

Special Review

**Hiawatha Avenue Light Rail
Transit Line
December 31, 2002**



Financial Audit Division

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- Strengthen Legislative Oversight, and
- Support Good Financial Management.

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Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

We have completed a special review of all federal, state, and local costs of the Hiawatha Avenue Light Rail Transit Line as of December 31, 2002. This is our second report on project costs. Our previous report dated March 1, 2002, identified total expenditures of approximately \$210 million through December 31, 2001. At that time, the project was estimated to be 32 percent complete. As of December 31, 2002, actual expenditures were approximately \$409 million and the project was estimated to be 67.4 percent complete.

To conduct this review, we gained an understanding of the project and its related accounting records, interviewed individuals involved with the project, and reviewed selected supporting documentation for project costs. However, we did not conduct an audit of project costs.

This report is intended for the information of the Legislative Audit Commission. This restriction is not intended to limit the distribution of this report, which we released as a public document on February 28, 2003.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

Report Signed On: February 26, 2003

Hiawatha Corridor Light Rail Transit Project

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Audit Participation

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Hiawatha Corridor Light Rail Transit Project

Chapter 1. Introduction

Background

The Hiawatha Corridor Light Rail Transit Project is a \$675 million transit project that began construction in January 2001. Light Rail Transit (LRT) is a mode of transportation used to move passengers via electrically propelled rail cars. The LRT mainline will be double tracked and will run 11.6 miles through the Hiawatha/Trunk Highway 55 Corridor, linking downtown Minneapolis, the Minneapolis-St. Paul International Airport, and the Mall of America in Bloomington. A total of 17 stations will be constructed along the way. The LRT project also includes construction of an operations and maintenance facility located near Franklin and Cedar Avenues.

The Metropolitan Council, as future owner of the LRT line, is responsible for ensuring that the total project is completed on time, on budget, and carried out in compliance with all federal regulations. Planning for the design and construction of the LRT line was brought about through Master Project Cooperation Agreements with the Minnesota Department of Transportation (MnDOT), the Metropolitan Airports Commission (MAC), the Hennepin County Regional Railroad Authority (HCRRA), and the cities of Minneapolis and Bloomington.

The participants established the Hiawatha Project Office (HPO) to manage project construction. Employees of the Metropolitan Council, Metro Transit, and MnDOT, as well as third-party consultants, staff the office. The HPO prepares budgets and contracts, designs implementation approaches, administers various contracts, and works with contractors and other parties as required to properly monitor progress of the project. The office also reviews invoices to ensure that costs are appropriate and allowable.

The project has two construction components. MnDOT is responsible for all design and construction activity, except the design and construction activity on MAC property. MnDOT has contracted with Minnesota Transit Constructors to design and build the light rail line. The MAC is responsible for constructing the LRT facilities at the Minneapolis-St. Paul International Airport, including the LRT tunnel and two airport passenger stations. MAC awarded the contract for this work to Obayashi-Johnson Brothers. In addition, the Metropolitan Council selected Bombardier Transit Corporation, of Canada, to build the vehicles for the project. As of December 31, 2002, 22 light rail vehicles had been ordered.

Project Funding Sources

In September 2000, the Metropolitan Council finalized a Full Funding Grant Agreement application package and submitted it to the Federal Transit Administration (FTA). In January 2001, the FTA approved the Full Funding Grant Agreement and committed \$334.3 million to the project.

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Total approved funding for the Hiawatha Light Rail Transit Project was \$675.4 million, as summarized in Table 1-1 by source.

**Table 1-1
Hiawatha Corridor Light Rail Project
Funding Sources**

Federal Transit Administration (FTA – New Starts)	\$334,277,500
State of Minnesota	121,483,046
Metropolitan Airports Commission (MAC)	87,000,000
Hennepin County Regional Rail Authority (HCRRA)	84,149,272
Federal Surface Transportation Project (STP) Grant	43,000,000
Federal Congestion Mitigation and Air Quality (CMAQ) Grant	<u>5,500,000</u>
Total	<u>\$675,409,818</u>

Source: Full Funding Grant Agreement, Attachment 3A.

The Federal Transit Administration funds were authorized under Title 49, Subtitle III, Chapter 53, Section 5309, of the US Code and are referred to as New Starts funds. Table 1-2 shows the FTA funding commitments through federal fiscal year 2005 and funds received through December 31, 2002.

**Table 1-2
Hiawatha Corridor Light Rail Project
Full Funding Grant Agreement
Schedule of FTA New Starts Funds**

<u>Federal Fiscal Year</u>	<u>Approved Funds</u>	<u>Appropriated Funds</u>	<u>Drawn as of December 31, 2002</u>
2000 and Prior	\$ 69,324,757	\$ 69,324,757	\$ 69,324,757
2001	49,532,158	49,532,158	49,532,158
2002	49,500,654	49,500,654	49,500,654
2003	60,000,000	0	0
2004	74,980,000	0	0
2005	<u>30,939,931</u>	<u>0</u>	<u>0</u>
Total	<u>\$334,277,500</u>	<u>\$168,357,569</u>	<u>\$168,357,569</u>

Source: Full Funding Grant Agreement and Hiawatha Project Office records.

According to the Hiawatha Project Office, the project is proceeding on schedule and on budget. Initial Revenue Service from downtown Minneapolis to Fort Snelling is scheduled to commence April 3, 2004. Full Revenue Service, as identified in the Full Funding Grant Agreement, from downtown Minneapolis to the Mall of America is set for December 31, 2004.

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Table 1-3 shows the LRT's progress as of December 31, 2001 and 2002:

	<u>2002</u>	<u>2001</u>
Overall	67.4%	32%
Minnesota Transit Constructors	66.3%	30.4%
MAC	74.7%	33.9%
Bombardier Transit (Rail Vehicles)	51.4%	n/a

Source: FTA monthly reports for December 2001 and 2002.

In addition to the funding participants identified in Table 1-1, the cities of Minneapolis and Bloomington work with the Hiawatha Project Office to coordinate light rail project construction with local community needs. As a result of community involvement, communities along the LRT line may request the Hiawatha Project Office to incorporate a betterment or enhancement into the original project design of a station. If the community wants to make changes to the existing design that are above the scope of the federally approved project costs, these costs are paid by the community. New project costs incurred for improvements requested by the cities are treated as locally funded betterments. As of December 31, 2002, total approved betterments amounted to \$3,842,232.

During the past year, construction on all aspects of the LRT project has progressed well, with minimal slowdowns. We noted through the monthly reports to the Federal Transit Administration (FTA) that significant progress has been made throughout the year including the installation of trackwork and crossings, the removal of false-work from bridges, the completion of all downtown Minneapolis public and private utility relocations in the light rail's right-of-way, and the construction of the 131,354 square foot Operations and Maintenance Facility was completed and turned over to Metro Transit. In addition, the tunnel-boring machine completed both the southbound and northbound tunnels on MAC property under the airport.

In August, in response to the Minnesota Department of Finance's order for budget reductions, the Metropolitan Council approved a six-month delay of the planned early start date of initial revenue service from downtown Minneapolis to Fort Snelling until April 3, 2004. This action does not impact the scheduled full service revenue operating date in the FFGA of December 31, 2004.

At the time of our last report, Xcel Energy, Inc., had filed a lawsuit in United States District Court (Xcel Energy, Inc., vs. Federal Transit Administration, State of Minnesota, Minnesota Department of Transportation, Commissioner Elwyn Tinklenberg, and the Metropolitan Council), which had not yet gone to trial. The power company plaintiff sought, among other things, damages in the form of compensation for costs incurred to protect and/or relocate its privately owned utilities and facilities. In September the United States District Court ruled to dismiss Xcel Energy's claim and upheld the precedent of private utilities being responsible for bearing the expense of relocating their facilities from public right-of-ways.

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Hiawatha Corridor Light Rail Transit Project

Chapter 2. Federal, State, and Local Costs

In 2001, the Legislature directed the Office of the Legislative Auditor to prepare a complete accounting of all federal, state, and local costs relating to the Hiawatha Avenue light rail transit line. Laws of 2001, First Special Session, Chapter 10, Article 2, Section 90, provides that the cost accounting should include:

- (1) planning, environmental studies, and preliminary and final design and engineering for the project;
- (2) construction and other capital costs of the light rail transit line when completed;
- (3) improvements and repairs to and reconstruction of state and local streets and highways incurred and anticipated as a result of the project;
- (4) all costs of utility relocation resulting from the project;
- (5) all costs incurred by the Department of Transportation with respect to public information and communications about the project;
- (6) construction, acquisition, or lease of park-and-ride facilities that would serve project riders, including costs of relocating other public facilities to make room for those park-and-ride facilities;
- (7) projected costs of connecting the Hiawatha Avenue light rail transit line with commuter rail facilities;
- (8) any costs necessitated by the project and included in the project budget for the reconstruction of marked trunk highway No. 55, to the extent not included under clause (3); and
- (9) all public costs relating to the acquisition of real property for the line and for the purchase and development of real property adjacent to the project right-of-way.

Table 2-1 provides an accounting of LRT costs in the categories identified in law. Table 2-2 shows these costs in the categories approved in the Full Funding Grant Agreement. Table 2-2 also shows the original budget for the project and the current estimate of costs at completion of the project.

In order to gain an understanding of the nature and scope of the project and its related costs, we interviewed employees of the Metropolitan Council, Metro Transit, the Hiawatha Project Office, the Minnesota Department of Transportation (MnDOT), the Metropolitan Airport Commission (MAC), the Hennepin County Regional Rail Authority (HCRRRA), and other local agencies. We also obtained and reviewed the Full Funding Grant Agreement between the Metropolitan Council

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and the Federal Transit Administration (FTA), and other project agreements. We reviewed the monthly reports submitted to the FTA from inception of the project through December 31, 2002. We gained an understanding of how project transactions flowed through the cost accounting system. We reviewed a sample of project funding agreements and traced associated invoices through the review, approval, and payment process and verified postings to the accounting records. We also traced selected cost category amounts to the supporting documentation to determine if the costs were related to the Hiawatha Project.

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**Table 2-1
Hiawatha Light Rail Project
Actual Expenditures
As of December 31, 2002**

Category ⁽²⁾	Total Expenditures ⁽¹⁾	Federal Share	State Share	Local Share
Project Design and Engineering ⁽³⁾				
Planning	\$ 1,021,641	\$ 274,441	\$ 86,571	\$ 660,629
Environmental Studies	1,004,150	553,119	145,659	305,372
Preliminary Design/Engineering	27,719,374	15,557,795	3,257,911	8,903,668
Final Design/Engineering	22,037,109	12,199,026	4,973,979	4,864,104
Total	<u>\$ 51,782,274</u>	<u>\$28,584,381</u>	<u>\$ 8,464,120</u>	<u>\$14,733,773</u>
Construction and Other Capital Costs ⁽⁴⁾				
Light Rail Transit Line	\$212,359,101	\$92,970,769	\$41,352,426	\$78,035,906
Vehicles	15,651,078	12,489,281	0	3,161,797
Other	36,194,200	22,846,584	6,494,848	6,852,768
Total	<u>\$264,204,379</u>	<u>\$128,306,634</u>	<u>\$47,847,274</u>	<u>\$88,050,472</u>
Construction/Repair of Existing Streets ⁽⁵⁾				
Improvements/Repairs	\$31,068,326	\$31,068,324	\$ 0	\$ 2
Reconstruction	0	0	0	0
Total	<u>\$31,068,326</u>	<u>\$31,068,324</u>	<u>\$ 0</u>	<u>\$ 2</u>
Utility Relocation Costs ⁽⁶⁾				
	<u>\$ 11,114,098</u>	<u>\$ 8,475,179</u>	<u>\$ 2,356,782</u>	<u>\$ 282,137</u>
MnDOT Media Costs ⁽⁷⁾				
Public Information	\$ 755,565	\$ 576,638	\$ 132,601	\$ 46,326
Project Communications	210,231	66,182	1,710	142,339
Total	<u>\$ 965,796</u>	<u>\$ 642,820</u>	<u>\$ 134,311</u>	<u>\$ 188,665</u>
Park and Ride Costs ⁽⁸⁾				
Relocation	\$ 205,000	\$ 164,000	\$ 41,000	\$ 0
Construction and Acquisition	4,816,384	3,853,107	963,277	0
Total	<u>\$ 5,021,384</u>	<u>\$ 4,017,107</u>	<u>\$ 1,004,277</u>	<u>\$ 0</u>
Commuter Rail Connection Costs ⁽⁹⁾				
Trunk Highway 55 Costs ⁽¹⁰⁾				
Real Property Acquisition ⁽¹¹⁾				
Right-of-Way Acquisition	\$ 17,522,555	\$13,320,797	\$ 2,811,765	\$ 1,389,993
Donated Right-of-Way	27,727,090	0	20,108,046	7,619,044
Total	<u>\$ 45,249,645</u>	<u>\$13,320,797</u>	<u>\$22,919,811</u>	<u>\$ 9,009,037</u>
Related Costs ⁽¹²⁾				
Total Hiawatha Light Rail Project	<u>\$409,405,902</u>	<u>\$214,415,242</u>	<u>\$82,726,575</u>	<u>\$112,264,085</u>

The notes on pages 8 – 10 are an integral part of this financial presentation.

Source: Auditor prepared from Hiawatha Project Office accounting records and monthly reports.

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Table 2-1 Notes

- (1) Total expenditures include all costs processed through the Hiawatha Project Office accounting system as of December 31, 2002. The federal share includes the amounts funded through the Federal Transit Administration, as well as from two other federal grants incorporated in the project. The state share includes amounts paid from the state General Fund appropriation for the light rail project and in-kind donations of right-of-way land. The local share includes amounts financed by the Metropolitan Airports Commission, the Hennepin County Regional Rail Authority (both cash and in-kind contributions). In addition, the local share includes amounts provided by other local jurisdictions, such as the city of Minneapolis for local betterments.
- (2) The cost categories are specified in Laws of 2001, First Special Session, Chapter 10, Article 2, Section 90.
- (3) Project Design and Engineering Costs relate to planning, environmental studies, design, and engineering costs. Design and engineering costs are further separated into preliminary and final costs. The preliminary costs were generally incurred prior to the execution of the Full Funding Grant Agreement on January 17, 2001. There were some preliminary engineering and final design activities subsequent to January 17, 2001. The local share of these costs are comprised of MAC and HCRRA costs as follows:

<u>Local Funding</u>	<u>Total</u>	<u>MAC</u>	<u>HCRRA</u>
Planning	\$ 660,629		\$ 660,629
Environmental Studies	305,372		305,372
Preliminary Design/Engineering	8,903,668	\$1,534,891	7,368,777
Final Design/Engineering	<u>4,864,104</u>	<u>5,169,453</u>	<u>(305,349)</u>
Total Local Funding	<u>\$14,733,773</u>	<u>\$6,704,344</u>	<u>\$8,029,429</u>

HCRRA funded \$8.01 million in project design and engineering costs, of which \$6.5 million was recorded as an in-kind contribution for preliminary engineering costs incurred from 1984 to 1998.

- (4) Construction and Other Capital Costs relate to new construction activity or new purchases of capital assets. The other capital cost activity included project management, project administration, insurance, and contingencies as follows:

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Other Capital Costs	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>MAC</u>	<u>HCRRA</u>
Project Management	\$15,797,135	\$ 8,381,918	\$3,081,343	\$2,933,880	\$1,399,994
Project Administration	8,126,192	5,036,072	1,596,810	0	1,493,310
Insurance	5,899,587	4,595,108	1,370,798	0	(66,319)
Contingency	4,326,785	3,279,215	33,207	0	1,014,363
Fare Collection Equipment	1,720,975	1,308,285	412,690	0	0
Rail Activation Testing	130,526	99,265	0	0	31,261
Public Art	<u>193,000</u>	<u>146,720</u>	<u>0</u>	<u>0</u>	<u>46,280</u>
Total Other Costs	<u>\$36,194,200</u>	<u>\$22,846,584</u>	<u>\$6,494,848</u>	<u>\$2,933,880</u>	<u>\$3,918,889</u>

- (5) Construction/Repair of Existing Streets are costs related to existing construction on streets and highways. The total amount incurred to date was funded with federal funds under the Surface Transportation Program and the Congestion Mitigation and Air Quality Program. Existing capital costs included improvements, repairs, and reconstruction of streets, bridges, and highways. Currently, there are no anticipated additional costs above the original budget of \$49.9 million.
- (6) Utility Relocation Costs relate to relocation of public utilities as identified in the Full Funding Grant Agreement. These costs provided for utility relocation agreements with the City of Minneapolis to relocate water and sewer utilities in downtown Minneapolis and along Hiawatha Avenue to 54th Street. At the time of our last report, Xcel Energy, Inc., had filed a lawsuit in United States District Court (Xcel Energy, Inc., vs. Federal Transit Administration, State of Minnesota, Minnesota Department of Transportation, Commissioner Elwyn Tinklenberg, and the Metropolitan Council), which had not yet gone to trial. The power company plaintiff sought, among other things, damages in the form of compensation for costs incurred to protect and/or relocate its privately owned utilities and facilities. In September 2002, the United States District Court ruled to dismiss Xcel Energy's claim and upheld the precedent of private utilities being responsible for bearing the expense of relocating their facilities from public right-of-ways.
- (7) Media costs with respect to public information and communications related to the project total \$965,796. Of this amount, MnDOT incurred media costs of \$134,311. A public relations unit works out of the Hiawatha Project Office location, and is comprised of Metropolitan Council and MnDOT employees. Media costs are accumulated in the accounting system and charged against the communications budget.
- (8) Park and Ride Costs relate to the construction, acquisition, or lease of park-and-ride facilities that would serve project riders, including costs of relocating other public facilities to make room for those park-and-ride facilities. Park-and-ride lots will be located near the Fort Snelling Station and the Mall of America and will provide approximately 900 and 200 spaces, respectively.

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- (9) Commuter Rail Connection Costs represent the projected costs of connecting the Hiawatha Light Rail Transit Line with commuter rail facilities. Other commuter rail lines that may connect with the Hiawatha Light Rail Transit in the future include the Northstar, Red Rock, and Dan Patch, according to the Master Regional Transit Plan developed by the Metropolitan Council. Currently, only the Northstar line estimates its multi-modal connection cost with the Hiawatha Light Rail Transit Line at approximately \$24 million.
- (10) All costs related to reconstruction of Trunk Highway 55 are included in category for Construction/Repair of Existing Streets.
- (11) Real Property Acquisition relates to land acquisitions either through purchase or donation to the Hiawatha Project. Approximately \$7.6 million of the \$9 million in local funds were for in-kind right-of-way contributions from HCRRA. Also, approximately \$20.1 million of the \$22.9 million in state funds were for in-kind contributions from MnDOT right-of-way parcels. These parcels were purchased by MnDOT over the last 30 years. The federal expenditures of \$13.3 million were used in the acquisition of 41 parcels of right-of-way, including eminent domain.
- (12) Related Costs: The project participants have incurred certain costs that indirectly relate to the project but have not been tracked or quantified and are not included in the project budget or in expenditure amounts presented in this table. These included items such as time spent by agency heads or other staff in planning, promotional, or other meetings or events related to the project. Other examples include costs for staff who have project oversight or administrative responsibilities for all construction projects of an entity, such as the Metropolitan Council or the Metropolitan Airports Commission. It is not a normal practice for these organizations to charge the costs of these functions to individual construction projects. While these costs may be associated with or incidental to the Hiawatha Project, they are not accounted for separately.

Table 2-2
Hiawatha Light Rail Project
Budgeted and Actual Expenditures - As of December 31, 2002

	Original Budget ⁽¹⁾	Current Forecast ⁽²⁾	Actual Expenditures to Date by Funding Source ⁽³⁾			
			Total	Federal	State	Local
Preliminary Engineering ⁽⁴⁾						
Third Party	\$ 9,739,163	\$ 8,755,181	\$ 8,397,474	\$ 6,384,722	\$ 805,752	\$ 1,207,000
Project Administration	2,012,000	2,012,000	2,012,000	1,529,522	482,478	0
In-Kind Contributions	6,530,229	6,530,229	6,530,228	0	0	6,530,228
Total	<u>\$ 18,281,392</u>	<u>\$ 17,297,410</u>	<u>\$ 16,939,702</u>	<u>\$ 7,914,244</u>	<u>\$ 1,288,230</u>	<u>\$ 7,737,228</u>
Intellectual Property ⁽⁵⁾	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 800,000	\$ 0	\$ 200,000
Project Management ⁽⁶⁾						
Third Party	\$ 34,172,800	\$ 23,798,622	\$ 20,001,660	\$ 14,851,764	\$ 4,559,917	\$ 589,979
Project Administration	5,411,797	17,427,875	10,300,729	6,689,282	2,062,273	1,549,174
Other	1,708,640	1,708,640	0	0	0	0
Total	<u>\$ 41,293,237</u>	<u>\$ 42,935,137</u>	<u>\$ 30,302,389</u>	<u>\$ 21,541,046</u>	<u>\$ 6,622,190</u>	<u>\$ 2,139,153</u>
City of Mpls. Public Utilities ⁽⁷⁾						
Utility Relocation – Right-of-Way	\$ 10,057,886	\$ 10,920,696	\$ 11,114,098	\$ 8,475,179	\$ 2,356,782	\$ 282,137
Construction Management	322,205	322,205	0	0	0	0
Total	<u>\$ 10,380,091</u>	<u>\$ 11,242,901</u>	<u>\$ 11,114,098</u>	<u>\$ 8,475,179</u>	<u>\$ 2,356,782</u>	<u>\$ 282,137</u>
Right-of-Way ⁽⁸⁾						
Right-of-Way Acquisition	\$ 20,287,000	\$ 21,298,819	\$ 17,522,556	\$ 13,320,798	\$ 2,811,765	\$ 1,389,993
Donated Right-of-Way	27,727,090	27,727,090	27,727,090	0	20,108,046	7,619,044
Total	<u>\$ 48,014,090</u>	<u>\$ 49,025,909</u>	<u>\$ 45,249,646</u>	<u>\$ 13,320,798</u>	<u>\$22,919,811</u>	<u>\$ 9,009,037</u>
Design/Build Contract ⁽⁹⁾	\$241,425,255	\$248,797,707	\$ 146,810,273	\$105,360,667	\$41,213,042	\$ 236,564
MAC Segment ⁽¹⁰⁾	\$142,000,000	\$143,543,179	\$ 93,978,131	\$ 0	\$ 5,505,548	\$88,472,583
Hiawatha Corridor Improvements ⁽¹¹⁾	\$ 49,875,000	\$ 49,875,000	\$ 36,089,712	\$ 35,085,435	\$ 1,004,277	\$ 0
Light Rail Vehicles ⁽¹²⁾	\$ 79,165,233	\$ 74,711,172	\$ 14,851,974	\$ 11,881,580	\$ 0	\$ 2,970,394
Maintenance of Way Vehicles ⁽¹³⁾	\$ 2,522,070	\$ 3,288,073	\$ 799,104	\$ 607,700	\$ 0	\$ 191,404
Fare Collection Equipment ⁽¹⁴⁾	\$ 3,578,027	\$ 3,578,027	\$ 1,720,975	\$ 1,308,285	\$ 412,690	\$ 0
Rail Activation Testing and Training ⁽¹⁵⁾	\$ 2,740,250	\$ 2,740,250	\$ 130,526	\$ 99,265	\$ 0	\$ 31,261
Insurance ⁽¹⁶⁾	\$ 6,114,559	\$ 6,114,559	\$ 5,899,587	\$ 4,595,108	\$ 1,370,798	\$ (66,319)
Financing Costs ⁽¹⁷⁾	\$ 3,000,000	\$ 3,100,000	\$ 0	\$ 0	\$ 0	\$ 0
Public Art ⁽¹⁸⁾	\$ 2,000,000	\$ 2,000,000	\$ 193,000	\$ 146,720	\$ 0	\$ 46,280
Contingencies ⁽¹⁹⁾	\$ 24,040,796	\$ 16,148,387	\$ 4,326,785	\$ 3,279,215	\$ 33,207	\$ 1,014,363
Total Hiawatha Light Rail Project	<u>\$675,430,000</u>	<u>\$675,397,711</u>	<u>\$ 409,405,902</u>	<u>\$214,415,242</u>	<u>\$82,726,575</u>	<u>\$ 112,264,085</u>
Locally Funded Betterments ⁽²⁰⁾	\$ 0	\$ 3,842,232	\$ 2,275,271	\$ 0	\$ 0	\$ 2,275,271
Related Costs ⁽²¹⁾	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Grand Total	<u>\$675,430,000</u>	<u>\$679,239,943</u>	<u>\$411,681,173</u>	<u>\$214,415,242</u>	<u>\$82,726,575</u>	<u>\$114,539,356</u>

The notes on pages 12 – 14 are an integral part of this financial presentation.

Source: Auditor prepared from Hiawatha Project Office accounting records and monthly reports.

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Table 2-2 Notes

- (1) The Original Budget represents the budget established as a part of the Full Funding Grant Agreement approved by the Federal Transit Administration in January 2001.
- (2) Current Forecast represents the project team's December 31, 2002, estimate of total project costs at completion of the project. The forecast amount is updated monthly and is referred to in the Full Funding Agreement as the current working estimate.
- (3) Actual Expenditures to Date include all costs processed through the Hiawatha Project Office accounting system as of December 31, 2002. The federal share includes the amounts funded through the Federal Transit Administration Section 5309 New Starts funds, as well as two programs from the Federal Highway Administration (FHWA): the Surface Transportation Program and the Congestion Mitigation and Air Quality Program. The state share includes amounts paid from the state General Fund appropriation for the Light Rail project and in-kind donations of right-of-way land. The local share includes amounts financed by the Metropolitan Airports Commission and the Hennepin County Regional Rail Authority (both cash and in-kind contributions). In addition, the local share includes amounts provided by other local jurisdictions, such as the city of Minneapolis for local betterments.
- (4) Preliminary Engineering includes costs for preliminary design and drawings for the project. Costs also include project team involvement in the planning stage of the project and an in-kind contribution from the Hennepin County Regional Rail Authority of \$6.5 million of consultant services during the early development of the project from 1984 to 1998.
- (5) Intellectual Property represents amounts paid to secure the intellectual property rights of proposals submitted by unsuccessful design/build team bidders.
- (6) Project Management represents a consortium of agencies responsible to develop, build, and operate the project, including the Metropolitan Council/Metro Transit, the Minnesota Department of Transportation, the Hennepin County Regional Rail Authority, the Metropolitan Airports Commission, the city of Minneapolis, and the city of Bloomington. The group has established a Hiawatha Project Office that is responsible for assisting in the management of project design and construction. The Hiawatha Project Office also provides services relating to finance, engineering and construction contract administration, public relations, operations and maintenance, procurement, and environmental compliance.
- (7) Utility Relocation Costs relate to relocation of public utilities as identified in the Full Funding Grant Agreement. These costs provided for utility relocation agreements with the city of Minneapolis to relocate water and sewer utilities in downtown Minneapolis and along Hiawatha Avenue to 54th Street.

At the time of our last report, Xcel Energy, Inc., had filed a lawsuit in United States District Court (Xcel Energy, Inc., vs. Federal Transit Administration, State of Minnesota,

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Minnesota Department of Transportation, Commissioner Elwyn Tinklenberg, and the Metropolitan Council), which had not yet gone to trial. The power company plaintiff sought, among other things, damages in the form of compensation for costs incurred to protect and/or relocate its privately owned utilities and facilities. In September 2002, the United States District Court ruled to dismiss Xcel Energy's claim and upheld the precedent of private utilities being responsible for bearing the expense of relocating their facilities from public right-of-ways.

- (8) Right-of-Way consists of the acquisition of various properties from governmental and private sector organizations, as well as individuals. Right-of-Way costs also include in-kind donations of right-of-way by the Minnesota Department of Transportation and the Hennepin County Regional Rail Authority.
- (9) The Design/Build Contract is for the services of Minnesota Transit Constructors. They are responsible for the final design and construction of the Light Rail Transit Project, excluding airport activities. This represents various tasks including preparation of design documents and final drawings; construction of trackbed, an operations and maintenance facility, and 15 off-airport LRT stations; and installation of track, an electrification system, and signal and communication systems.
- (10) The Metropolitan Airports Commission is constructing all LRT facilities at the Minneapolis-St. Paul International Airport, including the LRT tunnel, two airport passenger stations, and certain ancillary facilities.
- (11) The Hiawatha Corridor Improvements include costs to design and construct intermodal transportation infrastructure, including bridges, roadways, and bike paths. Funding for this line item is from the Federal Highway Administration (FHWA): the Surface Transportation Program (\$43 million) and the Congestion Mitigation and Air Quality Program (\$6.9 million).
- (12) The Light Rail Vehicle category covers the purchase of approximately 26 low-floor light rail vehicles from the Bombardier Transit Corporation. As of December 31, 2002, 22 light rail vehicles had been ordered.
- (13) Maintenance of Way Vehicles will be used to provide system maintenance during system testing and revenue operations.
- (14) Fare Collection Equipment costs include procurement and installation of stationary ticket vending and validation machines and procurement of mobile ticket office machines.
- (15) Rail Activation Testing and Training costs represent staff (drivers, mechanics, and maintenance) training and pre-revenue systems operation testing.
- (16) Insurance represents the costs of the Owner Controlled Insurance Program that permits the Minnesota Department of Transportation to provide certain construction insurance at no cost to the design/build contractor.

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- (17) Financing costs represents the amounts budgeted for costs of borrowing to provide funds to match the cash flow needs for the project. Because of uncertainties relating to the timing of the receipt of federal appropriations for the project, financing costs would include locally funded interest costs, fees, and professional services. To date, no costs have been charged against this budget activity. However, due to a delay of the receipt of approved FTA New Starts funds, the HPO has projected a cash flow deficiency that will occur in March 2003.
- (18) Public Art is for artwork included in the construction of the 15 off-airport LRT stations.
- (19) The Contingency Amount was established to cover costs that exceed the base line cost estimates for the project.
- (20) Locally Funded Betterments represent costs that were not originally included in the project, but were subsequently added at the request of a local jurisdiction. These costs will be financed by the jurisdiction requesting the betterment. Costs incurred to date relate to the city of Minneapolis betterment requests.
- (21) The project participants have incurred certain costs that indirectly relate to the project but have not been tracked or quantified and are not included in the project budget or in expenditure amounts presented in this table. These include items such as time spent by agency heads or other staff in planning, promotional, or other meetings or events related to the project. Other examples include costs for staff who have project oversight or administrative responsibilities for all construction projects of an entity, such as the Metropolitan Council or the Metropolitan Airports Commission. It is not a normal practice for these organizations to charge the costs of these functions to individual construction projects.