



BRIEFING: JUNE 19, 2018 BOARD MEETING AGENDA ITEM #5

TO: Chairman Richard and Board Members

FROM: Joseph Hedges, Chief Operating Officer
Roy Hill, Chief Program Officer

DATE: June 19, 2018

RE: Consider Providing Funding for an Agreement with BNSF Railway to Create Work Windows for Central Valley Construction

Summary of Recommended Action

Staff recommends that the Board approve funding for BNSF Railway operating improvements needed to create work windows for Central Valley construction so that contracted work can be completed on schedule. This request is to increase the previous Board authorization to fund commitments in Central Valley BNSF agreements in the amount of \$21.5M and to use these funds for the Una and Calwa mitigation projects, as required.

Background

In April 2016, the Board approved the execution of a series of agreements with BNSF Railway, for a not-to-exceed amount of \$100 million for construction and relocation of BNSF tracks and facilities necessitated by the three Central Valley construction packages (Resolution #HSRA16-11). This request did not include contingency.

Subsequent to the Board Authorization of #HSRA 16-11, the Authority has executed Agreement 16-67 “CHSRA BNSF Relocation and Construction Agreement (CP1) BNSF” for a total amount of \$12,040,600 on December 20, 2016. The terms of this agreement provided for implementation of the Calwa Connector Project, but full funding for the project was not included in the agreement as the project was not fully scoped at the time.

In the areas where the high-speed rail alignment abuts the BNSF Railway in the Central Valley, construction efforts will necessitate a minimum of three BNSF track outages per week to complete on schedule. Should the Board approve the staff recommendation, BNSF would construct a siding at Control Point Una where freight service can be staged to provide the required outages. Under the Relocation and Construction Agreement, inclusive of the Una siding, BNSF is agreeable to up to four track outages per week, depending on BNSF Maintenance of Way Activity, traffic levels and congestion. Additionally, BNSF will work with the Authority’s contractors during the construction of the Una siding and provide additional outages if available. Una siding benefits include a decrease in potential contractor construction impacts. BNSF will provide these track outages in perpetuity, therefore covering any Authority needs during the current infrastructure contracts, future track and systems contracts, and all future maintenance activities within the effective geographical limits.

Previous work associated with modeling and environmental clearance for the Una Siding project was paid for by the State Division of Rail (Approx. \$600k) to support potential additional Amtrak trains in the corridor. The estimated cost of the Una siding construction is \$27 million.

The Authority's construction schedule for Construction Package 1 (CP 1) necessitated entering into agreement HSR16-67 "CHSRA BNSF Relocation and Construction Agreement (CP1) BNSF" which included a provision to allow for BNSF to begin construction on the Calwa Connector to mitigate delays for the CP 1 contractor. The work involved powering and signaling an existing interlocking connection between Union Pacific Railroad (UPRR) and BNSF at Calwa. When complete, a total of up to six trains could be diverted from BNSF mainline to the UPRR mainline. By implementing this mitigation, an additional 4-hour outage will be made available to the contractor when trains are diverted. The cost for constructing this mitigation is estimated at \$11 million.

The costs associated with trains being diverted to the UPRR mainline is \$5,000 per train between Stockton and Fresno and \$5,700 per train between Fresno and Bakersfield. These train diversion costs would be the responsibility of each contractor who requests the outage.

Prior Board Action

Resolution #HSRA 16-11 BNSF Railway Relocation & Construction and Joint Corridor Agreements and Related Indemnification and Insurance Terms: On April 12, 2016, the Board authorized the Chief Executive Officer to execute Relocation and Construction Agreements to address critical elements of construction associated with implementation of intercity high-speed rail in the joint corridors shared with BNSF related to Central Valley construction in the amount not to exceed \$100M.

Discussion

As part of the high-speed rail infrastructure work in the Central Valley, the design-build contractors will need to complete construction work on, over, and under the adjacent BNSF railroad. In order to safely operate and run freight service, BNSF requires that trains be held from entering the construction area in a "track outage" when the work directly conflicts with the passing train.

Description of Scope

The attached Exhibit identifies the general locations of the improvements being requested in this Board request.

Una Siding Mitigation:

Under BNSF's current operating schedule, only one 4-hour outage per week can be accommodated without implementing additional mitigations. To facilitate the current construction and complete the project in accordance with the contract schedule, it is estimated that three outages per week would be required. Discussion with the BNSF identified a siding track located at Control Point Una, previously evaluated and environmentally cleared by the State Division of Rail for other statewide purposes, which was identified as a mitigation that could provide for the additional outages required. The Authority is currently assessing the ability to recover a portion of this mitigation liability from the CP 2-3 and CP 4 design-build teams.

BNSF has also completed the design and engineering work. Implementing this mitigation is estimated to cost \$27M. Within the limits of CP 4 the design team was able to avoid having to implement the Kimberlina Curve correction which resulted in \$16.5M savings, an additional \$10.5M is required to complete this work.

UPRR/BNSF Calwa Connector Mitigation:

BNSF has identified mitigation that would increase the number of outages by powering and signaling an existing interlocking connection between UPRR and BNSF at Calwa. When implemented, a total of up to 6 trains could be diverted from BNSF mainline to the UPRR mainline and provide for a 4-hour outage window.

These two mitigations will minimize risk of potential increased construction costs (estimated at \$67M) which may result if the CP 2-3 and CP 4 design-build contractors are forced to extend the schedule due to the one-outage per week BNSF can currently offer. The combination of both mitigation projects will provided the needed outages in both the northern and southern portions of the Central Valley construction projects now and in the future.

Benefits of Approving Both Mitigation Projects

- A total Return on Investment of 178% for both mitigation projects (benefits/costs [68 +8-27/27]).
- Una siding provides a minimum of 3 work windows (and up to 4) for contractors on both CP 2-3 and CP 4. These windows will facilitate a completion of these elements of the project in advance of ARRA Grant deadline.
- Calwa Connection adds an additional four hour work window for the CP 1 Contractor for each train diversion event.
- \$8 million cost avoidance in the future construction from Poplar Avenue to Bakersfield by co-locating the UNA Siding and an existing BNSF City of Shafter storage track to be removed by this future construction.
- Mitigates potential risk exposure of \$67 million in construction impact costs to all CP's.
- Mitigation projects will provide work windows for all future Central Valley construction contracts including the LGA, Track and Systems, and future civil efforts.

Calculation of the \$21.5 million budget increase

\$100M Original Budget
 +\$11M Calwa Connection Cost
 +\$27M Una Siding Costs
 -\$16.5M Kimberlina Curve Savings
\$121.5 million total

Legal Approval

The Legal Office has reviewed this proposed added scope to BNSF agreements and concluded that it is within the Board's authority to approve this added scope.

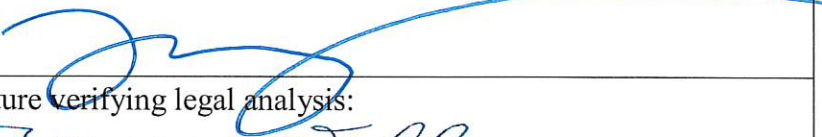

Budget and Fiscal Impact

This item proposes to increase the total available funding for Resolution #HSRA 16-11 BNSF Railway Relocation & Construction and Joint Corridor Agreements and Related Indemnification and Insurance Terms.

This change will increase the available funding from \$100,000,000 to \$121,500,000. These costs are included in the 2018 Business Plan Baseline and the Total Program Budget of \$13.7B.

Total Program Budget Impact

Contract Name	Contract/Activity Number	Current Total Program Contract/Activity Budget	Budget Change	Funding Source
BNSF	Resolution #HSR16-11	\$100,000,000	\$21,500,000	State Funding

REVIEWER INFORMATION	
Reviewer Name and Title: Russell Fong Chief Financial Officer	Signature verifying budget analysis: 
Reviewer Name and Title: Tom Fellenz Chief Counsel	Signature verifying legal analysis: 

Recommendations

Staff recommends that the Board increase the BNSF authorization stipulated in #HSRA 16-11 by \$21.5M for:

1. Improvements associated with the Calwa Connector project
2. Improvements for the Una Siding project

Attachments

- Exhibit of Calwa and Una Siding Locations
- Resolution #HSRA 18-12