



BRIEFING: FEBRUARY 14, 2017 BOARD MEETING AGENDA ITEM #3

TO: Chairman Richard and Board Members

FROM: Scott Jarvis, Chief Engineer

DATE: February 14, 2017

RE: Consider Amending the Inter-Agency Agreement with Caltrans for the State Route 99 Realignment Project to Reconcile with the 2016 Business Plan

Summary of Requested Action

California High-Speed Rail Authority (Authority) Staff is recommending that the Authority Board approve an amendment to the Agreement between the Authority and Caltrans for the State Route 99 Realignment Project for a new, not-to-exceed total of \$260.9 million. This item reflects a reconciliation of contracts with the implementation of the adopted 2016 Business Plan. This is not a new or additional cost increase beyond what was presented to the Board in the 2016 Business Plan cost estimates, presented to the Finance and Audit Committee, and was subject of discussion before the Board.

Background

The California High-Speed Rail Authority (Authority) is realigning State Route 99 (SR 99) from Ashlan Avenue to Clinton Avenue in the City of Fresno in order to construct a portion of the high-speed rail alignment along this section of SR 99. This approximately 2.5-mile long realignment project is within the limits of Construction Package 1 and is designed to create adequate space for high-speed rail between the Union Pacific Railroad alignment and SR 99.

As the California Department of Transportation (Caltrans) owns and operates this section of SR 99, and Public Utilities Code Section 185036 allows the Authority to enter into contracts with public entities for the design and construction of its high-speed rail facilities, the Authority decided to utilize Caltrans' experience and expertise to perform the work. In February 2013, the Authority and Caltrans entered into an Inter-Agency Agreement (Agreement) to design, advertise, award, construct, and provide construction management services for \$225.9 million, with a project completion date of June 2018. The cost estimate for this turnkey project was developed by the Authority's regional consultant early in the project's development phase (2012) and subsequently incorporated into a Project Report approved by Caltrans in March 2013. At that early phase of project development, many assumptions were made in developing the cost estimate, including Union Pacific Railroad's involvement, utility relocations, right-of-way acquisition and design features within the high-speed rail and SR 99 corridors.

Caltrans used an alternative project delivery approach, known as Construction Manager-General Contractor (CMGC), in which the contractor's input is incorporated into the project's design. The Authority concurred with this decision and Authority staff was involved in the proposal evaluation and procurement process. The CMGC selected by Caltrans was Granite Construction Company (Granite), which is headquartered in Watsonville, California and currently employs approximately 5,000 employees.

The scope of the construction work was divided into two phases, an Early Work Package, which includes critical path elements to ensure the project schedule is maintained (utility relocations, street rerouting, etc.), and the Main Package to complete construction of the project. Delivery of the Early Works Package successfully progressed while final design for the Main Package was being completed. Authority staff has been involved in the final design process and, as it progressed, indications were that the cost would be higher than previously estimated. Staff has worked with Caltrans and Granite, exercising due diligence to proactively monitor design and manage scope, schedule and costs. This included a Value Analysis conducted by Caltrans to evaluate the design and identify options to reduce costs. This process identified 35 possible cost reduction measures. Twenty of these measures have been further evaluated and implemented in order to reduce cost. Authority staff and Caltrans will continue to meet monthly in order to manage change and its impact on scope, schedule and costs.

As the project's design developed, a number of items have contributed to a higher cost to deliver the project than estimated in the Agreement. The cost of these items could not be fully mitigated and the items include:

- Lack of finality on certain design standards at the time that the costs were estimated for the Agreement (e.g., railroad intrusion protection barriers);
- A number of challenges associated with working within a very constrained corridor;
- A more complicated drainage system than originally assumed and the need to accommodate a 100-year flood event;
- More earthwork than originally planned due to the lack of survey information at the time of the Agreement; and,
- Higher cost utility relocations across the high-speed rail and Union Pacific Railroad rights-of way.

Considering these developments in the project's scope, Caltrans and the Authority have negotiated an amendment to the Agreement which would increase the cost of the SR 99 Realignment Project by \$35.0 million, bringing the overall contract not-to-exceed amount to \$260.9 million and a new project completion date of December 2018.

With these modifications to the project's scope and cost, and to avoid costly delays, Caltrans issued a Notice to Proceed to Granite to begin construction of the Main Package

Prior Board Action

On August 2, 2012, the Board authorized the Chief Executive Officer to enter into an interagency agreement with Caltrans to complete plans, specifications and estimate, right of way

services, and construction activities for the roadway improvements for the SR 99 realignment (#HSRA12-23). This included advertising and awarding the project to a private construction contractor, realignment of the existing SR 99 infrastructure, preparation of sub-ballast for the high-speed rail project, and the performance of construction management services.

The Board approved the 2016 Business Plan that included the increased costs and additional information was provided through the State Route 99 Realignment Report submitted to the Finance and Audit Committee in August 2016.

Discussion

The proposed amendment to the Agreement with Caltrans would reflect the previously-approved cost increase of the SR 99 Realignment Project by adding \$35.0 million, for a final not-to-exceed cost of \$260.9 million and a revised completion date of December 2018.

As part of moving forward with the Main Package, Authority and Caltrans staff have committed to working with Granite to manage costs through scope modifications and other cost reduction measures, as necessary. Authority staff will participate in a monthly project change control meeting to provide additional oversight. In addition, Authority staff has communicated to Caltrans that the Authority will not be responsible for covering any additional cost increases unless specific changes are directed by the Authority in writing or an unforeseen condition that could not have been anticipated is encountered.

Legal Approval



The Authority's Chief Counsel has reviewed and approved the requested amendment.

Budget Implications

This contract amendment is budgeted for and consistent with cost estimates included in the 2016 Business Plan. Authority staff is not requesting new funds outside of that budget.

Recommendations

It is the recommendation of staff that the Board approve an amendment to the Agreement between the Authority and Caltrans for the SR 99 Realignment Project for a new not-to-exceed total of \$260.9 million.

REVIEWER INFORMATION	
Reviewer Name and Title: Russell Fong, CFO	Signature verifying review and approval: 
Reviewer Name and Title: Tom Fellenz, Chief Counsel	Signature verifying review and approval: 

Attachments

- Draft Resolution #HSRA 17-05
- Resolution #HSRA 12-23, approved on August 2, 2012