

# *Capital Project Cost Contingency*

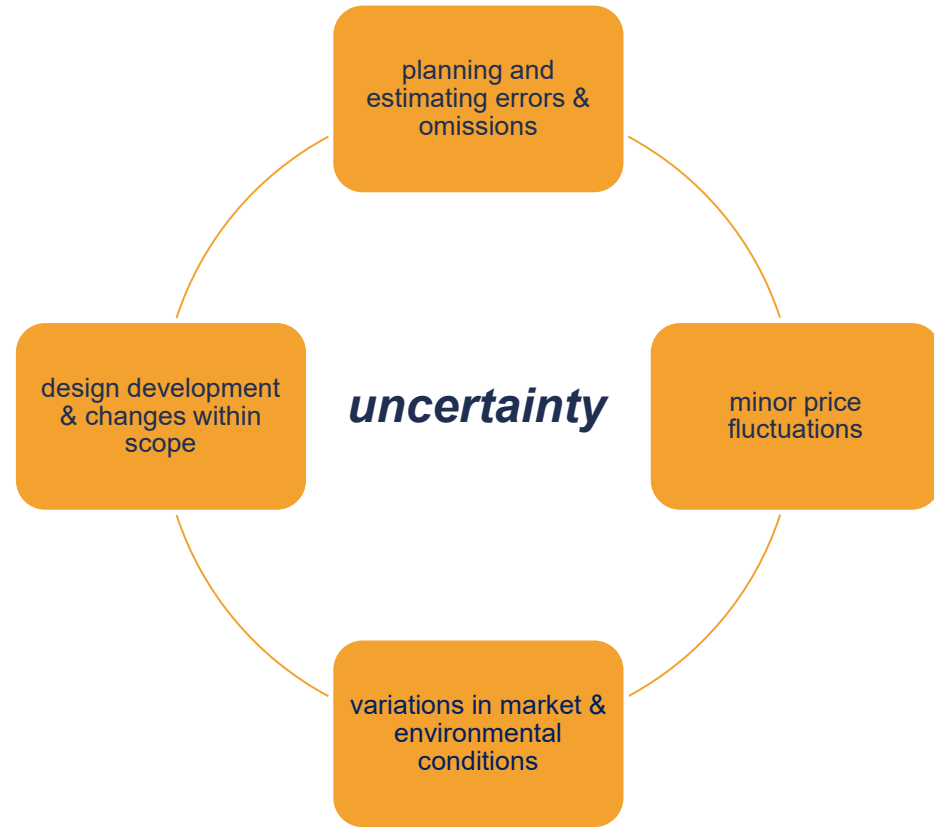
*System Expansion Committee  
04/13/23*

# *Today's presentation*

- Review information provided in February about types of cost contingency, and how contingencies are managed.
- Not examining cost estimating process today.
- Setting the stage for additional discussion about project contingencies.
- No board action is requested.

# Cost contingency

- Allows for uncertainty that is likely to add cost
- Contingency is not to add work outside scope
- Cost contingency is expected to be used



# Types of contingency

## Design Allowance

- Costs for work not fully detailed during design phase

## Allocated Contingency (AC)

- Unforeseen conditions for contracts / budget line-items

## Unallocated Contingency (UAC)

- General project risks & cost estimate variances

## Project Contingency & Project Reserve

- Extraordinary uncertainties; Board must approve

# Project planning and design

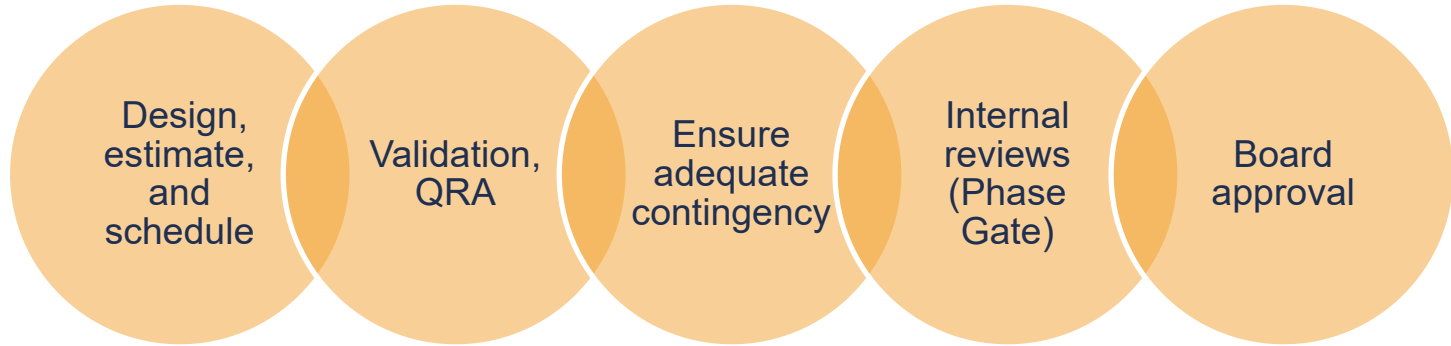


Design allowance is used as the design detail increases, and allocated contingency is used to cover contract changes.

Contingencies are **not** used for adding scope.



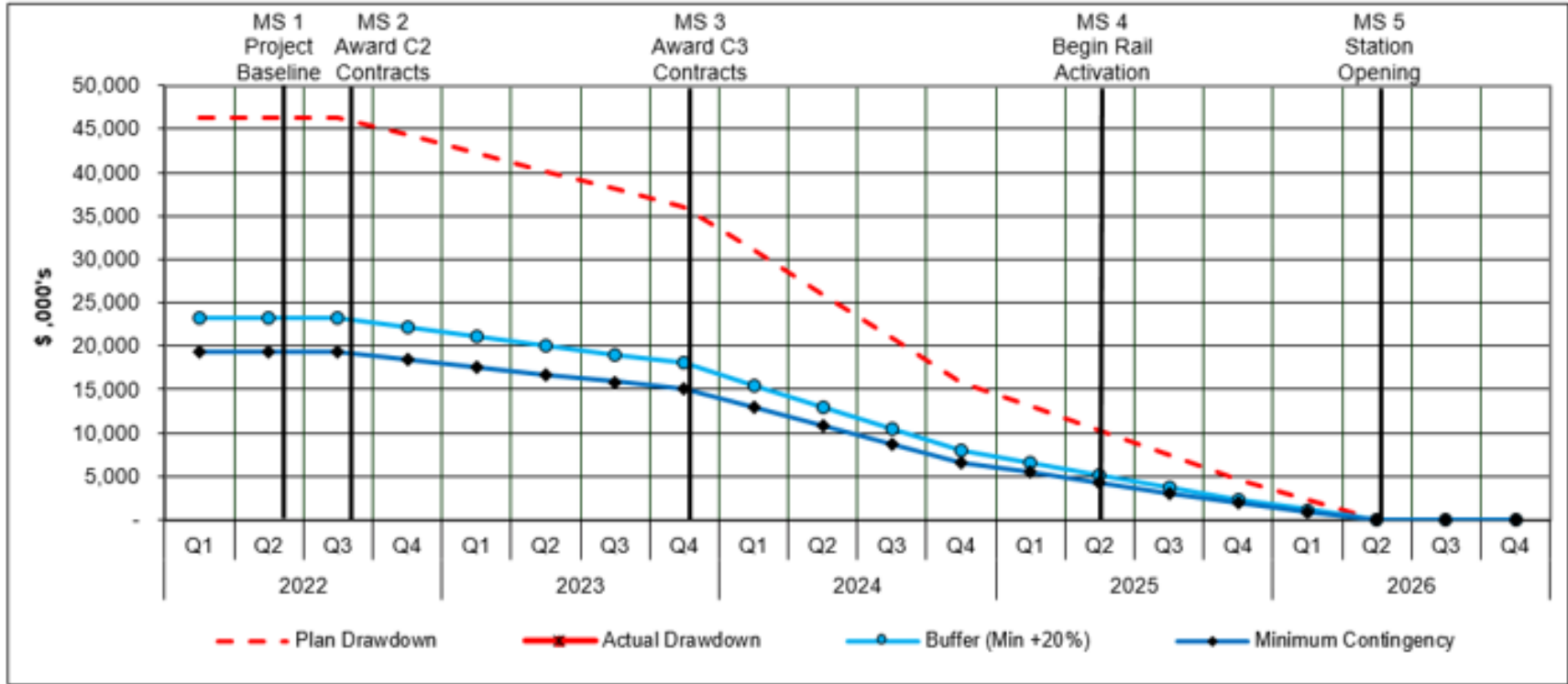
# Project baseline



Allocated and unallocated contingencies cover changes and risk, and project reserve or contingency covers extraordinary events.



# Contingency drawdown plan



# 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

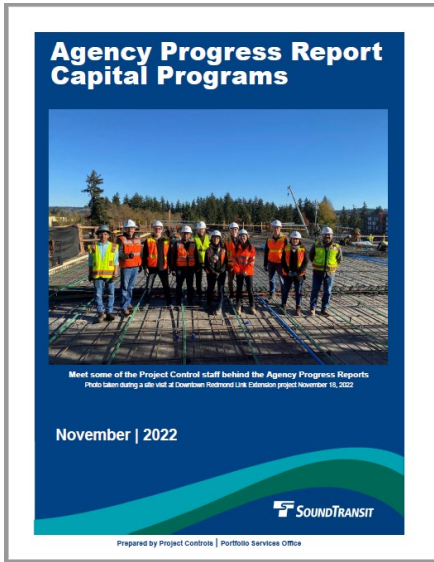
## ST Board or Committee

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



# Continuous monitoring and reporting

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



**Project Performance Tracker** Data Quality ■ ■

Latest report date: **November 2022** | Report date: Nov. 2022 | Project: All | Corridor: All

**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

**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	Saunders South Capacity Expansion Program	●	●	●
Nov. 2022	South Tacoma Access Improvement	●	▲	●
Nov. 2022	SR 522/NE 145th Stride BRT	▲	◆	◆
Nov. 2022	Stadium Station Public and Access Improvement	▲	◆	◆

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# Project closeout

## R2020-24 Budget Policy

- Remaining, unspent contingency for completed projects is defunded at project closeout or by increments during Annual Budget process



## Federal funding requirements

- Projects with an FFGA or federal TIFIA loan must retain budget until the project is open for service, substantially complete (TIFIA) and grant/loan is ready for closeout.

# *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.*



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