



Expo

Exposition Metro Line
Construction Authority

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BuildExpo.org

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DATE: APRIL 5, 2008

TO: BOARD OF DIRECTORS

**FROM: RICHARD D. THORPE
CHIEF EXECUTIVE OFFICER**

ACTION: ADOPT PROPOSED PHASE 1 FY 08 BUDGET

RECOMMENDATION

Approve the proposed Phase 1 FY 08 budget as shown in Attachment A.

SUMMARY

Metro has asked the Expo Authority to submit its planned FY 08 Phase 1 expenditures for inclusion in their FY 08 budget, which will be adopted by the Metro Board in June. Expenditures for FY 08 are projected at \$168 million which includes design-build contractor expenditures, Metro Agency and Exposition Authority costs, utility relocation, real estate costs, professional services and third party review. These projections were developed from information provided by Metro staff, the design-build contractor and FY 07 expenditures to date. As Metro is responsible for providing funding for this project and since projected expenditures must be consistent with Metro's FY 08 revenue projections, Authority staff has worked with Metro to ensure that anticipated expenses will be fully funded for FY 08.

DISCUSSION

Attachment A is a proposed FY 08 budget delineated by category, which will serve as a management plan for financial activity by Authority staff. Board approval of this attachment means that total expenditures for Phase 1 cannot exceed \$168 million during the fiscal year. Staff may recommend revisions within individual line items; however, total expenditures may not exceed the \$168 million approved by both the Authority and Metro Boards.

The Authority Board approved a revised FY 07 budget in January 2007 of \$118 million, most of which was programmed for the design-build contract. While major construction is scheduled to begin in May, most of the work during FY 07 focused on design and some limited construction along Flower Street in downtown Los Angeles. FY 08 will contain a full year of heavy construction, which accounts for the substantial increase in the budget.

Attachment B depicts the detailed line items of anticipated expenditures for each category in the FY 08 budget. The design-build contract category is expected to increase from \$73 million in FY 07 to \$118.5 million for FY 08. This is due to the heavy construction schedule for FY 08 and the continuation of design work. Expenditures to date have been slower than originally anticipated, but with major construction work starting in May, expenditures will increase toward the end of this fiscal year.

Metro Agency costs are slightly lower than budgeted in FY 07 due to fewer Metro employees working on the project. During FY 07, Metro was able to provide staff support while the Authority was in the process of hiring employees. Now that the Authority has filled most of the positions, fewer Metro employees will need to provide staff support. Further, many Metro employees provided design review and input during the design phase of the project. It is anticipated that design work will be complete during FY 08, so extensive design review by Metro employees for the entire fiscal year will not be necessary. Expenditures to date for Metro staff are within budget and on target.

Real Estate costs are projected to decrease slightly from \$20 million in FY 07 to \$18.2 million in FY 08. The pace of expenditure for FY 07 has been slower than originally anticipated as the need for acquisitions, relocations and lease terminations has been deferred as the contractor has not needed access or possession of these parcels or the right-of-way during most of this fiscal year. Further, there has been some recertification and redefinition of the right-of-way which needed to be resolved before Metro Real Estate could proceed with acquisitions. As a result, expenditures have been slower than originally forecast but will pick up towards the end of this fiscal year. The FY 07 budget contained a large contingency as there were many unknowns going into last fiscal year (identification of parcels, escalations, termination of leases etc). The FY 08 budget does not contain a contingency as the Metro Real Estate department has determined that each of their line items is a conservative estimate of costs and so all expenditures should be well within the \$18 million budget.

It is projected that Authority costs will increase slightly for FY 08. Most of the increase can be accounted for in the salary and benefits line item. During FY 07, many of the positions were vacant and have only recently been filled. Since most of the authorized positions are now filled, FY 08 will see a full year of salary and benefits. Further, the budget includes a 3% CPI increase for Authority staff as well as funding for merit raises up to 3%. These funds are included in the salary line item of the Authority budget.

Other Authority costs have remained essentially the same or have even decreased for FY 08. Expenditures to date have been less than anticipated, mostly due to vacant positions in the agency and tight management of administrative costs.

Expenditures in the Professional Services category are proposed to decrease from \$7.7 million in FY 07 to \$5.2 million in FY 08. The design support consultant line item will decrease based on the overall contract value of the contract and the shifting of duties among different consultants. Further, as design winds down on the project, the design support consultant role will diminish as oversight and review of design is complete and the contractor starts major construction. The Construction Management Consultant contract amount is slightly less than FY 07 but consistent with the overall contract amount negotiated with the Authority and with the consultant's scope of work. Expenditures to date have been slightly below anticipated levels, mostly attributable to less spending by the construction management consultants as there has been little major construction to date. Again, since major construction will begin in May, it is anticipated that expenditure levels in this category will increase toward the end of this fiscal year.

It is projected that utility relocation costs will increase from \$2.4 million to \$3.5 million for FY 08. While there have been no expenditures to date in this category, work will begin toward the end of this fiscal year as we start major construction on the trench in the USC/Expo park area. Further, utility work has not begun west of Vermont as design is not complete in that area. It is anticipated that utility relocation west of Vermont will take place in FY 08.

The FY 08 budget includes an increase in Third Party Review from \$5 million to \$5.4 million. This is due to increased review and oversight by third party agencies as design is completed in FY 08 and there is major construction along the corridor. While expenditures to date appear to be light, many of the Third Party agencies bill well after work is complete and it is anticipated that expenditures will increase toward the end of this fiscal year.

It is anticipated that the Authority will have to make another payment on the UFS system (fare ticketing equipment) under the contract provided by Metro. It is also anticipated that there will be some spending on the Art program as artists are selected for each of the stations during this fiscal year. Funds in the amount of \$3 million have been programmed in the Special Conditions category to cover these anticipated expenditures.

Lastly, \$7.5 million has been included in the Contingency category in case there are scope changes, unanticipated payments for items during this fiscal year and to cover any other unknowns.

The \$168 million budget is consistent with the overall \$640 million project budget adopted by the Expo and Metro Boards.

FINANCIAL IMPACT

Once the Authority approves the FY 08 budget for Phase 1 as shown in Attachment A, Authority staff will work with Metro to ensure that these funds are included in their FY 08 budget.

NEXT STEPS

Authority staff will work with Metro staff to ensure that this budget amount is included in the FY 08 budget and presented to the MTA Board for approval.

ATTACHMENT (S)

- A. Phase 1 Proposed FY 08 Budget
- B. Detailed Line Item FY 08 Budget

Attachment A

Category	Revised FY 07 Budget (Adopted Jan 2007)	FY 07 Expenditures to Date (thru Jan 07)	Proposed FY 08 Budget
Design/Build Contract	\$73,445,000.00	\$28,203,911.00	\$118,446,534.00
MTA Staff	\$1,996,036.00	\$990,591.00	\$1,868,049.00
Real Estate	\$20,312,893.00	\$893,396.00	\$18,292,334.00
Expo Authority Staff/Administration	\$4,129,734.00	\$1,196,883.00	\$4,235,000.00
Professional Services/Consultants	\$7,785,000.00	\$1,845,956.00	\$5,235,000.00
Utility Relocation	\$2,420,000.00	\$0.00	\$3,555,000.00
Third Party/Master Cooperative Agreements	\$5,033,000.00	\$663,719.00	\$5,480,000.00
Special Conditions (Art, UFS)	\$1,500,000.00	\$0.00	\$3,000,000.00
Contingency	\$2,000,000.00	\$0.00	\$7,500,000.00
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	\$118,621,663.00	\$33,794,456.00	\$167,611,917.00

Attachment B				
Phase 1 FY 08 Anticipated Expenditure Plan by Category				
Category	Revised FY 07 Budget	Expenditures July 06-Feb 07	Proposed FY 08 Budget	% Variance FY 07 to FY 08
Design/Build Contract				
DB Contract	\$73,000,000.00	\$28,002,559.00	\$118,000,000.00	
Office Rent for Contractor/Integrated Project Office	\$445,000.00	\$201,352.00	\$446,534.00	
Total	\$73,445,000.00	\$28,203,911.00	\$118,446,534.00	62%
Metro Agency Costs (Direct & Indirect)				
Direct Staff Costs	\$1,130,000.00	\$673,059.00	\$1,100,000.00	
Allocated Overhead (Accounting, Human Resources)	\$866,036.00	\$317,532.00	\$762,049.00	
Dept Line Item Expenditures (ie tools, safety equipment)	\$0.00	\$0.00	\$6,000.00	
Total	\$1,996,036.00	\$990,591.00	\$1,868,049.00	-6%
Real Estate				
Appraisal Costs	\$148,000.00	\$77,800.00	\$122,000.00	
Acquisition Costs	\$14,055,314.00	\$393,874.00	\$15,617,412.00	
Relocation	\$750,000.00	\$233,869.00	\$1,171,131.00	
Lease Terminations	\$500,000.00	\$39,128.00	\$960,872.00	
Relocation Consultant	\$75,000.00	\$37,820.00	\$37,180.00	
Environmental	\$322,000.00	\$75,223.00	\$263,739.00	
Legal Services	\$500,000.00	\$35,682.00	\$120,000.00	
Contingency	\$3,962,579.00	\$0.00	\$0.00	
Total	\$20,312,893.00	\$893,396.00	\$18,292,334.00	-10%

Category	Revised FY 07 Budget	Expenditures July 06-Feb 07	Proposed FY 08 Budget	% Variance FY 07 to FY 08
Expo Authority Costs				
Staff (Salary & Benefits)	\$2,750,734.00	\$807,815.00	\$3,200,000.00	
Office Rent	\$178,000.00	\$134,235.00	\$210,000.00	
Relocation Expenses	\$75,000.00	\$480.00	\$0.00	
Postage & Supplies	\$150,000.00	\$39,155.00	\$100,000.00	
Equipment Rental/Purchase	\$210,000.00	\$61,893.00	\$100,000.00	
Utilities/Fees	\$50,000.00	\$22,053.00	\$50,000.00	
Parking	\$28,000.00	\$11,019.00	\$30,000.00	
Meals	\$5,000.00	\$1,684.00	\$7,500.00	
Travel	\$5,000.00	\$1,828.00	\$15,000.00	
Conferences	\$5,000.00	\$1,861.00	\$5,000.00	
Subscriptions	\$2,000.00	\$412.00	\$1,500.00	
Veicle Leases/Allowances/Gas	\$80,000.00	\$15,155.00	\$36,000.00	
Board Costs (stipends/security)	\$35,000.00	\$9,286.00	\$25,000.00	
ISD/MIS Services	\$150,000.00	\$45,973.00	\$45,000.00	
Marketing Promotions/Advertising	\$35,000.00	\$11,981.00	\$35,000.00	
Construction Mitigation	\$85,000.00	\$0.00	\$100,000.00	
Insurance	\$150,000.00	\$16,743.00	\$150,000.00	
Claims/Reserve	\$50,000.00	\$0.00	\$50,000.00	
Audits	\$50,000.00	\$0.00	\$50,000.00	
Misc	\$36,000.00	\$15,310.00	\$25,000.00	
Total	\$4,129,734.00	\$1,196,883.00	\$4,235,000.00	3%
Professional Services				
Construction Management Consultants	\$2,500,000.00	\$99,090.00	\$2,250,000.00	
Design Support During Construction	\$3,500,000.00	\$1,592,221.00	\$1,800,000.00	
Special Services	\$300,000.00	\$68,150.00	\$500,000.00	
Legal Services	\$385,000.00	\$33,711.00	\$385,000.00	
Partnering Consultant	\$100,000.00	\$25,000.00	\$50,000.00	
Hazardous & Environmental Services	\$1,000,000.00	\$27,784.00	\$250,000.00	
Total	\$7,785,000.00	\$1,845,956.00	\$5,235,000.00	-33%

Category	Revised FY 07 Budget	Expenditures July 06-Feb 07	Proposed FY 08 Budget	% Variance FY 07 to FY 08
Utility Relocation				
The Gas Company	\$595,000.00	\$0.00	\$700,000.00	
Southern California Water	\$125,000.00	\$0.00	\$130,000.00	
Time Warner Cable	\$60,000.00	\$0.00	\$90,000.00	
AT&T	\$400,000.00	\$0.00	\$800,000.00	
Verizon	\$100,000.00	\$0.00	\$225,000.00	
So Cal Edison	\$140,000.00	\$0.00	\$110,000.00	
LADWP	\$1,000,000.00	\$0.00	\$1,500,000.00	
Total	\$2,420,000.00	\$0.00	\$3,555,000.00	47%
Third Party Review				
LA City	\$3,660,000.00	\$180,332.00	\$3,410,000.00	
LA County	\$100,000.00	\$0.00	\$20,000.00	
Caltrans	\$650,000.00	\$483,387.00	\$600,000.00	
Culver City	\$623,000.00	\$0.00	\$250,000.00	
Third Party Contingency	\$0.00	\$0.00	\$1,200,000.00	
Total	\$5,033,000.00	\$663,719.00	\$5,480,000.00	9%
Special Conditions				
UFS	\$1,500,000.00	\$0.00	\$2,500,000.00	
Art	\$0.00	\$0.00	\$500,000.00	
Total	\$1,500,000.00	\$0.00	\$3,000,000.00	100%

Category	Revised FY 07 Budget	Expenditures July 06-Feb 07	Proposed FY 08 Budget	% Variance FY 07 to FY 08
Contingency	\$2,000,000.00	\$0.00	\$7,500,000.00	275%
Total Projected Expenditures	\$118,621,663.00	\$33,794,456.00	\$167,611,917.00	41%