

Joint Report of the Transportation and Management Committees

For the Special Metropolitan Council meeting of May 30, 2018

Subject: Southwest Light Rail Transit (SWLRT) Green Line Extension Revised Budget

Proposed Action

That the Metropolitan Council take the following actions related to Southwest Light Rail Transit project:

- Approve the updated cost estimate of \$2.003 billion as the project budget; and
- Acknowledge the revised project schedule that anticipates a revenue service year of 2023.

Summary of Committee Discussion/Questions

Metro Transit SWLRT Project Director Jim Alexander presented this item. Elkins asked what the OMF changes will do for the redevelopment in that area. If the land has already been acquired and we need a much smaller footprint, this could create redevelopment opportunities. Mr. Alexander said we are planning on staying within the existing footprint. We will be working with our operations group and the city on the best use of the site.

Munt said Hopkins was anticipating a lot of jobs created by the OMF and asked if this will be affected. Alexander said there will still be opportunities and we project about 70 – 80 jobs created in the OMF Support Facility. It is a reduction from what was planned with the full OMF.

Reynoso asked if there were no labor cost increases with this. Alexander said the unemployment rate overall in the metro stayed relatively constant from August to May.

Cunningham asked which drivers shown are more significant or are they all equal? Alexander said these are examples, and are not in any type of order. Cunningham asked about steel cost going up. Mr. Alexander said the bids were relatively close and there are many factors going into the bids, so it's hard to speculate if the rising cost of steel was a factor.

Reynoso asked about the steel tariffs. Alexander said that has had an impact on steel prices, particularly raw steel. To address this we established a steel index in the Civil contract.

Co-Chair Chavez commented on steel pricing indexing and asked if there is the opportunity in the project to do any hedging in either direction for steel or diesel fuel. Chavez asked that Metro Transit think of ways to be creative to mitigate expenses.

Munt asked why Hennepin County needs to pay an additional \$204M. Alexander answered that it is because of in-kind land donation to draw the overall budget down. Rodriguez said that withdrawal of the Hennepin County in-kind land from the budget is not contributing to the county increase; it is roughly the same amount had the in-kind land donation been kept in.

Cunningham commented on the 14% of contingency being held and asked what the national average contingency kept for these projects is and if the Federal Transit Administration (FTA) has accepted 14% as a contingency on any other project across the country. Alexander said that the FTA looks at the overall risk on the project.

Metro Transit Deputy General Manager Mark Fuhrmann shared that he monitors peer projects and a 14-16% contingency range is typical, but it's based on the project's risk profile so this summer the FTA will recommend a contingency. Cunningham asked for clarification that if there is an increase, it will be prompted from the FTA. Alexander said that while a risk assessment was already done with the FTA and now a risk refresh must be done to evaluate the current situation. Cunningham asked if there are other risk areas for this project that could increase the project by more than 3 or 5 %. Alexander expressed his confidence in the current number based on what we know today, he answered that the purpose of the contingency is to account for unknowns.

Munt asked when the groundbreaking will take place. Alexander answered that activity will start taking place in the fall. Schreiber thanked Alexander for his work spelling out acronyms used in the narrative.

Cunningham asked for more background on the composition of the committee. Alexander said it was modeled off of the Executive Change Control Board (ECCB) with Counties Transit Improvement Board (CTIB). Cunningham asked if the Transportation Committee approved the composition. Alexander answered that this is a new configuration but based off of the CTIB composition which he believes the Transportation Committee approved. Cunningham asked if the representation proportions are the same as CTIB. Alexander expounded on the CTIB differences. Fuhrmann said the CTIB ECCB composition has slightly changed for Southwest.

Munt and Rodriguez voiced their appreciation for staff finding cost savings while not sacrificing the benefits to the public.

Motion by Munt, seconded by Reynoso. Motion carried.

Management and Transportation Committees

Special Meeting date: May 23, 2018

For the Metropolitan Council Special meeting of May 30, 2018

Subject: Southwest Light Rail Transit (SWLRT) Green Line Extension Revised Budget

District(s), Member(s): All

Policy/Legal Reference: Federal Title 23 CPR, Part 771, FTA New Starts Process

Staff Prepared/Presented: Brian Lamb, General Manager, 612-349-7510
Mark Fuhrmann, Deputy General Manager, 612-373-3810
Jim Alexander, SWLRT Project Director, 612-373-3880

Division/Department: Metro Transit/Green Line Extension Project Office

Proposed Action

That the Metropolitan Council take the following actions related to Southwest Light Rail Transit project:

- Approve the updated cost estimate of \$2.003 billion as the project budget; and
- Acknowledge the revised project schedule that anticipates a revenue service year of 2023.

Background

The Southwest LRT Project Office (SPO) advanced project engineering to 90% design, published the Final Environmental Impact Statement and received the Record of Decision from the FTA in 2016.

On August 10, 2016, the Council approved the project scope and budget of \$1.858 billion, estimated revenue service year of 2021 and authorized staff to submit the Application to Enter Engineering, which was approved by the FTA in December 2016.

The Council issued an Invitation for Bids (IFB) for the Civil Construction Contract in February 2017. In August 2017, the Council received 4 bids ranging from \$796.5 million to \$1.080 billion. In September 2017, the Council rejected all four bids for price and responsiveness. The Council, in consultation with Hennepin County, re-issued the Invitation for Bids in October 2017 with changes. The Council made changes to the contract specifications to provide the contractor greater flexibility to schedule construction activities as well as lower their risk for project mobilization.

In August 2017, the SPO began working closely with the FTA to evaluate the changes to the design of the project since the publication of the Project's Final Environmental Impact Statement and the FTA's Record of Decision. The Supplemental Environmental Assessment was published on February 23, 2018. On May 16, 2018, the Council voted on the Supplemental EA and findings that the changes reviewed in the Supplemental EA do not have potential significant environmental effects.

On May 3, 2018, the Council received two bids in response to the re-issued Civil Construction Contract IFB. Staff are reviewing the bids for responsiveness and responsibility. The Council expects to award the heavy construction contract in late summer 2018.

Rationale

Approval of the revised budget is necessary to advance the project and to submit the application for the Full Funding Grant Agreement later this year. In addition to the civil construction contract, there are other factors causing the project budget to change due primarily to project delays and market factors. They include:

- Completion of design and engineering since the project budget was set at \$1.858 billion and the project entered Engineering in 2016, based on 90% plans.
- Number of business displacees for critical acquisitions increased from the initial estimate in 2016 of 100 to over 170.
- Opening day shifting from 2021 to 2023 means Council will need to retain consultant support, contractors and agency staff longer.
- Corridor protection wall and other costs that were a result of the freight rail agreements.
- Eden Prairie Town Center Station added back using a \$6.1 million federal CMAQ grant and matching local funds that the City of Eden Prairie will secure.

Staff worked diligently to off-set rising project costs by identifying cost reductions that would not trigger additional delays:

- Changing the civil contract specifications to provide the contractor with greater flexibility scheduling construction activities as well as lower their risk for project mobilization.
- Reallocate the functions of the planned Operations and Maintenance Facility for Hopkins, by moving maintenance/storage functions to existing facilities on the Blue Line and Green Line. The Hopkins OMF site will now include a rail support facility, pocket track and staff will work with the City of Hopkins to identify other project related public uses for the OMF site such as storm water management and parking.
- Removing the Hennepin County in-kind land value that was used to match federal funds and off-set an outstanding local funding gap in 2015.
- Assuming a reduced contingency to reflect the advancement of design and awarding the Civil Construction Contract: 20% to 14%.

Together these adjustments, described in the table below, bring the project budget to \$2.003 billion. This represents a 7.8% (or \$145 million) increase in the project budget since 2016.

Project Element	2016	2018	Details
Construction	\$984M	\$1,127M	<ul style="list-style-type: none"> • Increased construction costs • Reallocate OMF functions in Hopkins to existing facilities, replaced with Rail Support Facility, pocket track and stormwater pond and work with the City of Hopkins to identify other project related public uses for the OMF site such as storm water management and parking. • Added Eden Prairie Town Center Station, previously deferred • Additional corridor protection / Northstar tail track extension
Right of Way	\$252M	\$219M	<ul style="list-style-type: none"> • Increased relocations from estimate of 100 to over 170 • Removed County in-kind land value
LRV	\$126M	\$122M	<ul style="list-style-type: none"> • Adjusted to reflect actual contract costs
Project Management	\$496M	\$535M	<ul style="list-style-type: none"> • Extended project duration, need to retain consultant support, contractors and agency staff longer • Additional environmental review
TOTAL	\$1,858M	\$2,003M	

Thrive Lens Analysis

Construction of the Green Line Extension will increase the region's prosperity as it will provide access to 80,900 forecasted jobs and a new transportation option for 55,800 forecasted residents within ½ mile of the planned new stations in addition to the 145,300 forecasted jobs and 35,600 forecasted residents in downtown Minneapolis.

Funding

The Council will be submitting an application later this year to the Federal Transit Administration for a Full Funding Grant Agreement in the amount of \$2.003 billion including \$928.5 million of Federal funding. In June 2016, \$928.5M of local funding was committed. The Council is asking Hennepin County and the Hennepin County Regional Railroad Authority (HCRRA) to cover the remaining local funding gap of \$204 million. Hennepin County and the HCRRA will be considering this at upcoming board meetings. Funding for the Eden Prairie Town Center Station will be secured by the City of Eden Prairie or it will be removed from the Project budget.

The proposed action does not serve to modify the Metropolitan Council's Capital Improvement Plan (CIP). Modifications to the CIP will be included in a future business item and routed through the Transportation and Management Committees.

Known Support / Opposition

Hennepin County Board and HCRRA Board is expected to take action on May 31, 2018.

SOUTHWEST

Green Line LRT Extension



Joint Management and Transportation Committee

May 23, 2018



EDEN PRAIRIE | MINNETONKA | EDINA | HOPKINS | ST. LOUIS PARK | MINNEAPOLIS

Today's Topics

- Revised Project Budget and Schedule
- Third Amendment to Cooperative Funding Agreement with HCRRA
- Fourth Amendment to 2017 CTIB Capital Grant Agreement



SWLRT Revised Project Budget and Schedule

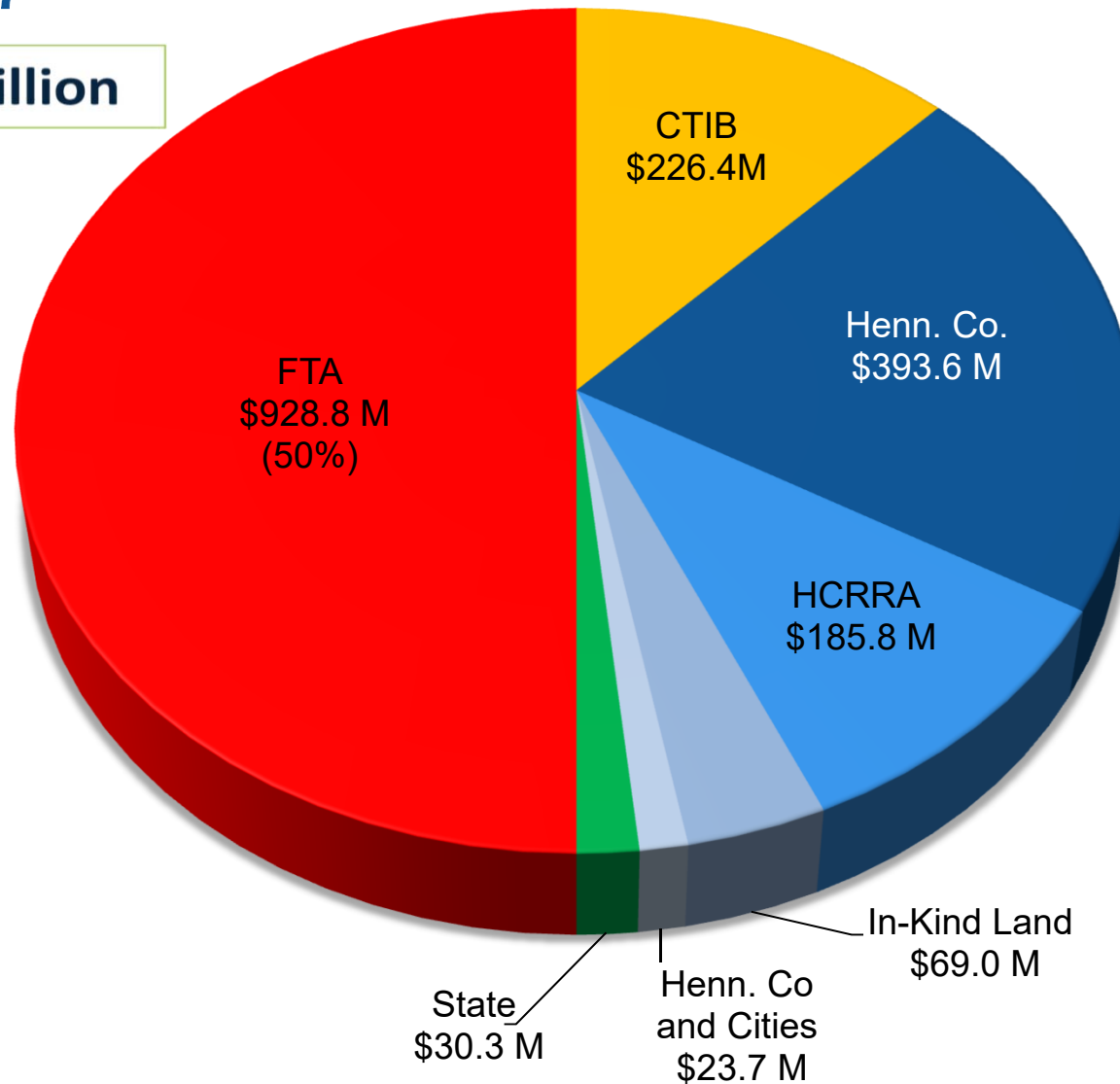
SWLRT Project Budget: Background

- Existing \$1.858B project budget was developed in August 2016 based on 90% design plans
- In 2016, revenue service was anticipated to be 2021 and is now anticipated to be 2023
- \$1.858B was submitted to FTA when project applied to enter Engineering
 - FTA approved entry in Engineering in December 2016
 - FTA established federal participation maximum of \$929M
 - Any additional cost increase to project is borne solely by local project partners

Funding Sources

June 2017

\$1.858 Billion



SWLRT Project Cost Drivers

- Schedule delays
- Construction
- Right-of-Way
- Project Management

SWLRT Project Budget: Cost Drivers

- Schedule Delays
 - Freight rail negotiations
 - Additional environmental analysis
 - Civil rebidding

SWLRT Project Budget: Cost Drivers

- Construction
 - Commodity cost increases since August 2017
 - Diesel fuel prices rose \$2.56 to \$2.99 or 17% increase
 - Raw steel prices index increased from \$621 to \$867 per ton, a 40% increase
 - Metro unemployment rate ticked downward 3.4% to 3.2% in April
 - Shared corridor protection wall added

SWLRT Project Budget: Cost Drivers

- Right-of-Way
 - Property values escalation
 - Increase of business relocations

SWLRT Project Budget: Cost Drivers

- Project Management
 - Extend consultant services to 2023
 - Extend agency project staff to 2023
 - Extend project office lease to 2023

SWLRT Project Budget: Cost Drivers

- Eden Prairie Town Center:
 - Eden Prairie voted May 15 to commit local funding for the Eden Prairie Town Center Station
 - Station added back into opening day project scope using \$6.1 million federal CMAQ grant & funds committed by the City of Eden Prairie
 - Including the station adds \$7.7M to project budget

Steps Taken to Mitigate Cost Increases

- Council made changes to the civil contract specifications:
 - Provided contractor with greater flexibility for scheduling construction activities
 - lowered project mobilization risk
- Propose lower contingency to reflect 100% completion and bid opening of largest construction bid package:
 - 20% in 2016 to 14% in 2018*
- Re-allocate maintenance/storage functions to existing facilities on Blue and Green Lines

* Pending FTA approval

Steps Taken to Mitigate Cost Increases: OMF Site

- Re-allocate LRV maintenance functions to existing system facilities
- Operations and maintenance capacity:
 - Modification to Franklin facility for additional maintenance capacity
 - Interior modifications to Lowertown to support maintenance
- Revised plans for the Hopkins site to include a rail support facility, pocket track, stormwater ponding, parking

Revised Project Budget and Schedule

- Revised project budget: \$2.003B
 - Represents 7.8% (or \$145 million) increase from 2016 budget
 - Requires increased local funding commitment from Hennepin County and HCRRA of \$204M
- Revised project schedule: 2023 (revenue service)

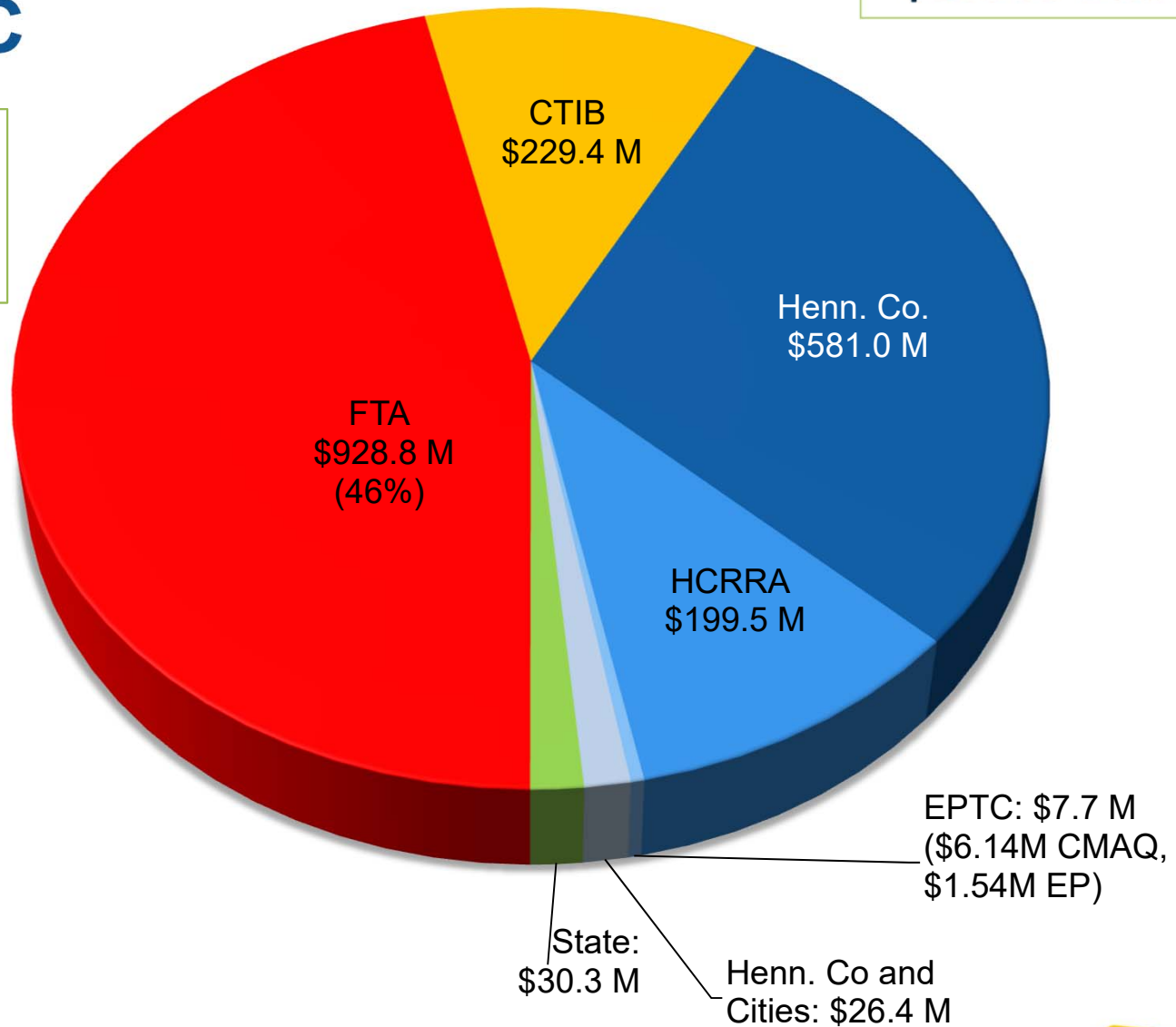
Revised Project Budget

Element	2016	2018	Details
Construction	\$984M	\$1,127M	<ul style="list-style-type: none"> • Increase in construction costs • Reallocate OMF functions in Hopkins to existing facilities, replace with rail support facility, pocket track and stormwater pond, work with the City of Hopkins to identify other project related public uses for the OMF site such as storm water management & parking • Add Eden Prairie Town Center, previously deferred • Include additional corridor protection / Northstar tail track extension
Right of Way	\$252M	\$219M	<ul style="list-style-type: none"> • Increase in relocations from estimate of 100 to 170+ • Remove County in-kind land value
LRV	\$126M	\$122M	<ul style="list-style-type: none"> • Adjust to reflect actual contract costs
Project Management	\$496M	\$535M	<ul style="list-style-type: none"> • Extend project duration, need to retain consultant support, contractors and agency staff longer • Additional environmental review
TOTAL	\$1,858M	\$2,003M	

Funding Sources With EPTC

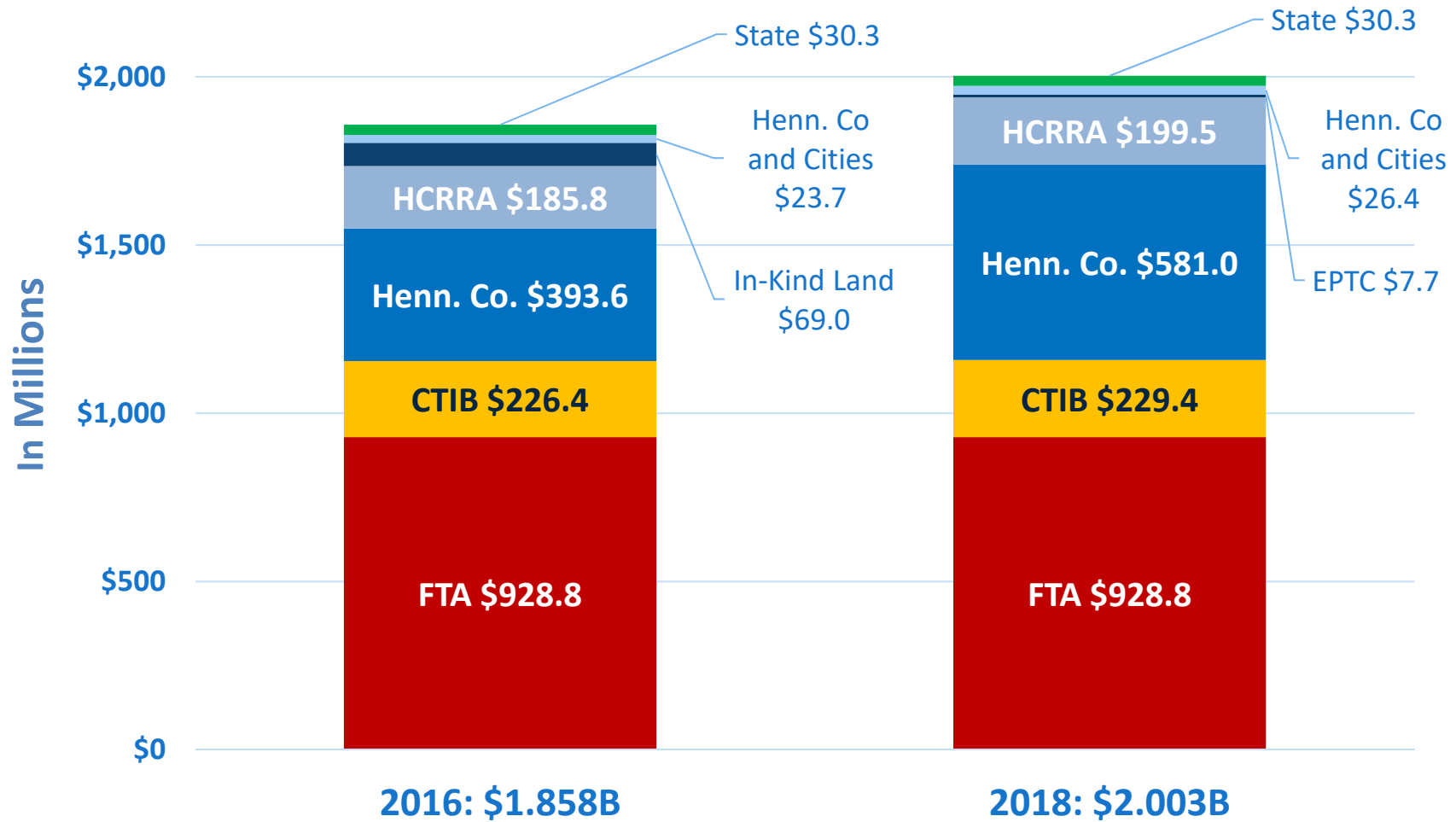
\$2.003 Billion

**\$928.8 Million
Local Funds
Committed**



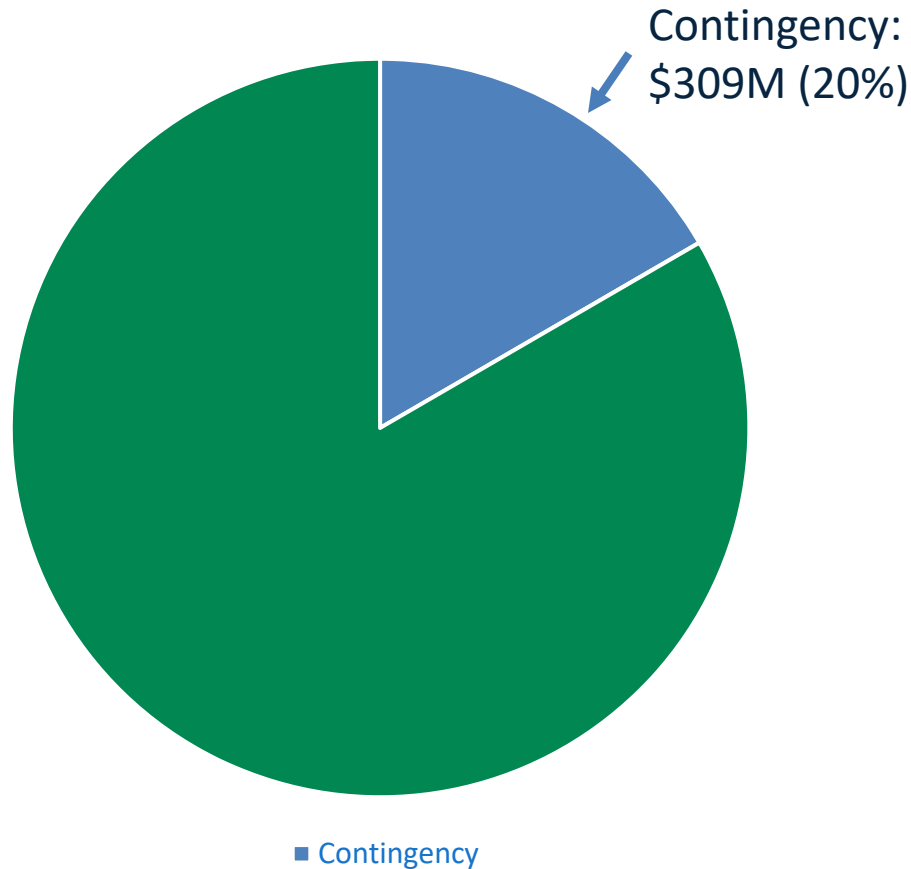
May 2018

SWLRT Budget Adjustments

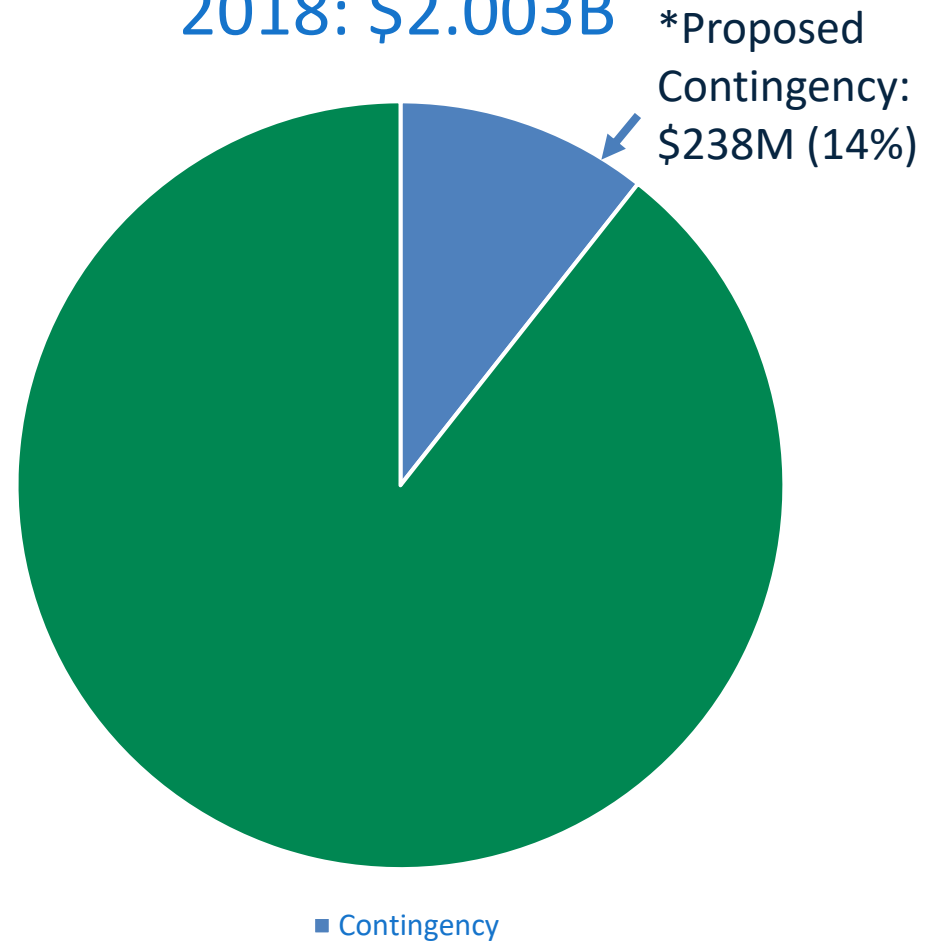


SWLRT Project Budget Contingency

2016: \$1.858B



2018: \$2.003B



May 2018

* Pending FTA approval

Executive Change Control Board

- Purpose:
 - Ensure orderly and appropriate coordination of significant changes to project budget
 - Bring the project in under-budget
- Hennepin County will have shared oversight with the Council on major decisions including contingency spending
- Change order ECCB approval > \$350K

Next Steps

- Hennepin County
 - May 17: Commissioner briefing
 - May 22: County Board & HCRRA meetings
 - May 31: County Board & HCRRA actions (special meetings)
- Metropolitan Council
 - May 23: Joint Management/Transportation Committee recommendation
 - May 24: Corridor Management Committee
 - May 30: Business Advisory Committee
 - May 30: Council action (special meeting)

2018 Major Project Milestones

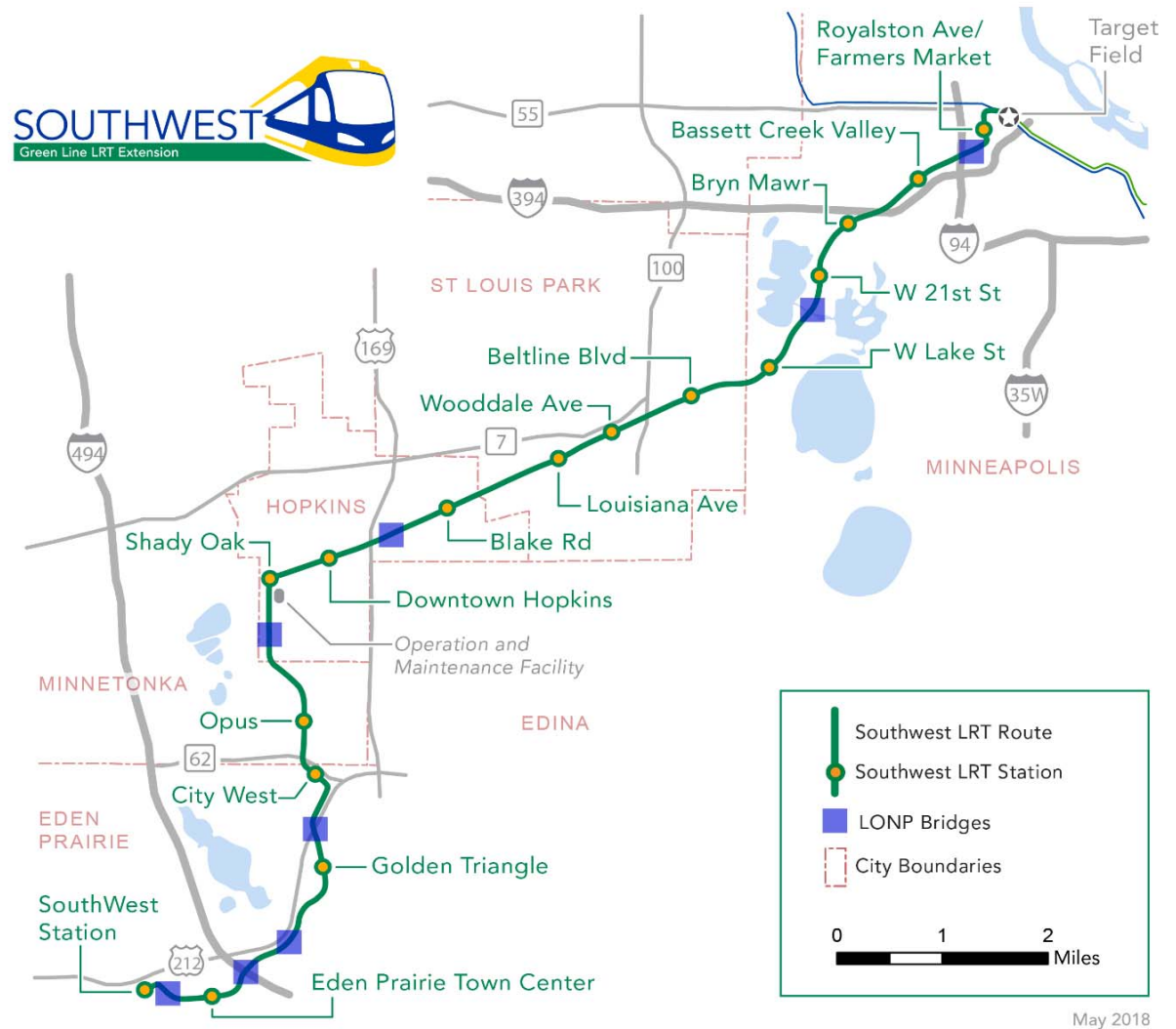
Month	Milestone
February	<ul style="list-style-type: none"> ✓ Published Supplemental Environmental Assessment ✓ Published Quality Management Services for Civil Construction RFP
March	<ul style="list-style-type: none"> ✓ Congressional Funding of CIG program ✓ Public Comment Period for SEA
April	<ul style="list-style-type: none"> ✓ Freight Rail Agreements/Surface Transportation Board Filing
May	<ul style="list-style-type: none"> ✓ Open Civil Construction Bids ✓ FTA Environmental Finding/Met Council Environmental Declaration ✓ Request FTA & Hennepin County Letter of No Prejudice (LONP)
July	<ul style="list-style-type: none"> • FTA & Hennepin County Approve LONPs
August	<ul style="list-style-type: none"> • Met Council Awards Civil Construction Contract
September	<ul style="list-style-type: none"> • Begin mobilizing for Civil Construction • Apply for Full Funding Grant Agreement

Letter of No Prejudice (LONP)

- Federal policy:
 - LONP authority allows an applicant to incur costs on a project utilizing non-Federal resources, with the understanding costs incurred subsequent to the issuance of the LONP may be reimbursable as eligible expenses should FTA approve the project at a later date
- May 18: Council submitted a FTA LONP request for the Civil Construction in the amount of \$187.3M
 - Begin construction activities: mobilization, pre-construction inspections, utility relocations, freight rail phasing/shutdowns, winter calendars & highway/road closures

LONP Scope

- Mobilization
- SouthWest Station
- Bridges
 - Prairie Center Dr
 - I-494
 - Valley View Rd
 - Nine Mile Creek
 - 212/Shady Oak Rd
 - Minnetonka/Hopkins
 - Excelsior Blvd
 - Kenilworth Channel
 - Glenwood Ave
- Freight Rail Trackwork
- Kenilworth Tunnel



Overall Project Schedule

	2011-2015	2016	2017	2018	2019	2020	2021	2022	2023
Project Development									
Engineering		ROD		AROD					
Construction				LONP	FFGA				
LRV Design, Production & Testing									
Fare Collection Production & Testing									
Integration Testing									
Revenue Operations									

ROD: Record of Decision

AROD: Amended ROD

LONP: Letter of No Prejudice

FFGA: Full Funding Grant Agreement

Recommendation (2018-127)

- That the Metropolitan Council:
 - Approve the updated SWLRT cost estimate of \$2.003 billion as the project budget; and
 - Acknowledge the revised project schedule that anticipates a revenue service year of 2023.

SWLRT Third Amendment to the Cooperative Funding Agreement with Hennepin County Regional Railroad Authority

Recommendation (2018-128)

- That the Council authorize the Regional Administrator to negotiate and execute the Third Amendment to the Cooperative Funding Agreement with HCRRA for the SWLRT to:
 - Extend the funding agreement to August 31, 2018;
 - Increase the amount of HCRRA's share of project funding by \$4,219,863 (from \$63,269,282 to \$67,489,145); and
 - Further clarify roles and responsibilities regarding use of contingency, liability and insurance in the corridor, financing federal grant reimbursements and costs associated with the unlikely event of a project shutdown and procedures for collaborative decision making.

SWLRT Fourth Amendment to the 2017 CTIB Capital Grant Agreement

Recommendation (2018-129)

- That the Council authorize the Regional Administrator to negotiate and execute to execute the fourth amendment to the 2017 CTIB Capital Grant Agreement for the SWLRT to:
 - Extend the 2017 CTIB grant from May 31, 2018 to August 31, 2018;
 - Increase the spending authority by \$4,431,337 (from \$179,834,921 to \$184,266,258); and
 - Further clarify roles and responsibilities regarding use of contingency, liability and insurance in the corridor, financing federal grant reimbursements and costs associated with the unlikely event of a project shutdown and procedures for collaborative decision making.

More Information

Online:

www.SWLRT.org

Email:

SWLRT@metrotransit.org

Twitter:

www.twitter.com/southwestlrt

