



Expo

Exposition Metro Line
Construction Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.7221
BuildExpo.org

6.a

DATE: MARCH 31, 2006

TO: BOARD OF DIRECTORS

FROM: *for* RICHARD D. THORPE *Scott H. Bivens*
CHIEF EXECUTIVE OFFICER

ACTION: RECEIVE PROPOSED FY07 BUDGET

RECOMMENDATION

Receive proposed FY07 budget, which will be brought back before the Board for adoption at the May Board meeting.

SUMMARY

At the February meeting, the Chief Executive Officer notified the Board that the Authority would begin working with the MTA to develop a budget for FY07. Authority staff have been working closely with MTA staff to develop an overall budget number for FY07, staffing costs utilizing both MTA and Authority staff and construction costs based on the design-build contractor's schedule for the next year.

As the MTA is responsible for providing funding for this project and since the projected expenditures must be consistent with MTA's FY07 revenue projections and within the \$640 million total project budget, the Authority has been working closely with the MTA to fully fund anticipated expenses for FY07.

The Authority staff is proposing a FY07 budget of \$118 million for approval at the May Board meeting. This budget includes design-build contractor expenditures, Metro Agency and Exposition Authority costs, utility relocation, real estate and right-of-way costs, as well as professional services and third party review. These costs were developed in close consultation with MTA staff from several departments and the design-build contractor. Administrative and operating expenditures were developed utilizing expenditures from the Eastside Light Rail Construction project, as well as the Pasadena Gold Line Construction Authority.

The general budget number of \$118 million has been submitted to the MTA for inclusion in their budget process, which is moving on a parallel track to the Authority's process. It is anticipated that this number will be included in the MTA budget, which will be presented to the MTA Board in May with final MTA approval in June. Once the detailed line item Authority budget is approved, these numbers will be transmitted to the MTA as well.

DISCUSSION

The Authority Board approved a FY06 budget of \$43 million which included design-build contractor mobilization, real estate costs, utility relocation, as well as MTA staff and Authority costs. As the design-build contract has just been awarded and the major categories of work could not commence until that contract had been awarded, year-to-date expenditures through January are a small percentage of the adopted \$43 million budget (Attachment A). However, the design-build contractor will be mobilizing this month and work will commence on the project almost immediately, so it is anticipated that the expenditure rate will increase substantially toward the end of FY06.

The FY07 budget includes all anticipated expenditures including accelerated design work, some construction work on Flower Street, utility relocation, major real estate expenditures as well as third party review, staff and operating costs for the Authority. Because this will be the first year of substantial design and construction work, most categories substantially increased for FY07 over FY06 (Attachment B). However, due to different accounting systems and tracking methods used by the Authority and the MTA, it was not possible to show year-to-date expenditure by line item or show line item differences in FY07 over FY06. As a result, both year-to-date expenditures and FY07 budget differences from FY06 are shown at the end of each category. As the Authority implements its own financial system for FY07, these expenditures will be tracked by line item instead of by category.

Attachment B does show FY07 expenditure differences from FY06 in each major budgeting category. For example, design-build contractor costs are projected to increase from \$14 million to \$77 million. When the FY06 budget was adopted, the contract for the design-build contractor had not yet been awarded and so the \$14 million reflected an amount for initial mobilization. The \$77 million for FY07 for the design-build contractor was developed in consultation with the contractor and is based on an accelerated design schedule for this fiscal year.

MTA agency costs are projected to decrease in FY07 as the project transitions from planning to construction and the Authority hires in-house staff for the project. MTA will still provide many support functions for the Authority including accounting, payroll, and human resources. Some MTA staff will also be seconded to the project. However, it is anticipated that the Authority will hire in-house employees to perform many of the functions previously covered by MTA

staff. Authorization for any additional positions will come separately before the Authority Board for approval.

Authority operating costs will also increase substantially as the Authority moves into its own office space and has to pay for office rental, equipment and other expenses that had been part of the overhead budget for the project when it was housed at the MTA. As the Authority gets ready to move into its new offices, it is anticipated that initial expenditures for office equipment, furniture and MIS services will be needed.

Mitigation, advertising and marketing also increased in FY07 to address any construction related issues pertaining to the project. Also, vehicle leases and allowances will increase in FY07 as the Authority will be purchasing vehicles for use by Community Relations and other employees who will be doing a substantial amount of field work for the project.

Utility relocation costs are anticipated to increase, as this will be one of the first major tasks that the contractor will undertake. There is a large contingency included in the utility relocation budget that will cover any additional work, unexpected problems and rising costs. The bulk of the real estate acquisition will take place during this fiscal year, which accounts for almost \$20 million in the FY07 budget. There is also a large contingency in this category to cover rising real estate prices, termination of leases for a large number of billboards and relocation costs.

It is anticipated that professional services costs will increase as the Authority hires consultants to provide short-term and specialized staffing. The professional services budget also includes \$1.5 million for environmental services to deal with any contamination issues on the right-of-way. As the project moves forward at an accelerated pace, there is also additional funding in FY07 for Third Party review to ensure that the project stays on schedule and enables us to work closely with other cities and agencies.

It is expected that over the next month, Authority Board members and the public will review these projected expenditures and provide input to Authority staff. The budget will also be posted on the Authority website, buildexpo.org. Staff will bring a final budget to the Authority Board for approval at the May Board meeting. Once the budget is also approved by the MTA Board, a final Authority budget will be published.

FINANCIAL IMPACT

Once the Authority approves the FY07 budget, all expenditures in the next fiscal year will have to fall within the approved budget amount. Any increases to the budget would have to come back before both the Authority and MTA Boards for approval.

NEXT STEPS

Staff will bring this proposed budget back to the Authority Board for approval at the May Board meeting.

ATTACHMENT(S)

- A. FY07 Expenditure Plan
- B. FY07 Projected Expenditures

ATTACHMENT A

Budget Expenditure Plan	FY06 Forecast	FY06 YTD Expenditures	FY07 Proposed
MTA Staff	\$2,726,400	\$1,526,950	\$1,996,036
Expo Authority Staff/Administration	\$1,663,290	\$171,000	\$4,129,734
Professional Services/Consultants	\$5,178,405	\$2,408,484	\$7,785,000
3rd Party/Master	\$1,597,367	\$0	\$2,933,000
Cooperative Agreements	\$15,262,700	\$11,500	\$20,312,893
Real Estate	\$2,800,000	\$0	\$4,020,000
Utility Relocation	\$14,295,950	\$0	\$77,445,000
Design/Build Contract	\$223,553	\$0	\$0
Contingency			
Total	\$43,750,000	\$4,117,934	\$118,621,663

Attachment B

FY07 Projected Expenditures

	Authority FY06 Approved Budget	Authority Expenditures YTD (thru Jan 06)	Authority FY07 Proposed Budget	Difference FY06 to FY07 (%)
Design-Build Contract				
DB Contract/Mobilization	\$14,141,600		\$77,000,000	
Office Rent for Contractor/Co-Located Office Space	\$154,350		\$445,000	
Total	\$14,295,950	\$0	\$77,445,000	442%
Metro Agency Costs (Direct & Indirect)				
Direct Staff Costs	\$2,726,400		\$1,130,000	
Allocated Overhead (Accounting, Human Resources)			\$866,036	
Total	\$2,726,400	\$1,526,950	\$1,996,036	-27%

	Authority FY06 Approved Budget	Authority Expenditures YTD (thru Jan 06)	Authority FY07 Proposed Budget	Difference FY06 to FY07 (%)
Expo Authority Projected Costs				
Staff (Salary & Benefits)	\$1,175,000		\$2,750,734	
Office Rental	\$133,756		\$178,000	
Relocation Expenses	\$50,000		\$75,000	
Office Supplies, Postage, Equipment Rental/Purchase, Utilities, Fees	\$127,200		\$410,000	
Misc Expenses	\$36,200		\$36,000	
Meals, Travel, Conferences, Parking, Subscriptions	\$18,200		\$45,000	
Vehicle Leases, Allowances	\$28,000		\$80,000	
Board Meeting Costs (Stipends, Security, ISD)	\$32,934		\$35,000	
MIS Services	\$45,000		\$150,000	
Marketing/Promotions/Mitigation/ Advertising	\$17,000		\$120,000	
Insurance			\$150,000	
Claims/Insurance Reserve Audits			\$50,000	
Total	\$1,663,290	\$171,000	\$4,129,734	148%

	Authority FY06 Approved Budget	Authority Expenditures YTD (thru Jan 06)	Authority FY07 Proposed Budget	Difference FY06 to FY07 (%)
Utility Relocation				
Flower Street	\$2,300,000		\$1,500,000	
Telephone/Electric			\$170,000	
Gas/Pipeline	\$500,000		\$850,000	
Contingency			\$1,500,000	
Total	\$2,800,000	\$0	\$4,020,000	44%
Real Estate/Right-of-Way Costs				
Real Estate Appraisal	\$80,000		\$148,000	
Real Estate Acquisition	\$14,907,700		\$14,055,314	
Relocation/Lease Terminations	\$275,000		\$1,250,000	
Relocation Consultant			\$75,000	
Environmental			\$322,000	
Legal Services			\$500,000	
Contingency			\$3,962,579	
Total	\$15,262,700	\$11,500	\$20,312,893	33%

	Authority FY06 Approved Budget	Authority Expenditures YTD (thru Jan 06)	Authority FY07 Proposed Budget	Difference FY06 to FY07 (%)
Professional Services				
Construction Management Consultants Planning Studies/Services	\$385,408		\$3,000,000 \$300,000	
Design/Build Consultants - DMJM Harris Consultant Services - Planning & PE	\$467,764 \$3,625,233		\$2,500,000 \$0	
Legal Services Partnering Consultant Environmental Services	\$700,000		\$385,000 \$100,000 \$1,500,000	
Total	\$5,178,405	\$2,408,484	\$7,785,000	50%
Third Party Review				
DWP Design Review City of Los Angeles County of Los Angeles Other City Agencies (CRA, Culver City) Utilities Caltrans	\$135,000 \$938,367 \$115,000 \$40,000 \$119,000 \$250,000		\$750,000 \$1,300,000 \$83,000 \$40,000 \$500,000 \$260,000	
Total	\$1,597,367	\$0	\$2,933,000	84%
Total Projected Expenditures	\$43,750,000		\$118,621,663	