, responsible proposers.

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