

**Metro**Los Angeles County
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metro.net**CONSTRUCTION COMMITTEE
SEPTEMBER 19, 2013****SUBJECT: EXPOSITION PHASE I PROJECT BUDGET****ACTION: AUTHORIZATION FOR LIFE OF PROJECT BUDGET INCREASE****RECOMMENDATION**

Approve an increase to the Exposition Phase 1 Life of Project (LOP) budget by \$39 million, increasing the project budget from \$932 Million to \$971 Million. This recommendation is based on the updated forecast for the Long Range Transportation Plan (LRTP) approved by the MTA Board in June 2013.

ISSUE

The Exposition Line commenced revenue service in April 2012. Project cost finalization continues throughout the close-out phase. A detailed cost to complete and risk analysis was performed to identify costs experienced and/or anticipated to impact the final Exposition Phase 1 project cost. As indicated in the June 2013 LRTP updated forecast Board report, these additional costs are estimated at \$39 Million and apportioned to both the Exposition Authority and MTA. The Exposition Authority is responsible for \$32 million, and the MTA is responsible for \$7 million.

DISCUSSION

Metro Board increased the Exposition Phase I LOP to \$930M in February 2011. City of Los Angeles funding for Betterments increased the budget to \$932M which was brought forward in the Long Range Transportation Plan and approved by the Board in June 2013. Construction Authority risk analysis indicates costs to complete the project and resolve contractor claims will exceed the budget of \$932M. Staff closeout, remaining mitigations, and third party costs have been quantified based on current project status, and a Dispute Review Board has been convened to resolve remaining contractor claims.

The risk analysis performed indicates the final project cost exposure ranges from \$31 to \$47 million. The cost risk items include:

- Increased project scope, including addition of Bus Bridges and Blue Line Rehab work
- Close-out of 3rd Party costs
- Close out costs associated with change order negotiation
- Contractor dispute resolution
- Cost to resolve remaining open items
- Added professional fees, legal fees and staff costs to close-out project

Based on cost estimates applied to these items, the current recommended LOP budget increase is \$39 million as approved in the June 2013 LRTP update. Exact final cost is dependent upon final contract cost negotiation and resolution of outstanding disputes.

FINANCIAL IMPACT

Funds approved as part of the recommended actions will be added to the FY 14 and future FY periods as required. Cost Center Number 8901 will be funded for \$32M under Expo's responsibility and Cost Center 8510 will be funded for \$7M under Metro's responsibility. A total of \$39M will be added under Project 890001, Exposition Light Rail Transit Corridor, Phase I.

Consistent with the June 2013 Board approval of the LRTP financial forecast update the increase will be funded from a \$39 million transfer of Proposition C 25% funds from Exposition Phase II to Exposition Phase I. Exposition Phase II will be backfilled by a transfer of \$39 million in Measure R 35% funds to the project.

Since this is a multi-year capital project, the Expo Construction Authority Phase I CEO and the Metro Executive Director Transit Project Delivery will be responsible for budgeting these funds within their respective cost centers in the current and future years.

DETERMINATION OF SAFETY IMPACT

There is no safety impact as a result of the recommended action.

ALTERNATIVES CONSIDERED

An alternative is to take no action until final project closeout and resolution of all contractor claims before revisiting the Exposition Phase 1 LOP budget. As the claims process is currently scheduled through June of 2015 and may require additional time beyond that to resolve, funds will be required in the interim to address project cost increases. Therefore, staff is recommending that an increase to the budget be approved at this time.

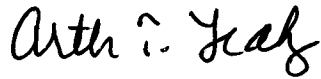
NEXT STEPS

Upon Board approval, staff will continue the Exposition Phase 1 project contract close-out process.

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