

# OLA Reports on Southwest Light Rail Transit

April 12, 2023



**OLA** OFFICE OF THE LEGISLATIVE AUDITOR

## OLA Reports

### Released

October 2021  
*Southwest Project Costs and Management*  
Memorandum

September 2022  
*Southwest Light Rail Transit:  
Project Budget and Timeline*  
Special Review

March 2023  
*Southwest Light Rail Transit Construction:  
Metropolitan Council Decision Making*  
Program Evaluation

### Forthcoming

May 2023  
*Southwest Light Rail Transit Construction:  
Metropolitan Council Oversight of Contractors*  
Program Evaluation

Fall 2023  
*Metropolitan Council:  
Southwest Light Rail Transit*  
Financial Audit

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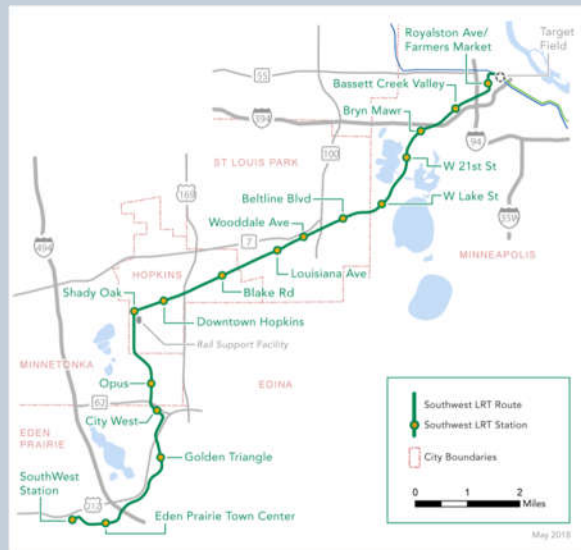
State of Minnesota  
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# Southwest Light Rail Transit: Project Budget and Timeline

Special Review  
September 2022

## Background

- Will connect Minneapolis, St. Louis Park, Hopkins, Minnetonka, and Eden Prairie
- Metropolitan Council is responsible for overseeing the project
- Key drivers are related to the proximity to existing freight rail lines

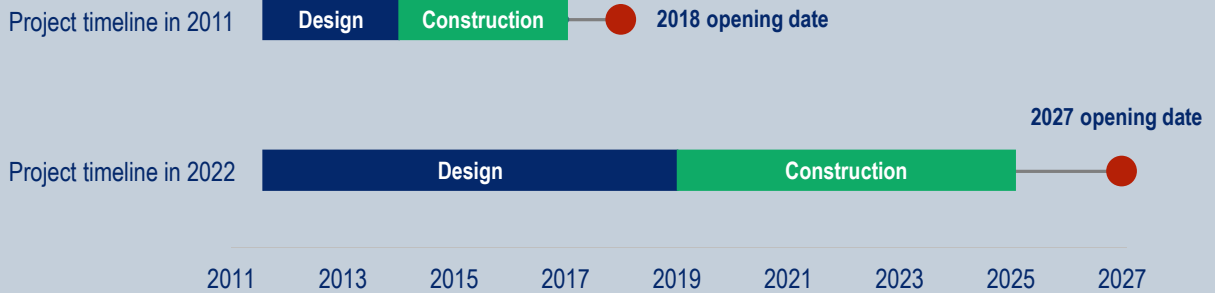


## Project Cost

- 2011: \$1.25 billion
- 2022: \$2.77 billion (estimate)



## Delays



## Delays, continued

- Delays increase cost
  - Materials
  - Consultant's and contractor's time

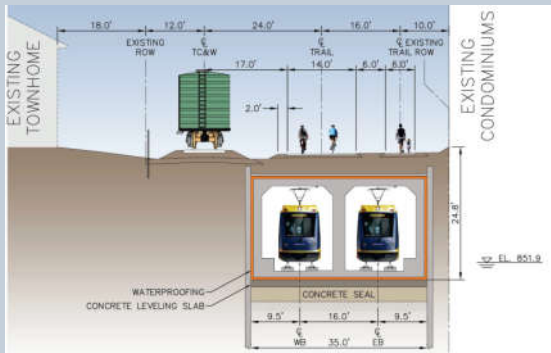
## Key Drivers of Cost Increases and Project Delays

- Uncertainty about the final location of freight rail
- The light rail tunnel in Minneapolis's Kenilworth Corridor
- The concrete wall between freight rail and light rail traffic

### Key Driver #1: Final Location of Freight Rail

- Prior to 2011, the Southwest LRT project’s scope did not include planned freight rail relocation
- In 2014, the Metropolitan Council decided to colocate freight rail and light rail in Minneapolis and St. Louis Park
- The time to get to this decision added years to the project’s schedule

### Key Driver #2: Kenilworth LRT Tunnel



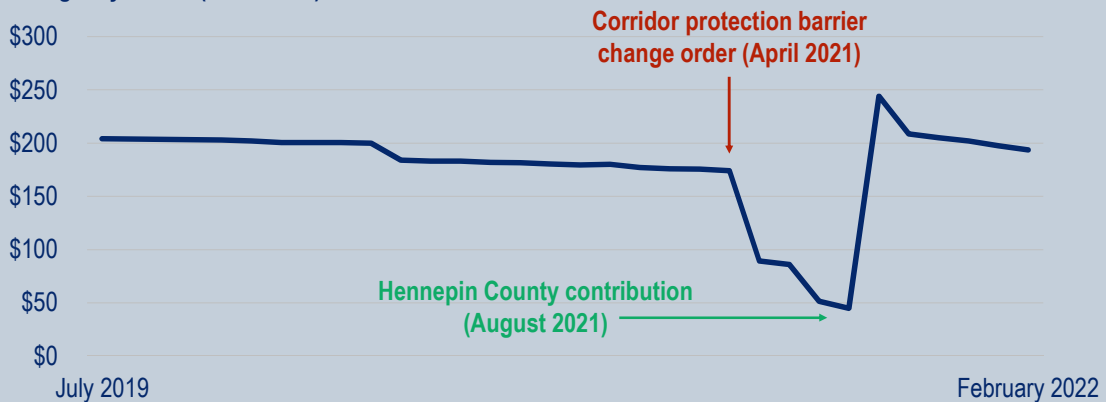
- September 2021: new construction method
- \$30 million change
- Required different crews, equipment, and construction plan

### Key Driver #3: Corridor Protection Barrier

- Negotiations with BNSF resulted in the extension of a concrete wall
- April 2021: \$83 million change

### Key Driver #3: Corridor Protection Barrier, continued

Contingency Funds (in millions)



# ***Southwest Light Rail Transit Construction: Metropolitan Council Decision Making***

Program Evaluation  
March 2023

## **Key Findings**

- By 2022, the Metropolitan Council had obligated itself to spend more than the funds committed to the project
- Mismatch between entities that fund projects and the entity responsible for construction
- The Council's addition of work after bidding led to increased costs and delays

## Key Findings, continued

- The Metropolitan Council did not hold its civil construction contractor accountable for project scheduling
- Preconstruction analyses did not predict the Kenilworth tunnel difficulties
- The Council has not been fully transparent about increasing costs and delays

## Project Cost

- 2011: \$1.25 billion
- 2022: \$2.77 billion (estimate)





## Cost Increases from Start of Construction

(In billions)

	Official Budget	Estimated Budget
May 2018	\$2.00	\$2.00
Aug 2021	\$2.20	\$2.20
Jan 2022	\$2.20	\$2.65 - \$2.75
Mar 2022	\$2.28	\$2.65 - \$2.75
Aug 2022	\$2.28	\$2.77
Dec 2022	\$2.38	\$2.77

## Percentage Change in Costs After Start of Construction



## Spending Decisions

- Construction costs and delays grew starting in 2020
- Metropolitan Council continued spending while funding was gradually used up
- By 2022, the Council had obligated itself to spend more than the funds committed to the project
  - Insufficient funding to **complete** the project
  - Insufficient funding to **halt** the project

## Lack of Accountability

- The Metropolitan Council has little of its own money in the project
- Council decisions to adopt costly changes meant *other* entities would spend more
- Mismatch between the entities that fund projects and the entities responsible for constructing them

## Recommendation

- ✓ The Legislature should create a framework where the entity leading light rail construction has some of its own money at stake
  - Implementation is complicated, because all options have pros and cons
    - MnDOT
    - Counties
    - Metropolitan Council

## Project Delays

- The Metropolitan Council requested bids for the project before designs were ready
  - Corridor protection barrier
  - Eden Prairie Town Center station
- Incorporating these elements later led to cost increases and delays

## Lack of Competitive Bidding

- Because they were added late, the Metropolitan Council built some elements without competitive bidding
- Unknowable whether different decisions would have led to better or worse outcomes

## Recommendation

- ✓ The Metropolitan Council should make greater efforts to avoid introducing major project changes once the competitive bidding process concludes

## Project Schedules

- The civil construction contractor's schedules did not meet Metropolitan Council requirements
- The Council rejected nearly all schedules, but did not take all actions it could have
- The Council permitted construction to proceed without full agreement on a project schedule

## Recommendation

- ✓ On future capital construction projects, the Metropolitan Council should enforce the schedule requirements of the contract

## Kenilworth LRT Tunnel

- The Metropolitan Council’s preconstruction analyses did not predict the construction difficulties that would occur
- Soil analyses did not raise concerns that soil settlement or boulders would affect tunnel construction

## Recommendation

- ✓ The Metropolitan Council should consider additional external reviews for high-risk or high-cost project elements

## Transparency

- The Metropolitan Council has not been fully transparent about costs and delays
- By October 2020, its civil construction contractor was projecting a 25-month delay due to tunnel issues
- The Council announced a “potential” delay in January 2021, but did not explain likely scope of cost increases

## Transparency, continued

- The Metropolitan Council notified its principal funders, Hennepin County and FTA, of the cost implications of the delays, but not the Legislature or the general public

## Recommendation

- ✓ The Legislature should require the Metropolitan Council (or other responsible authority) to inform the Legislature if cost overruns or project delays reach certain thresholds

## *Southwest Light Rail Transit: Project Budget and Timeline*

## *Southwest Light Rail Transit Construction: Metropolitan Council Decision Making*

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