



BRIEFING: AUGUST 16, 2017 BOARD MEETING AGENDA ITEM #4

TO: Chairman Richard and Board Members

FROM: Scott Jarvis, Chief Engineer

DATE: August 16, 2017

RE: Consider Amending the Project and Construction Management Contract for Construction Package 1

Summary of Recommended Action

Staff recommends that the Board authorize the Chief Executive Officer, or his designee, to execute an Amendment to Agreement HSR 11-20, with Wong + Harris, JV (Wong Harris), to increase the contract value of the Project and Construction Management Services Agreement by \$6,000,000.

Background

The civil infrastructure of the Central Valley segment is currently being designed and constructed through three design-build (DB) contracts. Project and Construction Management (PCM) consultants support the California High-Speed Rail Authority (Authority) in the management of the DB contracts and in overseeing the work performed by the DB contractors. Specific services provided by the PCM include, but are not limited to: project management; contract management; engineering, construction and environmental oversight; assuring quality of the work and materials; project controls and risk management; third party agreements development and management; public outreach; and, safety and security oversight.

Construction Package 1 (CP1) is the first significant construction contract of the high-speed rail program. The CP1 construction area is a 32-mile stretch between Avenue 19 in Madera County to East American Avenue in Fresno County. For CP1, the Authority entered into Agreement HSR 11-20 for Project and Construction Management Services, with Wong Harris, in May of 2013, for a not to exceed amount of \$34,208,889. The PCM Services Agreement is a professional services contract with selection based on qualifications of the PCM and its staffing resources. It is an Architectural & Engineering contract based upon best value and qualifications as opposed to low bid.

This request to increase the PCM contract value is necessary because the expenditure rate for PCM services has been higher than was originally anticipated and the current budget is no longer adequate to complete all the necessary PCM services. The expenditure rate for PCM services has been higher for three primary reasons: 1) the acceleration of the design-build contract work

to complete the work within the current contract completion date; 2) the increase in value of the DB contract that the PCM is managing and the corresponding DB work the PCM is overseeing; and, 3) the scope of the services that the PCM is directed to perform.

This request to increase the contract value of the Project and Construction Management Services Agreement by \$6,000,000 will enable the PCM to continue providing services for approximately six months. During this time, the Authority will complete re-baselining of its master program schedule and fully consider the available options to most effectively and efficiently provide PCM services for the remaining duration of CP1.

Prior Board Action

On January 12, 2013, the Board approved Resolution #HSRA 13-01, to award a contract for Project and Construction Management services for CP1 to Wong Harris, in an amount not to exceed \$34,908,809. There have been no other prior actions taken by the Board related to the CP1 PCM contract.

Discussion

As CP1 design and construction work has progressed, the work of the CP1 DB contract has increased by adding additional scope to the contract, and corresponding extra work has been added to the scope of the services required of the PCM. As a result, the expenditure rate for PCM services has been higher than originally anticipated and it is necessary to increase the value of the contract.

The following describes in greater detail the factors contributing to the higher expenditure rate for PCM services:

DB Contract Work Acceleration and Contract Time Extension

Delays in acquiring the necessary project right-of-way properties caused delays in the CP1 DB contractor's construction progress. An element of the agreement to resolve all delays through December 31, 2015 was to extend the time for performance of the CP1 DB contract by 17 months. CP1 DB Change Order No. 99, Completion Deadline Extension and Resolution, dated June 2, 2016, adjusted the "Final Acceptance Deadline" from March 31, 2018 to August 31, 2019.

CP1 Change Order No. 99 also required the CP1 DB contractor to accelerate work to mitigate delays. This accelerated work effort has increased the PCM workload. An aspect of this acceleration required the DB contractor to work concurrently in numerous locations. This has required the PCM to assign additional resources to provide oversight concurrently at all work locations.

Excluded Third Party Utility Relocations

The CP1 DB contract scope of work originally excluded utility relocations for PG&E and AT&T. The PCM contract scope was originally limited to providing oversight of TPZP's

coordination of relocation work that was to be performed by PG&E and AT&T. However, the excluded Third Party utility relocation work was added to the CP1 DB contract in the amount of \$159 million (Resolution #HSR 17-04). This expanded the PCM scope to oversee the procurement of relocation design and construction contracts and oversight of the relocation design and construction activities.

Northern Extension Construction

The Authority directed the CP1 DB contractor to extend construction 2.7 miles north of the original contract limit in the amount of \$153.4 million (Resolution #HSR 16-09). Prior to the resolution, this section was to be a part of a future construction contract, but was already cleared as part of the Merced to Fresno environmental document. The additional CP1 DB contract scope includes demolition of structures, constructing four structures (three grade separations and one creek crossing), as well as the guideway elements, thus requiring additional PCM services.

Northern Extension Environmental Services

In addition to the environmental services for the CP1 DB contract base scope, Authority staff has directed the PCM to perform the environmental services for the North Extension. This requires the PCM to perform the environmental document re-examination and provide all environmental monitoring, oversight and reporting.

Due Diligence Reviews

Due diligence reviews are independent checks to assure that the DB contractor is complying with all contract requirements. The PCM Agreement did not include the requirement that the PCM perform due diligence checks of the CP1 DB contractor's contract submittals, except to coordinate and manage the submittal review process. The Authority developed and issued a procedure in 2014 after the procurement of the CP1 PCM, (PROC-CONST-03, *Due Diligence Check for Civil-Structural Design-Build Contracts*) which requires the PCM to perform due diligence checks for project level elements while the Authority or RDP would be responsible for due diligence checks for program level elements. The project level elements reviewed by the PCM include application of design criteria and seismic detailing of critical structural elements. These analyses and plan reviews ensure consistent application of design and other contract criteria.

The extra work described above has required the PCM to provide additional resources for its services, thereby increasing its expenditure rate to a greater level than was originally anticipated.

Staff recommends approval of \$6,000,000 to augment the existing PCM budget. This will allow for uninterrupted PCM services for the CP1 DB contract for approximately 6 months and enable the Authority to fully consider the options to best provide PCM services for the remaining duration of CP1.

Legal Approval

The Acting Chief Counsel and legal staff have confirmed that this Board item complies with all applicable Board policies and Authority regulations, Public Utilities Code Section 185036, Government Code Section 4525, *et seq.* and State and federal law.

Budget and Fiscal Impact

This proposed budget change is consistent with the 2016 Business Plan cost estimates and is within the Authority's funding source appropriations. Once approved, the CP2-3 PCM contract will be reduced by \$6,000,000 and the CP1 PCM contract will be increased by \$6,000,000, resulting in a net zero overall program budget change. The result of this action will reduce the CP2-3 PCM contract balance to \$65,844,690 and increase the CP1 PCM contract total to \$40,208,889.

As of July 1, 2017, the Authority's working capital is \$2.124 billion made up of the following: (1) Cap and Trade cash of \$873.9 million and (2) Prop 1A cash of \$1.250 billion. In addition, near-term funding of \$1.523 billion in unissued Prop 1A bonds is anticipated.

Contract Name	Contract/Activity Number	Current Contract Budget	Budget Change	Funding Source
Wong-Harris (PCM)	HSR11-20	\$34,208,889	\$6,000,000	State funding
Arcadis (PCM)	HSR13-81	\$71,844,690	(\$6,000,000)	State funding

REVIEWER INFORMATION	
Reviewer Name and Title: Russell Fong Chief Financial Officer	Signature verifying budget analysis: 
Reviewer Name and Title: James Andrew Acting Chief Counsel	Signature verifying legal analysis: 

Recommendations

Staff recommends that the Board approve Amendment No. 1 to Agreement No. HSR 11-20, with Wong Harris, to increase the contract value by \$6,000,000. The amended not to exceed amount for Agreement HSR 11-20 would be \$40,208,889.

Attachments

- Draft Resolution #HSRA 17-15
- Agreement #HSR 11-20