



**Expo**

Exposition Metro Line  
Construction Authority

One Gateway Plaza  
Los Angeles, CA 90012-2952

213.922.7221  
BuildExpo.org

**6.a**

**DATE: MAY 5, 2006**

**TO: BOARD OF DIRECTORS**

**FROM: RICHARD D. THORPE** *Richard D. Thorpe*  
*for* **CHIEF EXECUTIVE OFFICER**

**ACTION: APPROVE PROPOSED FY07 BUDGET**

---

**RECOMMENDATION**

Approve the proposed FY07 budget for the Exposition Metro Line project.

**SUMMARY**

At the April Board meeting, a proposed FY07 budget was presented to the Authority Board for review and comment. Staff has continued to work with the design-build contractor and Metro staff to refine the budget numbers for FY07. As Metro is responsible for providing funding for this project and since the projected expenditures must be consistent with Metro's FY07 revenue projections, which in turn must be consistent with the \$640 million total project budget, the Authority has continued to work closely with Metro to fully fund anticipated expenses for FY07.

The Authority staff is proposing a FY07 budget of \$118 million, the same amount that was brought before the Board last month. 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 Metro 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 only major change to the budget is the addition of a \$2 million contingency based on feedback from the Authority Board and Board staff. Many of the categories in the budget had their own contingency built-in to the budget number

but there was no overall project contingency for FY07. By further refining the design-build contractor's anticipated costs for FY07, staff was able to move some contingency from this category to an overall project contingency line item of \$2 million. The overall \$118 million budget number remains the same but there is now a contingency which can be used for any category in the budget.

The general budget number of \$118 million has been submitted to Metro 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 Metro's budget, which will be presented to the Metro Board in May, with final Metro approval in June. Once the detailed line item Authority budget is approved, these numbers will be transmitted to Metro 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 Metro staff and Authority costs. Because 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 March are a small percentage of the adopted \$43 million budget (Attachment A). However, the design-build contractor began mobilizing in April and will commence work on the project in May, so it is anticipated that the expenditure rate will significantly increase prior to the close of the fiscal year.

The FY07 budget includes all anticipated expenditures including accelerated design work, 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 Metro, 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 \$75 million. When the FY06 budget was adopted, the contract for the design-build contractor had not yet been awarded, so the \$14 million reflected an amount for initial mobilization. The \$75 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. \$2 million was reduced from this line item and moved to the contingency line item based on

further review of the design-build contractor's numbers and anticipated costs for FY07.

Metro 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. Metro will still provide many support functions for the Authority including accounting, payroll, and human resources. Some Metro 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 Metro staff. Authorization for any additional positions will be separately approved by the Authority Board.

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 Metro.

Mitigation, advertising and marketing is also scheduled to increase 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. A large contingency amount will also remain in this category to cover rising real estate prices, termination of leases for a large number of billboards and uncertain relocation costs. The unknown risks in utility relocation and real estate justify leaving individual contingency amounts in these specific categories.

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.

Once the budget is approved by the Metro 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 \$118 million budget would have to come back before both the Authority and Metro Boards for approval.

## **NEXT STEPS**

Staff will work with Metro staff to ensure that the Metro Board approves the projected budget amount of \$118 million.

## **ATTACHMENT(S)**

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

<b>ATTACHMENT A</b>	<b>ATTACHMENT A</b>		
<b>Budget Expenditure Plan</b>	<b>FY06 Forecast</b>	<b>FY06 YTD Expenditures</b>	<b>FY07 Proposed</b>
MTA Staff	\$2,726,400	\$2,302,890	\$1,996,036
Expo Authority Staff/Administration	\$1,663,290	\$206,787	\$4,129,734
Professional Services/Consultants	\$5,178,405	\$3,353,194	\$7,785,000
3rd Party/Master Cooperative Agreements	\$1,597,367	\$482,727	\$2,933,000
Real Estate	\$15,262,700	\$14,389	\$20,312,893
Utility Relocation	\$2,800,000	\$0	\$4,020,000
Design/Build Contract	\$14,295,950	\$0	\$75,445,000
Contingency	\$223,553	\$0	\$2,000,000
<b>Total</b>	<b>\$43,750,000</b>	<b>\$6,359,987</b>	<b>\$118,621,663</b>

## Attachment B

### FY07 Projected Expenditures

	Authority FY06 Approved Budget	Authority Expenditures YTD (thru March 06)	Authority FY07 Proposed Budget	Difference FY06 to FY07 (%)
<b>Design-Build Contract</b>				
DB Contract/Mobilization	\$14,141,600		\$75,000,000	
Office Rent for Contractor/Co-located Office Space	\$154,350		\$445,000	
<b>Total</b>	<b>\$14,295,950</b>	<b>\$0</b>	<b>\$75,445,000</b>	<b>428%</b>
<b>Metro Agency Costs (Direct &amp; Indirect)</b>				
Direct Staff Costs	\$2,726,400		\$1,130,000	
Allocated Overhead (Accounting, Human Resources)			\$866,036	
<b>Total</b>	<b>\$2,726,400</b>	<b>\$2,302,890</b>	<b>\$1,996,036</b>	<b>-27%</b>

	Authority FY06 Approved Budget	Authority Expenditures YTD (thru March 06)	Authority FY07 Proposed Budget	Difference FY06 to FY07 (%)
<b>Expo Authority Projected Costs</b>				
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			\$50,000	
Audits			\$50,000	
<b>Total</b>	<b>\$1,663,290</b>		<b>\$4,129,734</b>	<b>148%</b>

	Authority FY06 Approved Budget	Authority Expenditures YTD (thru March 06)	Authority FY07 Proposed Budget	Difference FY06 to FY07 (%)
<b>Utility Relocation</b>				
Flower Street	\$2,300,000		\$1,500,000	
Telephone/Electric			\$170,000	
Gas/Pipeline	\$500,000		\$850,000	
Contingency			\$1,500,000	
<b>Total</b>	<b>\$2,800,000</b>	<b>\$0</b>	<b>\$4,020,000</b>	<b>44%</b>
<b>Real Estate/Right-of-Way Costs</b>				
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	
<b>Total</b>	<b>\$15,262,700</b>	<b>\$14,389</b>	<b>\$20,312,893</b>	<b>33%</b>



	Authority FY06 Approved Budget	Authority Expenditures YTD (thru March 06)	Authority FY07 Proposed Budget	Difference FY06 to FY07 (%)
<b>Professional Services</b>				
Construction Management Consultants			\$3,000,000	
Planning Studies/Services	\$385,408		\$300,000	
Design/Build Consultants - DMJM Harris	\$467,764		\$2,500,000	
Consultant Services - Planning & PE	\$3,625,233		\$0	
Legal Services	\$700,000		\$385,000	
Partnering Consultant			\$100,000	
Environmental Services			\$1,500,000	
<b>Total</b>	<b>\$5,178,405</b>	<b>\$3,353,194</b>	<b>\$7,785,000</b>	<b>50%</b>
<b>Third Party Review</b>				
DWP Design Review	\$135,000		\$750,000	
City of Los Angeles	\$938,367		\$1,300,000	
County of Los Angeles	\$115,000		\$83,000	
Other City Agencies (CRA, Culver City)	\$40,000		\$40,000	
Utilities	\$119,000		\$500,000	
Caltrans	\$250,000		\$260,000	
<b>Total</b>	<b>\$1,597,367</b>	<b>\$482,727</b>	<b>\$2,933,000</b>	<b>84%</b>
<b>Subtotal</b>	<b>\$43,526,447</b>		<b>\$116,621,663</b>	
<b>Contingency</b>	<b>\$223,553</b>		<b>\$2,000,000</b>	
<b>Total Projected Expenditures</b>	<b>\$43,750,000</b>	<b>\$6,359,987</b>	<b>\$118,621,663</b>	