



Southwest Light Rail Transit Construction: Metropolitan Council Decision Making

As the responsible authority for Southwest Light Rail Transit (Southwest LRT) construction, the Metropolitan Council obligated funds it did not have, did not develop a contingency plan if the funds did not materialize, and was not fully transparent about project costs and delays.

Report Summary

Decision Making and Authority

- Before construction started, the Federal Transit Administration raised concerns about the Metropolitan Council’s ability to cover unexpected cost overruns. (p. 15)
- By early 2022, the Metropolitan Council was obligated to spend more money on Southwest LRT than the funds committed to the project. The Council did not have enough funds to finish the project, and it also did not have enough funds to halt the project. (pp. 15-16)
- Despite knowing that project costs were increasing beyond its available funds, the Metropolitan Council developed no formal contingency plan for temporarily or permanently stopping project work and no estimate of the costs it would incur by doing so. (p. 17)
- Minnesota’s framework for developing light rail projects has created a mismatch between the entities that fund the construction of transit projects and the entities that are responsible for constructing them. (p. 18)

Recommendation ► The Legislature should create a framework in which the government entity responsible for light rail transit construction also bears some financial responsibility for construction costs and any potential cost increases. (p. 20)

Scheduling and Delays

- The Metropolitan Council solicited bids for the civil construction portion of Southwest LRT with project specifications it knew to be incomplete. (p. 24)
- The Metropolitan Council’s addition of substantial new or changed work after the civil construction bidding process was complete delayed the project schedule and increased costs. (p. 24)

Background

The Metropolitan Council is the responsible authority for the Southwest LRT project, a 14.5-mile light rail transit line that will run from downtown Minneapolis to the suburban communities of Eden Prairie, Hopkins, Minnetonka, and St. Louis Park.

At the start of construction, the Council estimated Southwest LRT would cost \$2.003 billion in total, and the line would open in 2023. The Council now estimates that it will cost \$2.767 billion to complete and will open in 2027.

Even after incorporating these additional costs, Southwest LRT is still comparable to other light rail projects nationally on a cost-per-mile basis. However, its cost increases since starting construction are far greater than those experienced by most other projects.

The Office of the Legislative Auditor plans to release a second program evaluation in Spring 2023 that focuses on the Metropolitan Council’s oversight of contractors.

Recommendation ► The Metropolitan Council should make greater efforts to avoid introducing major project changes once the competitive bidding process concludes. (p. 26)

- The Metropolitan Council did not hold its civil construction contractor accountable for repeated failures to provide an acceptable project schedule. (p. 27)

Recommendation ► On future capital construction projects, the Metropolitan Council should enforce the schedule requirements of the contract. (p. 29)

- The civil construction contractor claimed that construction delays were primarily the responsibility of the Metropolitan Council; the Council eventually agreed. (pp. 29-31)
- The preconstruction engineering analyses performed by Metropolitan Council contractors did not predict the Kenilworth LRT tunnel construction challenges that seriously delayed the project. (p. 31)

Recommendation ► The Metropolitan Council should consider additional external reviews for high-risk or high-cost project elements. (p. 33)

Transparency

- The Metropolitan Council has not been fully transparent about the project’s increasing costs and delays. (p. 35)

Recommendation ► For future light rail construction projects, the Legislature should require the Metropolitan Council (or other responsible authority) to inform the Legislature if cost overruns or project delays reach certain thresholds. (p. 38)

- The Metropolitan Council has not adequately communicated to the public the uncertainty surrounding its estimates of future costs. (p. 39)

Recommendation ► In its public communications regarding projected cost increases, the Metropolitan Council should more clearly indicate the level of uncertainty surrounding its estimates of future costs. (p. 42)

Summary of Agency Response

In a letter dated March 13, 2023, Metropolitan Council Chair Charles Zelle wrote that the report “minimizes the Metropolitan Council’s transparency and accountability to our funding partners....” He added that the Council “utilized appropriate contract provisions to...hold the construction contractor accountable to the schedule specifications” and “followed industry best practice” to develop a resequenced project schedule. Nonetheless, Chair Zelle agreed with OLA’s recommendation “to align funding responsibility with the government entity responsible for light rail transit construction.” He also stated that the “Met Council generally agrees with the recommendations regarding scheduling and delays” and has taken steps to address them on other transit projects. “As the regional planning entity and operator of the transit system,” Chair Zelle wrote, “the Met Council, as the report suggests, is a reasonable choice to manage the construction of light rail lines.”