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**OPERATIONS COMMITTEE
APRIL 19, 2007**

SUBJECT: DIVISION 3 - REPLACE WAREHOUSE FACILITY (CP# 209027)

ACTION: APPROVE INCREASE TO THE LIFE OF PROJECT BUDGET

RECOMMENDATION

Increase the life of project budget (LOP) for CP# 209027, Division 3 Replace Warehouse Facility Project, increasing the life of project from \$894,000 to \$1,603,614.

RATIONALE

In May 2006, the Board approved the Division 3 – Replace Warehouse Facility LOP budget of \$894,000. This project was approved to address the critically undersized and fractured warehousing facility at Division 3, which is currently inadequate to effectively support revenue operations maintaining a vastly diverse fleet of over 200 buses. Division 3's warehousing facility is the smallest of all bus operations when compared to other divisions of similar fleet size. This situation results in repeated on-site outages of needed repair parts that cannot be quickly replenished because of limited distribution resources to obtain them from other locations.

The first phase of the project has begun, in conjunction with Facilities and Service Sector leadership, which is a comprehensive evaluation of the entire facility to best identify the most cost-effective and efficient method to increase material storage capacity, as well as short and long-term Operations and Maintenance facility needs (included separately is Facilities' FY08 Divisions 1, 3, 8, 9, and 15 Improvements Project budget). This independent study was necessitated by the complexity of the cramped operational conditions at Division 3, and lack of consensus of Division 3 management and all other stakeholders as to how to best address its warehousing and overall facilities needs. Division 3 is located at 630 West Avenue 28, Los Angeles and is part of the San Gabriel Valley Service Sector. The study will be completed in May 2007.

The initial scope of the warehouse replacement project primarily focused on the most effective method to accomplish increases in warehousing capacity. As this project approached its time for execution, it was evident that any solution would require a master plan involving demolition of existing elements of the facility, construction of replacement offices and ancillary structures, and additional space efficient infrastructure. As a result, Facilities and Service Sector leadership recommended a master facilities plan for Division 3, and combined solicitations for both projects to achieve maximum cost efficiency. This

facility has operated in its present configuration since the mid 1970's without any tangible improvement or change to its maintenance building or material storage capacity.

The project's initial scope also included the installation of two vertical carousel systems (average cost of \$120K per unit) and the construction of an enclosed awning structure (average cost \$200K) with high density pallet racking, or Stak system (average cost of installation \$300K). The initial LOP of \$894K was based on 2005 cost of materials and construction, and included cost of procurement and minor additional infrastructure. Material and construction costs have risen since the inception of this project.

The request for increase of LOP by \$709K addresses increased cost of materials and construction, as well as the increase in scope of work to include: cost of hiring a consulting firm to master plan the project (approximately \$100K) and demolishing of existing structures and construction of replacement facilities (estimated \$500K, based on similar recent construction projects).

The conceptual design phase of this project is due for completion by May 2007, with the solicitation process to begin immediately thereafter. The goal of Material Management, Facilities and Service Sector leadership is to complete the design and engineering work for both Material Management's Replace Warehousing Facility Project and Facilities' Division 3 Improvements Project by July 2007. Award of construction contracts would occur in approximately November 2007. This will provide adequate time for successful completion of both projects in FY08.

On January 22, 2007 Metro's investment committee concurred with the LOP increase for this project, and is now presented to the Board of Directors for its approval.

The LOP increase will cover the cost of:

- Any demolition of existing antiquated and inefficient structures, as deemed necessary
- Provide for construction of new and replacement facilities
- Acquisition of high density storage systems to maximize available space
- Closeout activities

FINANCIAL IMPACT

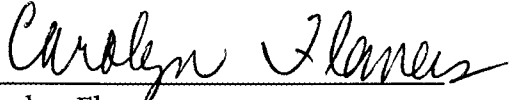
This action will increase the life-of-project budget by \$709,614 from \$894,000 to \$1,603,614. The additional funding for this project will be 100% TDA (local funds) and will be added to the Division 3 – Replace Warehouse Facility Project CP 209027 in Cost Center 6350 as part of the FY08 budget process.

ALTERNATIVES CONSIDERED

The Board of Directors may choose not to authorize an increase to the life-of-project budget for this project. This alternative is not recommended as completion of the Division 3 – Replace Warehouse Facility Project is designed to properly secure and protect Metro's

inventory investment and to meet its current and future storage requirements for San Gabriel Valley Service Sector's operations at Division 3.

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