



**Rail
Construction
Corporation**



a Subsidiary of
the Los Angeles County
Transportation Commission

**RAIL CONSTRUCTION CORPORATION
MINUTES OF MEETING DECEMBER 10, 1990**

MEMBERS PRESENT

DAVID ANDERSON, CHAIRMAN
ERNEST CAMACHO, VICE CHAIRMAN
HERBERT L. CARTER
JUDITH HOPKINSON
ROBERT E. KRUSE
DONALD McINTYRE
JAMES T. POTT

STAFF PRESENT

EDWARD McSPEDON, PRESIDENT/CEO
NEIL PETERSON, EXECUTIVE DIRECTOR, LACTC
AL SCALA, MANAGER OF CONTRACTS
JEFF CHRISTIANSEN, V.P., PROGRAM MANAGEMENT
JIM WILEY, MANAGER OF REAL ESTATE
ABDOUL SESAY, LACTC RISK MANAGER
MARIA WHITE, ADMINISTRATIVE SECRETARY

OTHER

NINA PHILLIPS, COUNTY COUNSEL
AUGUSTIN ZUNIGA, COUNTY COUNSEL

CALL TO ORDER

The meeting was called to order at 2:00 p.m.

EXECUTIVE SESSION

The Board adjourned to an Executive Session to discuss a purchase/construction agreement, City of Los Angeles (McArthur Park).

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RETURN TO OPEN SESSION

The Board returned to open session.

APPROVAL OF MINUTES OF THE NOVEMBER 12, 1990 MEETING

The Board approved the minutes of the November 26, 1990 meeting as submitted.

CHAIRMAN'S REMARKS

The Board reviewed and adopted the proposed calendar of RCC meetings for the first half of 1991.

PRESIDENT'S REPORT

Mr. McSpedon reported on LACTC's November 28 action on the RCC Board's recommendations. He stated that regarding the Blue Line safety enhancements, the Commission approved only the immediate actions. Regarding the subsequent actions, the Commission directed staff to proceed with studying long-term enhancements and return to the Commission with the results and any recommendations developing from the study. The Commission also directed staff not proceed with installing or procuring any items for the long term enhancements.

The Board asked that staff also return to the Board with any additional recommendations on the subsequent actions.

Mr. Pott asked if the subsequent actions would be prioritized or brought back at one time. Mr. Carter asked what timeframe staff is looking at for reviewing the subsequent items. Mr. McSpedon stated that he would return to the Board in January with an update on staff's procedure on these issues.

Mr. McSpedon reported on the APTA Rail Transit Steering Committee meeting he attended on December 6. He stated that one of the items discussed was the preparation for the agenda for the Annual Rapid Transit Meeting scheduled for June in Philadelphia.

CONSENT CALENDAR

The consent items were approved as submitted.

OWNER CONTROLLED INSURANCE PROGRAM (OCIP) INCORPORATION OF RED AND GREEN LINE PROJECTS

Mr. Christiansen presented staff's report on the OCIP program. Mr. Pott asked if staff has prepared the comprehensive report on the entire insurance program that he previously had requested. Mr. Christiansen stated that this presentation is focused on the OCIP program for the Green Line and MOS-2 projects.

Dr. Carter asked that staff return at a later date with a in-depth report on the entire insurance program and at present address the current recommendations and make a decision with respect to the recommendations being presented. The Board concurred.

Mr. Wally Ryland, Chairman of the Metro Transit Insurance Administrators (MTIA), a joint venture led by Sedgwick James including Akasaka, Ortiz & Varela, and Rideau & Associates, addressed the Board on the MTIA organization and functions of the OCIP program. The Board heard presentations by Bill Ortiz on the elements and benefits of OCIP; Tony Stevens, Project Director, on the insurance program and changes and improvements since the inception of the program; Jim Thompson, Marketing Manager, spoke on marketing negotiations and new improvements on the program.

Mr. Anderson asked about premiums in respect to a percent of construction costs. Tony Stevens stated that experience on the Blue Line and MOS-1 show that the premiums fall within 3% and 5% after dividends, which is consistent with other type programs. Mr. Stevens also spoke on comparisons of the use of OCIP vs. non-OCIP programs resulting from studies and analysis performed by MTIA.

Mr. Ron Rakich of Warren, McVeigh & Griffin, Inc. and author of the 11/19/90 LACTC Risk Management Report stated that the report showed the OCIP is the best way to go, but stated that he could not quantify the cost savings of one program vs. the other, as there are many factors to consider, and the only way to know for sure which is the most cost effective is to have a competitive process.

Mr. Camacho stated that one of the Board's concerns with the current OCIP falls under the area of Risk Management as to whether a third-party should be making decisions that in actuality should be made in-house.

Mr. Ryland stated that originally the entire OCIP program was selected through a competitive process. He also stated that all national insurance firms have specialties and MTIA has established credentials in the specialty of the OCIP program.

Mr. Peterson concurred with Mr. Ryland and gave background as to how the American Public Transit Association called upon the firm to assist them in the assignment of developing their own pool to handle the insurance for the transit industry.

Mr. Kruse asked what makes the difference today as compared to the beginning of the project five years ago. Mr. Ryland stated that at the onset the carrier's concerns were: a new project and also a new agency. Now after five years of proven experience on the project, a substantial reduction of rates can be negotiated.

The MTIA team summarized the next steps for an action plan to mobilize for the Green Line and MOS-2 projects. This will include negotiating the actual payments with underwriters, issuing the contracts, and making sure that the appropriate language is incorporated into the construction documents.

Mr. Camacho motioned to accept staff's recommendation with a proviso that a review of the entire program be done by the LACTC's Risk Manager. The motion was seconded. Dr. Carter questioned the meaning and timeframe of this provision. Mr. Abdoul Sesay, LACTC's Risk Manager, stated it would take about 60 days. Mr. Peterson asked Mr. Camacho if the review requested concerns the concept of doing an OCIP or is it a review of the in which the OCIP is administered. Mr. Camacho stated his concern is the latter.

Mr. Ryland stated that this item is scheduled to be delivered to the underwriters by December 15. Mr. McSpedon addressed the Board's question on how much time is available on the Green Line and MOS-2 projects before the first contract is out. Mr. McSpedon stated the first contract on the Green Line is already awarded and the contractor was required to furnish his own insurance with the assumption that as soon as the overall coverage is in place, the contract would be wrapped-up in the OCIP program. The first major contract on MOS-2 was bid assuming an OCIP would be in place and if not, a change order would be issued for the contractor to furnish his own insurance. Another MOS-2 contract is scheduled for bid opening on December 18 and does not include contractor furnished insurance. There are a couple of more large contracts due on MOS-2 by April and also a couple on the Green Line to be issued by April. Mr. McSpedon stated that insurance could be provided on a contract-by-contract basis, but it is not the most cost-effective approach.

Mr. McSpedon stated that the insurance administration contract is reviewed annually and that the Scope of Services for the administration of the OCIP can be split between MTIA and staff at this time to be most effective. Mr. Camacho reiterated that his concern is not on the OCIP program, but more on the fact that the Commission have a firm handle on the entire insurance program.

With this clarification, Mr. Carter asked for a vote on Mr. Camacho's motion to approve staff's recommendation with the addition that a determination by the LACTC Risk Manager be made as to the scope of administrative functions that can be handled in-house. Motion approved with Mr. Pott voting no.

METRO RED LINE, LINE SECTION, WILSHIRE/ALVARADO STATION TO WILSHIRE/VERMONT STATION, WITH POCKET TRACK, CONTRACT NO. B-201

Mr. McSpedon reported that at this time an Agreement with the City of Los Angeles enabling the contractor to gain access to the Park has not been finalized and recommended that the Board withhold approval at this time. Staff will continue to work with the City of Los Angeles to finalize the Agreement. Mr. Pott moved, seconded by Mr. McIntyre to table this item. Motion approved.

UPDATE ON MOS-1 MANAGEMENT ACTION PLAN

Ed McSpedon reported on staff's follow-up to the report presented by DKJV on the Audit DKJV prepared at the time of the transition of the MOS-1 project from the SCRTD to the RCC. Staff distributed a draft management action plan (see attached) to the Board for review. Staff will return in January with the plan to address the issues in the report. Mr. McSpedon stated that since the last meeting staff has reviewed the Auditor's Report and is in concurrence with the findings of the audit and the recommendations made in the report.

The Board asked that staff also address any issues that would require any policy changes at its January presentation.

TRANSIT BOND GUARANTEE PROGRAM

Iris Rideau addressed the Board on the Bond Guarantee Program.

Topics covered in the presentation included an overview on day-to-day services: documents; applications, bond packaging, management and fiscal services to DBEs; also job site monitoring; summary of the bonding and approval process; and a summary of the program and its statistics in performance.

Ms. Rideau stated that in the original RFP issued by SCRTD for an OCIP, a statement was included that the appointed broker of record be responsible for the design and implementation of a Bond Guarantee Program. This program was conceived as a social program to assist minorities to provide security bonding and also to provide technical and management assistance to avoid default, which is a key problem. The Program was funded in 1988. The program is currently administered by SCRTD with administrative costs funded 70% by UMTA.

The City of Los Angeles and LACTC have pledged \$7.5 million each from Prop. A funds for collateral for bonds issued on the program.

METRO GREEN LINE: NORTH COAST SEGMENT

This item was tabled to the January meeting.

AWARD CONTRACT FM-014 PMO/PMA CONSULTANT

Ed McSpedon presented staff's report. The Board recommended that the Commission authorize the Executive Director to negotiate and execute a contract for first year services in the Not-to-Exceed amount of \$2,003,500 which includes an estimated cost of \$1,821,159 and a 10% fee allowance of \$182,371.

REAL ESTATE PRESENTATION

Jim Wiley gave the Board a presentation on LACTC's real estate acquisition process on the Metro Red Line MOS-2 and Metro Green Line projects.

OPEN SESSION

The Board return to an Open Session

PUBLIC COMMENTS

John Walsh addressed the Board.

EXECUTIVE SESSION

The Board adjourned to a closed session to discuss the following:

- o Real Estate Matters
 - Lease Agreement: Hughes Sub-Lease; El Segundo Research Center: LAX Business Center
 - Consideration of counter offer, B2-152 Beverly Larner
- o Pending Litigation

RCC ORGANIZATION

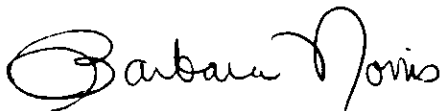
The Board met with Coopers & Lybrand, Organizational Management Consultants and reviewed the firm's Scope of Work and authorized them to proceed.

BOARD MEMBERS REQUEST FOR FUTURE ITEMS

No items submitted at this time.

ADJOURNMENT

The meeting adjourned at 7:15 p.m.



BARBARA NORRIS
Board Secretary

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