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MAY 1, 1997



Los Angeles County  
Metropolitan  
Transportation  
Authority

One Gateway Plaza  
Los Angeles, CA  
90012

213.922.6000

TO: BOARD OF DIRECTORS

FROM: LINDA BOHLINGER *Linda Bohlinger*  
INTERIM CHIEF EXECUTIVE OFFICER

SUBJECT: APPROVE AN INCREASE TO THE AUTHORIZATION FOR  
EXPENDITURE FOR CONFIGURATION MANAGEMENT  
SERVICES TO COMPLETE THE METRO RED LINE,  
VERMONT/HOLLYWOOD CORRIDOR WORK

**RECOMMENDATION**

Approve:

- a) Work Authorization Change Notice (WACN) No. 20.02 to Contract No. CM001 for Configuration Management Services with LKG-CMC, Inc. in the amount of \$260,000, for a revised total Contract Work Order Value of \$1,412,269; and
- b) an increase to the Authorization for Expenditure (AFE) in the amount of \$152,620 for a total revised AFE amount from \$1,279,649 to \$1,432,296 and an allowance of \$20,000 to provide for potential changes.

Within Construction Committee authority:  Yes  No

**ORGANIZATIONAL IMPACT**

Issuance of this WACN is essential to prevent an impact to the project schedule for the Metro Red Line, Vermont/Hollywood Corridor.

**BUDGET IMPACT**

The funds for this action are available within the Board approved project budget of \$1,640,781,000. This recommended action will increase the current CM001 Contract Work Order 002 value of \$1,152,269 by \$260,000 to \$1,412,269. The forecast and final cost including this Change Notice and other anticipated changes for this contract is shown in Attachment 1. Project Contingency will be reduced by the \$260,000 required. The recommended action does not impact the MTA Fiscal Year Budget or the Sources of Funds, either in the fiscal year or over the life of the project.

Potential for Cost Recovery:  Yes  No

## **ALTERNATIVES CONSIDERED**

The Board has the option to withhold approval. Disapproval of this action will delay the preparation and issuance of the solicitation, construction, and operations documents for construction and operation of the Metro Red Line, Vermont/Hollywood Corridor Project. In-house staffing to support these functions is not sufficient at this time, but will be considered for future projects.

## **BACKGROUND**

The Board approved the award of the subject contract to LKG-CMC, Inc. in July of 1993 to provide Configuration Management Services to all Construction Division Rail Projects for a 5 year period from July 1993 through July 1998. Factors outside of the consultant's control caused an increase in the level of effort anticipated at the time of the original contract award. Greater than anticipated contract document change activity; repackaging of the entire B251 contracts into multiple bidding and contract packages; changes in contractor as-built handling; and higher than anticipated volume of print requests resulted in higher costs than anticipated.

The \$260,000 is the minimum amount required to fund LKG-CMC until the audit has been completed. The total cost to complete contract work from March 1997 through July 1998 has been negotiated at a value of \$437,717. See Attachment 2 for additional background information.

## **SMALL BUSINESS PARTICIPATION**

The Contract has a DBE goal of 30%. Inasmuch as the prime contractor and all subcontractors are DBEs, participation will exceed the DBE goal. This five (5) year Contract Work Order (CWO) contract is approximately 58% completed; current attainment is 34.72%.

## **ATTACHMENTS**

Attachment 1 - Contract Value Status


Attachment 2 - Additional Background and Cost Recovery Potential

Attachment 3 - Cumulative Summary of Construction Committee Approvals

Prepared by:

Louisa Simpson, Program Manager

Maria V. Lechuga, Contract Administrator

  
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Charles W. Stark  
Interim Executive Officer, Construction

**ATTACHMENT 1**  
**PROFESSIONAL SERVICES CONTRACT VALUE STATUS**  
R81 - Metro Red Line - Segment 2

**CM001 - LKG-CMC, INC.**  
**CONTRACT WORK ORDER #02 - WACN APPROVAL**

**PROJECT CUMULATIVE CWO VALUE FOR CONTRACT CM001**

1. TOTAL INITIAL CWO VALUE:	\$1,163,317
2. TOTAL PREVIOUS AMENDMENTS:	(\$11,048)
3. TOTAL CURRENT CONTRACT VALUE (1 + 2)	\$1,152,269
4. VALUE OF THIS WACN	\$260,000
5. PROPOSED BOARD APPROVED CONTRACT VALUE (3 + 4)	\$1,412,269
6. STAFF APPROVED CCN NTE VALUE	\$110,000
7. CCN NTE'S INCLUDED IN WACN	\$110,000
8. CCN NTE'S IN OUTSTANDING CCN'S (6-7)	\$0
9. NEW CONTRACT EXPENDITURE CEILING (5 + 8)	\$1,412,269

**AUTHORIZATION FOR EXPENDITURE STATUS : TOTAL PROJECT R81 CM001**

10. EXPENDED TO DATE	\$1,067,319	
11. UNEXPENDED CWO VALUE (9-10)	\$344,950	
12. NTE ALLOWANCE (From Table)	\$20,000	
13. PROPOSED AFE (5 + 12)	\$1,432,269	*
14. CURRENT AFE	\$1,279,649	
15. AFE ADJUSTMENT REQUIRED (13-14)	\$152,620	

**BUDGET STATUS : TOTAL PROJECT R81 CM001**

16. CURRENT CONTRACT BUDGET	\$1,163,317	
17. PROPOSED BOARD APPROVED CONTRACT VALUE	\$1,412,269	
18. OUTSTANDING CCN'S	\$177,717	as of 05/05/97
19. TRENDS AND CONTINGENCIES	\$0	
20. FORECAST FINAL COST (17 + 18 + 19)	\$1,589,986	as of [1]

REVIEWED BY: *John McCarty 5/6/97*

\* - Allows future CCN NTE authorizations up to: \$20,000  
[1] Forecast will be revised end of June

**ATTACHMENT 1**  
**PROFESSIONAL SERVICES CONTRACT VALUE STATUS**  
R81 - Metro Red Line - Segment 2

**CM001 - LKG-CMC, INC.**  
**CONTRACT WORK ORDER #02 - WACN APPROVAL**

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**CWO STATUS: CONTRACT WORK ORDER 2.00**

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1. INITIAL CWO VALUE:	\$1,163,317
2. PREVIOUS AMENDMENTS	(\$11,048)
3. CURRENT CWO VALUE (1 + 2)	\$1,152,269
4. VALUE OF THIS WACN	\$260,000
5. PROPOSED BOARD APPROVED CWO VALUE (3 + 4)	\$1,412,269
6. STAFF APPROVED CCN NTE VALUE	\$110,000
7. CCN NTE'S INCLUDED IN WACN	\$110,000
8. CCN NTE'S IN OUTSTANDING CCN'S (6-7)	\$0
9. NEW CWO EXPENDITURE CEILING (5 + 8)	\$1,412,269

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REVIEWED BY:

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## ATTACHMENT 2

### **Additional Background and Cost Recovery Potential**

In January 1995, LKG notified the MTA that the volume of contract document changes on the Vermont/Hollywood Corridor project was greater than anticipated and was resulting in higher than anticipated labor hours to coordinate and process printing and distribution of revised documents. LKG estimated increased costs of approximately \$640,000. MTA noted the potential cost increase as a trend against Contract CM001 costs for Metro Red Line, Vermont/Hollywood Corridor, but instructed LKG to take action to mitigate costs where possible and resubmit as part of the 75% notice required by the contract.

In January 1997, LKG provided the notice at 75% of the total contract cost incurred and notified the MTA that the current contract cost limit was not sufficient to complete the Vermont/Hollywood contract work. The MTA issued Change Notice 20.00 requesting a total cost to complete proposal. Change Notice 20.00 was issued as a Work Authorization with a cost limit amount not-to-exceed \$50,000, to ensure that work continued during negotiation of the cost-to-complete change. The not-to-exceed limit was subsequently increased to \$110,000. LKG responded with a preliminary cost proposal of \$793,886.

Concurrent with approval and issuance of Change Notice 20.00, Charles Stark, Interim Executive Officer, Construction, requested that technical staff review LKG staffing levels and work effort, and recommend cost mitigation measures. A team consisting of MTA Configuration Systems staff, the Contract Administrator, and MTA Estimating met with LKG management and staff to review work effort and staffing structure. MTA staff also observed LKG processes and interviewed staff. Based on observation and reviews, MTA recommended that LKG restructure staffing and reduce redundant management positions to reduce processing costs. LKG concurred with recommendations and immediately implemented staffing changes and submitted a revised proposal for approximately \$681,000.

During negotiations, MTA and LKG reviewed average hours required for specific tasks such as bid document handling, revision release control and distributions, contractor as-built and project record documents, and operations and maintenance document handling and transfers. MTA also performed a historical analysis of the volume of activity and costs related to key tasks in order to determine where the volume of activity had been greater than that anticipated at the time of original contract negotiation. Key factors contributing to cost increases were identified as: 1) Higher than anticipated volume of contract drawing and document revisions; 2) Additional work associated with the termination of the B251 contract including subsequent contract document repackaging and litigation support; 3) Increase in the number of construction and professional services contracts bid for the Metro Red Line, Vermont/Hollywood Corridor; 4) Increase in handling of contractor as-built documents resulting from changes in construction contract as-built submittal requirements

incorporated following original CM001 contract negotiations; 5) Higher than anticipated hours to clean up and resolve discrepancies in drawing control database inherited from the EMC; and 6) Higher than anticipated hours converting and posting contract documents to the MTA network in electronic, searchable form.

Based on this analysis, and a negotiated agreement of reasonable average hours for support tasks performed by LKG, MTA and LKG reached agreement on an estimated need for an additional 9,332 hours to complete the contract work. The estimated labor hours are based on forecast volume of work which will be required from the period of March 1997 through July 1998. The estimated volume of contract bids, change notices, as-built submittals, and other associated work along with the agreed average per task labor hours, will be included as part of the contract amendment and will provide a tool for ongoing monthly monitoring and assessment of reasonable costs.

On April 24, 1997, LKG submitted their final negotiated cost of \$437,717 for the agreed 9,332 additional hours estimated to complete the contract work. The final cost proposal has been submitted to MTA Management Audit Services for audit, and a contract amendment will be processed on completion of audit.

LKG billed costs reached the current contract limit as of the end of March, 1997 and LKG is operating under the Work Authorization limit of \$110,000 allowed under CN 20. Due to a spike in the number of change notices issued to the Metro Red Line Vermont/Hollywood Corridor systems contracts in March and April, this limit will be reached by the end of May 1997. An increase in the AFE is requested to allow issuance of a further work authorization pending completion of the audit and final contract amendment to ensure that project support work continues without interruption.

#### Cost Recovery Potential

1. Work Associated with Contract B251 Termination and Subsequent Redistribution of Work: LKG is tracking all work efforts associated with document packaging, printing coordination and document distribution resulting from the redistribution of work resulting from B251 termination and litigation. Costs are estimated at approximately \$70,000, which may be recoverable from the B251 contractor's insurance.
2. Volume of Design Changes: Design Changes which have been identified as potential errors or omissions are currently under review by the Architectural Engineering Review Board (AERB). Costs associated with LKG handling and distribution of revised documents resulting from any changes that are determined to be errors or omissions on the part of the designer may be recoverable from insurance. LKG handling costs range from \$700 - \$1500 per change.

### ATTACHMENT 3

THE CUMULATIVE SUMMARY OF CONSTRUCTION COMMITTEE APPROVALS ON THE CM001 CONTRACT  
SINCE DELEGATION OF AUTHORITY IN MARCH 1995

PREVIOUS CONTRACT ACTIONS/CHANGE ORDERS WITHIN THE CONSTRUCTION COMMITTEE AUTHORITY

<u>CONTRACT NO.</u>	<u>AMENDMENT # &amp; DESCRIPTION</u>	<u>DOLLAR VALUE</u>	<u>DATE OF CONST. COMM. MTG.</u>
<u>CM001</u>	<u>Amendment 3 - CCN 2.01, 13 &amp; 14</u>	<u>\$243,392</u>	<u>Since Mar. 1997</u>
	<u>Amendment 2 - CCN 15</u>	<u>\$7,863</u>	<u>Since Mar. 1997</u>