

**SOUND TRANSIT
STAFF REPORT**

RESOLUTION NO. R2005-08 AND BOARD MOTION NOS. M2005-28 AND M2005-29

Contaminated Soils Remediation in the Rainier Valley

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	03/03/05	Discussion/Possible Action to Recommend Board Approval Action	Joe Gildner, Link Construction Manager	206-398-3350
Board	03/10/05		Martin Schachenmayr, Link Project Control Manager	206-398-5162
			Roger Hansen, Link Real Estate Manager	206-689-3366

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	✓
Interlocal Agreement		Contingency Funds (Budget) Required	
Purchase/Sale Agreement		Budget Amendment Required	✓

✓ *Applicable to proposed transaction.*

ACTION

This staff report describes the following related proposed actions:

- (1) **Resolution No. R2005-08** –Transfers uncommitted lifetime capital budget in the amount of \$4 million from the Right of Way Phase to the Construction Phase of the Initial Segment adopted budget, maintaining the total adopted project capital budget of \$2.07 billion.
- (2) **Motion No. M2005-28** – Increasing the authorized contract expenditure for the Rainier Valley LRT construction contract with RCI Herzog, A Joint Venture (Contract C735) in the amount of \$3,250,000 for a new total authorized contract amount not to exceed \$146,949,260, which includes reimbursements to Sound Transit by third parties for betterments in the amount of \$14,123,336.
- (3) **Motion No. M2005-29** – Increasing the authorized contract expenditure for the Beacon Hill tunnel construction contract with Obayashi Corporation (Contract C710) by an amount of \$750,000 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.

KEY FEATURES

- Light Rail Transit (LRT) civil facilities construction in the Rainier Valley has been underway since the spring of 2004. Work to date has primarily involved site preparation and utility relocations. LRT construction in the Rainier Valley is being performed under two separate contracts:
 - Construction of the at-grade LRT alignment and associated work along Martin Luther King Jr. (MLK) Way South under Contract C735 with RCI Herzog, A Joint Venture; and

- Construction of the elevated LRT guideway, including the Mount Baker station, and associated site preparation work that is part of the Beacon Hill tunnel construction contract with Obayashi Corporation (Contract C710).
- In preparation for the LRT construction in the Rainier Valley, Sound Transit acquired approximately 440 property interests, involving approximately 140 business and residential relocations. Sound Transit secured required properties in a timeframe that facilitated LRT construction.
- As part of the property acquisition process, Sound Transit conducted an environmental investigation to determine whether to be acquired properties contain contaminated soil. In the event that properties are found to be contaminated, the cost of the required remediation that Sound Transit expects to perform is considered when determining the fair market value of properties.
- In connection with the LRT construction, Sound Transit is required to remediate disturbed contaminated soil through the implementation of Corrective Action Plans (CAPS). Time permitting, the majority of the CAPS work was originally planned to be performed through separate contracts in advance of the main LRT construction; however, due to project schedule constraints and given that remediation requirements for properties to be transferred to the City of Seattle had not been fully defined at the time, it was determined that, to the extent practical, the CAPS work should be postponed to occur concurrent with the main LRT construction.
- In anticipation that it would in some instances not be practical to separate the CAPS work from the LRT construction, the C735 and C710 construction contracts include allowances for limited CAPS work. It is now recommended that the balance of the CAPS work also be performed as part of the C735 and C710 contracts, as incorporation of this work into these contracts reduces coordination requirements and minimizes schedule risks. The potential incorporation of the broader CAPS program into the C735 and C710 contracts was contemplated as part of the original contract scope of work but not included in the contract pricing nor considered in the contract contingency assignment for these contracts.
- It is possible that inclusion of the CAPS work could potentially result in an extension to the overall C735 contract duration. Such an extension is not expected to impact the overall project schedule.
- To date, approximately \$1,250,000 and \$500,000 of CAPS work has been performed, respectively, under the C735 and C710 contracts. This work has been funded using existing authorized contract contingencies, leaving current contingency balances of approximately \$9,300,000 and \$19,050,000 for the C735 and C710 contracts, respectively. The total combined amount of the CAPS work is estimated to be approximately \$3,250,000 for the C735 contract and \$750,000 for the C710 contract.
- Since the Initial Segment property acquisition costs for contaminated properties were reduced by the estimated cost of the clean up work that is now being performed as part of the C735 and C710 contracts, it is proposed that the associated funds within the Right of Way Phase of the project budget be transferred to augment the existing contingencies for these two construction contracts.

- The proposed budget transfer would result in a corresponding line item transfer in the Full Funding Grant Agreement Baseline Cost Estimate. This change is provided for and is consistent with the Federal Transit Administration's grant management requirements.

BUDGET IMPACT SUMMARY

Project Description: Central Link Initial Segment

Current Status: Construction

Projected Completion Date: 2009

Action Outside of Adopted Budget:	Y/N	Y Requires Comment
This Line of Business	N	
This Project	N	
This Phase	Y	This action requires a budget transfer from the ROW Phase to the Construction Phase within the project.
This Task	N	
Budget amendment required	Y	Amend the Adopted 2005 Budget to transfer budget between phases within the project.
Key Financial Indicators:	Y/N	Y Requires Comment
Contingency funds required	N	
Subarea impacts	N	
Funding required from other parties other than what is already assumed in financial plan	N	

N = Action is assumed in current Board-adopted budget. Requires no budget action or adjustment to financial plan.

BUDGET DISCUSSION

The adopted lifetime capital budget for the Initial Segment of \$2.07 billion includes \$1,168,065,612 in the Construction phase and \$229,516,000 in the Right of Way phase. The proposed budget transfer under Resolution No. R2005-08 would result in revised phase level budgets of \$1,172,065,612 and \$225,516,000 for the Construction and Right of Way phases, respectively. These changes would not affect the overall lifetime capital budget for the Initial Segment of \$2.07 billion.

<u>(Year of Expenditure \$000)</u>			
Initial Segment	Adopted 2005 Budget (A)	Proposed Action (B)	Proposed Amended 2005 Budget (C)
1 Agency Administration	218,780		218,780
2 Preliminary Engineering	34,000		34,000
3 Final Design	143,523		143,523
4 Right of Way	229,516	(4,000)	225,516
5 Construction	1,168,066	4,000	1,172,066
6 Construction Services	83,892		83,892
7 Third Party Agreements	58,916		58,916
8 Vehicles	133,307		133,307
9 Total Current Budget	2,070,000	-	2,070,000

In the Right of Way Phase, the proposed budget transfer would reduce the budget allocated for Rainier Valley by \$4 million, from \$50,258,049 to \$46,258,049. In the Construction Phase, the proposed action would: (a) increase the lifetime capital budget for the Rainier Valley LRT construction by \$3,250,000, from \$130,000,000 to \$133,250,000; and (b) increase the lifetime capital budget for the Beacon Hill tunnel and McClellan Street construction segment by \$750,000, from \$299,749,309 to \$300,499,309. There is no subarea impact, as the proposed actions relate only to North King County.

Motion No. M2005-28 would authorize an increase to the authorized expenditure for the Rainier Valley LRT Construction contract (Contract C735) by an amount of \$3,250,000 for a new total authorized contract amount not to exceed \$146,949,260, which includes reimbursements to Sound Transit by third parties for betterments in the amount of \$14,123,336.

Motion No. M2005-29 would authorize an increase to the authorized expenditure for the Beacon Hill tunnel construction contract (Contract C710) by an amount of \$750,000 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.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The proposed action requires a budget transfer from the Right of Way Phase to the Construction Phase within the Central Link Initial Segment Project. It is otherwise consistent with the current Board-adopted budget and is affordable within the agency's current long-term financial plan and subarea financial capacity. The action will have no new revenue impact on Sound Transit.

BUDGET TABLE

Action Items related to Contaminated Soils Remediation in the Rainier Valley:

- (1) Transfer \$4 million to the Construction Phase from the ROW Phase within the Initial Segment
- (2) RCI-Herzog - A Joint Venture (increase authorized contract expenditure for construction along MLK, Jr Way (C735) in the Initial Segment)
- (3) Obayashi Corporation (increase authorized contract expenditure for Beacon Hill tunnel construction (C710) in the Initial Segment)

(Year of Expenditure \$000)

Initial Segment	Proposed Amended 2005 Budget (see notes) (A)	Committed To Date (B)	This Action (C)	Total Committed & Action (D)	Uncommitted (Shortfall) (E)
1 Agency Administration	218,780	112,318		112,318	106,462
2 Preliminary Engineering	34,000	33,610		33,610	390
3 Final Design	143,523	140,688		140,688	2,835
4 Right of Way	225,516	176,413		176,413	49,103
5 Construction	1,172,066	779,109	4,000	783,109	388,957
6 Construction Services	83,892	80,631		80,631	3,262
7 Third Party Agreements	58,916	53,452		53,452	5,464
8 Vehicles	133,307	131,799		131,799	1,508
Total Current Budget	2,070,000	1,508,019	4,000	1,512,019	557,981

Construction Phase Detail

10 Contract 735 construction	133,250	129,920	3,250	133,170	80
11 Contract 710 construction	300,499	299,749	750	300,499	-
12 Other Segments	738,316	349,439	-	349,439	388,877
Total Phase	1,172,066	779,109	4,000	783,109	388,957

(A) PROPOSED AMENDED 2005 BUDGET reflects (Action Item 1) the transfer of \$4 million to the Construction Phase from the ROW phase within the Initial Segment. Amounts in 10(A) and 10 (B) CONSTRUCTION PHASED DETAIL also reflect this transfer, but are higher than those shown in (F) and (G) CONTRACT BUDGET sections below, which reflect separate board actions. (Additional detail provided in the BUDGET DISCUSSION.)

16(F) and 16(G) CONTRACT BUDGET reflects (Action Item 2) to increase the authorized contract expenditure for construction along MLK, Jr Way (C735)

22(F) and 22(G) CONTRACT BUDGET reflects (Action Item 3) to increase the authorized contract expenditure for Beacon Hill Tunnel construction (C710)

RCI-Herzog - Joint Venture Contract Budget	Board Approvals to Date (see note) (F)	Current Approved Contract Value (G)	Proposed Action (H)	Proposed Total for Board Approval (I)	Proposed Contract Value (J)
14 Contract Amount	114,180	114,805	-	114,180	114,805
15 Contingency	15,396	14,716	3,250	18,646	17,966
16 Total Sound Transit	129,576	129,520	3,250	132,826	132,770
17 Percent Contingency	13%	13%	0%	16%	16%
18 Betterments	14,123	14,123	-	14,123	14,123
19 Total	143,699	143,644	3,250	146,949	146,894

(F) BOARD APPROVALS TO DATE reflects contingency authorized in Board Motion M2004-03 as Sound Transit. The Budget Table in the M2004-03 understated this amount as \$13.883 million.

Obayashi Corporation Contract Budget	Board Approvals to Date (K)	Current Approved Contract Value (L)	Proposed Action (M)	Proposed Total for Board Approval (N)	Proposed Contract Value (O)
20 Contract Amount	279,749	279,989	-	279,749	279,989
21 Contingency	20,000	19,760	750	20,750	20,510
22 Total Sound Transit	299,749	299,749	750	300,499	300,499
23 Percent Contingency	7%	7%	0%	7%	7%
24 Betterments	215	215	-	215	215
25 Total	299,964	299,964	750	300,714	300,714

M/W/DBE – SMALL BUSINESS PARTICIPATION

Not applicable for this action.

HISTORY OF PROJECT

LRT construction in the Rainier Valley includes a half mile of elevated guideway along McClellan Street and an approximately 4.3-mile long at-grade guideway located in the median of the Martin Luther King Jr. (MLK) Way South roadway. A total of four stations will be constructed: the Mount Baker station at McClellan Street, the Columbia City station at South Edmunds Street, the Othello station, and the Rainier Beach station at South Henderson Street.

MLK Way South will be fully reconstructed within the contract limits and the construction scope includes significant utility work, including the undergrounding of overhead utilities.

LRT civil facilities construction in the Rainier Valley is being performed under two separate contracts. The construction of the at-grade LRT alignment and associated work along MLK Way South is being performed under the Contract C735 with RCI-Herzog, A Joint Venture that was awarded in February of 2004. Construction of the elevated LRT guideway, including the Mount Baker station, is part of the Beacon Hill tunnel construction contract with Obayashi Corporation (Contract C710) that was awarded in June of 2004.

Prior Board or Committee Actions and Relevant Board Policies

Motion or Resolution Number	Summary of Action	Date of Action
R2004-19	Adopt an annual budget for the period from January 1 through December 31, 2005 ...	11/18/04
M2004-59	Authorized the Chief Executive Officer 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 in the amount of \$20,000,000 for a total authorized contract amount not to exceed \$299,964,375, which includes reimbursements to Sound Transit by third parties for betterments in the amount of \$215,066.	06/10/04
M2004-03	Authorized the Chief Executive Officer to execute a contract with RCI-Herzog, A Joint Venture, for light rail construction in the Rainier Valley in the amount of \$128,302,911 with a 12% contingency of \$15,396,349, for a total authorized contract amount not to exceed \$143,699,260.	02/12/04

CONSEQUENCES OF DELAY

Construction sequencing requires that the CAPS work be performed at this time. It is recommended that the budget transfer be approved in parallel with the related scope transfer to the affected construction contracts.

PUBLIC INVOLVEMENT

Not applicable for this action.

LEGAL REVIEW

JW 2/11/05