

BRIEFING: AUGUST 2018 BOARD MEETING AGENDA ITEM #2

TO: Brian Kelly, CEO

FROM: Joe Hedges, Chief Operating Officer

DATE: March 19, 2019

RE: Consider Applying Budget Reserve to the Construction Package 1 Design Build Contract

Summary of Recommended Actions

The Board's adoption of the Baseline Budget in June 2018, included sufficient funding to address "future risks" that included long-standing construction issues requiring resolution for construction to proceed. This request is to allocate \$27,545,155 from within the adopted Baseline Budget to amend the Construction Package (CP) 1 Design-Build (DB) contract to execute change orders that timely address such risks and immediately advance critical work in the Central Valley. The amended total CP 1 budget allotment will be \$1,613,052,999. This action is an example of active project management that identifies risks and proposes actions to retire such risk so the project can advance in a timely way.

Background

In June 2018, the Board accepted the Program Baseline (Baseline) to implement the Board-adopted 2018 Business Plan. Included in the Baseline, were initial risk assessments that would require further refinement through a structured risk mitigation and management process. The mitigation and management process outlined in the Baseline and in the June 2018 Memo to the board was employed to further identify "future risks." Decisions to mitigate risks and respond to issues resulted in negotiations with the contractor. Staff are in the final stages of negotiations for the items detailed below in Table 1, and timely approval of this request will provide the appropriate funding required to immediately implement specific solutions to address identified risks and meet the Authority's get-to-work schedules.

The scope of the Northern Extension is included within Amendment 6 of the ARRA Grant Agreement. Resolution #HSRA 16-09 authorized the CEO to negotiate and execute a Contract Change to Construction Package 1 for the Northern Extension. The initial Northern Extension negotiations excluded certain scope items, such as utility relocations and hazardous material surveys and remediation, which are challenging to price at early design stages.

Prior Board Actions

Prior board actions related to CP1 are listed the Attachment Section below.

Discussion

This action is an example of active project management that identifies risks and proposes actions to retire such risk so the project can advance in a timely way. By allocating the budget reserves to these specific project elements, the Board is authorizing staff to proactively manage and execute change orders to immediately advance construction within the confines of the previously accepted Baseline.

This request is to authorize funds, scope, and time – all of which are included in the 2018 Program Baseline – to execute seven change orders within the limits of CP 1 required to satisfy obligations of third parties including utilities, railroads, and the City of Fresno and to complete high-speed rail infrastructure. These pending changes include requirements to meet revised railroad design standards, City of Fresno requirements, and Northern Extension utility relocation. The seven change orders can be summarized as follows:

Table 1 Summary of changes

Change	Scope Change Summary	Contract
1-3	Northern extension HSR design and enabling utility relocations (mainly utility relocation design and some utility relocation construction completed on Road 27)	TPZP HSR#13-06
4-7	Church Ave Overcrossing, Belmont overcrossing lighting modifications, Fresno Trench Intrusion Protection Barrier loading change, and City of Fresno Permits lump sum to enable reviews of design and construction.	TPZP HSR#13-06

Description of Scope

Regarding items 1 to 3 in Table 1, the Northern Extension scope has changed since the original Change Order 89 was executed in 2016. Decisions to mitigate risks and respond to issues have triggered multiple potential change orders that are currently being evaluated and are in various stages of negotiation with the CP 1 DB contractor.

To progress the Northern Extension, the Authority is applying the “doing business differently” principles it set out in the 2018 Business Plan and relocating utilities ahead of construction. Road 27 is nearing completion and the design, environmental clearance, and additional right-of-way acquisition will be advanced to allow the commencement of construction elsewhere in the Northern Extension. The budget required for utility relocations in the Northern Extension is estimated to be approximately \$47,000,000 for design and construction. The majority of this budget will be completed through the open book task order process required by the Contract. Final negotiations for the Northern Extension

to secure a comprehensive price for the remaining work are ongoing. Approval, prior to finalizing negotiation is critical to commence work as part of the Authority’s Get-to-Work schedules. Items 1-3 allow specific activities to occur to advance the Northern Extension in a controlled manner.

Regarding items 4 to 7 in Table 1, the design requirement changes at Church and Belmont Avenues, and loading requirement changes for the Intrusion Protection Barrier (IPB) at Fresno Trench, merit contractor compensation. A lump sum change order has been negotiated for City of Fresno construction permits. In aggregate, approximately 97% of this lump sum is due to loading requirements for the IPB in the Fresno Trench.

Staff have comprehensive documentation on file, including independent estimates, merit assessments, legal opinions and commercial determinations for each of the changes, which is only for scope and time. This request proposes to utilize the funds in the 2018 Program Baseline identified as “future work” to implement these changes.

Legal Approval

The Chief Counsel and legal staff have confirmed that augmenting the HSR 13-06 contract by \$27,545,155 through the execution of Change Orders as proposed in this memorandum, comply with all applicable Board policies and Authority regulations, and state and federal law.

Budget and Fiscal Impact



CP 1 DB Contract

Upon approval, this request will allocate budget reserves within the 2018 Baseline to the CP 1 DB Contract up to \$27,545,155 for known Change Orders. This increase will be funded from the Authority’s state appropriations and increase the budget allotment for the CP 1 DB Contract from \$1,585,507,844 up to \$1,613,052,999.

The 2018 Baseline included a reserve for the CP 1 DB Contract. The cashflow impacts will be managed within current fiscal year allocations as the Authority is projected to underspend its full current year budget authorization.

Current Year and Total Program Budget Impact

Contract Name	Contract/Activity Number	Budget Change	Funding Source
CP1 DB	HSR#13-06	\$ 27,545,155	State Funding
CP 1 DB Budget Reserve (FUT 18-004)	N/A	\$ (27,545,155)	State Funding
Total		\$ -	

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

Recommendations

Staff requests the Board approve an increase up to \$27,545,155 to HSR 13-06 CP 1 DB contract for the pending change orders required to implement necessary work in Table 1. These change orders are within the 2018 Program Baseline accepted by the Board in June 2018.

Attachments

- Draft Resolution #HSRA 19-01
- Resolution #HSRA 18-06
- Resolution #HSRA 18-02
- Resolution #HSRA 17-16
- Resolution #HSRA 17-04
- Resolution #HSRA 16-09
- Resolution #HSRA 13-23
- Resolution #HSRA 13-22
- Resolution #HSRA 13-21
- Resolution #HSRA 13-20
- Resolution #HSRA 13-12