

# *Capital Project Cost Contingency*

*System Expansion Committee*

*02/09/23*

# *Today's presentation*

- Providing information about types of cost contingency, and how we manage contingencies for ST projects.
- Not examining cost estimating process today.
- Setting the stage for additional discussion about project contingencies.
- No board action is requested.

***What is contingency?***

# *Cost contingency*

Allows for uncertainty that is likely to add cost to an estimate

- planning and estimating errors and omissions
- minor price fluctuations
- variations in market and environmental conditions
- design developments and changes within the scope

Contingency is not to add work outside the scope;  
Cost contingency is expected to be expended

# Types of contingency

## Design Allowance

- Cost of construction elements included in the scope but not yet quantified or fully defined

## Allocated Contingency (AC)

- Unforeseen conditions encountered during the execution of the work.
- Contract contingency is a type of AC for change orders or agreement amendments

## Unallocated Contingency (UAC)

- Addresses general project risks & cost estimate variances; not to fund scope increases

## Project Contingency & Project Reserve

- Project Contingency is set aside in the project for extraordinary uncertainties
- Project Reserve is separate in the finance plan; 2/3 board majority approval required

# ***Contingency in budgets***

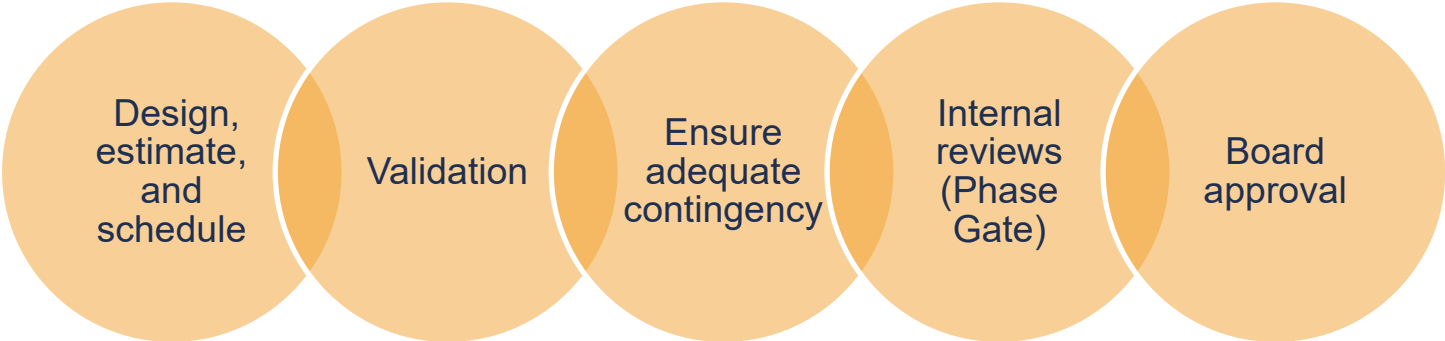
# *Project planning and design*

When a project begins, the Board approves initial budget to analyze alternatives, perform environmental review and complete early engineering. Later, budget is added to complete design and pre-construction work.

- Allocated contingency is included for contracts and unallocated for general phase budget unknowns



# Project baseline

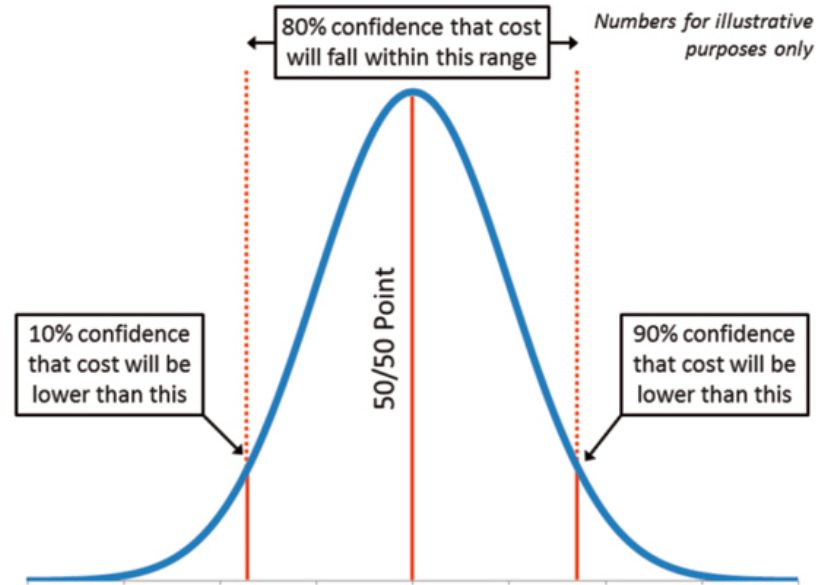




# Contingency based on risk

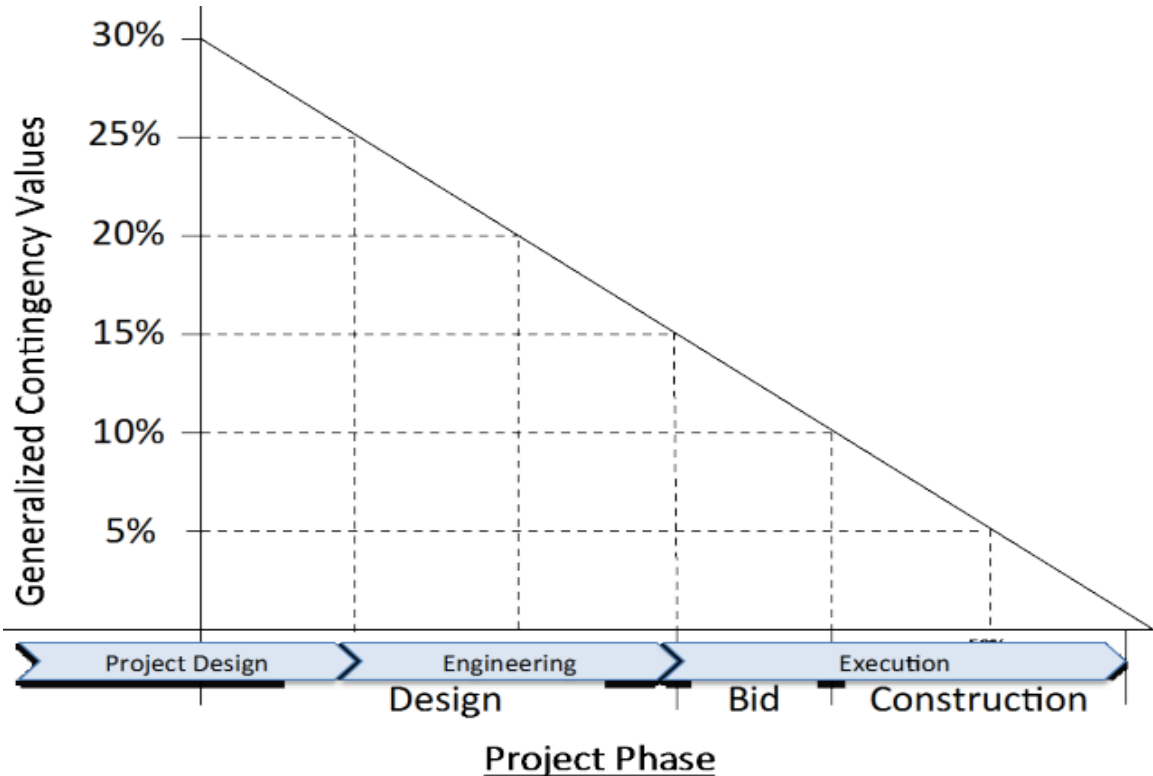
Right of Way costs have higher contingency to cover market condition variability.

High risk construction activity, such as deep foundations or tunnels, also carries higher contingency.



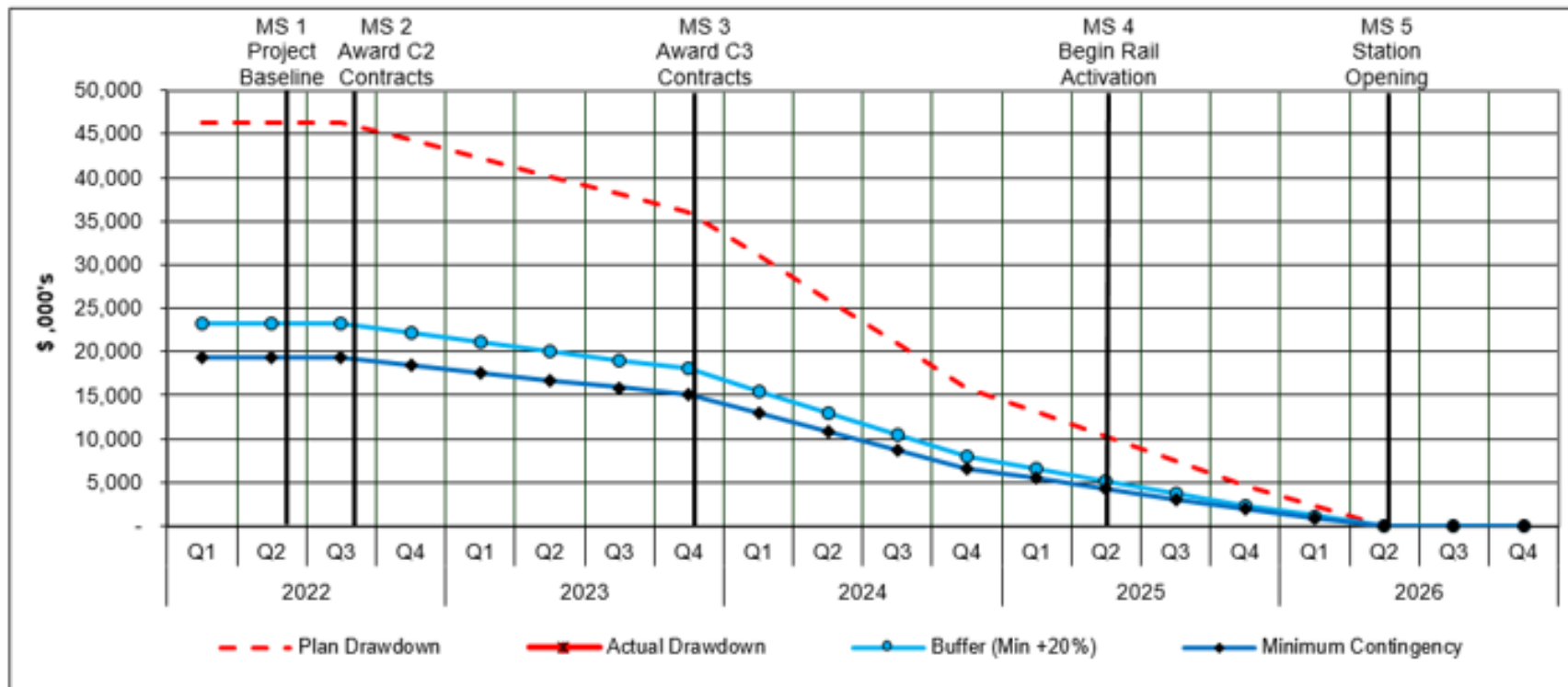
***How contingency is managed***

# Contingency drawdown



Guidance from FTA  
project oversight  
procedures

# Contingency drawdown



# Who can approve using contingency?

## Project Team

- Small budget transfers (<\$150k) of Allocated (AC) or Unallocated Contingency (UAC)
- Small change orders (<\$500k) within existing contract contingency

## Executive Director

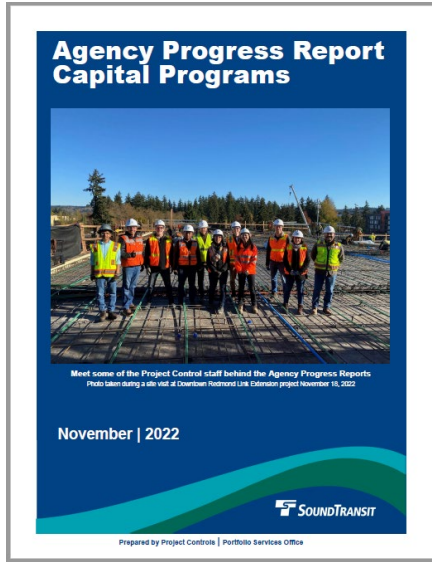
- Large budget transfers of AC or UAC
- Large change orders within existing contract contingency

## ST Board or Committee

- Actions that increase contracting authority to the Board Committee threshold
- Use of Project Contingency or Reserve

# Continuous monitoring and reporting

We report contingency balances of baselined projects in the Agency Progress Report and Project Performance Tracker.



Project Performance Tracker					Data Quality
Latest report date	Report date	Project	Corridor		
November 2022	Nov. 2022	All	All		

Projects in planning					
As of	Project	Budget risk	Schedule risk (to next milestone)	Schedule risk (to delivery date)	
Nov. 2022	Auburn Station Parking & Access Improvement	●	◆	◆	
Nov. 2022	Bus Base North	▲	◆	◆	
Nov. 2022	Everett Link Extension	●	◆	◆	
Nov. 2022	I-405 Stride BRT	●	◆	◆	
Nov. 2022	Kent Station Parking & Access Improvement	●	◆	◆	
Nov. 2022	Lakewood Station Access Improvement	●	▲	●	
Nov. 2022	Link Operations & Maintenance Facility: North	●	◆	◆	
Nov. 2022	Link Operations & Maintenance Facility: South	●	◆	●	
Nov. 2022	North Corridor Maintenance of Way	●	◆	●	
Nov. 2022	Series 3 Light Rail Vehicles	●	●	●	
Nov. 2022	Saunderson South Capacity Expansion Program	●	●	●	
Nov. 2022	South Tacoma Access Improvement	●	▲	●	
Nov. 2022	SR 522/NE 145th Stride BRT	▲	◆	◆	
Nov. 2022	Stadium Station Station and Access Improvement	▲	◆	◆	

**Legend**

**Budget risk**  
The difference between projects current cost estimate and 2022 Finance Plan.

- Green circle: On or under budget
- Yellow triangle: 0-1% over budget
- Red diamond: More than 5% over budget

**Schedule risk (to next milestone)**  
An indication of if the project is on track as it moves through the planning phase toward construction.

- Green circle: On or ahead of schedule
- Yellow triangle: Next milestone delayed by 1-6 months
- Red diamond: Next milestone delayed by 6+ months

**Schedule risk (to delivery date)**  
An indication of if the project is on track to be in service per the Board-identified Target Schedule.

- Green circle: On or ahead of schedule
- Yellow triangle: Opening 1-6 months behind schedule
- Red diamond: Opening 6+ months behind schedule

(\*) New financial resources needed to achieve Target Schedules for Everett Link, Issaquah Link, Tacoma Community College Extension, and Smith Cove-Ballard.

# *Next Steps*

- Continue Board-level discussion of estimating process and components
- Build on this presentation for future discussions later this year:
  - Contingencies from recent projects, including options once projects complete

*Thank you.*



 [soundtransit.org](https://www.soundtransit.org)

