



## Board Report

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**File #:** 2026-0387, **File Type:** Informational Report

**Agenda Number:** 18.

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### CONSTRUCTION COMMITTEE JULY 15, 2026

**SUBJECT: CONSTRUCTION MANAGEMENT SUPPORT SERVICES - CAPITAL PROJECTS**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute a contract modification to Contract No. AE76301MC081000 with Zephyr Rail to increase the total authorized contract funding by \$328,417, increasing the total Not-To-Exceed (NTE) amount from \$9,269,211.94 to \$9,597,628.94, for final contract closeout.

#### **ISSUE**

Contract No. AE76301MC081000 is a cost-plus fixed fee contract with Zephyr Rail to provide construction management support services for projects, such as Link US, Transportation Communication Network, Division 9 and El Monte Transit Center Charger Installation, and NoHo to Pasadena BRT Program. Under this contract structure, task orders are issued using established labor classifications and provisional indirect cost/overhead rates. Indirect cost rates are subject to reconciliation because final overhead rates may differ from the allowed provisional rates used at the time of invoicing. Metro has completed an overhead reconciliation for work performed from 2022 through 2025, which identified a total underbilling across Task Orders 01 through 17.

The requested contract modification does not authorize new scope, new services, or additional level of effort. The action provides sufficient contract authority to reconcile overhead costs for work already performed, invoiced, reviewed, and accepted under existing task orders. The reconciliation is necessary to complete contract administration and support closeout of the applicable task order adjustments.

#### **BACKGROUND**

The primary role of Zephyr Rail under Contract No. AE76301MC081000 was to provide skilled and qualified staff to augment Metro staff in the performance of construction management services for Metro capital projects, adjacent projects, joint development, and related work. Zephyr Rail staff worked side-by-side with Metro staff in Integrated Project Management Offices and provided specialized technical and administrative expertise to support project delivery, implementation, project reporting, construction oversight, field inspection, constructability reviews, cost and schedule

analysis, and related construction management functions.

The contract was originally awarded in October 2021 for a three-year base period, plus two one-year options to support design reviews, construction management, contract administration, and closeout for various Metro capital projects, smaller construction projects at bus and rail facilities, work within Metro right-of-way, and adjacent/joint development projects.

In September 2023, the Board approved an increase to the total authorized funding for Contract No. AE76301MC081 to support additional task orders for adjacent development, joint development, state of good repair inspections, and other construction management support needs. That action increased the total contract value to \$9,269,211.00.

## **DISCUSSION**

Metro has completed a reconciliation of Zephyr Rail's overhead rates for work performed under Contract No. AE76301MC081000 from 2022 through 2025. The reconciliation compares the amounts invoiced using provisional indirect cost/overhead rates with the amounts due after applying the applicable final rates for each year of the contract. The reconciliation identified a total underbilling across the task orders issued under the contract.

A summary of the current and requested contract funding can be found below, and additional contract authority information can be found in Attachment B.

• Total Authorized Funding to Date	\$9,269,211.94
• Task Orders Issued to Date	\$9,205,628.03
• Remaining Balance to Date	\$ 63,583.91
• Total Underbilling amount	\$ 392,000.91
• Current Board Action for Additional Funding	\$ 328,417.00

## **DETERMINATION OF SAFETY IMPACT**

This action will have no detrimental impact on safety. The action is administrative in nature and provides contract authority to complete overhead reconciliation for previously performed Construction Management Support Services.

## **FINANCIAL IMPACT**

The requested action will increase the total authorized contract funding for Contract No. AE76301MC081000 from \$9,269,211.94 to \$9,597,628.94. The additional contract authority, together with the remaining authorized contract value, will be used to fund the total overhead reconciliation amount. Task order adjustments will be funded from the associated project budgets.

### **Impact to Budget**

Task order adjustments will be funded from the associated project budgets. The funding source differs depending on the individual projects from adjacent projects, joint development and other

capital projects listed in the Task Order Log in Attachment B.

### **EQUITY PLATFORM**

This action supports fair and timely payment for work performed under a contract awarded to a firm that qualifies as a Small Business Enterprise. The action does not add new scope or change the services to be performed under the contract. Zephyr Rail made an overall 69% SBE goal and 5% DVBE commitment on this contract. The current participation levels are 69.22% SBE and 3.94% DVBE. Zephyr is exceeding its SBE commitment by 0.22% and has a 1.06% DVBE shortfall. Information regarding the DVBE shortfall can be found in Attachment C.

### **VEHICLE MILES TRAVELED OUTCOME**

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit. Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports:

- **Strategic Plan Goal 1:** Provide high-quality mobility options that enable people to spend less time traveling.
- **Strategic Plan Goal 3:** Enhance communities and lives through mobility and access to opportunity.
- **Strategic Plan Goal 4:** Transform LA County through regional collaboration and national leadership.

### **ALTERNATIVES CONSIDERED**

The Board may elect not to approve the requested contract modification. Staff does not recommend this alternative because the overhead reconciliation is associated with work already performed under approved task orders. Without the requested contract authority, Metro would not have sufficient contract value to complete the reconciliation and close out the applicable task order adjustments.

### **NEXT STEPS**

Upon Board approval, staff will execute a contract modification to increase the total authorized contract funding and process the applicable task order modifications necessary to complete the

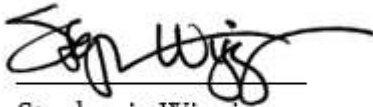
overhead reconciliation.

**ATTACHMENTS**

- Attachment A - Procurement Summary
- Attachment B - Contract Modification/Task Order Log
- Attachment C - DEOD Summary

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Stephanie Wiggins  
Chief Executive Officer

## PROCUREMENT SUMMARY

**CONSTRUCTION MANAGEMENT SUPPORT SERVICES  
CAPITAL PROJECTS / CONTRACT NO. AE76301MC081000**

1.	<b>Contract Number:</b> AE76301MC081000		
2.	<b>Contractor:</b> Zephyr Rail		
3.	<b>Mod. Work Description:</b> Increase the Contract Not-To-Exceed (NTE) funding amount.		
4.	<b>Work Description:</b> Construction Management Support Services- Capital Projects to support Metro in the performance of multiple capital projects.		
5.	<b>The following data is current as of:</b> June 12, 2026		
6.	<b>Contract Completion Status:</b>		<b>Financial Status:</b>
	<b>Award Date:</b>	10/28/2021	<b>Board Approved NTE Amount:</b> \$3,519,211.94
	<b>Notice to Proceed (NTP):</b>	N/A	<b>Total of Modification Approved:</b> \$5,750,000.00
	<b>Original Completion Date:</b>	12/1/2026	<b>Pending Modification (including this action)</b> \$328,417.00
	<b>Current Est. Complete Date:</b>	12/1/2026	<b>Current NTE Value (with this action)</b> \$9,597,628.94
7.	<b>Contract Administrator:</b> Chelsea Bajorunas		<b>Telephone Number:</b> (213) 922-5344
8.	<b>Project Manager:</b> Michelle Quinn		<b>Telephone Number:</b> (213) 418-3026

**A. Procurement Background**

This Board action is to approve a contract modification to increase the contract NTE funding amount. On October 28, 2021, the Board of Directors approved the award of Contract No. AE76301MC081000, Construction Management Support Services - Capital Projects to Zephyr Rail, in the amount Not-To-Exceed (NTE) \$3,519,211.94, to support the design reviews, construction management, and administration of the construction contract(s) and to ensure that the construction of various projects are administered and completed in compliance with contract requirements and government regulations. Additionally, this contract supports constructability and pre-construction activities for projects in the planning phase that are in the process of transitioning to Program Management. Contract No. AE76301MC081000 is a cost-plus fixed fee contract and the period of performance is a three-year base, plus two, one-year options.

This action is to increase the authorized funding for this Contract in the amount of \$328,417, increasing the total authorized funding from \$9,269,211.94 to an NTE amount of \$9,597,628.94. A total of four contract modifications have been issued to date.

Refer to Attachment B – Contract Modification/Change Order Log.

## **B. Cost Analysis**

The final indirect cost/overhead rates are based on an audit by a cognizant agency or review by a Certified Public Accountant (CPA) in accordance with FAR Part 31. The Contract Modification and Task Order adjustments will be processed in accordance with Metro's Acquisition Policy and Procedures.

## CONTRACT MODIFICATION/TASK ORDER LOG

CONSTRUCTION MANAGEMENT SUPPORT SERVICES- CAPITAL PROJECTS  
CONTRACT NO. AE76301MC081000

## CONTRACT MODIFICATION LOG

Mod. No.	Description	Status (Approved or Pending)	Date Issued	Amount
AE76301MC 0 81000- MOD-	Modification to Add Labor Classification- Program Coordinator	Approved	3/21/22	\$0.00
AE76301MC 0 81000- MOD-	Add Existing Contract Positions to Subs	Approved	8/24/22	\$0.00
AE76301MC 0 81000- MOD-	Increase to the Contract Not-to- Exceed (NTE) Funding Amount	Approved	6/3/24	\$5,750,000.00
AE76301MC 0 81000- MOD-	Update Exhibit 1- Advanced Cost Agreement and the Contract	Approved	2/4/25	\$0.00
AE76301MC 0 81000- MOD-	Increase to the Contract NTE Funding Amount	Pending	Pending	\$328,417.00
	<b>Modification Total:</b>			<b>\$6,078,417.00</b>
	<b>Original Contract:</b>		<b>10/28/21</b>	<b>\$3,519,211.94</b>
	<b>Total:</b>			<b>\$9,597,628.94</b>

## TASK ORDER LOG

TO No.	Description	Status (Approved or Pending)	Date Issued	Amount
TO-001	Senior Inspector and Office Engineer for Various Adjacent Projects	Approved	3/8/22	\$2,685,395.99
TO-002	Senior Inspector for C1146 State of Good Repair	Approved	3/11/22	\$1,304,814.00
TO-003	Highway Program Coordinator	Approved	3/28/22	\$172,057.09
TO-004	EB SR-91 Atlantic Ave to Cherry Ave – Constructability Review	Approved	5/23/22	\$84,407.78
TO-005	Senior Inspector for Vermont/Santa Monica Joint Development Project	Approved	5/20/22	\$44,423.91
TO-006	WB SR-91 Alondra Boulevard to Shoemaker Ave - Constructability Review	Approved	6/14/22	\$83,686.58
TO-007	NoHo to Pasadena BRT Program Support	Approved	11/21/22	\$258,592.73
TO-008	Harbor Gateway Transit Center Construction Support	Approved	4/25/23	\$353,872.00
TO-009	Office Engineer for Various Adjacent Projects	Approved	11/7/23	\$173,291.98
TO-010	Sepulveda Corridor Project Common Services Support - FY24 Funding	Approved	11/21/23	\$654,646.48
TO-011	Construction Management Support Services (CMSS) for Link US Project	Approved	2/6/24	\$1,414,016.00
TO-012	Resident Engineer and Office Engineer Support for Joint Development Projects	Approved	5/23/24	\$413,519.00
TO-013	Resident Engineer and Office Engineer Support for Adjacent Projects	Approved	5/23/24	\$343,413.00
TO-014	Transportation Communication Network (TCN) Project Sites - Resident Engineer and Office Engineer Support	Approved	6/12/24	\$343,413.00
TO-015	Administrative Office Engineer	Approved	7/31/24	\$362,589.39
TO-016	Division 9 and El Monte Transit Center Charger Installation CM Support	Approved	8/8/24	\$315,019.10
TO-017	Project Coordinator for Various Adjacent Projects	Approved	11/4/24	\$198,470.00
	<b>Task Order Total:</b>			<b>\$9,205,628.03</b>

## DEOD SUMMARY

**CONSTRUCTION MANAGEMENT SUPPORT SERVICES-CAPITAL PROJECTS /  
CONTRACT NO. AE76301MC081000**

**A. Small Business Participation**

Zephyr Rail (Zephyr) made an overall 69% Small Business Enterprise (SBE) and a 5% Disabled Veteran Business Enterprise (DVBE) commitment on this task order (TO) based contract. To date, Zephyr has been awarded seventeen (17) task orders. Based on payments made, the contract is approximately 97% complete and the current participation levels are 69.22% SBE and 3.94% DVBE. Zephyr is exceeding its SBE commitment by 0.22% and have a 1.06% DVBE shortfall.

Zephyr has submitted a shortfall mitigation plan and maintains, with concurrence from Metro's Project Team, that the shortfall is attributable to the nature of the contract's on-call, task-order structure. Zephyr indicated that staffing requirements were driven by Metro's operational needs and the specific qualifications required for each assignment, which limited opportunities for certain DVBE firms beyond what was originally anticipated. Zephyr further contends that, DVBE firm NSI Engineering was identified to provide quality management services; however, Metro did not issue any task order requests requiring those services during contract performance.

Because the project is substantially complete and the current procurement action is limited to overhead reconciliation, staff will initiate DEOD's pre-closeout review process to determine Zephyr's final DVBE participation. As part of that process, DEOD may request documentation from Zephyr demonstrating its good faith efforts to meet the DVBE commitment.

<b>Small Business Commitment</b>	<b>69% SBE 5% DVBE</b>	<b>Small Business Participation</b>	<b>69.22% SBE 3.94% DVBE</b>
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	<b>SBE Prime/Subcontractors</b>	<b>% Committed</b>	<b>Current Participation<sup>1</sup></b>
1.	Zephyr Rail (SB Prime)	TBD	69.22%
2.	AIX Consulting, Inc.	TBD	0.00%
3.	GCM Consulting, Inc.	TBD	0.00%
4.	Ramos Consulting Services, Inc.	TBD	0.00%
	<b>Total</b>	<b>69%</b>	<b>69.22%</b>

	<b>DVBE Prime/Subcontractors</b>	<b>% Committed</b>	<b>Current Participation<sup>1</sup></b>
1.	Conaway Geomatics	TBD	1.92%
2.	NSI ENGINEERING Inc	TBD	0.00%
3.	Pacifica Services (Added)	TBD	2.02%
	<b>Total</b>	<b>5%</b>	<b>3.94%</b>

<sup>1</sup>Current Participation = Total Actual amount Paid-to-Date to DBE firms ÷ Total Actual Amount Paid-to-date to Prime.

**B. Living Wage and Service Contract Worker Retention Policy Applicability**

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

**C. Prevailing Wage Applicability**

Prevailing Wage requirements are applicable to this project. DEOD will monitor contractors' compliance with the State of California Department of Industrial Relations (DIR), California Labor Code, and, if federally funded, the U S Department of Labor (DOL) Davis Bacon and Related Acts (DBRA).

**D. Project Labor Agreement/Construction Careers Policy**

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.

**E. Manufacturing Careers Policy**

The Manufacturing Careers Policy (MCP) does not apply to this contract. The MCP is required on Metro's Rolling Stock RFPs, with an Independent Cost Estimate of at least \$50 million.