



**FINANCE AND BUDGET COMMITTEE
SEPTEMBER 20, 2006**

SUBJECT: EXPO LIGHT RAIL PROJECT

ACTION: APPROVE AMENDMENT TO FINAL FUNDING AGREEMENT

RECOMMENDATION

Approve an amendment to the memorandum of understanding (MOU) between Metro and the Exposition Metro Line Construction Authority (Expo), aka "final funding agreement," to reflect the procedures and guidelines for reimbursing Expo for the costs of Expo staff working on Metro projects as set forth in Attachment A.

ISSUE

In July 2006 the Board approved a final funding agreement that provides the procedures and guidelines covering the reimbursement of Metro for services provided by Metro staff working on Expo's projects. This amendment provides similar guidance when Expo staff is tasked to work on Metro projects.

POLICY IMPLICATIONS

The MOU contains the agreements between Metro and Expo as required by State law. The MOU covers funding, staffing, property and Metro's role in design review, construction and testing to ensure that the project will be compatible with Metro's existing rail system. The amendment recognizes that Expo staff may provide specialized expertise to Metro projects and provides for appropriate reimbursement procedures. Approving the amendment to the MOU will not have any impacts on other Metro policies or programs

ALTERNATIVES CONSIDERED

The Board could choose not to approve the amendment to the MOU. However, documenting this business relationship provides guidance when Expo staff is tasked to work on Metro projects, therefore, this alternative is not recommended.

FINANCIAL IMPACT

The Metro FY07 budget includes approximately \$200 million for major construction projects, primarily the Metro Gold Line Eastside Extension, other than the Expo LRT project. It is anticipated that the Expo Chief Executive Officer and other Expo staff will continue to provide services in furtherance of the Eastside and other Metro projects for some time. The various life-of-project budgets anticipated the costs of the Metro Chief Capital Project Management Officer, therefore, there is no financial impact of this amendment.

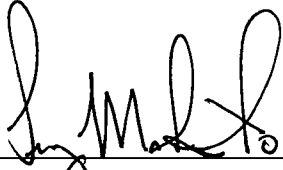
The costs of Expo's administration are recovered through the overhead rate charged in accordance with its approved cost allocation plan. This overhead charge, which will be substantially similar to Metro's, is included in the FY07 budget approved by the Board and is based on the hourly rate charged for Expo staff working on the various construction projects at the direction of Metro.

BACKGROUND

Pursuant to Public Utilities Code section 132610, Expo has all of the powers necessary for planning, acquiring, leasing developing, joint developing, owning, controlling, using, jointly using, disposing of, designing, procuring, and building the Exposition Light Rail Project. In July 2006 the Board approved a memorandum of understanding covering the operations of Expo through completion of the project to Santa Monica.

ATTACHMENTS

- A. MOU as adopted July 2006 and marked to show revisions.



Terry Matsumoto
Executive Officer, Finance & Treasurer



Roger Snoble
Chief Executive Officer

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
AND THE
EXPOSITION METRO LINE CONSTRUCTION AUTHORITY**

This Memorandum of Understanding (MOU) dated as of this 5th day of May, 2006, is by and between the Los Angeles County Metropolitan Transportation Authority ("Metro") and the Exposition Metro Line Construction Authority ("Expo"), and constitutes the agreements between the parties hereto required under Public Utilities Code ("P.U.C.") Sections 132625 and 132635.

RECITALS

WHEREAS, Metro is a public entity existing pursuant to P.U.C. section 130050.2, et seq. for, among other purposes, the planning, design, construction and operation of a multi-modal transit system including rail and bus facilities in Los Angeles County, and

WHEREAS, Expo is a public entity existing pursuant to P.U.C. Sections 132600, et seq., for the exclusive purpose of awarding and overseeing all design and construction contracts for completion of the Exposition Metro Line Light Rail Project ("Project") and has all of the powers necessary for planning, acquiring, leasing, developing, jointly developing, owning, controlling, using, jointly using, disposing of, designing, procuring, and building the project as defined under PUC Sections 132600(e) and 132610, and

WHEREAS, the Project has been divided into two phases with Phase I extending from downtown Los Angeles to Culver City, and Phase II continuing to Santa Monica, and

WHEREAS, Metro shall assume responsibility for operation of the Project, and as such has an interest in ensuring that the Project will be compatible, functionally connected and operative within Metro's existing metro rail system. Accordingly, the Project is being designed and constructed so as to comply with Metro's design criteria, all applicable laws and regulations, and operate safely within the existing metro rail system, and

WHEREAS, the primary funding for the Project will be provided to Expo through Metro, and Metro has already adopted a funding plan of \$640 million for Phase I of the Project, and

WHEREAS, from time to time, as the Project progresses, Expo may utilize the services of personnel employed by Metro if authorized by Metro, and

WHEREAS, Metro currently owns or has an interest in certain real property necessary for the completion of the Project and shall grant Expo access to said real property during the design and construction of the Project.

AGREEMENT

NOW, THEREFORE, Metro and Expo hereby agree as follows:

SECTION 1 METRO'S DIRECT ROLE IN THE REVIEW OF THE PROJECT

a. As set forth in P.U.C. Section 132625(b), Metro and Expo agree that Metro has a direct role in the review of the Project to ensure that the Project will be compatible, functionally connected and operative within the Metro's existing metro rail system.

b. To facilitate this role, Expo shall timely afford Metro the opportunity throughout the Project to review and comment on design, construction and testing of the Project so as to ensure Metro that the Project complies with Metro's design criteria, all applicable laws and regulations, and that the Project will be able to be safely operated by Metro within the existing metro rail system.

If Metro has reason to believe that any aspect of the design, construction or testing of the Project as planned by Expo or its contractor will fail to provide, or will prevent, necessary compatibility, functional connectivity or operations of the Project within Metro's existing metro rail system, Metro shall communicate that concern to Expo's Director of Engineering and Construction.

c. If Metro's concern is not timely resolved at that level, the matter shall be referred in writing to Metro's Chief Executive Officer, or his designee, and Expo's Chief Executive officer, or his designee, for final resolution. Except for work that must be performed immediately to avoid an imminent threat to public health or safety, any work that is the subject matter of Metro's concern regarding necessary compatibility, functional connectivity or operations of the Project within Metro's existing metro rail system, shall not continue until a final resolution is reached between Metro's Chief Executive Officer, or his designee, and Expo's Chief Executive Officer, or his designee. Metro and Expo acknowledge that delay in resolution of such matters may impact the Project schedule, and therefore each party agrees that time is of the essence for purposes of reaching such final resolution.

SECTION 2 SIGNIFICANT CHANGES

a. Pursuant to P.U.C. Section 132635, Metro shall have the right to review any significant changes in the scope of the design or construction, or both the design and construction, of the Project.

b. The term "significant changes" means any change of a mode or technology, or any other substantive change that affects the connectivity and

operation of the Project as part of the overall transit system operated by Metro, or any combination of those things.

c. A significant change shall not be allowed without the prior written concurrence of Metro. Such written concurrence shall acknowledge that the change is a "significant change" and shall be signed by Metro's Chief Executive Officer, or his designee.

d. Design and construction of a light rail project that is consistent with the current scope of the Project (as defined in the Project Final EIS/EIR and/or in Metro funding agreements with its grantors) shall not be deemed to be a significant change in the scope of the Project and shall not require concurrence by the Metro.

e. Any dispute between the parties concerning whether a change is a "significant change" will be resolved by the Metro Chief Executive Officer, or his designee, and the Expo Chief Executive Officer, or his designee. .

SECTION 3. FUNDING AGREEMENT

a. Metro has approved a full funding plan for Phase 1 of the Project in the sum of \$640 million and has programmed planning and development funds for Phase 2 of the Project. Metro commits to allocate funds to the Authority per the terms in the approved funding plan, the approved budget or as otherwise mutually agreed upon.

b. Expo shall utilize the funds solely for the furtherance of the Project. The Funds provided hereunder shall be subject to audit by Metro or any of its funding partners, in accordance with Metro policies and procedures and state or federal guidelines. Expenditures must be incurred within the period the Funds were authorized or appropriated by the funding agencies. Reimbursements and payments under this MOU will be based upon actual eligible costs incurred and paid.

c. The Funds referred to herein come from multiple sources of funding to Metro. Such sources are identified in Attachment B. As such, Metro may be subject to various obligations concerning the use and handling of such Funds imposed by those funding sources. Therefore, in consideration of the reimbursement provided for herein, Expo agrees to fulfill all obligations imposed upon Metro in accordance with the financing agreements between Metro and its funding sources for the Project and to take no action(s) that might interfere with the nature and source of the Funds or any tax-related benefits that are directly tied to the Funds. Expo further agrees that it will comply with all federal, state, and local or Metro rules, regulations, funding agreements, policies and directives affecting the funding, including but not limited to, GAAP, FAR, OMB A-133, A-87, and records retention policy. Authority agrees to provide Metro with progress

reports, expenditure documentation, and any other documentation as reasonably requested by Metro and necessary for Metro to fulfill its responsibilities as the grantee or administrator of the Project funds.

Payments to Expo for Project related travel and subsistence expenses of Expo forces and its subcontractors claimed for reimbursements shall not exceed rates authorized to be paid by Expo's Travel Reimbursement Policy. If the rates invoiced by Expo are in excess of those authorized rates, then Expo is responsible for the cost difference, and any overpayments inadvertently paid by metro shall be reimbursed to Metro by Expo on demand.

Expo and its subcontractors will comply with all applicable Federal and State laws and regulations, including but not limited to, Office of Management and Budget circular A-87, Cost Principles for State and Local governments, 49 CFR, Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments and the Contract Cost Principles and Procedures, 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31 et seq.

Expo agrees to include State and Federal funds received under this MOU in the schedule of projects to be examined in Expo's annual financial audit and in the schedule of projects to be examined under its single audit prepared in accordance with office of Management and Budget Circular A-133. Expo is responsible for assuring that the Single Auditor has reviewed the requirements of this agreement. Copies of said audits shall be submitted to Metro.

Expo and its subcontractors shall maintain all source documents, books, and records connected with performance under this MOU for a minimum of three years from the date of final payment to Expo or until audit resolution is achieved and shall make all such supporting information available for inspection and audit by representatives of Metro, the California Department of Transportation, the Bureau of State Audits or the Federal Government upon request. Copies of Expo source documents, books, and records and that of its subcontractors will be made and furnished by Expo upon request.

Expo and its subcontractors shall establish and maintain an accounting system conforming to Generally Accepted Accounting Principles (GAAP) to support reimbursement payment vouchers or invoices which segregate and accumulate Project costs by line item and produce monthly reports, which clearly identify reimbursable costs, matching costs (if applicable), and other expenditures by Expo.

Any subcontract entered into by Expo as a result of this MOU, shall contain all of the provisions of Funding section of this agreement; and mandate that travel and per diem reimbursements and third-party contract reimbursements to

subcontractors shall be allowable as PROJECT costs only after those costs are incurred and paid for by the subcontractor.

d. Metro and Expo agree to administer the Funds in accordance with the following reimbursement process. Upon receipt from Expo of a certified request for reimbursement, Metro will promptly, within 5 business days, remit the entire amount to Expo or the payment recipient as designated by Expo. The request for reimbursement shall be accompanied by a certification executed by a duly authorized officer of Expo acknowledging that Expo has complied with the requirements set forth in subparagraphs 3.b and 3.c, above.

e. Metro employees may provide services to Expo in furtherance of the Project if such services are requested by Expo, are authorized by Metro's Chief Executive Officer, or his designee, and can be provided without interfering with the performance by the Metro employee of his or her duties with Metro. Metro employee time will be billed at actual costs, including hourly rates, fringe benefits and overhead.

f.——Expo employees may provide services to Metro in furtherance of Metro projects if such services are requested by Metro, are authorized by Expo's Chief Executive Officer, or his designee, and can be provided without interfering with the performance by the Expo employee of his or her duties with Expo. Expo employee time will be billed at actual costs, including hourly rates, fringe benefits and overhead.

SECTION 4. PROPERTY AGREEMENT

a. Metro and Expo shall each hold and maintain for the benefit of each other and for the benefit of the Project, all real and personal property and any other assets accumulated in the planning, design, and construction of the Project, including, but not limited to, third-party agreements, contracts, and design and construction documents, as necessary for completion of the Project.

b. Metro shall provide Expo with access to and full use of all real property and rights-of-way as set forth in Attachment C and necessary for the construction of the Project.

c. Upon completion of Phase 1 of the Project, Expo and its contractors shall vacate all real property and rights-of-way provided by Metro for construction of the Project except for any such property required for construction of Phase 2 of the Project. Expo shall transfer to Metro title to any and all real or personal property acquired with Project Funds. Furthermore, Expo shall turn over to Metro all Project planning, design, and construction documents, including but not limited to warranties, as-built drawings and manuals.

SECTION 5. MISCELLANEOUS

a. **Successors and Assigns.** The covenants and agreements of this MOU shall inure to the benefit of, and shall be binding upon, each of the parties and their respective successors and assigns.

b. **Governing Law.** This MOU shall be governed by, interpreted under, construed and enforced in accordance with the laws of the State of California.

c. **Notice.** Any notice, demand or documents which any party is required or may desire to give or deliver to the other shall be in writing and may be personally delivered or given by United States mail certified, return receipt requested, postage prepaid, and addressed as follows:

d. **Contract Period.** This agreement shall be effective from May 5, 2006 through June 30, 2015.

To Metro: One Gateway Plaza, Los Angeles, CA 90012
Attn: _____

To Expo: 707 Wilshire Blvd., Los Angeles, CA 90017
Attn: _____

The aforementioned addresses for notice are subject to each party's right to designate a different address by notice similarly given.

d. **Amendments.** No variation, modification, change or amendment of this MOU shall be binding upon either party unless such variation, modification, change or amendment is in writing and duly authorized and executed by both parties. This MOU shall not be amended or modified by oral agreement or understanding between the parties or by any acts or conduct of the parties.

e. **Counterparts.** This MOU may be executed simultaneously or in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

f. **Assignment.** Neither party shall assign this MOU or any of such party's interest, rights or obligations under this MOU without the prior written consent of the other party.

h. **Further Actions.** The parties shall develop and execute any other documents of any kind or type whatsoever, including procedures and policies, necessary to carry out the intent of the provisions of this MOU.

IN WITNESS WHEREOF, the parties have caused this MOU to be duly executed and delivered as of the above date and the person executing this MOU by their signatures hereby attest that they have the requisite authority to enter into this MOU.

Entered into this 5th day of May, 2006

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By: _____

Approved as to form:

RAYMOND G. FORTNER, JR.
County Counsel

By: _____

By: _____
DEPUTY

EXPOSITION METRO LINE
CONSTRUCTION AUTHORITY

By: _____

Approved as to Form:

ROBINSON & PEARMAN, LLP

By: _____

Robert C. Pearman
Deputy General Counsel