

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2008-117

Contingency Increase for Beacon Hill Construction Contract

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	12/4/08	Discussion/Possible Action to Recommend Board Approval	Ahmad Fazel, Link Executive Director	(206) 398-5389
Board	12/11/08	Action	Joe Gildner, Initial Segment Project Director Richard Sage, Link Construction Manager	(206) 689-3350 (206) 398-5226

Contract/Agreement Type:	<input checked="" type="checkbox"/>	Requested Action:	<input checked="" type="checkbox"/>
Competitive Procurement	<input checked="" type="checkbox"/>	Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	<input checked="" type="checkbox"/>
Agreement with Other Jurisdiction(s)		Budget Amendment	
Real Estate		Property Acquisition	

PROJECT NAME

Central Link Initial Segment

PROPOSED ACTION

Authorizes the chief executive officer to increase the contingency for the contract with Obayashi Corporation for construction of the Beacon Hill Station and Tunnel segment of the Central Link Light Rail Initial Segment project in the amount of \$7,288,004, for a new total authorized contract amount not to exceed \$313,000,000, which includes costs reimbursable to Sound Transit from third parties for betterments.

KEY FEATURES of PROPOSED ACTION

- The proposed action will increase the contract contingency by \$7,288,004 to address identified changes and unidentified potential changes associated with the completion of the work of the Beacon Hill Station and Tunnel construction project. Some of the identified changes are discussed under the Project Description and Background Section below.
- This contract includes construction of the civil facilities for the Beacon Hill contract including tunnel portals, aerial structures, and the aerial Mount Baker Station.
- The previous total authorized contract amount of \$305,711,996 included reimbursements to Sound Transit by third parties for betterments in the amount of \$214,031.

BUDGET IMPACT SUMMARY

Current Project Phase: Construction
 Projected Completion Date: 2009

Action Outside of Adopted Budget:	✓	Comments on Checked Items
This Project		
This Phase		
This Task	✓	Proposed action requires funding from unallocated contingency within the construction phase of the Initial Segment project.
Budget Amendment Required		
Key Financial Indicators:	✓	Comments on Checked Items
Contingency Funds Required		
Funding required from other parties		

Not checked = action is assumed in current Board-adopted budget. No budget action or adjustment to financial plan required.

BUDGET and FINANCIAL PLAN DISCUSSION

The Adopted 2008 Lifetime Capital Budget for the Central Link Initial Segment is \$2.07 billion. Within that amount, \$305,499,309 has been set aside for Sound Transit’s share for construction of the Beacon Hill Station and Tunnel (C710) segment in the construction phase. The proposed action would increase commitments for this budget line item by \$7,288,004 to a revised total commitment of \$312,788,289, and result in a shortfall of \$7,288,980, which would be funded from construction phase unallocated contingency.

Of the \$19,044,064 set aside for unallocated contingency within the construction phase, \$18,238,951 remains unutilized. Should the proposed action be approved, that amount would be reduced by \$7,288,980, leaving a remaining budget balance of \$10,949,971 for construction phase unallocated contingency.

The proposed action is consistent with the current adopted budget and the Proposed 2009 Budget, and is affordable within the agency’s long-term financial plan and subarea financial capacity. The action will have no new revenue impact on Sound Transit.

BUDGET TABLE

Action Item: Obayashi Corporation (Increase contingency for the contract to construct the Beacon Hill Tunnel (C710) segment of the Central Link Initial Segment project)

(Year of Expenditure \$000)

Initial Segment	Adopted 2008 Budget (A)	Committed To Date (B)	This Action (C)	Total Committed & Action (D)	Uncommitted (Shortfall) (E)
Agency Administration	193,274	170,020		170,020	23,254
Preliminary Engineering	33,310	33,310		33,310	(0)
Final Design	147,213	146,902		146,902	311
Right of Way	208,396	203,601		203,601	4,796
Construction	1,191,768	1,151,014	7,288	1,158,302	33,466
Construction Services	100,317	101,809		101,809	(1,492)
Third Party Agreements	63,414	63,406		63,406	8
Vehicles	132,307	131,799		131,799	508
Total Current Budget	2,070,000	2,001,862	7,288	2,009,150	60,850

Construction Phase Detail					
Beacon Hill Tunnel C710	305,499	305,500	7,288	312,788	(7,289)
Other Construction	867,224	844,709		844,709	22,516
Construction Unallocated Contingency	19,044	805		805	18,239
Total Phase	1,191,768	1,151,014	7,288	1,158,302	33,466

Contract Amount	Board Approvals to Date (F)	Current Approved Contract Value (G)	Proposed Action (H)	Proposed Total for Board Approval (I)	Proposed Contract Value (J)
Contract Amount	279,963	299,335	-	279,963	299,335
Contingency	25,749	6,377	7,288	33,037	13,665
Total Contract	305,712	305,712	7,288	313,000	313,000
Percent Contingency	9%	2%	100%	12%	5%
Less Betterments	214	214	-	214	214
Total Sound Transit Share	305,498	305,498	7,288	312,786	312,786

(B) COMMITTED TO DATE amounts are from Agency WBS Report as of October 2008 + approved and pending board actions not recorded as of 10/31/08, or submitted after that date.

Budget Shortfall Task Level	\$Shortfall (K)	Potential Resources (L)	Source (M)
Beacon Hill Tunnel C710	7,289	18,239	Unallocated contingency in the construction phase

SMALL BUSINESS PARTICIPATION

Prime Consultant/Contractor

Obayashi Corporation is the prime contractor for this contract. The goal for this contract is 11% for Small Business with a subcontractor goal of 7% for M/W/DBE firms. Obayashi Corporation's current projections for Small Business and M/W/DBE are 18.19% and 10.16% respectively, thus exceeding the contract goals by 7.19% and 3.16% respectively.

EEO Commitment

The EEO goals for this contract are 21% People of Color and 12% Women of the total labor hours worked on the contract. To date, 26.54% of the total work hours have been performed by people of color and 5.28% of the total work hours have been performed by women. As a result of a variety of factors outside of Obayashi Corporation's control, it has been unable to attain 12% women participation to date.

Apprentice Utilization Commitment

Obayashi Corporation committed to a 20% apprentice utilization goal. As a result of a variety of factors outside of Obayashi Corporation's control, it has attained 10.11% apprentice participation to date. The project goal is to have 21% of the apprentice hours performed by People of Color and 12% performed by Women. To date 39.71% of the apprentice work hours have been performed by People of Color and 17.17% of the apprentice work hours have been performed by Women.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

This contract includes construction of an approximately one-mile long, twin tube tunnel beneath Beacon Hill, including a deep mined tunnel station. Vertical circulation to the tunnel station will be provided through an access shaft with four high-speed elevators and stairways. A secondary shaft will be provided for emergency egress. A station headhouse will provide access to elevators and stairways. East of the tunnel, the alignment continues on an elevated guideway, including an aerial station near McClellan Street. The aerial Mount Baker Station is fully enclosed and includes a new urban plaza. The alignment descends to grade in the median of MLK Jr. Way just north of South Walden Street. Overall construction on this contract is 92% complete.

Sound Transit is forecasting substantial completion by May 2009 with acceptance to follow one month later. The May 2009 substantial completion does not impact revenue operation service in July 2009 as the critical systems will be operational and tested prior to that date.

The initial contingency of \$20 million is just over 7% of the contract amount. The Board previously authorized the transfer of additional contingency in the amount of \$750,000 from the Real Estate budget to the C710 contract to cover some of the site remediation costs associated with petroleum contaminated soils.

In August 2007 the Board authorized an increase in contingency to 9% to deal with a variety of soil condition issues and installation of an emergency generator. This Board action will increase the contingency to 11.8%

In addition to ongoing normal changes, there have been a number of unusual occurrences, such as:

- Wage escalation provisional sum has been increased and will need to be increased further by a total of \$5,400,000.
- Settlement of small claims to date is approximately \$2,000,000.
- The Seattle City Light access road at the west portal needed to be redesigned due to geologic conditions. The net increased cost is estimated to be approximately \$800,000.
- Extended overhead compensation for compensable time extensions granted to date is \$835,000.

Some of the increased cost of the Contract has been offset by savings due to underruns in some unit priced items associated with the sequential excavation mining. The aggregate of these occurrences along with routine changes have contributed to the near depletion of the contract contingency such that remaining budget is required to cover routine change orders for anticipated remaining changes, unanticipated small changes, and to perform the work in a timely and efficient manner.

Prior Board/Committee Actions on this Project

Motion/Resolution Number and Date	Summary of Action
M2007-87 8/23/07	Authorized the ceo to increase the contingency for the contract with Obayashi Corporation for construction of the Beacon Hill Station and Tunnel segment of the Central Link Initial Segment project in the amount of \$4,998,656, for a new total authorized contract amount not to exceed \$305,711,996, which includes reimbursement to Sound Transit by third parties for betterments in the amount of \$214,031.
M2005-29 3/10/05	Authorized the ceo to increase the contingency for the contract with Obayashi Corporation for construction of the Beacon Hill Station and Tunnel segment of the Central Link Initial Segment project in the amount of \$750,000 for the Link Light Rail Initial Segment Beacon Hill Tunnel, for a new total authorized contract amount not to exceed \$300,714,375, which includes reimbursements to Sound Transit by third parties for betterments in the amount of \$215,066.
M2004-59 6/10/04	Authorized the ceo to execute a contract with Obayashi Corporation for the construction of the Beacon Hill Tunnel, the Beacon Hill Tunnel Station, the aerial guideway along McClellan Street, and the aerial McClellan Station in the amount of \$279,964,375, plus a contract contingency of \$20,000,000 for a total authorized contract amount not to exceed \$299,964,375, which includes reimbursed to Sound Transit by third-parties for betterments in the amount of \$215,066.

CONSEQUENCES of DELAY

A significant delay beyond the December 4, 2008 Finance Committee meeting and December 11, 2008 Board meeting could cause inefficiencies in completion of the C710 Beacon Hill construction contract.

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL COMPLIANCE

Jl, 11/14/08

LEGAL REVIEW

JW 11/26/08

SOUND TRANSIT

MOTION NO. M2008-117

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to increase the contingency for the contract with Obayashi Corporation for construction of the Beacon Hill Station and Tunnel segment of the Central Link Light Rail Initial Segment project in the amount of \$7,288,004, for a new total authorized contract amount not to exceed \$313,000,000, which includes costs reimbursable to Sound Transit from third parties for betterments.

Background:

This contract includes construction of an approximately one-mile long, twin tube tunnel beneath Beacon Hill, including a deep mined tunnel station. Vertical circulation to the tunnel station will be provided through an access shaft with four high-speed elevators and stairways. A secondary shaft will be provided for emergency egress. A station headhouse will provide access to elevators and stairways. East of the tunnel, the alignment continues on an elevated guideway, including an aerial station near McClellan Street. The aerial Mount Baker Station is fully enclosed and includes a new urban plaza. The alignment descends to grade in the median of MLK Jr. Way just north of South Walden Street. Overall construction on this contract is 92% complete.

Sound Transit is forecasting substantial completion by May 2009 with acceptance to follow one month later. The May 2009 substantial completion does not impact revenue operation service in July 2009 as the critical systems will be operational and tested prior to that date.

The initial contingency of \$20 million is just over 7% of the contract amount. The Board previously authorized the transfer of additional contingency in the amount of \$750,000 from the Real Estate budget to the C710 contract to cover some of the site remediation costs associated with petroleum contaminated soils.

In August 2007 the Board authorized an increase in contingency to 9% to deal with a variety of soil condition issues and installation of an emergency generator. This Board action will increase the contingency to 11.8%

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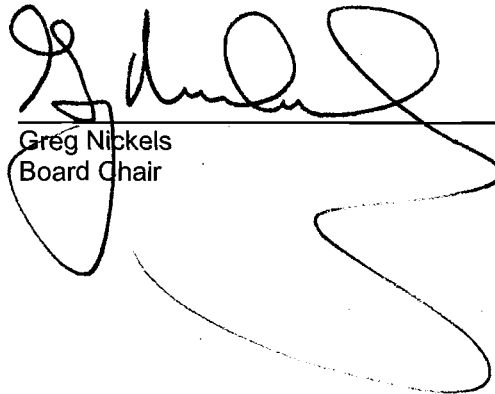
- Wage escalation provisional sum has been increased and will need to be increased further by a total of \$5,400,000.
- Settlement of small claims to date is approximately \$2,000,000.
- The Seattle City Light access road at the west portal needed to be redesigned due to geologic conditions. The net increased cost is estimated to be approximately \$800,000.
- Extended overhead compensation for compensable time extensions granted to date is \$835,000.

Some of the increased cost of the contract has been offset by savings due to underruns in some unit priced items associated with the sequential excavation mining. The aggregate of these occurrences along with routine changes have contributed to the near depletion of the contract contingency such that remaining budget is required to cover routine change orders for anticipated remaining changes, unanticipated small changes, and to perform the work in a timely and efficient manner.

Motion:


It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to increase the contingency for the contract with Obayashi Corporation for construction of the Beacon Hill Station and Tunnel segment of the Central Link Light Rail Initial Segment project in the amount of \$7,288,004, for a new total authorized contract amount not to exceed \$313,000,000, which includes costs reimbursable to Sound Transit from third parties for betterments.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 11, 2008.



Greg Nickels
Board Chair

ATTEST:



Marcia Walker
Board Administrator