



California High-Speed Rail Authority **BRIEFING: January 18, 2024, Board Meeting** **Agenda Item #3**

TO: Board Chair, Tom Richards, and Authority Board Members

FROM: Christine Inouye, Chief Engineer of Strategic Delivery

DATE: January 18, 2024

RE: Consider Approving the Issuance of the Second Notice to Proceed (NTP2) for the Merced to Madera Project Section

Summary

Staff is recommending that the California High-Speed Rail Authority (Authority) Board of Directors (Board) approve exercising the optional Notice to Proceed (NTP) -2 design work, which will authorize Stantec Consulting Services Inc. (Stantec) to progress the final design to 100% and provide construction ready documents. The cost of the NTP-2 design work is anticipated to be approximately, \$103.4 million and would require a contract term extension to April 30, 2026. This amount has not changed since it was first reported to the Board in our February 17, 2022, memo. The total contract value, which includes the NTP-1, NTP-2, and NTP-3 work, would then amount to \$151.2 million. This NTP-2 will advance the design work through the Authority's staged project delivery process to Stage 4, "Early Works and Right-of-Way," for the Merced to Madera (M2M) project section.

On August 17, 2022, the Board authorized the execution of Agreement No. HSR 22-02 (Agreement) for design services for the M2M project section between the Authority and Stantec for a not-to-exceed dollar value of \$41 million. The Agreement was fully executed by the Authority and Stantec on October 4, 2022, and NTP-1 was issued on October 5, 2022, in order to commence design services to progress approximately 33.9 miles of the M2M project section through the Authority's staged project delivery process to configuration footprint design work in Stage 3.

On May 11, 2023, the Board authorized the issuance of NTP-3 to perform advanced design services (Stage 3) for the Merced Station Relocation for an amended contract value of \$6.8 million, through Resolution #HSRA 23-02A. The resolution also authorized a total approved contract value for the NTP-1 and NTP-3 work up to \$47.8 million. The design services under NTP-3 include the section of the alignment from South of East Childs Avenue to the new proposed station at R Street in downtown Merced.

On May 17, 2023, NTP-3 was issued to Stantec.

On December 8, 2023, the Federal Railroad Administration (FRA) officially notified the Authority of an award of almost \$3.1 billion from the Federal State Partnership for Intercity Rail Program. That grant award includes the

Final Design on the Merced to Madera segment, so 80 percent (about \$82.7 million) of this \$103.4 million cost will be federally funded. Staff makes this request today to get these federal dollars to work as soon as possible.

Background

The 2023 Project Update Report lays out the Authority's Business Model for delivering the high-speed rail system. As part of the business model, the Authority follows three principles to guide decisions:

1. Initiate high-speed rail service in California as soon as possible.
2. Make strategic, concurrent investments that will be linked over time and provide mobility, economic, and environmental benefits at the earliest possible time.
3. Position ourselves to construct additional segments as funding becomes available.

Building on the Authority's mission and guiding principles, the new funding will allow the Authority to focus on our key goals to 1) deliver an electrified two-track initial operating segment connecting Merced, Fresno, and Bakersfield as soon as possible, and 2) invest statewide to advance engineering and design work as every project section is environmentally cleared.

Accomplishments

As part of the NTP-1 and NTP-3 design scope of work, the Authority received the draft configuration footprint design from Stantec in October 2023, which met the schedule, and the Authority accepted it in December 2023. This is the first time the Authority has adopted the staged project delivery process and this deliverable is a major milestone for the M2M project section. The final configuration footprint design is presently expected by December 2024.

Since September 2023, the Authority has conducted a series of Value Engineering (VE) workshops with the project team, to challenge and analyze, some of the engineering decisions made during Stage 2 of the Authority's staged project delivery process, "Identify Preferred Alternative and Begin Preliminary Design". Through this process, the Authority analyzed and reviewed a predetermined list of engineering design alternatives generated by the project team. In November 2023, the Authority also conducted a Value Analysis (VA) workshop with a team of 18 participants, representing experts in various functional groups, not directly involved with the project. The purpose of the VA workshop was to analyze and improve value, solve problems, reduce costs, and to also improve performance and quality. The intent was to promote "out of the box" thinking and ideas. Currently, the Authority is going through an internal governance process to make the final decision on the VA study items and will issue a direction to Stantec.

For the M2M design services Agreement, the Authority established a 30% Small Business (SB) utilization goal, which is inclusive of 10% for Disadvantaged Business Enterprise (DBE), and 3% for Disadvantaged Veteran Business Enterprise (DVBE). Thus far, Stantec has not only met these goals, but has exceeded them for the M2M project section. Specifically, Stantec is currently at 39% for the overall SB utilization goal, which is comprised of 13.5% DBE and 7% DVBE with the remaining percentage (18.5%) to SB entities.

Additionally, the M2M project section involves designing the Merced to Madera leg which is one of the three "Wye" legs. The Stantec design team and the Authority staff have made design considerations and provisions for the San Jose to Merced leg and Madera to San Jose leg to be designed in the future. This will minimize any interruption to the operation of high-speed trains when the other project sections are being constructed in the future.

Even though the Merced to Madera work is a single project section, it is being broken into four segments: Merced, North, Mid-Wye, and South segments, for design purposes. Designing in smaller segments has the following benefits:

- If there is any unforeseen delay in the design completion of one of the segments, the remaining segments can proceed to construction on schedule.
- This will enable the Authority to compete for smaller federal grants for the construction phase.
- Smaller construction packages will attract more bidders, provide opportunities for smaller contractors, and will likely reduce construction costs.

Prior Board Action

The 2022 Business Plan was adopted by the Board on April 27, 2022, and submitted to the state legislature on May 6, 2022. This Agreement for design services for the Merced to Madera project section is consistent with the 2022 Business Plan priority of expanding the 119-mile segment in the Central Valley to develop 171 miles of electrified high-speed rail service by advancing design, funding preconstruction work, and constructing extensions to Merced and Bakersfield, connecting downtown Merced, Fresno, and Bakersfield with additional stops at Madera and Kings/Tulare. The 2023 Project Update Report provided further updates to the 2022 Business Plan.

On February 17, 2022, the Board approved the issuance of an architectural and engineering Request for Qualifications (RFQ) for design services for the Merced to Madera project to procure a 2-year and 3-month contract valued up to \$41 million on or after March 18, 2022, through Resolution #HSRA 22-05. The RFQ qualified the offeror for design services, which included all of NTP-1, NTP-2, and NTP-3 work.

On August 17, 2022, the Board authorized the CEO execution of Agreement No. HSR 22-02 with Stantec for Design Services for the Merced to Madera project section for a contract value of up to \$41 million for NTP-1 work, through Resolution #HSRA 22-15. At that time, the Board requested staff to seek additional approval to add NTP-2 and/or NTP-3 work to the Agreement (Resolution HSRA #22-15).

On May 11, 2023, the Board authorized the issuance of NTP-3 to perform advanced design services for the Merced Station Relocation for an amended contract value of \$6.8 million, through Resolution #HSRA 23-02A.

Discussion

Authority staff seeks approval from the Board to issue NTP-2 to Stantec, which is estimated at a not-to-exceed amount of \$103.4 million and a revised contract term of April 30, 2026, for the design work. The NTP-2 design work will be managed under the existing Agreement to support the delivery of stages 3 through 5 of the Authority's staged project delivery process.

The M2M high-speed rail project section is located within the counties of Merced in the north and Madera in the south. NTP-2 will authorize Stantec to complete the final design (100%) and provide construction ready documents under Stage 4, "Early Works and Right-of-Way", for the M2M project section. With the issuance of NTP-2, design services will include the section of the alignment from the new proposed downtown station at R Street in the City of Merced to the connection with the Construction Package 1 (CP 1) Northern Extension at Avenue 19 in Madera County.

The Authority's intends to overlap the design work performed under the various NTPs in order to expedite the design schedule. With the review and approval of the draft configuration footprint by December 2023, the Authority may confidently proceed with the acquisition of right-of-way full-take parcels for the M2M project section. However, the partial-take parcels require further design progression to 60%, for the Authority to

consider right-of-way acquisition. Issuing NTP-2 at this time will enable the design to progress to 60% and begin the acquisition of the partial-take parcels, while the design continues to progress to 100%.

The NTP-2 contract scope of work and deliverables will include the following (Stage 3):

1. Design Reports
2. Final Design and Construction Ready Documents PS&E
3. Construction Staging Plans and Constructability Reviews
4. Updated Project Risk Assessment and Schedule
5. Study Travel Time Enhancements
6. Environmental Permits from Federal and State Agencies
7. Survey Reports
8. Technical Agreement Submittal List
9. Third-party Design Submittals
10. Caltrans Project Reports
11. Final Design Submittals
12. Design Variances
13. Environmental Compliance Report

Legal Approval

The RFQ process qualified Stantec for NTP-2 design services, and the Agreement includes the optional NTP-2 work. The Legal Office has reviewed the Agreement and the relevant laws, regulations, and policies, and deems a contract amendment to add the NTP-2 work to be legally sufficient.

Budget and Fiscal Impact

This request is to issue NTP-2 for the M2M design services Agreement in the not-to-exceed amount of \$103.4 million and extend the contract term to April 30, 2026, to advance the final design (100%) and provide construction ready documents in Stage 4. This amount has not changed since it was first reported to the Board in our February 17, 2022, memo.

Ordinarily, the amendment to the Agreement would be within the CEO's delegation of authority, pursuant to Board Resolution #HSRA 21-09 (Board Policy - HSRA11-001 – DOA, Amended September 23, 2021, Section B. iv). However, the Board requested staff to seek additional approval to add NTP-2 and/or NTP-3 work to the contract (Resolution HSRA #22-15).

Capital Outlay Costs

This request requires an increase in the Expenditure Authorization proposed to also be heard at the January Board meeting. This request for NTP-2 work would be funded from the recent State-Federal Partnership grant award (80 percent or about \$82.7 million) and Cap and Trade funds (20 percent or about \$20.7 million). Upon approval, this request will allocate a budget reserved for this work within the 2024 Expenditure Authorization (if approved by the Board) to the Merced to Madera design services Agreement up to \$103,400,000.

Table 1: 2023/24 Fiscal Year Budget

Contract Name	Contract Number	Current FY Contract Budget	Budget Change	Funding Source
Future Proposed Expenditure Authorization	CONT0318-TBD	\$ 10,000,000.00	- \$ 10,000,000.00	State and Federal
Final Design (100%) and Construction Ready Documents NTP-2	HSR 22-02	\$0.00	\$ 10,000,000.00	State and Federal
Previously Authorized NTP-1 and NTP-3	HSR22-02	\$ 26,700,000.00	\$ 0.00	State and Federal
Total		\$ 36,700,000.00	\$ 0.00	

Table 2: Total Program Budget

Contract Name	Contract Number/ Budget Allocation	Current Total Program Contract Budget	Budget Change	Funding Source
Future Proposed Expenditure Authorization	CONT0318-TBD	\$103,400,000.00	- \$103,400,000.00	State and Federal
Final Design (100%) and Construction Ready Documents NTP-2	HSR 22-02	\$0.00	\$103,400,000.00	State and Federal
Previously Authorized NTP-1 and NTP-3	HSR22-02	\$47,800,000.00	\$ 0.00	State and Federal
Total		\$151,200,000.00	\$ 0.00	

REVIEWER INFORMATION		SIGNATURE	
Reviewer Name and Title: Brian Annis Chief Financial Officer		Signature verifying budget analysis: 1/9/2024	
Reviewer Name and Title: Alicia Fowler Chief Legal Counsel		Signature verifying legal analysis: 1/9/2024	

Recommendations

Staff is requesting Board approval to issue NTP-2 under Agreement No. HSR 22-02 in the not-to-exceed amount of \$103.4 million and extend the contract term through April 30, 2026, for the NTP-2 work. The total

approved contract value, which includes the NTP-1, NTP-2, and NTP-3 work, is in the not-to-exceed amount of \$151.2 million.

Attachments

- Draft Resolution #HSRA 24-02 regarding Consider Providing Approval to Issue Notice to Proceed (NTP-2) for the Merced to Madera Project Section