

T Transportation Committee
Meeting date: November 8, 2010
Metropolitan Council Meeting: December 8, 2010

ADVISORY INFORMATION

Date: October 28, 2010
Subject: Central Corridor Light Rail Transit: Project Contract Under Runs
District(s), Member(s): All
Policy/Legal Reference: Council Policy 3.1, Financial Planning and Budget
Staff Prepared/Presented: Brian Lamb, General Manager, 612-349-7510
Mark Fuhrmann, Deputy General Manager, 651-602-1942
Division/Department: Metro Transit/ Central Corridor Project Office

Proposed Action

That the Metropolitan Council preserve the construction contract budget under run for the Central Corridor Light Rail Transit (LRT) Project for the Civil East, Civil West, Systems, Operation and Maintenance Facility and Light Rail Vehicles contract awards in the aggregate amount of \$34 million separate and apart from the project base contingency amount of \$152 million. Furthermore, expenditure of any of the \$34 million will require approval of project lead funding partners Counties Transit Improvement Board (CTIB), Ramsey County Regional Railroad Authority (RCRRA), Hennepin County Regional Railroad Authority (HCRRA) and the Metropolitan Council.

Background

The Federal Transit Administration (FTA) requires all New Starts project sponsors to include contingency in the project budget estimate as the project progresses through preliminary engineering, final design and execution of the Full Funding Grant Agreement. Central Corridor LRT has done so with a contingency budget of \$152 million as part of the overall project budget of \$956.9 million. Staff believes this contingency amount to be adequate given the market risk of higher than budgeted construction bid prices has been eliminated.

The Council has awarded major Central Corridor LRT contracts for Civil East, Civil West, Systems and Light Rail Vehicles in 2010 with scheduled award of the Operation and Maintenance Facility (OMF) contract on December 8, 2010. In aggregate, the contracts awarded to date and the apparent low bid for the OMF contract result in a construction budget under run of \$34 million.

Rationale

The Federal Transit Administration has conducted its financial capacity assessment of the Council and the Central Corridor Project and found the Council has the financial commitments in hand to fully execute delivery of the Central Corridor LRT Project including \$152 million of contingency. The \$34 million budget under run is not included in the budgeted \$152 million contingency.

Staff is not recommending a reduction in the overall budget of \$956.9 million. Any change in the project budget, up or down, as the processing of the Full Funding Grant progresses, would require a revised financial plan. This under FTA regulations would initiate a new FTA financial capacity assessment that experience shows would cause a

three to five month delay in receipt of the grant into the latter half of 2011 placing more risk on the Council and local funding partners.

The Council as the federal grantee and the fiduciary steward for the project is responsible for managing the project budget and delivery of the project within budget. It is prudent at this time to set aside the \$34 million apart from the project contingency and conserve these funds. Any financial obligation of all or a portion of the \$34 million will require approval by the CTIB, RCRRA, HCRRA and the Metropolitan Council.

Funding

No new funding is requested.

Known Support / Opposition

The lead local funding partners support this recommendation.