

CITY OF LOS ANGELES
INTER-DEPARTMENTAL MEMORANDUM

Date: August 26, 2013

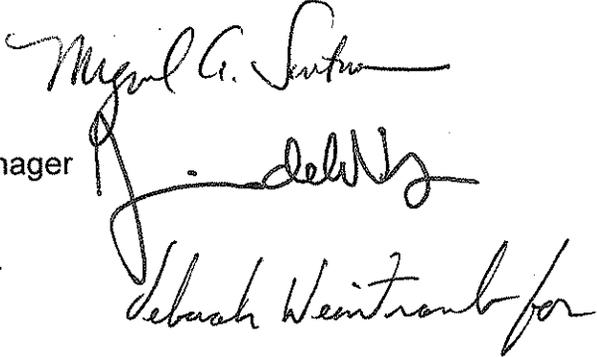
To: The Honorable City Council
c/o City Clerk, Room 395, City Hall
Attention: Honorable Mike Bonin, Chair, Transportation Committee

From: Miguel A. Santana
City Administrative Officer

Jaime de la Vega, General Manager
Department of Transportation

Gary Lee Moore, City Engineer
Bureau of Engineering

Subject: **RECOMMENDED PROJECT DELIVERY METHOD AND SUMMARY
PROJECT MANAGEMENT PLAN FOR THE LA STREETCAR PROJECT
(C.F. 11-0329-S7)**



SUMMARY

The purpose of this report is to present the recommendations of the City Administrative Officer (CAO), Department of Transportation (LADOT) and the Department of Public Works, Bureau of Engineering (BOE) regarding the recommended project delivery method and summary project management plan (PMP) for the LA Streetcar project.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. ADOPT the attached summary document which contains the recommended project delivery method and the summary project management plan (PMP) for the LA Streetcar project.
2. REQUEST the Office of the City Attorney to prepare and present an ordinance allowing the Department of Public Works to let Construction Manager / General Contractor (CM/GC) contracts for the delivery of the LA Streetcar project pursuant to a competitive proposal method.

3. AUTHORIZE the CAO to issue Requests for Proposals to hire a financial advisor, outside counsel and other appropriate consultants, as necessary, to assist with the analysis and development of a Design-Build-Operate-Maintain (DBOM) and/or Design-Build-Finance-Operate-Maintain (DBFOM) project delivery model for the streetcar project.

DISCUSSION

Project Delivery Method

After review and discussion of alternative project delivery methods, the consensus recommendation from the CAO, LADOT and BOE is that the City should contract for the project management and design consultant, and utilize the construction management / general contractor (CM/GC) method for input during design and for construction of the project. The City (BOE) is using this method for the Sixth Street Viaduct Replacement project. This is also the preferred project delivery method of CD 14 and LASI for the streetcar project.

The City and LASI will also continue to explore the feasibility of the Design-Build-Operate-Maintain (DBOM) and Design – Build – Finance – Operate – Maintain (DBFOM) project delivery methods. These methods offer the potential for additional transfer of risk from the City to the contractor and the opportunity to include private sector financing for the project.

Project Management – Partnership Structure

The CAO, LADOT and BOE also recommend that the City partner with LASI to deliver the project. As part of the recommended partnership approach, the City will assume the lead role in managing the delivery of the project (design, construction, operations) including approval of all specifications and design requirements, procurement methods and contracts. The City will also administer all funds (including any federal grants, CFD, Measure R, etc.) throughout all phases of project delivery.

LASI will continue to be an important project partner and will serve as a voting member of a proposed new LA Streetcar Executive Committee along with the CAO, LADOT and BOE. In addition, LASI will play a number of essential roles including assisting the City in advocating for federal funding, coordinating stakeholder communication and soliciting alternative sources of funding. LASI will also advance project delivery by assisting the City with the coordination of construction activities and provision of professional project management and technical services.

Financial Risk and Liability

Both the City and LASI have a shared financial interest in the delivery of the streetcar project. The current plan for delivery and operation of the project has the City

contributing 100% of the funding for the ongoing operations (less passenger revenues). The City will also be responsible for any potential cost overruns for construction and/or operations, and all liability issues. Further, if the project is approved for federal grant funding, the City will be designated as the responsible party by the FTA to deliver and operate the streetcar over the life of the project.

LASI was instrumental in helping the City to secure approval of the new Community Facilities District (CFD) No. 9 (Downtown Streetcar) that is expected to generate an estimated \$62.5 million in tax revenues for construction of the project. LASI represents the interests of the property owners who will be paying the new CFD tax over the next 30 years and is accountable to these stakeholders and the LASI Board of Directors. The City, as the CFD administrator, will be legally accountable to the taxpayers and bond holders.

Cost Estimate

LADOT's report (dated February 11, 2013) concerning the 30-year operations funding plan cited a preliminary cost estimate from the Community Redevelopment Agency (CRA) of \$125 million to construct the streetcar project. A revised and more comprehensive cost estimate is currently being prepared by HDR Engineering, Inc., under contract to Metro, as part of the environmental analysis for the project. While still preliminary, the current cost estimate to construct the project ranges from \$153 million (excludes Grand Ave. extension) to \$162 million (includes Grand Ave. extension). These construction cost estimates exclude the estimated cost for utility relocation. Preliminary cost estimates for utility relocation range from \$79.3 million to \$165.8 million. The total preliminary cost estimate for the project (including utilities) ranges from \$232.3 million to \$327.8 million. As directed by the City Council, an independent cost estimate will also be prepared for the project by the contracted project manager (see Next Steps section below).

Assuming that the City is awarded the maximum available \$75 million grant as part of the Small Starts program, the total amount of funding available to construct the streetcar project is \$137.5 million. This amount includes the previously discussed \$62.5 million from the CFD. The preliminary estimated total shortfall for the project ranges from \$94.8 million to \$190.3 million. Reductions to the scope of the project and/or additional funding resources will be required as the project moves forward.

Next Steps

There are a number of critical next steps that will need to be completed once the project delivery method and the roles and responsibilities for the City and LASI are defined, including the following:

- LADOT will submit a letter on behalf of the City to the Federal Transit Administration (FTA) requesting that the streetcar project be considered to enter

the project development phase of federal review. The PMP summary approved by the City Council and Mayor will be included with the letter.

- The City with LASI's assistance will finalize a complete and detailed version of the PMP for inclusion in federal grant application (see below).
- LADOT will submit a Small Starts grant funding application on behalf of the City to the FTA to construct the project (City local match funds derived from CFD tax revenues).
- The City Attorney will prepare and present a draft ordinance authorizing the use of the CM/GC method.
- LADOT, in coordination with BOE, will award a contract for a firm with streetcar experience to help manage the project.

It should be noted that any project work completed prior to entering the project development phase would not be eligible for a letter of no prejudice from the FTA and any City costs would not be reimbursable by the FTA. Further, projects entering the project development phase are not rated by the FTA and are not guaranteed a full funding agreement.

BACKGROUND

The City Council, at its meeting on March 6, 2013, approved a 30-year operations funding plan supported by Measure R for the LA streetcar project and authorized LADOT to submit an FTA Small Starts grant application for the project (C.F. 11-0329-S7). An important element of the FTA grant application is the required project management plan (PMP) which describes in detail how the project will be delivered. The City Council directed LADOT and BOE, with assistance from the CAO and CLA, to work with CD 14 and LASI to report back with a recommended project delivery method and PMP.

FISCAL IMPACT

The recommendations in this report do not commit to expend any additional funds for the streetcar project. The CFD tax funds will be used by the City as the local match for federal grant funding (if approved by the FTA), and the City has already committed to use local Measure R funds towards streetcar operations. To the extent that final capital costs exceed funds available from the CFD and federal grant funding (if approved by FTA), and no other funding source is identified, the General Fund will be responsible to fund the shortfall. This funding must be identified before LADOT submits the Small Starts grant funding application to the FTA.

Attachment

Downtown Los Angeles Streetcar Project

Project Delivery - Proposed Roles & Responsibilities

SUMMARY

This document describes the proposed roles and responsibilities of the City of Los Angeles ("City") and Los Angeles Streetcar, Inc. ("LASI") in the delivery of the planned LA Streetcar project ("project").

PURPOSE

The purpose of this document is to establish the roles of the City and LASI to deliver the project in anticipation of formal approval by the Federal Transit Administration (FTA) to enter the "Project Development" phase. Once finalized, the agreed upon roles and responsibilities will be formally incorporated into a detailed project management plan (PMP) to be submitted to the FTA as part of the Small Starts grant funding application for the project. The PMP is a working document designed to manage relationships between the entities tasked with designing, constructing, and operating the project. The PMP provides a broad roadmap for successful project delivery, yet it is designed to be amended and modified to incorporate new information, agreements, and responsibilities as they develop over the course of the project.

PROJECT DEVELOPMENT AND OPERATION

Both the City and LASI share a commitment to implement a successful project. A successful project would be built and operated consistent with the expectations of the community, the City and the Federal Government and within the projected fiscal limitations. While this shared commitment is equally strong, there are significant differences in the corresponding fiscal and legal responsibilities of both entities. The roles and responsibilities reflect these differences but not differences in value or commitment to the success of the project.

LASI - LASI advocacy was instrumental in securing approval of the new Community Facilities District No. 9 -Downtown Streetcar (CFD) that will provide the local match to the federal grant. The CFD is expected to generate an estimated \$62.5 million in tax revenues for construction of the streetcar project. LASI represents the interests of the property owners who will be paying the new CFD tax over the next thirty years and is accountable for successful project delivery to these stakeholders and the LASI Board of Directors.

The City of Los Angeles – While the City shares the same commitment to successful project delivery, the City's fiscal and legal responsibilities are significantly greater. Not only is the City responsible to the CFD property owners, but the City is responsible to CFD Bondholders. The City Administrative Officer is responsible for administration of the CFD. Under FTA guidelines, the City, through LADOT, will be responsible for the use and administration of FTA Funds and construction oversight, as well as 100% of the on-going operations of the streetcar project, less fare revenue. The success of this project will directly impact the City's relationship with the Federal Government, municipal bondholders and City taxpayers and will impact the ability of the City to finance future opportunities across the entire City, not just downtown, for 30 years.

The City will be ultimately responsible to deliver and operate the project on a long term basis once it accepts Federal Grant Funds and issues CFD bonds. Finally, since LASI has no significant funding source other than tax dollars, any and all project overruns that exceed available funding will be the responsibility of the City. The City Council, at its meeting on March 6, 2013, approved a commitment of \$295 million over a 30-year period to fund the streetcar operations pursuant to FTA and CFD requirements that funds for operations be identified.

It is critical that the project is delivered on budget, especially in light of the fact that both FTA grant funds and the local match are capped. If construction costs exceed the grant and match fund amounts, additional funding will need to be identified from City sources. Local property owners have taxed themselves to construct the project, and they expect their tax dollars to construct a viable project with appropriate service levels as articulated in the CFD. It is equally important to ensure that the built project has the best life-cycle cost to reduce the City's long-term operating costs and that appropriate service levels can be provided with the anticipated public subsidies. All of these elements have been taken into consideration in the development of a formal and enforceable reporting relationship between the builder, operator and policy makers.

PARTNERSHIP STRUCTURE

The proposed partnership structure and specified roles and responsibilities address the issues and the interests identified above.

Overview

The City and LASI will work together in a unique public-private partnership (P3) to manage project delivery.

- The City will serve as the lead agency for the project development, construction and operation. The City will manage project delivery and will oversee approval of

all specifications and design requirements, contracts, procurement methods, and other implementation requirements. The City will also administer all funds throughout all phases of project delivery.

- LASI will work with the City to deliver the project, including advocating for federal funds for the project, coordinating stakeholder communications and soliciting alternative sources of funding, including, but not limited to, naming rights, advertising, and other strategic partnerships (subject to City approval), to the extent permitted by law.
- LASI will assist the City, as needed, with procurement, coordination of construction activities and assist on the procurement of professional project management services. A separate agreement between LASI and the City would be developed to clearly articulate each entity's role.

Project Delivery

The following summarizes the general roles of the City and LASI in delivering the Project.

1. The City Engineer, the General Manager for LADOT, the City Administrative Officer (CAO) and the Executive Director of LASI or designee from the LASI Board will serve on an LA Streetcar Executive Committee (Executive Committee) for the Project.
2. The Executive Committee will meet monthly to review and make decisions regarding all major project issues, including recommended contract awards, technical and policy issues, etc. The committee representatives shall appoint a designee from their respective staffs if they are unable to attend a meeting.
3. Each of the agencies (BOE, LADOT, CAO and LASI) will have one vote on the Executive Committee. The Chair of the Executive Committee will be the General Manager of the Department of Transportation. Staff of the Executive Committee will prepare reports for consideration by the Executive Committee.
4. Staff of the Executive Committee, in coordination with other City departments and with assistance from consultants (as needed), will prepare procurement documents for all aspects of the Project including project management, design, construction, vehicle procurement, operations, etc. Procurement shall comply with all City and Federal Transit Administration (FTA) contract processes and requirements.
5. City staff shall retain final decision-making authority over all project issues and recommendations.

6. The Executive Committee will forward reports (signed by the Chair) to the City's Board of Public Works and/or the City Council and Mayor for approval of major contract awards including project management, design, construction, vehicle procurement, operations, etc. The staff reports may include a section discussing LASI's position regarding the recommendation(s) for consideration by the decision-making bodies..
7. The City will execute agreements for all major contract awards and will be directly responsible for managing these contracts. LASI will provide as-needed assistance and input to the City regarding the management of these contracts.

As the agency with the most extensive experience successfully delivering major capital projects, notwithstanding the Executive Committee structure described above, the City Engineer shall serve as the lead on all Project design and construction matters. As the agency with extensive expertise operating the second largest bus system in Los Angeles County and administering FTA grants, LADOT shall serve as the lead agency on all matters associated with Project operations, vehicle procurement and FTA grant administration. As the agency charged with overseeing the City relationship with the municipal investment community, the City Administrative Officer is the lead on all matters associated with the Community Facility District.

PROCUREMENT DELIVERY METHOD

Recommended Method (CM/GC)

The recommended procurement/delivery method at this time for design support and for construction of the project is the Construction Manager/General Contractor (CM/GC) process. Utilization of this process by the City would require approval and adoption of an ordinance by the City Council.

This method would have the City hire the project management firm, the design firm, and the construction firm under separate procurement processes, with the construction firm (GC) brought into the process at an early stage to consult on the design. The design firm would be responsible for final design (100%), though in consultation with the GC. The final design should be highly constructible within budget due to the feedback from the construction firm. The City would pay slightly more than under a traditional project delivery method to the GC to garner constructability feedback during design. The GC would then bid on construction. If the City does not accept the bid (e.g. the price is too high), then the City would solicit bids from the market.

Alternative Methods

There are other viable methods to procure and deliver the project. It is the consensus opinion of the CAO, BOE, LADOT and LASI that none are as advantageous as CM/GC for the reasons noted below.

Design-Bid-Build (Traditional)

The traditional design-bid-build would have a longer schedule due to two sequential procurement processes. In addition, the design would not benefit from practical constructability feedback from a builder (GC).

Design-Build (D/B)

D/B could produce an equivalent or faster schedule. However, it would not let City technical staff, elected officials, and/or the public have decision-making authority over final design without change orders. D/B would require the City to make all design concept decisions and identify all standards and requirements up-front, then document them comprehensively in the bid documents and final contract.

Design-Build-Operate-Maintain (DBOM)

DBOM is another potentially viable strategy for this project. Because the City is providing operating subsidies and wants to preserve policy flexibility on issues such as service hours and fares, a DBOM arrangement is not recommended at this time.

PROCUREMENT

Project Management

A project management consultant will be selected through a competitive procurement process to help oversee and coordinate all aspects of the project including design, construction, vehicle engineering, operations, etc. The project management consultant will also oversee preparation of all procurement documents. The City will manage the project management consultant.

Design

As previously discussed in the Project Delivery section (CM/GC method), a design firm will be selected through a competitive procurement process. This procurement process will be separate from the construction firm procurement process. Design will be managed by the City and the project management consultant.

Construction

As previously discussed in the Project Delivery section, a construction firm will be selected through a competitive procurement process. The construction firm will consult on the project design. The construction process will be managed by the City and the project management consultant.

Vehicle Procurement

A vehicle engineering consultant will be selected independently of the project management and vehicle acquisition procurement processes. A vehicle engineering consultant will be retained through a competitive procurement process to assist with the preparation of the specifications for bid, assist with the evaluation of proposals, and oversee the manufacture and delivery of the vehicles. The City (LADOT) and the project management consultant will manage the vehicle procurement consultant.

Operations

The City Council and Mayor will approve all operations service policies including the establishment of and modifications to service levels and fares. It is anticipated that project operations will be provided by a firm selected through the competitive contracting process, either concurrent with the procurement of firm(s) for project design and construction or after, and that the City (LADOT) will manage the operations contractor. This is the same structure currently used by the City for its bus transit operations.

Independent Cost Estimate

The City is in the process of securing a consultant to perform an independent cost estimate. The independent cost estimate will allow the City Council and Mayor to make an informed decision regarding the potential financial commitment required to successfully complete the project. The independent cost estimate will be presented to the City Council and Mayor prior to any final decision to accept any grant funds awarded by the Federal Government.

Rev. 8/26/13

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